



Sustainability Report

NON-FINANCIAL CONSOLIDATED STATEMENT 2018

pursuant to Italian Leg. Decree 254/2016

TABLE OF CONTENTS

LETTER TO THE STAKEHOLDERS	4
HIGHLIGHTS – SUMMARY DATA	5
PRESENTATION OF NON-FINANCIAL STATEMENT - METHODOLOGICAL NOTE	6
PROFILE, BUSINESS MODEL AND STRATEGY	8
CSP INTERNATIONAL	8
THE SUSTAINABILITY STRATEGY	14
STAKEHOLDERS AND MATERIALITY ANALYSIS	21
THE STAKEHOLDER	21
RELATIONSHIPS WITH STAKEHOLDERS	21
THE MATERIALITY ANALYSIS	23
GOVERNANCE AND RISK MANAGEMENT	28
CORPORATE GOVERNANCE	28
ORGANISATIONAL STRUCTURE	29
THE CONTROL MODEL AND ANTI-CORRUPTION MEASURES	30
THE POLICIES AND THE MANAGEMENT SYSTEMS	32
RISK MANAGEMENT	34
COMPLIANCE WITH STANDARDS - REGULATORY COMPLIANCE	38
ASSOCIATIONS AND MEMBERSHIPS	39
ECONOMIC-FINANCIAL RESULTS AND DISTRIBUTED VALUE	40
THE ECONOMIC VALUE GENERATED AND DISTRIBUTED	40
THE IMPACT ON THE TERRITORY	41
THE INVESTMENTS – THE INNOVATION	42
THE CUSTOMER – PRODUCT QUALITY, SAFETY AND SUSTAINABILITY	43
QUALITY AND SAFETY – PRODUCT CONFORMITY	43
RESPONSIBLE RELATIONSHIPS WITH THE CUSTOMER	44
THE ENVIRONMENT	46
ENVIRONMENTAL PROTECTION AND USE OF NATURAL RESOURCES	46
MATERIALS AND OUTSOURCING	47
ENERGY AND EMISSIONS	47
THE WATER RESOURCE	51
BIODIVERSITY	53
WASTE	53
THE HUMAN RESOURCES	55
PERSONNEL MANAGEMENT, VALUE ENHANCEMENT AND DEVELOPMENT POLICIES	55
THE EMPLOYEES	58
OCCUPATIONAL HEALTH AND SAFETY	62
TRAINING	64
SUPPLIERS – SUPPLY CHAIN RESPONSIBILITY	66
SUPPLY CHAIN MANAGEMENT	66
POTENTIAL SOCIAL AND ENVIRONMENTAL PROBLEMS - TREND FOR THE PERIOD	67
THE RELATIONSHIP WITH THE TERRITORY	68

RELATIONSHIPS WITH THE LOCAL COMMUNITY	68
GRI CONTENT INDEX	70
REPORT BY THE AUDITING COMPANY	74

LETTER TO THE STAKEHOLDERS

GRI 102-14

The year 2018 was characterised by a national and international context that continues to be unfavourable and that penalises the commercial opportunities, the competitive position and the performance of CSP. The negative trend of the reference markets, also affected by climatic factors which have become of a structural nature by now and by the general economic situation of stagnating consumption, has prevented the Company from attaining the balance levels expected of the restructuring process carried out in recent years by CSP.

In this particularly complex scenario, CSP has defined its industrial plan for the 2019-2023 period, with strategic lines aimed at relaunching the business that require, in particular, investments in research and development with focus on eco-sustainability. The aim of integrating sustainability in its own business model is to allow the improvement of economic and financial performance.

Innovation, quality and sustainability are key words of such driver of the plan, which fully considers the three strictly connected dimensions of sustainability: economic - environmental - social. The research and development activities focused on innovative processes and materials, capable of reducing CSP's environmental impact, as well as of improving the customer's well-being, are intended to meet the requests of the market for innovative "eco-sustainable" products, combating the inclination of consumers towards low-cost and low-quality products.

For these reasons, CSP's Non-Financial Statement pertaining to the year 2018, in addition to reporting the quantitative and qualitative information as required by regulations and by the reference standards, places significant emphasis on strategic lines and objectives.

At the same time, the overall sustainability strategy saw the CSP Group engaged in operative improvement activities concerning its process management policies: attention to the health and safety of workers finds a tangible and very important evidence in the adoption of the international standard ISO 45001 (one of the first companies in the sector to do so).

The engagement activities on specific sustainability topics of key Stakeholders, such as employees, provide evidence of the importance that CSP places on one of the resources that, more than others, is exposed to the negative market trend.

CSP is currently developing an improvement project of the selection and monitoring activities of its own supply chain, in the belief that the gradual diffusion of sustainable practices along the entire production chain of fashion and textile can lead to economic benefits.

After decades of generally positive results, a new chapter has opened in the history of CSP, which will be strongly committed to relaunching the business, in order to guarantee its Stakeholders the creation and distribution of Value. The uncertain market scenario makes it necessary to move the time frame over a medium to long-term temporal horizon, a further stimulus for any company that, like CSP, is born to "last over time".

Maria Grazia Bertoni

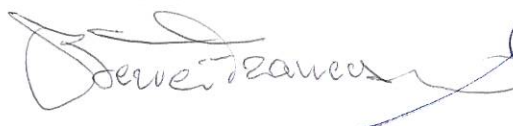
Francesco Bertoni

Carlo Bertoni





Chairman of the Board of
Directors

CEO

CEO



HIGHLIGHTS - SUMMARY DATA

	Units of measure	2016	2017	2018
Economic-financial results and Distributed value 				
Sales revenue	millions of €	126.2	119.6	111.5
Distributed economic value	millions of €	124.9	118.3	113.6
Investments in Research and Development	millions of €	2.4	2.4	2.9
Value of local supplies	millions of €	N/A	N/A	17.1
The customer 				
Redemption positive Oroblù brand (Gold company feedaty)				97.9%
The environment 				
Energy - Direct consumption	MegaJoule	140,937,307	148,573,416	133,781,017
Emissions - Direct emissions	t CO ₂ e	4,680	5,512	5,024
Water - Withdrawals	Cubic metres	284,211	272,911	247,597
Percentage of water drawn from wells	%	86.4%	86.4%	88.5%
Human Resources 				
Employees	Number	879	846	807
Gender equality - % of female employees	%	65.1%	65.6%	65.4%
Employees per geographical area - Italy	Number	412	410	393
Employees per geographical area - France	Number	467	436	414

¹Revenue 2017: IFRS 15 restated / Revenue 2018: IFRS 15

PRESENTATION OF NON-FINANCIAL STATEMENT - 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 “Non-Financial Statement or “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 2018 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*”), 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. 254/2016. In the various sections of the Non-Financial Statement, quantitative information for which we resorted to estimates is duly provided.

The reporting scope of the qualitative and quantitative data contained in the Non-Financial Consolidated 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 2018, with the only exclusion being Società Oroblù USA and Oroblù Germany as regards environmental and social topics, due to the absence of employees and production units.

For the purpose of allowing a comparison of data over time and the evaluation of the trend of CSP's activities, the comparative data pertaining to the three previous periods were included, if available.

This document contains a summary of the information pertaining to 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 functions of CSP.

This document was approved by the Board of Directors of CSP International Fashion Group S.p.A. on 19 April 2019 and, according to the provisions of Leg. 254/2016, it was audited by the designated auditing company PricewaterhouseCoopers S.p.A. based on the principles and indications contained in ISAE3000 (International Standard on Assurance Engagements 3000 - Revised) of the International Auditing and Assurance Standard Board (IAASB). PricewaterhouseCoopers S.p.A. is also the company assigned the task of conducting a legal audit of the Consolidated Financial Statements of the CSP Group.

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

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

PROFILE, BUSINESS MODEL AND STRATEGY

CSP INTERNATIONAL

GRI 102-1/GRI 102-2/GRI 102-3/GRI 102-4/GRI 102-5/GRI 102-6/GRI 102-7/GRI 102-10

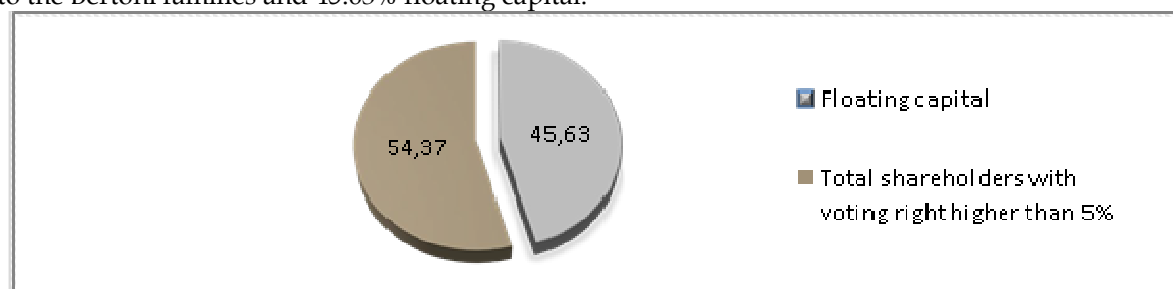
CSP operates in the production and distribution of socks, pantyhose, corsetry, underwear and knitwear, fashion and beachwear. The CSP Group was founded in 1973 in Ceresara, (Mantua - Italy), in the geographical area of Europe's most important industrial hosiery district. The headquarters of the parent company CSP International S.p.A. is located in Ceresara. The Group has a workforce of 800 employees at the various units located in Italy and in France. The consolidated revenue for 2018 was equal to Euro 111 million. The tables show the breakdown of revenue by segment / area of activity and by geographical area of destination

CSP's revenue by area of activity (Amounts in millions of €)	2016		2017 ₁		2018 ₁	
	Revenue	%	Revenue	%	Revenue	%
Hosiery	90.9	72.0%	76.8	64.2%	65.8	59.0%
Underwear and knitwear	11.1	8.8%	17.1	14.3%	21.1	18.9%
Corsetry and beachwear	24.2	19.2%	25.7	21.5%	24.6	22.1%
Total	126.2	100.0%	119.6	100%	111.5	100%

CSP's revenue by area of activity (Amounts in millions of €)	2016		2017		2018	
	Revenue	%	Revenue	%	Revenue	%
Italy	29.9	23.7	35.3	29.5%	35.4	31.7%
France	80.2	63.6	67.5	56.4%	60.2	54.0%
Germany	1.8	1.4	2.2	1.8%	2.4	2.2%
Western Europe	10.9	8.6	10.7	8.9%	9.3	8.3%
Eastern Europe	1.1	0.9	1.5	1.3%	1.9	1.7%
Rest of the world	1.7	1.3	1.9	1.6%	1.8	1.6%
United States	0.6	0.5	0.5	0.5%	0.4	0.5%
Total	126.2	100.0%	119.6	100.0%	111.5	100.0%

For the purpose of drawing up the consolidated financial statements for 2018, the first period of application of *International Accounting Principle IFRS 15 (Revenue from contracts with customers)*, the Group opted for the prospective application methods in relation to revenue recognition. The adoption of this principle has entailed a restatement of the comparative values of consolidated revenue for the year 2017 (Euro 119.6 million compared to the originally entered value of Euro 127.3 million). The data pertaining to the 2016 period was not rectified and refers to the data originally published from the relative consolidated financial statements. Please refer to the 2018 consolidated financial statements for the relative analysis and information.

As at 31 December 2018, the share capital of the parent company CSP International S.p.A. amounted to 17 million Euro, corresponding to 33,259,328 shares with voting right, of which 54.37% belonging to the Bertoni families and 45.63% floating capital.



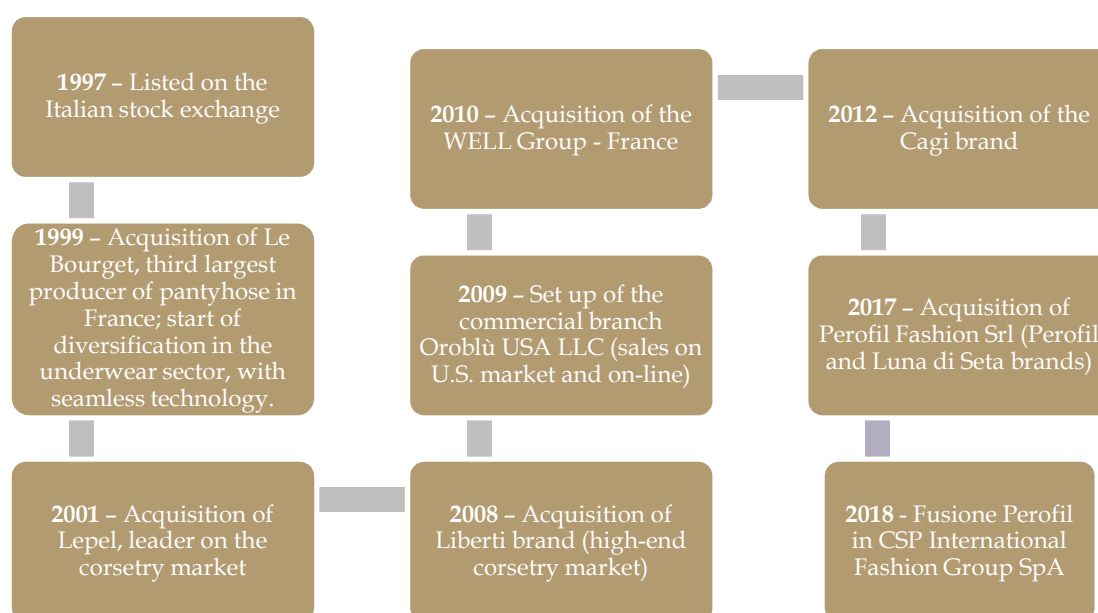
The structure of the CSP Group



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

CSP's history

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, a company which was then merged by incorporation into CSP International during the course of 2018.



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, technological and stylistic innovation are the bases of its entire production.

The Business Model

The Business Model adopted by CSP is based on a sales approach differentiated for the various distribution channels and offer segmentation. For the various brands and distribution channels, CSP offers permanent and fashion collections with positioning and price suited to creating added value, in compliance with brand identity and corporate strategies.

The new Industrial Plan is based on the following strategic guidelines:

- **INTERNATIONAL EXPANSION** of the brands and of the relative business, creating added value in terms of profitability and identifiability of the brands also on the export markets where the company is less present, through the hiring of sales figures with experience in the target markets;
- **STREAMLINING AND EFFICIENCY-BOOSTING** of the production divisions - for the purpose of taking advantage of possible synergies at the product development level, both productive and commercial - and of the collections and items developed for simplification purposes, with consequent spin-off on margins and reduced need for working capital;
- **NEW CONCEPT STORE FOR HIGH-END BRANDS** (Luna di Seta, Oroblù and Perofil): development of an experience place that may take the form of a Shop, Shop in Shop, corner, soft place, Display, combining the 3 brands one with the other, in full or in part or individually, in order to illustrate the various customisation possibilities of the display spaces at department stores and multi-brand stores;
- **INVESTMENTS IN R&D WITH FOCUS ON ECO-SUSTAINABILITY:** research and development activities aimed at innovative "eco-sustainable" products, featuring fast increasing consumer trends, in order to combat the consumer's inclination towards low-cost and low-quality products. Worthy of mention are the projects "ecO" by Oroblù featuring recycled yarns, "Ethica" by Sanpellegrino with organic yarns, and the addition of natural stretch and organic yarns in Perofil's product range;
- **INVESTMENTS IN MARKETING:** complete reorganisation of promotional-advertising investments in order to comply with the new consumer trends which are emerging forcefully, such as, for example, on-line sales, and sales induced through social network stimulation. Expansion of "omni channel" investments, in other words brand interaction with the customers, keeping in part the commitment with traditional media while increasing the focus on monitoring more closely contact points with people, through digital communication and an active presence on the main social networks, with the support of consultants in addition to the help of influencers and P.R. firms;
- **NEW COLLECTIONS:** launch of new collections that optimise the demand/offer ratio by using the analytical briefing method, both quantitative and qualitative, on sales, on recommended price to the public brackets and relative limit thresholds of price perception by the consumer, on the trendiest categories of goods.

The value of the brands

The brands of the CSP Group are aimed at different market targets. The quality of the fabrics and the care for details distinguish all our collections, with the aim of guaranteeing the consumers products featuring an excellent quality/price ratio and an unmistakably Italian and French style.

For over thirty years, **Oroblù**, international Italian brand of reference in the scenario of hosiery and women's lingerie, offers collections synonymous with modern elegance, innovation and quality, designed to dress femininity and spread the Italian style throughout the world. The Oroblù brand is sold in the best boutiques and in luxury department stores.

