



10th ANNIVERSARY OF CARBON NEUTRALITY STATUS

SUSTAINABILITY
REPORT

2019

Fiscal Year:
1 April 2018
31 March 2019

10th edition

ALCANTARA



THE CHAIRMAN'S LETTER

Dear Stakeholders,

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

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

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

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

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

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

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

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

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

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

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

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

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

Now, more than ever, we are convinced that sustainability is a value beyond cost: a value for our Company, our brand, our people and our stakeholders. A value for the future.

Andrea Boragno
Chairman and CEO of Alcantara S.p.A.



Methodology



Sustainability Report
of Alcantara S.p.A.

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

REFERENCE GUIDELINES

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

INFORMATION COLLECTION

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

FRAME OF REFERENCE

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

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

SIGNIFICANT CHANGES

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

EXTERNAL AUDIT

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

CONTACT DETAILS

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

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

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

SUSTAINABILITY REPORT

2019

Fiscal Year:
1 April 2018
31 March 2019

10th edition

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
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IDENTITY
AND
RESPONSIBILITY



10th ANNIVERSARY
OF CARBON NEUTRALITY STATUS

 Browse the interactive report on
sustainabilityreport.alcantara.com

1.1 Mission, Values and Strategic Orientation



MISSION

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

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

Points of Engagement

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

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

Sustainability

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

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

1.2 Alcantara S.p.A.'s History

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

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

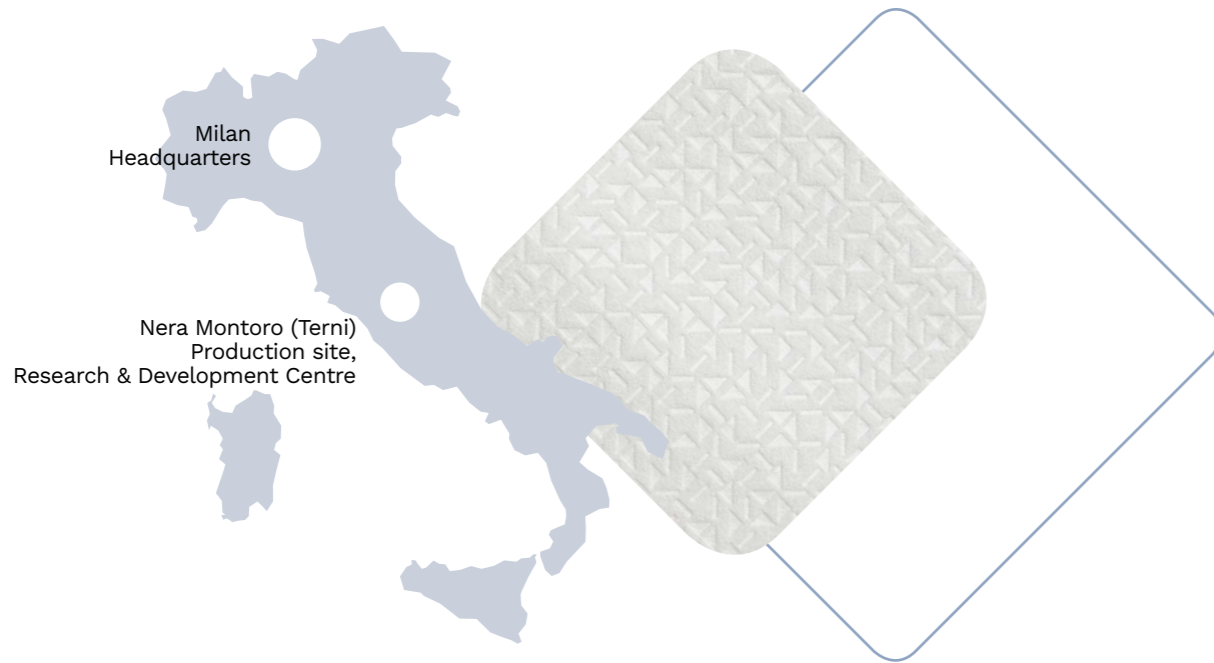
- 1970** invention of Alcantara®, Japanese scientist Miyoshi Okamoto filed the patent for the production of the material;
- 1972** agreement with the ANIC Group and later Eni for commercial use of the patent (joint venture between the Eni Group and the Toray Group, a basic technology provider);
- 1972**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

