SUSTAINABILITY REPORT
2011
— Alcantara S.p.A.
In 2011, we continued to pursue with the same determination the road that has led us to the publication of this third Sustainability Report and the confirmation of our carbon neutrality. Being “Carbon Neutral” has become more and more important for our company over time: meeting this objective has paved the way to the achievement of other objectives.

Today, Alcantara S.p.A. measures and offsets 100% of all carbon dioxide emissions attributable to the company’s activities and the Alcantara® product which is no longer from cradle to gate (delivery of material to the customer) but from cradle to grave (the end of the product’s life, including waste management). In addition, the ambitious phytotreatment project whereby evergreen plants are used to reduce or altogether eliminate the transfer of leachate outside the plant has been successfully implemented.

The economic crisis that has hit not only our country but the entire world economy has not thwarted or reduced our strong commitment to sustainability, which remains a top priority and will continue to be a cornerstone of our future strategy. We will therefore pursue a policy of development and profitability whose economic, social and environmental sustainability will pervade the entire company organization and drive the spirit of the individuals who contribute to the growth of our company.

Andrea Boragno, Chairman and CEO of Alcantara S.p.A.
This third edition of the Sustainability Report was written following the Sustainability Reporting Guidelines drawn up by the Global Reporting Initiative (GRI-G3) and in respect of the reporting principles expressed in them, including the principle of prudence.

Guidelines used and scope of the report

Reference was also made to the guidelines for drafting the Social Report drawn up by the Social Report Study Group (G.R.S.) and AccountAbility 1000, a process standard established by the ISEA (Institute of Social and Ethical Accountability), which pays particular attention to communication with the stakeholders.

THE REPORTING PROCESS

In order to prepare the Sustainability Report, an internal process involving the structure was implemented with the cooperation of all areas of the organization. The scope and frequency of the reports coincide with those of the financial statements. With respect to the previous edition, the scope of CO₂ emission reporting has been broadened (from cradle to grave) while the scope and methods of measurement used have remained almost unchanged.

The information has been extracted from a database that monitors all of the basic information necessary to adequately measure and monitor the performance indicators that have an impact on the company’s sustainability and its stakeholders. This method represents another step forward in making the reporting process increasingly reliable and verifiable. Also during this financial year, this Sustainability Report was checked by a professional, independent third party whose “external audit report” is attached to this document.

Alcantara S.p.A. developed and consolidated a reporting process and a number of indicators such as to confirm level A+ of application of the standard. See the table indicating correspondence with the GRI-G3.1 guidelines.

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We would like to thank the entire Internal Work Group and all staff involved in the development and production of this 2011 Sustainability Report. Planning and Coordination: Alcantara S.p.A. – Technical and scientific support: REvalue S.r.l.
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IDENTITY AND RESPONSIBILITY
— 1.1 Alcantara S.p.A.

Alcantara S.p.A. is the company that manufactures and sells upholstery material under the registered trademark Alcantara®, a unique and innovative material based on unique, proprietary technology. Alcantara® offers an extraordinary combination of sensoriality, aesthetics and functionality, together with an ethical and social awareness that defines a modern-day lifestyle: the lifestyle of those who want to get the most out of the products they use every day in respect of the environment. That little ® means many things: it identifies technology, usage advantages, lifestyle that are distinctive and unique and it is a guarantee for consumers against imitations.

Alcantara®: an innovative material

Alcantara S.p.A. constantly invests 3% to 5% of its sales in Research and Development activities. The Research and Development department of Alcantara S.p.A. is an international centre of excellence for research and the only structure of its kind in industry. Its open approach to technological evolution takes form also through important relationships with leading European university institutions.

The technological components behind the manufacturing process of Alcantara® permit a continual improvement in the performance of the material and the production of new products and variants designed specifically for several different fields of application. This enables the company to consolidate its technological leadership and constantly renew its processes and know-how, keeping an eye on the future.

Within the Research and Development department, the Application Development Centre is entirely dedicated to assessing the performance of the material and the development of new technologies and machining processes, at the request of its partner customers.

Through the Application Development Centre and by working together with its customers, Alcantara S.p.A. can modify the characteristics of the material and provide ad hoc application solutions.
1.1.1 THE COMPANY’S HISTORY

Alcantara® is a versatile material used by prestigious international companies operating in a wide range of fields of application. The charm of Alcantara® is the result of a major technological breakthrough, an invention made in 1970 that remains unrivalled today and enables the product to remain unique and avant-garde.

The fundamental stages in the growth of Alcantara S.p.A. are listed below.

1970 invention of Alcantara®, the Japanese scientist Miyoshi Okamoto filed the patent for producing the material

1972 setting up of ANiC Group, subsequently ENI, for the commercial use of the patent (i.e. a Joint Venture between ENI group and Toray Group, the provider of the basic technology) and 49% by the Toray Group

1973 change of name from Antor S.p.A. (acronym of ANiC Toray) to IGANTO S.p.A. (acronym of Italia Giappone ANiC Toray) to seal a partnership between the two countries and their companies sale of its shares, equivalent to 49%, by Safid to Toray Industries Inc., a company of the Group

1981 change of name from Igianto S.p.A. to ALCANTARA S.p.A.

Alcantara S.p.A. has consolidated considerable technological know-how over time, thus enabling it to meet the technical and stylistic needs of its customers, developing colours, product variants and new technologies on request, in response to the most complex of briefs.

1.1.2 THE COMPANY’S STRUCTURE

Alcantara S.p.A. comprises:
- the production plant and research centre in Nera Montoro, an integrated end-to-end cycle facility. The complex production process is highly automated and divided into several stages;
- the headquarters in Milan, where the organization’s management is located and purely commercial and administrative activities are carried out.

A share capital of which 51% was still held by the ENI Group and 49% by the Toray Group.

1995 final transfer of shares from the ENI Group to the Toray Group for a total of 100%; immediately afterwards transfer of 30% of the shares by the Toray Group to the Mitsui Group

2002 completion of the second operation to double the production capacity

2009 installation of the Hydrotreatment system and first collection of Alcantara® products

2011 drawing up of the first Sustainability Report of Alcantara S.p.A.