Perofil joined the CSP Group in 2017. Over 100 years of Italian history, quality and innovation in the underwear, hosiery and men's loungewear sectors. Brand par excellence, specialised in men's underwear, Perofil constantly evolves and reinterprets its heritage, setting the rules for a modern and international elegance and for an Italian style capable of nonchalantly combining past present and future.

CSP's main brands dedicated to the *mass market* channels are: **Lepel**, specialised in corsetry, **Sanpellegrino**, specialised in women's hosiery and **Cagi**, which offers men's quality sleepwear and underwear. The three brands go through the following channels: wholesale, mass distribution, retail and large textile stores, with dedicated sales organisations and mainly continuous collections.

Le Bourget: innovation, creativity and quality are its reference values. The Le Bourget brand develops its French identity, both feminine and fashion, by relying on flawless quality, using the most cutting-edge production technologies. Le Bourget manages its image through communication campaigns that highlight the fashion spirit of the brand. At the centre of the process, there is a balance between fashion, femininity and quality.

	Oroblù: international Italian brand on the high-end market, designed for cosmopolitan women who love to dress with sober elegance and are especially alert to fashion.
	Luna di Seta: Italian luxury brand with an international breadth that fascinates the senses and unveils the sensuality of women who wear the collection items, mostly made of silk.
	Sanpellegrino: Legendary Italian brand, known for its quality, always on the women's side. Its products are intended for a <i>careful</i> buyer, <i>loyal</i> to the brand that guarantees quality with style.
	Le Bourget: the most prestigious brand of French hosiery, inspired by Parisian chic and fashion trends.
	Lepel: historical Italian brand of underwear and mostly corsetry, featuring quality and comfort. It is intended for women alert to innovation who love to feel well.
	Liberti: brand for 'curvy' women too, specialised in beachwear. Designed for dynamic women always alert to fashion.
	Well: the most innovative and high-performance hosiery and lingerie brand on the French modern channel.
	Perofil: since 1910 the men's underwear brand that distinguishes itself for elegance and quality, expanding with modern ideas its range of socks and loungewear.
	Cagi: since 1925, the international brand of underwear for men of all ages.

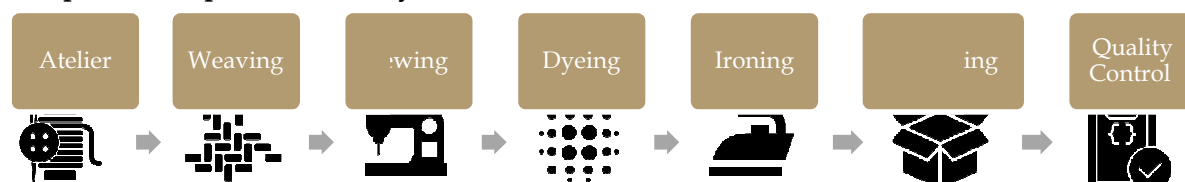
The production - Hosiery

The production of hosiery relies on the value of the *Made in Italy*, especially for Italian brands, and it is mainly carried out at the Parent Company's plant in Ceresara (Mantua), and at the production plant of Le Vigan (France).

The French 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 pantyhose eCO is highly automated and has obtained, in Italy, certifications for compliance with environmental protection ISO 14001:2015 and with safety ISO 45001:2018. Moreover, in 2018 CSP was able to obtain, for the hosiery Italian and French division products, the last annual renewal of the certification Oeko-Tex® Confidence in Textiles - Standard 100.

The production process - Hosiery

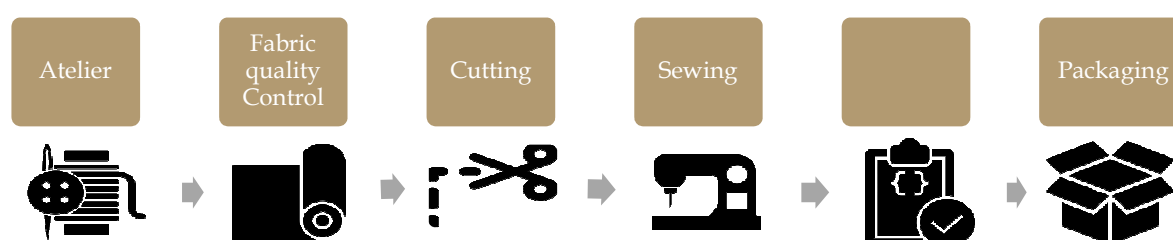


The phases of the hosiery production process are mainly carried out at CSP’s production units. For some product lines (high-end, such as Oroblù and Le Bourget) requiring manual sewing, steam fixing and manual packaging, subcontractors located nearby the Ceresara facilities (known as the ‘hosiery district’) 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 production process - Underwear



The product research and development (Atelier), the inspection of fabrics, the cutting and quality control of the product are, for the most part, managed directly at the production facilities of the CSP Group. The sewing and packaging phases are mainly outsourced to selected and specialised suppliers.

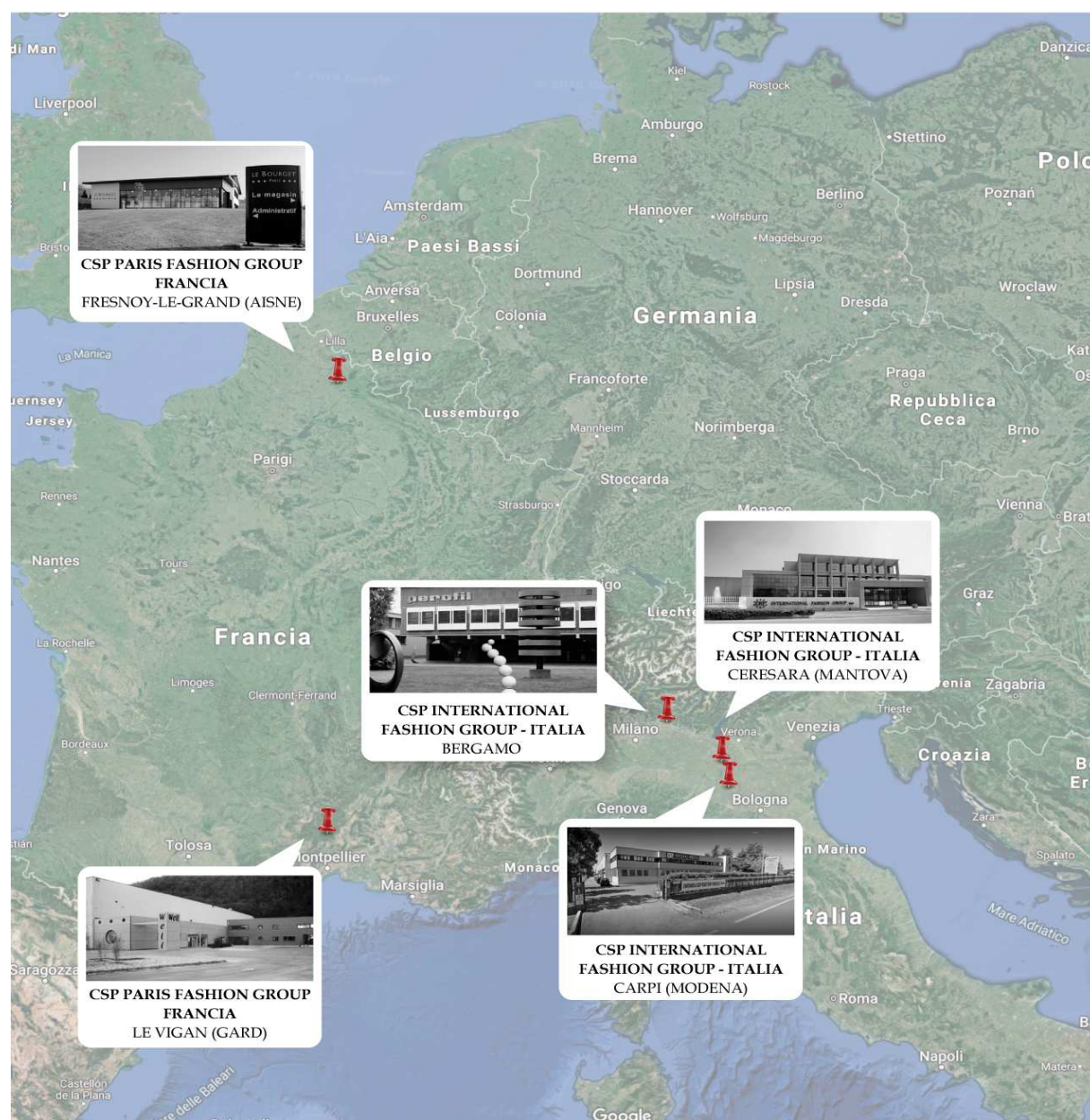
The distribution

CSP operates through **sales networks, specialised distributors and direct retail partners** in over 40 countries worldwide, and its collections can be found in the most important international *Department Stores*. Thanks to a careful scheduling of deliveries and relative restocking, *it offers the right product at the right time* with visual merchandising featuring strong emotional appeal. The concept of Shop-in-

Shop and/or areas dedicated to its own brand in constantly evolving, in order to differentiate itself from the competitors. This without neglecting the "omni channel" approach, dealing in particular with the presence on-line presence and on social networks in order to attract customers/consumers.

CSP's production units

As at 31 December 2018, the CSP Group owned 5 production and/or logistics facilities located in Europe (Italy and France).

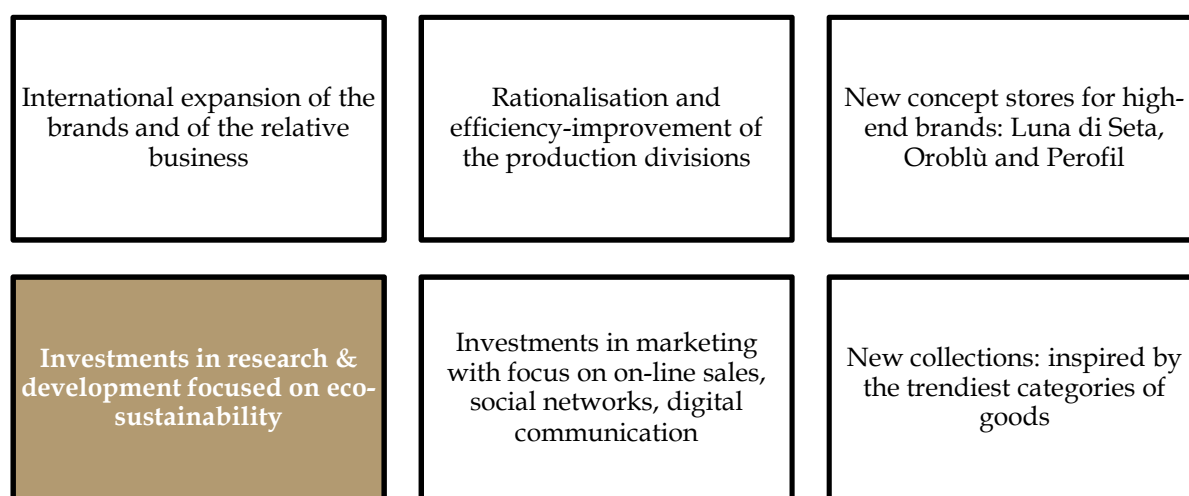


The sustainability strategy

GRI 102-2/GRI 102-6/GRI 102-15 /GRI 103-1/GRI 103-2/GRI 103-3

The Industrial Plan

As already mentioned in the paragraph about CSP's Business Model, the Industrial Plan of CSP for 2019-2023), in view of a reference scenario characterised by stagnating consumption, a strong contraction of the reference markets and climatic factors that have become structural by now, is based on the strategic guidelines that consider research, innovation and sustainability to be important drivers.



Innovation - Adoption of new production technologies, combining the tradition of the CSP Group to the most advanced design and techniques, in order to obtain a quality finished product. Innovating means improving the customers' well-being.

Quality - The value of a product is measured by the care put into making it. CSP is committed to finding the best raw materials, analysing the consumer's needs, studying the physical and physiological necessities, and to subjecting the fabrics used to dozens of tests.

Sustainability- CSP's quality goes beyond the product. Being ethical and sustainable is both a choice and a necessity for CSP. Offer products that are respectful of nature and people, of the environment and of the workers. From clean energy to the care of materials, from compliance with the Company's Code of Ethics at the various levels of the value creation chain, to supporting the local territory.

CSP has incorporated sustainability in its own Business Model, believing that, as underscored by a recent study conducted by the CNMI – Camera Nazionale della Moda Italiana (National Chamber of Italian Fashion), *Global Sustainability Report: sustainability matters, but does it sell?*, developed by McKinsey & Company, the gradual diffusion along the entire fashion and textile chain of sustainable practices can in fact lead to economic benefits. These benefits may derive from both *soft* elements (marketing, brand reputation and philanthropy) and, predominantly, from *hard core* elements (fabrics, production processes, traceability and work conditions). As indicated by research, today's department stores only purchase about 23% of sustainable brands, but this percentage is sure to increase up to 40% over the next five years, also taking into account the fact that 80% of the *millennials* and of the *Z*

generation has said to be very interested in sustainability. Moreover, 70% of the interviewed consumers would be willing to spend up to 10% more for a sustainable product.

Specific lines of actions within a sustainability strategy concern chemical agents used during production cycles, new sustainable packaging solutions, as well as social sustainability of the supply chain (monitoring and actions). Besides, a sustainable value chain cannot do without the necessary cooperation between public and private institutions.

As integral part of its strategy, CSP will pursue the streamlining and efficiency-improvement process of its production divisions, always focusing closely to all aspects of a social nature.

Innovation and new product development

The ecO project – Environment Care Oroblù

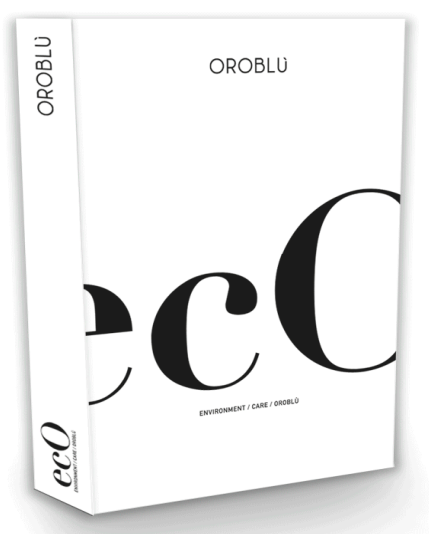
For its own Oroblù brand, CSP has come up with a line of innovative products, the key word for them being **Regenerate**: a second life, a new life that allows the rebirth of beauty and product quality with no waste.

ecO is the new collection of pantyhose made with Nylon 6.6 eco-sustainable fibres, obtained with regenerated "zero-kilometre" raw materials, dyed with metal free colouring agents; a collection that combines style and respect for the environment, through exclusive and innovative technology. A truly eco-friendly yarn that aims to reduce CO₂ emissions by up to 80%, at the same time saving up to 90% of water resources.



Characteristics: yarn that comes entirely from regenerated and selected materials, by means of a certified system.

Objectives: reduced emissions – reduced use of water resources – latest-generation colourants, guaranteed “metal free”.



The Ethica project – Sanpellegrino

Environmental ethics represents the guidelines of the line hosiery products (panty hose and socks): eco-sustainability of the raw materials, of the dyes and of packaging material. Ethica - Nature Lovers, is the name of this innovative line that embodies CSP's eco-sustainability project, offering pantyhose and socks made with organic-based yarn obtained from the seed of the castor-oil plant.

Raw materials

100% BIO-BASED yarn (DIN CERTCO certificate) made from seeds of the castor-oil plant, a vegetal species that grows in dry areas of the planet and is not suited for eating purposes. The oil extracted from the seed of the castor-oil plant is then used to create the polymer.

The yarn is also certified OEKO-TEX STD 100 class, thus guaranteeing the absence of harmful substances.

Cultivation requires a minimum amount of water and does not take up land that could be used for cultivating food products.

This yarn is ultra-light, has super stretching properties and is highly breathable; moreover, it dries quickly and has thermal properties.

Dyes

Metal free

Packaging

Special paper made with algae present in excess at the bottom of the Venice Lagoon and FDC cellulose. The bag is made of degradable plastic.