- 1995** definitive share transfer from the Eni Group to the Toray Group for a total of 100%. Soon after, the Toray Group sells 30% to the Mitsui Group;
- 1998** first operation to double production capacity at the plant;
- 2000** launch of the first style diversification actions, the earliest incarnation of the Style Office;
- 2002** completion of second operation to double production capacity;
- 2009** obtainment of Carbon Neutrality certification (from cradle to gate) and the first Sustainability Report by Alcantara S.p.A.;
- 2011** installation of the phyto treatment system. First collection of finished products under the proprietary trademark "A'alcantara" brand. "Cradle-to-grave" Carbon Neutrality certification for products;
- 2012** launch of operations at new cogeneration plant, started from January 1st 2013;
- 2013** new project to reduce the environmental impact and energy consumption of the production process;
- 2014** first web reporting on dedicated micro-site <https://sustainability.alcantara.com>. Launch of water footprint analysis and first International Symposium organized with Venice International University (VIU) and dedicated to sustainability in the global automotive industry entitled "Sustainability and the new Automotive Value Chain";
- 2015** completion of the first phase (industrial scale test) of the project began in 2013 to further reduce the environmental impact and energy consumption of the production process. Beginning of research into raw materials from renewable sources (bio-based). Second international Symposium on Sustainability on the theme "The Automotive Ecosystem on

the Global Road to Sustainability. The Asian Perspective";

- 2016** third International Symposium on Sustainability, organized in Tokyo in partnership with Nikkei, VIU and Waseda University, with support from the Society of Global Business, on the theme of "Sustainability and Corporate Value";
- 2017** announcement of the Increase Alcantara Capacity Installed (IACI) project, an expansion plan to double the Company's production capacity within five years;
- 2018** 4th International Symposium on Sustainability with VIU on the theme of "Coping with Climate: Global Warming and Decarbonization";
- 2019** IACI "Start Up" event organized to celebrate the launch of a new production plant that will reduce the environmental and energy impact of the production process;
- 2019** 5th International Symposium on Sustainability in partnership with VIU, with support from the World Bank Group's Connect4Climate global partnership program, on the theme of "Climate HOW: How to Engage Society and Deploy Decarbonization";
- 2019** Alcantara S.p.A. confirmed its commitment to the CDP, which it has subscribed to since 2014 as an FCA supplier. Alcantara S.p.A. was first invited to take part in 2017, by VW;
- 2019** 10th Anniversary of the Carbon Neutrality Status and 10th edition of the Alcantara Sustainability Report.

1.3 The Company's Structure



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

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

1.4 Application fields of Alcantara®



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



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



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

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

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

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



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

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

1.5 Governance Structure

BOARD OF DIRECTORS

Andrea Boragno
Chairman and CEO

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

BOARD OF STATUTORY AUDITORS

Giovanni Primo Quagliano
Chairman

Roberto Spada
Giuseppe Moretti

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

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

SUSTAINABILITY PROJECTS

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

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

RISK ASSESSMENT

SUSTAINABILITY REPORT

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

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

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

Therefore:

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

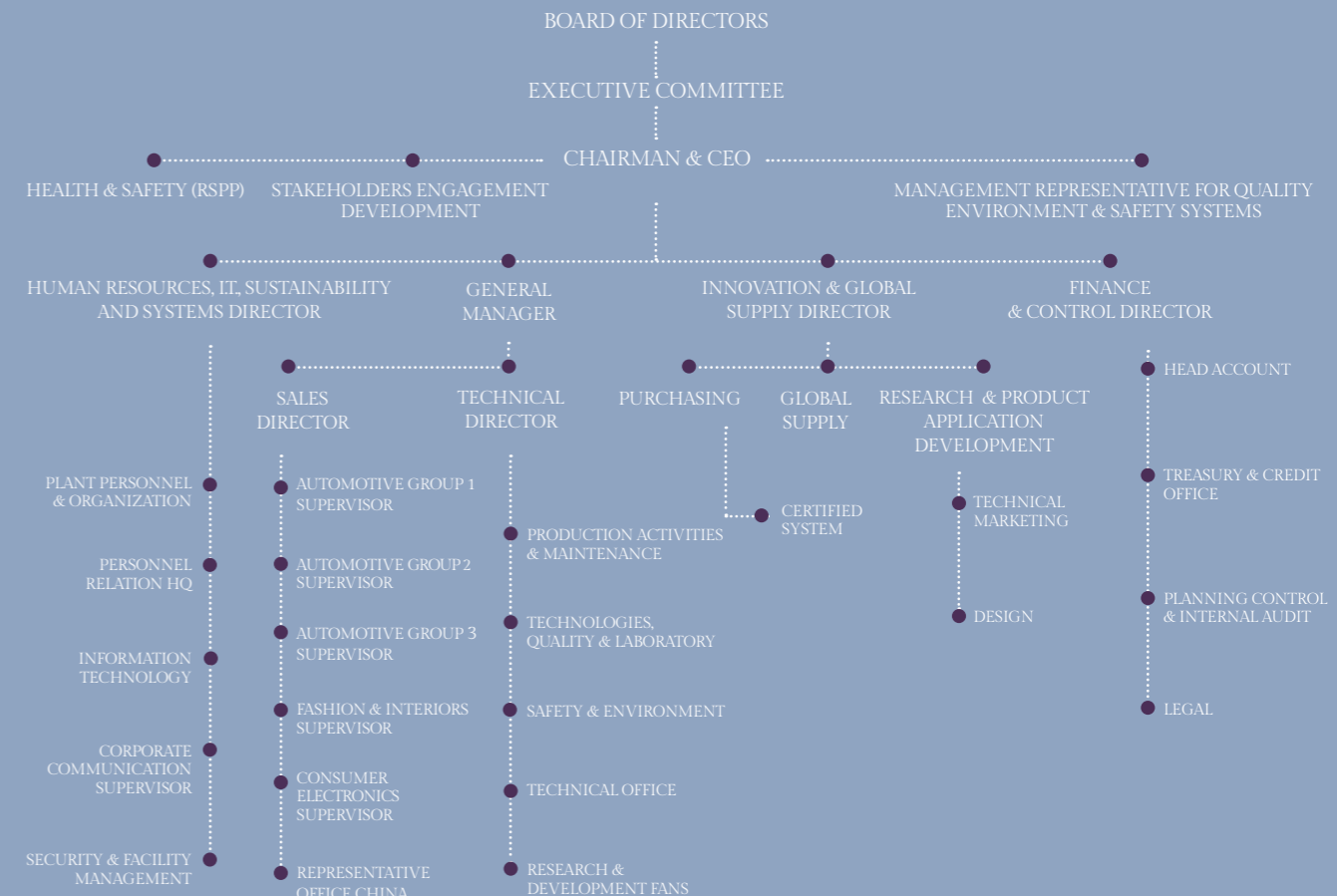
Alcantara S.p.A. has had a whistle-blowing procedure since Law 179 of 30 November 2017 came into effect, providing rules on protecting individuals who report misdemeanours or irregularities they become aware of through their work in a public or private role. This procedure governs the process of receipt,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

1.6 Operational Structure

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

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

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



INTER-FUNCTIONAL WORK GROUPS

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

The work groups are structured as follows:

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

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

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

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

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

Risk management has been greatly developed in recent years due to the increasingly complex and “volatile” context in which organizations operate. Alcantara S.p.A. gives great importance to the identification and measurement of risk factors and opportunities that affect its business; therefore, the definition of the risk level does not concern only financial aspects but also factors of responsible management, so-called “ESG” (Environmental, Social and Governance).

In order to prevent the identified risks, Alcantara S.p.A. has adopted an internal system that lets it identify, measure, manage and monitor the main problems, in line with its sustainable development strategy for each relevant aspect: economic, social and environmental. In relation to the mitigation of financial risks, please refer to the financial statements and in particular to the management of:

- risks associated with general economic conditions;
- business risk: with the effect of the general economic climate on the Company context, the concentration of sales (70%) in the top ten customers becomes an important factor;
- credit risk: active financial counterparties of the Company are exclusively leading banks, which means a very low associated Risk;
- risk of fluctuations in exchange rates.