The share-capital is made up of ordinary shares worth 1 euro each and, on 31st December 2011, the issued and paid share capital of Alcantara S.p.A. amounted to 10,800,000 euros, divided up as indicated below:

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>Number of ordinary shares 2011</th>
<th>% ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toray Industries Inc. – Tokyo (holding company)</td>
<td>1,560,000</td>
<td>70%</td>
</tr>
<tr>
<td>Mitsui &amp; Co., Ltd. - Tokyo</td>
<td>3,240,000</td>
<td>30%</td>
</tr>
<tr>
<td>TOTAL SHARES</td>
<td>10,800,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

The portfolio of Alcantara S.p.A. does not include its own shares or shares of holding companies, neither directly nor indirectly through a trust company or third party; it controls 100% of the company PiGreco Srl (Italy). The holding company and the subsidiary do not lie within the scope of this Sustainability Report (for further details, see the financial statements).

1.1.3 FIELDS OF APPLICATION OF ALCANTARA®

Alcantara® has three main fields of application, described below in brief.

- **Automotive** (75% of total sales)
  - In the car industry, Alcantara® is used to cover the interiors of vehicles to ensure maximum comfort for the driver due to the unique characteristics of the material (grip, breathability, strength and durability, softness, resistance of colour to the light) and transform the interior into a beautiful, elegant or sporty environment depending on the stylistic features chosen. An important aspect of Alcantara S.p.A.’s products is the company’s experience and willingness to develop tailor-made solutions.

- **Interior, Contract & Yacht** (13% of total sales)
  - In the fashion world, customers who choose Alcantara® are looking for modern elegance, innovation and refined details. Modern luxury with attention to detail and underlined by the exclusive texture of the material.

- **Fashion & Accessories** (12% of total sales)
  - Bags, hats, shoes and belts made of Alcantara® combine the beauty and softness of the material with exclusive performance: non-toxicity of the product in contact with the skin, breathability and durability. In the last three months of the year, Alcantara S.p.A. made its first sales in the Consumer electronics sector.
## 1.2 Governance and Sustainability Management Systems

For a long time now, Alcantara S.p.A. has implemented a responsible management policy that enables it to be sustainable, from an economic, social and environmental perspective. To do this, it adopted some governance and control mechanisms and a set of management systems, certified by an independent third party with a view to:

- creating value in a way that is sustainable and shared with all stakeholders in order to meet their expectations;
- interpreting the needs of its customers by pursuing the highest quality standards;
- reducing its environmental impact to a minimum.

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

### SYSTEM CERTIFICATIONS

<table>
<thead>
<tr>
<th>Standard</th>
<th>Title</th>
<th>Body</th>
<th>Date of first release</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNI EN ISO 14001</td>
<td>Environment Management System</td>
<td>TÜV SÜD</td>
<td>May 2000</td>
</tr>
<tr>
<td>ISO TS 16949</td>
<td>Car industry quality requirements</td>
<td>EODI</td>
<td>February 2004</td>
</tr>
<tr>
<td>UNI EN ISO 9001</td>
<td>Quality management system</td>
<td>EODI</td>
<td>September 1993</td>
</tr>
<tr>
<td>SA8000</td>
<td>Social responsibility</td>
<td></td>
<td>October 2008</td>
</tr>
<tr>
<td>ISO 14064-1</td>
<td>Greenhouse gas intensity</td>
<td>TÜV SÜD</td>
<td>June 2009</td>
</tr>
<tr>
<td>DIN EN 15804-1</td>
<td>Greenhouse gas intensity</td>
<td>DIN EN 15804-1</td>
<td>June 2009</td>
</tr>
<tr>
<td>OHSAS 18001</td>
<td>Industrial health and safety management system</td>
<td>TÜV SÜD</td>
<td>Project in progress</td>
</tr>
</tbody>
</table>

### PRODUCT CERTIFICATIONS

<table>
<thead>
<tr>
<th>Certification</th>
<th>Validity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yachting industry: IMO MED certification in accordance with European Directives 2002/58/EC, and 96/98/EC (valid for single brands/families)</td>
<td>Held since 2000</td>
</tr>
<tr>
<td>Contract sector: Certification for OPE building products in accordance with European Directive 89/106/EC (valid for single brands/families)</td>
<td>Held since 2011</td>
</tr>
<tr>
<td>Oeko-Tex Standard 100 (valid for single brands/families)</td>
<td>Held since 1995</td>
</tr>
</tbody>
</table>
1.2.1 GOVERNANCE STRUCTURE

The governance bodies of Alcantara S.p.A. are the Shareholders’ Meeting, the Board of Directors, the Executive Committee and the CEO. The main supervisory bodies are the Board of auditors and the Supervisory Committee in accordance with Legislative Decree no. 231/2001. Reconta Ernst & Young S.p.A. is the company commissioned by Alcantara S.p.A. to conduct the quarterly audit of the company’s accounts and the statutory audit of the Financial Statements and the Report drawn up in accordance with the principles for the controlling company.

Supervisory Committee: The supervisory committee is the internal body whose task is to supervise and check the operation, effectiveness and respect of the organization model for the prevention of company crimes implemented in accordance with the provisions laid down in Legislative Decree no. 231/2001 such as corruption and false communications, staff exploitation and many other crimes, and the prevention of behaviour regulated by the Code of Ethics such as conflict of interest.

The company model and Code of Ethics are closely integrated in such a way as to form a body of internal standards that encourage ethical behaviour and transparency within the company. Any employee may report suspected violations of the organization model and Code of Ethics to the Supervisory Committee or to his/her manager, either anonymously or through a specific mailbox.

In 2011, the Supervisory Committee suggested updating the Model in accordance with Legislative decree no. 231/2001 following the introduction of environmental crimes. In 2011, the Supervisory Committee audited “Sensitive areas” periodically in order to be able to make an adequate assessment of the model adopted. The training of all staff on the contents of the Organization model and any associated risks has also been continued.


1.2.2 OPERATIONAL STRUCTURE

The Alcantara S.p.A. Organization Model is based on the management of company processes in accordance with the rules laid down by the certified management systems. The company’s organization chart is made up of an operational structure based on the marketing divisions that characterize its business. The Research and Application Development Centre is located at the plant in Nera Montoro, where the manufacturing activities are also carried out under the responsibility of the Technical Department.

Particular importance is given to Technical Marketing; this department not only acquires the needs, critical issues and technical and stylistic expectations of the customers and the reference markets, it also acts as a link between the technical and marketing structures. Given the current market situation in which forecasts are unfavourable and supply times are reduced, the organization of the plant is centered on interdepartmental team work and high flexibility. In particular, in 2011, the company further developed its “flexibility project”, consisting of the flexible and versatile use of resources in the Environmental process and utility units. This result was obtained in part through a trade union agreement whereby set-up times will be optimized with the dual aim of reducing costs and increasing the reliability of the ecological processes (distillation, water treatment, waste, etc.).
Mission

Alcantara S.p.A. operates on the high-end upholstery market; its qualifying elements are the use of sophisticated technology, an exclusive business model and a brand name recognized at an international level.

