



NON-FINANCIAL CONSOLIDATED STATEMENT 2017

pursuant to Italian Leg. Decree 254/2016






TABLE OF CONTENTS

| | |
|---|-----------|
| HIGHLIGHTS | 4 |
| LETTER TO THE STAKEHOLDERS | 5 |
| METHODOLOGICAL NOTE | 6 |
| CSP INTERNATIONAL FASHION GROUP – IDENTITY AND PROFILE | 7 |
| CSP INTERNATIONAL | 7 |
| CSP’S HISTORY | 10 |
| MISSION AND VALUES | 10 |
| THE BUSINESS MODEL | 10 |
| SUSTAINABILITY OF THE STRATEGIC DESIGN | 12 |
| OBJECTIVES AND SUSTAINABILITY | 14 |
| THE STAKEHOLDERS | 16 |
| THE MAP OF STAKEHOLDERS | 16 |
| STAKEHOLDER ENGAGEMENT ACTIVITIES | 16 |
| IMPORTANT ASPECTS | 18 |
| THE MATERIALITY ANALYSIS | 18 |
| IMPORTANT ASPECTS | 18 |
| MATERIALITY ANALYSIS | 20 |
| GOVERNANCE AND RISK MANAGEMENT | 21 |
| CORPORATE GOVERNANCE | 21 |
| ORGANISATIONAL STRUCTURE | 22 |
| THE CONTROL MODEL AND ANTI-CORRUPTION | 22 |
| RISK MANAGEMENT | 25 |
| ECONOMIC RESULTS | 28 |
| PERFORMANCE AND DISTRIBUTED VALUE | 28 |
| INVESTMENTS | 29 |
| ENVIRONMENT | 30 |
| THE PRODUCTION PROCESSES AND THE ENVIRONMENT | 30 |
| MATERIALS AND OUTSOURCING | 31 |
| ENERGY | 32 |
| THE WATER RESOURCE | 34 |
| BIODIVERSITY | 34 |
| EMISSIONS | 35 |
| EFFLUENTS AND WASTE | 37 |
| COMPLIANCE WITH ENVIRONMENTAL RULES | 39 |
| THE ENVIRONMENT AND SUPPLY CHAIN MANAGEMENT | 39 |
| HUMAN RESOURCES | 40 |
| POLICIES AND REFERENCE VALUES | 40 |
| EMPLOYEES AND EXTERNAL STAFF | 42 |
| OCCUPATIONAL HEALTH AND SAFETY | 45 |
| TRAINING | 47 |
| SUPPLIERS – SUPPLY CHAIN RESPONSIBILITY | 49 |
| SUPPLY CHAIN MANAGEMENT | 49 |

| | |
|--|-----------|
| THE CUSTOMER – PRODUCT QUALITY AND SAFETY | 51 |
| RESPONSIBLE RELATIONSHIPS WITH THE CUSTOMER | 51 |
| COMPLIANCE WITH RULES | 54 |
| COMPLIANCE WITH LAWS AND REGULATIONS | 54 |
| THE RELATIONSHIP WITH THE TERRITORY | 55 |
| RELATIONS WITH LOCAL COMMUNITIES | 55 |
| GRI CONTENT INDEX | 57 |
| INDEPENDENT AUDITOR’S REPORT | 62 |

HIGHLIGHTS

| Sustainability data | Unit of measure | 2017 | 2016 |
|--|---------------------|-------------|-------------|
| Economic  | | | |
| Sales revenue | millions of € | 127 | 126 |
| EBIT | millions of € | 3 | 4 |
| Distributed economic value | millions of € | 126 | 125 |
| Environmental  | | | |
| Energy – Direct consumption | Mega Joule | 138.970.501 | 140.937.307 |
| Water – Withdrawals | Cubic metres | 272.911 | 284.211 |
| Emissions – Direct emissions | t CO ₂ e | 4.799 | 4.680 |
| Non-hazardous waste | t | 852 | 817 |
| Social  | | | |
| Employees | Number | 846 | 879 |
| Gender equality – % of female employees | % | 65,6% | 65,1% |
| Employees per geographical area – Italy | Number | 410 | 412 |
| Employees per geographical area – France | Number | 436 | 467 |

LETTER TO THE STAKEHOLDERS

GRI 102-14

The year 2017 was once again characterised by a not-so-easy economic context and by uncertain and volatile consumption in the main reference markets. In such a complex and highly competitive scenario, our Group nonetheless managed to complete the important acquisition of Perofil, which allows CSP to grow through external lines and strengthen the ongoing diversification process.

During the period, CSP implemented the personnel reduction plan at the HQ plant (Ceresara), which involved a total of 55 employees, a number that CSP was able to limit compared to the original figure of 75 employees, thanks to a conversion processes of the employment relationship from full-time to part-time, processes which witnessed the participation of all employees of the departments concerned.

CSP's strategy focuses on the value-enhancement processes of the image of its own brands, in a vision strongly oriented towards the consumer's needs. A process that requires time and investments in terms of organisation, promotion/advertising and distribution, as well as investments aimed at strengthening the new strategic vision of the brand and stimulating a demand able to support its sustainability.

CSP intends to pursue a sustainable growth that may contribute to generating and creating value, to be shared with the stakeholders with whom it entertains relationships based upon the Company's Code of Ethics, in other words based upon equality, transparency and the necessary collaboration.

In compliance with Leg. Decree 254/2016, CSP has drafted its first Non-Financial Statement. In addition to quantitative information, this document also contains a summary of "good practices" of the CSP Group in connection with environmental matters, personnel, respect for human rights and anti-corruption.

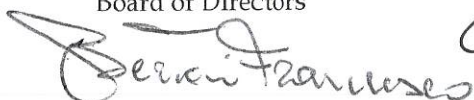
During 2017, CSP implemented programs aimed at improving energy efficiency as well as the health and safety of human resources. Most importantly, it updated its policy on safety and the environment, also completing the procedures which allowed the Company to obtain the certification for purposes of the new standard ISO 14001:2015 on safety and the environment.

On the front of internal relations, the work carried out during 2017 at the French subsidiary made it possible to initiate, at the start of 2018, a social dialogue agreement that achieves the objective of managing relationships with employee representatives and trade unions through dialogue and partnership to prevent any conflicts.

The Non-Financial Statement sums up the results of teamwork, and it not only aims at illustrating to the stakeholders CSP's results in the sustainability area (economic, environmental and social), but is also the tool for summing up the main objectives which the Group wants to attain in a complex and difficult scenario, for a growth that can only be sustainable and that must be founded upon constant and continuous improvement.

Francesco Bertoni

Chairman of the
Board of Directors



Maria Grazia Bertoni

CEO


Carlo Bertoni

CEO


METHODOLOGICAL NOTE

GRI 102-45 / GRI 102-46 / GRI 102-48 / GRI 102-49 / GRI 102-50 / GRI 102-51 / GRI 102-52 / GRI 102-53 / GRI 102-54

The Non-Financial Statement (hereinafter also referred to as “NFS”) of CSP International Fashion Group S.p.A. and of its subsidiaries (hereinafter also referred to as ‘CSP’ or the ‘Group’ or the ‘CSP Group’) was drawn up in compliance with articles 3 and 4 of Leg. Decree 254/2016 (hereinafter also referred to as “Decree”), implementing Directive 2014/95/EU, and contains information on environmental and social topics, employees, respect for human rights and anti-corruption, useful for ensuring proper understanding of the activities carried out by the CSP Group, its performance trend, its results and the impact of its activities.

The Non-Financial Statement pertains to the 2017 period and was drawn up according to the methodologies and principles set out in the *GRI Sustainability Reporting Standards* (*‘In accordance – core’* option), published in 2016 by the *Global Reporting Initiative* (*‘GRI Standards’*), which today represent the most popular and recognised standard at the international level on the subject of reporting information of a non-financial nature.

The general principles applied during drafting of the Non-Financial Statement are the ones established by the GRI Standards: materiality, inclusiveness, sustainability context, completeness, balance between positive and negative aspects, comparability, accuracy, timeliness, reliability, clarity. The performance indicators used are the ones provided for by the adopted reporting standards and are representative of the various sustainability areas and consistent with the activity carried out and the impacts of said activity. In particular, these indicators were chosen on the basis of the materiality analysis and of the topics referenced by Leg. Decree 254/2016. In the sections of the Non-Financial Statement, quantitative information for which we resorted to estimates is duly indicated.

The reporting scope of the qualitative and quantitative data contained in the Non-Financial Statement of CSP refers to the performance of the Parent company CSP International Fashion Group S.p.A. and of its subsidiaries, fully consolidated, as resulting from the consolidated financial statements of CSP Group as at 31 December 2017, with the only exclusion of Oroblù USA and Oroblù Germany as regards environmental and social topics, due to the absence of employees and production units.

Upon initial application of Leg. Decree 254/2016, unless specified otherwise, data pertaining to the previous period, 2016, is also presented for comparison purposes only.

As required by the GRI Standard, this document contains a summary of information pertaining the various areas covered (GRI Content Index), so as to allow traceability of the indicators and of the other quantitative and qualitative information presented in the Non-Financial Statement.

The drafting process of the Non-Financial Statement saw the involvement of the heads of the various Group functions. CSP aims to gradually expand the content and indicators of sustainability reporting, at the same time being committed to further extend stakeholder dialogue and engagement activities.

This document was approved by the Board of Directors of CSP International Fashion Group S.p.A. on 26 April 2018 and, according to the provisions of Leg. Decree 254/2016, it is subjected to audit by the independent auditing firm Ria Grant Thornton S.p.A.

The Non-Financial Statement is published on the company website at <http://www.cspinternational.it/>.

To request additional information, please contact: sostenibilita@cspinternational.it.

CSP INTERNATIONAL FASHION GROUP - IDENTITY AND PROFILE

CSP INTERNATIONAL

GRI 102-1 / GRI 102-2 / GRI 102-3 / GRI 102-4 / GRI 102-5 / GRI 102-6 / GRI 102-7

The CSP Group was founded in 1973 in Ceresara, (MN) in the hosiery district, an area where two-thirds of Europe's hosiery is produced. CSP operates in the production and distribution of socks, hosiery, corsetry, underwear, fashion and beachwear.

In 2017, CSP generated a consolidated turnover of Euro 127.3 million. It has a workforce of 800 employees (Italy and France), and distributes its products in about 40 countries worldwide. The turnover is broken down as follows: Euro 83.0 million Hosiery division (65%), Underwear and Knitwear Euro 17.5 million (14%), Corsetry and Beachwear for Euro 26.9 million (21%).

The structure of the CSP Group



The Group's subsidiaries headquartered in the U.S. and in Germany carry out commercial activities only.

CSP's production facilities

As at 31 December 2017, the CSP Group owned 5 production facilities located in Europe (Italy and France).

CSP International Fashion Group – Italy
Ceresara (Mantova)



CSP International Fashion Group – Italy
Carpi (Modena)



Perofil Fashion – Italy
Bergamo



CSP Paris Fashion Group – France
Le Vigan (Gard)



CSP Paris Fashion Group – France
Fresnoy-le-Grand (Aisne)



The value of the brands

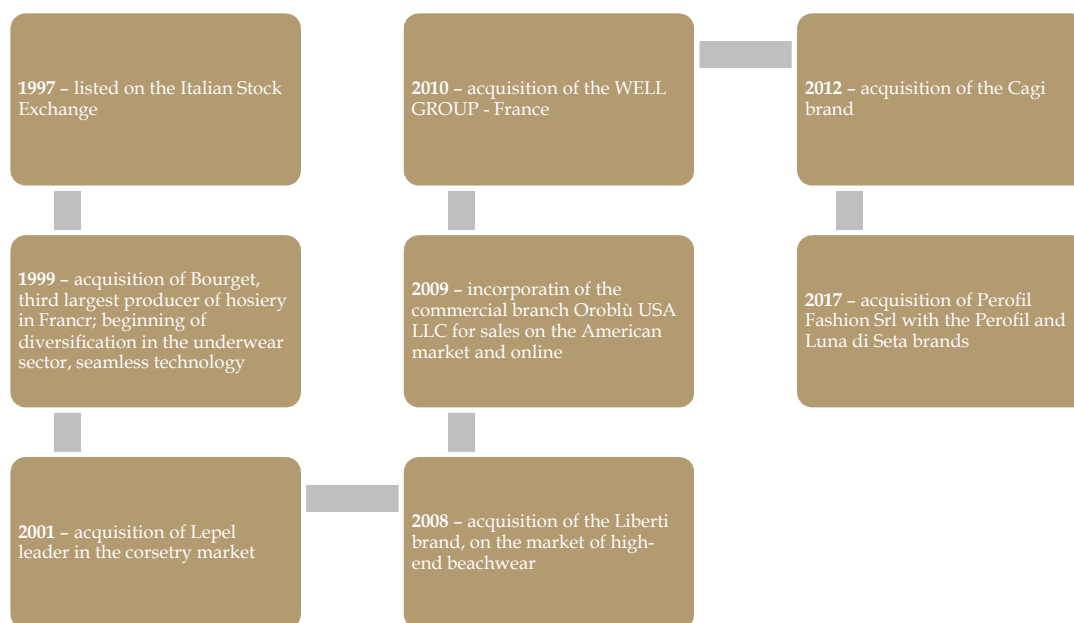
The brands are aimed at different market targets.

| | |
|---|--|
|  | Sanpellegrino: the historical brand of Italian hosiery, offering quality at the right price |
|  | Oroblù: the most international and cosmopolitan Italian brand on the high-end women's market |
|  | Le Bourget: the most prestigious brand of French hosiery, inspired by Parisian chic and fashion trends |
|  | Lepel: leader corsetry brand in Italy, offering comfort and elegance at more affordable prices |
|  | Liberti: specialised in high-end beachwear with excellent wearability, also for curvy women |
|  | Well: the most innovative and high-performance hosiery and lingerie brand on the French modern channel |
|  | Cagi: since 1925, the international brand of underwear for men of all ages |
|  | Perofil: prestigious brand on the high-end men's underwear market |
|  | Luna di Seta: women's high-end lingerie made with costly yarns |

CSP's history

GRI 102-10

Since its founding in 1973, and since its listing on the Italian Stock Exchange in 1997, CSP has carried out several acquisitions with the aim of strengthening its competitive position, including through a diversification process and evolution of the business process. This is the scenario in which the acquisition of Perofil Fashion Srl took place in 2017.



Mission and values

The mission of CSP Group International is to produce and distribute hosiery, underwear, beachwear and innovative and top-quality clothing throughout the world. Research as well as technological and stylistic innovation underlie its entire production.

The business model

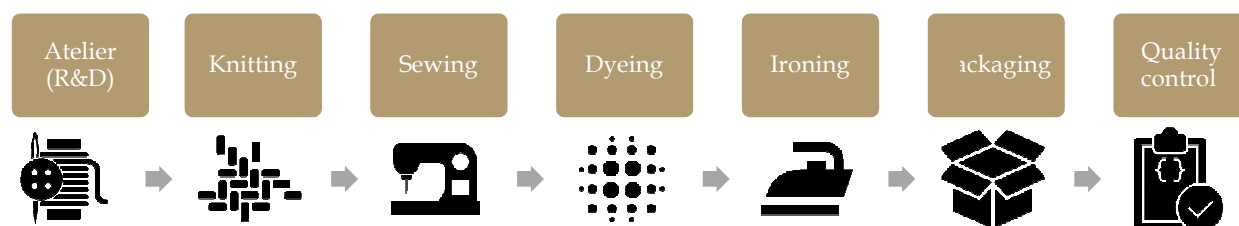
GRI 102-6 / GRI 102-7

The production - Hosiery

The production of hosiery relies on the value of the *Made in Italy*, and it is carried out mainly at the Parent Company's plant located in Ceresara (Mantua) and at the production plant of Le Vigan (France). The production has been granted the mark '*Origine France Garantie*', created by the independent association 'Pro France', which guarantees French production of the hosiery through very thorough procedures and checks.

