

Sogefi Group

Consolidated Non-Financial Statement

In accordance with the Legislative Decree no. 254/2016

Sustainability Report 2020



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1 Letter to Stakeholders

Dear Stakeholders,

Sogefi, part of the CIR group, is a world leader in the automotive components sector, with innovative products in three business areas: Filtration, Suspensions and Air and Cooling.

In 2020 the circumstances caused by the pandemic, have had a significant impact on the Group's business and a sharp decline in volumes that characterized the entire automotive industry. Although with a decline of 18%, the Group records revenues for 2020 of 1,2 billion euros thanks to the timely intervention to reduce the impact of the crisis from March to today. In fact, the Company is working to adapt structurally to the changed circumstances of the market and to quickly recover its economic and financial stability, in a context which, although still uncertain, foresees a clear recovery of volumes able to support the challenges of the market towards the energy transition.

Sogefi Group confirms its commitment to adapting its strategies and priorities to the expectations of the market and its customers in terms of low-emissions and alternative mobility vehicles, both in terms of innovative and eco-responsible products and through an industrial carbon footprint that respects the environment and communities.

The health crisis and its consequences have re-established all over the world the priority of human health, of working safely through ways able to balance both personal and professional life in a better way, even if with some adaptation problems. Sogefi has supported its employees in this process from the outset, guaranteeing safe working conditions in all its subsidiaries around the world through the adoption of rules and protocols that comply with national regulations, as well as the possibility of smart-working.

However, safety in the workplace has always been a priority for the Group, which in fact has been investing for years in managing these risks, achieving extraordinary objectives: the rate of accidents at work with days off, measured at all organizational levels have decreased by 33% in the last 3 years.

Similarly, the Group's commitment to the environment is confirmed by a production park of almost all (95%) certified ISO 14001:2015, as well as by the performance of greenhouse gas emissions, which has fallen by 18%¹ in the last 3 years, thanks to the many energy saving projects launched at a global and local level.

Sogefi is firmly convinced that sustainability is a key element in creating value for shareholders and all stakeholders and is therefore part of the operative and strategic priorities of the Group and of the organizational culture, also through a continuous process of identifying, assessing and monitoring potential environmental, social and economic risks that could impact the business and the external context.

The following Consolidated Non-Financial Statement highlights the improvements in the field of sustainability and provides Stakeholders with full and transparent information about the Group's developments, also in the light of the special consequences caused by the pandemic.

We would like to thank all Stakeholders for their contribution and, through this Report, we intend to foster an open and transparent dialogue, contributing to the Group's objective of creating long-term value.

CEO and Board Member

Contacts

For further information about the social responsibility policies of the Sogefi Group and the information contained in the Consolidated Non-Financial Statement, you can write to the following address: sustainability@sogefigroup.com

¹ Data refers to the Scope 1 and Scope 2 Market based.

2 The Sogefi Group profile

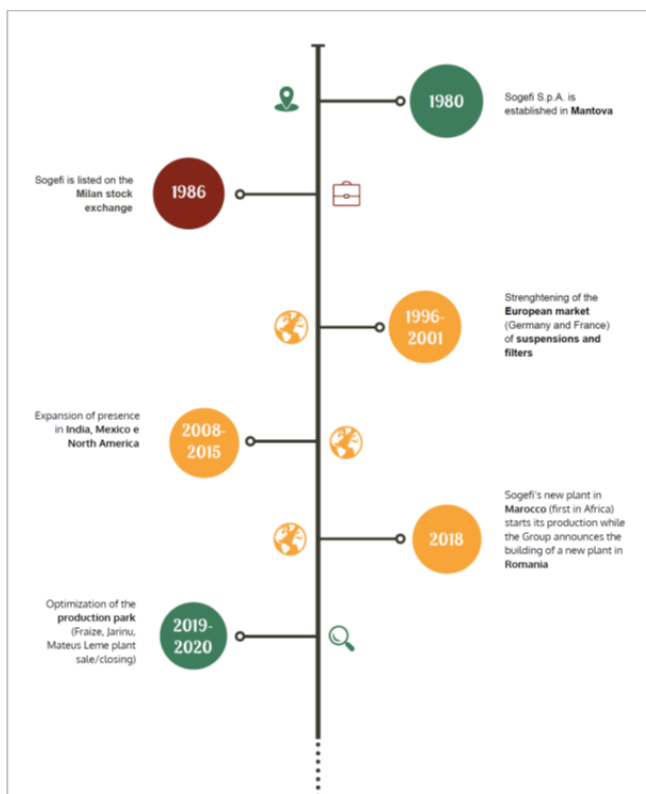
History and current positioning

Sogefi Group, founded in Italy in 1980, is a worldwide leader in the design and manufacture of engine filtration, air management, engine cooling and vehicle suspension components for the automotive original equipment and aftermarket components. The Group is in partnership with the world's major car and commercial three-wheelers and two-wheelers vehicle manufacturers.

The Group has grown mainly through global strategic acquisitions and joint ventures in the automotive components sector.

Sogefi S.p.A. is a listed company with registered offices in Via Ciovassino 1/a, Milano (Italy) and its corporate offices in Parc Ariane IV, Avenue du 8 Mai 1945, n.7 in Guyancourt (France).

The Sogefi stock has been listed since 1986 in *Mercato Telematico Azionario* organized and managed by the Milano Stock Exchange and has been traded on the STAR segment since January 2004.



The Company is subject to the management and coordination of the holding CIR - Compagnie Industriali Riunite S.p.A. As of December 31, 2020, the major shareholder is ultimately the company F.lli De Benedetti S.p.A.

The Group's history highlights a worldwide expansion through strategic acquisitions and joint ventures in the automotive components sector.

Sogefi is now a multinational company with a global presence in 20 countries², around 40 production sites, 4 research centres and 9 development centres.

During 2020, the Group started production activities in the new plant of Oradea (Romania). At the same time, Sogefi endend the activities of the plants of:

- Jarinu and Mateus Leme (Brasil) following the sale of the subsidiary Sogefi Filtration do Brasil Ltda;
- Shanghai (China), in the face of the start of sales negotiations of its subsidiary Shanghai Sogefi Auto Parts Co. Ltd;
- St. Soupplets (France), intended for prototype production only.



² The number of countries refers to Sogefi's global presence.

Group's Business Units

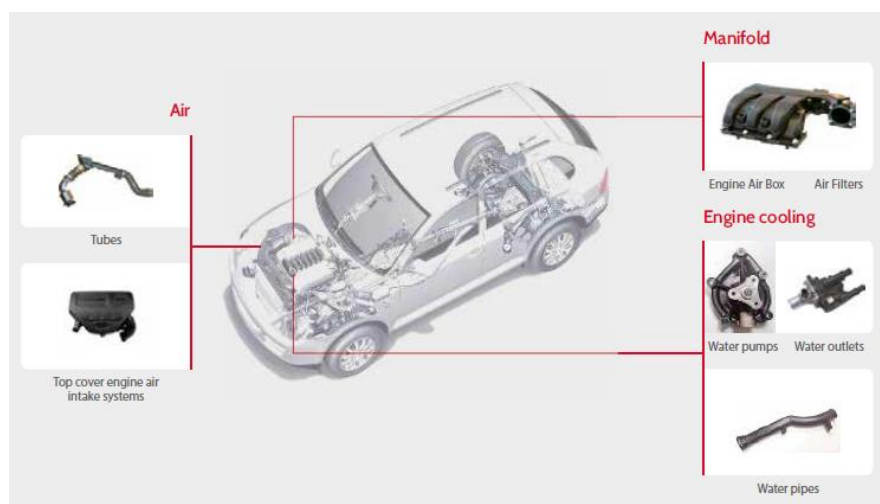
Sogefi is organized in three Business Units, **Suspensions**, **Filtration** and **Air & Cooling** (A&C), which operate through a wide product portfolio. A brief overview is presented below.



Air & Cooling

Sogefi's core business Air & Cooling is focused on the design and manufacture of high-tech thermoplastic components for vehicles, which replace the metal parts typically used in the past, achieving significant benefits in terms of price, weight and CO₂ emissions.

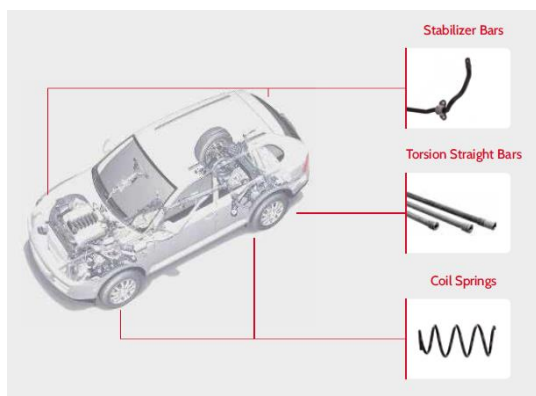
Product Portfolio



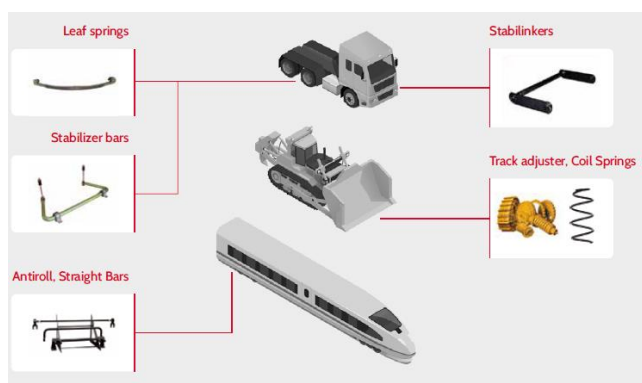
Suspensions

Sogefi's Suspensions Business Unit produces a complete range of products including: helical springs, stabilizer bars, torsion bars, stabilinks, leaf springs and track tensioners, which are engineered in close collaboration with the main automotive manufacturers. Those products are designed in order to be used on cars, light and heavy commercial vehicles, earth-moving equipment, armoured vehicles and rolling wagons. Indeed, the business unit operates in 3 main segments: Passenger Cars, Heavy Duty and Precision Springs.

Passenger Cars Product Portfolio



Heavy duty Passenger Cars

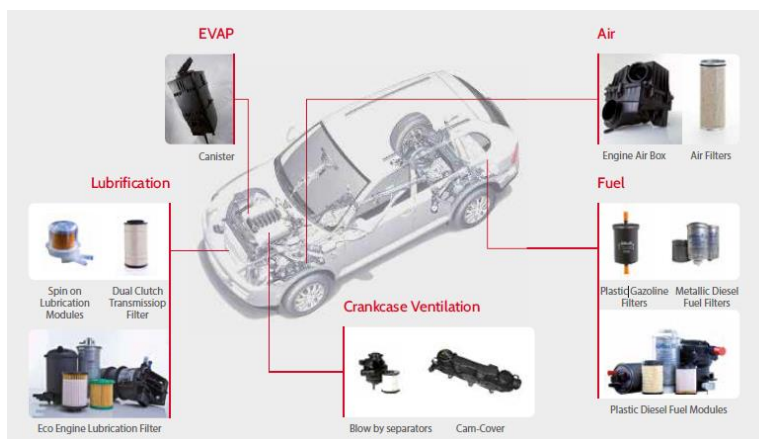


Filtration

Filtration Business Unit produces a comprehensive range of filter for the Original Equipment (OE), Original Equipment Spares markets (OES), and the Independent Aftermarket (IAM).

Specifically, the Aftermarket division serves all channels of the independent automotive replacement markets, also through the sale of products branded owned by the Group: CoopersFiaam, FRAM® and Purflux for light vehicles, Sogefi Pro dedicated to commercial vehicle applications.

Filtration Product Portfolio



To learn more about the Business Units and their Product Portfolio, please visit the Sogefi Website www.sogefigroup.com

Associations

Sogefi recognizes the strategic importance of associationism, adhering to different trade associations in the different geographical areas where the Group is present.

Specifically, the group adheres to:

- CLEPA, European Association of Automotive Suppliers in Belgium,
- ANFIA, Associazione Nazionale Filiera Industria Automobilistica, Unione Industriale Torino and Unione Industriale Brescia,

- SAE, *Society of Automotive Engineers* in United States,
- FIEV, *Fédération des Industries des Equipements pour Véhicules* in France,
- VDI, *Verein Deutscher Ingenieure* in Germany,
- ACMA, *Automotive Components Association of India* and CII, *Confederation of Indian Industry* in India,
- SINDIPEÇAS, *Sindicato das Industrias de Autopeças* and ABRASFILTROS, *Associação Brasileira de Filtros* in Brazil,
- GIES, *Grupo de Intercambio de Empresas del Sabinal* in Mexico.

The 2020 health emergency

In a macroeconomic context already characterized by a general slowdown in growth trends and significant changes in trade relations between countries (e.g. Brexit case, US-China relations, etc.), Covid-19 has been a disruptive element for the global economy, pushing it towards recession. The containment measures adopted by governments (e.g. lockdown) had significant impacts on the ways and trends in consumer behaviour, with obvious repercussions on the automotive sector. In addition, in 2020 the forced production freeze and, in some cases, the interruption of the supply chain led to a significant collapse of the car market: -16% compared to 2019 (-23% in the EU, -20% in North America, -4% in China and - 31% in South America).




In this particularly complex and uncertain context, the impact on the Group's performance was significant. In fact, since the beginning of the spread of the pandemic Sogefi provided for a temporary suspension of production activities first in China, and then, in the second part of March, almost in all plants thus recording a physiological decrease in volumes and turnover compared to the same period of the previous year (-18%). The activity then started everywhere, first in China and from May in all the Group's countries of operation, although with production volumes significantly lower than the previous year and then expected until August. In response to the crisis, the Company has adopted the necessary tools to promptly respond to the changed circumstances of the market, also trying to recover the economic and financial balance and to ensure the achievement of the medium-long-term objectives, in a context that, although still uncertain, foresees a clear recovery in volumes.

As part of this extraordinary pandemic event, the management of the supply chain, already complex in its nature, has been even more critical. In fact, the uncertainty and economic difficulties generated by the health emergency have tested the sustainability of the supply capacity, sometimes leading to interruptions, partial and / or temporary, as well as impacts on the quality of the materials supplied. Companies like Sogefi have therefore been forced to review and adapt their supplier portfolio in line with current needs. In particular, the Group has strengthened the process of selecting and monitoring suppliers, in order to ensure a timely assessment of both financial solidity and adherence to adequate quality standards, and identified, where possible, alternative suppliers for the most critical raw materials / components to reduce the possible risk of dependence on them.









However, the health crisis and its consequences have re-established at world level the priority of human health, of safe work through ways that better balance personal and professional life, even if with some difficulty in adapting. Sogefi immediately supported its employees in this path: in production sites where the work must necessarily be carried out in presence, strict protocols were promptly adopted in line with local regulations that guaranteed, in all subsidiaries around the world, the continuity of work in total safety, thus protecting the health of its employees and their families and preventing the spread of the virus within the organization itself. Instead, with reference to tasks that do not require a presence in the workplace, and in which therefore the risk of contagion is limited, the Company has favored the adoption of smart-working, as well as safety protocols where necessary, as a working method allowing an effective and efficient continuity of activities. However, the increasing use of smart working has forced the revision and updating of technical and operational measures to ensure high levels of protection of the Group's IT infrastructure, including the introduction of new VPN servers, the signing of Webex meetings to allow the management of meetings with large audiences, as well as the tools necessary for the digital signing of documents for the management team.

For full details of the impacts caused by Covid-19 on the Group's risks and related financial and non-financial performance, please refer to the appropriate sections of this document and to the 2020 Financial Report.

3 Sustainability highlights

 €1,2 of revenues	 around 6000 employees
 25% of women	

Performance Trend 2018-2020

 -47% work-related injuries
 +22 patents
 +15 active collaborations
 -12% total energy consumption (gas and energy)
 -39% of water consumption
 -32% of waste production of which 53% is recycled
 9% of steel comes from recycling
 Direct involvement of the top suppliers and customers in the materiality assessment process

4 The Sustainability Management

Sustainability governance

Sogefi manages its activities according to the principles of responsible *Corporate Governance*, oriented to creating a sustainable value and achieving its own strategic objectives, in line with the requirements of the Italian “Codice di Autodisciplina” of *Borsa Italiana*, described in detail in the Annual Report on Corporate Governance, to which reference is made.

The adopted governance structure ensures that the strategic orientation of the Group, addressed by the Board of Directors, is aligned with long-term sustainability goals, and that any critical issues in this area are treated like every other business topic and are integrated as needed into the company's decision-making process. At this regard, the Board of Directors defined in February 2021 to extend the competences of the Risk & Control Committee also to sustainability, who assumes starting from that date, the name of Sustainability, Risk & Control Committee. For details on the Board of Directors composition, please refer to the Annual Report on Corporate Governance.

The Chief Sustainability Director (CSD), reporting directly to the Group CEO, is responsible for the global sustainability management, by proposing Sogefi's strategies and policies, coordinating the three business units in order to implement projects and initiatives related to ESG-related activities (e.g. Environment, Social and Governance).

Its tasks include:

- promoting an approach that integrates sustainability into the business operations, taking into account the entire value chain;
- monitoring the achievement of sustainability targets and coordinating, where possible, the related activities at BU level;
- ensuring the cross-functional cooperation involved in sustainability within the organization;
- promoting the ESG-related risks management process as well as ensuring compliance with sustainability-related laws and regulations.

Particularly, the CSD is supported by other key managers, selected among the three business units, in order to carry out the projects on environment, social and any other ESG-related aspect at local and global level. They operate through local structures that are able to guarantee the timely implementation of defined actions and procedures, as well as the monitoring of relevant KPIs. They can propose to the CSD possible projects and initiatives - BU specific - able to impact the Group Sustainability management.


Further Group's governance principles are set down and formalized in the Corporate Governance Code, reviewed, updated and approved by the Board of Directors on February 2021, to which reference is made.

Approach to Sustainability

The Sogefi Group is committed to promoting and adopting a model of sustainable and inclusive development which at the same time ensures the creation of a long-lasting shared value with its *Stakeholders*. The sustainability ongoing path is aimed to enhance the Group's long-term resilience in and promote the transition to the low-carbon economy, allowing the Company to opportunistically adequate towards continuous market and regulations changes, as well as responding to the social-environmental challenges that characterise its value chain.

Sogefi, operating in the dynamic and competitive scenario of automotive industry, considers fundamental to develop a continuous forms of dialogue and interaction with its Stakeholders, to identify emerging trends and meet their needs and expectations in the best way possible. At this regard, the Group identifies and periodically updates the main Stakeholders categories with whom to establish a constructive dialogue in order to properly address the sustainability strategy.

Here below is reported a synthesis of the Stakeholder categories that are relevant to the Group and the related activities of Stakeholder engagement performed in 2020.

STAKEHOLDERS	MAIN ENGAGEMENT EVENTS
 INVESTORS	<ul style="list-style-type: none"> • Stakeholders' meeting • Three-monthly meetings and conference calls with analysts • Roadshows and events dedicated to financial analysts in Italy, France and the United Kingdom (e.g. <i>Star Conference of Borsa Italiana</i>) • Institutional web site and dedicated e-mail boxes
EMPLOYEES	<ul style="list-style-type: none"> • Internal communication by the Group and BU CEOs on objectives and quarterly performances and other announcements through intranet portal, conf. call, internal newsletters, and bulletin boards • Surveys on internal climate, job satisfaction and engagement (every 2 or 3 years) • Periodic trade union discussions
CUSTOMERS AND SUPPLIERS	<ul style="list-style-type: none"> • Taking part to dedicated events and conferences • Daily activities and reports by the sales force of the Business Unit • Development of joint planning programmes • Engagement on assessment results of the required sustainability questionnaires • Sustainability Survey (approx. every 2 years) for the materiality assessment of the ESG Aspects
SUPPLIERS E BUSINESS PARTNERS	<ul style="list-style-type: none"> • Daily activities and reports by the Purchasing Department of the Business Unit • Annual Suppliers Day • Sustainability Survey (approx. every 2 years) for the materiality assessment of the ESG Aspects
FOUNDATIONS, UNIVERSITY & RESEARCH	<ul style="list-style-type: none"> • Tables and initiatives for institutional engagement, at national and international level • Development of joint planning programmes • Coaching of students and annual training projects
NETWORK & ASSOCIATIONS	<ul style="list-style-type: none"> • Participation in professional and industry organizations through the involvement of key managers in committees, working groups or memberships • Semi-annual sponsorship of automotive events • Monthly communication in Aftermarket magazines
LOCAL COMMUNITIES	<ul style="list-style-type: none"> • Annual events promoted in support of local communities • Discussion and dialogue chances with Local Public Administration

Sustainability Risks

Since 2019, Sogefi has undertaken a process aimed at strengthening the Company's risk culture, starting from the updating of the Enterprise Risk Management (ERM) framework that, in line with the latest best practices, is focused on the identification, evaluation, management and systematically monitoring of the Group's main risks, as well as on defining adequate information flows in order to ensure higher transparency and diffusion of information within the organization.

The Group's ERM framework is intended to analyse and evaluate a wide portfolio of risks, varied in nature and type, from an enterprise-wide perspective. Through this approach, it is therefore possible to identify and manage all those risks related not only to the economic sustainability but also to the environmental and social sustainability of the Group and/or its supply chain.

The Group has chosen to manage sustainability risks as an integral part of the ERM model. This choice is also reflected in the governance model adopted by the Group: beginning from 2019, responsibility for the sustainability process has been entrusted to the Group Chief Risk Officer who has therefore also assumed the role of Chief Sustainability Director (CSD).

Consistent with this approach, sustainability topics are considered to be cross-cutting to the risk categories typical of the Group business model (i.e. Strategic, financial, operational, legal and compliance risks, represented in the Risk Model).

Based on evaluations carried out during 2020 and on the Group's commitment towards sustainability, the management has identified the main relevant risks related to the business and the industry – here below described – for which a periodical analysis of exposure and related mitigation actions is required, the latter described in the dedicated sections of this Report. Particular attention was given to the implications of pandemic on those risks and on the possible risk response for the Group, taking into account the emerging priorities.

In comparison with the Group's business operations, identified risks are linked to 12 ESG aspects, each of them is subject of the materiality assessment and reported in the dedicated sections of this Report, to refer.

Further details on characteristics and functioning of the adopted risk management process are reported in the Relazione Annuale sul Sistema di Corporate Governance e Relazione sulla Gestione 2020 to which refer.

1. Risk related to human resources management

In a multicultural and constantly changing environment, the competitiveness of the Company is measured also by its ability to identify and manage risks related to human resources, which Sogefi has always been committed to because they are considered to be essential factors in carrying out its business operations.

In particular, in light of the health emergency linked to the spread of Covid-19 infection and the consequences that the management of the pandemic had on its business activities in 2020 and which are likely to continue in the coming years, Sogefi evaluates significantly relevant the risks related to:

- **Occupational Health & Safety**, with attention to the current risk of infection by Covid-19 which is considered potentially higher within production sites where the work activities must necessarily be performed in presence, sometimes in areas characterized by limited size and/or where such activities require a greater interaction within staff. The prompt adoption of strict protocols in line with local regulations ensures the Group's business continuity in complete safety, preserving the health of employees and their families and preventing the spread of the virus within the organization itself. With regard to activities which do not require physical presence in the workplace, the infection risk is limited, and is managed through the use of smart working solutions, although the same safety protocols are required.
- **Attraction, retention and professional development of talents**: the business and economic difficulties that the Group had to face in 2020 and the uncertainty connected with future developments in the labour market and in the automotive industry in general, together with the ongoing company re-organization policies, could have repercussions on the ability of the Group to preserve its attractiveness as employer, making it difficult to retain the key resources in the short-medium terms.

Lastly, the Sogefi Group confirms its commitment towards the spreading of good practices and policies that help overcome the gender diversity, which are able to contribute to the creation of a positive and inclusive workplace and also promote the employees' well-being. Although the current health emergency has required the forced adoption of new work model, subject to stricter rules and/or by remote, and considering the overall uncertainty regarding the pandemic evolution and protracted of abovementioned conditions, any critical issues have been noticed by the Group in the management of these aspects, evaluating them at low risk.

ESG-related aspects	<ul style="list-style-type: none"> ▪ Occupational health and safety ▪ Attraction, retention and professional development of talents ▪ Diversity, equal opportunities and well-being 	<ul style="list-style-type: none"> ▪ Page 24 ▪ Page 20 ▪ Page 22
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2. Risk related to economic growth and impact on communities

In a macro-economic context already characterized by a general slowdown in growth rates and relevant changes in trade relations among Countries (e.g. Brexit case, USA-China, etc.), the Covid-19 represented a disrupted factor for the global economy, driving it into recession. Measures adopted by national Governments (e.g. *lockdown*) determined relevant impacts on consumption, with visible implications for the automotive

industry. Specifically, the forced production stoppage and in some cases the supply chain interruption determined in 2020 a significant collapse of the global car market by -16% compared to 2019 (-23% in UE, -20% in North America, -4% in China e -31% in South America).

In this highly complex and uncertain context, the implications on Group performances have been significant. In fact, since the beginning of the spread of the pandemic Sogefi provided for a temporary suspension of production activities first in China, and then, in the second part of March, almost in all plants thus recording a physiological decrease in volumes and turnover compared to the same period of the previous year (-18%). The activity then started everywhere, first in China and from May in all the Group's countries of operation, although with production volumes significantly lower than the previous year and then expected until August. To face up the crisis, the Company has adopted all the necessary actions to promptly reply to the changed market circumstances, also seeking to restore the economic-financial stability and to ensure the achievement of medium-long term targets. However, in a general context of uncertainty which is expected to persist also in 2021, the risk related to the Group economic growth is considered to be significant.

Despite the difficult period, the sense of social responsibility and corporate citizenship remains strong for the Group that continues its virtuous path of value creation even outside of the organization. At this regard, Sogefi contributes to the economic and social development of local communities through several initiatives aimed at reducing the social disparities, partly amplified by the current pandemic. To this end, no relevant issues which could affect the actions continuity have been noted.

ESG-related aspects	<ul style="list-style-type: none"> ▪ Group economic performance ▪ Distributed value and impact on local communities 	<ul style="list-style-type: none"> ▪ Page 17 ▪ Pag. 28
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3. Risk related to customers' expectations on product reliability

The management of risks related to the production and the marketing of products potentially non-compliant with the quality and safety standards of the industry, as well as the customers' expectations, is a key priority for the Group. As a proof of this, the Group has always been committed to the adoption of the main national and international technical standards, to ensure the production of excellent and the alignment of internal production processes with the best practices in the sector.

Any problem of product defect and/or non-compliance with standard requirements could lead to recall campaigns that, even if financially mitigated by specific international insurance programmes, would have a negative impact on the Group's reputation and on the customer relationship. Therefore, the risk is considered critical for the Group.

ESG-related aspects	<ul style="list-style-type: none"> ▪ Product quality and safety & customer satisfaction 	<ul style="list-style-type: none"> ▪ Pag. 33
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4. Climate change-related risk

The intensification of the phenomena related to climate change and its impacts on the main areas of the supply chain (e.g. operations, suppliers, customers and market, etc.), represent one of the main challenges that Companies will have to face in the short-medium term. The climate-change requires organizations to adopt new strategies, by evolving their business model towards solutions and technologies aimed at increasing resilience and positively contributing to the transition towards the low-carbon economy. In particular, the automotive industry, through the development of alternative and sustainable mobility solutions, plays a central role in the green transition process. In the next years, the global demand for electric vehicles is expected to grow by 36% annually, reaching 245 million registered electric vehicles in 2030³.