For additional information on the management of non-financial risk, please see Chapter 2.2 regarding risk avoidance in the supply chain, Chapter 3.6 on health and safety in the workplace, Chapter 6 on policies to prevent and reduce environmental risks and, lastly, since the Sustainability Plan derives from a careful analysis of risks and related opportunities, the following section.

2019-2022 SUSTAINABILITY PLAN

Alcantara S.p.A. decided to develop a Sustainability Plan in Fiscal Year 2017 to transform its commitments into practicable actions and quantitative objectives. In Fiscal Year 2019, the sustainability plan has been updated with the aim to renew and reconfirm the main sustainability goals of the Company. For Alcantara S.p.A., in fact, sustainability is a distinctive, strategic factor in its business activity, with the ultimate goal of helping create value for all stakeholders. The plan was prepared starting with the Company strategy, a materiality analysis, the 17 Sustainable Development Objectives of the United Nations, and through the involvement of Company management. Alcantara S.p.A. has therefore formulated its commitment for sustainable development in 4 areas of action:

- 

PLANET
 Environmental Sustainability
- 

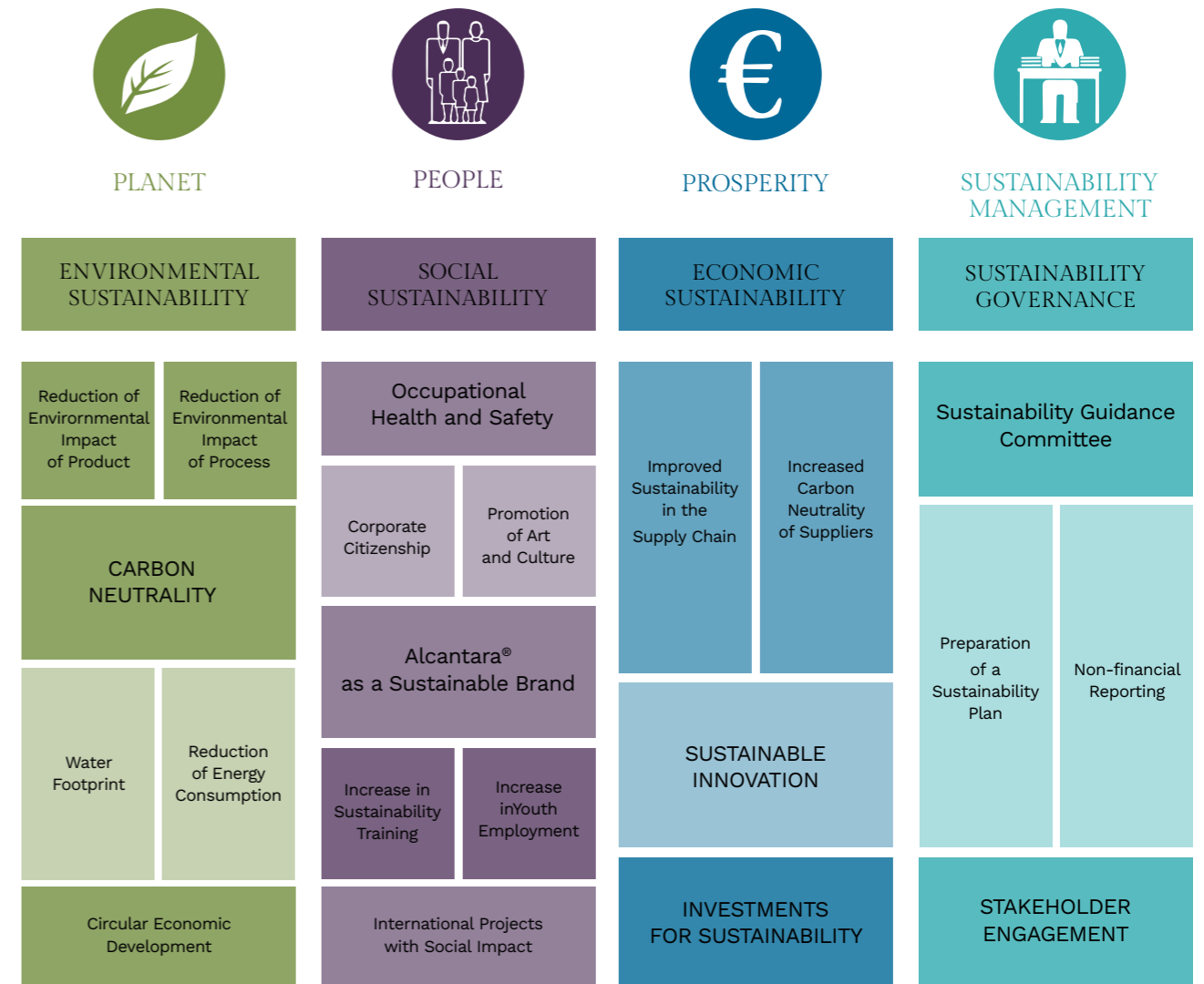
PEOPLE
 Social Sustainability
- 

PROSPERITY
 Economic Sustainability
- 

SUSTAINABILITY MANAGEMENT
 Sustainability Governance

In line with the most advanced international practices in sustainability, Alcantara S.p.A. has reconfirmed a total of 21 specific objectives for the four areas, to be achieved in the medium term (2020).

These tangible commitments are represented as follows:



For each strategic objective, Alcantara S.p.A. has identified consequent lines of intervention. Most of these actions are described in this document, in the initial

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

1.8 Management Systems

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

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

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

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

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

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

SYSTEM CERTIFICATIONS			
Standard	Title	Body	Date of 1 st release
UNI EN ISO 9001:2015	Quality Management System	TÜV SÜD	September 1993
UNI EN ISO 14001:2015	Environmental Management System	TÜV SÜD	May 2000