The production cycle of hosiery is highly automated and has obtained, in Italy, certifications for compliance with environmental protection ISO 14001:2004 and with safety OHSAS 18001:2007. In 2017, CSP also obtained the certification Oeko-Tex® Confidence in Textiles - Standard 100 for the Italian and French hosiery division.

The hosiery production process

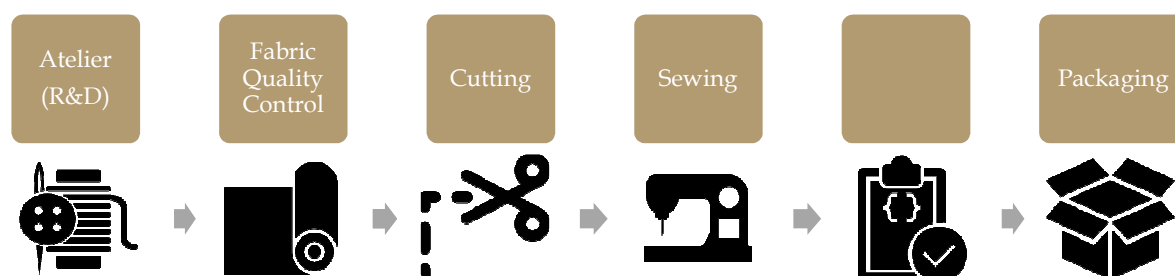


The phases of the hosiery production process are mainly carried out at CSP's production units. For some product lines (high-end, such as Oroblù and Le Bourget) requiring manual sewing, steam fixing and manual packaging, subcontractors located nearby the Ceresara facilities (known as the 'hosiery district') are used for the most part; in some cases, subcontractors located in Albania are hired for Le Bourget brand products.

The production – Other categories of goods

Corsetry, underwear, bodywear and beachwear are designed with exclusive methods, from the cutting, to the model making and the sampling.

The underwear production process



Product research and development (Atelier), fabric check, cutting and product quality control are directly managed for the most part at the CSP Group production plants. Selected and specialised subcontractors are entrusted with the sewing and packaging phases.

The distribution

CSP operates through **sales networks** in Italy and in France through **specialised distributors** in over 40 countries throughout the world. Its products can be found in major international department stores. The company's recent development policy in the **retail** sector envisages the opening of **Oroblù** flagship stores in both Italy and abroad, as well as working alongside multi-brand stores with innovative display solutions and corner shop-in-shops dedicated to Oroblù products.

Sustainability of the strategic design

GRI 103-1 / GRI 103-2 / GRI 103-3

Streamlining, innovation and communication

In a particularly difficult and competitive market situation, CSP continues to focus on its core business, at the same time trying to streamline the cost structure through the constant search for efficiency improvements and the rationalisation of processes, which are being further strengthened thanks to the recent acquisition of Perofil. Product innovation continues to be a central issue, as CSP believes it represents a crucial element for fighting weak consumption, reawakening interest in the trade and differentiate itself from its competitors.

During the 2017 period, CSP continued its commitment to the restructuring and streamlining process, which followed the restructuring and merging processes of the newly-acquired Perofil. Enhancing the value of the Oroblù brand image, streamlining the distribution structure and restructuring the commercial area of the other brands are the guidelines of CSP's operating strategy.

The year 2017 saw the completion of CSP's personnel reduction plan in Italy, announced back in April 2017, which originally indicated 75 redundancies. At the end of the procedure, it was possible to cut this number down to 55 units, also thanks to the sharing, with trade union representatives and with the workers, of the employment relationship conversion processes, from full-time to part-time, which involved all employees of the departments concerned.

Environmental and safety policy

CSP is fully aware of the challenges and opportunities dictated by the market, and of the need to make choices in line with the principles of sustainable development and worker safety protection. Hence, it believes it is fundamentally important to have an organisational system able to standardise and have control over its own processes and the collection of information deriving from these processes, committing itself to defining and keeping active an integrated environment and safety management system, aimed at ensuring the continuous improvement of processes and environmental performance and at worker health and safety management, as well as at satisfying all stakeholders, preventing environmental pollution, accidents and occupational diseases.

To pursue corporate efficacy and efficiency, CSP relies on its strengths:

The organisation's ability to innovate its products and itself, and to manage and address change

Commitment, diligence, fairness and professionalism of the people

Feeling of affiliation within the company and a sense of identification with the company and with objectives

The main lines of action that CSP intends to follow on the subject of environmental protection and occupational health and safety issues, as highlighted in its specific environmental and safety policy, updated in September 2017, are:

- adopting rules and prescriptions, in addition to the mere legal requirements and regulations, which focus on its environmental aspects and its health and safety risks;
- monitoring the consumption of resources, energy, amount of produced waste and improving its management;

- monitoring the trend of accidents, occupational diseases and incidents and improvement of their management;
- adopting all measures necessary to limit the occurrence of emergency conditions and any consequent impacts;
- adopting increasingly effective preventive measures to protect the health and safety of workers;
- adopting measures intended to improve environmental sustainability of processes;
- designing, realising and offering sustainable products, also considering the indirect environmental impacts;
- promoting the organisation's actions and the results achieved in the area of environmental sustainability and workplace health and safety protection.

To ensure compliance with these principles, CSP:

- adopts a preventive approach to the management of problems related to safety and environment;
- periodically reviews the efficacy of the adopted management system by checking the achievement of objectives and targets set for this purpose;
- promotes awareness among its personnel concerning the objectives, desired results, accountability, motivations and individual commitment in the realisation of this system;
- informs all stakeholders, and whoever requests such information, on its own environmental and safety policy;
- allocates the necessary human and financial resources.

The Board of Directors defines short and medium-term objectives which are disseminated and shared at all organisational levels.

Associations – Memberships

GRI 102-13

Through its subsidiary Perofil Fashion Srl, CSP is a member of Confindustria (Federation of Italian Employers). It is also a member of the following organisations:

- Centro Servizi Imprese of Castel Goffredo (Mantua) /Centro Servizi Calze. The Centre originated as a service provider to enterprises during the last decade of the 1900s to meet the needs of the women's hosiery district of Castel Goffredo.
- Mantova Export, founded in 1974 at the initiative of a group of companies and of the main associations and banks in Mantua. Mantova Export has about 220 member companies and operates for the most part in the rendering of qualified services in the import-export sector.

The French subsidiary CSP Paris Fashion Group is a member of Medef (Mouvement des Entreprises de France), the most important association of enterprises in France, and of FEEF (Fédération des Entreprises et Entrepreneurs de France), founded in 1995, which brings together the French businesses operating on the territory.

Objectives and sustainability

GRI 103-1 / GRI 103-2

CSP has long started its own sustainability journey; nonetheless, it intends and expects to improve its processes, the practiced policies and the procedures, along with the aspects tied to the reporting and disclosure that is provided to all stakeholders.

Below is a table listing the areas of intervention, project and activities which are either ongoing or to be started:

| Area | Objective / Project description |
|---|--|
| Implemented processes and policies – Environmental Certification | Audits for updating to the new standard ISO 14001:2015 have been recently completed. CSP is currently waiting for the relative certificate to be issued. The international standard ISO 14001:2015 is a management system that outlines a reference framework for the management and improvement of environmental performance. By adopting this standard, CSP intends to intervene on the processes for the purpose of: a) improving the energy performance in terms of efficiency and of the consequent savings in operating costs; b) complying with environmental rules and regulations; c) encouraging the development of skills within the organisation. |
| Adopted processes and policies – Supply chain | <p>Aware of the importance of the supply chain in the various sustainability areas, CSP has identified the following areas of intervention for improving its sustainability policies and the consequent possibility to improve the relative reporting:</p> <ul style="list-style-type: none">▪ study and possible implementation of a process that would allow data to be collected on energy consumption and indirect emissions (Scope 3) originated upstream and downstream its production process and mainly related to the activities of the subcontractors and/or tied to the transport of raw materials – semi-finished goods – finished products.▪ evaluation of the feasibility of conducting an audit at the facilities that make up the production chain on social topics, human rights, health and safety, ethical principles. |
| Environment – Policy on utilisation of resources at the offices | Awareness campaign for higher energy savings in the offices (Rules of behaviour – differentiated collection – electricity – energy for office air-conditioning). This campaign specifically meets one of the requirements which form integrating part of the United Nations' Sustainable Development Goals (SDGs): 'What are you doing?' |
| Environment – Production processes (chemical risk) | Ceresara plant (Dyeing) – Expansion of the machinery hooked up to the automatic metering system of the auxiliaries located in the dyeing department. The project was completed in the beginning of 2018. The investment made it possible to further cut down the possibilities of direct contact with the chemical substances used in the Dyeing department. |

| | |
|---|---|
| Environment – Energy / Renewable sources | Ceresara plant - Feasibility study / technical-economic evaluations concerning the diversification of sources of procurement of electricity. In particular, the analysis focused on the possibility to purchase electrical energy from a third-party photovoltaic system. |
| Environment – Energy / Efficiency and energy savings | Ceresara plant - Feasibility study / technical-economic evaluations to be presented in relation to the investment project involving the purchase of a tri-generation plant. |
| Environment – Water | Ceresara plant (Dyeing) – Evaluating the possibility to re-use in the production process the dyeing process water treated by the company-owned water treatment plant. |
| Environment – Product | Project aimed at evaluating the calculation of the CO2 imprint of some products or classes of products. The project in question entails prior identification of the classes of products (of a continuous nature and with a stable production cycle) on which to focus the study and the relative analysis of the available data. |
| Human Resources – Welfare and training | Informational, training and awareness campaign with regards to the following areas: a) anti-alcohol topics; b) reduction of injuries (Training plan 2018). |
| Human Resources –Industrial relations (France) | Agreement of ‘Social Dialogue’ (Accorde de method sur le dialogue social’). In January of 2018 an agreement was entered into with personnel of CSP Paris Fashion Group that governs the dialogue between the company and its employees. The objective is to facilitate collective relations and improve the company climate. The agreement falls within the scope of a series of activities and projects aimed at updating the various forms of contracts that govern company life (Training – Professional paths – Regulations). |

THE STAKEHOLDERS

The map of Stakeholders

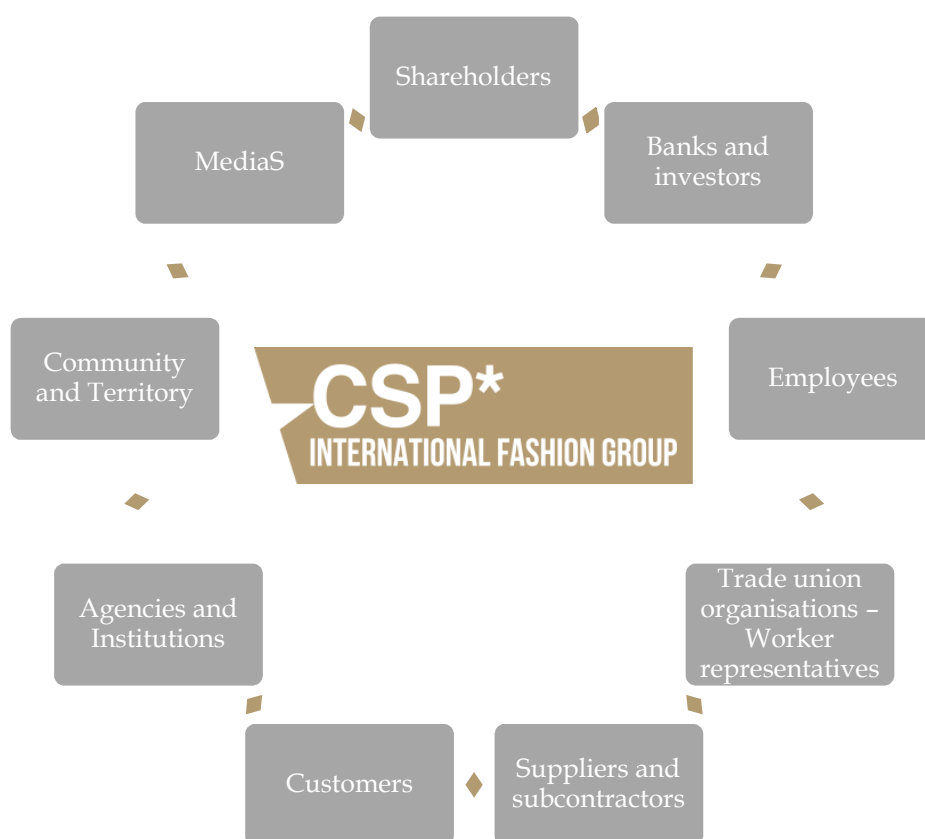
GRI 102-40 / GRI 102-42

Stakeholders are individuals or groups who have a vested interest in a company, subjects who are affected by the organisation's decisions and activities but, at the same time, have an impact on the same organisation.

Therefore, the identification of all stakeholders represents a crucial step in the process of defining the strategy and the sustainability policies of a company, as these must take into consideration the stakeholders' expectations.

A suitable and effective medium-long term strategy aimed at the development, necessarily sustainable, of a company must also be based on the expectations of the different stakeholders, with whom a constant dialogue and exchange of views must be maintained.

In connection with the nature of CSP's activities, the following main categories of stakeholders were identified:



Stakeholder engagement activities

GRI 102-43 / GRI 102-44

A management according to criteria consistent with a sustainability strategy requires the development and maintenance of constant relations with the organisation's stakeholders. Their

engagement, the listening to their interests, as well as the understanding of their expectations, is crucial for the attainment of CSP's objectives and results, and for the creation of a shared value able to last for the medium/long-term.

Stakeholder engagement activities vary in relation to the priority level assigned by the company to the different categories and to their level of dependence and impact on the organisation Stakeholder engagement is fundamental in order to understand change (potential or real) deriving from the decisions, activities and initiatives adopted by the company.

The table below lists the identified stakeholders along with the interaction channels, contact points, projects and initiatives aimed at their engagement.

| Stakeholder category | Engagement activity Projects - Initiatives - Relations |
|--|--|
| Shareholders | Shareholders' Meeting - Board of Directors |
| Banks and Investors | Shareholders' Meeting Investor relations activities - Website / dedicated section Periodical meetings |
| Employees | Continuous dialogue with the Human Resources Department Overall analysis of resources and training needs Company welfare initiatives Company intranet Internal newsletter Informal meetings and institutional events organised ad hoc Dedicated communication plan |
| Trade unions - Workers representatives | Periodical meetings for an exchange of views with trade union representatives Periodical consultation meetings with the Workers Safety Representatives |
| Suppliers and subcontractors | Continuous dialogue - Definition and sharing of standards Commercial meetings and visits at the company Joint projects on products and innovation |
| Customers | Interaction with sales personnel at regular shops and digital stores Customer service office Corporate website, social media, e-mails, regular post and dedicated toll-free number Newsletters Meetings - Commercial meetings and visits at the company |
| Agencies and Institutions | Meetings with representatives of the local institutions |
| Communities and territory | Meetings with representatives of the local institutions Visits at the company |
| Media | Interviews - Press conferences Events Corporate website |

The difficult market situation in the hosiery sector and the consequent strategic restructuring plans and reorganisation of the production processes have made it necessary a constant exchange of views, many meetings and a sharing of CSP's objectives with key stakeholders, such as employees and trade union representatives.

IMPORTANT ASPECTS

The materiality analysis

GRI 103-1 / GRI 103-2 / GRI 103-3

The materiality analysis is the evaluation of aspects that are particularly relevant for the company and for its stakeholders. The process in question makes it possible to identify the sustainability topics that have significant impacts (positive and negative) for both CSP and for its stakeholders, with respect to governance and to the various dimensions of sustainability: economic, environmental and social. This analysis was conducted in compliance with the *GRI Standards*, adopted as reporting methodology for drafting this Non-Financial Statement.

The identification process of important aspects entails:

- 1| preliminary mapping of the stakeholders;
- 2| identification of important aspects for the stakeholders and for CSP, and attribution of the relevant importance;
- 3| elaboration and validation of the materiality matrix.