1.3.1 STRATEGIC ORIENTATION AND OPERATIONAL PLANS

Alcantara S.p.A.’s strategic orientation is based on economic, social and environmental sustainability, and shares this commitment with partner companies and customers.

Management sets the objectives and periodic targets in the Operational Plans. The division managers of Alcantara S.p.A. contribute to the development of the Operational Plans and ensure their implementation with a view to reaching the aims and targets set. In particular, in 2011 the Operational Plans developed the following strategic lines:

- **Globalization**: development of new markets and new fields of application
- **Sustainability**: processes/products with a low environmental impact (new energy frontiers, recycled raw materials, halogen-free products, etc.)
- **Innovation**
- **Teamwork** towards company objectives
- **Recovery of profitability** (energy saving, alternative suppliers, productive flexibility, etc).

This commitment has also enabled the production cycle to be improved from the sustainable development point of view; all company departments are committed to the project to constantly reduce the emissions produced by the company, reaching the objective of obtaining “Carbon Neutral” certification for the entire Alcantara® production process (see also paragraph 4.6 of this document).
1.4 The Stakeholders: Listening, Dialogue and Involvement Initiatives

In order to manage sustainability-related issues and the consequent drafting of the Sustainability Report, Alcantara S.p.A. periodically updates the identification and classification of its stakeholders, adapting to changes and variations in their expectations. The stakeholders and related issues were identified following the initial phases of the stakeholder engagement process indicated by the AA1000SEs guidelines and applying the principle of materiality laid down by the GRI-G3 guidelines.

The aim of the materiality analysis is to define the most relevant and significant issues for the company and all of its reference stakeholders. The issues and topics proposed by the UNI ISO 26000:2010 guidelines on responsible management were taken as a point of reference for conducting this analysis, which was updated in 2011 to implement the management’s indications and on the basis of an analysis of the reports and expectations from the numerous channels and tools through which Alcantara S.p.A. communicates with its stakeholders. They consist of a listening, communication and engagement system that allows constant interaction and monitoring of all the topics directly or indirectly linked to sustainability issues and not just occasional investigations.

The most significant engagement activities carried out in 2011 consisted of:

1. communication with mass media and representatives of the local community
2. trade union agreements aimed at improving management and safety
3. analysis of customer satisfaction and complaints, analysis and perception of sustainability
4. periodic checks made by customers or Supervisory authorities
5. audits conducted at the suppliers’ site in accordance with the SA8000® standard
6. Integrated Environmental Authorization
7. membership of trade associations

The materiality analysis:

- Identified the issues that are important for the company and influence the stakeholders;
- Identified the risks and opportunities associated with sustainable development.

In 2011, Alcantara S.p.A. planned some meetings with stakeholders’ representatives with a view to sharing and improving the materiality analysis: Manager of ARPA in Terni, Mayor of Narni, factory trade union representatives and members of the Board of Directors and some suppliers. The result of this financial year has represented a basis for an increasingly clear and detailed identification of the interests in which the company acts, both positively and negatively, and a strengthening of the stakeholder engagement strategies.

The Sustainability Report is an expression of the reporting process that confirms the attention that Alcantara S.p.A. constantly pays not only to creating responsible value and managing the trademark’s reputation, but also to reducing the impact of the processes and production facilities on the ecological balance.

The company also has to fulfil both old and new requests, such as expectations in terms of work safety and job stability, the problems associated with energy efficiency and the use of suppliers working in countries with a somewhat antiquated legal system. Alcantara S.p.A. intends to take up the challenges that the current economic environment offers, concentrating on product efficiency and sustainability and its business model.
## ECONOMIC SUSTAINABILITY
— *Highlights*

<table>
<thead>
<tr>
<th>TO DO</th>
<th>DONE</th>
</tr>
</thead>
<tbody>
<tr>
<td>To develop the car segment of the BRICS (Brazil, Russia, India, China and South Africa) emerging markets</td>
<td>Our sales activities recorded a significant development on the emerging markets, above all in China and Russia (see chapter 3.2 for details). In 2011, an increase in sales was recorded in China through sales to European groups with production plants in situ.</td>
</tr>
<tr>
<td>To develop customized proposals for the furniture industry.</td>
<td>Since 2011, the interior collection has been available to industrial customers and major dealers; the Alcantara® EXO product recorded its first sales in the yachting sector.</td>
</tr>
<tr>
<td>To expand the fashion industry in industrialized countries.</td>
<td>In 2011, the volumes of exports in the fashion department recorded an increase of 11% while the Italian market grew by 3%.</td>
</tr>
<tr>
<td>To develop accessories for consumer electronics goods also through the sale of finished products.</td>
<td>Alcantara® has been used for the accessories of major operators in the consumer electronics sector.</td>
</tr>
</tbody>
</table>

### Economic improvement objectives

- To develop the car segment of the BRICS (Brazil, Russia, India, China and South Africa) emerging markets.
- To develop new markets (consumer electronics and proprietary collection).
- To strengthen the programming and control system.
- To consolidate the investments made in energy efficiency.
2.2 Added Value

In the Sustainability Report, Added Value is understood to mean the difference between the proceeds and costs of production that do not constitute remuneration for the corporate stakeholders. From this point of view, the concept of Added Value adopted here fits the strictest accounting definition because it uses the method proposed in 2001 by the Social Report Study Group (GBS).

The Added Value calculation reveals Alcantara S.p.A.’s ability to create wealth, in the reference period, to the advantage of the stakeholders, in respect of economic management and the expectations of the stakeholders themselves.

The calculation and distribution of Added Value expresses in monetary terms the relationships between the company and the socio-economic system with which it interacts, with particular reference to some of its main stakeholders:

- **Staff**: employee remuneration
- **Public administration**: government remuneration
- **Financiers**: remuneration for borrowed capital
- **Shareholders**: remuneration for risk capital
- **Company system**: corporate remuneration
- **The community**: gifts and sponsoring.

The consolidated added value allocated to staff increased by 20.3% with respect to 2010. The consolidated added value calculated to staff increased in absolute value by 2,091 million euros (+10.2%) with respect to 2010, thus representing 43% of an overall added value. A percentage of 13.3% of the added value created in 2011 was reinvested in the company; this amount includes the amortization of the investments made in the local area.

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### 2.1 General Economic Indicators

In 2011, Alcantara S.p.A. further improved its economic and asset and liability situation. The new consumer electronics business sector is a sign of how the versatility of the product poses considerable margins for improvement in terms of business development.