³ Data of IEA Global EV outlook 2020, hypothesis "Sustainable Development Scenario" (<https://www.iea.org/reports/global-ev-outlook-2020>)

In this regard, the relevant climate change-related risks, both physical and transitional⁴, for Sogefi can be associated to the following areas:

- **Regulatory Changes:** the introduction of ever-tightening laws and regulations, such as reduction of CO₂ emissions for vehicles or specific local restrictions (i.e. diesel ban), could lead to a partial reduction in sales of the traditional products of the Sogefi's portfolio, which will have to be recovered promptly by the introduction on the market of new / innovative alternatives. The Group continuously monitors proposed and discussed regulations at a national and international level to ensure full compliance with the emerging regulations and to anticipate the possible trends.
- **Market:** the increasing awareness of climate change impacts combined with increased mediatic and political attention especially at European level (i.e. *EU Green Deal*), are influencing the consumers behaviours, directing them towards the purchase of more sustainable vehicles (e.g. hybrid, full-electric, etc.). Sogefi, in order to preserve its reputation and consolidate the relationship with its stakeholders, will have to opportunely identify and respond to the emerging customer demands by developing an innovative and sustainable product portfolio able to support an effective transition to the low-carbon economy.
- **Technology:** the automotive industry, driven by the current market and regulatory changes, is strategically focused on the production of vehicles with low environmental impact, resulting in significant investments by the main car-makers. For Sogefi, in quality of key components supplier (e.g. oil and air filter, suspension bars, etc.), it is fundamental to innovate products and promote solutions that guarantee – for example – the reduction of fuel consumption (e.g. through reduction of components weight, etc.) and a better monitoring of vehicle performances (i.e. mechatronic components). Therefore, considering the intrinsic difficulties in the development of new and/or innovative technologies, the risk of losing its competitive advantage, as well as extra-costs during the development phase and quality control, is perceived critical for the Group, due – for example – to potential delays in the deployment of new solutions or to the launch of disruptive products by competitors.
- **Physical Risks:** the intensification of the physical consequences of climate change is a further factor to take into account for the proper execution of the Group's activities. The fast worsening of weather conditions influences the frequency of so-called acute events (e.g. storms, floods, fire or heat waves, etc.) that can damage company assets and/or determine the supply chain interruption.
Consistent with those assumptions, during 2020, the Risk Management Function performed the assessment of climate risk, by using a dedicated tool, CatNet of Swiss RE that, through the geographical localization of production sites on global map and modelling systems, allows to evaluate the potential exposure to climate risk, on a scale from 0 (Very Low) to 10 (Extreme). Specifically, the assigned score considers the probability that the site will be exposed to changes in mean precipitation, absolute temperature and extreme temperature probability over time, in a time horizon up to 2030. The analysis results show an overall low exposure of the Group's plants to climate risk (i.e. 92% of plants with score less than 4) and only three sites⁵ with an average level of exposure, although it is not critical (score 4-5). Based on those results, the Risk Management Function does not find it necessary to do in-depth studies at local level, even if the evaluation of the risk profile will be periodically monitored.

In this context, in order to face climate changes, Sogefi renews its commitment to implementing actions contributing to the emissions reduction, in line with the investments that will have to be made in order to deal with the economic-financial difficulties resulting from the pandemic.

⁴ The climate-related risk classification follows the guidelines of the Task Force on Climate-related Financial Disclosure (TCFD).

⁵ Production sites scored 4-5 are: Nules, Cerdanyola and Tangier.

ESG-related aspects	<ul style="list-style-type: none"> ▪ Innovative and Eco-responsible products / technologies ▪ Industrial and logistics carbon footprint 	Page 55 Page 38
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5. Risk related to prevention of ethics violation

Sogefi recognizes the relevance of social-ethic responsibility in business operations and is committed to respect the legitimate interests of the stakeholders and local communities where the Group operates. Indeed, the Group has always been determined to achieve excellence and innovations by adopting an approach that places the protection of people's rights at the heart of its strategies as well as business operational and procurement policies.

Operating in more than 20 countries with around 6.000 employees and with a high suppliers' portfolio (+1.500), there are however potential risks related to the breach of defined ethical principles, with regards to relations with its employees and in the field of commercial operations, are considered critical for the Group.

Furthermore, the compliance monitoring of principles and related regulations within the organization and the supply chain – complex by definition – becomes even more critical during extraordinary events such as the pandemic. In particular, the uncertainty and economic difficulties generated by the health emergency, could determine lower efforts by all players in promoting and ensuring the respect of human rights and environment protection over their supply chain.

ESG-related aspects	<ul style="list-style-type: none"> ▪ Business ethics and integrity ▪ Responsible procurement practices 	Page 31 Page 35
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6. Risk related to responsible use of natural resources

Preservation of natural resources is essential to support an efficient and virtuous economy that needs new patterns of production and consumption over the whole value chain. Sogefi, in line with the automotive industry, keeps high attention on factors that can encourage a responsible and rationale use of natural resources, that's why it represents one of key targets driving the development of new and/or innovative products and technologies.

Indeed, the Group confirms its commitments to:

- **Sustainable water management**, with the aim to limit any impact on water resources, minimizing consumptions and preserving its quality, as well as ensuring the water availability for the local communities where it operates, mainly in those contexts where water access is a big problem. Consistent with those assumptions, the Company established a periodical process of water risk assessment, using a dedicated tool, *Aqueduct* of the *World Resources Institute*⁶, aimed at determining the production plants located in water-stressed areas and then implementing further measures to protect the involved water basins. However, thanks to abovementioned countermeasures and production activities which, by nature, do not require an excessive use of water compared to other manufacturing industries⁷, the water risk for the Group plants is not relevant. With regard to water discharges, the impact of Group activities is limited, since effluents generated by operations are not highly polluting. As a part of the environmental management system, the Group production plants are equipped to prevent potential accidental spills and, where necessary or requested

⁶ The tool provides information about sites located in extremely water scarce areas by comparing the best available water, sanitation, population and biodiversity information on a country and watershed basins.

⁷ The source used to determine the water risk to the Group's plants is: https://ec.europa.eu/eurostat/statistics-explained/index.php/Archive:Water_use_in_industry#Water_use_in_manufacturing_industry

by local regulations, systems of waste water treatment are installed before discharging those spills in natural environment or public system.

- **Optimization of material cycles in industrial processes**, with the aim of reducing the use of virgin materials, minimizing non-reusable scraps and therefore supporting the creation of a virtuous circular system. Considering the Group's investments made over the years and the continuous commitment to the development of processes and technologies more and more innovative, focused on a low environmental impact, no relevant risk factors are detected by the Group, although socio-economic situation in 2020 has partly led to a slowdown in some of the activities dedicated to this purpose. In general, the Group's impact on waste generation in 2020 has been limited (- 25%), also considering the forced production lockdown following the pandemic spread.

ESG-related aspects	<ul style="list-style-type: none"> ▪ Sustainable water management ▪ Optimization of material cycles in industrial processes 	Page 50 Page 46
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Materiality Matrix

12 ESG aspects covering the main sustainability risks identified by the Group and described in the previous paragraph, have been subject of materiality assessment according to GRI Standard principles which define **material** aspects as *"those that reflect the organisation's significant economic, environmental and social impacts or substantively influence the assessments and decisions of stakeholders"*.

The materiality matrix reported below puts into perspective the 12 ESG aspects, based on the assessment results performed in 2020.

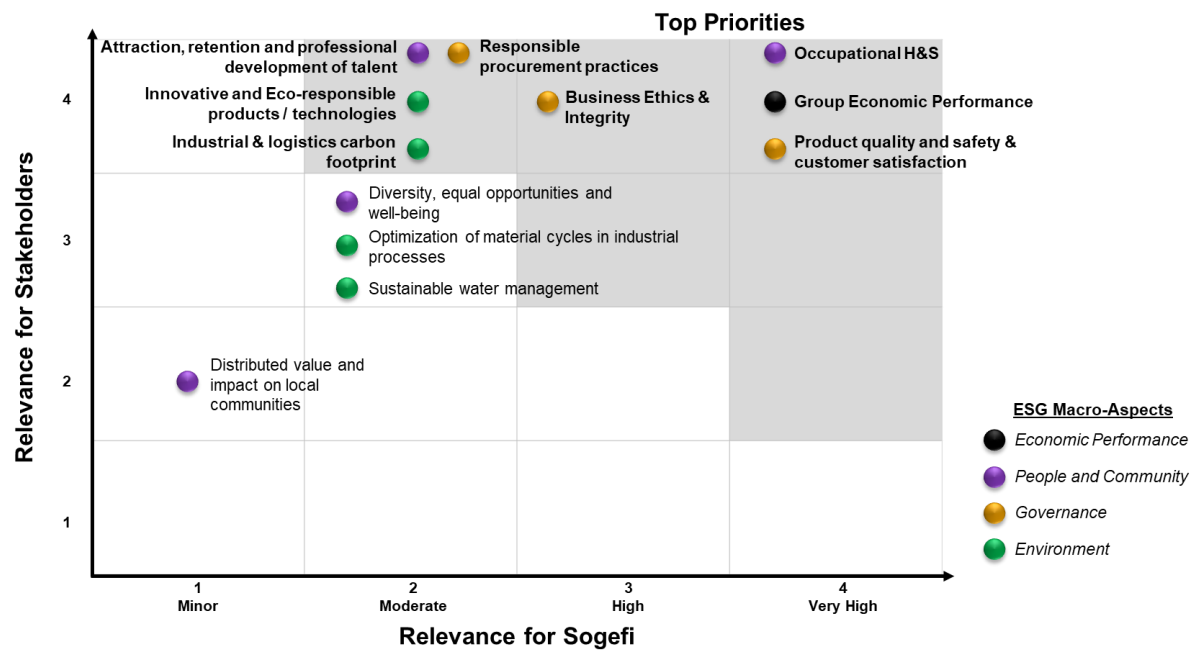
According to the Group procedure that defines the operational instructions, roles and responsibilities of the process for the preparation of the Consolidated Non-Financial Statement, the materiality assessment is annually performed by directly engagement of the internal and external stakeholders and by benchmarking analysis taking into consideration regulatory and sector trends.

For the purpose of this Report, in 2020, Sogefi launched the **Sustainability Survey**, addressed to a panel of key external stakeholders, such as top customers and suppliers representing more than 50% of the Group turnover and purchases, and a delegation of BUs employees responsible for the main corporate processes. Through the survey, web-based, Sogefi asked identified stakeholders to evaluate the relevance that the 12 ESG aspects have for the business, taking into account also the effects generated by the pandemic on the global context, on Company's operations and medium-long terms strategies. The appraisals collected from external stakeholders have then been shared with the first line management of BUs, as well as discussed and agreed with the Group CEO and CFO.

The materiality matrix has been finally presented, jointly with this Report, to the Board of Directors for approval, after that the Sustainability, Risk & Control Committee has been informed. The materiality matrix has been approved on February 26th, 2021.

For each aspect, a full disclosure of related non-financial information and adopted measures is provided in the dedicated sections of this report.

Group Materiality Matrix - 2020



5 Non-financial performance 2020

5.1 Group economic performance

The perimeter of the economic-financial data coincides with that of the Sogefi Group's 2020 Consolidated Financial Statement.

COVID-19 impact on operations

Following the spread of the Covid-19 pandemic, Sogefi first suspended production in China and then, in the second part of March, almost in all plants. The activity then started everywhere, first in China and from May in all the Group's countries of operation, although with production volumes significantly lower than the previous year and then expected until August.

With regard to the assessment of the pandemic impacts on the Group, the forecasts before Covid-19 expected a trend in 2020 turnover substantially in line with 2019. In the first two months of the year the Company actually achieved volumes equivalent to or higher than expected; however, from June and over the following months there was an extremely significant decline and recovery. As a result of this trend in 2020 Sogefi reported revenues of Euro 1,203.2 million, -18% at historical exchange rates compared to 2019; this reduction is almost entirely attributable to the effects of the circumstances caused by the pandemic. The contraction in volumes, although partly offset by the reduction in fixed costs, nevertheless had a negative impact estimated of Euro 52 million on EBIT and Euro 44 million on net profit, as well as a significant increase in debt.

The Company, in addition to having reacted to reduce the impacts of the crisis from March to today, is working to structurally adapt to changing market circumstances and quickly recover the economic-financial balance, in a context that, even in a still uncertain scenario, foresees a clear recovery in volumes for the first half of 2021 compared to the same period of the year in which the maximum effects of the pandemic and lockdown had occurred.

The volume contraction is reflected in all geographical areas where the Group operates. In particular the ones with a greater impact in terms of volume is South America with a reduction of 46%, followed by Europe (-18%) and North America (-13%); while in Asia revenues remained stable thanks to a quick response to the pandemic. Among the business units, **Suspensions** was mainly affected with a reduction of 27% followed by **Air & Cooling** with -13% and **Filtration** with -12%.

In 2020, EBITDA decreased by 22% compared to 2019 going from €177,40 million to €137,58 million. The net result was negative but decreased and resulted in €35,1 million.

Net financial debt stood at €358,1 million on 31st of December 2020, registering an increase compared to the €39,2 million on 31st of December 2019.

In December 2020 the Group's equity, excluding non controlling interest, amounts to €133,0 million and the long-term debt is about € 591,1 million. The Sogefi stock capitalization as of 31st of December 2020 was €141,9 million.

Sogefi Group results - Highlights (in €m)			
€m	2019	2020	Variation
Revenues	1.463,8	1.203,2	-18%
EBITDA	177,4	137,6	-22%
Net result	3,2	(35,1)	-1.197%
Net debt (end of period)	318,9	358,1	12%

Group Sales by Geographical area			
€m	2019	2020	Variation
Europe	923,5	754,8	-18%
North America	288,7	250,8	-13%
South America	110,2	59,5	-46%
Asia	150,0	144,9	-3%
Intercompany	(8,6)	(6,9)	-19%
TOTAL	1.463,8	1.203,2	-18%

Group Sales by Business Unit			
€m	2019	2020	Variation
Suspension	549,7	399,6	-27%
Filtration	491,5	434,2	-12%
Air & Cooling	425,9	371,8	-13%
Intercompany	(3,3)	(2,3)	-29%
TOTAL	1.463,8	1.203,2	-18%

For details on financial data, please refer to the Consolidated Financial Statement 2020.

Approach to taxation

The Sogefi Group has developed a fiscal strategy aimed at ensuring that all companies are fully compliant with existing tax obligations - i.e. declaratory and fiscal fulfilments - in all the jurisdictions in which the Group operates.

Through this strategy the Group commits to:

- comply with all primary and secondary laws, with monitoring obligations and tax disclosure in the countries in which it operates, as well as all international regulations and OECD Guidelines;
- adopt tax policies exclusively related to commercial and/or business transactions carried out by the Group itself;
- apply professional diligence in the management of tax-related issues, ensuring an appropriate governance procedure.

To this end, the Group periodically monitors regulatory and jurisprudential evolutions of tax systems.

The governance process and the fiscal strategy, which serve as a support for the management of tax-related risks, are defined and monitored by the Group CFO, under the coordination and supervision of the Board of Directors. The operational management of fiscal issues, as well as the compliance on tax regulations, is instead entrusted to the local CFOs, under the coordination and supervision of the Group Tax Manager, appointed by the Group CFO itself.

The fiscal strategy is developed according to the Group's business strategy, therefore the corporate structure adopted, and the type of transactions carried out are the result of corporate and business decisions, and are not taken for fiscal purposes. In commercial transactions, Sogefi benefits from tax incentives and exemptions, in line with the rationale of the tax legislation applicable from time to time. Sogefi does not undertake tax planning strategies that are not correlated to its commercial transactions.

Within the Sogefi Group there are also transactions of goods and services between entities belonging to different fiscal regimes, which are regulated by transfer price mechanisms drawn up and validated by the Group CFO, but which:

- in case of chargebacks of staff and services (management fees), they are limited and based on cost and a minimum mark-up;
- in case of sale of assets (especially for Aftermarket activities), which derive from the requests of final customers to engage with local counterparties to which the Group's production companies transfer assets, the transaction takes place on the basis of the increased cost of a mark-up and by no means is aimed at transferring profits to more cost-effective tax regimes.

With regard to the management of tax-related risks to which the Group is potentially exposed, given the size of the business and the correspondent size of tax obligations, Sogefi adopts a proactive process of identification, evaluation, treatment and monitoring of any critical issue, in order to minimize the effects. This approach is in line with a low appetite to the expected level of risk.

In this regard, the defined rules provide that, where the tax legislation is not clear or subject to interpretation, the Group shall adopt the interpretation considered most probable in light of the ratio of the legislation in force. In cases of significant uncertainty or complexity in relation to a tax issue, the Group may decide to avail itself of external advisors. Sogefi's goal is to have professional and constructive relations and to maintain information transparency with tax authorities, acknowledging that early risk resolution is in the best interest of both the Group and tax authorities, in a spirit of cooperative compliance.

Any situation of obvious anomaly or critical issue resulting from audits and assessment of taxation and duties - evaluated according to the professional diligence required in such cases - which may represent a risk of wrongdoing, is promptly reported avoiding any delay, by the Group CFO to the Legal Manager and the Board of Directors in order to obtain adequate assistance.

Any interested stakeholder may also report critical issues, unethical or illegal behavior, or any activity that could compromise the integrity of the organization in relation to taxes, using the Group's whistleblowing channel - *for any details please refer to the "Ethics and Business Integrity" section of this document.*

Finally, it should be noted that for tax disclosure there is no assurance process and the Group is not part of representative associations or committees performing advocacy activities related to tax matters.

In the Annex it is reported the details of the taxes paid within those jurisdictions in which the Group operates.

5.2 People and Community

People are considered to be Sogefi's main success factor: the contribution of each and every employee to the Group's growth has enabled it to achieve an international leadership position over the years.

Approximately 6.000 employees worldwide⁸, distributed in 20 countries⁹, work for the Group, as of December 31st, 2020; they are represented by blue collar workers (71%), followed by white collar workers (27%) and management (2%). Reflecting the closure of Saint-Souplets, Jarinu and Mateus Leme, the total workforce decreased by 12% compared to 2019.

As far as distribution by Business Unit is concerned, approximately 41% of Sogefi staff is employed in Filtration, 37% in Suspension, 21% in Air and Cooling, while the remaining part represents the Parent Company Sogefi S.p.A. and Sogefi Gestion S.A.S. For more details on Group composition please refer to the Annex.

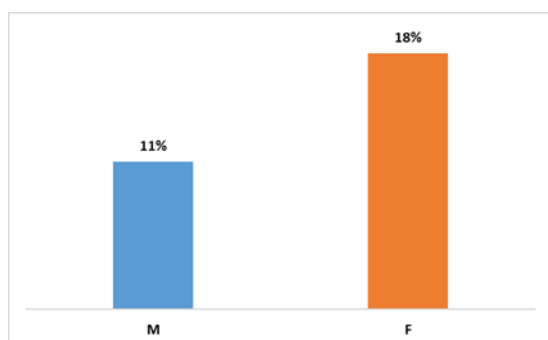
In order to promote stable employment and long-term relationships, a high percentage of the Group's employees have permanent employment contracts (97%). Moreover, in compliance with the labour regulations in force in the countries where the Group works, approximately 84% of employees are covered overall by a collective bargaining system. This percentage obviously varies between different geographical areas, mainly for reasons related to local history and trade-union tradition. Consistently with national collective labor contracts and local regulations in force, the notice period guaranteed by Sogefi to the employee varies according to the geographical area and professional category to which the employee belongs.

Attraction, retention and professional development of talents

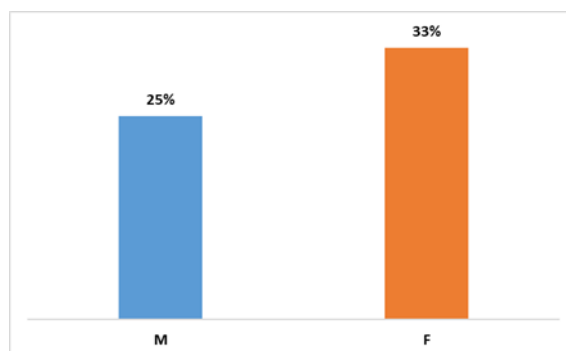
Despite the economic and business difficulties that the Group had to face during 2020 and despite the uncertainty related to future developments in the labour market and in the automotive sector, together with the company reorganization policies in place, Sogefi has constantly been committed to supporting the retention of key resources and maintaining high attractiveness of the Group as employer.

Against an overall outbond turnover rate of 27%, which mainly affected in absolute terms men between 30 and 50 years old (619 people left the Company) and in percentage women with a turnover of 33%, during 2020 there was an overall new hires rate of 13%. The turnover represents the difficult current context in which the Company operates. As the following graphs show, 11% of new hires, compared to the total number of employees, are men while 18% are women. Turnover is characterized by 25% of men and 33% of women.

New hires by gender (2020)



Turnover by gender (2020)



Training

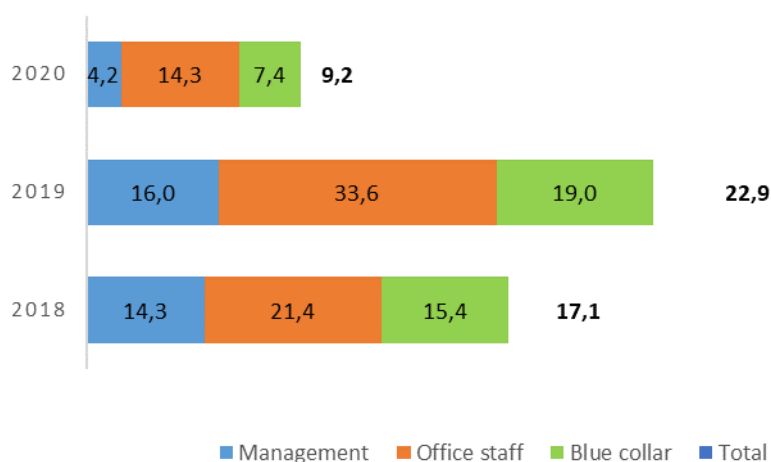
The Human Resources Department, through the IS information system "*I care, my HR*", centrally monitors and manages the key skills of its employees who are asked periodically to update their profile.

⁸ It is considered the total number of employees under the direct control of Sogefi.

⁹ The number of countries refers to Sogefi's worldwide presence.

In addition to that, in order to develop and strengthen their managerial and technical abilities, the Group organises periodic training activities on annual average that usually consists of 20 hours per capita, however, in 2020, because of the existing state of emergency, the hours of training have decreased by 60% with an average per capita of about 9,2 hours, due to a limited available of in class training. Indeed, in 2020, Sogefi supplied about 55.520 hours of training for all categories of employees, with a multidisciplinary offer. Technical courses were organized on manual handling and forklifts, on fire safety and chemical spills, and there were also more managerial courses on team management, negotiation and teamwork. Last but not least, there were also courses dedicated to the improvement of language skills (i.e. English, French and German) and to the use of new technical tools. In particular this year training have been organized regarding COVID-19 prevention protocols.

Average of training hours by employee category



In addition to the activities centrally managed by the Human Resources Department, on a local level, annual training plans can be defined. Those plans take into account local needs, both individual and collective. The following are some examples:

Local training initiatives - 2020

Orbey and
Châteauroux



Throughout the lockdown period, during which employees were unable to reach their workplaces, due to the Covid-19 pandemic, several trainings were provided concerning the development of linguistic skills, the improvement of quality policies and the field of Research & Development.

Jarinu



Because of the lockdown period and the new adopted protocols, training courses have been organized on the rules to be followed for a safe return to work. In addition to that, have been organized also courses on awareness-raising on the prevention of accidents at the workplace, on the Group Code of Ethics and on topics such as harassment, criminal liability and disciplinary measures.

Nules and Alasua



A professional plan has been developed in order to perfect the knowledge of English (advanced level), as well has training courses about programming language for maintenance and engineering staff. Finally, trainings were provided for specific tasks such as driving the forklift truck.

Performance Review

Assessing the performance of individual employees on common company goals can contribute to their personal development and can also support skills and talent management. In this regard, a structured

performance review system has been implemented throughout the Group for managers and employees through the *Icare - myHR* information system and, locally, for workers at each plant. These evaluations may include a self-assessment by the employee, an assessment by the employee's immediate supervisor, and may also involve the Human Resources Department.

All white collar employees can benefit yearly from an Annual Performance and Development Review (APDR), which structure and process are defined centrally in agreement with the Human Resources Department of the three BUs, ensuring uniformity in all countries.

The cycle of APDR meetings takes place between December and February and is aimed at gathering an overall feedback on the employee's performance, during the year in question, as well as information about work-life balance, willingness to move, and finally defining, together with the direct manager and in line with the priorities for the new year and, where relevant, a training and/or skills development plan. In 2020, more than 98% of the white collars included in the annual HR process cycle, took part in the APDR with their own manager.

With regard to blue collars, each establishment manages the performance review in line with the legal requirements and specific indications of each country. For example in France all blue collars benefit from a bi-annual performance interview and from an interview, on average for three years, on career advancement opportunities (e.g. possible developments, professional projects, etc.).

In 2020, about 50% of blue collars of the Group took part in periodic evaluations of their performances and professional development, in line with 2019.

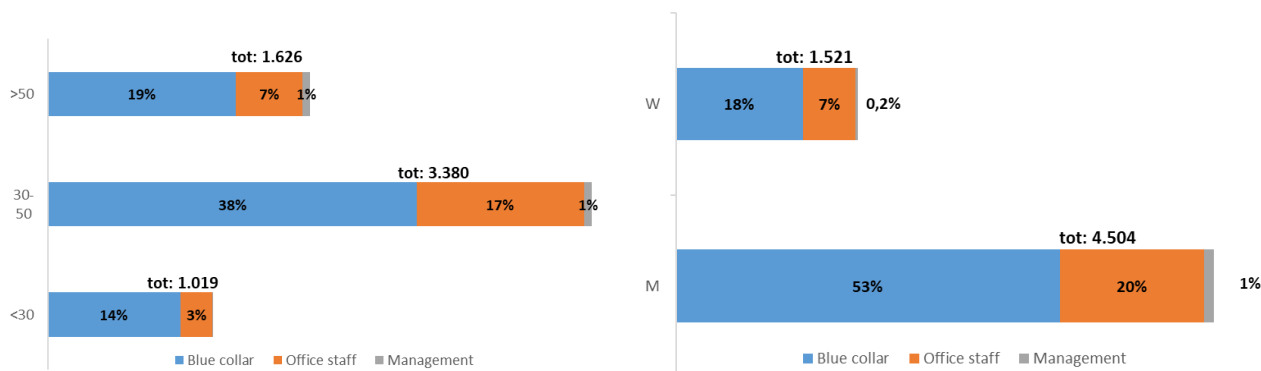
Diversity, equal opportunities and wellbeing

As formally defined in the Group's Code of Ethics, Sogefi is constantly committed to establishing and guaranteeing working relationships with its employees based on respect for fundamental rights, in an environment that is favorable, fair and open to diversity in terms of age, gender and culture, where everyone can express their full potential.

Out of a workforce of around 6.000 employees, 57% have an average age between 30 and 50. Young people under 30, representing 18%, occupy mainly blue-collar (15%) and office staff (3%).

In this context, as of December 31st, 2020, men account for 75% of the total workforce, while women account for 25%. The female gender is represented by women of an average age between 30 to 50 years old (55%) and occupy a position of blue collar (16%). This gender distribution has remained on average stable over the years and unfortunately reflects the typical features of the automotive and manufacturing sector.