The important aspects were identified according to an approach based on documental analyses, results of stakeholder engagement activities and of an internal management engagement activity. At the end of this process, CSP's management carried out an assessment and the relative sharing of the important topics and their priority scale. The documental analysis used as reference the contents of the GRI Standards issued by the Global Reporting Initiative, taking into account the SDGs - Sustainable Development Goals - of the United Nations.

The approach followed by CSP to identify the important aspects also entailed:

- the evaluation of company priorities conducted on the basis of interviews to management;
- the analysis of the main significant company documents with respect to sustainability topics (Code of Ethics, Model 231, analysis and support documentation pertaining to the certification of process in the area of environment, health and safety);
- analysis and internal sharing of the GRI Standards and of the relative guidance contained in the different reference principles;
- benchmarking with companies belonging to the fashion, textile and clothing sector, in order to compare CSP's current situation with comparable companies.

Important aspects

GRI 102-47

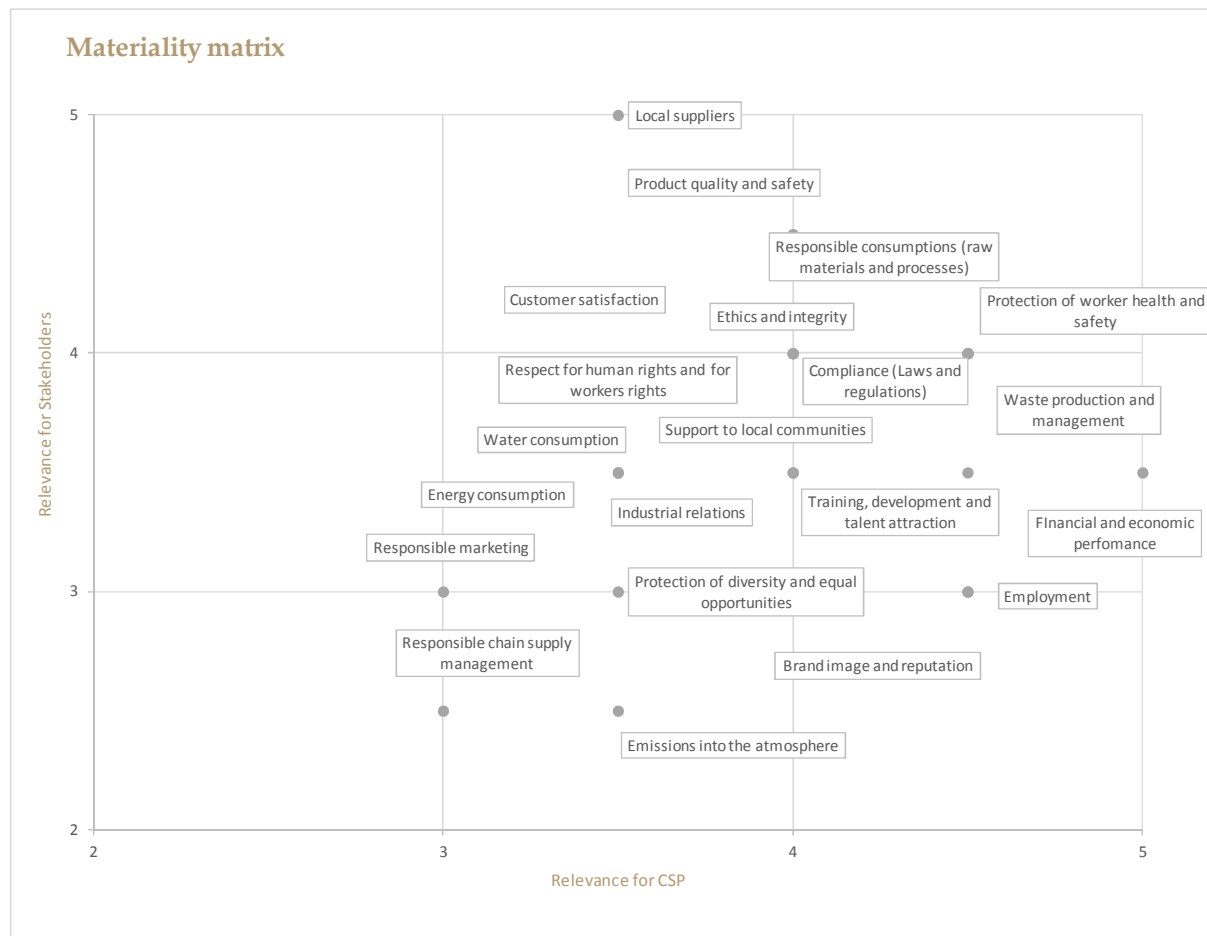
The sustainability topics which are important to CSP for its stakeholders in 2017 are listed here below. For clearer representation, we deemed it appropriate to group them by reference area.

| Areas | Topics |
|------------------------------|---|
| Governance and Compliance | Ethics and integrity |
| Economic – financial aspects | Economic and financial performance |
| Environment | Waste production and management Responsible consumption (raw materials and processing) Energy consumption Water consumption Emissions into the atmosphere |
| The People – The employees | Labour Training, development and talent attraction Safeguarding workers' health and safety Industrial relations Safeguarding diversity and equal opportunities Respect for human rights and of the workers' rights |
| Customers and product | Product quality and safety Brand image and reputation Customer satisfaction Responsible marketing |
| Suppliers – Supply chain | Responsible supply chain management Local suppliers |
| Public Administration | Compliance with laws and regulations |
| Communities and Territory | Support to local communities |

Materiality analysis

GRI 102-47

The graph representation of the materiality matrix provides an overall view of the most important topics for purposes of the Non-Financial Statement, in terms of real and potential effects on CSP's ability to create and maintain over time a Shared Value for its stakeholder and with respect to their decision-making processes.



GOVERNANCE AND RISK MANAGEMENT

Corporate governance

GRI 102-18

The *corporate governance* structure adopted by CSP is founded on the traditional organisational model, hence it consists of the following corporate bodies:

- the Shareholders' Meeting (authorised to adopt resolutions on topics provided for by the law and by the company By-laws);
- the Board of Directors (to which the Company's management is assigned);
- the Board of Statutory Auditors (to which the supervisory function is assigned).

The legal auditing is assigned to the Auditing Firm E&Y S.p.A. for the nine-year period 2009-2017. A 231 Supervisory Body was also appointed to supervise on proper operation of the "Model 231" and to deal with its update.

The Board of Directors set up an Audit and Risks Committee, whilst did not deem it necessary, in view of CSP's size and organisational structure, to arrange for the appointment of other committees.

CSP adheres and complies with the recommendations contained in the Self-governance Code of Listed Companies, July 2015 edition, with the additions and adaptations consequent to the Group's characteristics indicated in this Report (which can be consulted on the Website of Borsa Italiana: <http://www.borsaitaliana.it>)

Composition of corporate bodies

Board of Directors

| | |
|----------------------|---------------------------------|
| Francesco Bertoni | Chairman with proxy |
| Carlo Bertoni | CEO with proxy |
| Maria Grazia Bertoni | CEO with proxy |
| Giorgio Bardini | Member of the Board |
| Umberto Lercari | Independent Member of the Board |

Board of Statutory Auditors

| | |
|------------------|-------------------|
| Silvia Locatelli | Chairman |
| Marco Montesano | Standing Auditor |
| Guido Tescaroli | Standing Auditor |
| Vanna Stracciari | Alternate Auditor |
| Antonio Pavesi | Alternate Auditor |

In accordance with article 19 of the company By-Laws, the Board of Directors is vested with the widest of powers for ordinary and extraordinary management of the Company, including the power to carry out all acts it deems appropriate for the achievement of the corporate purpose, with the only exception being those which the law reserves to the General Meeting.

Chairman and CEO - Francesco Bertoni: proxy in the production, logistics and quality system areas of the Company, except the Production Division of Carpi.

CEO - Maria Grazia Bertoni: proxy in the administration, finance and control, *information technology* and human resource areas of the Company.

CEO - Carlo Bertoni: proxy in the marketing, product development, sales and commercial branches of the Company and, only with regards to the Production Division of Carpi, in the production, logistics and quality system areas.

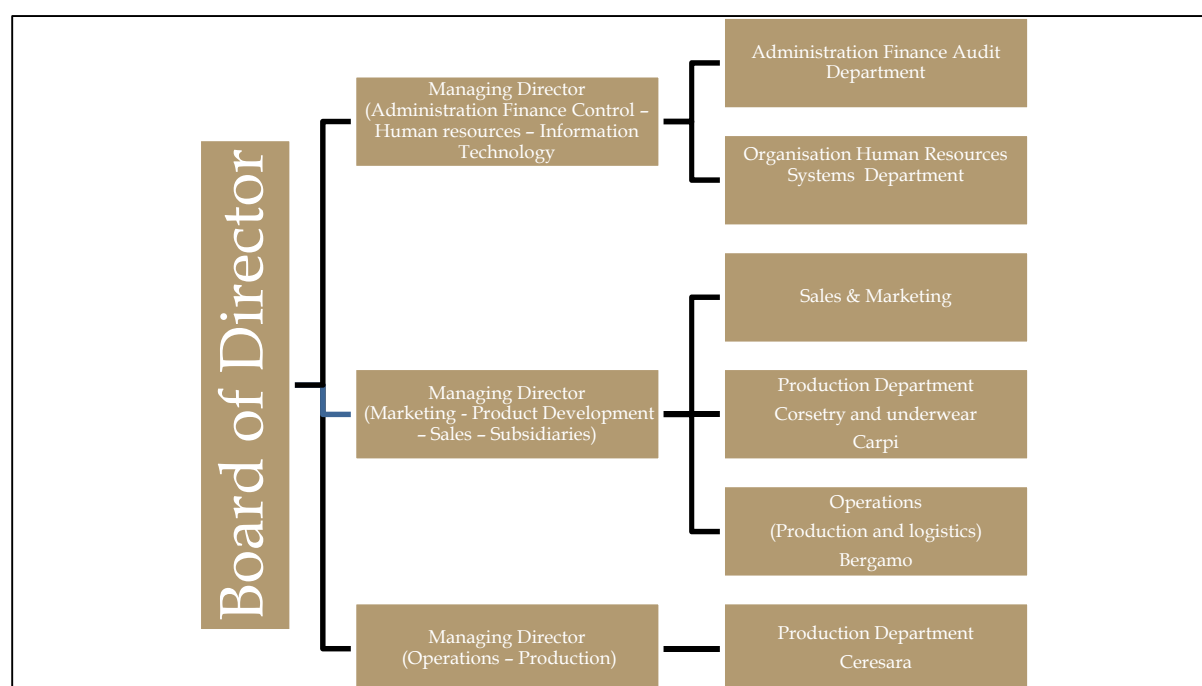
| Governance body gender diversity | Women | | Men | | Total | |
|-------------------------------------|-------|-----|-----|-----|-------|------|
| | No. | % | No. | % | No. | % |
| Board of Directors | 1 | 20% | 4 | 80% | 5 | 100% |

| Composition of governance body by age group | Younger than 30 | | Between 30 and 50 | | Older than 50 | |
|---|-----------------|---|-------------------|-----|---------------|-----|
| | No. | % | No. | % | No. | % |
| Board of Directors | - | - | 2 | 40% | 3 | 60% |

Organisational structure

GRI 102-18

The organisation chart of the Parent Company CSP International is provided in outline form here below.



The control model and anti-corruption

The internal control system, which involves all company functions, contributes to ensuring the efficiency and efficacy of company operations, reliability of financial information, compliance with

laws and regulations and protection of corporate assets. The Board of Directors is responsible for the internal control system.

Organisation, Management and Control Model as per Leg. Decree 231/2001

GRI 205-1 / 205-2 / 205-3

CSP has adopted its own specific and autonomous 'Organisation Management and Control Model as per Leg. Decree 231/01, which introduced in the Italian legal system the administrative responsibility of entities. In particular, the Model takes into account CSP's structural and organisational characteristics, and it is subject periodically updates. As required by the regulations in force on the subject, a suitable Supervisory Body was set up and assigned the task of supervising the functioning of and compliance with the Model, and of updating it as necessary.

The Code of Ethics, which identifies guidelines for corporate behaviour, forms integral part of the Model as per Leg. Decree 231/01.

The main elements developed in the definition of the Model are listed here below:

- identification of ethical principles and behavioural rules aimed at preventing conducts that may give rise to the types of offences referred to in Leg. Decree 231/01 set out in the Code of Ethics;
- mapping of sensitive activities, with examples of possible method for committing the offences and of instrumental processes that could be potentially associated with the commission of the offences referenced in Leg. Decree 231/01, subjected to analysis and periodical monitoring;
- verification of measures aimed at preventing offences, of the policies and procedures already implemented by the Company, their evaluation in terms of their acknowledgement as elements of an organisational model that meets the requirements of Leg. Decree 231/01 and identification and/or implementation and/or adaptation and/or introduction of additional specific protocols pertaining to instrumental processes deemed at greater potential risk of an offence being committed, intended to expressly govern the formation and implementation of the Company's decisions, for the purpose of providing specific indications on the system of preventive checks in connection with the single types of offences to be prevented;
- setting up of a Supervisory Body in collegial form, consisting of three members, which shall stay in office until the termination date of the current Board of Directors and, in any event, for a period of not more than three years as from the date of appointment, possessing specific skills on the subject and being assigned specific supervisory duties on the effective implementation and actual application of the Model;
- definition of a system of sanctions suited to ensuring an effective implementation of the Model, containing the applicable disciplinary provisions in case of failure to comply with the measures indicated in the same Model and in the Code of Ethics;
- development of an information, awareness and disclosure activity to the recipients of the Model;
- adaptation of the methods for adopting and actually applying the Model as well as for the necessary changes or additions to said model (updating of the Model).

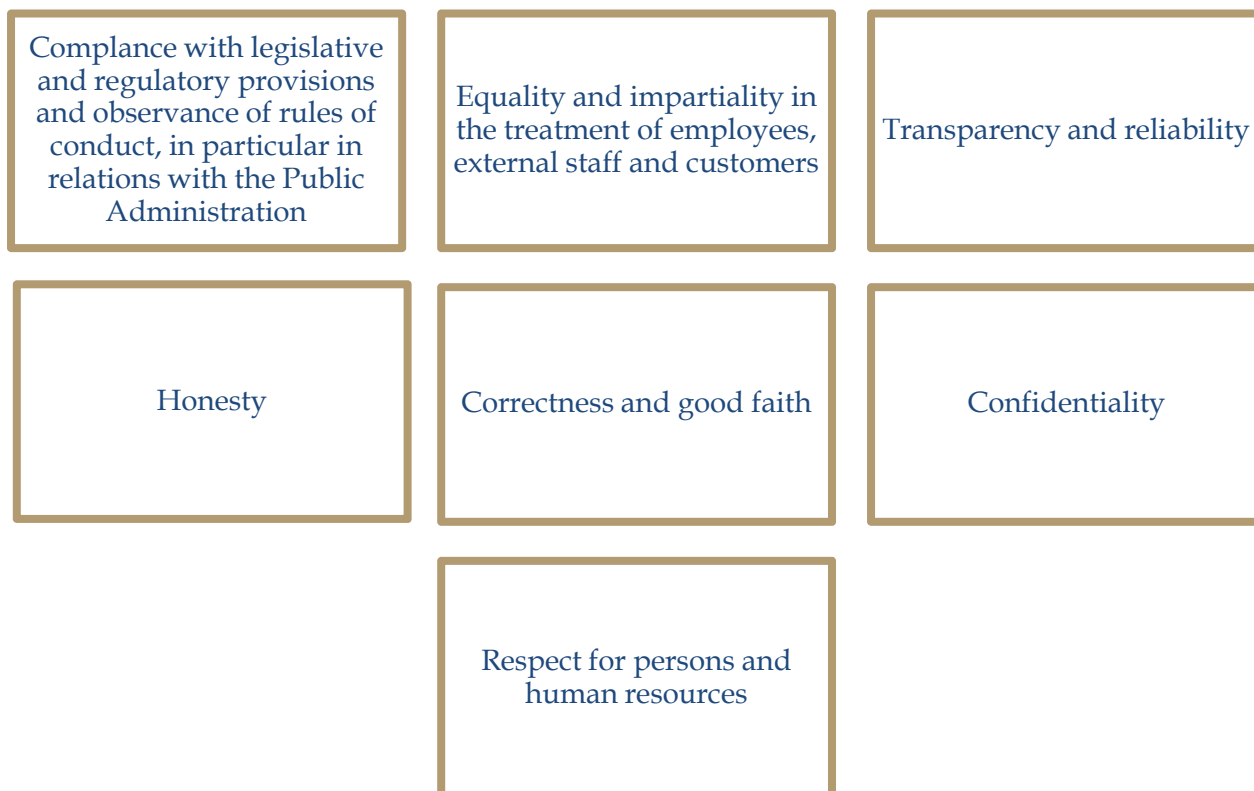
The 'Code of Ethics' and the 'Organisation Management and Control Model' are available on the Company website at <http://www.cspinternational.it>, in the Corporate Governance section. During the course of 2017, no reports were submitted to the Supervisory Body.