The continuation of the worldwide crisis has had extremely negative effects on the national labour market. Alcantara S.p.A. has distinguished itself yet again by withstanding the heavy impact of the crisis and above by combating it through an increase in its work force – especially in the area around the production plant and research centre in Nera Montoro – without having to apply for social security cushions or other instruments made available by the law for limiting the cost of labour.

Alcantara S.p.A. has no debts represented by debenture stocks and does not possess shares of its own or shares of holding companies; its medium-long term liabilities are exclusively due to employee severance indemnity and provisions for risks and charges. For more information, see the 2011 Financial Statement.

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### Financial Statements

#### MAIN ASSETS AND LIABILITIES DATA (EURoS/000) 2009 2010 2011

<table>
<thead>
<tr>
<th>Category</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>82,015</td>
<td>57,976</td>
<td>54,821</td>
</tr>
<tr>
<td>Fixed assets</td>
<td>74,206</td>
<td>76,816</td>
<td>86,395</td>
</tr>
<tr>
<td>Total assets</td>
<td>156,221</td>
<td>134,792</td>
<td>141,216</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>15,359</td>
<td>16,047</td>
<td>21,300</td>
</tr>
<tr>
<td>Medium/long-term liabilities</td>
<td>6,903</td>
<td>6,608</td>
<td>4,969</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>22,262</td>
<td>22,655</td>
<td>26,269</td>
</tr>
<tr>
<td>Shareholders’ capital</td>
<td>130,959</td>
<td>112,137</td>
<td>114,947</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>156,221</td>
<td>134,792</td>
<td>141,216</td>
</tr>
<tr>
<td>Net Financial Position</td>
<td>46,218</td>
<td>23,632</td>
<td>12,938</td>
</tr>
</tbody>
</table>

#### PROFITABILITY INDEX 2009 2010 2011

<table>
<thead>
<tr>
<th>Index</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>R.O.E.</td>
<td>3.40%</td>
<td>5.10%</td>
<td>7.70%</td>
</tr>
<tr>
<td>R.O.I.</td>
<td>4.10%</td>
<td>6.80%</td>
<td>9.20%</td>
</tr>
<tr>
<td>Sales margin</td>
<td>6.70%</td>
<td>7.00%</td>
<td>8.00%</td>
</tr>
</tbody>
</table>

#### RETURN ON EQUITY (R.O.E.) 2009 2010 2011

<table>
<thead>
<tr>
<th>Category</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Added Value (A)</td>
<td>64,764</td>
<td>78,262</td>
<td>96,602</td>
</tr>
<tr>
<td>Intermediate production costs (B)</td>
<td>58,459</td>
<td>63,744</td>
<td>55,360</td>
</tr>
<tr>
<td>Added Value (A - B)</td>
<td>6,305</td>
<td>14,518</td>
<td>41,242</td>
</tr>
<tr>
<td>Accessory and extraordinary components (C)</td>
<td>1,481</td>
<td>969</td>
<td>1,444</td>
</tr>
<tr>
<td>Gross Characteristic Added Value (A - B + C)</td>
<td>31,786</td>
<td>35,487</td>
<td>42,686</td>
</tr>
</tbody>
</table>
The aim of the investment plan for the year 2012 is to consolidate the road taken in 2011 and to make a major commitment to maintain the standards reached.

### 2.3.1 Investment Forecasts for 2012

The investments are divided into four main areas:

<table>
<thead>
<tr>
<th>Area</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rationalisation and maintenance of plants and quality standards</td>
<td>3,192</td>
<td>4,093</td>
<td>4,685</td>
</tr>
<tr>
<td>Health, safety and environment</td>
<td>2,676</td>
<td>2,491</td>
<td>4,200</td>
</tr>
<tr>
<td>Research and Development</td>
<td>175</td>
<td>41</td>
<td>364</td>
</tr>
<tr>
<td>Information system, marketing structures and other</td>
<td>786</td>
<td>536</td>
<td>1,029</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>7,241</td>
<td>7,869</td>
<td>10,278</td>
</tr>
</tbody>
</table>

The investments are divided into four main areas

<table>
<thead>
<tr>
<th>Area</th>
<th>2011 Investments (euros/000)</th>
<th>Forecast</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rationalisation and maintenance of plants and quality standards</td>
<td>5,388</td>
<td>4,685</td>
<td></td>
</tr>
<tr>
<td>Health, safety and environment</td>
<td>3,683</td>
<td>4,200</td>
<td></td>
</tr>
<tr>
<td>Research and Development</td>
<td>400</td>
<td>364</td>
<td></td>
</tr>
<tr>
<td>Information system, marketing structures and other</td>
<td>941</td>
<td>1,029</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>10,412</td>
<td>10,278</td>
<td></td>
</tr>
</tbody>
</table>

### 2.3.1.1 | INVESTMENT FORECASTS FOR 2012

The investments made in 2011 amount to 10.3 million euros, of which 288,000 euros for intangible property assets, and comprise 887,000 euros of internal cost capitalization (essentially for the labour cost of staff for the maintenance departments and technical design office).

In 2011, the aims of the environmental protection investments were:

- to prevent air pollution: 225,000 euros
- to prevent water pollution: 1,120 million euros
- to treat and reduce waste: 350,000 euros.
- Other 317,000 euros.

The investments made to safeguard the environment and human rights in terms of health and safety amounted to 4,200 million euros and exceed spending forecasts. Net of the internal cost capitalization amount, equivalent to 84,000 euros, the sum is subdivided as follows:

- environment 2,012 million euros
- health 270,000 euros
- safety 1,834 million euros.

In 2011, the aims of the environmental protection investments were:

- to prevent air pollution: 225,000 euros
- to prevent water pollution: 1,120 million euros
- to treat and reduce waste: 350,000 euros.
- Other 317,000 euros.

Not only is the investment amount confirmed, but particular attention is also paid to the subdivision of investments according to the area and, in particular, to workplace safety and the community.

The investments to be made include in particular:

- Long-term research project aimed at developing a new production process distinguished by a drastic reduction in energy consumption and an even lighter environmental impact.
- Construction of a new system for rationalizing the water for the cooling tower, with a view to reducing the energy requirement for water treatment for a sum of about 570,000 euros.