Employees composition 2020 (%)



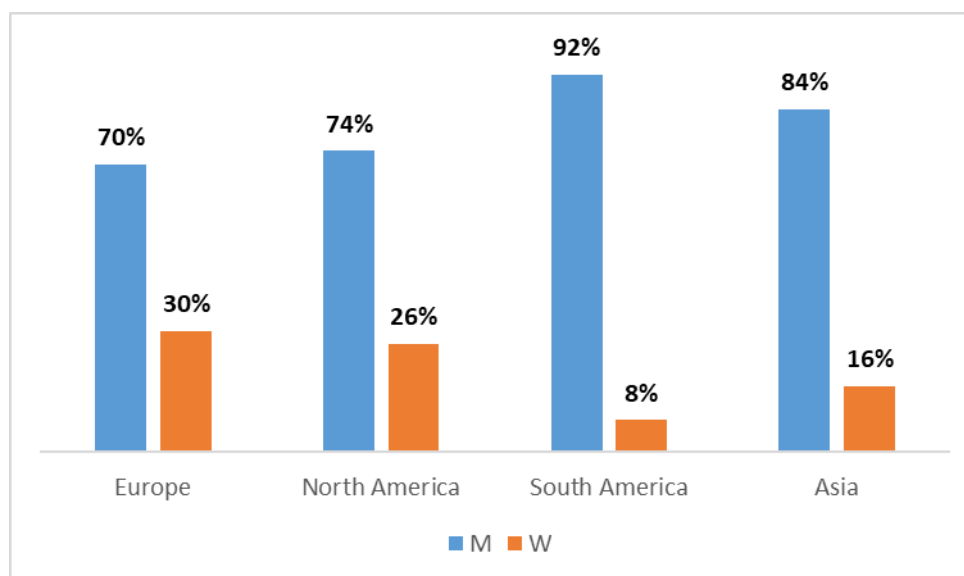
Concerning wages, the ratio between women's basic wage and remuneration compared to those guaranteed to men is few points higher in North America, while it confirms to be in line in other regions.

In addition to that, regardless of gender, the Group offers new recruits of all branch offices worldwide a wage in line with legal requirements and in Italy and in the USA exceeds national limits required.

The Group supports diversity also on the level of corporate governance bodies, in fact the Board of Directors of Sogefi S.p.A., as per the latest appointments of 26th of April 2020, consists of members all above 50 years old of age and for 38% of women. For full details, please refer to the 2020 Report on the Corporate Governance system.

Finally, the Group's presence in more than 20 countries has allowed the integration of different cultures, experiences, habits and languages, which today represent an intrinsic value for the organization and its way of performing. The workforce, although predominantly European (63% - in 13 countries), is also distributed between Asia (15% - China and India), North America (13% - USA, Mexico and Canada) and South America (9% - Brazil and Argentina).

Group employees by region and gender in 2020



The promotion of a positive working environment where employees can demonstrate their skills and which contributes to the creation of a medium-long term value is also achieved through Sogefi's offer of a series of benefits, defined on the basis of local needs, aimed at balancing the personal and professional life of employees and therefore promoting wellbeing not only in the workplace but also in their families. These include, for example:

- employees' assistance programmes in case of career breaks due to retirement or end of employment. The Company provides an external professional to support the employee throughout the transition period, for example by updating the curriculum, looking for a new job, vocational guidance. In case of redundancies due to corporate reorganizations, the Group also shares Employee's curriculum vitae with a local employment centre.
In Brazil, at Mogi Mirim plant, psychological support is also provided to the employee, through a specialized company that meets and guides them during that period. If instead employees express their willingness to continue their professional activity as consultant, they are put in contact with professional service companies;
- pre-retirement programmes that include the gradual reduction of weekly working hours for the workers that are interested in them (i.e adopted in Canada since 2019);
- life insurance programmes, health care, disability and invalidity cover, parental leave and supplementary social security system compared to the statutory provisions (i.e adopted in Charmes, France);
- financial support for foreign languages learning, education and purchase of school books for employees' children (i.e adopted in Mogi Mirim, Brazil);

- transport services from home to office, reduction of working hours for the distance between shifts, home-office for the office staff, etc. (i.e. adopted in Buenos Aires, Argentina).

It should be noted that - with regard to what already emerged in 2018 at the Indian plants, with reference to the annual hours worked exceeding the legal limit, promptly managed in 2019 with the implementation of the third shift of work, it remains a small part of Bangalore's workers for whom the action is entrusted to the reorganization of a facility, postponed as a result of the pandemic and therefore ongoing at the date of this declaration.

Lastly, in the view of the working methods imposed by the management of the health emergency through massive use of remote-working in most of the countries where the Group operates, during 2020, Sogefi has introduced some important innovations in the IT field. These include:

- the transition to Microsoft Teams in order to replace Skype;
- the implementation of new VPN servers that allow access to more people working remotely;
- the activation of a Webex subscription that allows to organize meeting with a large number of sharers;
- the activation of the digital signature for managers;
- the implementation of a two-factor authentication system on mobile devices to increase their level of protection;
- the implementation of a computer disk encryption, using Microsoft SCCM to enable Bitlocker on all laptops and to increase the level of protection.

Since 2015 Sogefi has been committed to developing and promoting an unified and innovative communication system (i.e. *Unified Communication Framework*), which allows communication to be used as a strategic resource reducing the need for business trips and increasing the quality of conferences, through the quality of the videoconferencing / call experience. The use of unified communications has grown every year, but in 2020 it peaked significantly. In 2020, in fact, more than 120 thousand calls were made via Skype/Teams for a total of about 4,6m minutes. In 2019 and 2018 the Skype call registered around 1,4m of minutes annually.

Occupational health and safety

Sogefi pays particular attention to the protection of the health and safety of its employees through the raising awareness about professional risks and promoting responsible behavior, as well as through the continuous monitoring of injuries and critical issues arise from industrial activity.

The health emergency connected to the spread of Covid-19 and the consequences that the management of the pandemic has determined on business activities in 2020, saw the Group immediately focused on the actions necessary to minimize the risk of contagion from Covid-19 (e.g. smart working, distribution of appropriate personal protective equipment, etc.). The timely adoption of stringent protocols in line with local regulations has guaranteed the Group's work continuity in total safety, protecting the health of its employees and their families and preventing the spread of the virus within the organization itself.

The Group has implemented initiatives at local level, to facilitate employees' access to health services, such as family medical care, supplementary insurance and occupational medicine services, through the presence of clinics that guarantee regular visits and daily care.

To cope with the evolution of the pandemic, each business unit appointed a Covid Steering Committee that, meeting biweekly, involved human resource managers, general managers, COOs, purchasing and health and safety managers. The main purpose of the Committee is to:

- discuss how and if covid has an impact on the company's operations, with particular reference to local government measures;
- evaluate the frequency of testing for employees;

- ensure the correct implementation and application of anti-covid measures also through site inspections;
- control if the supply of masks and other protection items are in line with local demand.

The evolution of the situation is constantly monitored in order to promptly adapt the aforementioned measures, minimizing the social and economic effects on the Group.

Health and safety management system

The Parent Company Sogefi S.p.A. approved a Policy on Occupational Health and Safety, which sets out the principles that all Group operations should observe to define their Health & Safety management system. Through this Policy, Sogefi commits to spreading the culture of accident prevention and awareness on potential risks related to the business activities at different levels.

At organizational level, based on the plant size and/or available technologies, the plant can designate a dedicated HSE Manager who hierarchically reports to the Plant Manager and a dedicated SES Specialist, reporting both to the Plant Manager (hierarchically) and to the Regional SES Senior Specialist (functionally). Both the HSE Manager and the SES Specialist are part of the Plant Management Committee.

In addition, in relation to Sogefi Excellence System (SES), the Group has defined specific mechanisms to minimize risks at an early stage by assessing the potential exposure of each operation and activity and then defining the priorities to be addressed. The first step of the SES is to analyze the current situation in the work premises and the adequacy of existing controls, and therefore to identify any gap in terms of safety, so to define the proper processes necessary to improve performances, minimize the risks, implement changes if any and lead workshops according to standards and as a final step to train the teams on those matters. The SES, by which the local management maintains full autonomy, favors the creation of a common method and language of work and maintains the control at central level through the Plant Improvement Plan (PIP). The PIP defines a set of key performance indicators (KPIs) that, updated on a daily basis through feedback collected in plants and during training to the employees, enables the identification of local priorities and related resources allocation. In every area of the plant, a dedicated team is established to monitor the defined actions and evaluate maturity level of the system with the support of an audit checklist.

The Group Human Resources Direction, based on the KPIs collected locally, produces a monthly report on work accidents; this is presented and commented every month at the Executive Committee¹⁰ in order to evaluate the timely activation of countermeasures if any.

The OHSAS 18001:2007 certification (Occupational Health and Safety Assessment) attests the management, control and improvement of the occupational health and safety performances within the Group. 15%¹¹ of the Group plants have a certified health and safety management system, in light decrease respect to 2019 (18%) due to the inclusion of a new plant still in the process for obtaining the certification.

Training

A Safety Guide which identifies and promotes 10 Basics that employees should follow to avoid health and safety accidents within the plant, has also been formalized within the Sogefi Excelent System (SES). This is combined with the distribution of flyers to all visitors in relation to safety rules to be followed in the plant and with a proper signage aimed at communicating the general safety rules within the plant.

Furthermore, in every production plant has been set-up a Dojo zone, a room fully dedicated to train visitors, employees and external workers on health and safety practices and instructions. The training goes beyond legislative requirements, as Sogefi supports the local plants to provide a regular and frequent training for both plant managers and every employees. All new employees receive the necessary training.

¹⁰ The Executive Committee is composed by the key senior management.

¹¹ The calculation includes 41 production plants, considering Bangalore as two different units, excluding Saint-Soupplets (which is mainly intended for prototype production) and including Jarinu and Mateus Leme which were closed at the end of 2020. Although those plants produced during the whole year in the respect of the certification.

Health and Safety Committees

Each plant certified OHSAS 18001: 2007 has established a Health and Safety Committee to assess workers' behavior concerning safety and perform audits on each business area. Depending on the plant, these committees can be composed by workers only (for example 50% office staff and 50% blue collars), production and maintenance managers, safety responsables, workers representatives, union delegates or a combination of all. These committees meet on a regularly basis to discuss issues related to health and safety within the single plants.

The Committees are integrated into the Health and Safety management system and help to promote a positive culture of health and safety at local level, contributing to the direct involvement of workers in the improvement of related practices.

It should be noted that during 2020 a safety issue related to the fire protection system of the Filtration Indian plants has been identified and currently being addressed. They will be fully solved by the progressive transfer of activities to new unit, transfers which should be completed in Q3 2021.

Main initiatives

Each legal entity controlled by Sogefi can carry out its own local initiatives supporting health and safety. Some of the most significant initiatives implemented during 2020 are reported below:



In order to face the Covid-19 emergency, since the area in which the plant is located has been severely affected by the coronavirus epidemic, the local team has demonstrated its solidarity with the local population and the medical workers by providing some kits, realized with 3D printer, which allows to convert the Decathlon's Easybreath snorkeling masks into emergency respiratory systems, offered to a nearby hospital, and then by realizing headbands to make protective face shields offered to the nurses, gendarmes and the production and maintenance teams of the plant.

Lastly, the Company has provided to their employees a listening platform for people facing delicate situations and, in September, physiologist sessions have been organized.



A family medical assistance outside the plant has been made available to all Brazilian employees, who also receive daily assistance thanks to the presence of an internal medical ambulatory. Moreover, an annual plan on health and safety training has been developed.



A private health insurance that offers a package of physiotherapy procedures (medical recovery) has been provided to all employees. The Human Resources Department created an user manual to explain how to use the insurance and describe the services included. New employees receive this manual in the Welcome Book.

In addition, starting from October 2020, a package of Covid tests were purchased and made available to employees who needed it.

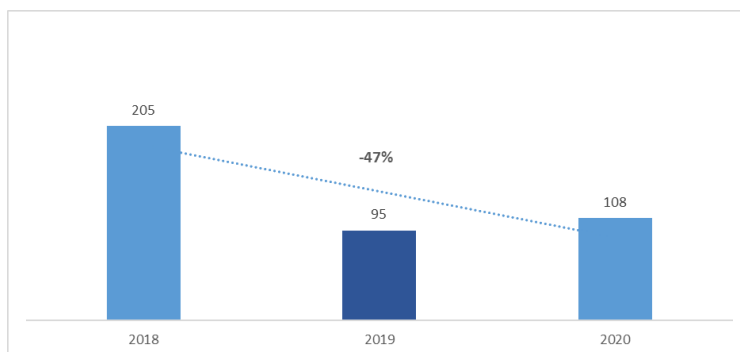
All healthcare initiatives and useful information are communicated to employees in the local monthly newspaper.

Health and Safety Indicators

The injuries reported in this document have been calculated on the basis of the reference indicator used internally through the SES system and subsequently adapted to the GRI standard for the calculation of the accident rate. In particular, the injury or illness is defined as such if it causes incapacity of working for at least a whole day. In addition, in line with the new requirements of the GRI Standard, the number of injuries at work and illnesses and the hours worked for both employees and collaborators have been monitored and collected to ensure alignment with best practices at the international level and to reflect Sogefi's continuous commitment to managing health and safety at work.

In 2020, 108 injuries occurred in the workplace, with an overall increase of 14% from 2019, although confirming the decreasing trend of the last 3 years which results in a reduction of 47%.

Group total number of injuries (employees and supervised workers)



In line with 2019, the values referring to the rate of work-related injuries in 2020 NFS have been calculated with a multiplier of 1.000.000¹².

Compared to 2019, the work-related injuries rate has overall increased both for Sogefi's employees and for supervised workers. However, it is worth mentioning that this variation is correlated to the following variables:

- for employees, although the number of injuries remained stable (from 62 to 63), in 2020 there was a reduction of around 19% in the hours worked as consequence of the national lockdowns which has determined an increase in the work-related injuries rate from 5,4 to 6,7;
- for workers, the number of injuries has increased (from 33 to 45) while the hours worked remained stable. Consequently the work-related injuries rate increased from 6,9 in 2019 to 10,8 in 2020.

The Group continues to pay close attention to the health and safety of its employees and collaborators.

Injury indicators for employees ¹³			
	2018	2019	2020
Rate of work-related injuries	10	5,4	6,7
Rate of fatalities	-	-	-
Rate of high-consequence injuries	-	0,1	-

Injury indicators for supervised workers			
	2018	2019	2020
Rate of work-related injuries	22	6,9	10,8
Rate of fatalities	-	-	-
Rate of high-consequence injuries	-	0,4	-

In 2020, for what concerns the Sogefi's employees, the greatest number of accidents can be found in Europe (49), while South America, North America and Asia registered a significantly lower number of injuries, respectively of 7, 5 and 2 accidents. Similar trend has been registered for the number of injuries of supervised workers for which only Europe represents 89% of the total Group injuries, with the highest number of accidents

¹² With reference to 2018 rates, they have been re-exposed using a 1.000.000 multiplier with regard to data published in 2018 NFS, where the multiplier 200.000.

¹³ Due to a process of improving the reporting system, 2019 data on work-related injuries both for employees and supervised workers were re-exposed compared to those published in the previous NFS.

occurred in the year (40). The health and safety indicators for geographical area are reported in the annex of this document.

Regarding work-related illnesses, in 2020 the Group registered a significant decrease both for employees and supervised workers, respectively of 47% and 100%.

Occupational health indicators for employees			
	2018	2019	2020
Recordable work-related ill health	59	43	23
<i>n. of fatalities as a result of work-related ill health</i>	-	-	-

Occupational health indicators for supervised workers			
	2018	2019	2020
Recordable work-related ill health	19	1	-
<i>n. of fatalities as a result of work-related ill health</i>	-	-	-

Distributed Value and Impact on local communities

With a presence in several countries worldwide, the Sogefi Group is committed to support the communities in which it has a direct impact, by promoting and investing in their social and economic development. For this reason, the Group supports local communities through different initiatives and sensibilizing its employees to further enrich and strengthen the relationship between Sogefi and the local communities. Indeed, in 2020, 65% of Sogefi's plants carried out projects aimed at developing the local communities in which they operate. This data, despite the impediments due to the Covid-19 emergency, as evidence of Sogefi's commitment in the field, is higher than 2019 when 46% of the plants implemented initiatives to support the local communities. The initiatives carried out in 2020 can be divided in the following three major areas: Education & Sport, Health & Research, Solidarity, and for each of them all the main activities conducted over the year are reported below:

2020 Local community initiatives worldwide

Education & Sport



The plant supported ICA and Banda Lira entities, two local non-governmental organizations that offer cultural and musical activities to children with very low income families, both through direct donations and allocation of tax incentives. Below are the sums collected, broken down by organization:

- ICA: R\$6,447 (about \$1.000) for the implementation of a sports program and R\$30,000 (about €4.600) in free donations for the training of teenagers who wish to enter Technical Schools and Universities;
- Banda Lira: R\$36.507 (about €5.600) for the implementation of a music project.

In addition, Sogefi has organized a series of events aimed at making employees and their families aware of some key issues for sustainability such as environmental protection, economy of natural resources and energy.

Health & Research



The plant has established a partnership with the *Anti-Cancer Alliance*, which works to promote cancer awareness campaigns. Specifically, it has prepared a box in which employees can insert bottle caps to be then donated to the association and used for their benefit.

2020 Local community initiatives worldwide

Solidarity



Medvode

The plant, in order to promote the inclusion of disabled people and their employment, has significantly increased business cooperation with local companies that employ more than 50% of workers with disabilities and hold the official status of "Employer of persons with disabilities".

Economic value generated and distributed

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

Statement of Economic value of Sogefi Group		
€m	2019	2020
Sales Revenues	1.463,8	1.203,2
Other gains and losses	-13,0	-12,2
Economic Value generated (gross)	1.450,9	1.191,0
Depreciation and amortization	119,8	116,7
Economic Value generated (net)	1.331,1	1.074,2
Operating costs	995,0	809,2
Personnel	287,6	257,8
Providers of finance	20,9	22,8
Non-controlling interest	3,0	0,5
Public Administration	13,5	3,6
Gain and loss from discounted operations ¹⁴	7,9	15,5
Economic Value distributed to stakeholders	1.327,9	1.109,3
Group net result	3,2	-35,2
Economic Value retained by the Group	3,2	-35,2

In 2020, gross Economic value generated amounted to €1.191 million, showing a 18% decrease compared to 2019. It is composed by sales revenues representing the sale of goods and services, and other gains and losses consisting of other non-operating expenses, gain on disposal net, exchange losses and losses and gains from equity investments.

This value, after the deduction of depreciation and amortization, is the net global Economic Value, which in 2020 amounted to € 1.074 millions.

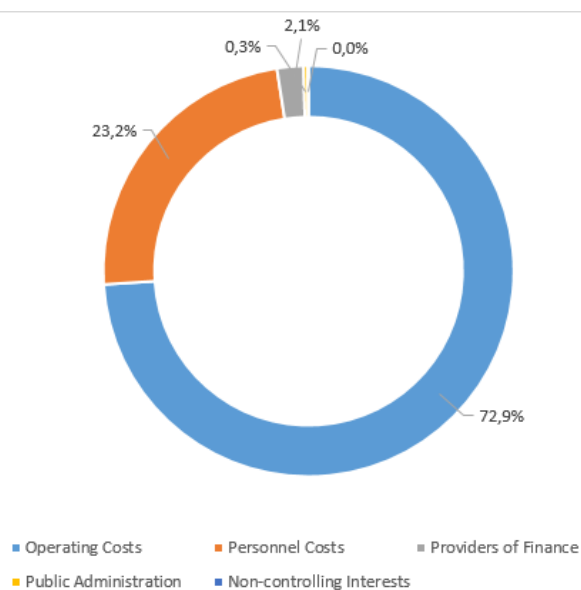
¹⁴ The values for the 2018 financial year, relating to "Assets held for sale", have been reclassified following the application of IFRS 5 "Non-current assets held for sale and discontinued operations".

The distribution of the Economic value is allocated as follows:

- the operating costs amount to €809 million (-19% compared to 2019), and include manufacturing and R&D overheads, distribution and sales fixed expenses and administrative and general expenses, as well as the cost of goods sold. Operating costs represent 73% of the total Economic Value distributed by the Group;
- Group's personnel amounts to €258 million, including mainly personnel costs in terms of wages, salaries and contributions, pension costs (defined benefit plans and defined contribution plans) and restructuring costs;
- finance Providers, mostly obligations, debts towards banks payed by the Group in 2020, amounts to approximately €23 million (about +10% compared to 2019), representing around 2% of distributed Economic Value;
- the economic value distributed to Public Administration mainly in terms of income taxes, amounts to €4 million (-73% compared to 2019), representing less than 1% of distributed Economic Value;
- no quotas were distributed to minority shareholders in 2020.

In 2020, the Group reports a negative value of €35 million, as the difference between the economic value generated and distributed.

Economic value distributed to stakeholders in 2020 (%)



5.3 Governance

Business Ethics & Integrity

The Group is committed to adopting an approach to business in line with the principles of sustainable development and in the common interest of all its current and future Stakeholders. From this point of view, Sogefi has adopted a series of policies and procedures applicable to all the Group's subsidiaries in order to define and transmit in a clear and transparent way the values that must inspire the organization in carrying out its activities and achieving its objectives.

The key pillar of this structure of policies and procedures is the **Code of Ethics**, compliance with which is essential for the correct functioning of the entire value chain, as well as for reliability, reputation and image of the Group.

The fundamental principles contained in the Code of Ethics concern:

- fairness in the conduct of business, including the prevention of conflicts of interest and corrupt practices;
- protection of human capital;
- protection of environment;
- relations with third parties, such as customers, suppliers, public administration, etc.;
- corporate governance.

Employees and all those who, for various reasons, cooperate with the companies of the Group are strongly encouraged to recognize and share the principles established by the Code of Ethics, under penalty of specific sanctions. In this regard, the Code has been translated into the main local languages in order to ensure full understanding within the Company, and it has also been made available on the Group's intranet page. Lastly, a copy of the Code of Ethics is given to all new employees and business partners before the beginning of the employment relationship.

With regard to the other Policies and Procedures of the Group, accessible on the Group intranet page and some on the Company's website, they include:

♣ **Policy on Human Rights**, in accordance with the United Nations Declaration on Human Rights and the ILO Declaration on Human Rights about principles and fundamental rights of workers, which establishes the respect, throughout the value chain, for working principles and conditions which safeguard human dignity, not tolerating offensive behaviors or conducts to moral or personal beliefs.

In this regard, a *Sexual Harassment Committee* and an *Internal Claims Committee* have been designated in India. These committees through periodic monitoring discussed in special meetings, ensure that no harassment occurs in the workplace and that all necessary preventive safety measures are taken.

♣ **Policy on occupational Health and Safety** highlights basic principles to be followed in order to prevent accidents and injuries linked to health and safety of all employees and external workers in the Group's plants. In accordance with local regulations, Sogefi is committed to maintaining and improving the Health and Safety Management System, also through the spread of a culture of accident prevention and awareness-raising, as described in detail in the proper section of this report.

♣ **Environmental Policy**: it defines the commitment of the Group to reduce its environmental impact, promoting compliance with local and international regulations in force on the subject, as well as to implement an adequate environmental management system with defined roles and responsibilities, specific targets for reducing emissions and to continually improve environmental performances.

♣ **Code of Business Conduct**: it applies to all business partners (i.e. suppliers, service providers, commercial partners, commercial agents, subcontractors and distributors) and it defines the requirements that they must comply during the business activities. In particular, the Group Code defines principles and requirements that must be complied with in the following areas:

- business ethics, including anti-corruption practices, fair competition, conflicts of interest;

- responsible sourcing and prevention of conflict minerals;
- respect of human rights and working conditions, with particular reference to health and safety, office hours, benefits and respect for personal data, to the fight against forced labour, child labour and all forms of discriminations, as well as freedom of association and collective bargaining;
- environmental responsibility, with particular reference to the management of materials and waste, energy consumption and greenhouse gas emissions, water consumption and discharge.

♣ **Procedure for Operation with Related Parties:** its purpose is to establish the principles of conduct that the Company is required to adopt in order to ensure the proper management of related party transactions. To this end the Procedure shall:

- determine criteria and procedures for identifying related parties of the Company and defines the criteria for updating the list of related parties;
- lays down the principles for the identification of operations with related parties;
- regulate the procedures for enforcement by the Company, also through subsidiaries, trustees or intermediary operations with related parties, identifying internal rules of appropriate conduct to ensure the transparency and substantive and procedural correctness of such transactions;
- establish the modalities for the fulfillment of related disclosure obligations.

♣ **Policy on International Sanctions Programs:** related to business activities in countries and/or with entities under restriction, to which defines the absolute prohibition for any subsidiary of the Group to enter into commercial relations, subject to specific internal assessment and approval by the Group CEO.

♣ **Information Security Policy:** its objective is to preserve the confidentiality, integrity and availability of the information assets held by the organization in relation to customers, partners and internal staff. This policy defines the set of minimum requirements that must be met to ensure the protection of information from possible risks of cyber-attacks. In addition, on the basis of a specific risk assessment periodically updated by the Group CIO, the applicable risk management strategies are defined.

♣ **Model of Organization, Management and Control in accordance with the Italian Legislative Decree 231/2001** (i.e. Organizational Model): adopted by the Board of Directors of Sogefi S.p.A. since 2004, with the aim of describing the management tools and possible sanctions related to the violation of the protection measures adopted by the Group in relation to the applicable crime risks. The Organizational Model is periodically checked and, as was the case during 2020, updated in order to ensure its compliance with any regulatory change and organizational structure.

In addition, in order to ensure compliance with the Legislative Decree 231/2001, the Board of Directors has set up a **Supervisory Body** responsible for supervising and controlling the compliance and effective implementation of the Organizational Model by the receivers, reporting any deficiency and therefore proceeding to update it. It also has the obligation to inform the Board of Directors, as well as to organize information and training on the Organizational Model itself.

♣ **Whistleblowing Procedure**, translated into the main local languages¹⁵ for an easier comprehension, defines the operating procedures so that any employee of the Group can report a breach or suspected breach likely to cause serious damage to the Company or the public interest. The process is managed by the Group Internal Audit which, as an independent body, once it has assessed the nature and relevance of the reported events can initiate an internal audit procedure, also by integrating specific activities into the annual Audit Plan.

In this regard, it should be noted that in 2020, only three claims related to human rights and labour practices were received through the Whistleblowing channel, which were promptly analyzed and managed by central functions. Specifically:

- one case concerned the challenge of the laws applied for the purpose of terminating the employment relationship, but was found out to be unfounded as they complied with local legislation and the rules applied by the Group;

¹⁵ Chinese, Portuguese, Spanish, Slovenian, French, Romanian, English and German.

- one case concerned the adoption of unfair labour practices by an executive towards a member of his team which led to the termination of the employment relationship. An investigation has been launched, also with the support of the Corporate and BU Human Resources Directors, which is still ongoing;
- one case reported the inadequate application of Covid-19 countermeasures at local level. The Group has promptly followed up through an awareness campaign on the measures to be taken to deal with the Covid-19 emergency. The case was closed before the end of the year.

No reports were received on environmental and discriminatory issues.

♣ **Risk Assessment Anti-corruption:** in 2019 the Group, in line with the main anti-corruption regulations such as Decree UE 254/2016, and Legislative Decree 231/2001 and the French SAPIN II law, launched a project dedicated to the fight against corruption by strengthening the internal control system in order to prevent possible cases of corruption. The project started with the mapping of possible cases of corruption which could theoretically occur on the basis of the Company's activities. The mapping activities involved the main managers of the Group's Business Units through dedicated interviews. The activities, continued during 2020, are focused on defining the Group's governance model, disseminating global communication and training activities, updating the Group's Code of Ethics and other Group's policies where necessary (e.g. Reporting procedures, third party assessment, etc.).

It should be noted that in 2020, there haven't been confirmed incidents of corruption or public lawsuits related to the organization or its employees. During the year under review there hasn't been also any further investigation by the authorities that identified relevant exposures to the Group.

With the aim of promoting the dissemination of the aforementioned policies and procedures, during 2021 a comprehensive training plan aimed at strengthening the organization's awareness of key ethical and integrity values will be launched by the Human Resources department, with the support of the Chief Sustainability Director.