CSP is determined to ensure the utmost fairness in the running of its business and the relative company activities, also with a view to safeguard its image and reputation. The Code of Ethics states the principles and ethical values with which CSP complies during performance of its activities, and with which it expects compliance by all subjects at the company and, more generally speaking, by all those who cooperate with it for the pursuit of the company mission.

CSP bases all its actions, operations, relationships and transactions carried out during the management of the different corporate activities on the principles of the Code of Ethics. In fact, the Code of Ethics contains the inspiring principles of CSP and is binding on those who cover roles of representation, administration or management, or exercise, including de facto, the management and control of CSP, or who cooperate and collaborate with it, for any reason, in the pursuit of CSP's business objectives, all employees with no exceptions whatsoever, the external staff (including, for example purposes only, consultants, agents, representatives, intermediaries, etc.) and anyone who entertains business relations with CSP (the 'Recipients').

In particular, the Directors of CSP are required to draw from the principles of the Code of Ethics when establishing the company objectives, proposing investments, carrying out projects, and when taking any decision or action related to the management of CSP. Likewise, the executives and the heads or managers of the company functions are bound by the same principles when tangibly implementing these decisions or actions, both internally, by reinforcing a sense of cohesion and team spirit, and externally in their dealings with third parties.

In order to attain its objectives, CSP complies with the following principles:



Adherence to codes of ethics – principles

GRI 102-12

As of the date of this document, CSP does not adhere to and/or has not directly underwritten any Declarations of Principles, Codes, International charters drawn up by agencies/organisations in the specific areas of sustainability.

The process certifications

GRI 103-1 / GRI 103-2

CSP (for the subsidiaries located in Italy) equipped itself with management systems in accordance with international standards, which allow a continuous monitoring of the efficacy and efficiency of the processes. In particular:

Environment - ISO 14001:2004 Environmental Certification. The ISO 14001 certification aims at increasing the trust of all subjects involved in the organisation, by ensuring the existence of an Environmental Management System suited to the nature of its activities, products and services, in compliance with the requirements of standard ISO 14001:2004. Audits have recently been completed for updating to the new ISO 14001:2015. During these audits, the relative risk assessment analyses were carried out. CSP is currently waiting for the certificate to be issued.

Occupational Health and Safety - OH SAS 18001:2007 Certification of Health and Safety in the Workplace - OH SAS (Occupational Health and Safety Assessment Series). This certification attests that the company uses an efficient Workplace Safety Management System, therefore it is a reliable company. The project for adaptation to the new standard ISO 45001, *Occupational health and safety management systems – Requirements*, is expected to be implemented and realised between 2018 and 2019.

The obtainment and maintenance of the certifications confirm CSP's commitment to protect the workers and the environment, to use natural resources in a rational manner, to fully comply with regulations, to enhance the awareness of its customers and improve the quality of its services.

Risk management

GRI 103-1

The CSP Group conducted an assessment of the risk areas, which are listed here below, specifically referring to the significant ones in terms of sustainability.

| Risk area | Description |
|------------------|---|
| Compliance risks | Risks associated with failure to comply with rules and regulations to which the CSP Group is subject |
| Financial risks | The CSP Group is exposed to financial risks associated with its operations and, in particular, to: a) credit risk, in connection with normal trade relations with customers; b) liquidity risk, with special reference to the availability of financial resources and access to the credit market; c) foreign exchange risk; d) interest rate risk. The Company and the Group constantly assess the financial risks to which they are exposed, in order to estimate, in advance, the potential negative effects and to undertake suitable actions aimed at mitigating said risks. |

| | |
|--|--|
| Risks of an environmental nature | The risks with the greater potential environmental impact are associated with the management of discharges and of the water resource, with the management process of hazardous materials (chemical products), and with the production of waste (hazardous and non-hazardous). The CSP Group has long dealt with the problems underlying this area, adapting the installations and subjecting them to monitoring. Hence, the risks mentioned above are not deemed particularly important. |
| Risks related to human resources | The main risks tied to human resource management are represented by: a) the ability to keep, attract and motivate qualified resources; b) the ability to guarantee the workers' health and safety |
| Business risks (market and strategic) | Trend of the main reference market (women's hosiery) and difficulty of the underwear market, including in connection with frequent increases in average temperatures during seasons which are crucial for consumption, in other words spring and autumn. Risks related to general macroeconomic trends on the markets where CSP is present. The markets in which the Group operates are highly competitive. The success of CSP's activities depends on its ability to maintain and/or increase its market shares and to expand into new markets, through innovative products featuring high qualitative standards and capable of guaranteeing suitable profitability levels. |
| Risks pertaining to management of the supply chain and of the production processes | Reputational risk caused by any violations by the suppliers (external workers / subcontractors) of human rights and of the principles contained in CSP's Code of Ethics. In particular, the main and potential risks on the subject of human rights are those tied to the use, by potential non-EU suppliers, of child and forced labour. Risks pertaining to the timeliness of the procurements. Outsourced activities entail significant delivery times for collections designed within the company but made in the Far East, along with cost increase dynamics and poor availability of the reference raw materials. CSP's production and distribution processes must be able to deal with such potential criticalities. |

The control model of the CSP Group considers the Organisational Model as per Leg. Decree 231, the Code of Ethics, the management system of processes according to international standards and the underlying practiced policies and procedures to be the main organisational measures for preventing and managing the identified risks, in particular with regards to governance, environmental and social risks.

The precautionary approach

GRI 102-11

Introduced in 1992 during the United Nations Conference on Environment and Development (*United Nations in Principle 15 of 'The Rio Declaration on Environment and Development'*) in the area of environmental and biodiversity protection, this principle is based on the assumption '*better safe than sorry*', and it has been transposed and used at various governmental levels and in practice in areas pertaining to consumer health and safety protection.

As integral part of the risk management strategy, the application of this principle entails a prior evaluation of any potential negative effects of an environmental and social nature that may derive from the making of decisions and/or strategic choices pertaining to products and processes. Should the existence of a risk of serious or irreversible damage is identified, the adoption of suitable and effective measures must be evaluated, also in relation to costs and benefits, aimed at preventing and/or mitigating said negative impacts.

The practiced policies and the management methods of its processes by CSP, in particular about the production process and the development of new product lines, take into account these principles.

ECONOMIC RESULTS

Performance and distributed value

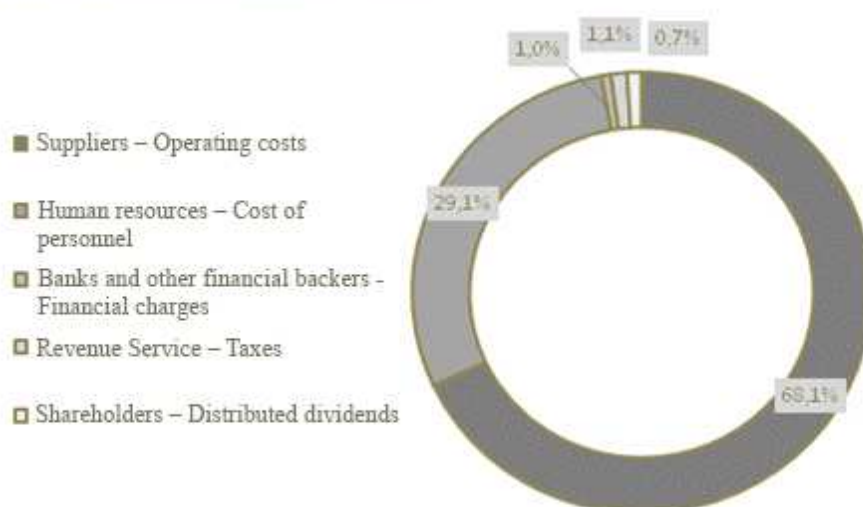
The generated and distributed economic value

GRI 201-1

The table below, prepared on the basis of the consolidated income statement for the reference period, highlights the economic value generated directly by CSP and distributed to internal and external stakeholders. This indicator refers to CSP's net revenue (Revenue, Other operating revenue, clear of losses on receivables), whilst the Distributed economic value includes costs reclassified by category of involved stakeholders, together with the dividends distributed to shareholders during the period. The retained economic value is the difference between Generated and distributed economic value and comprises the amortisation/depreciation of intangible and tangible assets, in addition to deferred taxes.

| Economic value (thousands of Euro) | 2017 | 2016 |
|---|------------------|------------------|
| Generated economic value | 129.009 | 127.771 |
| Suppliers – Operating costs | (85,769) | (83,872) |
| Human resources – Cost of personnel | (36,678) | (36,462) |
| Banks and other financial backers – Financial charges - | (842) | (449) |
| Revenue Service – Taxes - | (1,413) | (2,551) |
| | (124,702) | (123,334) |
| Distributed dividends – Shareholders | (1,290) | (1,613) |
| Distributed economic value | (125,992) | (124,947) |
| Retained economic value | 3,017 | 2,824 |

Distributed economic value



The effects on the local territory

GRI 203-2

As underscored in the other sections of this document, the distributed value concerns the local territory and CSP's reference community in a significant manner. In addition to the employees, the subcontractors to which processes are outsourced mainly operate in the hosiery district of Castel Goffredo, which is close to the Ceresara (MN) HQ and in Italy.

The financial impact of climate changes

GRI 201-2

CSP considers the effects of climate changes, as they may have a significant impact on consumer habits, needs and choices. In recent years, the hosiery market has also felt the negative effects of this factor which concerned, in particular, sales during autumn and winter seasons.

Financial assistance received from the Public Administration

GRI 201-4

The Group receives no financial assistance of significant entity from the Public Administration.

Investments

Investment policies and plans

GRI 203-1

During the period in question, pre-tax investments for a total of Euro 2.2 million were made, mainly pertaining to the purchase of new machinery to replace other equipment that were obsolete by now and fully amortised.

ENVIRONMENT

The production processes and the environment

GRI 103-1 / GRI 103-2

Fully aware of the need to limit the impact of the activities of all companies on the environment, CSP adopted a specific environmental and safety policy in order to guarantee the organisation's sustainability.

With this policy, CSP particularly commits itself, in connection with environmental topics: a) to monitor consumption of resources, energy, quantity of produced waste and improvement in the relative management; b) to offer products that are increasingly respectful of the environment, adopting the best available technologies provided they are economically compatible.

The Code of Ethics indicates the principles of Respect and protection of the environment. In fact, CSP deems of primary importance the protection of the environment and the sustainable development of the territory in which it operates, in consideration of the rights of the local community and of future generations. CSP is committed, and expects its subsidiaries to do the same, to consider, within the scope of operations and business initiatives, the unavoidable environmental needs and to minimise the negative impact that its company activities have on the environment.

To this end, CSP, fully complying with environmental regulations in force, pays special attention to the following aspects:

- promotion of activities and processes that are as compatible as possible with the environment, through the use of criteria and advanced technologies aimed at environmental protection, energy efficiency and sustainable use of the resources;
- assessment of the environmental impacts of all company activities and processes;
- collaboration with internal stakeholders (e.g., employees) and external stakeholders (e.g., institutions), in order to optimise the management of environmental problems;
- pursuit of environmental protection standards through the implementation of suitable management and monitoring systems.

Environmental certification – International Standard ISO 14001:2015

Within the scope of planning and realising sustainability practices, and after the Environmental Certification obtained at the time according to Standard ISO 14001:2004, CSP has recently completed the project (plan of activities and audits) for updating to standard ISO 14001:2015, for which the Company is waiting for the relative certificate to be issued.

The international standard ISO 14001:2015 is a management system that outlines a reference framework for the management and improvement of the environmental performance. The Standard attests conformity of the company operations to the set requirements in terms of principles, systems and support techniques for proper environmental management.

The adoption of this Standard entails intervening on the processes for the purpose of: a) improving energy performance, in terms of efficiency and consequent savings in operating costs; b) complying with environmental laws and regulations; c) encouraging the development of skills within the organisation.

Materials and outsourcing

Purchases of raw materials and subcontractors

GRI 204-1

For the hosiery category, CSP has decided to favour the local production facilities of the parent company and of its French subsidiary. In particular, for Italy, the sewing process, which is crucial in order to be able to make the 'made in Italy', claim, is carried out at internal departments or at workshops located in the hosiery district of Castel Goffredo. The most characterising phases, knitting and dyeing, take place almost completely at internal departments.

The purchases of hosiery semi-finished goods are not particularly significant, as they are limited to products that can only be made with special machinery (not present at the CSP plants) or with 'exclusivity for intellectual property rights'. These semi-finished products mainly come from Italy (about 95%), of which 80% directly from companies located in the district. The French subsidiary avails itself of mainly European suppliers for the finished products of the hosiery divisions, whilst the purchases of finished products of the underwear division involve subcontractors located in countries of the Far East, Turkey or Morocco.

Origin of the purchases of raw materials

GRI 204-1

The origin of raw materials is not relevant for attribution of the 'made in' claim. Nonetheless, for its own hosiery division, CSP favours, where possible, materials of Italian or European origin. To this regard, please note in particular that for the Parent company CSP, the breakdown of areas of origin for the various types of raw materials intended for hosiery is as follows:

- Yarns: Italy: 37% - EU (except Italy): 35% - Serbia: 8% - Israel: 6% - Japan: 5% - North Africa + Asia: 9%;
- Fabrics, flounces: mainly of Italian origin;
- Packing, packaging materials: purchased mainly from Italian companies;
- Dyes and Auxiliary agents: purchase mainly from Italian companies. Although the origin of the products is Italian for a small part, it is not managed.

The purchased quantities

GRI 301-1 / GRI 301-2 / GRI 301-3

| Materials | Unit of measure | Purchased quantities | |
|---|-----------------|----------------------|-----------|
| | | 2017 | 2016 |
| Raw materials - Packing | | | |
| Yarns | Kg | 1,004,440 | 1,170,032 |
| Fabrics – lace | M | 434,061 | 438,583 |
| Flounces | M | 727,594 | 729,357 |
| Packing / packaging – paper / cardboard | Kg | 1,505,665 | 1,659,626 |
| Packing / packaging – plastic | Kg | 137,619 | 154,524 |
| Powder dyes | Kg | 82,697 | 95,295 |
| Auxiliary agents / Liquid dyes | Kg | 147,950 | 187,866 |
| Subcontractors | | | |
| Semi-finished products (sewing / packaging) | Pcs | 2,005,920 | 2,922,589 |
| Ready-to-wear products / Finished products | Pcs | 6,022,415 | 7,273,321 |

Initiatives are being studied on the use of recycled paper for packaging the finished products, as well as for the switch to FSC (Forest Stewardship Council) certified paper for the catalogues (for forest management that respects the environment, provides benefits at the social level and is cost-effective).

These initiatives also include the implementation of company digitalisation, aimed at reducing paper use.