THE CERTIFICATIONS

The yarn is certified DIN CERTCO according to the ASTM Method D6866:2012-01 Reg. No. 8C096 certifying the bio-based origin of the yarn EVO®. The yarn is also accredited according to the International Life Cycle Assessment Study - ISO 14040 which assesses the potential environmental impact of a product during its entire life cycle.

The yarn is also certified OEKO-TEX STD 100 Class I, thus guaranteeing the absence of any harmful substances.



Le Bourget - #We are Colors Addict

The French subsidiary CSP Paris has developed a dying process of its "*metal free*" hosiery products. These are hosiery products dyed with colourants with toxicological characteristics that are definitely better than those of "traditional" dyes.

The main characteristic of these latest-generation colourants is the fact that the molecule lacks a chromophore (part of the chemical molecule that provides the colour) that does not contains metal, compared to a pre-metallised colourant, the chromium concentration of which, for example, can be included between 1% and 5%, in other words between 10,000 and 50,000 mg/kg.



Improvement of processes and policies

CSP's sustainability path entails activities aimed at the continuous improvement of its processes, implemented policies and procedures. Below please find the main lines of action, to be understood as actions completed and/or in the process of being completed as at the date of this report.

Area	Project/Activity
Environment, Health and Safety Policy	<p>CSP has drawn up and communicated to all Stakeholders its own updated policy on the subject of environment and workplace health and safety.</p> <p>The two management systems (Environment – Health and Safety) are now integrated into a single system (ISO 14001:2015 and ISO 45001:2018, have the same structure, modelled on the one defined by higher-level rules - high level structure).</p>
Management systems - processes / Environment	<p>ISO 14001:2015 Environmental Certification. The ISO 14001 system certification aims at increasing the trust of all stakeholders, by ensuring the existence of an environmental management system suited to the nature of its activities, products and services. During the course of 2018, the transition from the ISO 14001:2004 diagram to the ISO 14001:2015 diagram was completed. The relative certificate was obtained. The supervisory audit was carried out by the Certifying Agency in April 2019.</p>
Management systems - processes / Health and safety in the workplace	<p>In April 2019, the transition audit from the previous standard OHSAS 18001:2007 to the new one ISO 45001:2018 was conducted.</p>
Supply chain	<p>Aware of the importance of the supply chain in the various sustainability areas, CSP has defined and is in the process of implementing an “engagement” project aimed at its suppliers.</p> <p>This activity, which will be completed during the course of 2019, entails the collection of data and information on processes, procedures and sustainability topics of its suppliers. The project started with a preliminary mapping of the most significant suppliers from the standpoint of potential impact on environmental, safety and health topics.</p> <p>The specific evaluation of the suppliers' profile (social topics, human rights, health and safety, environment) is aimed at improving quality and partners' compliance with CSP's business model and new industrial plan. In particular:</p> <ul style="list-style-type: none"> ▪ Definition of the criteria used to evaluate the risk level along the supply chain (environmental - health and safety topics); ▪ Implementation of direct and indirect monitoring actions (through questionnaire) of the suppliers depending on priority/risk level; ▪ Collection of data and of qualitative and quantitative information that also make it possible to improve the quality and efficacy of sustainability reporting and the measurement of CSP's impact in the various reference areas.

Production processes
- Products -Dyes

CSP and FULGAR Filati worked together to develop pantyhose made of innovative and sustainable fibres. (Please also refer to the previous paragraph Innovation and development of new products)

Developed products

Organic Fibres (EVO) The biomass from which EVO® by Fulgar originates is the seed of the castor-oil plant called “*Ricinus Communis*”. The monomers used in the polymerisation process are partially or totally derived from the castor-oil plant. Produced through the cultivation of seeds the castor-oil plant, which grows in dry areas not intended for farming, the bio-polymer at the base of EVO® by Fulgar has no repercussions on the human or animal food chain, unlike many others bio-based polymers that use natural products intended for the agricultural food sector.

The productive use concerns a line of pantyhose and socks (lightweight and heavy) marketed under the Le Bourget brand in 2018 and on sale in Sanpellegrino starting from this upcoming fall season.

Regenerated fibres (Q-Nova): Q-NOVA® is an eco-sustainable Nylon 6.6 fibre made exclusively with regenerated raw materials that complies to specific traceability needs; a highly ecological product that aims to obtain a reduction in CO₂ emissions, reduced consumption of water sources and use of electricity from renewable sources. Two types of pantyhose were developed (lightweight and heavy) for the Oroblù line on sale during the fall season.

Biodegradable (Amni Soul Eco): Its special composition facilitates, under conditions of anaerobic waste dump, access and digestion of scrap material by the bacteria, thus speeding up the bio--degradation process. Amni Soul Eco® is eliminated from the planet after about 5 years, whilst other fibres take decades to decompose.

Products beings studied / launched by CSP's R&D department.

Organic Cottons: collections were designed for the Oroblù, Sanpellegrino and LeBourget brands using organic cottons; on sale starting from next fall. Organic cotton is cotton grown using methods and products with a low environmental impact. For the production of organic cotton, organic production systems are used to fertilise the soil, thus eliminating the use of chemical toxic pesticides and fertilisers which persist in the cotton itself and in the environment.

Dyes

During the course of 2018, the R&D divisions conducted studies on natural dyes and on other types of innovative dyes. For the year 2019, the Company plans on launching product families, especially under the LeBourget brand but also Oroblù and Sanpellegrino, dyed with colourants which are commercially called “Metal Free”.

Production processes
- Energy efficiency -
Water resources

The following projects remain in the design phase:

Energy efficiency and renewable sources

- Ceresara Plant - Diversification of the sources of procurement of electricity. In particular, the analysis focused on the possibility to purchase electrical energy from a third-party photovoltaic system.
- Contract for the supply of electricity that entails the use of energy coming exclusively from renewable sources.
- Ceresara plant - The Feasibility study and the relative technical-economic evaluations to be presented in relation to the investment project involving the purchase of a tri-generation plant has been completed.

Water resources

- 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.

STAKEHOLDERS AND MATERIALITY ANALYSIS

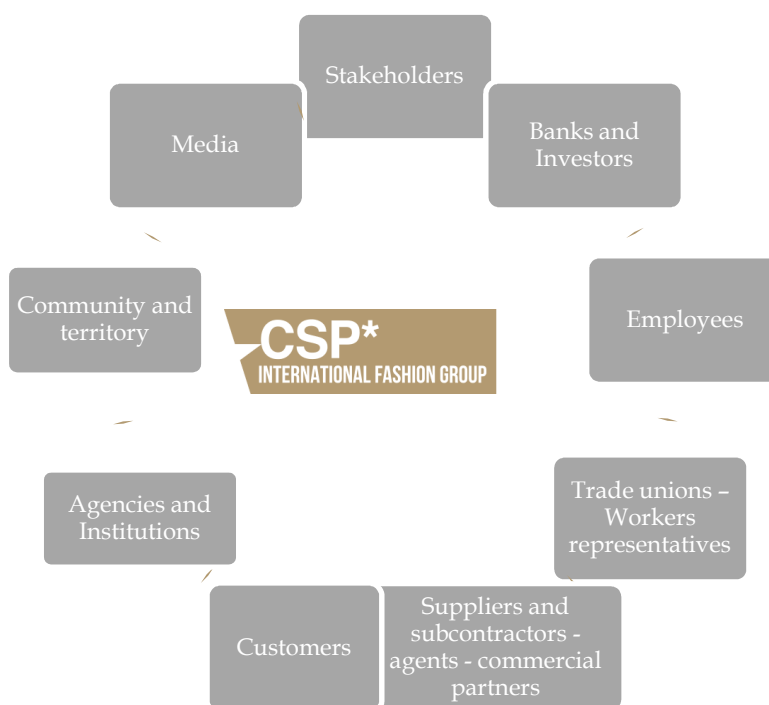
The Stakeholder

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.

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.

Therefore, the identification of the Stakeholders represents a crucial step in the process of defining the strategy and the sustainability policies. In connection with the nature of CSP's activities, the following main categories of Stakeholders were identified:



Relationships with Stakeholders

GRI 102-43

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
Stakeholders	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 Sharing and analysis of the relevance of material topics (Survey) 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, commercial partners and agents	Continuous dialogue - Definition and sharing of standards Commercial meetings and visits in the company (including retailers and associates of the commercial network) 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 local institutions
Community and territory	Meetings with representatives of local institutions Visits at the company
Media	Interviews - Press conferences Events Corporate website

Human Resources - Survey on sustainability

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.

In this area, CSP has designed and developed a specific investigation (survey) intended for employees of the entire CSP Group in Italy and in France, aimed at understanding the importance given by the employees themselves to the material topics initially identified by CSP and pertaining to the different dimensions of sustainability. The questionnaire was made available on the HR portal and distributed by hand by the department managers to personnel who are not the recipients of electronic mail.

The materiality analysis

GRI 103-1/GRI 103-3/GRI 102-44/GRI 102-47

The process

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 *GRI Standards*, adopted as reporting methodology for the purpose of drafting this Non-Financial Statement, was updated with respect to the previous period. The identification process of important aspects entails:

- 1| Preliminary mapping of the Stakeholders;
- 2| Analysis of material topics identified in the previous period's Non-Financial Statement;
- 3| Conducting a survey involving employees of the companies belonging to the CSP Group (Italy - France).
- 4| Within the scope of the systematic process of internal engagement, CSP's Management carried out an evaluation and the relevant sharing of relevant topics and of their priority scale; Identification of relevant aspects for the Stakeholders and for CSP and attribution of the relative importance;
- 5| Elaboration and validation of the materiality matrix.

The important aspects were identified according to an approach based on documental analyses, on results of Stakeholder engagement activities and internal management engagement activity. At the end of this process, CSP's management carried out an assessment and the relative sharing of 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 international sustainable development Goals (SDGs - Sustainable Development Goals - 2030 Agenda of the United Nations).

The approach followed by CSP for the purpose of identifying 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, documentation pertaining to the management systems and the relative certification in the environment, health and safety areas);
- benchmarking with companies belonging to the fashion, textile and clothing sector, in order to compare CSP's current situation with comparable companies.

The material topics: the reasons, scope of impact and accountability standard

The reasons that led to the identification of material topics, for the various dimensions and areas of sustainability, are summarised in the following table, which also provides evidence of the scope of impact of the various topics, always taking into account CSP's sector and operational model. The same table also provides evidence of the connection with the areas of Leg. Decree 254/2016, which governs the drafting of the Non-Financial Statement and of the Indicators (GRI Standards) used for the accountability of the material topics.

Material topic	Why (The reasons)	Reference areas Leg. Decree 254/2016	GRI Standards General Disclosure / Topic Specific Standards	Scope - impact
Governance and compliance / NFS Chapter: Governance and risk management				
Ethical business conduct	The topic is cross-cutting and typical of CSP's operational and organisational model; essential condition for the business	Respect of human rights Fight against active and passive corruption	GRI 102-2 GRI 102-6 GRI 102-15 GRI 102-16 GRI 102-17 GRI 102-18 GRI 205-1 GRI 205-3	CSP Group Direct impact
Compliance (Laws and regulations)	The topic is cross-cutting and typical of CSP's operational and organisational model; essential condition for the business	Respect of human rights Fight against active and passive corruption	GRI 102-16 GRI 102-18 GRI 206-1 GRI 307-1 GRI 416-2 GRI 417-2 GRI 417.3 GRI 418-1 GRI 419-1	CSP Group Direct impact
Economic sustainability and generation of value / NFS Chapter: Economic-financial results and Distributed value				
Economic and financial performance	Economic sustainability - all the more so for a mature sector with difficult market scenarios such as the one in which CSP operates - is crucial for present and future operativity	Social	GRI 102-2 GRI 102-6 GRI 201-1 GRI 201-4 GRI 203-2 GRI 204-1	CSP Group Direct impact
Customer relations / NFS chapter: Governance and risk management / The customer - Product quality, safety and sustainability				
Product quality and safety	In view of the general characteristics of the sector, of the raw materials, of the destination/use by the customers, the quality as well as the safety of the product are very important in terms of CSP's business continuity, economic results and reputation.	Social	GRI 102-2 GRI 102-6 GRI 416-1 GRI 416-2 GRI 417-1 GRI 417-2	CSP Group /Customers Direct/indirect impact
Brand image and reputation	The reference sector, and the history and brands of CSP require utmost attention to maintaining the "brand reputation", a crucial aspect for the performance of CSP and its competitive positioning.	Social	GRI 416-2 GRI 417-2 GRI 417-3	CSP Group /Customers Direct/indirect impact
Customer satisfaction and customer care	CSP's performance and its competitive positioning depend significantly on customer satisfaction. Customer care activities represent one of the main factors for the relative monitoring	Social	GRI 102-2 GRI 102-6	CSP Group /Customers Direct/indirect impact

Responsible marketing	The policies of responsible and transparent marketing are very important in the sector, in particular during the current and difficult market phase. The development of new products and collections that wager on the technical and sustainable characteristics of the product is aimed at strengthening CSP's business model and the results of its strategies.	Social	GRI 102-2 GRI 102-6 GRI 417-1 GRI 417-2 GRI 417-3	CSP Group /Customers Direct/indirect impact
Innovation and technological research on products	Research and development, the innovation of the product, of the materials used and of production processes-techniques can allow the improvement of economic and financial performance, at the same time contributing to a reduction of the environmental impacts of the textile-clothing sector, thus directly and indirectly benefiting the community and the territory	Environment Social	GRI 102-2 GRI 102-6 GRI 203-1	CSP Group / Customers / Community and territory Direct/indirect impact
Environment / NFS Chapter: The environment				
Responsible consumption (raw materials and processing)	CSP uses considerable quantities of raw materials for its production, and purchases directly semi-finished and/or finished products from third-party suppliers	Environment	GRI 301-1	CSP Group /Suppliers Direct/indirect impact
Energy consumption and emissions	CSP's production processes and production systems require significant use of energy, with the simultaneous generation of emissions (mainly GHG/CO ₂)	Environment	GRI 302-1 GRI 302-3 GRI 305-1 GRI 305-2 GRI 305-4	CSP Group / Community and territory Direct/indirect impact
Water consumption	CPS uses significant amounts of water for its own production processes, and owns purification systems for the management of water and waste, downstream the dyeing process	Environment	GRI 303-1	CSP Group / Community and territory Direct/indirect impact
Waste production and management	CSP's production processes and packaging phases generate significant amounts of waste, some of which is special waste, that require specific treatments and disposal methods (in particular, sludge from the purification process carried out in the dyeing department)	Environment	GRI 306-2	CSP Group / Community and territory Direct/indirect impact