### 2.3.1.2 | INVESTMENT FORECASTS FOR 2012

<table>
<thead>
<tr>
<th>Area</th>
<th>2012 Investment Plan</th>
<th>Amount (euros/000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rationalisation and maintenance of plants and quality standards</td>
<td></td>
<td>5,469</td>
</tr>
<tr>
<td>Health, safety and environment</td>
<td></td>
<td>3,176</td>
</tr>
<tr>
<td>Research and Development</td>
<td></td>
<td>740</td>
</tr>
<tr>
<td>Information system, marketing structures and other</td>
<td></td>
<td>101</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>10,200</td>
</tr>
</tbody>
</table>

The remuneration for risk capital of 8,284 million euros (19.4% of the total added value) is represented by the amount used as a dividend of the profit of the period.

Finally, a sum of 92,000 euros was allocated to gifts and sponsoring with an increase of over 60%; further details may be found in the section entitled “Relationship with the Community”.

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The company’s financial solidity made it unnecessary to use external financiers while the value paid to the Government was 5,883 million euros (13.4% of the total) of which 4,159 million euros in direct tax and 1,724 million euros in indirect tax.

The remuneration for risk capital of 8,284 million euros (19.4% of the total added value) is represented by the amount used as a dividend of the profit of the period.

### 2.3 Investments

The investments made in 2011 amount to 10.3 million euros, of which 288,000 euros for intangible property assets, and comprise 887,000 euros of internal cost capitalization (essentially for the labour cost of staff for the maintenance departments and technical design office).
2.4 Suppliers and Partners

 improvement objectives in relationships with suppliers

- To search for raw material suppliers situated closer to the production plant:
  - PET purchasing from a supplier with a European production site > 25%
  - PHC purchasing from a supplier with a European production site > 40%.

- To further improve the supplier qualification procedure, firmly oriented to favour suppliers with a greater awareness of sustainability issues.

Also in 2011, Alcantara S.p.A. respected its commitment to have a relationship of mutual satisfaction based on honesty and equity with its direct goods and services providers, it continued monitoring the observance of the management systems (SA8000®, ISO9001 etc.) and the quality of the services rendered and an adequate after-sales service.

Alcantara S.p.A. identifies as strategic the suppliers operating in the following areas:

- Machining operations performed on the product
- Contract services (companies operating on the plant)
- General services (decontamination and/or waste disposal)
- Raw materials.

Alcantara S.p.A. purchases exclusively raw materials authorized by the community standards (REACH), and subjects every new raw material to a strict assessment with regard to its environmental impact and worker safety before including it in the production process.

All external suppliers are made aware of environmental impacts, with a view to developing increasingly eco-friendly products, which are thus compatible with the policy adopted.

In 2011, the Alcantara S.p.A supplier qualification and assessment process was broadened further and improved in order to qualify the supplier in relation to:

- Ability to respect the principles laid down by the SA8000® standard.
- Regularity of wage and contribution payments. Suppliers are required by contract to submit the relevant documentation that demonstrates that all the wages and contributions due to the workers working for Alcantara S.p.A. have been paid on time.
- Respect of the health and safety legislation. Suppliers working on the production plant are required by Alcantara S.p.A. to respect all the obligations laid down in the laws and regulations applicable to the safety of their employees and the occupational health conditions. The latter may be subjected to audit. Alcantara S.p.A. checks with particular care the companies that work on the production sites (DUVRI - law 81/2006, ID card).
2.4.2 COMPOSITION AND TYPE OF SUPPLIERS

In 2011, Alcantara S.p.A. had 1,013 active suppliers, of which 118 were considered “priority” from a sustainability point of view as they are suppliers of goods and services that have a significantly positive economic impact and that support activities whose effects may influence the assessments made by the stakeholders.

The 118 sustainability “priority” suppliers are subdivided according to the relationship established with Alcantara S.p.A.:
- 34 are “Super Core” suppliers that work regularly at the Alcantara S.p.A. plants and/or are assigned outsourced activities (production process partnership).
- 84 are “Core” suppliers that work on the Alcantara S.p.A. plants, but not continuously, and/or that may potentially become production process partners and/or that are suppliers of significant raw materials.

With specific reference to the geographical location of the suppliers, Alcantara S.p.A. assesses favourably suppliers based near the company sites. Considering the two company sites (the management office in Milan and the production plant and research centre in Nera Montoro), there are 503 local suppliers (50% of the total number).

<table>
<thead>
<tr>
<th>SUPPLIERS</th>
<th>Number</th>
<th>% of total</th>
<th>% expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>851</td>
<td>84%</td>
<td>79%</td>
</tr>
<tr>
<td>Other countries</td>
<td>162</td>
<td>16%</td>
<td>21%</td>
</tr>
<tr>
<td>Total</td>
<td>1,013</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

2.4.3 DEVELOPMENT OF THE SA8000® RESPONSIBLE PROCUREMENT SYSTEM

Alcantara S.p.A. has elaborated a schedule of audits conducted on suppliers by qualified experts with a view to checking their commitment to guarantee respect of the SA8000® social responsibility standards. No corrective actions were necessary following the audits conducted.

<table>
<thead>
<tr>
<th>TYPE OF SUPPLY</th>
<th>Audits conducted up to 31 Dec. 2009</th>
<th>Audits conducted up to 31 Dec. 2010</th>
<th>Audits conducted up to 31 Dec. 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Product nobilitation processes</td>
<td>Product nobilitation processes</td>
<td>Product nobilitation processes</td>
</tr>
<tr>
<td></td>
<td>Audits conducted up to 31 Dec. 2009</td>
<td>6</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Audits conducted up to 31 Dec. 2010</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Audits conducted up to 31 Dec. 2011</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Tender and Logistics Services</td>
<td>Tender and Logistics Services</td>
<td>Tender and Logistics Services</td>
</tr>
<tr>
<td></td>
<td>Audits conducted up to 31 Dec. 2009</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Audits conducted up to 31 Dec. 2010</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Audits conducted up to 31 Dec. 2011</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Decontamination and Waste Disposal Services</td>
<td>Decontamination and Waste Disposal Services</td>
<td>Decontamination and Waste Disposal Services</td>
</tr>
<tr>
<td></td>
<td>Audits conducted up to 31 Dec. 2009</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Audits conducted up to 31 Dec. 2010</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Audits conducted up to 31 Dec. 2011</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Raw materials</td>
<td>Raw materials</td>
<td>Raw materials</td>
</tr>
<tr>
<td></td>
<td>Audits conducted up to 31 Dec. 2009</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Audits conducted up to 31 Dec. 2010</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Audits conducted up to 31 Dec. 2011</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Environmental analysis</td>
<td>Environmental analysis</td>
<td>Environmental analysis</td>
</tr>
<tr>
<td></td>
<td>Audits conducted up to 31 Dec. 2009</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Audits conducted up to 31 Dec. 2010</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Audits conducted up to 31 Dec. 2011</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>18</td>
<td>26</td>
</tr>
</tbody>
</table>

2.5 Public Institutions

To develop collaboration and the search for new public-private partnership opportunities for the sustainability of the community and the company.