Energy

Energy consumption

GRI 302-1 / GRI 302-2

| Energy consumption | Unit of measure Mega Joule | Purchased quantities | |
|---|-------------------------------|----------------------|-------------|
| | | 2017 | 2016 |
| Heating fuel | | | |
| Natural gas | | 81,561,071 | 78,050,151 |
| Fuel | | | |
| Transport diesel | | 2,967,145 | 3,967,801 |
| Transport petrol | | 55,328 | 117,877 |
| Electricity | | | |
| Electricity purchased from the grid | | 53,828,957 | 58,801,478 |
| Electricity purchased from photovoltaic plant | | 558,000 | - |
| Total | | 138,970,501 | 140,937,307 |

The 2016 figures do not include the energy consumption of Perofil Srl. During the 2017 period, the energy consumption dynamics were negatively affected by climatic factors (natural gas), offset by the production trend.

The photovoltaic system - Perofil

The energy purchased from photovoltaic plant refers to the production unit of Perofil (Bergamo). In fact, this photovoltaic system has been operating at the Perofil plant since September 2011. The panels installed on the company's roof produce an average of 310,000 kwh per year. This electricity is produced and put back in the mains, which allows an estimated reduction in emissions of 111 tons of Co2, 465 kg of nitrogen oxide and the use of about 400 oil drums.

CSP is evaluating the feasibility of obtaining the figure pertaining to indirect energy consumption, which is mainly tied to outsourcing/subcontractors processing cycles, currently outside the reporting perimeter due to their unavailability.

Intensity of the energy consumption

GRI 302-3

Please find below the measurement indicators of energy intensity for the various production units. These indicators were calculated according to technical parameters used internally for monitoring the trend and for evaluating the energy efficiency programs. The indicators pertaining to the dyeing department were calculated, in particular, on the basis of the quantities processed, since this is the most representative parameter for the production phase.

| Italy – Production units | Ceresara (HQ) | | Carpi | | Bergamo | |
|------------------------------|---------------|-------------|-------------|-------------|-------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 ₁ |
| Electricity consumption (MJ) | 25,752,870 | 27,897,923 | 1,144,829 | 1,134,569 | 1,111,057 | - |
| Hours worked | 340,472 | 357,509 | 95,021 | 94,233 | 96,695 | - |
| Intensity index | 75.6 | 78.0 | 12.0 | 12.0 | 11.5 | - |

(1) Not consolidated (Perofil) – 2017 figure referred to the entire period

The indicators referred to Ceresara show a recovery in terms of energy efficiency due to the replacement of neon lamps with LED fixtures. The irregular absolute value of the indicators pertaining to the plants at the Ceresara HP compared to Carpi and Bergamo is tied to the different types of processes and production cycles managed, and to the consequent different use of electricity-powered installations.

| Italy – Dyeing | Ceresara (HQ) | |
|------------------------------|---------------|-------------|
| | 2017 | 2016 |
| Natural gas consumption (MJ) | 23,883,335 | 28,687,810 |
| Processed quantity (Kg) | 576,709 | 670,986 |
| Intensity index | 41.4 | 42.8 |

| France | | |
|-------------------------------|--------------|--------------|
| | 2017 | 2016 |
| Total energy consumption (MJ) | 38,559,600 | 43,606,800 |
| Hours worked | 849,208 | 910,443 |
| Intensity index | 45.41 | 47.90 |

Objectives and projects aimed at reducing energy consumption

GRI 302-4 / GRI 302-5

For its Ceresara HQ, CSP has completed three initiatives aimed at reduced consumption: a) replacing neon lamps with LED fixtures, b) adjusting the temperature in the various rooms, c) revamping a steam generator.

From the standpoint of energy efficiency, a technical and economic feasibility study will be finalised by the end of 2018 for the installation of a tri-generation plant at the Ceresara (MN) facilities. The realisation of the plant would entail a significant investment, up to a maximum of Euro 2 million.

During the previous periods, and specifically at the CSP Ceresara (2000-2010) and CSP Paris Fashion Group (2014) plants, two systems were installed for heat recovery using wastewater from the production system. The investment allows a savings in natural gas consumption that has been estimated to be about 30%.

The water resource

Water withdrawals

GRI 303-1 / GRI 303-2

For the Ceresara production units (HQ and dyeing department), the main source of procurement is represented by various wells from which the water for the production processes is drawn. The Carpi and Bergamo plants, where there are public waterworks and the use of water is mainly for hygienic-plumbing purposes instead of for process purposes, use the public waterworks as the water source. The French production units ensure the procurement through surface water sources.

| Water resources consumption - per source of procurement | Unit of measure | Purchased quantities | |
|---|-----------------|----------------------|----------------|
| | Cubic metres | 2017 | 2016 |
| Surface water | | 35,000 | 38,000 |
| Wells | | 235,794 | 245,643 |
| Municipal waterworks | | 2,117 | 568 |
| Total | | 272,911 | 284,211 |

Reutilisation of process water

GRI 303-3

At present, the water that is drawn and used for the production process is not reused within the production units. The CSP Group is deciding whether to conduct a feasibility study on the possibility of reusing this water for the dyeing department at the Ceresara plant, once it is treated by a dedicated biological purification plant with double sedimentation and owned by the company. The evaluation concerns, in particular, the technical aspects and the fitness of the water parameters with respect to the utilisation characteristics required for the dyeing phase, such as to be able to guarantee, in addition to lower water consumption, the same product quality. The purification plant has a capacity of 55 m³/h, with a treatment capacity reserve of about 50%, determined in the first place by the plant dimensions with respect to the current production levels.

Biodiversity

Biodiversity is the variety of living being that populate the Earth, and it is measured at the level of genes, species, populations and ecosystems. A variety of organisms, beings, plants, animals and ecosystems all linked one to the other, all indispensable. Thanks to biodiversity, Nature is able to provide food, water, energy and resources for our daily life. Biodiversity guarantees survival of life on Earth, and all organisations have the duty to preserve the environment and the Earth's resources for future generations (*Source: WWF Italy*).

Taking into consideration the requirements of the specific GRI Standards dedicated to this sphere, the topics pertaining to biodiversity, so important for an effectively sustainable development at the global level, are not particularly and specifically relevant with respect to the characteristics of the activities carried out by the CSP Group and to the location of the various production facilities.

It should be noted that the French production unit of Le Vigan (Gard), located in the South of France, is near the 'Parc National des Cévennes'. This Park, inaugurated in 1970, covers a mountainous area of average altitude that comprises the following habitats: grass land, deciduous forest and peat bog. Human activities played a significant role in shaping the mosaic of environments in the Park, through agriculture-pasture. Approximately 600 people still reside in the central area of the Park, whilst approximately 41,000 reside in the external protection perimeter. Despite man's presence, the Park is home to a large number of rare species at the regional level, and even some globally-threatened species.

The production activities and processes of the CSP plant are not such as to have any negative consequences on the Park's biodiversity and eco-balance.

Parc National des Cévennes - France

Mammals - 70 species. Particularly worthy of mention is the presence of the European Otter (*Lutra lutra*, NT), of the wolf (*Canis lupus*, LC) and of the European beaver (*Castor fiber*, LC), which have recently recolonised the Park's territories. The mouflon (*Ovis musimon*, VU) was instead reintroduced by man, and there are about 100 specimens at present. The territory also features 27 species of bats, all protected.

Birds - 195 species, of which 137 protected at the national level and 31 included in the European Directive 'birds. Among rapacious birds, the Park is home to the Egyptian Vulture (*Neophron percnopterus*, EN), the Euro-Asian griffon (*Gyps fulvus*, LC) and the black vulture (*Aegypius monachus*, NT), as well as the golden eagle (*Aquila chrysaetos*, LC) and the eagle owl (*Bubo bubo*, LC).

Reptiles - 15 species

Amphibians - 16 species

Fish - 23 species. To be noted, the *Parachondrostoma toxostoma* (VU) and the European eel (*Anguilla anguilla*, CR).

Invertebrates - More than 2000 species, of which 1800 insects. To be noted, the crayfish (*Austropotamobius pallipes*, EN) and the Apollo butterfly (*Parnassius apollo*, VU).

Plants - More than 2250 species, of which some are endemic (*Cistus pouzolzii*, *Armeria girardii*, *Arabis cebennensis*).

Emissions

The emissions value is stated in tons of carbon dioxide equivalent (t CO₂e). The tables show the data on direct emissions (Scope 1 GHG – GreenHouse Gas), along with the indirect one associated with consumption of electricity purchased from the grid (GHG Scope2).

The presented quantitative data, calculated on the basis of estimates, mainly derive from the conversion of the consumed quantities of natural gas and of purchase electricity, and provide an initial representation of CSP's carbon imprint.

Moreover, CSP is aware of the fact that the figure pertaining to indirect emissions upstream and downstream the production and distribution, deriving however from sources over which CSP has no control, represents a useful piece of information for a thorough understanding of the one's Carbon footprint. Considering the business model, the most significant information refers to emissions deriving from transport fuel consumption for distribution of the CSP Group products to the stores. For purposes of this document, however, it was not possible to collect this information, available beyond CSP's perimeter and at many suppliers' facilities. The obtainment of this data represents one of the improvement objectives to be achieved in the short/medium-term. (GRI 305-3)

Direct emissions

GRI 305-1 / GRI 305-5

| Direct emissions (Scope 1) | Unit of measure t CO ₂ e | Purchased quantities | |
|----------------------------|--|----------------------|--------------|
| | | 2017 | 2016 |
| Natural gas | | 4,576 | 4,378 |
| Transport diesel | | 220 | 294 |
| Transport petrol | | 4 | 8 |
| Total | | 4,799 | 4,680 |

Indirect emissions

GRI 305-2 / GRI 305-5

| Indirect emissions (Scope 2) | Unit of measure t CO ₂ e | Purchased quantities | |
|-------------------------------------|--|----------------------|--------------|
| | | 2017 | 2016 |
| Electricity purchased from the grid | | 3,396 | 3,622 |
| Total | | 3,396 | 3,622 |

Intensity of energy consumption emissions

GRI 305-4

Please find below the measurement indicators of the emissions intensity calculated globally (Scope 1 – Scope 2) for the various production units. Like the energy consumption intensity data, the indicators pertaining to the Ceresara dyeing department were estimated on the basis of the quantities processed, since this is the most representative parameter for the production phase.

| Italy – Production units | Ceresara (HQ) | | Carpi | | Bergamo | |
|---|---------------|-------------|------------|------------|------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 ₁ |
| t CO ₂ e | 4,840 | 4,752 | 188 | 187 | 254 | - |
| Hours worked | 340,472 | 357,509 | 95,021 | 94,233 | 96,695 | - |
| Intensity index (Kg CO₂e/h) | 14.2 | 13.3 | 2.0 | 2.0 | 2.6 | - |

(1) Not consolidated (Perofil) – 2017 figure refers to the entire period

| Italy - Dyeing | Ceresara (HQ) | |
|---|---------------|------------|
| | 2017 | 2016 |
| t CO ₂ e | 1,340 | 1,609 |
| Quantity worked (kg) | 576,709 | 670,986 |
| Intensity Index (Kg CO₂e/Kg) | 2.3 | 2.4 |

| France | Ceresara (HQ) | |
|---|---------------|-------------|
| | 2017 | 2016 |
| t CO ₂ e | 1,409,1 | 1,589,4 |
| Hours worked | 849,208 | 910,443 |
| Intensity index (Kg CO₂e/h) | 1.66 | 1.55 |

Other emissions

GRI 305-6 / GRI 305-7

Due to the nature of the activity and of the production processes, data pertaining to emissions of other substances, such as ODS (ozone-depleting substances) or others (Nitrogen oxides - NOX, sulfur oxides - SOX) is not significant.

Effluents and Waste

Water discharges

GRI 306-1

Below is the information in question. As a preliminary remark, please note that all effluents are regularly authorised and that the discharges into surface water bodies comply with the pertinent limits set by Leg. Decree 152/2006.

| Production unit | Discharges |
|-------------------|---|
| Ceresara - HQ | All effluents flow into a surface water body. Domestic type waste is treated in two biological purification systems before being conveyed into the surface water body. The water used in air conditioning/chilling systems also ends up in said water body. |
| Ceresara - Dyeing | All effluents are treated in a biological purification plant and subsequently conveyed into the surface water body. |
| Carpi | All effluents are conveyed into a public sewer system after being treated in Imhoff tanks. |
| Bergamo (Perofil) | All effluents are conveyed into a public sewer system. |
| France | Water used for production processes (dyeing) is discharged into a settling tank where it cools down, then conveyed (dedicated piping) to a municipal sewage treatment plant. CSP commits itself to discharge |

water at a temperature below 40° and with a pH value between 6 and 8.

Waste management

Waste management, collection and disposal is an important issue for CSP. The policies implemented by the Company, fully compliant with the regulations in force, require that the waste be systematically reclaimed.

The dyeing phase produces sludge which is treated directly at CSP's purification plant located at the Ceresara production unit, where the process phase in question is carried out, whilst the French facilities use a sedimentation tank prior to conveying the sludge to the municipal sewage treatment plant.

A significant portion the generated waste comes from production and warehousing activities, which consist, in the first place, in packaging material (paper, cardboard and plastic) managed through a differentiated collections system.

Quantities of generated waste and its destination

GRI 306-2

Hazardous waste - Italy

| Waste category | Destination | Quantity (Kg) | |
|---|---|---------------|--------------|
| | | 2017 | 2016 |
| 130205* - mineral-based non-chlorinated engine, gear and lubricating oils | Storage of waste in order to subject it to reclamation operations | 1,088 | 1,660 |
| 160213* - discarded equipment containing hazardous components | Storage of waste in order to subject it to reclamation operations | - | 817 |
| 150202* - absorbents, filter materials | Storage of waste in order to subject it to reclamation operations | 410 | - |
| Total hazardous waste | | 1,498 | 2,477 |

Non-hazardous waste - Italy

| Waste category | Destination | Quantity (Kg) | |
|--|---|---------------|---------|
| | | 2017 | 2016 |
| 040222 – Waste from processed textile fibres | R13 Storage of waste in order to subject it to reclamation operations | 34,592 | 28,550 |
| | R3 Recycling/reclamation of organic substances not used as solvents | 19,014 | - |
| 150101 – Paper and cardboard packaging | R13 Storage of waste in order to subject it to reclamation operations | 193,290 | 226,550 |
| | R3 Recycling/reclamation of organic substances not used as solvents | 40,190 | 8,620 |
| 150102 – Plastic packaging | R13 Storage of waste in order to subject it to reclamation operations | 1,443 | 1,412 |

| | | | | |
|---|-----|---|----------------|----------------|
| 150103 – Wooden packaging | R13 | Storage of waste in order to subject it to reclamation operations | - | 7,680 |
| 150106 – Mixed packaging | R13 | Storage of waste in order to subject it to reclamation operations | 111,260 | 103,800 |
| | R3 | Recycling/reclamation of organic substances not used as solvents | - | 1,860 |
| 160214 – Discarded equipment, other | R13 | Storage of waste in order to subject it to reclamation operations | 960 | 280 |
| 160216 – Components removed from discarded equipment | R13 | Storage of waste in order to subject it to reclamation operations | 417 | 341 |
| 170405 – Iron and steel | R13 | Storage of waste in order to subject it to reclamation operations | 13,310 | 15,460 |
| 190812 – Sludge from biological treatment of industrial waste water | D15 | Preliminary storage prior to disposal | 100,540 | - |
| | R13 | Storage of waste in order to subject it to reclamation operations | - | 57,960 |
| 080318 – Waste printing toner | R13 | Storage of waste in order to subject it to reclamation operations | 10 | - |
| Total non-hazardous waste | | | 515,026 | 452,513 |

In 2017, CSP's production and administrative facilities produced a total quantity of non-hazardous waste equal to 337.1 t (364.7 t in 2016) mainly cardboard boxes, plastic packaging and yarns. This waste is reclaimed.

The total quantity of non-hazardous waste produced by CSP in 2017 is equal to 852 t (818 t in 2016).

Other information

GRI 306-3 / GRI 306-4 / GRI 306-5

No events occurred which could be classified as spillages. Moreover, CSP does not handle the transport of hazardous waste, nor does it discharge effluents into water basins that can be classified as relevant (in other words, representative effluent volumes of at least 5% the basin total volume) or that stand upstream water basins located in high-value areas from the biodiversity standpoint (protected areas).