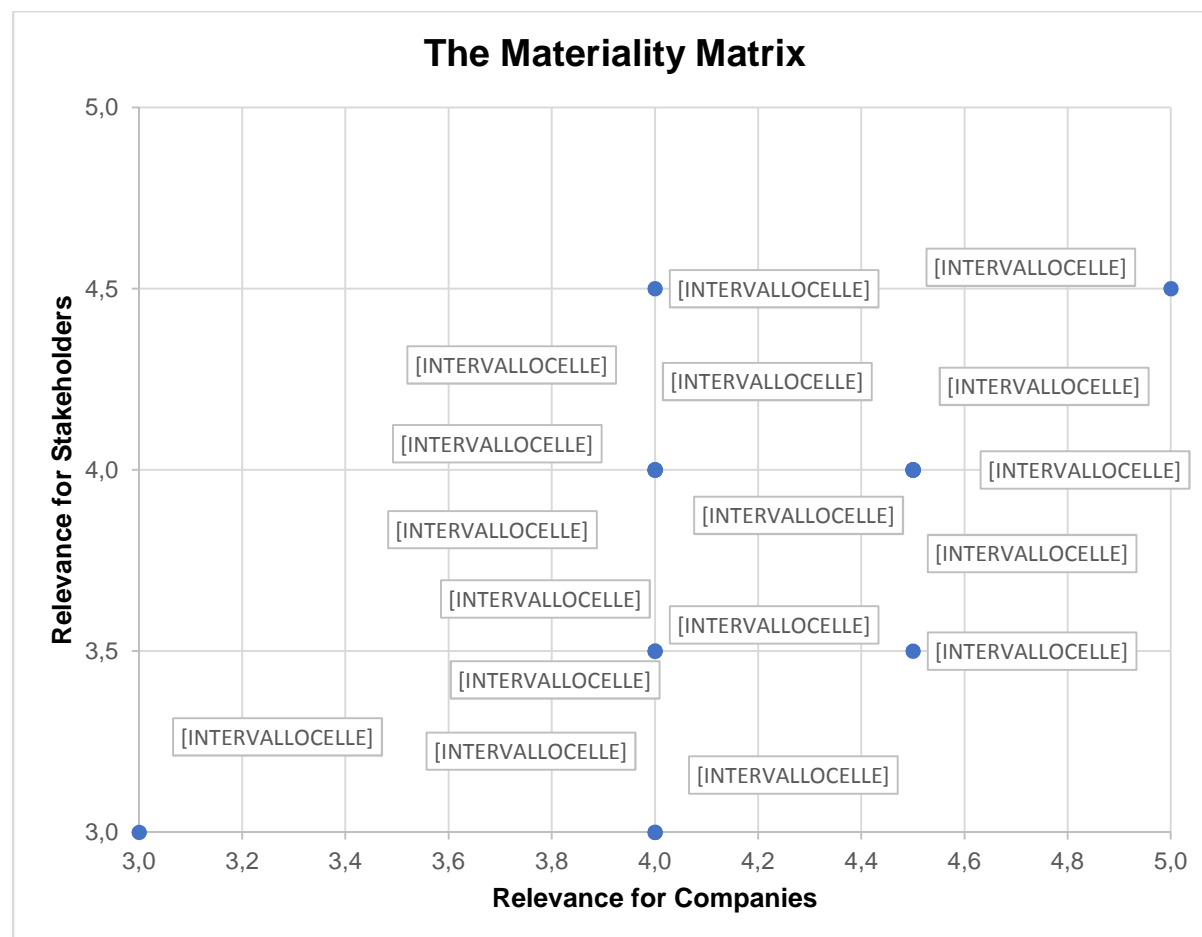
Human Resources / NFS Chapter: The Human Resources				
Training, professional development and skills	The training, development and maintenance of professionalism and of skills are topics that cut across the organisation, the operational model and other material topics	Personnel Respect of human rights	GRI 102-8 GRI 401-2 GRI 401-3 GRI 404-1 GRI 404-2 GRI 405-1 GRI 405-2	CSP Group / Human Resources Direct impact
Safeguarding the workers' health and safety	The safeguarding of the health and safety of the human resources are topics that cut across the organisation, the operational model and other material topics	Personnel Respect of human rights	GRI 403-2 GRI 403-4	CSP Group / Human Resources Direct impact
Employment protection	The maintenance of employment levels tied to the reference territory represents a priority and a peculiar characteristic of CSP's operational model	Personnel Respect of human rights Social	GRI 102-8 GRI 202-1 GRI 401-1	CSP Group / Human Resources Direct/indirect impact
Suppliers - Supply chain / NFS Chapter: The suppliers - Supply chain responsibility				
Sustainability of the supply chain	The sustainability and responsibility of the supply chain is an extremely important topic at the global level for the entire fashion sector. CSP wants to give its own contribution to improving the social and environmental aspects of its supply chain, and has started a specific program in that sense	Environment Social Fight against active and passive corruption Respect of human rights	GRI 102-9 GRI 204-1 GRI 308-2 GRI 412-1	CSP Group / Suppliers / Community and territory Direct/indirect impact
Community and territory. The relationship with the territory				
Support to local communities (Suppliers and territory)	CSP's operational model is characterised by a strong bond with the territory of origin, where it intends to continue to be present with production activities that allow a positive spin-off, in economic-social terms.	Social	GRI 203-2 GRI 204-1	CSP Group / Human Resources / Suppliers / Community and territory Direct/indirect impact

The materiality matrix

The materiality matrix, updated with respect to the previous period as a result of the analysis process, provides a graphic summary representation and an overall view of the most important topics.

The review of material topics for purposes of this document compared to the previous period (NFS 2017) has, in the first place, entailed a streamlining of the "map" of relevant aspects. In line with the revision of the strategy that guides CSP's new industrial plan, another topic that was highlighted is the one tied to innovation and to the new lines/collections, which comply with "environmental sustainability" requirements.

The relative importance of the material topics from the prospective of the CSP Group was defined on the basis of an analysis process and allocation of scores by the directors and executives of the CSP Group's subsidiaries in Italy and in France, called to the forefront in order to collaborate with the directors in the definition of company strategies. The importance of topics which are relevant for the Stakeholders has taken into account, in particular, the results of the survey, mentioned above, administered to all employees of the CSP Group.



Governance and risk management

Corporate governance

GRI 102-18 / GRI 405-1

Material topic	Why (The reasons)
Ethical business conduct	The topic is cross-cutting and typical of CSP's operational and organisational model; essential condition for the business
Compliance (Laws and regulations)	The topic is cross-cutting and typical of CSP's operational and organisational model; essential condition for the business

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 entrusted);
- The Board of Statutory Auditors (to which the supervisory function is entrusted).

The legal auditing is assigned to the Auditing Company PricewaterhouseCoopers S.p.A. for the nine-year period 2018-2026. A 231 Supervisory Body was also appointed to supervise on proper functioning of the "Model 231" and to handle its update.

The Board of Directors set up an Audit and Risks Committee, whilst it 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

Maria Grazia Bertoni	Chairman with proxy
Francesco Bertoni	CEO with proxy
Carlo Bertoni	CEO with proxy
Giorgio Bardini	Member of the Board
Umberto Lercari ¹	Independent Member of the Board

Board of Statutory Auditors

Silvia Locatelli	Chairman
Marco Montesano	Standing auditor
Guido Tescaroli	Standing auditor
Vanna Stracciari	Substitute Auditor
Antonio Pavesi	Substitute Auditor

¹On 28 March 2019, Mr. Umberto Lercari resigned from the office of Member of the Board of Directors.

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 - Maria Grazia Bertoni: proxy in the administration, finance and control, information technology, human resources and workplace safety areas of the Company (as per art. 16 of Leg. Decree 81/08)

CEO- Francesco Bertoni: proxy in the areas of production, logistics and quality system of the Company.

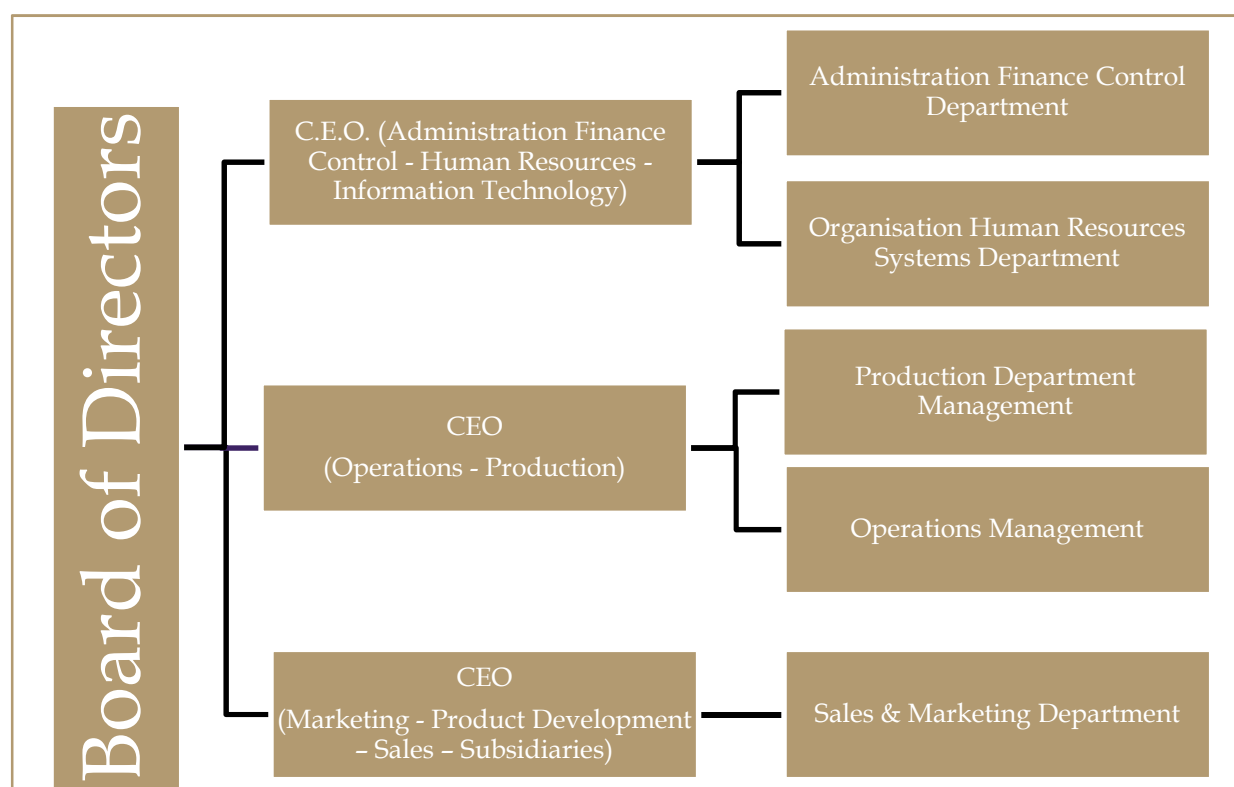
CEO- Carlo Bertoni: proxy in the areas of marketing, product development, sales and commercial branches of the Company.

B.o.D. - Gender diversity	Women		Men		Total	
	No.	%	No.	%	No.	%
	1	20%	4	80%	5	100%
B.o.D. - Composition by age brackets	Younger than 30		Between 30 and 50		Older than 50 years	
	No.	%	No.	%	No.	%
	-	-	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 measures

GRI 102-16/GRI 102-17/GRI 205-1/GRI 205-3

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 believes that the managers of operational areas are in charge of internal control. The Board of Directors has the ultimate responsibility for the internal control system in terms of orientation, guidance and supervision. Said corporate body periodically evaluates the adequacy and efficacy of the system with respect to the enterprise's characteristics, making sure that the main company risks are identified, measured, managed and monitored in an adequate manner.

The Chairman and C.E.O., Maria Grazia Bertoni, is the director assigned the task of overseeing the functionality of the Internal control system.

For the purpose of increasing the efficiency and efficacy of the jobs and creating a body to support its own functions, the Board of Directors has set up, within the management body, a specific Committee for internal control, known as the "Risks and Governance Committee (RGC). The various functions assigned to the RGC we would like to point out the one pertaining to support and assistance to the Board of Directors in the performance of tasks on the subject of internal control system and identification and management of company risks, as well as the function of expressing opinion on specific aspects pertaining to the identification of the main company risks.

The Board did not deem it necessary to appoint a person in charge of the internal audit function, since the current internal control and risk management system is considered functioning and adequate.

Organisation, management and control model as per Leg. Decree 231/2001

CSP has adopted a specific and autonomous 'Organisation, management and control model' as per Legislative Decree 231/01, a regulation that introduced the administrative liability of companies in the Italian legal system. In particular, the Model takes into account the CSP's structural and organisational characteristics, and it is periodically updated. 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.

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

The basic elements developed during the drafting 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, ratified in the Code of Ethics;
- mapping of sensitive activities, with examples of possible methods 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 periodical monitoring and analysis;
- 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. Please note that following the resignations of the Member of the Board Umberto Lercari on 28 March 2019, the Supervisory Body is considered dismissed as of the drafting date of this Non-Financial Statement, and thus must be reconstituted;
- 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 2018, no reports were submitted to the Supervisory Body and/or cases of corruption.

Code of Ethics

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 set out in 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 managers of company functions, in concretely implementing CSP’s direction activity, shall draw from the same principles, both internally, thus strengthening cohesion and spirit of mutual collaboration, and externally, vis-à-vis third parties with which CSP entertains a relationship.

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



The policies and the management systems

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

Environmental and safety policy

On 12 December 2018, CSP approved its Policy for the environment and safety, updated with respect to the document previously in force.

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. Therefore, CSP deems to be of crucial importance having an integrated environment and safety management system that makes it possible to standardise and control its processes and collect the information deriving from them. The integrated management system is aimed at ensuring continuous improvement of the processes, of environmental performance and of the management of the workers' health and safety, as well as the satisfaction of all Stakeholders, the prevention of environmental pollution, of accidents and occupational diseases, as well as the meeting of all Stakeholders' expectations.

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



The main lines of actions that CSP intends to follow on the topic of environmental protection and occupational health and safety, as highlighted in the policy for the environment and safety 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, near-misses, occupational diseases and improvement of their management;
- adopting all measures necessary to limit the occurrence of emergency conditions and any consequent impacts;
- adopting measures aimed at eliminating hazards, where possible, and at reducing risks for health and safety;
- adopting measures intended to improve environmental sustainability of processes;
- evaluating the impacts on the environment and on health and safety associated with the supply chain;
- designing, realising and offering sustainable products, also taking into account indirect environmental impacts;
- promoting the actions which the organisation undertakes and the results it achieves 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; encourages participation and consultation at all levels;
- informs all stakeholders, and whoever requests such information, of its own environmental, health and safety policy;
- commits the human and financial resources needed to achieve the objectives and to implement the improvement programs.

The Board of Directors, upon a proposal drawn up during the Management Review meeting, defines short and medium-term objectives which are disseminated and shared at all organisational levels.

The integrated Environment, Health and Safety management system

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

Environment - ISO 14001:2015 Environmental Certification. The ISO 14001 system certification aims at increasing the trust of all stakeholders, by ensuring the existence of an environmental management system suited to the nature of its activities, products and services. During the course of 2018, the transition from the ISO 14001:2004 diagram to the ISO 14001:2015 diagram was completed. The relative certificate was acquired and, in April 2019, the supervisory audit was conducted by the Certifying Agency.

Occupational health and safety - ISO 45001:2018 Occupational Health and Safety Certification. This certification confirms that the company uses an efficient occupational health and safety system, hence that it is a reliable company. The transition audit from standard OHSAS 18001:2007 to ISO 45001:2018 was conducted, and the relative certificate is in the process of being acquired. Considering that standards ISO 14001:2015 and ISO 45001:2018 feature the same structure, modelled on the one established by higher level rules (high level structure), the two management systems are perfectly combined into a single system.

The management system and its performance are constantly monitored by means of internal and external audits conducted by third parties.

Risk management

GRI 102-15/GRI 102-11

Risk management is incorporated in the development strategy of the CSP Group, and represents a basis element of the governance system. The identification of risks is based on a periodical process of risk assessment involving the entire Management: the managers of the company functions, through a detailed analysis of its own activities, explain the company risks under their control and commit themselves to implementing a management policy of the consequent risk.

Individual risks are analysed and ordered by priority, in consideration of the Company's objectives and in connection with the combination of probability and potential impact of the risks themselves. The control activity represents the application of policies and procedures aimed at managing risks, guaranteeing Management the implementation of its directives. These policies and procedures ensure the adoption of the measures necessary in order to deal with risks that may compromise the attainment of the organisation's objectives. The outcomes of the activities referred to in the previous points are distributed in such form and times as to allow each one of the persons in charge to fulfil their tasks, with the aim of developing effective and diffused communication that flows within the organisation towards the bottom, towards the top and across all company functions.

Risk monitoring

The monitoring phase completes the risk analysis process, validating actions aimed at preventing or mitigating the effects of the risks. In real terms, this means constant supervision, periodical evaluations, or a combination of the two. The process is conducted in a current management framework, and includes regular checks conducted by Management or other initiatives undertaken by the personnel themselves during the performance of their tasks. The extent and frequency of the periodical evaluation mainly depend on the risk assessment and on the efficacy of the supervisory procedures.

Environment, Health and Safety - Analysis of the risk context

In line with the requirements of standards ISO 14001 and ISO 45001, an analysis of the context (both internal and external) and the risk was conducted and documented which made it possible to highlight, specifically, the aspects associated with the environment and with occupational health and safety.

Risks - opportunities assessment of the processes

The company processes were mapped by site/activity. For each activity, the impact on the environment and on the workers' health and safety was evaluated and classified. Similarly, for each activity the relative opportunities for improvement, to be implemented during the subsequent design activities, were searched for and highlighted.

Risks and management methods

The CSP Group conducted an assessment of the risk areas, which are listed here below, with specific, but not exclusive, reference to the significant ones in terms of sustainability. The same table lists, in summary and/or with specific references to other sections of this document and/or documentation that can be found on CSP's website, the methods for managing said risk, in other words the strategies, policies and action plans of the CSP Group identified as a protection against risks.