IATF 16949:2016	Quality requirements for the automotive industry	TÜV SÜD	February 2004
SAB8000*	Social Accountability	TÜV SÜD	October 2008
CMS Standard GHG 41 of CARBON NEUTRALITY (PAS 2060)	Offsetting residual Green House Gas emissions	TÜV SÜD	June 2009
BS OHSAS 18001:2007	Occupational Health and Safety management system	TÜV SÜD	April 2013
ISO 50001:2011	Energy management system	Bureau Veritas	February 2017

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

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

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

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

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

In Fiscal Year 2019, Alcantara S.p.A. has reaffirmed its adherence as a Participant Member to the UN Global Compact, the world's largest corporate sustainability initiative. By supporting the UNGC, Alcantara S.p.A. confirms its long-lasting commitment to sustainability and reinforces it by respecting and promoting the Ten Principles of the UNGC and by taking strategic actions to contribute to the advancement of global goals, such as the UN Sustainable Development Goals. Alcantara S.p.A. is committed to providing an annual disclosure of its activities and practices regarding the 10 Principles through this document, which also represents its Communication on Progress (CoP). In November 2018, Alcantara S.p.A. has published its second Communication on Progress including description of actions or relevant policies related to human rights, labour, environment and anti-corruption.

The 10 Principles of the United Nations Global Compact

Human rights

PRINCIPLE 1

businesses should support and respect the protection of internationally proclaimed human rights;

PRINCIPLE 2

make sure that they are not complicit in human rights abuses.



Labour

PRINCIPLE 3

businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

PRINCIPLE 4

the elimination of all forms of forced and compulsory labour;

PRINCIPLE 5

the effective abolition of child labour;

PRINCIPLE 6

the elimination of discrimination in respect of employment and occupation.

Environment

PRINCIPLE 7

businesses should support a precautionary approach to environmental challenges;

PRINCIPLE 8

undertake initiatives to promote greater environmental responsibility;

PRINCIPLE 9

encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

PRINCIPLE 10

businesses should work against corruption in all its forms, including extortion and bribery.