Compliance with environmental rules

GRI 307-1

During the course of 2017, just like the previous period, there were no situations and/or litigation on the subject of non-compliance with environmental laws, rules and regulations.

The environment and Supply chain management

GRI 308-1 / GRI 308-2

The selection of suppliers (please refer to the specific section) takes place on the basis of quality, flexibility, price and organisation parameters. During the period covered by this document, there were no negative environmental impacts originated from CSP's supply chain.

HUMAN RESOURCES

Policies and reference values

GRI 103-1 / GRI 103-2 / GRI 406-1

Safeguarding gender diversity and equal opportunities

CSP safeguards and promotes the supreme value of human beings, who must not be discriminated against based on age, sex, sexual orientation, race, language, nationality, political and trade union views, or religious belief.

CSP acknowledges the central role played by human factors and believes that the most important success factor for any company is guaranteed by the professional contribution of the people who work for the company, in an environment of honesty and mutual trust. CSP considers human resources as an indispensable and precious asset for its very own existence and future development.

CSP acknowledges, as unavoidable principles of its company philosophy, in tune with the international organisation to which it belongs, respect for the work, professional contribution and effort of each single employee, as well as respect for different opinions, regardless of seniority and experience, and the power of ideas. To this end, CSP guarantees equal opportunities at all levels of the organisation, according to merit-based criteria and with no discrimination whatsoever.

In turn, employees and external staff are asked to commit themselves and to behave honestly, guaranteeing the due performance and fulfilling the commitments undertaken vis-à-vis the Company.

CSP also agrees to arrange for authority to be exercised with fairness and correctness, avoiding any and all abuse. In particular, authority must never lead to the exercise of power that is detrimental to the dignity and autonomy of employees and external staff in a broad sense. The organisation's choices regarding the work must safeguard the value of all employees and external staff.

CSP guarantees the physical and moral integrity of its employees and external staff, working conditions that are respectful of individual dignity and safe and healthy working environments. There is absolutely no tolerance at the Company for requests or threats intended to make people act against the law and the Code of Ethics, or to act in such a manner that is damaging to a person's beliefs and moral and personal preference.

There were no cases and/or episodes of gender discrimination in any of the companies belonging to the CSP Group.

Training

Moreover, fully aware that professionalism is a value acquired through practice and experience as well through specific training, CSP acknowledges the crucial contribution made to this process by professionals with higher seniority and encourages the handing down of their knowledge and of their professional attitude to the younger employees.

CSP aims to enhance the value of professionalism, encourages the career ambitions of the individual persons as well as each individual's expectations for learning and for professional and personal growth.

Discrimination and harassment

CSP does not tolerate any discriminatory behaviour, nor any form of harassment and/or personal or sexual offence. Hence, CSP is committed to fostering a working environment that excludes any form

of discrimination and harassment concerning race, gender, religion, nationality, age, sexual orientation, disability or other personal traits not pertaining to the job.

In the workplace, it is absolutely forbidden to engage in any illegal conduct whatsoever or in any form of abuse, threat or aggression against people or company assets. All personnel are required to report any such behaviour and, in any event, any alleged violation of rules, directives or procedures, to their direct supervisor, who in turn shall report it to the Human Resources function, with the due guarantees of confidentiality.

Health and safety in the workplace

In view of the core business, the Group guarantees working conditions that are respectful of individual dignity and safe and healthy environments, in compliance with regulations on accident-prevention and on health and hygiene in the workplace currently in force. CSP strongly promotes the spread of a culture of safety and the awareness of risks associated with the work activities carried out, asking everyone, at all levels, to behave in a manner that is responsible and respectful of the safety system in place and of all the company procedures that form integral part of this system.

With this in mind, all employees, external staff and anyone who works, for any reason, at the Group's offices and plants is required to personally contribute to maintaining the safety and quality of the environment in which they operate, in strict compliance with the implemented safety system and with all company procedures which are part of said system.

CSP commits itself:

- to carry out safe activities for the purpose of protecting the health of the Company's employees and of the communities where its facilities operated, adapting its operational strategies to compliance with the company policy on the subject of safety, health and the environment;
- to ensure training and information of all those who work at the offices and production facilities owned by the Company, on the risks associated with safety to which they may be exposed from time to time, guaranteeing them the Personal Protective Equipment and means required by the regulations in force in connection with the type of activity carried out;
- to periodically review and continuously monitor the performance and efficiency of its system intended to control safety-related risks, in order to keep the workplaces safe so as to protect the physical integrity of its personnel and attain the continuous improvement objectives set by CSP on the subject of safety, health and the environment.

Relationships with trade unions and social organisations – Industrial relations

CSP contributes to the economic wellbeing and growth of the communities in which it operates. To this end, it carries out its activities in full compliance with local and national communities, encouraging a constructive dialogue with trade unions or other types of associations.

CSP encourages and promotes initiatives of a social, sport, humanitarian and cultural nature, including through contributions made in favour of foundations, institutions, organisations or agencies dedicated to the performance of social and cultural activities and, more generally speaking, of activities aimed at improving the quality of life and at spreading a culture of peace and solidarity. The disbursement process of these contributions takes place in compliance with regulatory provisions in force, and it is duly and properly documented.

CSP does not encourage nor does it entertain any kind of relationship with organisations, associations or movements that pursue, directly or indirectly, objectives which are criminally illegal or, in any event, forbidden by the law. Moreover, CSP condemns any form of participation by the Recipients in associations the purposes of which are prohibited by the law and contrary to public order. It also repudiates any behaviour even only intended to facilitate the activity or the program of organisations instrumental for the commission of offense, even if said facilitating behaviours are necessary for the purpose of achieving a benefit.

The difficult situation of the market on which CSP operates has led, in recent years, to the implementation of personnel reduction plans, along with the recourse, for its Italian and French units, to temporary support measures such as, to a limited extent, 'Cassa Integrazione' (wages guarantee fund). These measures, in respect for the different positions, were managed through a constant dialogue with the trade unions.

In 2017, relationships with the workers representatives of the subsidiary CSP Paris Fashion Group were characterised by negotiations aimed at an overall streamlining of the different agreements in force. In particular, in the beginning of 2018, the parties concerned signed the '*Accord de méthode sur le dialogue social*', which defines the general rules according to which relationships between company, workers and trade unions should be managed in order to prevent conflict and facilitate relations. The methods for managing industrial relations also led to a redefinition of agreements on the topics of training, management of career paths and professional qualification.

Employees and external staff

The numbers

GRI 102-8 / GRI 405-1 / GRI 202-2

| Employees by category and genre | 2017 | | | 2016 | | |
|---------------------------------|------------|------------|------------|------------|------------|------------|
| | Women | Men | Total | Women | Men | Total |
| Executives – Managers | 4 | 13 | 17 | 4 | 11 | 15 |
| Office clerks – Cadres | 363 | 177 | 540 | 347 | 176 | 523 |
| Blue-collar workers | 188 | 101 | 289 | 221 | 120 | 341 |
| Total | 555 | 291 | 846 | 572 | 307 | 879 |

The nature of the sector in which CSP operates explains the high percentage of female personnel, which at the end of 2017 was equal to 65.6%. Most of the personnel is local.

The ratio between salaries and genders

GRI 202-1 / GRI 405-2

The indicators in the following table show the ratio, for the various categories of employees, between women's salaries and men's salaries.

| Salaries ratio 2017 | Executives | Cadres / Office clerks | Blue-collar |
|---------------------|------------|------------------------|-------------|
| Italy | | | |
| Basic salary | 84% | 66% | 87% |
| Total salary | 75% | 57% | 76% |
| France | | | |
| Total salary | - | 55% | 105% |

The work being the same, the contractual and salary conditions provided for by the sector-specific National Collective Labour Agreement (Contratto Collettivo Nazionale di Lavoro or CCNL) is applied, in full respect of gender equality.

The work being the same, salaries are obviously different based on seniority and type of activities carried out. In particular, there are departments where, the work and the contractual conditions being the same, the salaries are higher due to increases/allowances paid for night work. In these departments, there are fewer female workers. Likewise, the differences are due to other circumstances, such as overtime work (which is voluntary and mainly concerns male workers). The indicators in question can also be explained by the existence of various part-time contracts, mainly at the Ceresara facilities (also as a result of agreements pertaining to the personnel reduction plan), and basically concern female personnel. Besides, these part-time contracts made it possible to reduce from 75 to 55 the number of employees working at the Ceresara facilities for which the layoff procedure was implemented in 2017.

The characteristics of the company turnover and the reduction in the number of employees are bringing about a gradual absorption of the differences in salaries.

Personnel turnover

GRI 401-1

The table below shows the personnel turnover for the year 2017.

| Hirings - Age group | Women | 2017 Men | Total | Women | 2016 Men | Total |
|---------------------|------------|-------------|------------|------------|-------------|------------|
| Younger than 30 | 64 | 8 | 72 | 21 | 2 | 23 |
| From 30 to 50 | 77 | 36 | 115 | 106 | 29 | 135 |
| Over 50 | 86 | 18 | 104 | 28 | - | 28 |
| Total | 227 | 64 | 291 | 155 | 31 | 186 |

The hirings figures mainly includes the 195 employees of the French subsidiary, and for the most part refers to personnel hired with short-term employment contracts. These employees cover sales positions, such as 'demonstrators', during marketing campaigns and seasonal sales at large retailers. At the expiry of the contract, the collaboration relationship is terminated, and it is included in the terminations figure indicated in the following table.

In 2017, following the acquisition of Perofil, 79 employees became part of the CSP Group.

| Terminations - Age group | Women | 2017 Men | Total | Women | 2016 Men | Total |
|--------------------------|------------|-------------|------------|------------|-------------|------------|
| Younger than 30 | 73 | 13 | 86 | 38 | 18 | 54 |
| From 30 to 50 | 92 | 28 | 120 | 52 | 17 | 69 |
| Over 50 | 84 | 34 | 118 | 47 | 17 | 64 |
| Total | 249 | 75 | 324 | 137 | 50 | 187 |

| Terminations - Causes | Women | 2017 Men | Total | Women | 2016 Men | Total |
|--|------------|-------------|------------|------------|-------------|------------|
| Voluntary resignations (no retirement) | 28 | 7 | 36 | 17 | 4 | 21 |
| Retirements | 11 | 8 | 19 | 7 | 11 | 18 |
| Dismissals | 43 | 26 | 69 | 7 | 5 | 12 |
| Other (end of fixed-term contracts) | 167 | 34 | 201 | 106 | 30 | 136 |
| Total | 249 | 75 | 324 | 137 | 50 | 187 |

As already mentioned, as a result of the current dynamics of the reference market, in 2017 CSP found itself in the conditions of having to implement a workforce downsizing plan, which entailed the activation of a layoff procedure for 55 employees.

CSP is firmly committed to the reorganisation and streamlining process that follows the recently implemented restructuring. This restructuring also includes the quick integration of the newly-acquired Perofil.

The management of advance notices

GRI 402-1

As regards changes in contractual conditions which are relevant for the employees, the company generally complies with the timeframes provided for by the CCNL. However, we would like to point out the exception concerning the layoff notices communicated within the layoff procedure of 2017, which were delivered with immediate effect with no advance notice. In addition to the compensation in lieu of notice, the personnel concerned by the layoff were also paid a voluntary redundancy bonus, the payment of which was subject to the signing of the settlement agreement.

Employees by age group

GRI 102-8

| Terminations – Age group | 2017 | | | 2016 | | |
|--------------------------|------------|------------|------------|------------|------------|------------|
| | Women | Men | Total | Women | Men | Total |
| Younger than 30 | 41 | 5 | 46 | 37 | 8 | 45 |
| From 30 to 50 | 265 | 103 | 368 | 288 | 115 | 403 |
| Over 50 | 249 | 183 | 432 | 247 | 184 | 431 |
| Total | 555 | 291 | 846 | 572 | 307 | 879 |

The breakdown of CSP Group's personnel by age group, with a significant percentage of employees over the age of 50, reflects the characteristics of the mature sector in which CSP operates. That which is known as the 'age pyramid', and the strong containment of turnover of employees hired with open-ended contracts have allowed, at the very least, the containment of the personnel reduction measures (layoffs) that CSP has been forced to implement in recent years.

Contractual forms and type of employment

GRI 102-8 / GRI 102-41 / GRI 201-3 / GRI 401-2

CSP's personnel are mainly hired through open-ended contracts. In detail:

| Employees contract type | 2017 | | | 2016 | | |
|----------------------------------|------------|------------|------------|------------|------------|------------|
| | Women | Men | Total | Women | Men | Total |
| Open-ended contracts | 485 | 283 | 766 | 488 | 299 | 787 |
| Fixed time – temporary contracts | 70 | 8 | 78 | 84 | 8 | 92 |
| Total | 555 | 291 | 846 | 572 | 307 | 879 |

The application of the agreements reached within the scope of the workforce reduction plan implemented during the 2017 period and agreed upon with the trade union representatives and with the process workers, has entailed, for a certain number of employees, the conversion of the

employment relationship from full-time to part-time. This measure involved in a participated manner all workers in the concerned departments. The following table shows the breakdown of employees by job type.

| Employees by job type | Women | 2017 Men | Total | Women | 2016 Men | Total |
|-----------------------|------------|-------------|------------|------------|-------------|------------|
| Full-time employees | 363 | 285 | 648 | 394 | 302 | 696 |
| Part-time employees | 192 | 6 | 198 | 178 | 5 | 183 |
| Total | 555 | 291 | 846 | 572 | 307 | 879 |

All employees are covered by collective bargaining and by supplementary company agreements. Based on the regulations in force, the Italian subsidiaries of the CSP Group benefit from the reduction of and exemption from social security contributions for 'stabilised' employees (hired with open-ended contract or conversion of contracts into the open-ended type). This facilitation concerns a relatively not significant number of 16 employees (women).

As regards the company benefits, there is no discrimination between full-time and part-time employees, the only difference being that the latter receive the benefits in proportion to their respective work hours.

HQ employees – production unit

GRI 102-8

| HQ employees | Women | 2017 Men | Total | Women | 2016 Men | Total |
|--------------|------------|-------------|------------|------------|-------------|------------|
| Ceresara | 165 | 111 | 276 | 213 | 137 | 350 |
| Carpi | 49 | 8 | 57 | 55 | 7 | 62 |
| Bergamo | 58 | 17 | 75 | - | - | - |
| France | 263 | 155 | 436 | 304 | 163 | 467 |
| Total | 555 | 291 | 846 | 572 | 307 | 879 |

The decrease in the number of employees at the Ceresara plants is a consequence of the implementation of the workforce reduction plan. During the course of 2017, following the acquisition of Perofil, the Bergamo-based production site joined the Group, and its employees were taken over by CSP.

Occupational Health and Safety

The commitment towards health and safety in the workplace represents an important aspect for CSP. This is evident in the methods used to manage the processes, which have already been confirmed in the aforementioned certification OH SAS 18001:2007 - OH SAS (Occupational Health and Safety Assessment Series). The project for adapting to the new standard ISO 45001, *Occupational health and safety management systems – Requirements*, is expected to be implemented and realised between 2018 and 2019.

Head of the Prevention and Protection Service (Responsabile Servizio Prevenzione e Protezione or RSPP)

GRI 403-1

In accordance with the provisions of Leg. Decree 81/2008, CSP has appointed as Head of the Prevention and Protection Service an employee of the Group. This figure deals with safety

management in the workplaces and handles the relationships with the various control and certification agencies and bodies. He also coordinates with the workers representatives and with the Directors. As part of the reference context, the Risk Assessment Document (Documento di Valutazione dei Rischi or DVR) was drawn up. This document identifies the specific factors of potential risks pertaining to these operational reference areas. Moreover, a document containing the work plan and improvement measures (Improvement Plan) is also periodically drawn up and updated. For CSP's French subsidiary, the position of safety manager is currently covered by the Production Director.

Trade union representatives, occupational health and safety

GRI 403-4

The topics pertaining to the health and safety areas are referenced in the supplementary company agreements. Also, the RSPP periodically schedules meetings, the minutes of which are shared with and signed by the trade union representatives. Specific trade union agreements are then defined and signed for the presentation to Fondimpresa and Fondirigenti of company training plans, which include training sessions on workplace safety. French regulations require a specific internal Safety Environment Committee, of which the workers representatives form integral part (Plant Director, in addition to personnel representatives).