Lastly, starting in 2019, the Internal Audit function will regularly carry out on the subsidiaries subject to the audits envisaged in the annual Audit Plan, an intervention on the sustainability topics reported in the Group's non-financial statement, in order to assess the effective implementation of the policies and procedures, as well as the adopted high-level controls. The activity is carried out through the use of an Entity-level Checklist, prepared in agreement with the Chief Sustainability Director and on the basis of a methodology that assigns a qualitative score (i.e. Low, Medium, High) to each non-financial aspect verified, taking into account the adequacy of existing local practices and their compliance with Group standards. On the basis of the individual scores, an overall rating has been then assigned to the subsidiary confirming the general level of adequacy and effectiveness of the internal control system and any room for improvement. This methodology allows the prioritization of any identified deficiency and the implementation of the action plans necessary to mitigate any non-conformity.

Product quality and safety & customer satisfaction

Product reliability and customer satisfaction are the pillars on which the Sogefi Group's business model is based. Reliability means putting on the market safe and quality products that guarantee compliance with the high standards of the sector.

The quality management system

For several years now, Sogefi has adopted a Quality-Safety-Health-Environmental Policy that defines the guiding principles and objectives that each Group business unit must pursue in ensuring high operational standards, including:

- the analysis of potential risks and the implementation of appropriate control systems;
- the continuous improvement of performance in terms of quality, environment and health and safety at work also through a process of analysis of lessons learned;
- the satisfaction of current and future customer wishes, as well as emerging expectations from other stakeholders;
- compliance with the regulations in force.

As part of the risk analysis, Sogefi conducts a risk assessment according to the Failure Mode Effects Analysis (FMEA) industry standard, which identifies and evaluates the potential risks related to design, development and production feasibility, as well as the impacts that the project itself could determine on quality, environment and health and safety. The analysis covers the entire life cycle of the product: starting from the development of the initial concept, then the product management and design cycle and it is updated periodically during the production phases, integrating any accident that occurred along the process and/or evaluating the impacts on the project of any change request received by customers. Finally, the results are used as a starting point for the development of future projects.

Performance monitoring is pursued thanks to the Sogefi Excellence System (SES), a program first launched in 2017. Through a set of specific KPIs, it analyzes and monitors the Group's overall quality performance and customer satisfaction, activating an escalation process where necessary. The objectives for the different plants are defined for each KPI. The achievement of these objectives is the responsibility of all levels, from top management to workers. The KPIs are collected and reviewed on a monthly basis and the main results are discussed during the meetings of the Executive Committee where the key senior management participates (e.g. Operations, Human Resources, Sales, Quality, Research and Development, Purchasing, etc.).

Below are the results of the three main monitored indicators that show on average an improvement trend in performance:

<i>Customer Line Return</i>	Counts parts rejected by customers OEM/OES
<i>Customer Claim Rate</i>	Counts claims received from customers OEM/OES
<i>Scrap of Total Product Sales</i>	Counts discarded products, parts or components, classified by type of non-compliance at every stage of the production process

BU	2019			2020		
	Customer Line Return (PPB)	Customer Claim Rate (IPB)	Scrap of Total Product Sales (%)	Customer Line Return (PPB)	Customer Claim Rate (IPB)	Scrap of Total Product Sales (%)
A&C	7.311,0	4.874,0	1%	4.469,0	3.551,0	1%
Suspension	21,6	477,0	1%	14,1	2.111,0	1%
Filtration	888,0	806,0	1%	835,0	844,0	1%

Quality performances achieved by the Group are the result of a consolidated process of non-compliance management, the Quick Response Quality Control (QRQC), which aims at providing tools and skills to:

- increase responsiveness in the management of customers complaint,
- standardize the troubleshooting process,
- share internally the best practices and lessons learned,
- increase the involvement of top management.

Through an internal audit activity, the process involves the analysis of the main causes and the subsequent definition of the corrective actions to be implemented. Their effectiveness is assessed one year later through internal audits, in order to minimize the risk that the same event occurring again.

With regard to customer satisfaction, in line with automotive practices, monitoring takes place through the customer portal - mainly OEM. It provides a monthly scorecard with the performance evaluation of the service and products supplied by each plant. In particular, the scorecard monitors industrial performance (i.e. quality, purchasing, logistics and responsiveness) and additional elements about product development and available certifications. These results are then shared internally with BU Directors as part of a monthly quality reporting.

Any red alert are subject of a corrective action plan shared with the customer and long processing times of them can trigger specific audits by the customer – no specific cases emerged in 2020.

Finally, in the context of commercial meetings with some customers, the Sales Department has the possibility to obtain direct feedback on their satisfaction.

The IATF 16949:2016¹⁶ certification confirms the validity and effectiveness of the Group's quality management system above described. It is an international standard for automotive industry oriented to continuous improvement, prevention of risks and non-conformities, reduction of waste and variations in the different phases of design, development and production. In 2020, 98% of Group's plants have an IATF 16949:2016 certified quality management system.

In addition, to ensure compliance with local regulations in countries where the product is developed and marketed, in line with the main requirements of European Directive 2000/53/EC, REACH Regulation 1907/2006/EC Annex XIV, Art. 33, regulation on conflict minerals (CFSI) and customer-specific requirements, Sogefi uses data management platforms and systems to track the chemical composition of products (i.e. *International Material Data System*) and to meet product recycling and reuse requirements (i.e. *China Automotive Material Data System*).

Responsible procurement practices

The Group recognizes the importance of supplying from suppliers who respect the higher quality standards, who comply with existing environmental and safety regulations and ensure the observance of ethical, social and governance principles. In line with the Group's purchasing procedures, formalized in the *Quality Purchasing Manual* adopted by each business unit, the process of selecting suppliers and the subsequent definition of the purchasing conditions are based on an objective assessment of the individual characteristics: quality, price, economic, performance and sustainability aspects. Specifically, Sogefi implemented a furnisher assessment process focused on processes, procedures and systems in place.

Specifically, the phases of verification of suppliers are structured as follows:

- at an initial stage, the Purchasing Function, compiles the *Supplier General Information Survey*, a questionnaire in which the general company data of the supplier are requested;
- subsequently, through the compilation of the *Supplier Initial Assessment Checklist*, more technical and detailed information are requested from the supplier, including the presence of the ISO 14001:2015 environmental certification, representing discriminating elements for the selection phase.

Finally, once the supplier has been internally accredited, the Purchasing Function sends the Group's Code of Business Conduct and Sogefi's General Purchasing Terms and Conditions, which define ethical and good conduct principles, as well as the conditions to be observed by each supplier during the cooperation; the supplier is therefore obliged to return them counter-signed for acceptance.

It should be noted that the supply chain management, already complex in its nature, becomes the subject of particular attention during extraordinary events such as the pandemic that characterized 2020. In fact, the uncertainty and economic difficulties generated by the health emergency have put a strain on the sustainability of the supply chain, sometimes leading to interruptions, even though partial and/or temporary, as well as impacts on the quality of the materials supplied. Companies like Sogefi have therefore been forced to review and adapt their supplier portfolio in line with current needs. In particular, the Group has strengthened the process of selecting and monitoring suppliers, in order to ensure a timely assessment of both financial solidity and adherence to adequate quality standards, and identify, where possible, alternative suppliers for the most critical raw materials / components to reduce the possible risk of being dependent on few of them.

¹⁶ The calculation includes 41 production plants, considering Bangalore as two different units, excluding Saint-Soupplets (which is mainly intended for prototype production) and including Jarinu and Mateus Leme which were closed at the end of 2020. Although those plants produced during the whole year in the respect of the certification.

For this reason, during 2020, Sogefi began new partnerships with 29 suppliers, on a global portfolio of more than 1500 for the purchase of direct and indirect materials¹⁷, of which 38% are ISO 14001:2015 certified. In addition to that, of the 29 new accredited suppliers, 100% received the Sogefi's Code of Business Conduct and 79% returned it signed.

Monitoring of hazardous substances

The Group monitors the use of hazardous substances along the whole supply chain through three activities:

- Recording the material data of all components used by the Group into the *International Material Data System* (IMDS), developed by the major car manufacturers to help keeping track of the chemical composition of the products and to support the automotive industry to monitor the material used in the supply chain and prevent the use of hazardous and banned materials. This tool was adopted after entry into force of the EU Directive End of Life Vehicle (ELV);
- Tracking of substances used in product manufacturing and those required for the functioning of facilities and ensuring the safety of its operations, in compliance with the REACH European Regulation (Registration, Evaluation, Authorisation and restriction of Chemicals), aimed at increasing knowledge on the properties of chemical substances manufactured or marketed in the EU, in order to contain the related risks and, when necessary, restrict or ban their use;
- Tracking of components used for automotive products through the *China Automotive Material Data System* (CAMDS), developed in the same country. This platform was introduced to meet product recycling and reuse requirements in China.

Moreover, in order to fight the extraction of minerals from conflict zones, suppliers are required to draw up and sign the *Declaration on Conflict Minerals* and to complete the *Conflict Minerals Reporting Template* (CMRT), taking into account the related list of raw materials, components and assemblies used. In case of use of the aforementioned minerals, the Purchasing Function will evaluate appropriate actions, including the supplier replacement, the request for the modification of supply resources, etc. These documents will then be shared with the respective car-makers.

The fight against Conflict minerals

Regulation (UE) 2017/821 and s.m.i on Conflict minerals, which follows the regulation established by US law, obliges all European importers of minerals and metals containing tin, tungsten, tantalum and gold, excluding smaller companies, to carry out checks to ensure that due diligence duties are respected by their suppliers.

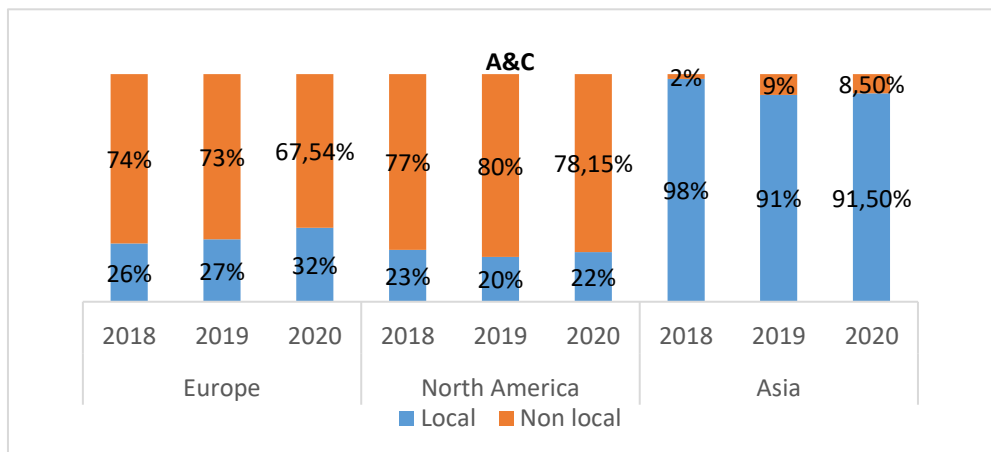
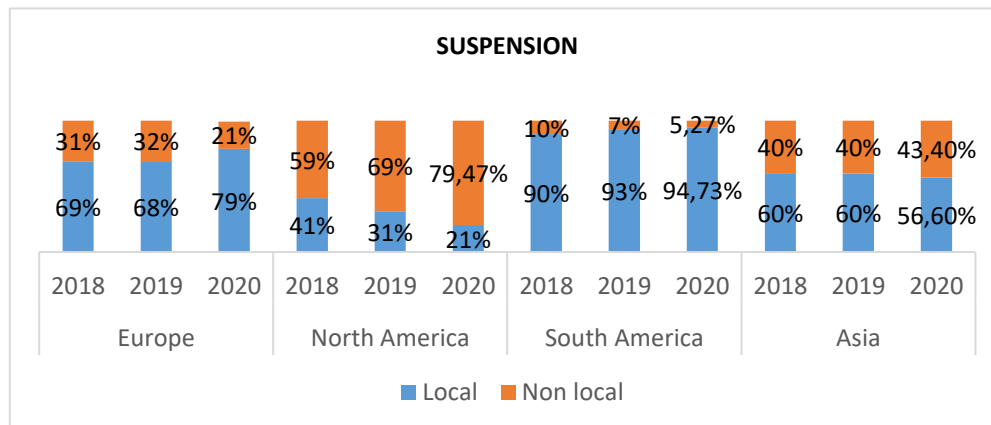
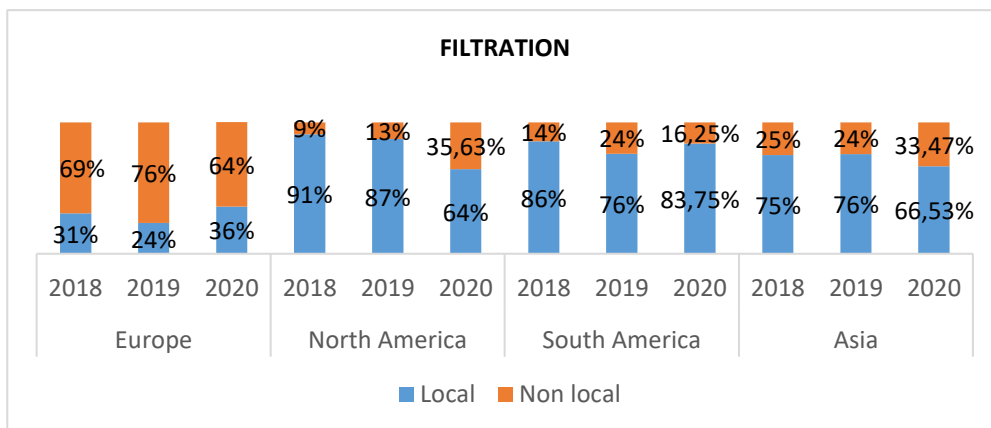
Sogefi, aware that the marketing of these minerals could directly or indirectly support armed groups and encourage the violation of human rights, has implemented systems to manage the purchase of Conflict minerals and at the same time trace their origin. In particular, the *Conflict Minerals Reporting Template* (CMRT), requested by Sogefi to each supplier, is a module developed by the *Conflict-Free Sourcing Initiative* through which suppliers shall state whether their products contain Conflict minerals and therefore it facilitates the dissemination of information about the country of origin of minerals, foundries and refineries in the supply chain.

Another element affecting the suppliers evaluation is their geographical location. In order to strengthen the bond with the territory and support the local economy, Sogefi is committed, where possible and in accordance with customers' requirements, to give priority to local suppliers¹⁸.

The following graphs reports the regional distribution of purchases between local and non-local suppliers, which shows that some areas, such as Asia in A&C, North and South America in Filtration and South America in Suspension, have strong local for local polices, with over 80% of provisions coming from local suppliers. The percentages by region remain substantially unchanged over the years, also indicating continuity in the Group's supply relationships.

¹⁷ Examples of suppliers may include, but are not limited to: brokers, consultants, contractors, distributors, franchisees, licensees, homeworkers, independent contractors, primary producers, subcontractors, wholesalers.

¹⁸ Local suppliers: suppliers of good and services based in the same country of Sogefi's controlled legal entity activities.

Percentages of products services purchased locally**SUSPENSION****FILTRATION**

5.4 Environment

The Group strives to make a positive contribution to environmental sustainability in all of its activities, bearing always in mind the rights of future generations. The Group subsidiaries have an ongoing attention to ensuring that business is carried out in a way that respects the environment and the public health, as well as national and international directives in the sector in which Sogefi operates. To emphasize the commitment towards the protection of the environment, Sogefi adopted an Environmental Policy, approved for the first time in 2016, which sets out ethical and good conduct principles that all the subsidiaries must observe during the performance of their activities. In addition, Sogefi has developed and implemented an Environmental Management System (EMS) to monitor risks and mitigate impacts on the external environment related to its business activities. The EMS was developed in line with the international environmental standard ISO 14001:2015 with respect to which, as of December 31st, 2020 95%¹⁹ of Group's plants is certified. Respect for the environment, through the EMS, is expressed in an efficient management, oriented to the minimization of energy, water and waste consumption, as well as in a general orientation to the development of innovative and eco-sustainable products and technologies. For each topic, the main Group non-financial performances are set out below.

It should be noted that an environmental certificate of a site in Argentina has currently expired and the Company has promptly started the activities necessary for its renewal.

Industrial and logistics carbon footprint²⁰

Below is reported the impact of energy consumption and GHG emissions both within the Group's perimeter and along its value chain, with particular reference to the handling of inbound and outbound goods.

Industrial carbon footprint

Sogefi's manufacturing plants use natural gas (direct energy²¹) and electricity (indirect energy) as their main energy sources, accounting for the majority of the Group total energy consumption. In 2020, the Group used for the first time the Guarantee of Origin certificates (GO) for the purchase of electricity produced from renewable sources. Specifically, GOs cover about 5% of electrical energy purchased by the Group.²² In 2020, the Group consumed approximately 228.000 MWh of electricity and 33 million cubic meters of natural gas, in both cases with a 10% reduction compared to 2019. Overall, in the last three years (2018-2020), there is a reduction of 16% for energy consumed and 10% for natural gas. The decrease in consumption can be traced back to different causes, among which the closure of some production sites, the temporary inactivity due to the lockdown periods imposed at the national level related to Covid-19 and Sogefi's continuous effort to implement concrete actions to reduce electricity consumption at Group level.

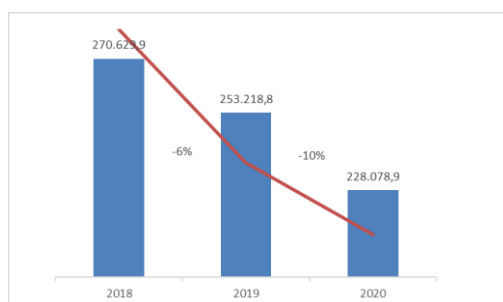
¹⁹ The calculation includes 41 production plants, considering Bangalore as two different units, excluding Saint-Soupplets (which is mainly intended for prototype production) and including Jarinu and Mateus Leme which were closed at the end of 2020. Although those plants produced during the whole year in the respect of the certification. Compared to 2019, one Group plant was not considered as certificated ISO 14001:2015 since the renewal of the certification has been postponed to the first months of 2021 due to covid-19.

²⁰ Data for 2020 energy consumption were estimated for few plants. The estimation was based on previous years consumption.

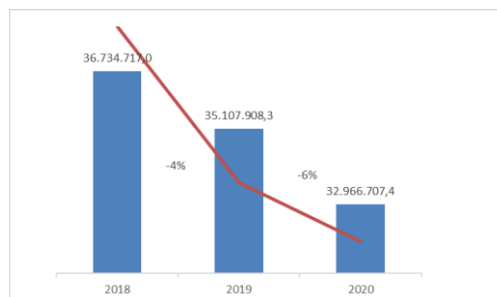
²¹ In addition to natural gas, petrol, diesel and LPG are also used mainly for forklifts and fleets of cars with insignificant consumption that are therefore not used for the calculation of GRI 302-1 and 305-1 indicators and not accounted in this report.

²² Specifically, the sites which purchased GOs are the A&C sites of Chateauroux and Orbey.

Group electricity consumption (MWh)



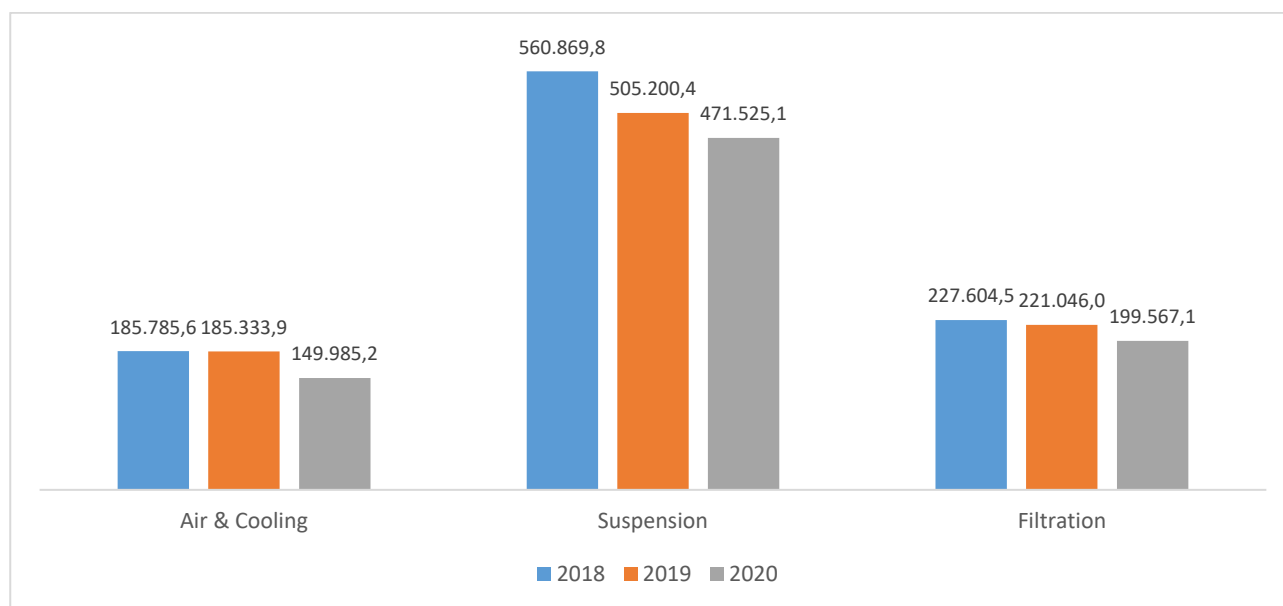
Group natural gas consumption (m³)

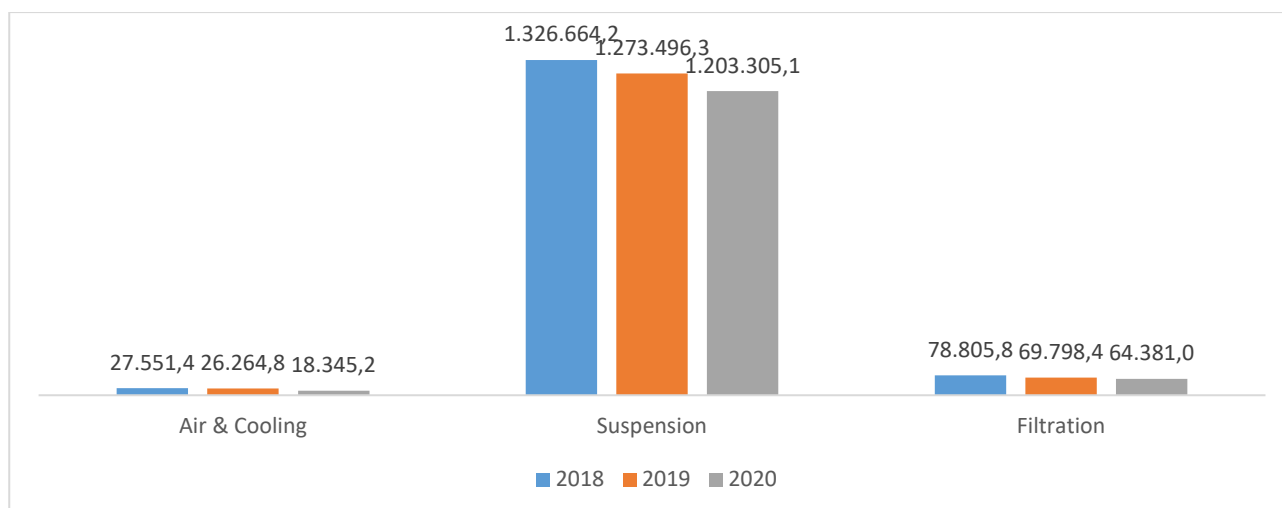


Within the Group, the **Suspensions** BU, is the one which, given a production process based on plastic deformation of metal and surface treatment of materials, records the highest energy consumption (around 80% overall), both in terms of electricity (around 58% of Group total) and natural gas (around 94% of Group total), although with a decreasing trend in those consumptions thanks to energy saving initiatives introduced over the years. The electricity consumption of the Suspensions BU has decreased by 16%, while the gas consumption has reduced by 9%.

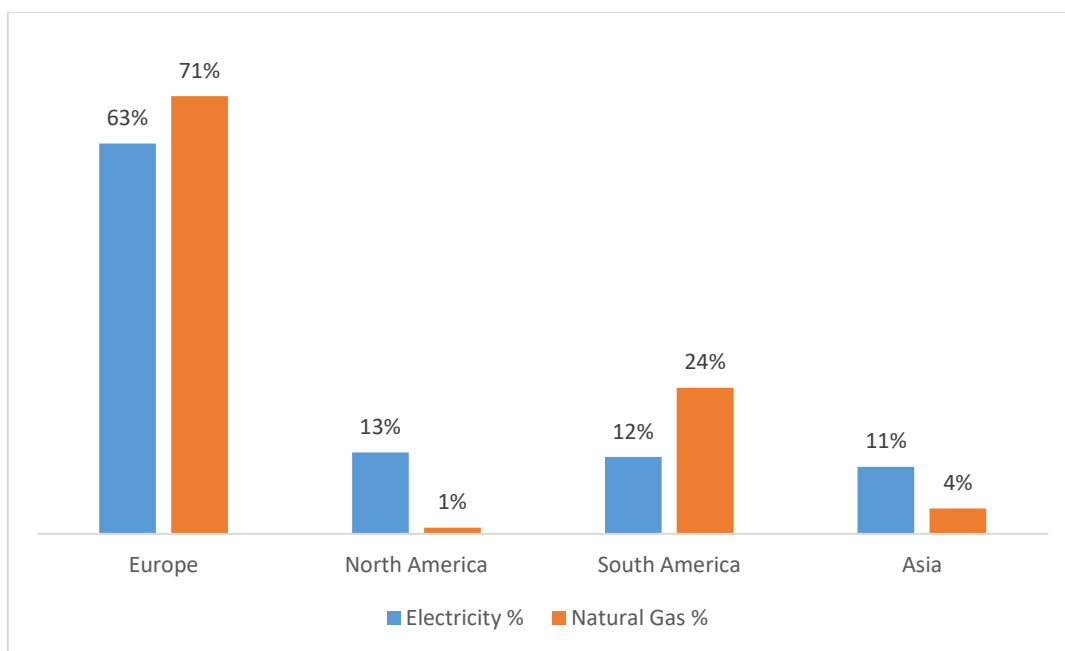
As for the other Business Unit, the electricity consumption has decreased by about 19% in **A&C** since 2018, and by about 12% in **Filtration**. While natural gas consumption decreased by approximately 33% in **A&C** and by 18% in **Filtration**.

Breakdown of electricity consumption per Business Unit in the last three years (GJ)



Breakdown of natural gas consumption per Business Unit in the last three years (GJ)

Consistent with the Group's geographical positioning, the electricity and natural gas consumptions are predominant in the European area, where the largest number of production sites are located, accounting respectively for 63% and 71% of total consumption. They are followed by North America (13% of electricity and 1% of natural gas), Asia (11% of electricity and 4% of natural gas) and South America (12% of electricity and 24% of natural gas).

2020 Energy consumption by Region (electricity and natural gas)

In terms of energy intensity, defined as the energy that the organization has to consume per unit of activity, output, or any other specific metric, in 2020 the Group reported an increase of 17% of the energy used per unit of sales revenues, due to the turnover decrease caused by the pandemic. The indicator is calculated by dividing the absolute energy consumption (i.e. electricity and natural gas) by a specific quantity which in the case of Sogefi is the turnover.²³

²³ Sales revenue by Business Unit and country of origin: eliminations within the Group are not taken into account.

GJ/m€	Energy intensity by business unit		
	2018	2019	2020
A&C	438,4	496,6	452,7
Suspension	3.132,3	3.235,7	4.191,6
Filtration	570,4	532,3	608,0
GROUP	1.482,5	1.501,5	1.751,3

At regional level, the area with the highest energy intensity is South America (67%), followed by Europe (18%), Asia (10%) and North America (5%).