Area-Category / Risk description	Underlying Material topic	Management method
Competitive scenario		
Trend of reference markets	Innovation and technological research on products	CSP's 2019-2023 Industrial Plan (please see NFS chapter " <i>Profile, business model and strategy</i> "), in view of a reference scenario characterised by stagnating consumption, a strong contraction of the reference markets and climatic factors which have become structural by now, was drawn up starting from strategic guidelines that consider research, innovation and sustainability to be important drivers.
Strategic risks - Business model		
<p>Risks related to general macroeconomic trends on the markets where CSP is present. The markets in which the Group operates are highly competitive.</p> <p>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.</p>	<p>Product quality and safety</p> <p>Brand image and reputation</p> <p>Customer satisfaction and customer care</p> <p>Responsible marketing</p>	<p>CSP's 2019-2023 Industrial Plan (please see NFS chapter "<i>Profile, business model and strategy</i>"), in view of a reference scenario characterised by stagnating consumption, a strong contraction of the reference markets and climatic factors which have become structural by now, was drawn up starting from strategic guidelines that consider research, innovation and sustainability to be important drivers.</p> <p>Specifically:</p> <ul style="list-style-type: none"> ▪ Development and marketing of new products featuring innovative and sustainability characteristics. ▪ CSP's policies consider product quality and safety to be highly important (Ref. NFS <i>The Customer – Product quality, safety and sustainability</i>)
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.	Economic and financial performance	<p>CSP constantly assesses the financial risks to which it is exposed in order to estimate, in advance, the potential negative effects and to undertake suitable actions aimed at mitigating said risks.</p> <p>For the specific management methods of risks of a financial nature, please refer to the <i>Consolidated Financial Statements as at 31 December 2018</i>.</p>
Operative risks		
Compliance		
Risks associated with failure to comply with rules and regulations	<p>Ethical business conduct</p> <p>Compliance (Laws and regulations)</p>	<p>CSP has adopted an organisation, management and control model pursuant to Leg. Decree 231/2001, which defines and provides for responsibilities and tasks of senior-level staff, with the aim of segregating potential conflicts or sensitive areas, including with respect to offences on the subject of the environment and/or health and safety in the workplace.</p> <p>Periodical conformity checks, including with</p>

		respect to authorising practices and dialogue with the Stakeholders. Planning and conducting internal audits. (Ref NFS: Governance and risk management – paragraph “The control model and anti-corruption measures”)
Environmental risks		
Risks with the highest potential environmental impact are represented by the management and discharges of water. The risks pertain to the dyeing process, the management of hazardous materials used in production processes (chemical products /dyes) and to the generation of waste.	<p>Compliance (Laws and regulations)</p> <p>Responsible consumption (raw materials and processing)</p> <p>Energy consumption and emissions</p> <p>Water consumption</p> <p>Waste production and management</p>	<p>The CSP Group has long dealt with the problems underlying this area, adapting the installations and subjecting them to monitoring. This with special reference to process which are most exposed, such as: the dyeing process and the use of energy sources.</p> <p>The protection against the risk in question is represented, in the first place, by the Environmental Management System. (Ref NFS: Governance and risk management – paragraph The management systems and policies)</p>
Human Resources / Organisational risks		
Ability to retain, attract and motivate qualified resources	<p>Training, professional development and skills</p> <p>Employment protection</p>	<p>The human resources management policy (Ref. NFS Human resources – Personnel management, value enhancement and development) entails an annual review of the integrated company policy and monitoring of the attainment of objectives and targets.</p> <p>The protection against the risk in question is based on a few specific elements:</p> <ul style="list-style-type: none"> ▪ Planning of opportunities for dialogue at all organisation levels in order to promote leadership and a feeling of belonging. ▪ Constant dialogue with the social parts (trade union organisations) and focus on the application of company principles (Code of Ethics) during the work activity ▪ Periodically, personnel who cover key positions or positions of responsibility are subject to specific training that allows an updating of their skills and enhances the value of the people
Guaranteeing the workers’ health and safety	Safeguarding the workers’ health and safety	<p>The protection against the risk in question is represented, in the first place, by the Health and Safety Management System. (Ref NFS: Governance and risk management – paragraph The management systems and policies)</p> <p>Please find here below the key points of the system aimed at monitoring the risk:</p> <ul style="list-style-type: none"> ▪ During the course of 2018, resources were allocated for the transition to standard ISO 45001 and to deal with the professional refresher program of the competences by

		means of scheduled training sessions.
		<ul style="list-style-type: none"> ▪ The management system requires that all routine maintenance activities be carried out periodically on the systems, also in connection with the assessed risk level. ▪ Suppliers monitoring systems are in the process of being implemented as regards environmental and health/safety aspects that may affect the company business. ▪ Continuous updating of the risk assessment and subsequent periodical training activity. ▪ Continuous monitoring of dangerous situations and near-misses. ▪ Periodical and formalised operational check activities.
Supply chain - Suppliers		
Reputational risk caused by any violations by the suppliers (external workers / subcontractors) of the principles contained in CSP's Code of Ethics and by non-conformity to CSP's policies regarding environment-health-safety.	Sustainability of the supply chain	<p>An internal analysis is being developed (Ref. NFS "The human resources - The suppliers - Responsibility of the supply chain") aimed at:</p> <ul style="list-style-type: none"> ▪ mapping the most significant suppliers from the standpoint of potential impact on environmental, safety and health topics ▪ defining the criteria used to evaluate the risk level along the supply chain ▪ implementing direct and indirect monitoring actions (through questionnaire) of the suppliers depending on priority/risk level.
Community and territory		
Development of conflicts and disputes.	Support to local communities (Suppliers and territory)	<p>CSP's Management (at different levels of Function / responsibility) is committed in managing dialogue and any problems with local communities and the territory (Ref. NFS a. Human resources – Personnel management, value enhancement and development policies; b. The relationship with the territory).</p> <p>Moreover, the system module pertaining to internal and external communication is in the process of being updated.</p>

The precautionary approach

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.

As indicated in the Policy for the environment and safety, CSP has adopted a preventive approach as regards the management of problems related to the environment and to safety, in particular for that which is referred to the production process and the development of new product lines.

Compliance with standards - Regulatory compliance

GRI 206-1/GRI 307-1/GRI 418-1/GRI 419-1

CSP's governance model, which includes 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. Please see the chapter where customer relations are analysed for the aspects of regulatory compliance more closely related to products and to commercial and marketing policies.

Compliance with environmental laws

During the course of 2018, just like during the previous year, there were no situations which resulted in sanctions and/or litigation for non-compliance with environmental laws, rules and regulations. Similarly, as of the date of this Non-Financial Statement there are no ongoing litigation concerning environmental issues.

National and local environmental laws are particularly alert to the production process of the dyeing departments of CSP's production sites (Ceresara and Le Vigan). These systems require specific authorisations and a constant monitoring process of various parameters, among which the concentration of chromium, used in dyes (especially for the colour black), to set the colour pigments, The regulatory evolution provides for a gradual reduction of the thresholds and/or limits, with which CSP shall be required to fully comply.

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

As of the date of this document, there are no cases of violations of laws and /or regulations pertaining to provisions of a social and economic nature. No penalty of such nature was received during 2018 and there are no significant proceedings concerning this issue.

Human rights

As regards in particular the topic of human rights, said topic is basically an integral part of the processes tied to the supply chain and relative potential problems. Please refer to the information provided in the chapter of this document dedicated to the analysis of relationships with suppliers (Responsibility of the supply chain) and to the project currently in the implementation phase aimed at improving the policies implemented with regards to this topic.

Privacy law

For the purpose of adapting to the new European legal framework resulting from the application of EU Regulations 2016/679 and of the recently-implemented Italian law (Leg Decree 101/18), CSP has undertaken a structured adaptation project and has defined a Data Protection Organisational Model that pursues the following objectives:

- guaranteeing exercise of the rights of the data subjects concerned by the processing;

- fulfilling the Data Controller's obligations, enhancing in all those who process personal data the awareness of the role covered within the organisational structure and of the responsibilities assigned to them; and of the provisions contained in the GDPR and, more generally speaking, of the self-regulation rules adopted by the Company;
- act promptly in order to prevent or combat possible violations through actions aimed at monitoring and checking the fulfilments referred to in the GDPR and the implementation of suitable security measures.

No objections have been received by CSP as of today's date with regards to violations of the regulations in force, of the data subject's rights and of the personal data for which CSP is the Data Controller.

Procedures on the subject of respect for the competition

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.

Associations and Memberships

GRI 102-12 / GRI 102-13

Adherence to codes of conduct - principles

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.

Associations – Memberships

Through the Perofil division, CSP is a member of Confindustria Bergamo. CSP is also a member of the following organisations:

- **Centro Servizi Imprese di Castel Goffredo (Mantova)/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.

ECONOMIC-FINANCIAL RESULTS AND DISTRIBUTED VALUE

Material topic	Why (The reasons)
Economic and financial performance	Economic sustainability - all the more so for a mature sector with difficult market scenarios such as the one in which CSP operates - is crucial for present and future operativity

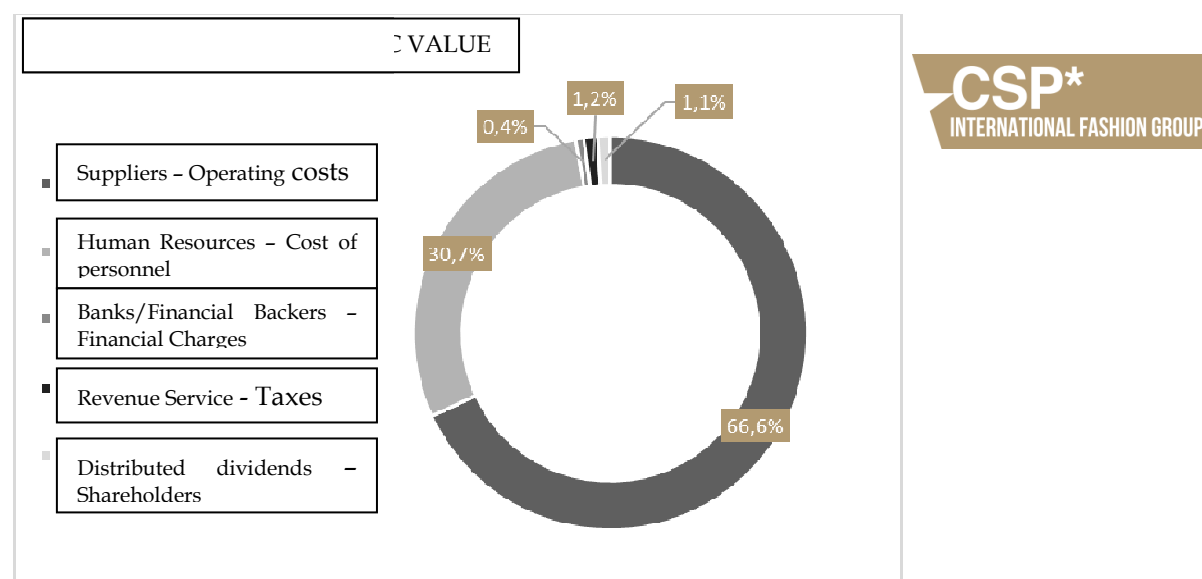
The economic value generated and distributed

GRI 201-1/GRI 201-2/GRI 201-4

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 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)	2016	2017 ₁	2018 ₁
Generated economic value	127,771	121,361	113,551
Suppliers – Operating costs	(83,872)	(78,121)	(75,647)
Human resources – Cost of personnel	(36,462)	(36,678)	(34,888)
Banks and other financial backers – Financial charges	(449)	(842)	(458)
Revenue Service – Taxes	(2,551)	(1,413)	(1,364)
	(123,334)	(117,054)	(112,357)
Distributed dividends – Shareholders	(1,613)	(1,290)	(1,290)
Distributed economic value	(124,947)	(118,344)	(113,647)
Retained economic value	2,824	3,017	(97)

1 Values restated due to application of IFRS 15 – Please see the note to the table of Revenue 2016-2018 referred to in chapter Profile, business model and strategy of this NFS



The financial impact of climate changes

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, in a significant manner, of this factor which concerned, in particular, sales during autumn and winter seasons.

Financial assistance received from the Public Administration

The Group receives no financial assistance of significant entity from the Public Administration. In 2018, the parent company CSP International Fashion Group S.p.A. benefited of the tax credit for research and development activities for an amount equal to Euro 26,000.

The impact on the territory

GRI 102-9/GRI 102-10/GRI 203-2/GRI 204-1

The distributed value has a significant impact on the local territory and CSP's reference community. In addition to the employees, there is a high percentage of suppliers to which the company assigns processing activities (these suppliers being known as subcontractors) and who operate in the hosiery district of Castel Goffredo, in proximity to the facility of Ceresara (MN), just like in the geographical areas of Carpi (MO) and Bergamo and on French territory in the departments of CSP's France subsidiaries. This circumstance contributes to ensuring a positive spin-off on the economy and on the operators of the reference sector. Please note how the value distribution to local suppliers must, in any event, take into account not only the operational model, but also the type of supply being requested.

During the course of 2018, no significant changes took place in the structure of CSP's supply chain.

Purchases of raw materials and subcontractors

For the hosiery category, CSP favours 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 mainly avails itself of 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

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 and EU for the most part. Other suppliers located in Serbia, Israel, Japan, North Africa and Asia;

- Fabrics, flounces: mainly of Italian origin;
- Packing, packaging materials: purchased mainly from Italian companies;
- Dyes and Auxiliary agents: purchased mainly from Italian companies. Although the origin of the products is Italian for a small part, it is not managed.

The economic spin-off on the territory

In 2018, CSP has entrusted to **local suppliers** a total of supplies equal to a total of **Euro 17.1 million, equal to 19.4% of the overall total.**

<i>(Amounts in millions of €)</i>	CSP Italy	CSP France	Total
Total value of local supplies	15.4	1.7	17.1
% of local supplies out of the total (in value)	33.1%	4.1%	19.4%

Data pertaining to the impact on the territory refers to the year 2018 only. Data referred to previous periods would not be homogeneous as scope of reporting. With regards to CSP Italy, the suppliers identified as local suppliers where the over 400 suppliers operating in the provinces of Mantua, Modena and Bergamo (locations of CSP's production units). As for CSP France, the local suppliers (about 100) are those operating in the departments of Le Vigan and Fresnoy (CSP plants).

The investments – The innovation

GRI 203-1

Investment policies and plans

During the period in question, pre-tax investments were made for a total of 965,000 Euro (2.2 million Euro in 2017 and 1.6 million Euro in 2016) mainly pertaining to the purchase of new machinery to replace other equipment that were obsolete and fully amortised.

During the course of the 2018 period, CSP conducted research and development activities focused on technological innovation, for a total commitment (incurred costs) of Euro 2.9 million (Euro 2.4 million in 2017 and Euro 2.4 million in 2016). In particular, the R&D activities focuses on projects which are deemed to particularly innovative, and are being carried out in the various plants both in Italy and in France. In this sense, please see the information on the new collections and materials used, contained in the chapter "Profile, Business model and strategy / The sustainability strategy" of this document.

We trust that the positive outcome of these innovations will generate good results in terms of turnover, with favourable consequences on the economic situation of the company and of the local territory.

THE CUSTOMER – PRODUCT QUALITY, SAFETY AND SUSTAINABILITY

Material topic	Why (The reasons)
Product quality and safety	In view of the characteristics and raw materials of the product, of the "fashion" sector, destination, use by the customers, the quality as well as the safety of the product are very important in terms of CSP's business continuity, economic results and reputation.
Brand image and reputation	The reference sector, and the history and brands of CSP require utmost attention to maintaining the "brand reputation", a crucial aspect for the performance of CSP and its competitive positioning.
Customer satisfaction and customer care	Customer satisfaction and care are extremely important for the sector in which CSP operates, since they promote CSP's performance and competitive positioning.
Responsible marketing	Responsible marketing policies, in particular during a phase aimed at both maintaining the market shares and, in particular, at the development of new products and collections that wager on the technical and sustainability characteristics of the products, are necessary in order to support, in a suitable and transparent manner, CSP's business model and the results of its strategies.
Innovation and technological research on products	The research and development of new products, new materials used and/or production techniques can allow the strengthening of the Company's competitive position and of its economic results, at the same time contributing to a reduction of the environmental impacts of the textile-clothing sector, to the direct and indirect benefit of the community and of the territory

Quality and safety – product conformity

GRI 102-2/GRI 102-6/GRI 416-1/GRI 416-2/GRI 417-1/GRI 417-2

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

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.

The adoption of a policy on the topic of the environment, the management systems and, in particular, the certification according to Standard ISO 14001:2015:

- 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.

This approach is also aimed at improving the commercial performance and competitive position of CSP and, consequently, at strengthening the trust of Stakeholders - customers.