Absenteeism and accidents

GRI 403-2

| Italy | 2017 | 2016 |
|---|--------------|--------------|
| Workdays lost as a result of accidents | 143 | 182 |
| Days of absence for the period | 1.601 | 2.240 |
| Total | 1.744 | 2.422 |
| Rate of absenteeism (days of absence /working days)*100 | 2.42% | 3.58% |
| Accident Frequency Index (no. of accidents / hours worked)*1.000.000 | 3.33 | 5.53 |
| Accidents Seriousness Index (days of absence / working hours) * 10.000 | 2.32 | 3.20 |
| France | 2017 | 2016 |
| Workdays lost as a result of accidents / occupational diseases | 849 | 1.447 |
| Days of absence for the period | 7.588 | 6.785 |
| Total | 8.437 | 8.232 |
| Rate of absenteeism (days of absence /working days)*100 | 7.95% | 7.23% |

The accidents that occurred in 2017 mainly concerned situations that could be classified as 'first aid'. Please note that during the course of 2017, just like in previous years, no fatal accidents took place.

Parental leaves

GRI 401-3

Please find below the figures (in days) pertaining to parental leaves used by employees of the CSP Group during the 2017 period, broken down by geographical area. These employees returned to work regularly at the end of the leave.

| Parental leaves | 2017 | |
|-----------------|------------|-----------|
| | Women | Men |
| Italy | 418 | 23 |
| France | 358 | - |
| Total | 775 | 23 |

The indicators show a phenomenon that still concerns, almost entirely, the female gender, and is not related to the reference geographical area (homogeneous for CSP).

The work environment and health

GRI 403-3

Within the perimeter of the CSP Group's subsidiaries, there are no situations, circumstances or working processes such as to deem possible the existence of risks of impact of transmissible diseases or diseases that may arise in connection with the activities carried out by the Group's employees.

Training

CSP's commitment

GRI 404-1

| Total training hours | 2017 | | | 2016 | | |
|------------------------|------------|--------------|--------------|--------------|------------|--------------|
| | Women | Men | Total | Women | Men | Total |
| Executives | 152 | 229 | 381 | 93 | 140 | 233 |
| Cadres – Office clerks | 577 | 586 | 1,163 | 1,128 | 658 | 1,786 |
| Blue-collar workers | 248 | 299 | 547 | 261 | 114 | 375 |
| Total | 977 | 1,114 | 2,091 | 1,482 | 912 | 2,394 |

In 2017, training was delivered, transversally, to marketing/sales personnel. In Italy, it involved a total of 70 employees according to a rotation training plan. In France, training plans represent 1.6% of the total payroll amount.

Support programs

GRI 404-2

Within the scope of the training programs, and as support during the transition phase of the employees concerned by the implementation of the reorganisation plan, it is worth noting in particular the "Project proposal – Crisis-fighting Network action Hosiery district", presented to the

Lombardy Region for the purpose of finding employment for the workers who were laid off, for which you should refer to the section on relationships with the Community and the territory.

Performance appraisal and career development

GRI 404-3

Taking into account the adopted control and governance model, as well as the organisation's dimensions, the CSP Group for the time being did not deem it necessary to implement formalised programs for performance assessment and career development (MBO – Management by Objectives). The evaluation of the employees' performance is managed according to the operating practice.

A formalised evaluation methodology is used by the French subsidiary (CSP Paris Fashion Group): this process involves the function managers and their 'first lines' (employees reporting directly to them).

Training on the subject of human rights – Safety personnel

GRI 410-1

CSP operates in geographical areas where specific training is not necessary, for personnel in charge of safety, on the subject of respect for human rights.

SUPPLIERS – SUPPLY CHAIN RESPONSIBILITY

Supply chain management

Relationships with suppliers

GRI 102-9 / GRI 414-1

CSP manages relationships with its suppliers with honesty, correctness and professionalism, encouraging continuous collaborations and solid and long-lasting relationships based on trust. The selection of suppliers and the definition of terms and conditions of purchase of goods and services take place on the basis of objective and unbiased evaluations, founded upon quality, price and warranties. When dealing with its suppliers, CSP adheres to the following principles set out in the Code of Ethics:

- CSP neither practices or approves any form of 'reciprocal exchange' with its suppliers: the desired goods/services are selected in advance and purchased exclusively on the basis of their value in terms of price and quality;
- any negotiation with a supplier, current or potential, must exclusively concern the goods and services being negotiated with the supplier;
- the personnel assigned to the purchase of goods and services must not be subjected to any form of pressure on the part of the supplier for the donation of materials, products and/or sums of money in favour of charity/solidarity associations and the like.
- the taking on of commitments and the management of relationships with suppliers, current and potential, must take place in compliance with the Company's guidelines on the subject of conflict of interest and business management.

All suppliers and partner companies are required to sign the Code of Ethics. The Group believes it is important that the people of 'CSP's world' experience a positive and satisfactory working condition, including in terms of well-being, with no discrimination and full respect for their rights.

The production chain and the processes

CSP's main guidelines for planning and carrying out purchases of raw materials and/or the outsourcing of jobs to subcontractors are listed here below:

- Quality – Ability to make products that meet CSP's expectations, thus already present in the supplier's production range.
- Flexibility – Ability to product significant quantities and, at the same time, should the need arise, small lots even if below the requested standard minimum quantities. According to CSP's purchase philosophy, it is important to make all that is possible (industrialised).
- Price - In line with the cost of labour of the Countries in which the production is carried out, hence on target with CSP's request.
- Organisation – Ability to manage and use the technology needed to transfer information which is useful for production.

The responsible supply chain

GRI 407-1 / GRI 408-1 / GRI 409-1 / GRI 412-1 / GRI 412-2 / GRI 412-3 / GRI 414-1 / GRI 414-2

The Code of Ethics sets the basic principles to which the CSP Group refers when selecting a supplier. This policy is also followed in view of the sector in which CSP operates, which features a significant portion of current and potential suppliers with production units in geographical areas potentially exposed to risk factors of a social nature.

Within CSP's supply chain, there are no cases of supplier with major problems related to the freedom to join trade unions, child labour, forced labour, or respect for human rights.

As of the date of this document, the CSP Group did not deem it necessary to implement stricter policies and practices, with special reference to the execution of 'social audits' on its own suppliers.

THE CUSTOMER – PRODUCT QUALITY AND SAFETY

Responsible relationships with the customer

Product conformity

The critical issues of the textile – clothing sector in which CSP operates are represented by the products compliance with environmental rules and regulations. The use of raw materials, and specifically the use of chemical substances in internal and/or outsourced processes requires constant attention.

Quality and safety – certification of the processes

The mission of CSP Group International is to produce and distribute, throughout the world, hosiery, underwear, beachwear and items of clothing with innovative style and materials and of top quality. Research as well as technological and styling innovation underlie its entire production. These strategic objectives can be reached if the production chain and the production/distribution processes are consistent with the company mission.

The adoption of an environmental policy, the certifications obtained and, in particular, the certification according to Standard ISO 14001:2015 which is in the progress of being obtained, are also aimed at improving the commercial performance and the competitive position, and at strengthening trust in the stakeholders, including the customers. This policy:

- satisfies the requests of mature and informed customers who, when making choices, are also concerned about environmental aspects;
- makes it possible to plan and achieve a reduction in the consumption of resources (raw materials);
- shows compliance with environmental rules and regulations ('Compliance').

Oeko-Tex® Standard 100 – A sustainable product

In 2017, CSP was able to obtain, for the hosiery division products, the annual renewal of the certification Oeko-Tex® Confidence in Textiles - Standard 100. All hosiery products of a continuing nature of the CSP Group are certified according to this standard.

Tests carried out on the products, based on STANDARD 100 by OEKO-TEX®, Appendix 4, Class II product with direct contact to skin, show that the human-ecological requirements, currently in force and defined by STANDARD 100 by OEKO-TEX®, Appendix 4, were complied with. The certified products comply with the requirements of Annex XVII of REACH (among which the use of azo-dyes, nickel release, etc.) as well as with the requirements of American laws on the content of lead in products intended for children (CPSIA; with the exclusion of glass accessories).

Standard 100 by Oeko-Tex® is an independent control and certification system standardised at the international level with checking criteria, limit values and test methods with scientific basis for human-ecological requirements of raw materials, semi-finished and finished products of the textile sector at all stages of the production, as well as of the ancillary materials used. For products consisting of multiple parts, the assumption for certification is that all components comply with the requested criteria.

The adoption of Standard 100 by Oeko-Tex® allows advantages of a commercial nature to be obtained for a responsible marketing: guaranteeing a high level of safety meets a 'real' need of the consumer and according to strict reference parameters acknowledged at the international level. Consequently, the company that adopts this standard must request and obtain greater control of its

'supply chain' for a responsible use of chemical substances and, more generally speaking, guarantee an improvement in processes within and outside its quality control perimeter.

Perofil – Cotton handkerchiefs

A study conducted by the Istituto di Ricerche Ambiente Italia (Italian Institute of Environmental Research) compared the life cycles of fabric handkerchiefs and those made of paper, from raw materials up to the disposal. From when the cotton is planted and picked to when cotton handkerchiefs are washed in the washing machine, and from when the trees are cut to make cellulose to the impact of waste generated by the use of paper handkerchief. The following parameters were calculated for each phase of the production process: Energy consumption – Greenhouse effect (Co2 emission) – Air pollution – Water pollution – Consumption of raw materials – Generation of waste

The results confirmed the life cycle of a cotton handkerchief is more environmentally-friendly than the life cycle of paper ones: **Water:** the production cycle of cotton handkerchiefs uses 25% of the water used in the production cycle of paper handkerchiefs; **Electricity:** the production cycle of cotton handkerchiefs uses 27% of the energy used in the production process of paper handkerchiefs; **Waste:** the life of cycle of cotton handkerchiefs produces 1% of the waste generated by paper handkerchiefs; **Air pollution:** the life of cycle of paper handkerchiefs pollutes 30% more compared to cotton handkerchiefs; **Water pollution:** the life of cycle of paper handkerchiefs pollutes 510 % more compared to cotton handkerchiefs.

Cotton handkerchiefs are not only synonymous with style and elegance, but they are also environmentally-friendly.

Products subjected to analyses in order to verify their impact on health and safety and cases of product non-conformity

GRI 416-1 / GRI 416-2

During the reporting period, there were no cases of non-compliance with rules, regulations or voluntary codes regarding impacts on the health and safety of the products during their life cycle.

Product labelling

GRI 417-1 / GRI 417-2

The marketing of CSP products, in connection with their nature, requires labelling (even only on the pack) that indicates the fibre composition and the manufacturer or retailer. There were no cases of non-conformity with this regulation by CSP or by the other Group subsidiaries in 2017.

Responsible marketing

GRI 417-3

CSP Group was not the object of any dispute nor was it applied any fines in relation to the non-conformity of its marketing communications and/or of other initiatives of a commercial nature.

Privacy law

GRI 418-1

No documented claim was received by the CSP Group concerning violations of privacy laws and/or loss of customer data.

Procedures on the subject of respect for the competition

GRI 206-1

During the course of the reporting period, no episodes and/or initiation of proceedings or lawsuits against the CSP Group occurred concerning the violation of free competition, monopolistic practices or anti-trust.

COMPLIANCE WITH RULES

Compliance with laws and regulations

CSP's governance model, and in particular the Organisation Model as per Leg. Decree 231, and the Code of Ethics define the Group's reference parameters on the subject of relationships with the international regulatory framework.

Non-compliance with laws and regulations in the social and economic sphere

GRI 419-1

In the different sections of this Non-Financial Statement, we pointed out the total absence of cases involving the violations of laws and/or regulations in the various sustainability areas (economic, environmental and social). As regards the requirements of GRI Standard 419-1, we hereby confirm that there is no ongoing litigation on the subject of the violation of provisions of a social and economic nature, and that no fine of this nature was received during 2017.

Rights of indigenous peoples

GRI 411-1

Situations pertaining to the violation of the human rights of 'indigenous' populations, as defined by the GRI Standard do not apply.

THE RELATIONSHIP WITH THE TERRITORY

Relations with local communities

Initiatives and partnerships in favour of the local territory

GRI 413-1 / GRI 413-2

The project proposal 'Crisi-fighting Network action Hosiery district' – During the month of December 2017, CSP presented to the Lombardy Region a project aimed at finding employment for workers laid off when the workforce reduction plan was implemented in 2017.

This initiative is set in the scenario that concerned the 'Textile - hosiery district' of a large geographical area that includes the Municipalities of the province of Mantua, Brescia and Cremona, where the production of hosiery and of all mechanical equipment used in the hosiery and underwear manufacturing activities is concentrated. The District manufactures about 75% of Italy's entire women's hosiery production, over 60% of the European one and about 30% globally. The district is the home of the administrative or production facilities of the large companies in this sector, alongside small and medium-sized companies that produce private labels and a high number of labourers and family-run business that work as subcontractors.

The entire production chain has long been involved in a conversion process that, starting from the delocalisation (at first especially in Serbia) in the early 2000s, caused by a generalised drop in the consumption of some products (hosiery), which led many companies to convert their production and commercial facilities to non-saturated products (underwear), and by a growing globalisation, in the past 15 years has witnessed the loss of about 8000 jobs (Source: CISL). The employment crisis originated by the necessary restructuring process.

The project, developed in partnership with other entrepreneurs and private individuals, pursues the objective set by the regional call and aims to find employment for the highest number of project participants, also with the objective to reduce the unemployment period for the purpose of minimising the danger of a drastic reduction in the employability and motivation to work of these people.

Any negative impacts on local communities may derive from the workforce reduction plans implemented in recent years.

Art and culture – Sponsorships and initiatives

GR 413-1

Antica Fiera della Possenta (Ancient Fair of the Possenta) – Ceresara

Every year, CSP sponsors the Fiera della Possenta, which has been held in Ceresara during the month of March for over 60 years: a custom that has become a tradition by now. The event, the origins of which go back to much earlier than 60 years ago, is held in the small hamlet of Possenta, where there is shrine dedicated to the Virgin Mary. Despite the fact that the occasion was initially of a mostly religious nature, over the years it has taken on a more popular aspect, turning the Possenta into a veritable Fair of livestock and goods. Today, it represents a major meeting point for agriculture and artisanship, in the honour of traditions.

Oroblù – Between Fashion and Art, Oroblù's 30th Anniversary! The new legwear inspiration – Thirty years of elegance, innovation and quality celebrated with a large exhibition open to the public

that merged past, present and future aspirations of Oroblù in the art field. Within the setting of the multifaceted MyOwnGallery of Superstudio Più, at the address of in Via Tortona 27 in Milan, a photographic and artistic exhibition was held during the month of October 2017 to celebrate Oroblù's thirtieth anniversary. The exhibition brought together two great poets of the image, the photographer Giovanni Gastel and the sculptor Flavio Lucchini, under the artistic direction of Gisella Borioli.

This why the idea of this exhibition came about, an event that for Oroblù marks a path increasingly based on enhancing beauty, elegance and femininity. Between images, sculptures and words dedicated to the cosmopolitan and modern woman, Oroblù continues to search for the endless possibilities of interaction of the fashion world with other areas, where it is always culture, in its multiple forms, to acts as *trait d'union* and speak to all women.