In 2011 no opportunities for new relationships of collaboration emerged and research will continue, confirming the objective for the coming years.

Improvement objectives in relations with the government

- To find financial support for research and development projects that create innovation and growth for the company and the community.
- To collaborate with Public Institutions and the Universities with a view to continuously improving the company management and favouring sustainable development.
2.5.1 RELATIONS WITH THE GOVERNMENT

Alcantara S.p.A. has established relations based on transparency and collaboration with the Public Institutions so as to guarantee maximum integrity and fairness. In 2011, a sum of almost €6 million euros was paid in tax, corresponding to an increase of +44% with respect to 2010. Also in 2011 Alcantara S.p.A. obtained a discount on the INAIL premium for the year 2010 for actions taken to improve safety and hygiene in the workplace, in addition to the minimum standards required by law.

2.5.2 GOVERNMENT FINANCING

The table that follows lists the main loans requested or obtained by Alcantara S.p.A. from Public Institutions.

### FINANCIAL RELATIONS WITH LOCAL AUTHORITIES AND THE STATE (Euros/000)

<table>
<thead>
<tr>
<th>LOCAL AUTHORITIES</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>IRAP (Regional Business Tax)</td>
<td>667</td>
<td>823</td>
<td>1,294</td>
</tr>
<tr>
<td>Waste disposal tax</td>
<td>39</td>
<td>39</td>
<td>53</td>
</tr>
<tr>
<td>Utility taxes and duties</td>
<td>52</td>
<td>59</td>
<td>54</td>
</tr>
<tr>
<td>ICI (Local Property Tax)</td>
<td>140</td>
<td>150</td>
<td>163</td>
</tr>
<tr>
<td>Advertising tax</td>
<td>9</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td>Other taxes due</td>
<td>10</td>
<td>19</td>
<td>15</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>977</td>
<td>1,090</td>
<td>1,383</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>STATE</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>IRCI (Corporate Income Tax)</td>
<td>1,923</td>
<td>2,262</td>
<td>2,345</td>
</tr>
<tr>
<td>Customs duties</td>
<td>236</td>
<td>395</td>
<td>627</td>
</tr>
<tr>
<td>VAT on gifts</td>
<td>44</td>
<td>66</td>
<td>64</td>
</tr>
<tr>
<td>Capital transfer tax and excise licences</td>
<td>11</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>Other taxes due</td>
<td>11</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>2,265</td>
<td>3,016</td>
<td>3,414</td>
</tr>
</tbody>
</table>

| CIVIL SERVICE TOTAL | 3,182 | 4,114 | 5,929 |

### CALL FOR TENDERS

**ENERGY CALL FOR TENDERS IN THE REGION OF UMBRIA**

- Replication and energy saving investments in implementation of the 2007-2013 E.O.P ERDF.
- Investment proposed: 2,341,000 euros.
- Contribution assigned: 500,000 euros on a capital account.
- State of progress: investment concluded, reported and checked by the Regional Authority of Umbria.

**FIT (TECHNOLOGICAL INNOVATION FOR MINISTRY OF ECONOMIC DEVELOPMENT)**

- Development of product innovation programs in the areas with technological priority for the technological innovation fund. Law no. 46 of 17th February 1982 – directive of 16th January 2001 and related ministerial decrees.
- Three-year duration of projects: 01/03/2008 - 25/02/2011.
- Reporting: presented from 01/03/2008 to 25/02/2012 for about 3,089,000 euros, of which 2,600,000 euros for precompetitive development and 489,000 euros for research (amounts below the maximum allowed limit).
- Relief granted: 10% free grant, 80% low-rate loan, 10% ordinary loan.
- State of progress: project closed in February 2011, reported and checked in 2012 by the technical expert and bank commissioned – result of final investigation pending.

**ENVIRONMENT CALL FOR TENDERS (2007-2013 E.O.P) REGION OF UMBRIA**

- Investments to support companies in ecological innovation and to reduce pollution.
- 2007-2013 E.O.P ERDF of the Region of Umbria. Approval of tender for support of companies in ecological innovation.
- Contribution granted: 250,000 euros on a capital account.
- State of progress: project approved (Alcantara S.p.A. top of the list) and completed; final report submitted in November 2011 (within the specified terms), waiting to receive audit from the Regional Authority of Umbria in the end of 2012.

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Phytotreatment

In 2011, in collaboration with the ARPA office in Umbria and the University of Tuscia, Alcantara S.p.A. has elaborated a project for a phytotreatment system for processing leachate and water contaminated by nitrous compounds with a reduction in CO2 and a reduction in the energy consumption of the treatments. The system was inaugurated on 20th October 2011, in the presence of the Prefect, the director of the regional ARPA office and public officials of the Provincial, Municipal and Regional Authorities, the WWF, LHU, etc. For further details, see paragraph 4.
## 3.1 Alcantara S.p.A. and its staff

<table>
<thead>
<tr>
<th>TO DO</th>
<th>DONE</th>
</tr>
</thead>
<tbody>
<tr>
<td>To redefine the human resource management process.</td>
<td>The Flexibility Project is underway and the operating instructions for describing the activities have been drawn up. CV management – selection management – flexibility project – activity schedule – holiday management – skill assessment.</td>
</tr>
<tr>
<td>To improve the company atmosphere.</td>
<td>Alcantara S.p.A. has followed up the corrective action plan on the basis of the latest analysis of the internal company atmosphere. See paragraph 3.1.3</td>
</tr>
<tr>
<td>To consolidate/improve relationships with stakeholders (institutions/local communities, trade union representatives, staff, etc.).</td>
<td>Industrial relations have led to classification and flexibility agreement - “HAPPY PROBLEM” management (extraordinary actions to respond to market needs) – 2011 productivity bonus - draft framework agreement for 2012-2014 productivity bonus. Relations with the Institutions have been conducted in respect of roles and the Code of Ethics.</td>
</tr>
<tr>
<td>To continuously consolidate the technical/managerial know-how of the entire staff in line with the skills required by the role covered following the change in generation.</td>
<td>All the necessary measures have been taken to respond to business needs (e.g. trade union overtime agreements, rapid recruitments with the most suitable type of labour contract, etc.). In 2011 several new resources were taken on in the sales and business support areas, as well as in the technical and production areas. Career advancement and professional continuing training initiatives were also taken.</td>
</tr>
<tr>
<td>To renew SA8000® conformance.</td>
<td>The certification was renewed and the take-over audit was passed for conformance to TÜV SÜD.</td>
</tr>
</tbody>
</table>