GJ/m€	Energy intensity by region		
	2018	2019	2020
Europe	1.646,6	1.724,1	1.901,4
North America	430,2	432,5	483,0
South America	2.696,9	2.616,0	6.856,2
Asia	914,6	900,6	985,1
GROUP	1.482,5	1.501,5	1.751,3

The monitoring of energy consumption is fundamental in order to keep under control the generation of Greenhouse Gas (GHG) emissions, which have a direct impact on climate change, which is a topic increasingly at the center of public opinion, as well as subject of more stringent laws and regulations. In this regards, GHG emissions are governed by the *United Nations Framework Convention on Climate Change*, the next *Kyoto Protocol* of United Nations and the Paris Agreement, whose main purpose is to define national objectives able to reduce emissions.

Sogefi takes part to the CDP Climate Change Report annually. The CDP is the most recognised NGO in the world for the assessment of transparency in disclosure by companies of climate change information. The questionnaire evaluates Company progress towards environmental stewardship and their climate change governance. On a scale from A to D, in 2020 Sogefi received a score of B, meaning that the Company is taking immediate actions to combat climate issues. The score received is higher than the average of the reference sector and the global and European market.

The Group is committed to improving its manufacturing processes with focus on the reduction of GHG emissions, with special attention to CO₂ emissions. GHG emissions are categorized into three broad scopes:

- **Direct (Scope 1) GHG emissions** come from sources (physical units or processes that release GHG into the atmosphere) that are owned or controlled by the organization and which include, but are not limited to, the CO₂ emissions from the fuel consumption.
- **Energy Indirect (Scope 2) GHG emissions** result from the generation of purchased or acquired electricity, heating, cooling, and steam consumed by the organization and they are reported according to two different approaches as foreseen by the GRI reporting standard used by the Group:
 - *Location-based*: it takes into consideration the conversion factor of energy regarding the country where it was purchased. This approach considers therefore the performance of a national average emission factor related to the specific national energy mix for the production of electricity;
 - *Market-based*: uses an emission factor defined on contractual basis with the electricity supplier. In 2020 Sogefi purchased for three plants in France the Guarantees of Origin certificates covering 100% of plants' energy consumption of the year. In all other cases, the emission factor related to the national residual mix was used.
- **Other Indirect (Scope 3) emissions** not included in Scope 2 that occur outside of the organization, including both upstream and downstream emissions. In Sogefi, those data are related to transportation and distribution of materials and products directly managed by the Group and are calculated since 2019.

GHG Emissions are calculated based on energy consumption: Scope 1 is calculated considering only the natural gas consumption component, while Scope 2 is calculated considering the electricity consumption.

In 2020, Group GHG emissions accounted for about 125.700 tons of CO₂, following the location-based approach while 132.700 CO₂ with the market-based approach. Scope 1 emissions are 53% of total emissions, while Scope 2 emissions account for the remaining 47%, following the location-based approach.

Direct emissions from Scope 1 have been reduced by 6% since 2019, in line with the gas consumption trend of the Group. In 2020 emissions from Scope 2 also were reduced by 9% and 13% respectively for both Location-based and Market-based approach. The emission reduction is a reflection of different causes among which: the closure of some plants, temporary inactivity for the lockdown periods imposed by national governments due to Covid-19 and the initiatives carried out by the Group. Indeed, the 3-years trend shows a general reduction of GHG emissions of 18% (Market-based).

Group GHG emissions ²⁴				
ton CO ₂	2018	2019	2020	Var. 19-20
Scope 1	74.590,9	71.011,4	66.680,4	-6%
Scope 2 – Location based	70.983,8	64.739,9	59.078,2	-9%
Scope 2 – Market based	87.616,3	76.410,4	66.044,5	-14%
TOTAL (with Location based)	145.575	135.751	125.759	-7%
TOTAL (with Market based)	145.574,8	135.751,3	125.758,6	-10%

In line with the energy consumption, Europe and BU **Suspensions** produce the highest volume of CO₂ emissions, given related energy-intensive activities.

Similarly to the criteria applied for energy intensity, the GHG emissions intensity has been calculated and it is defined as the GHG emissions per unit of activity, output, or any other organization-specific metric. Intensity is calculated by dividing the absolute emissions (the numerator) by the organization-specific metric that for Sogefi is the turnover. In 2020, compared to 2019, the GHG emissions intensity of the Group is increased considering both the Location-based (+18%) and the Market based approach (+13%), due to the severe turnover reduction caused by the pandemic and the level of energy consumption that, even if lowered, has not reduced proportionally to the turnover (e.g. the presence of fixed consumes not affected by the production decreased).

GHG EMISSIONS INTENSITY Scope 1+ 2 Location based by BUSINESS UNIT			
ton CO ₂ /m€	2018	2019	2020
A&C	23,8	27,7	29,3
Suspensions	189,2	189,9	241,8
Filtration	37,2	35,8	42,1
GROUP	89,7	89,4	104,5

²⁴ For Scope 1 emission calculation the UK Government GHG Conversion Factors for Company Reporting – DEFRA 2020 has been used. To guarantee comparability with 2020 data, values related to 2018 and 2019 have been restated using the same methodology [UK Government GHG Conversion Factors for Company Reporting 2018 and 2019]. For the values reported in the 2019 Consolidated Non-Financial Statement please refer to the document published on the Company website.

GHG EMISSIONS INTENSITY Scope 1+ 2 Market Based by BUSINESS UNIT			
ton CO ₂ /m€	2018	2019	2020
A&C	25,4	27,8	27,8
Suspension	211,8	207,1	257,7
Filtration	41,3	39,8	44,8
GROUP	99,9	97,0	110,3

Initiatives towards the reduction of industrial carbon footprint

As the first step towards reducing energy consumption and thus protecting the environment, Sogefi works for raising the awareness of the organization towards the adoption, during the working hours, of energy saving behaviors turning off lights, air-conditioner, computers and equipment when not in use, etc. At the same time, the Group started a process on a global level, of replacement of traditional lamps with LED and magnetic lamps with lower energy consumption. Moreover, more important energy-reduction projects are gradually implemented, in all the Group plants.

Specifically, the BU **Suspensions**, which, as already mentioned, is characterized by a production process with high energy intensity with an average annual rate of 3%, has launched the “Energy Project”, a strategic initiative aimed at increasing energy efficiency and therefore at reducing the environmental impact of the manufacturing processes, as well as the overall energy expenditure.

Among the targets of the Energy Project there are:

- Cut of total cost of energy (-2.6 million euro between 2015 and 2019);
- Reduction of the energy intensity index;
- periodic monitoring of KPIs and achievement of specific objectives in order to close the gap between different production sites;
- completion of the mandatory Energy Audits in compliance with the European Directive 2012/27/UE in all European plants.

The Energy Project is centrally defined, coordinated and monitored at the Business Unit level and is locally managed through actions carried out by local teams. Based on a general mapping of the various production plants involved, different areas of interest for energy efficiency have been defined, evaluating more appropriate scope for improvement. These areas include:

- energy monitoring system;
- loads management during non-productive time;
- plant lighting;
- electrical network quality;
- thermal processes efficiency;
- hook burners management;
- compressed air;
- fluids management;
- government incentives for energy efficiency;
- invoice optimization, in terms of spending and consumption.

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

Besides the Energy Project previously described, the box below reports a few more examples of energy consumption reduction projects put in place in the Group's manufacturing plants spread all over the world.

2020 Group Environmental initiatives

Revigny



The Suspensions plant has installed a new cooling system which, thanks to its quality and efficiency, received a grant of 260.000 euros. Furthermore, the plant uses a cogeneration system of fluids that allows the reuse of heat for hot water and central heating, through a water circuit. In addition, the plant has invested in two new generation burners with engineering sensors that optimize the combustion process to reach the best necessary temperature. This allowed a reduction in gas consumption of 30% from the installation date.

Prichard



The Filtration plant has installed a compressor based on a new business model that involves the use of compressors for rent rather than property. In particular, in addition to a reduction in maintenance costs, thanks to the purchase of compressed air, there has been a 10% reduction in energy consumption, considering an efficiency compared to the installation, maintenance and repair processes.

Chateauroux



The Air and Cooling plant has invested in the installation of a new cooling system for molding presses that uses 100% EEC Certified Energy (*Certificat d'Economie d'Energie*) and has allowed an increase in cooling capacity without increasing the number of machineries.

Logistics carbon footprint

In the automotive sector, where the efficiency and the reliability of the supply chain are a fundamental requirement for customers, the management of the logistics flows is a key process for companies like Sogefi that operate in multiple locations around the world, and therefore represents a critical factor of success and competitiveness.

The Group monitors the movement of its good on a daily basis (i.e special movements by taxi and air shipments), weekly or monthly in order to reduce their impact on the environment, therefore promoting a more sustainable approach along the entire supply chain, and, where possible, optimizing the flows.

Moreover, since 2019, Sogefi monitors Scope 3 emissions along supply chain, which means the indirect emissions coming from outside the organization, namely the emissions generated by trucks, cargo ships and freight flights used for product delivery. Sogefi distributes products through road, sea and air and is working to monitor in a more structured way the emissions produced by the transportation directly controlled by the Company. Indeed, the Group is mainly responsible for the transportation of the materials used in the production process, while, more rarely, it manages finished products shipping to the client. Although, if the final transportation has been organized by Sogefi, the Group is capable to track the product movement and therefore the emissions generated.

In 2020, thanks to a greater effort of the Group, the perimeter of scope 3 emission calculation has been enlarged, taking into account the shipping of additional plants²⁵. Therefore following data are not comparable to the ones reported in 2019. The scope 3 emissions tracked in 2020 can be divided in:

- Road: 109.867 tCO_{2eq}²⁶;

²⁵ In 2020, the plants monitored Scope 3 emissions (outbound and/or inbound) of transport directly managed by the Group were: all plants of Filtration and A&C (exception for Monterrey that has transportation only indirectly managed), and for Suspension the plants of Charmes, Mogi Mirim, Rochdale, Hengelo and Cordoba.

²⁶ For emissions calculation, the UK Government GHG Conversion Factors for Company Reporting – DEFRA has been used and in particular the factor for HGV rigid transports with a laden of 50%.

- Plane: 721 tCO_{2eq}²⁷;
- Ship: 11.348 tCO_{2eq}²⁸.

The majority of the Group transports of goods take place on road and in this regard Sogefi has adopted a **Global Purchasing approach** aimed at optimizing transport logistics services with the involvement of several regional offices and manufacturing plants. This approach includes:

- the implementation by the Central Headquarter of each BU of a standard purchasing process for the whole Group;
- the adoption and implementation by suppliers of logistic services of a business continuity plan aimed at improving the reliability of offered services;
- the optimization of collaborations with local carriers choosing ones selected by the Central Dream Panel who respect ISO 9001:2015 quality, also through a specific contractual agreement with the logistics providers (i.e. BU Filtration), and environmental ISO 14001:2015 standards;
- the preference of “Green shipments” carriers, who by bi-modal road-rail shipments, gas trucks, allow a transport planning able to optimize the annual emissions in terms of CO₂ volume, instead of standard solutions, also through the use of the MIFID (i.e. Material and Information Flow Diagram);
- the optimization of freight loading by using smaller, standardized pallets or with less padding, thus allowing to adapt as many parts as possible in each unit while guaranteeing the maximum protection of the product (i.e. Full Truck Load) and at the same time reducing shipping costs.

To this end, the BU Filtration, for shiploads from overseas suppliers (Europe and China) uses a collection warehouse where the goods are stored until the container has reached its maximum capacity. Alternatively, other shippers are allowed to include goods coming from other companies but that share the same destination. In the case of foreign customers, only one full container is shipped once a month to meet the entire demand of the period. Shipping specifications are shared with all suppliers. In the US plants, this has resulted in an optimization of 30% of shipments;

- the optimization of loading and unloading processes through the use of milk-run and crossdocking trucks and related tracking flows (e.g. at Colmar and Titesti sites), with consequent maximization of the parts number in the trucks at the arrival area.

Furthermore, at Tangier plant, the project teams together with a task force dedicated to logistics and purchasing, opted for the closure of external warehouses, with the aim of reducing the renting costs of surfaces, increasing the efficiency through direct deliveries to the customer and without employing workforce for the warehouses storage, reducing travel and consequently the emissions generated.

Additionally, both the BUs Filtration and Suspensions started a plan in order to reduce global transportation distances and optimize deliveries by bringing the warehouse nearer to suppliers and customers. In this regard in 2019, new warehouses were opened in UK, Poland and Romania and the warehouses previously operated by third parties were internalized. The same evaluations are being carried out for the plants in Morocco and China.

²⁷ For emissions calculation, the UK Government GHG Conversion Factors for Company Reporting – DEFRA has been used and in particular the factor for Freight flights International with RF.

²⁸ For emissions calculation, the UK Government GHG Conversion Factors for Company Reporting – DEFRA has been used and in particular the factor for General cargo and Products tanker average size.

Optimization of material cycles in industrial processes

The management process of material cycles within the Group's production processes takes into account two fundamental aspects: the materials used and the waste generated, with a view to recycling and reusing and where possible supported by renewable sources.

Materials used and reusability²⁹

The Group uses a variety of materials for its industrial operations, including steel, plastic, paper, rubber, aluminum and cellulose products, each of them with a different potential environmental impact and a cost connected to the price volatility. Therefore, the Sogefi Group is pursuing two objectives for improvement in terms of material use and reusability:

- limit the consumption of raw material;
- use recyclable and recycled materials.

To achieve these two objectives, Sogefi implemented numerous actions, among which: the reuse of scrapped materials (such as steel and plastic) and a regrind-usage initiative that allows the reuse of plastics in more than one production cycle when possible or requested by the client and the reduction of plastic packaging of the product and the dispersion of paints.

These last two initiatives allow the Nules plant, for example, to obtain an annual saving respectively of about 20.000 and 24.000 euros. In addition, in the Aftermarket segment, an innovative packaging has been developed for the air filters of the passenger compartment, made entirely of transparent plastic, 100% recyclable polypropylene which, unlike the usual non-eco-sustainable cardboard box, allows to seal the product hermetically, offering complete protection from dust and humidity. The same material is also used for packaging labeling with a faster and more efficient recycling process.

Finally, the reduction of raw materials usage and the attention to use recycled materials are systematically taken into account by research and development teams around the world during the prototyping phase of new products (*please refer to the section "Innovative and Eco-responsible products/technologies" of that report for further information*).

In 2020, the general consumption of materials decreased due to the sales reduction determined by the Covid-19 pandemic.

Suspensions

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

In 2020, the amount of steel purchased was 125.701,9 tons, - 31% with respect to 2019, coming from iron ore and coke, scraps, or from a combination of the two. In Europe, steel is mostly made from scraps made of recyclable materials left over from product manufacturing, consumption, and recycling of steel made products.

In 2020, approximately 1.245,9 tons of chemical products were used. Among the chemical products used, rubber is composed of 55% natural rubber (vegetable source) and 45% of mineral sources (oil and carbon), while painting is made essentially from mineral sources: 55% epoxy resin (from petroleum), 45% carbon, and other mineral fillers.

In addition to raw materials mentioned above, the BU uses semi-manufactured goods or parts: the most common are metallic components, followed by rubber, packaging and plastic parts. Packaging is mostly cardboard boxes and pallets (in 2020, more than 12,1 million pieces) as it is required for transportation, storage and the products protection.

²⁹ All materials used by Sogefi can be classified as being non-renewable.

Filtration

The Filtration Business Unit makes use of different kinds of materials according to the type of filter produced: steel, media and chemicals, metallic components, rubber and packaging film.

Steel, with 9.878,6 tons is the most used material in 2020, with a decrease of 31% in consumption with respect to 2019. It consists of basic steel (hot and cold rolled) mainly used for spin-on, while specialized steel such as aluminized, galvanized and zinc coated types are used mainly for petrol filters and other purposes.

With regard to chemicals, in 2020 the BU made use of more than 14.252,0 tons of chemicals such as RM, adhesive/glue, activate carbon and miscellaneous, with a decrease of 1% compared to the previous year.

The use of media changes accordingly to the level of the filtration specifications requested by customers for the various applications (oil/diesel filter, air filter or pre-filter). In 2020, the Business Unit utilized more than 4.000 tons of media.

Finally, to minimize the environmental impact, almost the half of packaging purchased by the BU in 2020 comes from recycled material (paper and cardboard). Furthermore, it should be noted that the use of recycled aluminum increased by 9% in 2020. Indeed, thanks to the characteristics of aluminum, it is possible to purchase quality material coming from recycled aluminum, that's from scraps of aluminum melted to create a new product.

Air & Cooling

The A&C Business Unit mainly uses aluminum, metal parts for the production of oil / gasoline filters, rubber and plastic parts necessary for the modeling of the products through a process called "injection molding of plastics", as well as chemicals.

With reference to aluminum, whose use increased by 38% in 2020, 40% comes from recycled, melted and processed aluminum.

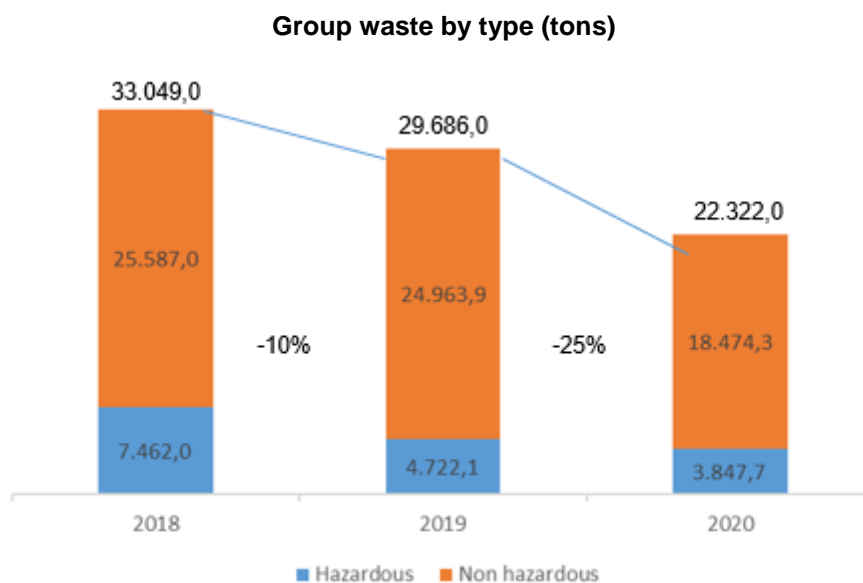
In 2020, metallic, rubber and plastic parts consumption accounted respectively more than 268,8 million pieces (-12% compared to 2019), roughly 75,6 million pieces (-17% compared to 2019) and more than 39,5 million pieces (-18% compared to 2019). More than 17.500 tons of chemicals were also used, -22% compared to 2019 and about 551 kg of film per packaging (-28% compared to 2019).

Finally, it should be noted that in 2020, all production sites reused plastic waste in the production process: the Monterrey plant, for example, reduced resin purchases by 15% through the re-grinding of plastic waste parts and the reintegration into the process of all possible plastic resins.

Waste management

In Sogefi, the management of waste generated is carried out in order to reduce the amount produced, minimize waste and dispose as much as possible the recycling and re-use of the waste, limiting incineration and landfill disposal.

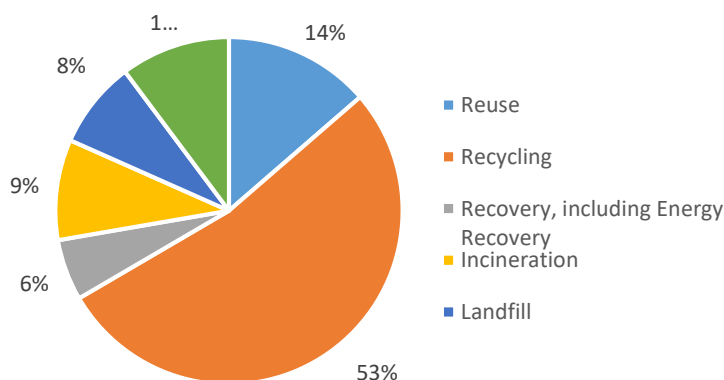
Each Sogefi's manufacturing plant keeps track of individual waste flows and categorizes waste as hazardous and non-hazardous according to the country-specific regulations. Moreover, in most plants, trash bins are separated clearly, either by color-coding or other methods. In 2020, the Group generated and disposed around 22.325 tons of waste, with a decrease of 25% compared to 2019. Most of them were classified as non-hazardous (83%).



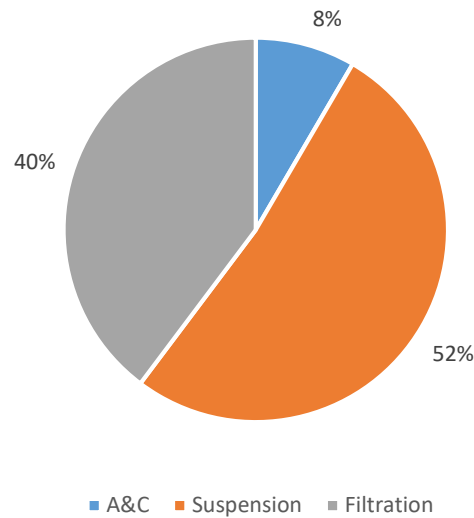
In line with the production pattern of the Group, the Suspensions Business Unit records also in 2020 the highest volume of waste generated (52% on the overall Group production), both in terms of non-hazardous and hazardous ones (respectively 85% and 23% of the total BU waste), reduced by 33% compared to 2019. In absolute terms, Europe is the region that accounts for most of the volume of waste produced with more than 15.300 tons (69%), of which only 20% is classifiable as non-hazardous. Furthermore, as a good example, we report the implementation of a system of solid hazardous waste reduction based on co-processing, allowing a reduction of waste production in 2020 of 126 tons compared to the previous year. This result is part of the wider 25% reduction target for generated waste that has been set in relation to the ISO 14001:2015 certification.

As regards to the treating methods, more than half of the waste produced by the Group was recycled (53%) and 14% is reused, 9% is incinerated and 6% is recovered. Finally, only 8% end up in landfill, while a remaining part (10%) is disposed through other methods.

Waste disposed by disposal method in 2020 (%)



Waste disposed by Business Unit in 2020 (%)

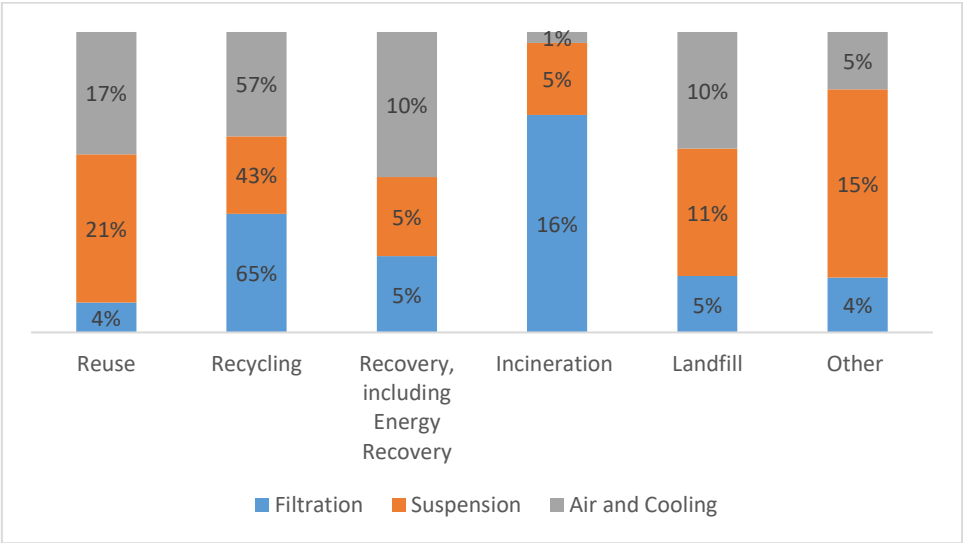


The **Suspensions** Business Unit recycles 43% of its waste and reuses 21% of it, 25% is disposed in different ways, such as incineration, recovery, deep well injection and on-site storage, and lastly only 11% goes to landfill.

For the **A&C** Business Unit, 57% of waste is recycled, 10% is recovered (including energy recovery in form of heat, electricity or fuel), 17% goes to landfill, and 10% is reused. Residual amounts refer to incineration (1%) and other disposal methods (5%).

In the **Filtration** Business Unit, 68% of waste is recycled, 5% is recovered and the remaining is disposed through incineration (16%), reused (4%) and landfill (5%).

Percentage of waste per BU and type of disposal



Sustainable water management³⁰

Clean water and sanitation are worldwide challenges that need to be addressed in order to guarantee access to safe and affordable drinking water for future generations. Sogefi, aware of the direct impacts it can have, commits to reducing its water consumption and to effectively manage its water discharges, paying close attention to the amount withdrawn and consumed and to the quality of its discharges.

Although Sogefi's production processes are not water-intensive³¹, the Group continuously works for the reduction of the overall usage of water. Part of the effort is demonstrated by the number of sites certified ISO 14001:2015 that are globally 95%³² in 2020. This standard provides a guideline for the implementation of an Environmental Management System (EMS) which includes also the sustainable management of water and it is based on the organizational context, needs and expectations of the Group.

In particular, the FMEA (i.e. *Failure Mode and Effects Analysis*) environmental analysis is used at certified plants as a methodology to identify environmental risks and prevent pollution. This is a methodology that aims to identify environmental hazards in the daily activities of plants, including cleaning and maintenance situations, but also in case of emergency situations, as described below:

- the Filtration BU analyses for the sites identified at water risk³³, the related risk exposure and other information about the withdrawal schemes, consumption and discharge of water, defining the environmental scorecards reviewed on a monthly basis. The identified impacts are evaluated with regard of the legal compliance locally required. If, as a consequence, some sites are labelled as 'environmentally sensitive', then specific thresholds are integrated in the related permits;
- The A&C BU uses water mainly for sanitary needs and the cooling process (exchanger), so the water used is not polluted with heavy metals or chemical substances. In such context, significant environmental impacts, identified thanks to the environmental FMEA, are taken into account in the environmental action plan of the plant and the defined environmental dashboard is then reviewed on a monthly basis. The analysis is updated yearly and in case of new equipment, activity or any event claimed by the interested parties or emergency situations. Furthermore, a water reject analysis must be made on some parameters at a defined timeframe defined by the legal requirements or operational permits and the plant must check it complies with the defined water thresholds. In case of non-compliance, local environmental authorities must be informed and an action plan defined.

In addition to the certification system, some plants have additional systems and procedures to monitor any water issue. For example, in Monterrey, all water concerns are examined by the management during specific meetings where they evaluate the related treatment both internally and with third parties.

Furthermore, Sogefi takes part in the CPD Water. The questionnaire annually evaluates the Company performances with regard of actions developed for the management of water consumption and the transparency of reporting.

Water withdrawal

Concerning water withdrawal, the majority of the Sogefi's plant uses fresh water, defined as water with concentration of total dissolved solids equal to or below 1,000 mg/L. Sogefi's plants are spread in 20 countries³⁴

³⁰ Due to a process of improving the reporting system, 2019 data on water collection, discharge and consequently water consumption were re-exposed compared to those published in the previous NFS.