1.9 Communication with the Stakeholders

Alcantara S.p.A. considers the indications and expectations of its main stakeholders very important. In FY 2019, there were many initiatives of

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

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

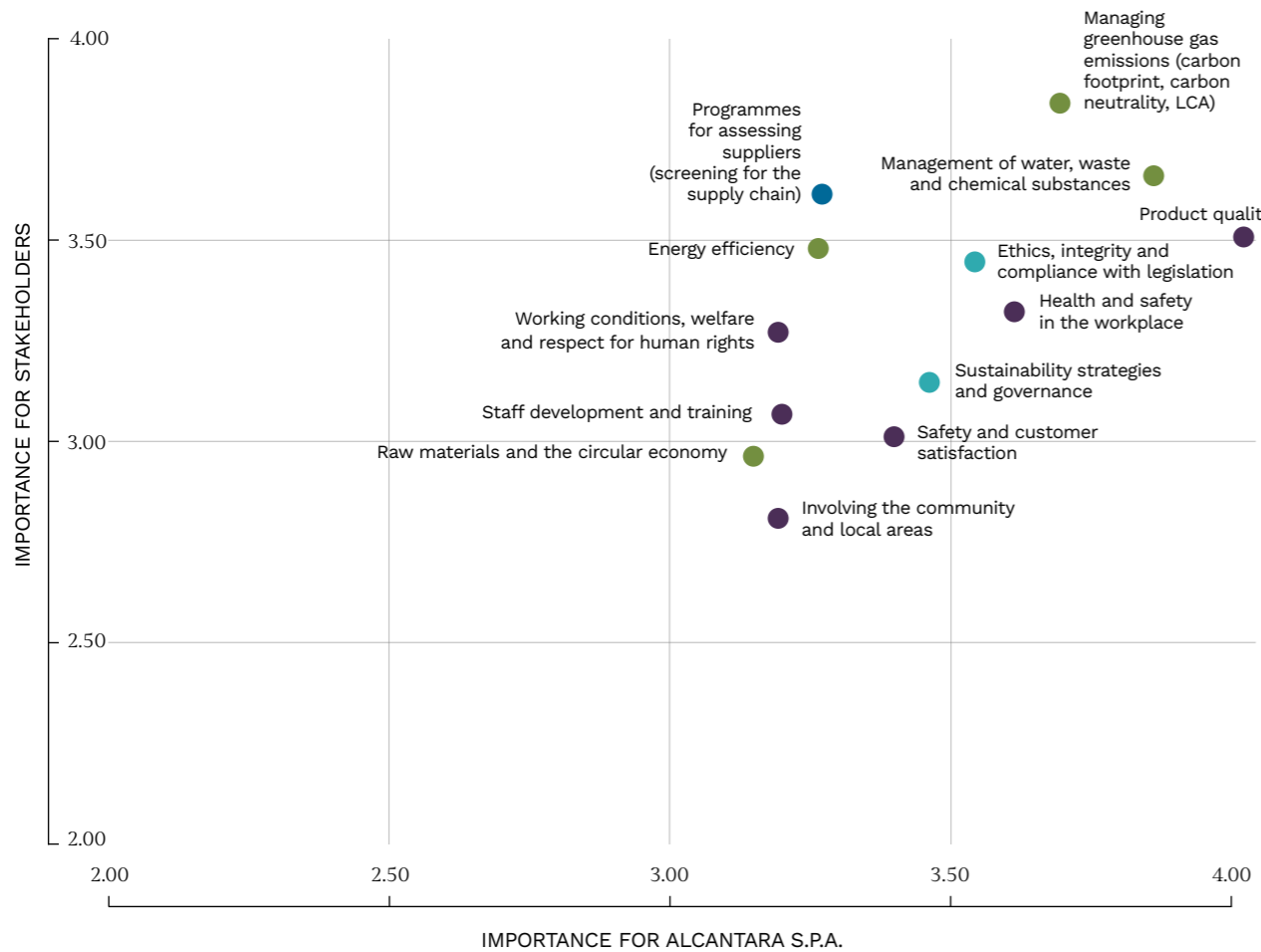
STAKEHOLDERS - KEY TOPICS	MAIN ENGAGEMENT ACTIVITIES
<p>Customers and consumers</p> <ul style="list-style-type: none"> • uniqueness of product and brand value; <ul style="list-style-type: none"> • design, customization and exclusivity; <ul style="list-style-type: none"> • innovation and research; • transparency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

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

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

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

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



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

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

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

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

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