### Improvement objectives in staff management

- To redefine the human resource management process.
- To improve the company atmosphere.
- To consolidate/improve relationships with stakeholders (institutions/local communities, trade union representatives, staff, etc.).
- To continuously consolidate the technical/managerial know-how of the entire staff in line with the skills required by the role covered following the change in generation.
- To renew SA8000® conformance.
- To develop new OHSAS 18001 certification for Health, Safety and Hygiene.
3.1.1 STAFF MANAGEMENT POLICIES

Alcantara S.p.A. considers the quality of its human assets to be the main resource for achieving its strategic aims. A fundamental element is the assumption of responsibility on all levels, which is the result of the relationship between the workers and their bosses. Alcantara S.p.A. pursues the growth and motivation of its entire staff through:

- communication of the objectives and their meaning;
- control and feedback on the results obtained;
- teamwork and knowledge of company processes;
- the development of training plans aimed at career development on all levels;
- the implementation of remuneration policies that guarantee internal equity, competitiveness with the market and recognition of the results obtained.

The human resource strategies are pursued by drawing up annual operational plans. The development of these plans is monitored systematically by company meetings. In 2011 Alcantara S.p.A. elaborated a new procedure for managing the applications and selection of staff when selecting external staff or making internal transfers, in order to guarantee transparency and objectiveness in analysing the applications to an ever-increasing degree.

3.1.2 COMPOSITION OF STAFF AND TURNOVER

On 31st December 2011, Alcantara S.p.A. had a staff of 381 employees: 64 at the central office in Milan and 317 at the production plant and research centre in Nera Montoro.

2011: increase in sales volumes

In 2011 Alcantara S.p.A. had to cope with an increase in sales volumes of about 18% and the resulting increase in production.

The results obtained in 2011 thus enabled Alcantara S.p.A. to recover the volumes lost since 2009 due to the world economic crisis and to grow with respect to 2008 by 12% in terms of volumes (14% in terms of turnover).

This result was due in part to the company choosing, in 2009, not to reduce the size of its staff and to handle periods of overcapacity by using up residual holidays, training and implementing operational flexibility plans.
3.1.3 DIVERSITY AND RESPECT OF HUMAN RIGHTS

The company has never committed overt or veiled discrimination in its staff management. This approach is supported by the possibility of presenting claims to the Supervisory Committee, even in anonymous form. In case of discrimination, workers may turn to the workers’ representative for the SA8000® system.

Alcantara S.p.A. is also sensitive to equal opportunities, despite the fact that it operates in a production and industrial environment, which has always been characterized by the presence of a much smaller number of women than men by history and tradition. The subdivision of staff according to their gender has remained substantially unchanged with respect to 2010 (14.2% of the entire company staff).

Subdivision of staff by gender

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>12</td>
<td>15</td>
<td>29</td>
</tr>
<tr>
<td>Women</td>
<td>3</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
<td>22</td>
<td>31</td>
</tr>
</tbody>
</table>

In 2011, a total of 66 (48 men and 18 women) employees of the Milan office and the production plant and research centre in Nera Montoro took parental leaves. On expiry of their leave, all employees returned to work. The number of workers taking leave has remained practically unchanged over the past three years with an overall reduction in the number of hours due to a drop in the number of maternity cases.

Subdivision of staff by academic qualification

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle school qualification</td>
<td>44</td>
<td>36</td>
<td>41</td>
</tr>
<tr>
<td>High school diploma</td>
<td>256</td>
<td>261</td>
<td>248</td>
</tr>
<tr>
<td>Degree</td>
<td>79</td>
<td>79</td>
<td>79</td>
</tr>
<tr>
<td>Total</td>
<td>358</td>
<td>357</td>
<td>381</td>
</tr>
</tbody>
</table>

Subdivision of staff by age group

| Year | <30 | 30-50 | >50 | <30 | 30-50 | >50 | <30 | 30-50 | >50 | <30 | 30-50 | >50 | <30 | 30-50 | >50 | <30 | 30-50 | >50 | <30 | 30-50 | >50 |
|------|-----|-------|-----|-----|-------|-----|-----|-------|-----|-----|-------|-----|-----|-------|-----|-----|-------|-----|-----|-------|-----|-----|-------|-----|
| Milan | 2   | 19    | 41  | 2   | 19    | 41  | 2   | 19    | 41  | 2   | 19    | 41  | 2   | 19    | 41  | 2   | 19    | 41  | 2   | 19    | 41  |
| Nera Montoro | 3   | 12    | 31  | 3   | 12    | 31  | 3   | 12    | 31  | 3   | 12    | 31  | 3   | 12    | 31  | 3   | 12    | 31  | 3   | 12    | 31  |
| Total | 5    | 31    | 72  | 5    | 31    | 72  | 5    | 31    | 72  | 5    | 31    | 72  | 5    | 31    | 72  | 5    | 31    | 72  | 5    | 31    | 72  |

The turnover of staff in the central office in Milan increased from 10.91% in 2010 to 12.05% in 2011. Conversely, at the production plant and research centre in Nera Montoro, it dropped from 41.82% in 2010 to 38.38% in 2011.

In 2011, the number of hires and terminations has remained practically unchanged.

31.3 DIVERSITY AND RESPECT OF HUMAN RIGHTS

The company has never committed overt or veiled discrimination in its staff management. This approach is supported by the possibility of presenting claims to the Supervisory Committee, even in anonymous form. In case of discrimination, workers may turn to the workers’ representative for the SA8000® system.

Alcantara S.p.A. is also sensitive to equal opportunities, despite the fact that it operates in a production and industrial environment, which has always been characterized by the presence of a much smaller number of women than men by history and tradition. The subdivision of staff according to their gender has remained substantially unchanged with respect to 2010 (14.2% of the entire company staff).

Staff belonging to minority groups

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of employees belonging to minority groups</td>
<td>32</td>
<td>30</td>
<td>33</td>
</tr>
<tr>
<td>% minority group with respect to total number of employees</td>
<td>9.0%</td>
<td>0.4%</td>
<td>0.7%</td>
</tr>
</tbody>
</table>
### 3.1.4 INCENTIVE AND REMUNERATIONS SYSTEMS

Alcantara S.p.A. promotes the management and motivation of staff through incentive and development policies and measures. To this aim, on a yearly basis, additional operations to those resulting from organizational and/or automatic contractual provisions are defined and planned with a view to recognizing the skills expressed on an individual level.