GRI CONTENT INDEX

GRI 102-55

| GRI Sustainability Reporting Standard | | Reference | |
|---------------------------------------|--|--|-------|
| GRI 100 - GENERAL DISCLOSURE | | | |
| | ORGANISATIONAL PROFILE | | |
| 102-1 | Name of the organisation | Identity and profile | 7 |
| 102-2 | Activities, brands, products, and services | Identity and profile | 7 |
| 102-3 | Location of headquarters | Identity and profile | 7 |
| 102-4 | Location of operations | Identity and profile | 7 |
| 102-5 | Ownership and legal form | Identity and profile | 7 |
| 102-6 | Markets served | Identity and profile | 7-10 |
| 102-7 | Scale of the organization | Identity and profile | 7-10 |
| 102-8 | Information on employees and other workers | Human resources - Employees and external staff | 42 |
| 102-9 | Supply chain | Suppliers - Supply chain responsibility | 49 |
| 102-10 | Significant changes to the organization and its supply chain | Identity and profile | 10 |
| 102-11 | Precautionary approach (Risk Management) | Governance and risk management | 26 |
| 102-12 | External initiatives | Governance and risk management | 25 |
| 102-13 | Membership of associations | Identity and profile | 13 |
| | STRATEGY | | |
| 102-14 | Statement from senior decision-Maker | Letter to the Stakeholders | 5 |
| | ETHICS AND INTEGRITY | | |
| 102-16 | Values, principles, standards, and norms of behaviour | Governance and risk management | 24 |
| 102-17 | Mechanisms for providing support on ethical behaviour | | |
| | GOVERNANCE | | |
| 102-18 | Governance structure | Governance and risk management | 21-22 |
| | STAKEHOLDER ENGAGEMENT | | |
| 102-40 | List of Stakeholder groups | The Stakeholders | 16 |
| 102-41 | Collective bargaining agreements | Human resources - Employees and external staff | 44 |
| 102-42 | Identifying and selecting stakeholders | The Stakeholders | 16 |
| 102-43 | Approach to stakeholder engagement | The Stakeholders | 16 |
| 102-44 | Key topics and concerns raised | The Stakeholders | 16 |
| | REPORTING PRACTICE | | |
| 102-45 | Entities included in the consolidated financial statements | Methodological note | 6 |
| 102-46 | Defining report content and topic Boundaries | Methodological note | 6 |
| 102-47 | List of material topics | Important aspects | 18-20 |
| 102-48 | Restatements of information | Methodological note | 6 |
| 102-49 | Changes in reporting | Methodological note | 6 |
| 102-50 | Reporting period | Methodological note | 6 |

| | | | |
|----------------------------------|--|--|-------|
| 102-51 | Date of most recent report | Methodological note | 6 |
| 102-52 | Reporting cycle | Methodological note | 6 |
| 102-53 | Contact point for questions regarding the report | Methodological note | 6 |
| 102-54 | Claims of reporting in accordance with the GRI Standards | Methodological note | 6 |
| 102-55 | GRI content index | GRI Content Index | 57 |
| 102-56 | External assurance | Auditor's Report | 62 |
| | MANAGEMENT APPROACH | | |
| 103-1 | Explanation of the material topic and its Boundary | Identity and profile (Sustainability of the strategic design - Sustainability objectives) | 12-14 |
| | | Important aspects | 18 |
| | | Governance and risk management | 25 |
| | | Environment | 30 |
| | | Human resources | 40 |
| 103-2 | The management approach and its components | Identity and profile (Sustainability of the strategic design - Sustainability objectives) | 12-14 |
| | | Important aspects | 18 |
| | | Environment | 30 |
| | | Human resources | 40 |
| 103-3 | Evaluation of the management approach | Identity and profile (Sustainability of the strategic design - Sustainability objectives) | 12 |
| | | Important aspects | 18 |
| GRI 200 - ECONOMIC TOPICS | | | |
| | ECONOMIC PERFORMANCE | | |
| 201-1 | Direct economic value generated and distributed | Economic results | 28 |
| 201-2 | Financial implications and other risks and opportunities due to climate change | Economic results | 29 |
| 201-3 | Defined benefit plan obligations and other retirement plans | Human resources - Employees and external staff | 44 |
| 201-4 | Financial assistance received from government | Economic and financial results | 29 |
| | MARKET PRESENCE | | |
| 202-1 | Ratios of standard entry level wage by gender compared to local minimum wage | Human resources | 42 |
| 202-2 | Proportion of senior management hired from the local community | Human resources | 42 |
| | INDIRECT ECONOMIC IMPACTS | | |
| 203-1 | Infrastructure investments and services supported | Economic results | 29 |
| 203-2 | Significant indirect economic impacts | Economic results | 29 |
| | PROCUREMENT PRACTICES | | |
| 204-1 | Proportion of spending on local suppliers | Environment - Materials and subcontracted work | 31 |
| | ANTI-CORRUPTION | | |
| 205-1 | Operations assessed for risks related to corruption | Governance and risk management | 23 |
| 205-2 | Communication and training about anti-corruption policies and procedures | Governance and risk management | 23 |
| 205-3 | Confirmed incidents of corruption and actions taken | Governance and risk management | 23 |

| | | | |
|---------------------------------------|---|--|----|
| | ANTI-COMPETITIVE BEHAVIOUR | | |
| 206-1 | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices | The customer - Product quality and safety | 53 |
| GRI 300 - ENVIRONMENTAL TOPICS | | | |
| | MATERIALS | | |
| 301-1 | Materials used by weight or volume | Environment - Materials and subcontracted work | 31 |
| 301-2 | Recycled input materials used | Environment - Materials and subcontracted work | 31 |
| 301-3 | Reclaimed products and their packaging materials | Environment - Materials and subcontracted work | 31 |
| 302-1 | Energy consumption within the organization | Environment - Energy | 32 |
| 302-2 | Energy consumption outside of the organization | Environment - Energy | 32 |
| 302-3 | Energy intensity | Environment - Energy | 32 |
| 302-4 | Reduction of energy consumption | Environment - Energy | 33 |
| 302-5 | Reductions in energy requirements of products and services | Environment - Energy | 33 |
| | WATER | | |
| 303-1 | Water withdrawal by source | Environment - The water resource | 34 |
| 303-2 | Water sources significantly affected by withdrawal of water | Environment - The water resource | 34 |
| 303-3 | Water recycled and reused | Environment - The water resource | 34 |
| | BIODIVERSITY | | |
| 304-1 | Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | Environment - Biodiversity | 35 |
| 304-2 | Significant impacts of activities, products, and services on biodiversity | Environment - Biodiversity | 35 |
| 304-3 | Habitats protected or restored | Environment - Biodiversity | 35 |
| 304-4 | IUCN Red List species and national conservation list species with habitats in areas affected by operations | Environment - Biodiversity | 35 |
| | EMISSIONS | | |
| 305-1 | Direct (Scope 1) GHG emissions | Environment - Emissions | 36 |
| 305-2 | Energy New suppliers that were screened using environmental criteria indirect (Scope 2) GHG emissions | Environment - Emissions | 36 |
| 305-3 | Other indirect (Scope 3) GHG emissions | Environment - Emissions | 36 |
| 305-4 | GHG emissions intensity | Environment - Emissions | 36 |
| 305-5 | Reduction of GHG emissions | Environment - Emissions | 36 |
| 305-6 | Emissions of ozone-depleting substances (ODS) | Environment - Emissions | 37 |
| 305-7 | Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions | Environment - Emissions | 37 |
| | EFFLUENTS AND WASTE | | |
| 306-1 | Water discharge by quality and destination | Environment - Effluents and waste | 37 |
| 306-2 | Waste by type and disposal method | Environment - Effluents and waste | 38 |
| 306-3 | Significant spills | Environment - Effluents and waste | 39 |
| 306-4 | Transport of hazardous waste | Environment - Effluents and waste | 39 |
| 306-5 | Water bodies affected by water discharges and/or runoff | Environment - Effluents and waste | 39 |

| | | | |
|------------------------------|---|---|----|
| | ENVIRONMENTAL COMPLIANCE | | |
| 307-1 | Non-compliance with environmental laws and regulations | Environment - Compliance with environmental laws | 39 |
| 308-1 | New suppliers that were screened using environmental criteria | Environment - The environment and supply chain management | 39 |
| 308-2 | Negative environmental impacts in the supply chain and actions taken | Environment - The environment and supply chain management | 39 |
| GRI 400 SOCIAL TOPICS | | | |
| | EMPLOYMENT | | |
| 401-1 | New employee hires and employee turnover | Human resources - Employees and external staff | 43 |
| 401-2 | Benefits provided to full-time employees that are not provided to temporary or part-time employees | Human resources - Employees and external staff | 44 |
| 401-3 | Parental leave | Human resources - Health and safety in the workplace | 47 |
| | LABOUR/MANAGEMENT RELATIONS | | |
| 402-1 | Minimum notice periods regarding operational changes | Human resources - Employees and external staff | 44 |
| | OCCUPATIONAL HEALTH AND SAFETY | | |
| 403-1 | Workers representation in formal joint management-worker health and safety committees | Human resources - Health and safety in the workplace | 45 |
| 403-2 | Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | Human resources - Health and safety in the workplace | 46 |
| 403-3 | Workers with high incidence or high risk of diseases related to their occupation | Human resources - Health and safety in the workplace | 47 |
| 403-4 | Health and safety topics covered in formal agreements with trade unions | Human resources - Health and safety in the workplace | 46 |
| | TRAINING AND EDUCATION | | |
| 404-1 | Average hours of training per year per employee | Human resources - Training | 47 |
| 404-2 | Programs for upgrading employee skills and transition assistance programs | Human resources - Training | 47 |
| 404-3 | Percentage of employees receiving regular performance and career development reviews | Human resources - Training | 48 |
| | DIVERSITY AND EQUAL OPPORTUNITY | | |
| 405-1 | Diversity of governance bodies and employees | Governance and risk management (CdA) | 42 |
| | | Human resources - Employees and external staff | 42 |
| 405-2 | Ratio of basic salary and remuneration of women to men | Human resources - Employees and external staff | 42 |
| | NON-DISCRIMINATION | | |
| 406-1 | Incidents of discrimination and corrective actions taken | Human resources - Policies and reference values | 40 |
| | FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING | | |
| 407-1 | Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | Suppliers - Supply chain responsibility | 49 |
| | CHILD LABOUR | | |
| 408-1 | Operations and suppliers at significant risk for incidents of child labor | Suppliers - Supply chain responsibility | 49 |
| | FORCED OR COMPULSORY LABOR | | |

| | | | |
|-------|--|---|------|
| 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labor | Suppliers - Supply chain responsibility | 49 |
| | SECURITY PRACTICES | | |
| 410-1 | Security personnel trained in human rights policies or procedures | Human resources - Training | 48 |
| | RIGHTS OF INDIGENOUS PEOPLES | | |
| 411-1 | Incidents or violations involving rights of indigenous peoples | Compliance with rules | 54 |
| | HUMAN RIGHTS ASSESSMENT | | |
| 412-1 | Operations that have been subject to human rights reviews or impact assessments | Suppliers - Supply chain responsibility | 49 |
| 412-2 | Employee training on human rights policies or procedures | Suppliers - Supply chain responsibility | 49 |
| 412-3 | Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening | Suppliers - Supply chain responsibility | 49 |
| | LOCAL COMMUNITIES | | |
| 413-1 | Operations with local community engagement, impact assessments, and development programs | The relationship with the territory | 55 |
| 413-2 | Operations with significant actual and potential negative impacts on local communities | The relationship with the territory | 55 |
| | SUPPLIER SOCIAL ASSESSMENT | | |
| 414-1 | New suppliers that were screened using social criteria | Suppliers - Supply chain responsibility | 49 |
| 414-2 | Negative social impacts in the supply chain and actions taken | Suppliers - Supply chain responsibility | 49 |
| | PUBLIC POLICY | | |
| 415-1 | Political contributions | The relationship with the territory - | None |
| | CUSTOMER HEALTH AND SAFETY | | |
| 416-1 | Assessment of the health and safety impacts of product and service categories | The customer - Product quality and safety | 53 |
| 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | The customer - Product quality and safety | 53 |
| | MARKETING AND LABELLING | | |
| 417-1 | Requirements for product and service information and labelling | The customer - Product quality and safety | 53 |
| 417-2 | Incidents of non-compliance concerning product and service information and labelling | The customer - Product quality and safety | 53 |
| 417-3 | Incidents of non-compliance concerning marketing communications | The customer - Product quality and safety | 53 |
| | CUSTOMER PRIVACY | | |
| 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | The customer - Product quality and safety | 53 |
| | SOCIOECONOMIC COMPLIANCE | | |
| 419-1 | Non-compliance with laws and regulations in the social and economic area | Compliance with rules | 54 |

INDEPENDENT AUDITOR'S REPORT

GRI 102-56



Independent auditors' report on the non-financial consolidated statement pursuant to Article 3, Par. 10 of Legislative Decree No. 254/2016 and to Article 5 of Consob Regulation No. 20267

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(Translation from the original Italian text)

*To the Board of Directors of
CSP International Fashion Group S.p.A.*

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of CONSOB Regulation no. 20267, we have performed a limited assurance engagement on the Non-Financial Consolidated Statement of CSP International Fashion Group S.p.A. and its subsidiaries (hereinafter "the Group") as of and for the year then ended December 31, 2017 prepared in accordance with art. 4 of the Decree, and approved by the Board of Directors on April 26, 2018 (hereinafter the "NFS").

Responsibilities of Directors and Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with the requirements of articles 3 and 4 of the Decree and with the Sustainability Reporting Standards, issued by Global Reporting Initiative in 2016 (GRI Standards), identified by them as reporting standards.

The Directors are responsible, within the terms provided by law, for that part of internal control that they consider necessary to ensure that the NFS is free from material misstatements, whether due to fraud or non-intentional errors.

The Directors are responsible for identifying the content of the NFS within the matters mentioned in article 3, paragraph 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are responsible for defining the Group's management and organization business model, as well as, with reference to the matters identified and reported in the NFS, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the *International Standard on Quality Control 1 (ISQC Italia 1)* and, as a result, maintains a quality control system that includes documented policies and procedures



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regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion regarding the compliance of the NFS with the requirements of the Decree and with the GRI Standards. Our work has been performed in accordance with the principle of "*International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereinafter "*ISAE 3000 Revised*"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements.

This standard requires that we plan and perform procedures to obtain a limited assurance that the NFS is free from material misstatements.

The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised and, therefore, do not provide us with a sufficient level of assurance to become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS are based on our professional judgment and included interviews, primarily with company's personnel responsible for the preparation of the information included in the NFS, documents analysis, recalculations and other procedures to obtain evidences considered appropriate.

In particular we performed the following procedures:

1. analysis of the relevant topics in relation to the activities and characteristics of the Group reported in the NFS, to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the NFS with those included in the CSP Group's consolidated financial statements;
4. understanding of the following aspects:
 - o group's management and organization business model, with reference to the management of the topics indicated in article 3 of the Decree;
 - o policies adopted by the Group related to the matters indicated in article 3 of the Decree, results achieved and related key performance indicators;
 - o main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

Regarding these aspects, we obtained the documentation supporting the information contained in the NFS and performed the procedures described in item 5. a) below;

5. understanding of the processes underlying the preparation, collection and management of significant qualitative and quantitative information included in the NFS.

In particular, we conducted interviews and discussions with the management of CSP International Fashion Group S.p.A. and we performed limited analysis and validation procedures, to gather information about the processes and procedures that support the collection, consolidation, processing and submission of non-financial data and information to the management responsible for the preparation of the NFS.

Furthermore, for significant information, considering the Group activities and characteristics:

- at Group level:
 - a) with reference to the qualitative information included in the NFS, and in particular to the business model, policies implemented and main risks, we carried out interviews and obtained supporting documentation to verify its consistency with the available evidence;
 - b) with reference to quantitative information, we performed both analytical procedures and limited tests, in order to assess, on a sample basis, the consolidation of the information.



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- for the Cerasara (MN) plants of CSP International Fashion Group S.p.A., which were selected on the basis of their activities, their contribution to the performance indicators at consolidated level and their location, we carried out testing procedures and gathered supporting documentation regarding the compliance with procedures and calculation methods used for the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the NFS of CSP Group as of December 31, 2017 and for the year then ended has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and with the GRI Standards.

Other Matter

The comparative information presented in the NFS for the year ended December 31, 2016 has not been examined.

Bologna, April 27, 2018

Ria Grant Thornton S.p.A.

Signed by

Silvia Fiesoli
Partner

This report has been translated into the English language solely for the convenience of international readers.