Oeko-Tex® Standard 100 – Product certification

In 2018, 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 - products 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.

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

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

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 to this regulation by CSP or by the other Group subsidiaries in 2018.

Responsible relationships with the customer

GRI 102-2/GRI 102-6/GRI 417-3

Responsible marketing

For CSP, customer satisfaction is at the centre of the corporate philosophy, for all the Group's brands. In fact, "thinking retail" means starting from the buyers in order to arrive at the production of a product and service that satisfies the customer: The Group is *Consumer Oriented*.

In 2018, two distinct paths were developed and followed, both converging on the value that is shared by all brands: **Innovation**. Innovation is a "key word" closely interrelated with the different dimensions of sustainability. To CSP, process and product innovation makes it possible to offer suitable and improved products, in particular for that range of customers which are more and more alert to environmental topics typical of "eco-sustainability", at the same time focusing on the priority objective of the "beauty" of the product, thus gratifying the customers under this profile as well.

Customer care goes hand in hand with customer relations. CSP's Customer Care policy aims to place emphasis on the product, along with the quality of the before and after-sales assistance service: great focus on any claims and reports coming from the sales network and from customers, use of e-commerce and social networks to measure the "consumer sentiment".

Customer service supports the requests for information and explanations from both the final customers and from the trade, with reference to the products that make up CSP's various collections and brands. The marketing campaign dedicate plenty of space to complete descriptions even on the packaging of each product. In the dedicated digital area, communication aids are made available to CSP's partners. CSP has a toll-free number, a dedicated e-mail address that is always available (info@cspinternational.it), in addition to a chat-line.

The *feedaty - opinioni certificate* (<https://www.feedaty.com/>), which collects reviews on sellers and products, is active on the corporate websites. CSP's leading brand CSP, Oroblù, GOLD Company-certified, with 97.9% of positive redemptions.

Lastly, please note that the 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.

THE ENVIRONMENT

Material topic	Why (The reasons)
Responsible consumption (raw materials and processing)	CSP uses considerable quantities of raw materials for its production, and purchases directly semi-finished and/or finished products from third-party suppliers
Energy consumption and emissions	CSP's production processes and production systems require significant use of energy, with the simultaneous generation of emissions (mainly GHG/CO ₂)
Water consumption	CPS uses significant amounts of water for its own production processes, and owns purification systems for the management of water and waste, downstream the dyeing process
Waste production and management	CSP's production processes and packaging phases generate significant amounts of waste, some of which is special waste, that require specific treatments and disposal methods (in particular, sludge from the purification process carried out in the dyeing department)

Environmental protection and use of natural resources

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

Fully aware of the need to limit the impact of the activities of all companies on the environment, CSP has 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 impact 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.

In addition to meeting market needs and, in line with the industrial plan, having the objective of promoting the CSP's competitive positioning and economic/financial performance, the investments in research and development on new products also meet the environmental sustainability objectives, such as the principles of circular economics (re-use of production waste, regeneration of products, reduction in the consumption of water resources and energy).

Materials and outsourcing

GRI 301-1

The purchased quantities

Materials	Units of measure	Purchased quantities		
		2016	2017	2018 ₁
Raw materials - Packing				
Yarns	Kg	1,170,032	1,004,440	825,774
Fabrics	m	438,583	434,061	358,652
Flounces	m	729,357	727,594	614,145
Packing / packaging - paper / cardboard	Kg	1,659,626	1,505,665	1,132,113
Packing / packaging - plastic	Kg	154,524	137,619	111,795
Powder dyes	Kg	95,295	82,697	26,386
Auxiliary agents / Liquid dyes	Kg	187,866	147,950	111,380
Auxiliary agents / Liquid dyes	Litres	-	-	40,545
Subcontractors				
Semi-finished products (sewing / packaging)	Pcs	2,922,589	2,005,920	1,732,949
Ready-to-wear products / Finished products	Pcs	7,273,321	6,022,415	5,319,759

₁Since the quantities purchased in 2018 by the Bergamo plant (formerly Perofil) are not automatically provided by the IT system, they were estimated on the basis of the production dynamics of 2018 with respect to 2017. The estimated data refers, in particular, to 48% of fabrics, to 25% of plastic packing and to 36% of semi-finished products.

During the three-year period, the purchases of raw materials for textile production, just like the dynamics pertaining to semi-finished and finished products, have felt the negative effects of the strong contraction of the reference market.

Use of regenerated - recycled materials and products

Within the scope of the Industrial Plan guidelines, CSP is implementing innovative solutions in connection with raw materials and packaging that meet the environmental sustainability policies (regenerated yarns, castor oil seeds as well as the passage for catalogues and product packaging to FSC - Forest Stewardship Council certified paper).

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

Energy and emissions

GRI 302-1/GRI 302-3/GRI 305-1/GRI 305-2/GRI 305-4

Energy consumption

During the course of 2018, the electricity consumption dynamics were mainly determined by production trends. Gas consumption is in part tied to the production trend, if used during the dyeing process, while the rest is related to climate trends, if used to heat the work premises. In any event, policies have been implemented which aim to reduce consumption through the adjustment and control of the temperatures in the work environments.

Energy consumption (Values in Mega Joule)	Purchased quantities		
	2016	2017	2018
Heating fuel			
Natural gas	78,050,151	81,561,071	73,097,188
Fuel			
Transport diesel ₁	3,967,801	12,570,060	12,347,295
Transport petrol	117,877	55,328	83,949
Electricity			
Electricity purchased from the network	58,801,478	53,828,957	47,667,668
Electricity purchased from photovoltaic plant (renewable sources)	-	558,000	557,917
Total	140,937,307	148,573,416	133,781,017
<i>Of which: from renewable sources</i>	<i>-</i>	<i>558,000</i>	<i>557,917</i>

1Data pertaining to transport diesel for 2017 was modified by also including the values of the French subsidiary, such values not being available for purposes of the NFS 2017. Please note that this data was not available for the 2016 period.

The photovoltaic system – Perofil

The energy purchased from photovoltaic plant refers to the production unit of Perofil (Bergamo). There is a photovoltaic plant operating at this site. 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 currently evaluating the feasibility of expanding the data collection process to include indirect energy consumption, which is mainly tied to outsourcing/subcontractors processing cycles, currently not included in the reporting perimeter due to their unavailability. The mapping and investigation plan of the suppliers in progress, which is expected to be completed during the course of the period 2019, should also gradually allow the start of the collection process of the information in question.

Intensity of the energy consumption

Please find below the measurement indicators of **energy intensity for the various industrial facilities**. 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.

Energy intensity indexes - Italian plants

Sites	2016	2017	2018
Ceresara (HQ)			
Electricity consumption (MJ)	27,897,923	25,752,870	23,791,511
Hours worked	357,509	340,472	329,123
Intensity index	78.0	75.6	72.3
Carpi			
Electricity consumption (MJ)	1,134,569	1,144,829	1,124,932
Hours worked	94,233	95,021	86,184
Intensity index	12.0	12.0	13.1
Bergamo			
Electricity consumption (MJ)		1,111,057	1,099,552
Hours worked		96,695	80,875
Intensity index	<i>N/A</i>	11.5	13.6

The indicators referred to Ceresara (HQ) show a gradual recovery in terms of energy efficiency due to the replacement of neon lamps with LED fixtures in 2017. 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. The slight worsening of indexes pertaining to the Carpi and Bergamo sites is mainly tied to the reduction in hours worked, whilst energy consumption stayed just about the same since it is mainly related to lighting and services (e.g., air-chilling of the offices).

The data pertaining to the energy consumption intensity indexes at the Ceresara Dyeing Department show a slight improvement, due to a recovery of efficiency of the production process. The reduction in production volumes and, consequently, of the resources used, is tied to decrease in sales volumes of this category of goods (women's hosiery) manufactured at the production unit.

Energy intensity indexes Dyeing - Italy

Italy - Dyeing	Ceresara (HQ)		
	2016	2017	2018
Natural gas consumption (MJ)	28,687,810	23,883,335	20,190,577
Quantity worked (kg)	670,986	576,709	545,247
Intensity index	42.8	41.4	37.0

Energy intensity indexes - France

The following table shows the trend of the intensity index of energy consumption of the French subsidiary, in this case referred to consumption of natural gas and electricity for industrial uses (basically the production plants).

France			
	2016	2017	2018
Total consumption of electricity + natural gas by the plants (MJ)	43,606,800	38,559,600	32,961,929
Hours worked	910,443	849,208	687,815
Intensity index	47.90	45.4	47.9

Objectives and projects aimed at reducing energy consumption

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 was conducted in 2018 for the installation of a tri-generation plant at the Ceresara (MN) facilities. The building of this plant would entail a significant investment, up to a maximum of Euro 2 million, still in the evaluation phase.

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 waste water from the production system. The investment allows a savings in natural gas consumption that has been estimated to be about 30%.

The research and development activities for new products and processes (with regards to this please refer to the information provided in chapter Profile, business model and strategies) are also aimed at reducing the consumption of electricity and raw materials in general.

Emissions

Direct emissions - Scope 1

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 emissions associated with consumption of electricity purchased from the network (GHG Scope 2). 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.

Direct emissions (GHG Scope 1)	Units of measure	Quantity		
	t CO ₂ e	2016	2017	2018
Natural gas		4,378	4,576	4,101
Transport diesel ¹		294	932	917
Transport petrol		8	4	6
Total		4,680	5,512	5,024

Source: IPCC Guidelines 2006

¹Data pertaining to transport diesel for 2017 was modified by also including the values of the French subsidiary, such values not being available for purposes of the NFS 2017. Please note that this data was not available for the 2016 period.

Indirect emissions - Scope 2

Indirect emissions (GHG Scope 2)	Units of measure	Quantity		
	t CO ₂ e	2016	2017	2018
Electricity purchased from the network		3,622	3,396	3,093
Total		3,622	3,396	3,093

Source: Enerdata 2014

The trend of direct and indirect emissions, taking into account the calculation methods and the reference perimeter, reflects directly the consumption of electricity and natural gas.

Other indirect emissions - Scope 3

CSP is aware of the fact that the figures pertaining to indirect emissions upstream and downstream the production and distribution process, deriving from the consumption of energy sources over which CSP has no control, represents a useful piece of information for a thorough understanding of its environmental impacts and of its Carbon footprint. Taking into account the business model, the more significant data concerns emissions tied to the production processes of the supply chain (subcontractors) and of those originated by incoming logistics activities and for the distribution of finished products. This data is still not available to CSP, and it was not possible to provide any information in that respect. Obtaining such information remains one of the improvement objectives of CSP's sustainability reporting.

Intensity of emissions - energy consumption

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 a representative parameter for this production phase.

Indexes of emissions intensity - Italian plants

Italian plants	2016	2017	2018
Ceresara (HQ)			
t CO ₂ e	4,752	4,840	4,525
Hours worked	357,509	340,472	329,123
Intensity index	13.3	14.2	13.7
Carpi			
t CO ₂ e	187	188	192
Hours worked	94,233	95,021	86,184
Intensity index	2.0	2.0	2.2
Bergamo			
t CO ₂ e		254	244
Hours worked		96,695	80,875
Intensity index	Not available	2.6	3.0

The trend of emissions intensity indexes, taking into account the calculation methods and the reference perimeter, reflects directly the trend of the energy intensity indexes.

Emissions intensity indexes - Dyeing Italy

Italy - Dyeing	Ceresara (HQ)		
	2016	2017	2018
t CO ₂ e	1,609	1,340	1,133
Quantity worked (kg)	670,986	576,709	545,247
Intensity Index (Kg CO₂e /Kg)	2.4	2.3	2.1

Indexes of emissions intensity - France

France	France		
	2016	2017 ₁	2018
t CO ₂ e	1,589.4	1,874.6	1,676.7
Hours worked	910,443	849,208	687,815
Intensity index (Kg CO₂e /h)	1.6	2.2	2.4

¹Figure rectified with respect to the published one – NFS 2017 – Please refer to the notes to the energy / emissions tables.

The water resource

GRI 303-1

The withdrawals

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 mainly from surface water sources.

The reporting standard relative to water resources (GRI 303) was updated by the Global Reporting Initiative for the purpose of introducing the "best practice" in water management in the reporting

practice. The standard, the application of which will be mandatory as from the 2021 reference period, is consistent with the SDGs / sustainable growth objectives, in particular with objective 6, which deals with the problems of drinking water, of hygienic-plumbing services and of hygiene, as well as the quality and sustainability of water resources throughout the world. The updated version of the standard introduces a framework for the collection of information on the use of water of an organisation, on the associated impacts and on how to deal with them. Another objective is to gain a better understanding of the impacts on fresh water resources, in particular in areas classified as "water stress" areas. CSP has begun to analyse the new Standard, with the aim of ensuring its full application as soon as possible. For purpose of this document, reference is made to the 2016 version of GRI 303.

Water withdrawals - per source of procurement	Units of measure	Quantity		
		2016	2017	2018
	cubic metres			
Surface water		38,000	35,000	21,000
Wells		245,643	235,794	219,053
Municipal waterworks		568	2,117	7,544
Total		284,211	272,911	247,597
Percentage of water drawn from wells		86.4%	86.4%	88.5%

Reuse of process water

At present, the water that is drawn and used for the production process, downstream the processes, is not reused within the production units. As indicated in NFS 2017, a feasibility study is currently under way regarding the possibility of re-using the water from the Ceresara plant dyeing department, treated in a biologic purification plant with double sedimentation owned by the Company. The object of the evaluation are, 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.

Water discharges

Most of CSP's water discharges flow into surface water bodies. Taking into account the characteristics of the production processes, the percentage of water used up, or retained inside the products, is not significant.

Discharges are regularly authorised- Discharges into surface water bodies comply with the pertinent limits set by Leg. Decree 152/2006

Production unit	Discharges
Ceresara -Headquarters	Domestic type waste is treated in two biological purification systems before flowing into surface water bodies. The water used in air conditioning/chilling systems also ends up in surface water bodies.
Ceresara - Dyeing	All discharges are treated in a biological purification plant and subsequently discharged into surface water bodies.
Carpi	All discharges are conveyed into a public sewer system after being treated in Imhoff tanks.
Bergamo (Perofil)	All discharges 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.

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.

Waste

GRI 306-2

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 purification of waste coming from the dyeing department produces sludge, which is subjected to a purification process directly at CSP's purification system at the production unit of Ceresara (Dyeing). The French plant uses a settling tank prior to the taking the waste to the municipal purification plant.

A significant portion of CSP's 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

Waste category	Destination	Quantity (Kg)		
		2016	2017	2018
Hazardous waste		2,477	1,498	2,877
Non-hazardous waste		817,213	852,126	764,784
Total		819,690	853,624	767,661

Waste - Italy

Waste category	Destination	Quantity (Kg)		
		2016	2017	2018
Mineral oil waste, emulsions, filtering and absorbing materials	R13 - Storage of waste in order to subject it to reclamation operations	2,477	1,498	2,877
Hazardous waste		2,477	1,498	2,877
Sludge from biological treatment of industrial waste water	D15 - Preliminary storage prior to disposal	-	100,540	134,380
Waste from textile fibres - packing - iron and steel	R3 - Recycle/reclamation of organic substances not used, such as solvents (including composting operations and other biological conversions)	10,480	59,204	23,500
Waste from textile fibres - packing - iron and steel - spent printer toner - Discarded equipment - Components removed from discarded equipment	R13 - Storage of waste in order to subject it to reclamation operations	442,033	355,282	323,924
Non-hazardous waste		452,513	515,026	481,804
Total		454,990	516,524	484,681

The trend of the quantity of hazardous waste is affected by the occasional production of waste which is not typical of the process. Due to the effect of the changed Italian regulatory framework, it is no longer possible to subject to reclamation operation non-hazardous waste classified as "sludge produced from the treatment of industrial waste water". This is the reason why the quantities generated in 2016 are recorded with destination R13, whilst the quantities produced in 2017 and in 2018 are recorded with destination D15. The figure for 2016 does not include the Bergamo plant.

Waste - France

In 2018, CSP's French production and administrative facilities produced a total quantity of non-hazardous waste equal to 283.0 t (337.1 t in 2017), mainly cardboard boxes, plastic packaging and yarns. This waste is reclaimed.