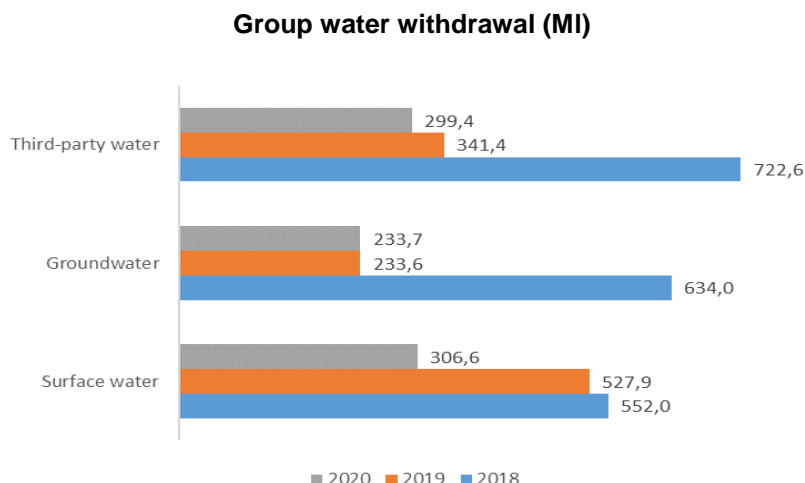
³¹ The source used to determine the water risk to the Group's plants is at the following link: https://ec.europa.eu/eurostat/statistics-explained/index.php/Archive:Water_use_in_industry#Water_use_in_manufacturing_industry

³² The calculation includes 41 production plants, considering Bangalore as two different units, excluding Saint-Soupplets (which is mainly intended for prototype production) and including Jarinu and Mateus Leme which were closed at the end of 2020, although those plants produced during the whole year in the respect of certification. Compared to 2019, one Group plant was not considered as certificated ISO 14001:2015 since the renewal of the certification has been postponed to the first months of 2021 due to Covid-19.

³³ Sites considered at water risk are the ones identified with the *Aqueduct* analysis of *World Resources Institute*, reported at next paragraph "water withdrawal".

³⁴ Countries refer to Sogefi's industrial presence.

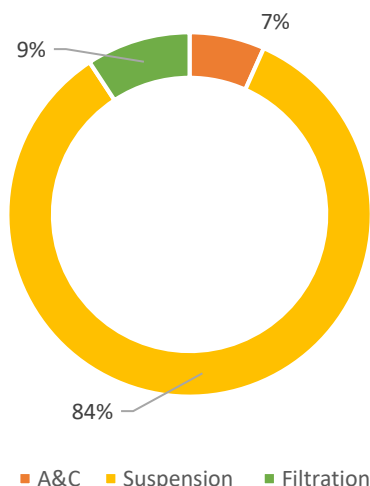
and some of them are operating in water stress areas. To determine areas subjected to water stress the tool *Aqueduct* developed by the *World Resources Institute* has been used in line with the previous years³⁵, which identifies information about sites located in extremely water scarce areas by comparing the best available water, sanitation, population and biodiversity information on a country and watershed basis. Sites are identified to be in five categories: extreme scarcity, scarcity, stress, sufficient, abundant. In 2020, the plants considered at risk of extreme scarcity or scarcity are 11³⁶, in line with the previous year. *For more information, please refer to the annex.*



Group overall water withdrawal in 2020 was around 840 MI, with a decrease of about 23% compared to 2019. The decrease testifies the great effort posed by the Group in reducing its environmental impact. The sources from which water is drawn into the organization are mainly surface water (37%), ground water (28%), and municipal water (36%).

Suspensions withdraws the majority of Group water (around 84% of the overall consumption), while **Filtration** is accounting for 9% and **Air and Cooling** for 7% of the Group water withdrawal.

Water withdrawal by business unit 2020 (%)



³⁵ The tool is available online at the website: <https://www.wri.org/our-work/project/aqueduct>.

³⁶ The plants considered in 2020 as being at a risk of water stress are: Bangalore, Cerdanyola, Douai, Gurgaon, Monterrey, Tangier, Pune Filtration, Pune Suspension, Suzhou/ Wujiang A&C, Suzhou/ Wujiang Suspension, Titești.

For what concern regional activities, Europe plays a crucial role for most of the water withdrawal of the Group (83%), as a result of the presence of the majority of production plants in the Region. Asia, on the other hand, has a level of water withdrawal around 8% of the total, followed by South America (5%) and North America (3%). Manufacturing plants located in North and South America exclusively use municipal water as their only source of supply.

Water discharge

Regarding water discharge, Sogefi Group's activities do not generate highly pollutant effluents. However, when necessary and required by local regulations, manufacturing plants install systems to treat wastewater before discharging it into the natural environment or the public system. Therefore, water discharge methods vary according to local regulations, type of activities and requirements both of consumption and discharge defined by the municipality in which they operate.

In 2020 the total volume of water discharged by Sogefi production sites has been more than 622 Megaliters, in an overall decreasing trend of 27% compared to 2019, thanks to the great number of measures implemented by manufacturing plants to adequately manage their discharges. For example:

- in Rochdale plant, the discharged effluent is tested every month and a report is sent to the Company by the local water provider. This allows the plant, if limits are breached, to immediately resolve potential issues when identified;
- in France and Germany, oil separators are used to treat water before discharge. Oil separators serve to protect the environment from pollution by oil: they remove oil from water by retaining it safely until it is removed. In addition, the discharged wastewater in the German factories of Hagen and Witten is checked every six months for harmful substances by an independent laboratory;
- in China, a waste water electric evaporator was installed to replace the former system, which concentrates industrial waste water, then removed as hazardous waste. Moreover, the waste water evaporator can generate distilled water that can be reused for surface treatment in the painting-line.

Overall, water can be discharged into surface water, into the public sewer systems or into other destinations. In line with previous years' water discharge, the Business Units **Suspensions** and **Filtration** account for the highest volume of effluents within the Group, respectively 85% and 11% even though a minimum decrease of only 1% compared to 2019 in both cases. Moreover, **Air and Cooling**, thanks to the re-allocation of the Gurgaon's plant, registered 90% decrease compared to 2019 in relation to water discharged.

As part of their environmental management system, the Group's manufacturing plants are equipped to prevent accidental spills into the environment. No spills were registered in 2020.

In Sogefi's plant in Buenos Aires, a specific water prevention program has been defined in order to monitor the water discharge, mitigating and solving an issue noted by the Water Government Authority in 2017, with regard to the quality of the water discharged. The program has been also presented to the Authority.

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

Water consumption

All efforts made by the Group in reducing the water withdrawal results in an effective decrease of water consumption. The water consumption measures water used by an organization that it is no longer available; thus the monitoring of volume of water consumed can help the Company to understand the overall scale of its impact due to the water withdrawal needs compared to the water availability itself.

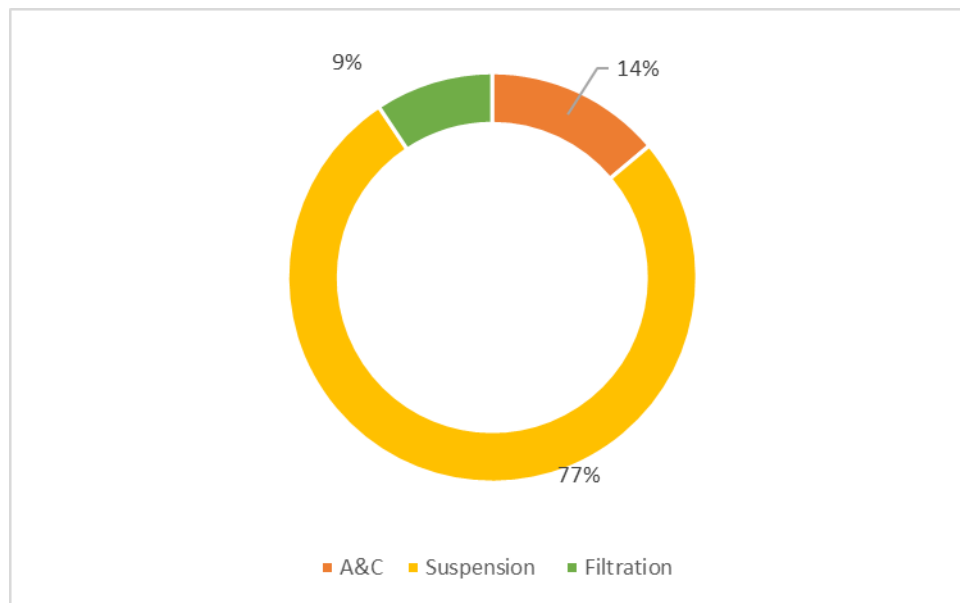
Water consumption is calculated as water withdrawal minus the amount of water discharge. With the aim to improve the disclosure related to the Group's environmental impact, the indicator has been reported in the present document for the first time in 2019, and to make it comparable with previous year's performance, also 2018 data have been calculated.

Water consumption (megaliters - MI)			
	2020		
<i>MI</i>	Areas with no risk of water stress	Areas with water stress	Total
Europe	111,2	36,2	147,4
North America	10,5	2,0	12,5
South America	22,5	-	22,5
Asia	-	34,7	34,7
GROUP	144,2	72,9	217,1

Water consumption (megaliters - MI)			
	2019 ³⁷		
<i>MI</i>	Areas with no risk of water stress	Areas with water stress	Total
Europe	111,1	51,1	162,1
North America	12,0	5,7	17,7
South America	25,1	-	25,1
Asia	3,9	35,6	39,5
GROUP	330,5	87,5	417,9

Water consumption (megaliters - MI)			
	2018		
<i>MI</i>	Areas with no risk of water stress	Areas with water stress	Total
Europe	73,4	55,0	128,4
North America	149,5	1,4	150,8
South America	34,5	-	34,5
Asia	-	42,7	42,7
GROUP	257,4	99,0	356,4

³⁷ Thanks to the continuous process improvement of the data collection, the 2019 volumes concerning the water withdrawal, the discharge and consequently consumption of water were re-exposed in this NFS compared to the ones published in the NFS 2019.

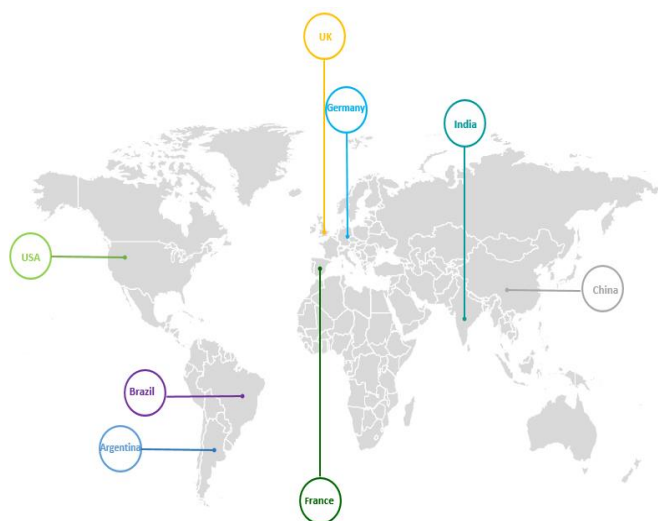
Water consumption per Business Unit in 2020 (%)*Initiatives to reduce water withdrawal and discharge*

Given that water is a shared resource and that access to freshwater is essential for human life and wellbeing, Sogefi is committed to respond to local contexts and pays great attention to its social and environmental impacts. Some examples of the activities aimed at reduction of water consumption implemented during 2020 were:

- continuous monitoring to avoid overflow, leakage and damage of water tanks;
- reuse of water when feasible;
- replacement of all water taps with new ones to decrease water consumption;
- display of instructions on all water taps to improve awareness to save water (e.g. close water taps after use);
- new washroom in production has restricted water flow to reduce usage;
- environmental trainings and themed weeks as a way to educate employees and their families on water conservation and reduction both at work and at home.

In addition, various ones have been developed at local level, for example the Sant'Antonino plant, in Italy, installed, in the period June-July 2020, a water treatment system consisting in a cleaning process starting from phosphating phase and aimed to scale 100% of wastewater (coming from the splitting process) and therefore cut the cost related to the quantity of dark water as hazardous waste. Thanks to this system, there was no loss of wastewater, but only of clean water re-introduced in the water systems (below the legal limit of the plant's water consent).

Innovative and Eco-responsible products / technologies



Investing in Research and Development (R&D) and launching on the market the best technical, economic, environmental and quality solutions that customers can enjoy, is a critical success factor for the Sogefi Group.

The activities are carried out thanks to the presence of 4 R&D centers and 9 innovation centers located worldwide with a staff of 189 dedicated engineers and supported by periodic training programs, with an average of annual expenditure that amounts at about 3-4% of Group revenues.

R&D training	2018	2019	2020
Training hours	2.644	6.312	2.966
Numer of employees who attended the training	297	327	93

From 2018, training hours dedicated to R&D have increased by 12% as a demonstration of the Group's focus on supporting the professional growth of its employees and improving their skills.

Moreover, the Group has a Market Intelligence program focused on benchmark, follow-up on competitors, consolidation of customer feedback, as well as mapping and market assessment for all product categories which are aimed at promptly intercepting customer needs and market trends. Received data are evaluated to create the product road maps whose goal is – for each product category – to highlight the impacts on car manufacturers, on engine and vehicle platforms and on Sogefi's products. These needs are then assessed in comparison with the technologies already available internally, during the development phase, and with future projects.

There are also several collaboration projects with private companies, start-ups³⁸, laboratories and research centers carried out by each Business Unit. The aims of these collaborations are the development of new products and the improvement of existing technologies, as well as the participation in numerous conferences and specialized events which allow a direct benchmark with the market.

The tables below give some examples for 2020:

Collaborations

Category	Name of the entity/institution	Aim of the collaboration	Description
Products	FCA	Collaboration for evaporation filters	Collaboration aimed at the implementation of innovative filter solutions regarding evaporation efficiency
	SKYTREE	Air purification	The partnership's aim is to develop a product able to capture CO ₂ through air purification
	Lion Smart GmbH	Immersive Cooling Battery Module	It consists of a support of the design and production of an immersive cooling module for BEV batteries

³⁸ Relations with start-ups are established through the MOVEO Network

	Ferrari	Cooling Plate	Development of a cooling plate for an advanced engineering project
	Ford Motor Company	Cooling Plate	Definition of specific targets to make the collector sustainable
	iCube	Research for an innovative electric pump	The collaboration, through benchmark activities, research and simulation, is aimed at the creation of prototypes for an electric pump and its electronic and software board
	IABG	Testing activities on corrosion impacts	Implementation of tests on suspension springs
Materials	ARaymond, Michigan	Research of alternative bonding solutions	Development of an alternative bonding solution that allows the removal of metal fasteners
	Fraunhofer, Germany	Aluminium in cooling application	Development of specific aluminum process for cooling application
	Ford Motor Company	Change of material	Evaluating the introduction of materials alternative to polyamide 66 (PA66) to minimize the risks related to its difficult availability
Accessories	UTC - <i>Université Technologique de Compiègne</i>	Collaboration activities	Non-destructive control technologies based on noise emissions (EA)
	LAMIH et <i>Université Polytechnique Haut de France</i>	Steel Grade experimentation	Analysis and modeling of superficial tribological transformations as a function of contact conditions occurring during cold forming process of automotive suspension springs
Others	TOTAL	Oil for electric vehicle	Study of the compatibility of Sogefi material with the new oil developed for EV market
	NESTE	Hydrotreated Vegetable Oil	Development of a Hydrotreated Vegetable Oil used for hybrid vehicles to improve their performance
	<i>Laboratoire de recherches et de contrôle du caoutchouc et des plastiques (LRCCP)</i>	Surfaces analysis	Development of specific tests on rubber surfaces

Specialized conferences

Organizers	Conference	Where
IFTS - <i>Institut de la Filtration et des Techniques Séparatives</i>	IFTS Panorama de la filtration de l'air	virtual conference
Filtration technologies international (USA); Mann energy solutions (Canada) and Green energy and pollution control, research lab (Canada)	WFI 2020 – focus on air filtration and respiratory masks	virtual conference
Several Companies and associations	Webex COVID-19 disinfecting of vehicle	virtual conference
Informa markets (New York)	North American Battery Show – focus on global technologies and market trends	virtual conference with 100's speakers
3M, EATON and TE connectivity	Charged EV	virtual conference with 100's speakers
Several Companies and associations, such as REPSOL, Shell global, Total, IOGP - International Association of Oil & Gas Producers	SPE Sustainability	virtual conference with 100's speakers

Several Companies such as Total, Shell global, BOYD Corporation and Hutchinson	IQPC 9th International Thermal Management for EV/HEV – Focus on evolution of cooling systems for management of BEV and batteries	10/02/20 - 13/02/20; Berlin, Germany
Several Companies and associations	10 International New Energy Vehicle FORUM 2020	Shanghai, China
Several Companies and associations, incl. CLEPA	Automechanica	Shanghai, China

The results of the Group's R&D activities are reflected in the number of patents increased by 14% over the last three years and, not least, by the international awards and recognitions received. Following the awards received in 2020:

GROUP R&D KPIs	2018	2019	2020
Number of family patents	256	277	278
Number of R&D projects ongoing	24	24	33

- the *Supplier of the year Top Award*, through which the General Motors Group awarded Sogefi Top first level supplier;
- In the MODERATO Project, Sogefi was awarded with the Laureate of the Support Funds for the Modernization of the Automotive Sector launched as part of the recovery plan organized by the French Ministry of the Economy, Finance and Recovery, awarding the production of high resistance steel springs.

Innovative and Eco-responsible products

The development of innovative and eco-responsible products represents a strategic opportunity to confirm and improve the market positioning of the three Group Business Units. The automotive industry, led by the main car-makers, is strategically oriented towards the production of vehicles with alternative mobility, reduced CO₂ consumption and polluting emissions, as well as autonomous driving.

Therefore, the Group's R&D activities are addressed by the following key factors:

KEY DRIVERS TO INNOVATION

- New products for BEV, PHEV & FC applications
- New products for E-mobility vehicles
- Reduction of CO₂ and pollutants emissions
- Weight reduction
- Reduction of fuel consumption on I.C. engines
- Recyclability of materials
- Performance monitoring through the addition of mechatronic components
- Cost and performance optimization, to face up also to the global manufacturing platforms and standardization trend
- Products' quality improvements in terms of noise suppression and increasing corrosion protection

With particular reference to pollutant emissions, regulated by national and international bodies that define threshold levels for each vehicle produced, the main factors monitored by Sogefi are Particulate Matter (PM) and Nitrous Oxides (NO_x), both associated with Diesel engines. To ensure compliance with regulatory

requirements, test cycles in Sogefi's R&D centers are designed to reproduce real driving conditions and measure actual driving levels.

With regard to material innovation, the research activity is mainly focused on the use of lighter materials that allow a reduction in weight and therefore of vehicle emissions, through a design revisited in the dimensions and through the replacement of steel. Furthermore, the activity is focused also on recycled materials and/or the possible recyclability of products at the end of their life.

Latest developed innovations

Sogefi **Air & Cooling** Business Unit, due to its specific technical and production skills, has greater opportunities to respond to the current needs of the market. It is mainly focused on the proposal of innovative mechatronic components that guarantee not only a significant downsizing of the main products, with a consequent reduction in fuel consumption, but also an increase in combustion efficiency. Among the main solutions, we can mention the *Sogefi actuator for air intake manifold* which, equipped with a precision angular positioning system, allows a significant reduction in weight, as well as a saving in terms of CO₂ emissions and the *Sogefi Smart Multi-Way Coolant Valve*, a patented technology valve that contributes to saving up to 2% of fuel compared to a standard thermostat. Finally, Sogefi has implemented the *Flow Distribution Unit (FDU)*, first marketed in 2020. Its function is to activate a coolant flow on the parts of the electric vehicle that require cooling (electric motors, power units, batteries, etc.), through a system without components and connections, lighter and easier to assemble during production.

The **Filtration** Business Unit presents different opportunities concerning the application of its products on newly generated vehicles. In particular hybrid vehicles need oil filtration systems since they foresee different hydraulic circuits for suspension, transmission and engine cooling. In this regard, the Group has introduced major technological innovations over the years: *Diesel3Tech™* technology, which separates water thanks to three filtering layers, improving considerably the protection of modern diesel fuel injection systems; *Cabin3Tech+*, consisting of an average of 3 layers of media with different functions for high efficiency filtration of fine particles, trapping 99% of particles >2.5 microns. Finally, two important prototypes have been developed: the water filtration system for gasoline engines that allows the reduction of CO₂ emissions into the atmosphere and an AD Blu injection filter for water separation and gas holding to reduce NOx emissions.

Another element of research and innovation concerns the use of plastic instead of metal components, with positive effects on energy consumption during production and therefore polluting emissions. One of the most important products developed and marketed in 2020 by Sogefi in collaboration with the PSA Group and Solvay

First plastic diesel fuel filter with 100% recycled PA66

The development of the product has been possible thanks to the use of the new plastic compound developed by *Solvay Engineering Plastics*, 100% recycled from airbag waste. The material was used and tested by Sogefi in the plastic injection process, confirming its compatibility with standards. Finally, the product was applied to PSA Group engines (DV engine 1.6l Euro6b application), completing the homologation of the material and the entire validation process.



The life cycle analysis carried out on the product showed that a one-year production of DV6 filter saves the equivalent of 483 tons of CO_{2e}, about 32% less than the traditional filter.

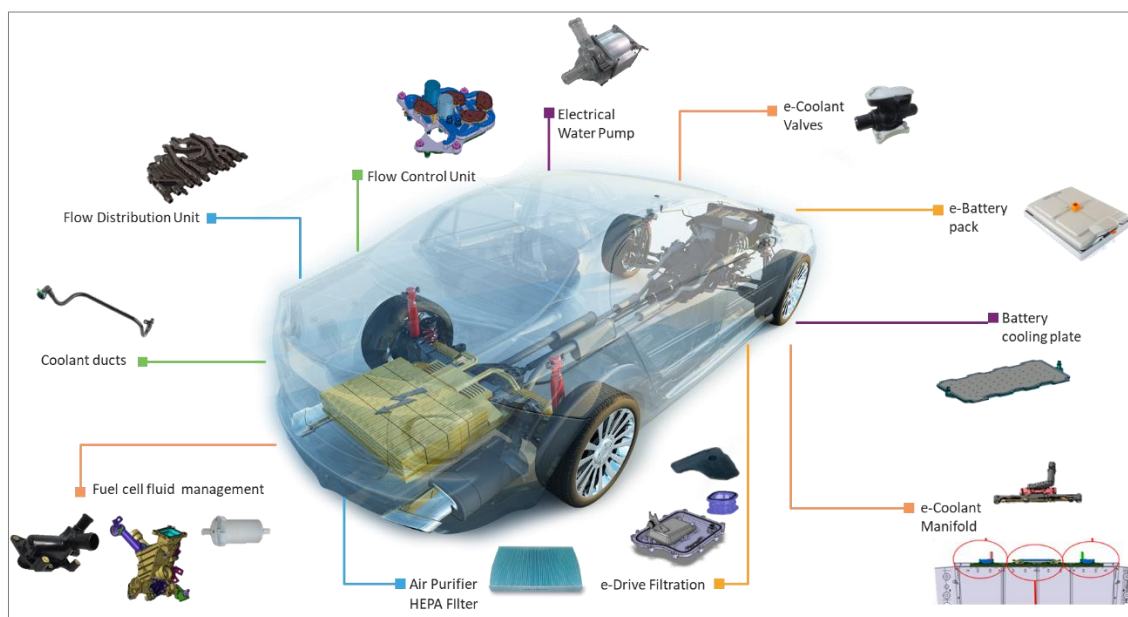
The new product meets the goal of using more than 20% recycled material by 2020, defined by the European End-of-Life Directive of vehicles and aimed at OEMs.

is the first plastic diesel fuel filter entirely made of recycled polyamide 66 (PA66).

In addition, the use of plastic filters, for which Sogefi offers a complete range of solutions, also responds to the new challenges posed by the increasing use of alternative fuels, such as ethanol or methanol, on the duration of the filters themselves.

Concerning the **Suspensions** BU, the main contribution is related to the reduction of the stabilizing bars weight, through the use of tubes instead of solid bars, with consequent reduction of vehicles' fuel consumption. Other improvements have been achieved with the introduction of innovative production processes and dedicated designs, which have enabled the extensive use of lighter helical springs, resulting in better performance in terms of life cycle, corrosion, comfort, silent operation and driving safety. Furthermore, Sogefi continuously works on reducing car noise through innovative noise attenuation systems. For this reason, the Group has developed a new brand of acoustic devices, the *Low Packaging Attenuator Generation 2* (LPA Step 2), which aims at ensuring optimal performances with no additional materials and no impact on the packaging.

Here below a representative picture of main e-mobility products offered by the Group:



6 Methodology

This document represents the Consolidated Non-Financial Statement (hereinafter also "NFS" or "Sustainability Report") issued by Sogefi S.p.A. and the companies consolidated on a line-by-line basis (hereinafter also "Sogefi" or the "Sogefi Group" or the "Group") to fulfill the obligations set out in articles 3 and 4 of Legislative Decree 254/2016 (hereinafter also the "Decree ") and has the objective of describing in a transparent manner the initiatives and the main results achieved in terms of sustainability performance during the financial year 2020 (from January, 1st to December, 31st).

The NFS covers - to the extent necessary to ensure the understanding of the business activity, its trends, performance and related impacts - the environmental, social, personnel-related issues, respect for human rights and the fight against active and passive corruption that are relevant taking into account the Group's activities and characteristics, as illustrated in the materiality matrix included in this document.

The NFS has been prepared in accordance with the Legislative Decree 254/2016 and the "Global Reporting Standards" defined by the *Global Reporting Initiative* (GRI); this report has been prepared in accordance with the GRI Standards: Core option. In addition, it has been considered the guidelines on communication of non-financial information of the European Commission and the Consob call "Attention call - COVID 19 Measures to support the economy". In particular, compared to the latter, the following have been reported: the impacts of the Covid-19 pandemic on non-financial issues, on the existing interconnections between financial and non-financial information, on the business model and on the related mitigation actions in the chapters "Group Profile" and "Sustainability Risks"; the initiatives carried out during the year by the Group in support of employees and local communities to fight Covid-19 in the chapter "People and Communities"; risks related to climate change in the chapter "Group Profile" and "Sustainability Risks".

With regards to the topic-specific Standards GRI 403 (occupational health and safety) and GRI 303 (water and effluents) the most recent version of 2018 was adopted. Please refer to the "GRI Content Index" in appendix to this document for details of the contents reported in accordance with the GRI.

The process of collecting the data and information necessary for the NFS drafting involved various functions and the management of BU and Group, each for its own area of competence, ensuring compliance with the principles of balance, comparability, accuracy, timeliness, clarity and reliability expressed by the GRI guidelines.

With reference to the materiality analysis process, it should be noted that in 2020 a review and updating process was carried out, aimed at making the selection and description of the ESG aspects subject to evaluation³⁹ more effective and business-oriented. The process involved the main internal and external stakeholders in the materiality assessment phase, as described in the appropriate paragraph of this document.

Both the materiality analysis and the reporting of each aspect indicated in the matrix took into account the possible impacts of the Covid-19 pandemic on non-financial issues. Therefore the mitigation actions adopted by the Group were highlighted in the dedicated sections of this document.

The data and information of the NFS refer to all the companies belonging to the Sogefi Group at 31 December 2020, consolidated on a line-by-line basis (any exception is expressly indicated in the text). Environmental data and information only take into consideration Sogefi's production plants since offices are not considered material. The perimeter of the economic-financial data coincides with that of the Sogefi Group's 2020 Consolidated Financial Statement.

With reference to changes in the ownership structure or in the size of the Group in 2020, it should be noted that during the year the following plants have been sold or closed: Shanghai, St. Soupplets, Jarinu e Mateus Leme. However, since the plants remained active during the year with the exception of the St. Soupplets site, all environmental data were included in this report, while with reference to human resources data, reporting was carried out only for certain indicators (i.e. turnover, training, remuneration and health and safety).

³⁹ In 2020 there are 12 ESG aspects subject to materiality analysis, instead of 18 in 2019, as result of a review and merging of the same.

It should be noted that in 2020 there were no significant changes relating to the Group's supply chain.

In order to allow the comparability of data and information over time and the assessment of the performance of the Group's business over a period of time, where possible, comparison with the 2019 and 2018 reporting period is proposed.

In each chapter, any quantitative data for which estimates have been made, are clearly identified. Estimates are based on the best information available or on sample surveys. Furthermore, it should be noted that for reasons of rounding in some tables and graphs, the totals of the percentages may differ from 100%.

The Board of Directors of Sogefi S.p.A. approved the current NFS on 26th of February 2021.