Waste category	Destination	Quantity (Kg)		
		2016	2017	2018
Hazardous waste		-	-	-
Non-hazardous waste	Reclaimed	364,700	337,100	282,980
Total		364,700	337,100	282,980

THE HUMAN RESOURCES

Material topic	Why (The reasons)
Training, professional development and skills	The training, development and maintenance of professionalism and of skills are topics that cut across the organisation, the operational model and other material topics
Safeguarding the workers' health and safety	The safeguarding of the health and safety of the human resources are topics that cut across the organisation, the operational model and other material topics
Employment protection	The maintenance of employment levels tied to the reference territory represents a priority and a peculiar characteristic of CSP's operational model

Personnel management, value enhancement and development policies

GRI 103-1/GRI 103-2/GRI 103-3/GRI 406-1

Remuneration policies

As required by the regulations in force, all employees are covered by collective bargaining and supplementary company agreements.

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.

Industrial relationships - Relations with trade union and social organisations and restructuring plan

CSP contributes to the economic well-being 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 offence, 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. The following initiatives were undertaken in the year 2018 and during the early months of 2019:

- During the course of the year 2018, the Parent Company CSP International undersigned an agreement for ordinary wage redundancy fund (Cassa Integrazione Ordinaria) lasting 7 weeks, from 12 February until 31 March 2018, involving 92 employees and, afterwards, an agreement for the duration of 11 weeks, starting on 3 September up to 17 November 2018, which involved a total of 112 employees, with a maximum reduction of the weekly hours equal to 3 working days.
- As regards the French subsidiary, CSP Paris Fashion Group, 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.
- January 2019 - hypothetical agreement for the stipulation of a solidarity contract entailing an average reduction equal to 25% of the work hours of the personnel at the Carpi plant, starting from 4 March 2019 and lasting for 10 months. This agreement falls within the streamlining and containment programs of the overhead costs declared by the Group, for the purpose of minimising any possible employment and social impacts originating from the significant contraction in the underwear market and from the consequent decision to streamline the development of product lines pertaining to underwear and beachwear. The agreement reached will allow CSP, on the one hand, to safeguard the employees' specific know-how and, on the other, to approach in a flexible way the changed needs of the compartment concerned by the agreement.

- January 2019 - As regard the hosiery division of the Ceresara plant, as from 4 February 2019 an ordinary wage redundancy fund (CIGO) has been implemented, involving 90 workers with a maximum reduction of the weekly hours equal to 3 working days, and lasting for 13 weeks.
- March 2019 - in line with the strategic revision program aimed at outlining a multi-year plan that may make it possible to combat the current unfavourable situation, CSP has presented the development plan for the Bergamo Division, which entails relocating the production from the current location to a new rented building located at the address of Via Zanica 54, in Bergamo, a few distance away from the current address. The relocation will concern all departments except for those associated with the quality control of raw materials / accessories and finished products, cutting, logistics, services complementary to the previous ones and IT services, which will be centralised at the Ceresara headquarters, for the purpose of taking advantage of all possible synergies associated with unified logistics. Of the total workforce of 68 employees for the Division, 21 will be relocated to Ceresara. CSP has initiated a dialogue with trade union organisations to make the relocation easier. The new facility will allow a reduction in management costs and the integration of product development and prototyping operational functions, as well as the expansion, at the new location, of the Company outlet over a total surface area of about 500 square metres, inside of which the entire range of products bearing the CSP brands will be sold. The relocation of the departments to Ceresara will become operational as from the month of May 2019, and will make it possible, at this delicate time for the market, to safeguard the division's know-how and the occupational levels, as well as to streamline operating costs in relation to the actual business trend. The relocation to the new Bergamo-based facility will become operational approximately towards the end of the year.

The employees

GRI 102-8/GRI 102-41/GRI 202-1/GRI 401-1/GRI 401-2/GRI 402-1/GRI 405-2

Data pertaining to personnel refers to the consistence of the workforces at the end of the period (Headcount).

During the last three periods, the employee trend has undergone a contraction that is basically tied to the difficulties of the market and to the restructuring operations being carried out by the Group. The downward trend was partially offset by the acquisition of Perofil, during the course of 2017.

Total employees	2016	2017	2018
Total	879	846	807

Employees by category / genre

	2016			2017			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Executives - Managers	4	11	15	4	13	17	4	12	16
Office clerks - Cadres	347	176	523	363	177	540	341	174	515
Blue-collar workers	221	120	341	188	101	289	183	93	276
Total	572	307	879	555	291	846	528	279	807

The nature of the sector in which CSP operates has historically witnessed the predominance of female personnel, which at the end of 2018 was more than 65%. The place of origin of CSP's employees is mainly local.

Female personnel incidence trend for the period

	2016	2017	2018
Executives – Managers	26.7%	23.5%	25%
Office clerks – Cadres	66.3%	67.2%	66.2%
Blue-collar workers	64.8%	65.0%	66.3%
Total	65.1%	65.6%	65.4%

Employees by geographical area

Of the total number of employees as at 31 December 2018, 414 (51.3%) work for the French subsidiary of the CSP Group.

Area	2016			2017			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Italy	268	144	412	272	136	408	259	134	393
France	304	163	467	283	155	438	269	145	414
Total	572	307	879	555	291	846	528	279	807

The dynamics of the workforce for the period in question feels the effects of the negative trend of the reference market. 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.

Employees by age group

Age groups (years)	2016			2017			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Up to 30 years old	37	8	45	41	5	46	36	5	41
From 30 to 50 years old	288	115	403	265	103	368	236	85	321
Over 50 years old	247	184	431	249	183	432	256	189	445
Total	572	307	879	555	291	846	528	279	807

Employees by age group incidence trend

Age groups (years)	2016	2017	2018
Up to 30 years old	5.2%	5.4%	5.1%
From 30 to 50 years old	46.8%	43.5%	39.8%
Over 50 years old	49.0%	51.1%	55.1%
Total	100.0%	100.0%	100.0%

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. The dynamics was further emphasised in 2018, with the 'over 50' personnel reaching 55.1%. 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 (lay-offs) that CSP has been forced to implement in recent years.

Employees by contract type and form of employment

CSP's personnel employed as of 31 December 2018 were mainly hired through open-ended contracts. Below is the detailed data referred to the last three periods.

Employees by contract type

Contract	2016			2017			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Open-ended contract	488	299	787	485	283	766	468	274	742
Fixed term contract	84	8	92	70	8	78	60	5	65
Total	572	307	879	555	291	846	528	279	807

The percentage of employees with fixed-term contract is not significant at the end of the period (8%) and there are no differences of particular significance at the geographical area level.

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.

Contract / area	2016			2017			2018		
	Italy	France	Total	Italy	France	Total	Italy	France	Total
Open-ended contract	382	405	787	387	381	768	376	366	742
Fixed term contract	30	62	92	21	57	78	17	48	65
Total	412	467	879	408	438	846	393	414	807

Employees by form of employment

Form of employment	2016			2017			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Full-time job	394	302	696	363	285	648	351	274	625
Part-time job	178	5	183	192	6	198	177	5	182
Total	572	307	879	555	291	846	528	279	807

Type of job / area	2016			2017			2018		
	Italy	France	Total	Italy	France	Total	Italy	France	Total
Full-time job	311	385	696	298	350	648	291	334	625
Part-time job	101	82	183	110	88	198	102	80	182
Total	412	467	879	408	438	846	393	414	807

The Italian Companies of the CSP group benefit from relief concerning social security contributions in relation to "stabilised" employees (hiring with open-ended contract or conversion of contracts to the open-ended form). This facilitation concerns a relatively insignificant number of 11 employees (women).

As regards company benefits, there is no discrimination between full-time and part-time employees, the only difference being that the latter category benefit in a proportional manner to their respective work schedule.

Personnel turnover

Data pertaining to personnel turnover are provided for the last three years only. The table below shows the turnover by age groups and gender

Hiring- Age group	2016			2017			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Up to 30 years old	21	2<	23	64	8	72	117	5	122
From 30 to 50 years old	106	29	135	77	36	115	34	10	44
Over 50 years old	28	-	28	86	18	104	47	)4	51
Total	155	31	186	227	64	291	198	19	217

The hiring figure of 2018, like for the previous periods, includes the **202 employees of the French subsidiary, for the most part hired with short-term 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. The circumstance is also clearly demonstrated by the dynamics of outgoing personnel:

Terminations - Age group	2016			2017			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Up to 30 years old	38	16	54	73	13	86	115	)4	119
From 30 to 50 years old	52	17	69	92	28	120	45	14	59
Over 50 years old	47	17	64	84	34	118	66	12	78
Total	137	50	187	249	75	324	226	30	256

Terminations - Causes	2016			2017			2018		
	Wome n	Men	Total	Wome n	Men	Total	Wome n	Men	Total
Voluntary resignations	17	)4	21	28	7	36	14	9	23
Retirements	7	11	18	11	8	19	14	10	24
Dismissals	7	5	12	43	26	69	)4	8	12
Other (end of fixed-term contract)	106	30	136	167	34	201	194	3	197
Total	137	50	187	249	75	324	226	30	256

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 lay-off procedure for 55 employees. CSP is still strongly committed to the restructuring and streamlining process.

Personnel turnover rate

The turnover rate is calculated as the ratio of the "net" balance between hirings and dismissals of the Group's personnel and their total quantity at the end of the previous period. This approach makes it possible to normalise the dynamics and the effects tied to the seasonal hirings of the French subsidiary.

Turnover rate %	2017			2018		
	Italy	France	Total	Italy	France	Total
Hiring	96	195	291	15	202	217
Resignations	(100)	(224)	(324)	(30)	(226)	(256)
Net Increase (Decrease)	(4)	(29)	(33)	(15)	(24)	(39)
Employees as at the end of the previous period	412	467	879	408	438	846
Turnover index	(1,0%)	(6,2%)	(3,8%)	(3,7%)	(5,5%)	(4,6%)

In 2017, the effects of the significant reduction in the workforce of the Group's Italian 'operations', following the implementation of the restructuring plan, were offset by the acquisition of Perofil. In 2018, the net reduction index of the workforce at the Group level, more significant for France, settled around 4.6%.

The ratio between salaries and genders

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	Executives	Cadres / Office clerks	Blue-collar workers
Italy	84%	68%	87%
France	Not applicable	59%	101%

For both Italy and France, the figure shown compares the fixed component of the remuneration, which can better express said ratio. Job description being equal, the contractual and remuneration level provided for by the National Collective Labour Agreement (CCNL) for the sector is applied, in full compliance with gender equality; however, the remuneration are then obviously adjusted based on seniority at the company and on the type of activities carried out.

The management of advance notices

As regards changes in contractual conditions which are relevant for the employees, the company generally complies with the time frames provided for by the National Collective Contract (CCNL).

Occupational Health and Safety

GRI 401-3/GRI 403-2/GRI 403-4

The commitment towards health and safety in the workplace represents an important aspect for CSP. The focus finds application in the process management methods, which have met with approval in the already mentioned certification ISO 45001:2018, following the finalising of the adaptation process of standard OHSAS 18001:2007 to standard ISO 45001:2018.

The standard GRI 403 **Occupational Health and Safety** used for the reporting of topics pertaining to occupational health and safety, was updated during the course of 2018 by the GRI – Global Reporting Initiative. The updated version, which will become mandatorily effective starting in 2021, places particular emphasis on the prevention measures of accidents at work and occupational diseases, in line with the most sophisticated systems that manage these aspects. The reporting scope will include not only the organisation's employees but also independent workers who nevertheless carry out their activity under the organisation's control and/or at a "workplace" controlled by the organisation. The implications associated with the methods used to manage and collect the requested data on injuries and occupational diseases pertaining to independent workers are currently being evaluated by CSP. For purpose of this document, reference is made to the 2016 version of GRI 403.

The Head of the Prevention and Protection Service (RSPP) - Work plan and improvement measures

In accordance with the provisions of Leg. Decree 81/2008, CSP has appointed as Head of the Prevention and Protection Service (RSPP) 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 as to safety and with the Directors. As part of the policy on the subject of health and safety, the Risk Assessment Document (DVR) has been drawn up. This document identifies the specific factors of potential risks relative such operating reference areas. Moreover, a document is periodically drawn up and updated which contains the work plan and the improvement measures (Improvement Plan). For CSP's French subsidiary, the position of safety manager is currently covered by the Production Manager.

Trade union representatives, occupational health and safety

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

Italy	2016	2017	2018
Number of accidents on the job (Others) ¹	N/A	2	2<
Days of absence due to accidents ²	182	143	30
Total hours worked	N/A	600,442	620,133
Accident Frequency Index	5.53	3.33	3.23
(no. of accidents / worked hours) * 1,000,000			
Accidents Seriousness Index ³	0.32	0.23	0.05
(days of absence / working hours) * 1,000			

¹Accidents 2018: 2 of which 1 ongoing.

²The days of absence for injury refer to the working calendar days, excluding holidays and rest days

³ The 2016 and 2017 indexes were recalculated according to the methodology used for the year 2018.

France	2016	2017	2018
Number of accidents at work (Others)	N/A	5	9
Workdays lost as a result of accidents / occupational diseases	1,447	849	875
Days of absence for the period	6,785	7,588	7,552
Total	8,232	8,437	8,427

Total hours worked	N/A	849,208	663,346
Accident Frequency Index		5.9	13.6
<i>(no. of accidents /worked hours)*1,000,000</i>			
Accidents Seriousness Index		0.10	0.13
<i>(days of absence / working hours) * 1,000</i>			

The accidents that occurred in 2018 mainly concerned situations that could be classified as 'first aid'. Please note that during the course of 2018, just like in previous years, no fatal accidents took place.

The work environment and health

At the CSP Group level, there are no situations, circumstances or working processes such as to deem possible the existence of particular and significant risks of impact of transmissible diseases or serious occupational diseases that may arise in connection with the activities carried out by the Group's employees.

Please note that, during the course of the year 2018, 5 cases were nevertheless recorded of diseases classified as being of an occupational nature at the French subsidiary (based on local laws).

Parental leaves

Below please find the data pertaining to parental leaves, which concerned a total number of 30 employees of the CSP Group, during the course of 2018 (for a total of 1, 206 days). At the end of the period, most employees regularly returned to their job.

Parental leaves	2016		2017		2018	
	Women	Men	Women	Men	Women	Men
Italy	29	8	25	11	20	7
France	7	-	2	-	3	-
Total	36	8	27	11	23	7
Returned to work at the end of the period	31	7	22	10	17	6

The indicators show a phenomenon that still concerns the female gender, and is not related to the reference geographical area.

Training

GRI 404-1/GRI 404-2/GRI 404-3

CSP's commitment

Just like in the previous years, training involved CSP's personnel across the entire organisation, according to a rotational training plan.

Italy

Average training hours	2018		
	Women	Men	Total
Executives	6.1	5.4	5.6
Cadres - Office clerks	4.5	6.3	5.1
Blue-collar workers	3.1	3.2	3.1
Total	3.8	4.9	4.2

For the calculation of the average personnel training rate, the average number of employees in force for the period of 2018 was considered to be the denominator. This figure does not differ significantly from the one of the number of employees in force at the end of the period. Data pertaining to the 2016 and 2017 period was not included due to the lack of homogeneity and comparability of the reference scope.

France

Average training hours	2016			2017			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Executives				-	-	-	-	-	-
Cadres – Office clerks				2.7	5.0	3.5	2.1	5.7	3.3
Blue-collar workers				2.3	2.9	2.5	0.5	5.6	3.3
Total				2.7	4.2	3.2	1.8	5.6	3.1

Support programs

Within the scope of the training programs, and as support during the transition phase of the employees whose employment relationship was terminated due to the implementation of the reorganisation plan of 2017, it is worth noting in particular the realisation of the 'Project – 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

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 envisaged at the French subsidiary (CSP Paris Fashion Group): this process involves the function managers and their 'first-line' staff (direct subordinates).

SUPPLIERS – SUPPLY CHAIN RESPONSIBILITY

Material topic	Why (The reasons)
Sustainability of the supply chain	The sustainability and responsibility of the supply chain is an extremely important topic at the global level for the entire fashion sector. CSP wants to give its own contribution to improving the social and environmental aspects of its supply chain, and has started a specific program in that sense

Supply chain management

GRI 102-9/GRI 103-1/GRI 103-2/GRI 103-3

Relationships with suppliers

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 responsible supply chain - choice, monitoring and control

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 exposed to risk factors of a social nature.