KPMG S.p.A. issues an external assurance ("limited assurance engagement" according to the criteria indicated by the ISAE 3000 Revised principle) on this document. The audit was carried out according to the procedures indicated in the "Report of the Independent Auditing Firm", included in this document.

The Consolidated Non-Financial Statement is published annually. The previous version of the NFS has been published on 27th March 2020.

The NFS is also available on the Sogefi website (www.sogefigroup.com) in the "Sustainability" section.

7 Annexes

Taxes⁴⁰

207-4 Country Report

Names of the resident entities	Tax reporting 2020							
	FTE	Business activity	Revenues from third-party sales	Revenues from intra-group transactions ⁴¹	Profit/loss before tax	Tangible assets other than cash and cash equivalents	Corporate income tax paid on a cash basis	Corporate income tax accrued on profit/loss
France								
Sogefi Air&Cooling S.A.S	483	Manufacturing	116.472.609	1.161.720	10.058.170	47.809.240	(278.373)	278.370
Sogefi Filtration S.A.	700	Manufacturing	147.251.740	32.813.440	(95.311.840)	30.409.721	-	-
Sogefi Suspensions S.A.	641	Manufacturing	93.377.466	1.400.700	(17.276.998)	34.633.830	(123.425)	123.430
United Springs SaS	75	Manufacturing	7.514.562	1.583.511	582.641	3.161.393	(103.836)	-
Branch Sogefi Spa	-	Holding shares	-	2.559.536	121.883	63.149	(39.160)	9.033
S. Ara Composite Sas	7	Manufacturing	52.000	8.100	(1.802.160)	2.420	-	-
Sogefi Gestion S.A.S.	39	Administrative, Management or Support Services	-	11.214.921	522.571	1.800.587	-	-
Italy								
Sogefi SpA- ITALY	17	Holding Shares	-	7.749.868	(6.554.264)	5.367.567	(459.795)	(1.219.580)
Sogefi Filtration Italy SpA	136	Manufacturing	25.691.840	3.459.800	1.041.326	8.471.444	152.825	332.370
Sogefi Suspension Pass Car Italy Srl	145	Manufacturing	29.269.030	22.880	393.637	13.041.240	77.722	(14.810)
Sogefi Suspension Heavy Duty Italy Srl	100	Manufacturing	22.879.080	73.460	1.938.355	5.762.920	(484.517)	439.790
Romania								
S.C. SOGEFI AIR & COOLING S.r.l.	156	Manufacturing	32.159.002	802.087	1.442.903	16.723.436	(413.764)	306.375
Sogefi Suspensions Eastern Europe S.R.L	28	Manufacturing	2.568	926.072	(3.661.481)	39.650.271	-	-
Netherlands (the)								
Sogefi Filtration BV P.E.	1	Sales, Marketing	-	-	389.290	-	(30.457)	87.320
United Springs BV	29	Manufacturing	3.932.800	208.120	426.570	2.139.910	(38.566)	92.200
Sweden								
Sogefi Filtration Filial P.E.	1	Sales, Marketing	-	-	64.280	-	(41.525)	12.000
Slovenia								
Sogefi Filtration d.o.o.	396	Manufacturing	31.771.450	16.917.850	664.530	15.851.640	-	150.050
Spain								
Sogefi Filtration Spain S.A.U.	105	Manufacturing	19.768.097	4.864.236	(42.918.180)	3.746.192	(2.532.097)	2.881.310
Sogefi Filtration Spain S.A.U	10	Sales, Marketing	2.084.234	-	262.176	3.031	-	72.632
Ibérica de Suspensiones S.L.	257	Manufacturing	54.444.974	30.360	3.703.110	17.049.504	(2.764.856)	977.720
Germany								
Sogefi Filtration Deutschland P.E.	5	Sales, Marketing	-	-	73.120	-	(23.400)	21.630
Sogefi PC Suspensions Germany GmbH	67	Manufacturing	9.817.010	-	(9.980.200)	524.330	(2.617.470)	(708.960)

⁴⁰ The tax values reported in this report relate to the year 2020 and therefore, in line with the tax deadlines, not yet submitted to the Italian Agenzia delle Entrate.

⁴¹ The values report all intercompany revenues, not only the ones with other tax jurisdictions.

Names of the resident entities	Tax reporting 2020							
	FTE	Business activity	Revenues from third-party sales	Revenues from intra-group transactions ⁴¹	Profit/loss before tax	Tangible assets other than cash and cash equivalents	Corporate income tax paid on a cash basis	Corporate income tax accrued on profit/loss
Sogefi HD Suspensions Germany GmbH	337	Manufacturing	67.877.381	17.620	5.227.481	18.376.670	-	1.962.080
United kingdom								
Sogefi Filtration Ltd	215	Manufacturing	38.669.694	5.403.215	370.243	9.308.591	-	199.762
Allevard Springs Ltd	78	Manufacturing	12.755.954	52.867	688.315	4.145.216	596.480	(282.272)
United Springs Limited	54	Manufacturing	6.781.244	44.118	515.622	3.466.942	(55.378)	140.518
Morocco								
Filter Systems Maroc Sarl	148	Manufacturing	27.576.099	619.453	(7.510.524)	15.556.043	-	-
Luxemburg								
Systemes Moteurs China S.à r.l.	-	Dormant	-	-	(843)	-	-	535
Russian federation (the)								
Sogefi Filtration Russia LLC	3	Sales, Marketing	1.797.881	-	(1.361.635)	-	-	(170.196)
China								
Shanghai Allevard Springs Co.,Ltd.	12	Manufacturing	487.760	356.554	(1.947.440)	1.050.876	-	-
Mark IV Asset (Shanghai) Auto Parts Co., Ltd.	-	Dormant	-	-	-	-	-	-
Sogefi (Shzhou) Auto Parts Co., Ltd	470	Manufacturing	78.528.455	6.358.349	4.383.209	50.289.781	-	-
Shanghai Sogefi Auto Parts Co., Ltd	5	Sales, Marketing	5.490.854	170.871	(327.808)	51.100	-	-
Hong Kong								
Sogefi Engine Systems Hong Kong Ltd	-	Dormant	-	-	-	-	-	-
India								
Allevard IAI Suspensions Private Ltd	116	Manufacturing	3.917.877	1.058.787	(398.497)	4.370.146	-	-
SOGEFI-MNR Engine Systems India Private Limited	1.163	Manufacturing	52.902.014	1.600.500	5.364.476	17.374.981	(1.312.020)	980.320
Canada								
Sogefi Air & Cooling Canada Corp.	301	Manufacturing	98.599.887	28.409	4.992.474	17.884.374	(1.359.410)	1.025.777
United States of America (the)								
Sogefi Air & Cooling USA Inc.	40	Research and Development	-	-	322.344	942.277	(26.286)	1.143.279
Sogefi USA Inc.	305	Manufacturing	97.080.340	111.997	5.715.480	25.173.560	(3.367.275)	2.124.196
Argentina								
SOGEFI FILTRATION ARGENTINA S.A.	168	Manufacturing	12.968.143	196.815	(443.605)	3.881.679	-	170.180
Sogefi Suspension Argentina S.A.	235	Manufacturing	20.947.890	144.073	645.144	3.116.724	(77.744)	506.019
Brazil								
Sogefi Filtration do Brasil Ltda	392	Manufacturing	24.543.057	171.817	(8.753.126)	7.002.736	-	-
Sogefi Suspension Brasil LTDA	197	Manufacturing	25.267.254	69.535	(333.203)	10.416.850	-	154
Mexico								
Sogefi Engine Systems Mexico S de R.L. de C.V.	196	Manufacturing	54.900.168	160.636	196.509	1.251.853	799.397	737.707

For the overall reconciliation between the theoretical tax rate (the one of the Parent Company Sogefi S.p.A.) and the effective tax rate of the Group, see the Consolidated Financial Statement, Note 35 "Income tax". With regard to the reasons for the difference between the theoretical and the effective tax rates, it should be pointed out that:

- **In Italy:** the main differences are due to:
 - non-deductible costs due mainly to the net financial charges of the Parent Company Sogefi S.p.A., which for the year 2020, was considered non-deductible as it was not absorbable in the consolidated tax of the CIR Group;
 - to the net charge from the sale of tax surpluses to the CIR Group of the Italian subsidiaries.
- **In France:** the main differences are due to:
 - tax benefits for research and development activities;
 - tax losses for which no advance taxes were entered because of the lack of retrievability requirements.
- **In Germany:** the main differences are due to non-recurring tax losses for which pre-taxes were entered at a lower rate than the theoretical one.
- **In Romania:** the main differences are due to non-deductible expenses.
- **In Slovenia:** the main differences are due to non-deductible expenses.
- **In the United Kingdom:** the main differences are due to fiscal benefits linked to investments.
- **In Spain:** the main differences are due to adjustments to previous year taxes.
- **In China:** the main differences are due to:
 - fiscal benefits for research and development activities;
 - fiscal losses for which no advance taxes were entered because of the lack of retrievability requirements.
- **In India:** the main differences are due to:
 - non-deductible expenses;
 - fiscal losses for which no advance taxes were entered because of the lack of retrievability requirements.
- **In the USA:** the main differences are due to:
 - non-deductible expenses, mainly for non-recoverable withholding taxes from the Mexican subsidiary;
 - tax benefits for research and development activities.
- **In Mexico:** the main differences are due to non-deductible expenses.
- **In Argentina:** the main differences are due to permanent differences arising from the application of IAS29 "Accounting Reporting in Hyperinflationary Economies".
- **In Russia:** the main differences are due to non-deductible expenses.
- **In Morocco:** the main differences are due to fiscal losses for which no advance taxes were entered because of the lack of retrievability requirements.

There are no significant differences between theoretical and effective tax rates in the following countries: Canada, the Netherlands, Brazil.

People

102-8 – information on employees and other workers

Total workforce									
N. of persons	2018			2019 ⁴²			2020		
	M	W	Total	M	W	Total	M	W	Total
Employees	5.187	1.780	6.967	5.054	1.757	6.811	4.498	1.527	6.025
Supervised workers	897	429	1.326	984	227	1.211	700	157	857
Total	6.084	2.209	8.293	6.038	1.984	8.022	5.198	1.684	6.882

Employees by type of employment, by gender and region in 2020											
N. of persons	Europe		North America		South America		Asia		Total		
	M	W	M	W	M	W	M	W	M	W	TOT
Fixed term contract	82	95	-	-	-	-	-	-	82	95	177
Permanent contract	2.574	1.034	573	207	505	43	764	148	4.416	1.432	5.848
Totale	2.656	1.129	573	207	505	43	764	148	4.498	1.527	6.025

Employees by type of employment, by gender			
N. of persons	2018	2019	2020

⁴² Data on human resources of 2019, does not include the plant of Sogefi Suspensions Eastern Europe S.R.L. (Romania) which was under construction and counts 7 people at the end of the reporting period (31.12.2019).

	M	W	Total	M	W	Total	M	W	Total
Full time	5.151	1.680	6.831	5.025	1.675	6.700	4.459	1.452	5.911
Part time	36	100	136	29	82	111	39	75	114
Total	5.187	1.780	6.967	5.054	1.757	6.811	4.498	1.527	6.025

Employees by type of employment, by gender and region											
N. of persons	Europe		North America		South America		Asia		Total		
	M	W	M	W	M	W	M	W	M	W	TOT
Full time	2.618	1.054	573	207	505	43	763	148	4.459	1.452	5.911
Part time	38	75	-	-	-	-	1	-	39	75	114
Total	2.656	1.129	573	207	505	43	764	148	4.498	1.527	6.025

102-41 – Percentage of total employees covered by collective bargaining agreements

Percentage of employees covered by collective bargaining agreements by Region									
%	2018			2019			2020		
	M	W	Total	M	W	Total	M	W	Total
Europe	97%	98%	97%	97%	98%	98%	97%	99%	98%
North America	53%	46%	51%	45%	38%	43%	42%	43%	42%
South America	97	94%	96%	96%	96%	96%	95%	86%	94%
Asia	5%	3%	5%	54%	31%	50%	63%	28%	57%
Total	78%	82%	79%	97%	98%	98%	84%	84%	84%

405-1 Diversity of governance bodies and employees

Percentage of employees per employees category and gender									
%	2018			2019			2020		
	M	W	Total	M	W	Total	M	W	Total
Management	2%	0%	2%	1%	0%	2%	1%	0%	2%
Office staff	21%	8%	29%	19%	7%	27%	19%	7%	27%
Blue collar	51%	18%	69%	54%	18%	72%	53%	18%	71%
Total	74%	26%	100%	74%	26%	100%	74%	26%	100%

Percentage of employees per region and gender									
%	2018			2019			2020		
	M	W	Total	M	W	Total	M	W	Total
Europe	42%	16%	58%	41%	17%	59%	44%	19%	63%
North America	9%	3%	12%	9%	3%	12%	10%	3%	13%
South America	13%	3%	16%	12%	3%	15%	8%	1%	9%
Asia	11%	2%	13%	13%	2%	15%	13%	2%	15%
Total	74%	26%	100%	74%	26%	100%	75%	25%	100%

Percentage of employees per Business Unit and gender									
%	2018			2019			2020		
	M	W	Total	M	W	Total	M	W	Total
A&R	15%	7%	22%	14%	7%	21%	14%	7%	21%
Suspension	32%	4%	35%	30%	4%	34%	33%	4%	37%
Filtration	27%	14%	41%	30%	15%	44%	28%	14%	41%
Other ⁴³	1%	0%	1%	0%	0%	1%	1%	0%	1%
Total	74%	26%	100%	74%	26%	100%	75%	25%	100%

Breakdown of employees according to gender and age group									
2018									
%	<30		30-50		>50		Total		Total
	M	W	M	W	M	W	M	W	

⁴³ 'Other' category refers to Sogefi S.p.A. and Sogefi Gestion S.A.S.

Management	0%	0%	1%	0%	1%	0%	2%	0%	2%
Office staff	3%	1%	13%	5%	4%	2%	21%	8%	29%
Blue collar	10%	3%	28%	9%	13%	5%	51%	18%	69%
Totale	13%	4%	43%	14%	18%	7%	74%	26%	100%

Breakdown of employees according to gender and age group									
2019									
%	<30		30-50		>50		Total		Total
	M	W	M	W	M	W	M	W	
Management	0%	0%	1%	0%	1%	0%	1%	0%	2%
Office staff	2%	1%	13%	5%	4%	1%	19%	7%	27%
Blue collar	11%	4%	30%	9%	13%	5%	54%	18%	72%
Total	13%	5%	43%	14%	18%	6%	74%	26%	100%

Breakdown of employees according to gender and age group									
2020									
%	<30		30-50		>50		Total		Total
	M	W	M	W	M	W	M	W	
Management	0%	0%	1%	0%	1%	0%	1%	0%	2%
Office staff	2%	1%	13%	4%	5%	2%	20%	7%	27%
Blue collar	10%	3%	29%	9%	14%	5%	53%	18%	71%
Total	12%	5%	43%	13%	20%	7%	75%	25%	100%

Breakdown of employees according to gender and age group by Business Unit									
2018									
%	<30		30-50		>50		Total		Total
	M	W	M	W	M	W	M	W	
A&R	2%	1%	10%	4%	3%	2%	15%	7%	22%
Suspensions	5%	1%	18%	2%	9%	1%	32%	4%	35%
Filtration	6%	3%	14%	7%	7%	4%	27%	14%	41%
Other	0%	0%	0%	0%	0%	0%	1%	0%	1%
Total	13%	4%	43%	14%	18%	7%	74%	26%	100%

Breakdown of employees according to gender and age group by Business Unit									
2019									
%	<30		30-50		>50		Totale		Total
	M	W	M	W	M	W	M	W	
A&R	3%	1%	9%	4%	3%	2%	14%	7%	21%
Suspension	3%	1%	19%	2%	9%	1%	30%	4%	34%
Filtration	7%	4%	15%	8%	7%	4%	29%	15%	44%
Other	0%	0%	0%	0%	0%	0%	0%	0%	1%
Total	13%	5%	43%	14%	18%	6%	74%	26%	100%

Breakdown of employees according to gender and age group by Business Unit									
2020									
%	<30		30-50		>50		Total		Total
	M	W	M	W	M	W	M	W	
A&R	2%	1%	8%	4%	3%	2%	14%	7%	21%
Suspension	3%	1%	21%	2%	9%	1%	33%	4%	37%
Filtration	7%	3%	13%	6%	7%	5%	27%	14%	41%
Other	0%	0%	0%	0%	0%	0%	1%	0%	1%
Total	12%	5%	43%	13%	20%	7%	75%	25%	100%

Breakdown of employees according to gender and age group by Region									
2018									
%	<30		30-50		>50		Total		Total
	M	W	M	W	M	W	M	W	
Europe	4%	2%	23%	9%	15%	6%	42%	16%	58%
North America	2%	1%	5%	1%	2%	1%	9%	3%	12%
South America	3%	1%	9%	2%	2%	0%	13%	3%	16%
Asia	4%	1%	7%	2%	0%	0%	11%	2%	13%

Total	13%	4%	43%	14%	18%	7%	74%	26%	100%
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Breakdown of employees according to gender and age group by Region									
2019									
%	<30		30-50		>50		Totale		Total
	M	W	M	W	M	W	M	W	
Europe	4%	3%	22%	9%	14%	5%	41%	17%	59%
North America	2%	1%	5%	1%	2%	1%	9%	3%	12%
South America	2%	1%	9%	2%	2%	0.1%	12%	3%	15%
Asia	5%	1%	8%	2%	0.5%	0.0%	13%	2%	15%
Total	13%	5%	43%	14%	18%	6%	74%	26%	100%

Breakdown of employees according to gender and age group by Region									
2020									
%	<30		30-50		>50		Totale		Total
	M	W	M	W	M	W	M	W	
Europe	5%	3%	23%	10%	16%	6%	44%	19%	63%
North America	3%	1%	5%	2%	2%	1%	10%	3%	13%
South America	1%	0%	7%	0%	1%	0%	8%	1%	9%
Asia	4%	1%	8%	2%	0%	0%	13%	2%	15%
Total	12%	5%	43%	13%	20%	7%	75%	25%	100%

Ripartizione dei dipendenti per tipologia contrattuale e genere									
N. of persons	2018			2019			2020		
	M	W	Total	M	W	Total	M	W	Total
Fixed term contract	219	49	268	220	51	271	82	95	177
Permanent contract	4.968	1.731	6.699	4.834	1.706	6.540	4.416	1.432	5.848
Total	5.187	1.780	6.967	5.054	1.757	6.811	4.498	1.527	6.025

405-2 – Ratio of basic salary and remuneration of women to men⁴⁴

	Average basic salary of women to men by employee category			Average remuneration of women to men by employee category		
	2018	2019	2020	2018	2019	2020
Europe						
Management	0,84	0,91	0,73	0,56	0,91	0,77
Office staff	0,79	0,80	0,81	0,80	0,80	0,77
Blue collar	0,50	0,90	0,84	0,38	0,90	0,81
North America						
Management	0,13	0,67	0,73	0,67	0,55	0,66
Office staff	0,78	0,74	0,84	0,80	0,63	0,86
Blue collar	0,95	0,82	0,90	0,95	0,80	0,95
South America						
Management	0,52	0,03	n/a	0,45	0,04	n/a
Office staff	0,53	0,64	0,64	0,55	0,62	0,64
Blue collar	0,55	0,65	0,82	0,56	0,63	0,83
Asia						
Management	n/a	n/a	n/a	n/a	n/a	n/a
Office staff	0,85	0,66	0,84	0,85	0,45	0,84
Blue collar	0,91	0,89	0,92	1,03	0,89	0,98

401-1 – New employee hires and employee turnover

New hires by age group, gender and region in 2020										
N. of persons	<30		30-50		>50		Total		Turnover %	
	M	W	M	W	M	W	M	W	M	W
Europe	95	69	116	97	25	22	236	188	9%	17%
North America	49	16	56	37	11	4	116	57	20%	28%
South America	10	2	16	8	1	0	27	10	5%	23%
Asia	38	12	60	12	0	0	98	24	13%	16%

⁴⁴ N/A since women are not employed in that specific employee category. In addition, the salary and remuneration of CEO and CFO are not included in the calculation.

Total and average turnover	192	99	248	154	36	26	476	279	11%	18%
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Terminations by age, gender and region in 2020										
N. of persons	<30		30-50		>50		Total		Turnover %	
	M	W	M	W	M	W	M	W	M	W
Europe	70	84	163	98	161	67	394	249	15%	22%
North America	54	16	80	27	22	7	156	50	27%	24%
South America	61	39	226	120	56	8	343	167	68%	388%
Asia	44	9	150	24	20	0	214	33	28%	22%
Total and average turnover	229	148	619	269	259	82	1107	499	25%	33%

New hires by gender and age group										
N. of persons	2018					2019				
	<30	30-50	>50	Totale	%	<30	30-50	>50	Totale	%
Male	347	388	64	799	15	425	424	86	935	19
Female	138	182	23	343	19	177	184	23	384	22
Total and average turnover	485	570	87	1.142	16	602	608	109	1.319	19

Terminations by gender and age group										
N. of persons	2018					2019				
	<30	30-50	>50	Total	%	<30	30-50	>50	Total	%
Male	232	438	164	834	16	267	408	172	847	17
Female	81	141	65	287	16	89	156	72	317	18
Total and average turnover	313	579	229	1.121	16	356	564	244	1.164	17

404-1 – Average hours of training per year per employee

Training hours by gender									
N. of hours	2018			2019			2020		
	M	W	Total	M	W	Total	M	W	Total
Management	1.671,9	375,6	2.047,5	1.499,0	278,0	1.777,0	345,8	57,0	402,8
Office staff	33.462,7	10.054,9	43.517,6	47.095,9	13.873,5	60.969,5	18.434,7	5.093,6	23.528,3
Blue collar	58.049,7	15.468,7	73.518,3	68.045,4	25.008,7	93.054,2	25.407,5	6.181,4	31.588,9
Total	93.184,3	25.899,1	119.083,4	116.640,4	39.160,3	155.800,7	14.806,7	5.185,3	19.992,0

Average hours of training per employee									
N. of hours	2018			2019			2020		
	M	W	Total	M	W	Total	M	W	Total
Management	13,9	16,3	15,3	15,6	18,5	16,0	4,2	3,8	4,2
Office staff	22,4	18,5	21,4	35,6	28,2	33,6	15,3	11,6	14,3
Blue collar	16,3	12,7	14,3	18,7	20,0	19,0	7,9	5,8	7,4
Total	18,0	14,5	17,1	23,1	22,3	22,9	9,8	7,5	9,2

Integrated Communication System

Integrated Communication System KPIs								
	2019				2020			
	Video conference Room		Skype		Video conference Room		Skype e Teams	
	Yearly	Monthly	Yearly	Monthly	Yearly	Monthly	Yearly	Monthly

Integrated Communication System KPIs								
Calls	3.696	308	129.784	10.815	4.477	373	126.052	10.504
Minutes	235.420	19.618	1.335.640	111.303	236.827	19.736	4.587.703	382.309
Average call time (in minutes)	10	10	63	63	52	52	36	n/a
Estimated Average number of participants per call	n/a	n/a	3	3	n/a	n/a	2	2
Estimated number of attendees	n/a	n/a	45.532	3.794	n/a	n/a	197.620	16.468

GRI 403-9 Work-related injuries

Due to a process of improving the reporting system, 2019 data on work-related injuries were re-exposed compared to those published in the previous NFS.

Work-related injuries by region – employees			
number	2018	2019	2020
Europe			
Work-related injury	67	51	49
of which fatalities	-	-	-
of which high consequence work-related injuries (excluding fatalities)	-	-	-
North America			
Work-related injury	27	4	5
of which fatalities	-	-	-
of which high consequence work-related injuries (excluding fatalities)	-	-	-
South America			
Work-related injury	18	6	7
of which fatalities	-	-	-
of which high consequence work-related injuries (excluding fatalities)	-	-	-
Asia			
Work-related injury	4	1	2
of which fatalities	-	-	-
of which high consequence work-related injuries (excluding fatalities)	-	-	-
Group			
Work-related injury	116	62	63
of which fatalities	-	-	-
of which high consequence work-related injuries (excluding fatalities)	-	1	-

Work-related injuries by region– supervised workers			
number	2018	2019	2020
Europe			
Work-related injury	26	31	40
of which fatalities	-	-	-
of which high consequence work-related injuries (excluding fatalities)	-	-	-
Nord America			
Work-related injury	50	1	1
of which fatalities	-	-	-
of which high consequence work-related injuries (excluding fatalities)	-	1	-
South America			
Work-related injury	4	-	2
of which fatalities	-	-	-
of which high consequence work-related injuries (excluding fatalities)	-	-	-
Asia			
Work-related injury	9	1	2
of which fatalities	-	-	-
of which high consequence work-related injuries (excluding fatalities)	-	1	-
Group			

Work-related injuries by region– supervised workers			
number	2018	2019	2020
Work-related injury	89	33	45
of which fatalities	-	-	-
of which high consequence work-related injuries (excluding fatalities)	-	2	-

Temporal data – hours worked employees			
	2018	2019	2020
Europe	6.003.258,6	6.536.098,6	4.741.263,6
North America	1.511.225,8	1.668.427,0	1.243.245,0
South America	2.331.288,9	1.266.291,0	1.085.265,0
Asia	1.734.202,0	2.074.059,5	2.297.104,2
Group	11.579.975,3	11.544.876,1	9.366.877,8

Temporal data – hours worked supervised workers ⁴⁵			
	2018	2019	2020
Europe	1.369.720,7	1.455.730,9	1.429.035,1
North America	960.006,4	322.245,0	246.493,0
South America	136.774,0	18.531,0	274.197,4
Asia	1.573.067,0	2.970.927,0	2.228.017,0
Group	4.039.568,1	4.767.433,9	4.177.742,5

GRI 403-10 - Work-related ill health

Work-related ill health by region – employees			
number	2018	2019	2020
Europe			
Work-related ill health	18	25	16
n.of fatalities	-	-	-
North America			
Work-related ill health	24	1	-
n.of fatalities	-	-	-
South America			
Work-related ill health	17	17	7
n.of fatalities	-	-	-
Asia			
Work-related ill health	-	-	-
n.of fatalities	-	-	-
Group			
Work-related ill health	59	43	23
n.of fatalities	-	-	-

Work-related ill health by region – supervised workers			
number	2018	2019	2020
Europe			
Work-related ill health	15	1	-
n.of fatalities	-	-	-
North America			
Work-related ill health	-	-	-
n.of fatalities	-	-	-
South America			
Work-related ill health	4	-	-
n.of fatalities	-	-	-
Asia			
Work-related ill health	-	-	-
n.of fatalities	-	-	-

⁴⁵ Some supervised workers left the Company before December 31st, 2020 thus is not counted in the total workforce. However, their hours worked are calculated.

Work-related ill health by region – supervised workers			
number	2018	2019	2020
Group			
Work-related ill health	19	1	-
n. of fatalities	-	-	-

Environment⁴⁶

GRI 302-1 Energy consumption within the organization

Environmental data (energy and greenhouse gas emissions, waste and water discharges) consider the total number of production facilities of the Sogefi Group. The figures do not include the minor administrative offices that are not relevant for energy consumption. To convert to GJ, consider electricity: 1 kWh = 0.0036 GJ; for natural gas: 1 m³ = 0.03901 GJ.