The selection of suppliers takes place on the basis of quality, flexibility, price and organisation parameters. 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 produce significant quantities and, at the same time, should the need arise, small lots even if below the requested standard minimum quantities.
- 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 suppliers monitoring project

As regards the management of HSE – Health Safety Environment – issues pertaining to the supply chain, CSP has designed and started to apply a monitoring and control system structured as follows:

Phase	Plan activity	Time line
1	Identification of the suppliers which are the most representative for the process and significant for the business	Finished
2	Classification of identified suppliers by activity, business volume (qty/ value, location of production units)	Finished
3	Administration of a self-evaluation card	By the end of 2019
4	Collection and processing of the results of the self-evaluations; the expected result is an HSE classification of the suppliers.	By the end of 2019

At the end of the activities envisaged by this project (which should be completed by the end of 2019), the subsequent phases and procedures will have to be evaluated and designed in order to optimise the process, such as inspection visits at the suppliers' facilities and communication aimed at enhancing the awareness / guiding the suppliers on sustainability topics of an environmental and social nature.

Potential social and environmental problems - trend for the period

GRI 308-2/GRI 412-1

The realisation of the project described in the previous paragraph will allow CSP to strengthen the protection against risks associated with the supply chain and typical of the textile-clothing sector.

Within CSP's supply chain, there are currently no cases of supplier with major problems pertaining to freedom to join trade unions, child labour, forced labour, or respect for human rights. During the reference period (2018), there were no negative environmental impacts originated from CSP's supply chain.

No transactions and/or suppliers that have been the subject of specific impact analyses or assessments in relation to potential and significant problems on the topic of human rights were identified.

No situations for which it became necessary to undertake specific actions vis-à-vis the suppliers in connection to aspects of a social nature were identified.

THE RELATIONSHIP WITH THE TERRITORY

Material topic	Why (The reasons)
Support to local communities (Suppliers and territory)	CSP's operational model is characterised by a strong bond with the territory of origin, where it intends to continue to be present with production activities that allow a positive spin-off, in economic-social terms.

Relationships with the local community

GRI 413-1/GRI 413-2

Initiatives and partnerships in favour of the territory - The difficulties of the "Hosiery" district and the impacts on the territory

Project proposal "Project proposal – Hosiery district network crisis-fighting action"

During the month of September 2017, within the scope of the "Notice for network actions for employment - Fighting the crisis, referred to in the decree of the structure reuse and occupational inclusion referred to the DDUO no. 6935 of 13 June 2017", a project was presented to the Lombardy Region drawn up on the basis of agreements made between the local Trade Union Organisations, the Municipality of Ceresara and the cooperative Sol.Co. Mantova, IAL Lombardia S.r.l., Province of Mantua and Manpower S.r.l., which, by pursuing the objectives set by the regional tender, aims at reallocating the highest number of people possible, including former employees of CSP concerned by the lay-off procedure that ended on 30 September 2017, for the purpose of reducing the inactivity period so as to contain the risk of a drastic reduction of employability and motivation to work. The project initially involved 16 former employees of CSP and at present, 15 of these have completed the training/requalification program.

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 largest 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 (pantyhose), 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 from 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 the people.

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

In addition to having encouraged the aforementioned project, by participating in the preparatory meetings, CSP also signed an agreement with the Trade Associations on 28 September 2018 that entailed the allocation of a total sum of Euro 20,000 as incentive to the reallocation of former employees who had participated in the project mentioned above and had completed the training activities.

This form of economic incentive was not intended to the individual former employees, but rather to the companies that hired them. The incentive made available by CSP was to be considered compatible and in addition to the measures contained in the project presented to the Lombardy Region or to other forms of facilitations/tax deduction, associated with the hiring, which are required by the regulations in force.

Art and culture – Sponsorships and initiatives

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 craftsmanship, in the honour of traditions.

OROBLU' and PEROFIL Main Sponsors of the Etna Raid 2018

Always in support of initiatives tied to the territory that interweave the different faces of beauty with the multiple aspects of Italian culture, Oroblù and Perofil were the Main Sponsors of the Etna Raid that took place in Sicily from 23 to 29 September 2018, an international event that has come to its 21st edition by now.

Mantovani, as well as Nuvolari, and in line with the roots of the stable, CSP embraces this initiative with its two brands, which tie passion and elegance for both women and men. Hence, much more than a mere sponsorship, the participation of the two reflects the values of a company that shares the philosophy and the wonders of the Raid, and which focuses on elegance and on taste for that which is beautiful.

The sponsorship entailed the customisation of the racetrack, of the vintage cars participating with the Oroblù and Perofil logos, as well as the institution of the Oroblù-Perofil Award to be given to the best female driver and to the best male driver. The gala event in the evening included the presentation of the photographic exhibition "Between fashion and art, Oroblù the new leg wear inspiration" by Giovanni Gastel, already presented by CSP in October 2017 to celebrate Oroblù's 30th anniversary.

GRI CONTENT INDEX

GRI 102-55

GRI Sustainability Reporting Standard		Reference
GRI 100 - GENERAL DISCLOSURE		
ORGANISATIONAL PROFILE		
102-1	Profile of the organisation	Profile, business model and strategy: CSP International
102-2	Activities, brands, products, and services	Profile, business model and strategy: CSP International / The sustainability strategy
102-3	Location of headquarters	Profile, business model and strategy: CSP International
102-4	Location of operations	
102-5	Ownership and legal form	
102-6	Markets served	
102-7	Scale of the organization	
102-8	Information on employees and other workers	Human resources: The employees
102-9	Supply chain	Economic-financial results and Distributed value: The impact on the territory
102-10	Significant changes to the organization and its supply chain	
102-11	Precautionary Principle or Approach	The suppliers - Supply chain responsibility Supply chain management
102-12	Signing of Codes of Conduct, principles and charters drawn up by external agencies/organisations	Governance and risk management: Risk management
102-13	Membership in trade associations	
STRATEGY		
102-14	Letter to the Stakeholders	Letter to the Stakeholders
102-15	Main impacts, risks and opportunities	Profile, business model and strategy: The sustainability strategy
		Governance and risk management: Risk management
ETHICS AND INTEGRITY		
102-16	Values, principles, standards, and rules of behaviour	Governance and risk management: The control model and anti-corruption measures
102-17	Mechanisms for providing support on ethical behaviour	
GOVERNANCE		
102-18	Governance structure	Governance and risk management: Corporate governance / Organisational structure
STAKEHOLDER ENGAGEMENT		
102-40	The Group's Stakeholders	The Stakeholders and the materiality analysis: The Stakeholders
102-41	Collective bargaining agreements	<i>CSP applies the regulations in force on the subject</i>
102-42	Identifying and selecting the Stakeholders	The Stakeholders and the materiality analysis: The Stakeholders / Relationships with the Stakeholders
102-43	Approach to Stakeholder engagement	
102-44	Key topics and concerns raised by Stakeholder engagement	The Stakeholders and the materiality analysis: The materiality analysis
REPORTING PRACTICE		
102-45	Entities included in the consolidated Financial Statements and not considered in the Sustainability Report	Presentation of the Non-Financial Statement - Methodological note

102-46	Defining report content and topic boundaries	Presentation of the Non-Financial Statement - Methodological note
102-47	List of material topics	The Stakeholders and the materiality analysis: The materiality analysis
102-48	Any restatements compared to the previous Sustainability Report	<i>The indications are directly set out in the various chapters - near the data tables (if applicable)</i>
102-49	Significant changes in material topics and their scope compared to the previous Sustainability Report	The Stakeholders and the materiality analysis: The materiality analysis
102-50	Reporting period	Presentation of the Non-Financial Statement - Methodological note
102-51	Date of most recent report	
102-52	Reporting cycle	
102-53	Contact point for questions regarding the Sustainability Report / Non-Financial Statement	
102-54	Selected "in accordance" reporting option	
102-55	GRI content index	GRI Content Index
102-56	External assurance	Report by the Auditing Company
MANAGEMENT APPROACH		
103-1	Explanation of the material topics and their scope	The Stakeholders and the materiality analysis: The materiality analysis
103-2	The management approach and its components	<i>The Management Approach / The implemented policies are indicated in the various reference chapters of the NFS, where general and specific topics are dealt with. In particular:</i> <ul style="list-style-type: none"> ▪ Profile, business model and strategy: The sustainability strategy ▪ Governance and risk management: The policies and the management systems ▪ The Customer - product quality, safety and sustainability ▪ The Environment ▪ The Human Resources ▪ The suppliers: supply chain responsibility
103-3	Evaluation of the management approach	
GRI 200 - ECONOMIC TOPICS		
ECONOMIC PERFORMANCE		
201-1	Direct economic value generated and distributed	Economic-financial results and Distributed value: The economic value generated and distributed
201-2	Financial implications and other risks/opportunities due to climate change	
201-4	Financial assistance received from government	Economic-financial results and Distributed value: The economic value generated and distributed
MARKET PRESENCE		
202-1	Ratio of standard entry level wages by gender compared to local minimum wage	Human resources: Personnel management, value enhancement and development policies <i>CSP applies the conditions provided for by the national collective labour agreement for the sector. There are no significant differences</i>
INDIRECT ECONOMIC IMPACTS		
203-1	Investments in infrastructures and services of interest to the community	Economic-financial results and Distributed value: The investments – The innovation <i>Provided indication on investments, which can generate an indirect benefit for the reference community, event if not considered in "infrastructures of public interest"</i>
203-2	Significant indirect economic impacts	Economic-financial results and Distributed value: The impact on the territory

PROCUREMENT PRACTICES		
204-1	Proportion of spending on local suppliers	Economic-financial results and Distributed value: The impact on the territory
ANTI-CORRUPTION		
205-1	Operations assessed for risks related to corruption	Governance and risk management: The control model and anti-corruption measures
205-3	Confirmed incidents of corruption and actions taken	
ANTI-COMPETITIVE BEHAVIOURS		
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes	Governance and risk management: Compliance with standards / Regulatory compliance
GRI 300 - ENVIRONMENTAL TOPICS		
MATERIALS		
301-1	Materials used	The environment: Materials and outsourcing
302-1	Energy consumption within the organization	The environment: Energy and emissions
302-3	Energy intensity	The environment: Energy and emissions
WATER		
303-1	Water withdrawal by source	The environment: The water resource
EMISSIONS		
305-1	Direct GHG emissions (Scope 1)	The environment: Energy and emissions
305-2	Direct GHG emissions (Scope 2)	
305-4	GHG emissions intensity	The environment: Energy and emissions
DISCHARGES AND WASTE		
306-2	Waste by type and disposal method	The environment: Waste
ENVIRONMENTAL LAWS AND REGULATIONS COMPLIANCE		
307-1	Non-compliance with environmental laws and regulations	Governance and risk management: Compliance with standards / Regulatory compliance
308-2	Negative environmental impacts in the supply chain and actions taken	The suppliers - Supply chain responsibility Potential social and environmental problems - trend for the period
GRI 400 SOCIAL TOPICS		
EMPLOYMENT		
401-1	New employee hirings and employee turnover	Human resources: The employees
401-2	Benefits provided to employees	Human resources: Personnel management, value enhancement and development policies
401-3	Parental leave	Human resources: Occupational Health and Safety <i>The retention rate was not calculated in a precise manner (employees who stayed with the company during the 12 months following their return after the leave of absence)</i>
LABOUR/MANAGEMENT RELATIONS		
402-1	Minimum notice periods regarding operational changes	Human resources: Personnel management, value enhancement and development policies <i>(Not relevant)</i>
OCCUPATIONAL HEALTH AND SAFETY		
403-2	Accidents at work, occupational diseases, absenteeism, and number of work-related fatalities	Human resources: Occupational Health and Safety <i>(Injuries not indicated by genre)</i>
403-4	Health and safety topics covered in formal agreements with trade unions	
TRAINING AND EDUCATION		
404-1	Average hours of training per year per employee	Human resources: Training
404-2	Programs for upgrading employee skills and transition assistance programs	<i>Irrelevant aspect - Please refer to the contents of chapter: The relationship with the territory</i>

404-3	Percentage of employees receiving regular performance and career development reviews	Human resources: Training
DIVERSITY AND EQUAL OPPORTUNITY		
405-1	Diversity indicators of governance bodies and employees	Governance and risk management: Corporate governance Human resources: The employees
405-2	Ratio of basic salary and remuneration of women to men	Human resources: The employees
NON-DISCRIMINATION		
406-1	Incidents of discrimination and corrective actions taken	Human resources: Personnel management, value enhancement and development policies (Not relevant)
HUMAN RIGHTS		
412-1	Operations that have been subject to human rights reviews or impact assessments	The suppliers - Supply chain responsibility Potential social and environmental problems - trend for the period
LOCAL COMMUNITIES		
413-1	Operations involving local communities	The relationship with the territory: Relationships with the local community
413-2	Operations with negative impacts on local communities	
SUPPLIER SOCIAL ASSESSMENT		
414-2	Negative social impacts in the supply chain and actions taken	The suppliers - Supply chain responsibility Potential social and environmental problems - trend for the period
CUSTOMER HEALTH AND SAFETY		
416-1	Assessment of the health and safety impacts of product and service categories	The Customer - Product quality, safety and sustainability Quality and safety – product conformity
416-2	Incidents of non-compliance of products and services concerning health and safety	
MARKETING AND LABELLING		
417-1	Requirements for product and service information and labelling	The Customer - Product quality, safety and sustainability Quality and safety – product conformity
417-2	Incidents of non-compliance concerning product and service information and labelling	
417-3	Incidents of non-compliance concerning marketing communications	The Customer - Product quality, safety and sustainability Responsible relationships with the customer
CUSTOMER PRIVACY		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Governance and risk management: Compliance with standards - Regulatory compliance
SOCIO-ECONOMIC COMPLIANCE		
419-1	Non-compliance with laws and regulations in the social and economic area	Governance and risk management: Compliance with standards - Regulatory compliance

REPORT BY THE AUDITING COMPANY

GRI 102-56



CSP GROUP

**INDEPENDENT AUDITORS' REPORT ON THE NON-FINANCIAL
STATEMENT PURSUANT TO ARTICLE 3, PARAGRAPH 10 OF
LEGISLATIVE DECREE 254/2016 AND TO ARTICLE 5 OF
CONSOB REGULATION 20267 OF JANUARY 2018**

FOR THE YEAR ENDED ON 31 DECEMBER 2018



Independent auditor's report on the consolidated non-financial statement

Pursuant to article 3, paragraph 10, of Legislative decree No. 254/2016 and art. 5 of CONSOB Regulation No. 20267 of January 2018

To the Board of directors of CSP International Fashion Group SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (hereafter the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have performed a limited assurance engagement on the consolidated non-financial statement of CSP International Fashion Group SpA and its subsidiaries (hereafter the "Group" and "CSP Group"), for the year ended 31 December 2018, in accordance with ex. article 4 of the Decree and approved by the Board of Directors on 19 April 2019 (hereafter the "NFS").

Responsibility of the Directors and of the Board of Statutory Auditors for the NFS

Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and the "GRI-Sustainability Reporting Standards", defined in 2016, hereafter the "GRI Standard", identified by them as the reporting standards.

Directors are responsible, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

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

Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

PricewaterhouseCoopers SpA

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Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in the *Code of Ethics for Professional Accountants* published by the *International Ethics Standards Board for Accountants*, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts the *International Standard on Quality Control 1 (ISQC Italia 1)* and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibility

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards.

We conducted our engagement in accordance with "*International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information (hereafter "ISAE 3000 Revised")*", issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements.

The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. 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 ("*reasonable assurance engagement*") and, therefore, do not provide us with a sufficient level of assurance to become aware of all significant facts and significant circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS are based on our professional judgement and consisted in interviews, primarily with company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standards adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. comparison of the financial information reported in the NFS with the information reported in the Group's Consolidated Financial Statements;
4. understanding of the following matters:
 - business and organizational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
 - policies adopted by the Group with reference to the matters specified by article 3 of the Decree, actual results and related key performance indicators;
 - main risks, generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree.



With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;

5. understanding of the process underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In particular, we have held meetings and interviews with the management of CSP International Fashion Group SpA and we performed limited analysis of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at a Group level,
 - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
 - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- for the Ceresara site, which was selected on the basis of its activities, its contribution to the performance indicators at a consolidated level, we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of CSP Group as of 31 December 2018 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.

Other aspects

The comparative data of the financial year 2017, on which another auditor issued a limited assurance report without remarks on 27 April 2018, have been partially restated (refer to paragraphs "Energy and emissions", "Occupational Health and Safety") compared to those published in the NFS 2017.

Milan, 29 April 2019

PricewaterhouseCoopers S.p.A.

Signed by

Alessandro Mazzetti
(Partner)

Signed by

Paolo Bersani
(Authorised Signatory)

This report has been translated from the Italian original, solely for the convenience of international readers. We have not performed any controls on the NFS 2018 translation.

4 di 4