Electricity and natural gas consumption by business unit						
	Electricity [MWh]			Natural Gas [m ³]		
	2018	2019	2020	2018	2019	2020
A&C	51.607,5	51.482,0	41.662,9	706.263,8	673.283,6	470.269,7
Suspensions	155.798,4	140.334,6	130.980,3	34.008.310,2	32.645.381,4	30.846.067,0
Filtration	63.224,0	61.402,1	55.435,7	2.020.143,1	1.789.243,4	1.650.370,6
Group	270.629,9	253.218,8	228.078,9	36.734.717,1	35.107.908,3	32.966.707,4

Electricity and natural gas consumption by business unit						
	Electricity [GJ]			Natural Gas [GJ]		
	2018	2019	2020	2018	2019	2020
A&C	185.785,6	185.333,9	149.985,2	27.551,4	26.264,8	18.345,2
Suspensions	560.869,8	505.200,4	471.525,1	1.326.664,2	1.273.496,3	1.203.305,1
Filtration	227.604,5	221.046,0	199.567,1	78.805,8	69.798,4	64.381,0
Group	974.259,9	911.580,2	821.077,4	1.433.021,3	1.369.559,5	1.286.031,3

Electricity and natural gas consumption by region						
	Electricity [MWh]			Natural Gas [m ³]		
	2018	2019	2020	2018	2019	2020
Europe	180.993,2	168.260,7	144.614,9	25.401.840,8	25.516.697,3	23.446.729,6
North America	29.840,0	30.129,7	30.134,3	496.156,9	420.222,1	324.754,5
South America	36.527,5	32.316,7	28.467,6	9.211.656,3	7.787.706,0	7.830.190,3
Asia	23.269,1	22.511,7	24.862,1	1.625.063,0	1.383.283,0	1.365.032,9
Group	270.629,9	253.218,8	228.078,9	36.734.717,1	35.107.908,3	32.966.707,4

Electricity and natural gas consumption by region						
	Electricity [GJ]			Natural Gas [GJ]		
	2018	2019	2020	2018	2019	2020
Europe	651.570,5	605.733,6	520.609,5	990.925,8	995.406,4	914.656,9
North America	107.423,2	108.466,2	108.482,5	19.355,1	16.392,9	12.668,7
South America	131.498,1	116.339,0	102.482,6	359.346,7	303.798,4	305.455,7
Asia	83.768,2	81.041,4	89.502,8	63.393,7	53.961,9	53.249,9
Group	974.259,9	911.580,2	821.077,4	1.433.021,3	1.369.559,5	1.286.031,3

⁴⁶ Data for 2020 energy consumption were estimated for few plants. The estimation was based on previous years consumption.

GRI 305-1 Direct (Scope 1) GHG emissions**GRI 305-2 Energy indirect (Scope 2) GHG emissions**

In order to calculate the CO₂ emission, the factors used are: “Terna – Confronti Internazionali” for Scope 2 “Location based” emission; “AIB Residual Mixes” Scope 2 “Market based” emission (Scope 2) for European countries. For country extra EU, there are no Residual Mix factors available, therefore “Location based” emission factors (i.e. Terna – Confronti Internazionali) are used instead of “Market based” (i.e. Residual Mix). Each year factors are updated accordingly to the annual updated issued by the different organizations.

The source of emission factors for natural gas is the UK Government GHG Conversion Factors for Company Reporting – DEFRA. Scope 1 is calculated considering only the natural gas consumption component. Scope 2 is calculated considering only the electricity consumption component. For Scope 1 emission calculation the UK Government GHG Conversion Factors for Company Reporting – DEFRA 2020 has been used. To guarantee comparability with 2020 data, values related to 2018 and 2019 have been restated using the same methodology [UK Government GHG Conversion Factors for Company Reporting 2018 and 2019]. For the values reported in the 2019 Consolidated Non-Financial Statement please refer to the document published on the Company website.

Greenhouse gas (GHG) emissions Scope 1 + Scope 2 Location based by Business Unit			
<i>ton CO₂</i>	2018	2019	2020
A&C	11.565,6	11.786,1	10.878,1
Suspensions	114.021,9	104.388,4	96.615,1
Filtration	19.987,3	19.576,7	18.265,4
Total	145.574,8	135.751,3	125.758,6

Greenhouse gas (GHG) emissions Scope 1 + Scope 2 Location based by Region			
<i>ton CO₂</i>	2018	2019	2020
Europe	91.488,3	87.137,8	76.961,9
North America	9.337,0	8.932,2	8.903,6
South America	25.992,6	21.950,7	20.905,9
Asia	18.756,9	17.730,7	18.987,1
Total	145.574,8	135.751,3	125.758,6

Greenhouse gas (GHG) emissions Scope 1 + Scope 2 Market based by Business Unit			
<i>ton CO₂</i>	2018	2019	2020
A&C	12.359,9	11.853,0	10.335,2
Suspensions	127.651,9	113.842,4	102.959,6
Filtration	22.195,4	21.726,4	19.430,1
Total	162.207,3	147.421,7	132.724,9

Greenhouse gas (GHG) emissions Scope 1 + Scope 2 Market based by Region			
<i>ton CO₂</i>	2018	2019	2020
Europe	108.120,8	98.808,2	83.928,3
North America	9.337,0	8.932,2	8.903,6
South America	25.992,6	21.950,7	20.905,9
Asia	18.756,9	17.730,7	18.987,1
Total	162.207,3	147.421,7	132.724,9

GRI 305-4 GHG emissions intensity

GHG EMISSIONS INTENSITY Scope 1+ 2 Location based by REGION			
<i>ton CO₂/m€</i>	2018	2019	2020
Europe	91,7	93,8	102,0
North America	31,7	30,9	35,5

GHG EMISSIONS INTENSITY Scope 1+ 2 Location based by REGION			
ton CO ₂ /m€	2018	2019	2020
South America	142,8	136,7	351,4
Asia	116,6	118,3	131,0
GROUP	89,7	89,4	104,5

GHG EMISSIONS INTENSITY Scope 1+ 2 Market based by REGION			
ton CO ₂ /m€	2018	2019	2020
Europe	108,4	106,4	111,2
North America	31,7	30,9	35,5
South America	142,8	136,7	351,4
Asia	116,6	118,3	131,0
GROUP	100	97	110,3

Materials used and reusability

GRI 301 -1 Materials used by weight or volume

Materials used by weight or volume			
	Unit of measure	2019	2020
AIR & COOLING			
Steel	t	-	-
Chemicals (Resin, Polyurethane, glue)	t	22.403,1	17.543,0
Metallic components	pcs	305.332.579,5	268.862.988,0
Packaging	pcs	17.207.820,0	18.307.734,0
Packaging	M	-	-
Packaging	Kg	764,0	551,0
Rubber Parts	pcs	91.045.968,0	75.653.788,0
Plastic parts	pcs	48.002.800,0	39.535.838,0
Aluminium Parts & Coolers	pcs	1.715.112,0	2.368.048,0
Foam part	pcs	3.469.330,0	2.492.457,0
Foam Block	M3	-	-
Media synthetic	Kg	-	-
Media synthetic	M2	-	-
Media mixt	Kg	297.000,0	75.853,0
Media mixt	M2	1.580,0	2.987,0
Sus system -Mecatronics	pcs	24.445.523,0	13.427.027,0
SUSPENSION			
Steel	t	182.292,1	125.701,9
Chemicals (Resin, Polyurethane, glue)	t	32.122,0	1.245,9
Metallic components	pcs	65.318.478,0	46.639.885,0
Packaging	pcs	14.074.652,0	12.132.962,0
Packaging	M	-	52.287,0
Packaging	Kg	3.102,0	3.170,0
Rubber Parts	pcs	25.269.037,0	17.599.143,0
Plastic parts	pcs	10.567.057,0	7.032.553,0
Aluminium Parts & Coolers	pcs	-	-
Foam part	pcs	-	-
Foam Block	M3	-	-
Media synthetic	Kg	-	-
Media synthetic	M2	-	-
Media mixt	Kg	-	-
Media mixt	M2	-	-
Sus system -Mecatronics	pcs	-	-
FILTRATION			
Steel	t	14.324,0	9.878,6
Chemicals (Resin, Polyurethane, glue ,)	t	14.453,3	14.252,0
Metallic components	pcs	270.184.808,0	245.531.715,2
Packaging	pcs	155.065.157,0	128.914.592,0
Packaging	M	-	-
Packaging	Kg	-	-

Rubber Parts	pcs	232.608.914,0	131.159.309,0
Plastic parts	pcs	150.263.757,0	141.332.660,0
Aluminium Parts & Coolers	pcs	4.216.991,3	4.264.659,0
Foam part	pcs	31.686.987,0	31.979.911,0
Foam Block	M3	13.221,0	6.933,0
Media synthetic	Kg	364.896,0	118.774,0
Media synthetic	M2	3.284.064,0	2.555.113,0
Media mixt	Kg	7.237.104,0	4.426.981,0
Media mixt	M2	1.277.136,0	945.634,0
Sus system -Mecatronics	pcs	12.819.211,0	24.166.815,0
TOTAL			
Steel	t	196.616,1	135.580,5
Chemicals (Resin, Polyurethane, glue ,,)	t	68.978,4	33.040,9
Metallic components	pcs	640.835.865,5	561.034.588,2
Packaging	pcs	186.347.629,0	159.355.288,0
Packaging	M	-	52.287,0
Packaging	Kg	3.866,0	3.721,0
Rubber Parts	pcs	348.923.919,0	224.412.240,0
Plastic parts	pcs	208.833.614,0	187.901.051,0
Aluminium Parts & Coolers	pcs	5.932.103,3	6.632.707,0
Foam part	pcs	35.156.317,0	34.472.368,0
Foam Block	M3	13.221,0	6.933,0
Media synthetic	Kg	364.896,0	118.774,0
Media synthetic	M2	3.284.064,0	2.555.113,0
Media mixt	Kg	7.534.104,0	4.502.834,0
Media mixt	M2	1.278.716,0	948.621,0
Sus system -Mecatronics	pcs	37.264.734,0	37.593.842,0

GRI 301-2 Recycled input materials used

Recycled materials are also considered in GRI 301-1.

Recycled materials used			
	Unit of measure	2019	2020
AIR & COOLING			
Steel coming from scraps	t	-	-
Packaging	pcs	-	-
Recycled aluminium	pcs	857.556,0	947.219,2
SUSPENSION			
Steel coming from scraps	t	15.754,0	12.207,0
Packaging	pcs	-	115.330,0
Recycled aluminium	pcs	-	-
FILTRATION			
Steel coming from scraps	t	-	-
Packaging	pcs	69.779.320,7	58.011.566,4
Recycled aluminium	pcs	785.163,7	852.931,8
TOTAL			
Steel coming from scraps	t	15.754,0	12.207,0
Packaging	pcs	69.779.320,7	58.126.896,4
Recycled aluminium	pcs	1.642.719,7	1.800.151,0

Waste management

GRI 306-2 Waste by type and disposal method

Waste generation by Business Unit									
ton	2018			2019			2020		
	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total
A&C	212,8	3.179,4	3.392,2	135,3	2.479,3	2.614,6	154,5	1.724,9	1.879,4
Suspensions	1.819,9	8.193,9	10.013,8	3.399,7	14.186,0	17.585,7	2.623,9	8.947,7	11.571,7
Filtration	5.428,9	14.214,0	19.642,9	1.187,1	8.298,6	9.485,7	1.069,7	7.801,7	8.871,4
Total	7.461,6	25.587,3	33.048,9	4.722,1	24.963,9	29.686,0	3.848,2	18.474,3	22.322,5

Waste generation by Region									
ton	2018			2019			2020		
	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total
Europe	5.797,1	15.968,9	21.766,0	3.427,8	15.413,5	18.841,4	2.985,8	12.368,1	15.353,9
North America	258,4	2.251,1	2.509,5	38,6	1.712,0	1.750,7	109,5	1.485,9	1.595,3
South America	1.013,4	6.111,0	7.124,4	758,6	6.713,4	7.472,0	447,4	3.220,1	3.667,5
Asia	392,7	1.256,3	1.649,0	497,0	1.125,0	1.622,0	305,6	1.400,2	1.705,8
Total	7.461,6	25.587,3	33.048,9	4.722,1	24.963,9	29.686,0	3.848,2	18.474,3	22.322,5

Waste by type of disposal									
ton	2018			2019			2020		
	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total	Hazardous	Non-hazardous	Total
Reuse	60,3	3.603,3	3.663,6	508,9	5.469,6	5.978,4	239,9	2.825,0	3.064,9
Recycling	543,6	15.445,3	15.988,9	556,6	13.948,2	14.504,9	123,1	11.653,1	11.776,3
Composting	22,0	33,0	55,0	-	10,4	10,4	-	31,7	31,7
Recovery, including energy recovery	606,8	1.194,1	1.800,9	485,4	1.737,3	2.222,7	260,9	989,2	1.250,1
Incineration	620,3	377,2	997,4	757,6	1.034,2	1.791,8	1.077,6	1.027,2	2.104,8
Deep well injection	-	-	-	-	-	-	-	-	-
Landfill	3.966,4	3.520,1	7.486,6	769,8	1.600,5	2.370,4	619,3	1.234,5	1.853,8
On-site storage	3,5	-	3,5	7,1	-	7,1	-	-	-
Other	1.638,8	1.414,3	3.053,1	1.636,7	1.163,6	2.800,3	1.526,9	713,5	2.240,5
Total	7.461,6	25.587,3	33.048,9	4.722,1	24.963,9	29.686,0	3.847,7	18.474,3	22.322,0

Sustainable water management

Due to a process of improving the reporting system, 2019 data on water collection, discharge and consequently water consumption were re-exposed compared to those published in the previous NFS.

GRI 303-3 Water withdrawal

Water withdrawal 2018			
MI		Total water withdrawal	Water withdrawal from water stressed areas
Water withdrawal by source	Surface water		
	Freshwater ($\leq 1,000$ mg/L Total Dissolved Solids)	508,0	1,0
	Groundwater		
	Freshwater ($\leq 1,000$ mg/L Total Dissolved Solids)	243,0	23,9
	Other water ($> 1,000$ mg/L Total Dissolved Solids)	345,4	-
	Third-party water		
	Freshwater ($\leq 1,000$ mg/L Total Dissolved Solids)	526,9	194,7
	Other water ($> 1,000$ mg/L Total Dissolved Solids)	18,0	18,0
Total water withdrawal	Surface water (total) + groundwater (total) + seawater (total) + produced water (total) + third-party water (total)	1.641,3	237,6

Water withdrawal 2019			
MI		Total water withdrawal	Water withdrawal from water stressed areas
Water withdrawal by source	Surface water		
	Freshwater ($\leq 1,000$ mg/L Total Dissolved Solids)	230,6	1
	Other water ($> 1,000$ mg/L Total Dissolved Solids)	297,3	-
	Groundwater		
	Freshwater ($\leq 1,000$ mg/L Total Dissolved Solids)	180,5	22,3
	Other water ($> 1,000$ mg/L Total Dissolved Solids)	53,1	3,4
	Third-party water		

	Freshwater ($\leq 1,000$ mg/L Total Dissolved Solids)	327,4	141,3
	Other water ($> 1,000$ mg/L Total Dissolved Solids)	14,0	14,0
Total water withdrawal	Surface water (total) + groundwater (total) + seawater (total) + produced water (total) + third-party water (total)	1.103	182,0

Water withdrawal 2020			
MI		Total water withdrawal	Water withdrawal from water stressed areas
Water withdrawal by source	Surface water		
	Freshwater ($\leq 1,000$ mg/L Total Dissolved Solids)	6,5	1,0
	Other water ($> 1,000$ mg/L Total Dissolved Solids)	300,0	-
	Groundwater		
	Freshwater ($\leq 1,000$ mg/L Total Dissolved Solids)	160,0	25,8
	Other water ($> 1,000$ mg/L Total Dissolved Solids)	73,6	-
	Third-party water		
	Freshwater ($\leq 1,000$ mg/L Total Dissolved Solids)	267,5,1	98,5
	Other water ($> 1,000$ mg/L Total Dissolved Solids)	31,9	30,5
Total water withdrawal	Surface water (total) + groundwater (total) + seawater (total) + produced water (total) + third-party water (total)	839,6	155,8

GRI 303-4 Water discharge

The methodology for reporting on water discharge has been modified. In 2018 NFS, the Group reported water discharge following the GRI 306-1, while in 2019 the disclosure has been done following the GRI 303-4. Water discharge for 2018 therefore has been reviewed following the new methodology, although the amount is the same published in 2018 NFS. The GRI 303-4 required to define the quality of water discharged and if the area is at risk of water stress. Water stress is defined by the Aqueduct tool.

Water discharge 2018			
MI		Total water discharge	Water discharge from water stressed areas
Water discharge by destination	Surface water	864,4	2,1
	Groundwater	139,4	2,3
	Sea water	-	

	Third-party water (total)	281,0	134,3
	Third-party water sent for use to other organizations	-	-
Water discharge by freshwater and other water	Freshwater ($\leq 1,000$ mg/L Total Dissolved Solids)	904,4	112,9
	Other water ($> 1,000$ mg/L Total Dissolved Solids)	380,4	26,7
Total water discharge		1.285	1.284,8

Water discharge 2019			
MI		Total water discharge	Water discharge from water stressed areas
Water discharge by destination	Surface water	542,9	2,1
	Groundwater	137,0	3,4
	Sea water	-	-
	Third-party water (total)	230,1	86,2
	Third-party water sent for use to other organizations	-	-
Water discharge by freshwater and other water	Freshwater ($\leq 1,000$ mg/L Total Dissolved Solids)	525,3	51,9
	Other water ($> 1,000$ mg/L Total Dissolved Solids)	337,3	37,6
Total water discharge		858,5	89,5

Water discharge 2020			
MI		Total water discharge	Water discharge from water stressed areas
Water discharge by destination	Surface water	309,5	-
	Groundwater	102,2	3,7
	Sea water	-	-
	Third-party water (total)	210,8	79,2
	Third-party water sent for use to other organizations	-	-
Water discharge by freshwater and other water	Freshwater ($\leq 1,000$ mg/L Total Dissolved Solids)	265,4	42,2
	Other water ($> 1,000$ mg/L Total Dissolved Solids)	357,1	40,7
Total water discharge		622,5	82,9

GRI 303-5 Water consumption

Water consumption 2018			
		Total water consumption	Water consumption from water stressed areas
Water consumption	Total water consumption	356,4	99,0
	Change in water storage, if water storage has been identified as having a significant water-related impact	34,5	-

Water consumption 2019			
		Total water consumption	Water consumption from water stressed areas
Water consumption	Total water consumption	244,4	92,4
	Change in water storage, if water storage has been identified as having a significant water-related impact	35,5	-

Water consumption 2020			
		Total water consumption	Water consumption from water stressed areas
Water consumption	Total water consumption	217,1	72,9
	Change in water storage, if water storage has been identified as having a significant water-related impact	43,7	1,1

8 GRI

8.1 Material topic correlation and boundaries table

Aspects of the Decree 254/16	Material topics (materiality matrix Sogefi)	Topic of the GRI Standards
Fight against active and passive corruption	Business ethics and integrity	Anticorruption; Socio-economic compliance; Environmental compliance
N.A.	Group economic performance	Economic performance
	Innovative and Eco-responsible products / technologies	Material; Energy
Social aspects and aspects related to the respect of human rights	Distributed value and impact on local communities	Local community
	Responsible procurement practices	Procurement practices; Supplier environmental assessment; Supplier social assessment
Environment	Sustainable water management	Water and effluents
	Optimization of material cycles in industrial processes	Effluents and waste; Material
	Industrial and logistics carbon footprint	Energy; emissions
Aspects related to human resources and to the respect of human rights	Occupational health and safety	Occupational health and safety
	Attraction, retention and professional development of talents	Employment; training and education; Labour and management relations
	Diversity, equal opportunities and well-being	Diversity and equal opportunity; non-discrimination; Market presence
Social aspects	Product quality and safety & customer satisfaction	Customer health and safety

MATERIAL TOPICS	TOPIC BOUNDARY		TYPE OF IMPACT
Categories	Internal	External	
ECONOMIC PERFORMANCE			
Group economic performance	Sogefi		Caused by the organization
ENVIRONMENT			
Industrial and logistics carbon footprint	Sogefi	Suppliers	Caused by the organization and directly linked to its activities
Optimization of material cycles in industrial processes	Sogefi		Caused by the organization and directly linked to its activities
Sustainable water management	Sogefi		Caused by the organization and directly linked to its activities
Innovative and Eco-responsible products / technologies	Sogefi	University and research center, Business partner	Caused by the organization

PEOPLE AND COMMUNITY			
Occupational Health and Safety	Sogefi	Supervised workers	Caused by the organization and directly linked to its activities
Diversity, equal opportunities and well-being	Sogefi		Caused by the organization
Attraction, retention and professional development of talents	Sogefi		Caused by the organization
Distributed value and impact on local communities	Sogefi	Local communities	Caused by the organization
GOVERNANCE			
Business ethics & integrity	Sogefi		Caused by the organization
Product quality and safety & customer satisfaction	Sogefi	Customers & Distributors	Caused by the organization and directly linked to its activities
Responsible procurement practices	Sogefi	Suppliers	Caused by the organization and directly linked to its activities

8.2 GRI Content Index

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103-1	Explanation of the material topic and its Boundary	15-16, 80-81	
103-2	The management approach and its components	38-41	
103-3	Evaluation of the management approach	38-41	
302-1	Energy consumption within the organization	38-40, 71-73	
302-3	Energy intensity	40	
302-4	Reduction of energy consumption	38-40	
Material Aspect: Water and effluents (2018)			
103-1	Explanation of the material topic and its Boundary	15-16, 80-81	
103-2	The management approach and its components	50-54	
103-3	Evaluation of the management approach	50-54	
303-1	Interactions with water as a shared resource	50-54	
303-2	Management of water discharge-related impacts	50-54	
303-3	Total water withdrawal by source	50-51, 76-77	
303-4	Water discharge ⁴⁷	50-52, 77-78	
303-5	Water consumption	52-54, 78-79	
Material Aspect: Emissions (2016)			
103-1	Explanation of the material topic and its Boundary	15-16, 80-81	
103-2	The management approach and its components	38-45	
103-3	Evaluation of the management approach	38-45	
305-1	Direct greenhouse gas (GHG) emissions (Scope 1)	41-44, 72	
305-2	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	41-44, 72	
305-3	Other indirect GHG emissions (Scope 3)	44-45	
305-4	Greenhouse gas (GHG) emissions intensity	42-43, 73	
305-5	Reduction of greenhouse gas (GHG) emissions	41-45	
Material Aspect: Effluents and Waste (2016)			
103-1	Explanation of the material topic and its Boundary	15-16, 80-81	
103-2	The management approach and its components	47-49	
103-3	Evaluation of the management approach	47-49	
306-2	Total weight of waste by type and disposal method	48, 73	
306-3	Total number and volume of significant spills	52	
Material Aspect: Supplier environmental assessment (2016)			
103-1	Explanation of the material topic and its Boundary	15-16, 80-81	
103-2	The management approach and its components	35-37	
103-3	Evaluation of the management approach	35-37	

⁴⁷ The GRI 303-4 replaces the 306-1 for water discharge.

308-1	New suppliers that were screened using environmental criteria	36	
SOCIAL SERIES			
Material Aspect: Employment (2016)			
103-1	Explanation of the material topic and its Boundary	15-16, 80-81	
103-2	The management approach and its components	20	
103-3	Evaluation of the management approach	20	
401-1	Total number and rates of new employee hires and employee turnover by age group, gender, and region	20, 68	
Material Aspect: Labour/Management Relations (2016)			
103-1	Explanation of the material topic and its Boundary	15-16, 80-81	
103-2	The management approach and its components	20	
103-3	Evaluation of the management approach	20	
402-1	Minimum notice periods regarding operational changes	20	
Material Aspect: Occupational Health and Safety (2018)			
103-1	Explanation of the material topic and its Boundary	15-16, 80-81	
103-2	The management approach and its components	24-28	
103-3	Evaluation of the management approach	24-28	
403-1	Occupational health and safety management system	24-28	
403-2	Hazard identification, risk assessment, and incident investigation	24-28	
403-3	Occupational health services	24-28	
403-4	Worker participation, consultation, and communication on occupational health and safety	24-28	
403-5	Worker training on occupational health and safety	24-28	
403-6	Promotion of worker health	24-28	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	24-28	
403-9	Work-related injuries	27-28, 69-70	
403-10	Work-related ill health	27-28, 70-71	
Material Aspect: Training and Education (2016)			
103-1	Explanation of the material topic and its Boundary	15-16, 80-81	
103-2	The management approach and its components	20-21	
103-3	Evaluation of the management approach	20-21	
404-1	Average hours of training per year per employee by gender, and by employee category	21, 68	
404-3	Percentage of employees receiving regular performance and career development reviews	21-22	
Material Aspect: Diversity and Equal Opportunity (2016)			
103-1	Explanation of the material topic and its Boundary	15-16, 80-81	
103-2	The management approach and its components	22-23	
103-3	Evaluation of the management approach	22-23	
405-1	Diversity of governance bodies and employees	65-67 Relazione annuale sul sistema di Corporate Governance del Gruppo	
405-2	Ratio of basic salary and remuneration of women to men	22-23, 67	
Material Aspect: Non-discrimination (2016)			
103-1	Explanation of the material topic and its Boundary	15-16, 80-81	
103-2	The management approach and its components	22-24, 31-33	

103-3	Evaluation of the management approach	22-24, 31-33	
406-1	Total number of incidents of discrimination and corrective actions taken	33	
Material Aspect: Local communities (2016)			
103-1	Explanation of the material topic and its Boundary	15-16, 80-81	
103-2	The management approach and its components	28-30	
103-3	Evaluation of the management approach	28-30	
413-1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	28	
Material Aspect: Supplier social assessment (2016)			
103-1	Explanation of the material topic and its Boundary	15-16, 80-81	
103-2	The management approach and its components	35-37	
103-3	Evaluation of the management approach	35-37	
414-1	New suppliers that were screened using social criteria	36	
Material Aspect: Customer Health and Safety (2016)			
103-1	Explanation of the material topic and its Boundary	15-16, 80-81	
103-2	The management approach and its components	33-35	
103-3	Evaluation of the management approach	33-35	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Nel corso del 2020 non sono state registrate non conformità a leggi e riguardo agli impatti sulla salute e sicurezza di prodotti e servizi.	
Material Aspect: Socio-economic Compliance (2016)			
103-1	Explanation of the material topic and its Boundary	15-16, 80-81	
103-2	The management approach and its components	31-33	
103-3	Evaluation of the management approach	31-33	
419-1	Non-compliance with laws and regulations in the social and economic area	31-33	



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

Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 and article 5 of the Consob Regulation adopted with Resolution no. 20267 of 18 January 2018

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

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the 2020 consolidated non-financial statement of the Sogefi Group (the "group") prepared in accordance with article 4 of the decree and approved by the board of directors on 26 February 2021 (the "NFS").

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of Sogefi S.p.A. (the "parent") for the NFS

The directors are responsible for the preparation of an NFS in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued by GRI - Global Reporting Initiative (the "GRI Standards").

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

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



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

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

Auditors' independence and quality control

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

Auditors' responsibility

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

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

Specifically, we carried out the following procedures:

- 1 Analysing the material aspects based on the group's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.



- 2 Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.
- 3 Comparing the financial disclosures presented in the NFS with those included in the group's consolidated financial statements.
- 4 Gaining an understanding of the following:
 - the group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
 - the entity's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;
 - the main risks generated or borne in connection with the aspects set out in article 3 of the decree.

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

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

Specifically, we held interviews and discussions with the parent's and the French subholding subsidiaries' management personnel. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the NFS.

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

- at parent and subsidiaries level:
 - a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence,
 - b) we carried out analytical and limited procedures to check, on a sample basis, the correct aggregation of data in the quantitative information;
 - we visited the following subsidiaries and sites:
 - Sogefi Filtration Italy S.p.A., Italy, Sant'Antonino di Susa site,
 - Sogefi Suspensions Passenger Car Italy S.p.A., Settimo Torinese site,
- which we have selected on the basis of their business and location, to meet their management and obtain documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators.



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Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2020 consolidated non-financial statement of the Sogefi Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.

Milan, 24 March 2021

KPMG S.p.A.

(signed on the original)

Elisabetta C. Forni
Director of Audit