- **Types of Incentive Operations**: lump-sum bonus, top-up to higher employment level, and measures.

- **Payment Basis**: yearly basis.

- **Targeted Measures**: motivation of staff.

- **Promotions**: transfers to higher positions.

The incentive and remuneration systems aim at recognizing the automatic contractual aims, on a yearly basis, and measures to this end. They are planned with a view to motivating staff, promoting middle management, and encouraging career development.

### 3.1.5 TRAINING AND VALUATION

Training is systematically included in Alcantara S.p.A.'s strategic plans and is considered an indispensable tool for building, developing, and consolidating professional skills and know-how. Alcantara S.p.A. intends to further strengthen the career development of managers through specific operations. With regard to the work positions, a need to develop flexible skills and consolidate technical skills has emerged following the change in generation.

The staff on all levels is directly involved in training initiatives/plans, especially in case of:

- new recruitments;
- transfers to other work positions;
- changes in organization and/or technical/technological innovations that significantly affect the worker's professional profile;
- career development paths.

In 2011, the training activities carried out at the production plant and research centre in Nera Montoro concerned mainly the integration of new recruits and the career development of staff who were to change position during the course of the year. In addition, about 1,000 hours of training in languages (English) and data processing were given (Legislative decree no. 196/2003).

In 2011, at the management office in Milan, training concerned mainly conformance with the ISO TS standards, team working for the customer service, specialist courses for sales staff and individual language courses (English, German and Japanese). In particular, the plan for the integration of new recruits at the production plant comprises the development of reporting systems (including the sustainability report), the SA8000 standard and the Carbon Neutral project.

As far as health, safety and the environment are concerned, in 2011 Alcantara S.p.A.:

- Started training on OHSAS 18001 protective equipment certification.
- Provided training on the contents of Legislative decree no. 81/2008.

#### Average hours of training for each category, site and gender (hours)

<table>
<thead>
<tr>
<th>Category</th>
<th>Milan</th>
<th>Nera Montoro</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factory workers</td>
<td>54.0</td>
<td>20.3</td>
<td>74.3</td>
</tr>
<tr>
<td>Apprentices</td>
<td>11.7</td>
<td>9.7</td>
<td>21.4</td>
</tr>
<tr>
<td>Employees</td>
<td>11.7</td>
<td>9.7</td>
<td>21.4</td>
</tr>
<tr>
<td>Top management</td>
<td>11.7</td>
<td>9.7</td>
<td>21.4</td>
</tr>
<tr>
<td>Total</td>
<td>54.0</td>
<td>20.3</td>
<td>74.3</td>
</tr>
</tbody>
</table>

#### Costs (euros)

- **Total number of hours of training given**: 22,843
- **Total cost**: 65,109
- **Cost per hour**: 2.86
- **Average cost per hour of training in languages**: 27.2
- **Average cost per hour of training in data processing**: 20.6
- **Average cost per hour of training in technical and career development**: 33.8

#### Training Given

- **2009**
- **2010**
- **2011**

<table>
<thead>
<tr>
<th>Category</th>
<th>Milan</th>
<th>Nera Montoro</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factory workers</td>
<td>64</td>
<td>58</td>
<td>122</td>
</tr>
<tr>
<td>Apprentices</td>
<td>30</td>
<td>27</td>
<td>57</td>
</tr>
<tr>
<td>Employees</td>
<td>1,653</td>
<td>70</td>
<td>1,723</td>
</tr>
<tr>
<td>Top management</td>
<td>1,545</td>
<td>118</td>
<td>1,663</td>
</tr>
<tr>
<td>Total</td>
<td>1,882</td>
<td>185</td>
<td>2,067</td>
</tr>
</tbody>
</table>

#### Conversion to permanent staff

- **2009**: 22
- **2010**: 82
- **2011**: 93

#### Promotion to higher employment level

- **2009**: 58
- **2010**: 118
- **2011**: 136
Alcantara S.p.A. is strongly committed to preventing and minimizing the potential effects of its processes and products on health and safety. This commitment is based mainly on its will to make all its staff feel responsible, thus increasing their competence and awareness.

3.1.7 HEALTH AND SAFETY

Alcantara S.p.A. is committed to improving the Health and Safety of all its staff, whether employed by the company or by third parties; this commitment is witnessed by the project it has undertaken to have its health and safety management system certified in accordance with the OHSAS 18001 standard, a project whose aim is to obtain OHSAS 18001 certification by the end of 2012.

After recent years in which the trend of accidents recorded a constant and positive reduction and a marked reduction in the gravity of injuries, the year 2011 saw an increase in the number of slight injuries, which has increased the values of the accident indexes.

The gravity index (GI) represents the invalidating consequence of the injury and indicates the number of days lost per injury; it has a value of 0.04 for 2009 and 0.004 for 2010 and 0.039 for 2011.

Staff trade union members

<table>
<thead>
<tr>
<th>Month</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of members (with respect to total)</td>
<td>69%</td>
<td>69%</td>
<td>70%</td>
<td></td>
</tr>
<tr>
<td>% of non-members (with respect to total)</td>
<td>31%</td>
<td>31%</td>
<td>30%</td>
<td></td>
</tr>
</tbody>
</table>

On this basis, Alcantara S.p.A. maintains and develops relations with the workers’ representative organizations, based on mutual respect of the roles, skills and responsibilities of each worker with a view to qualifying the participation process better and preventing conflicts from arising.

Monthly meetings are held at the production plant and research centre (area meetings, monthly meetings with top management and the first two levels of managers below them, Quarterly Safety Day) involving about 30% of workers.

As laid down by the legislation in force, meetings between the company management, workers’ safety representatives, health and safety department managers and company doctors are held periodically.

The increase in production volumes and research projects, a particular feature of the year 2011, made it necessary to share the company objectives with the trade unions and to identify together the best tools for reaching them. These tools have been described in more than one trade union agreement on the Increase in Productive Capacity.

The flexibility topics discussed and shared in previous years have been strengthened further in agreements stipulated during the course of the year for flexibility and an extra bonus for the members of the multipurpose team.

Agreements were also reached on the productivity bonus and working hours.

The high percentage of staff who are members of a trade union shows that membership has never been discouraged in any way. In fact considerable space has been given to the workers’ representative organizations through a continuous, open dialogue between the company and the trade unions. To date, no reports have been made to the Management Representative or SA8000® Workers’ Representatives about interference with their right to join an association or take part in collective bargaining.

Discussions on company organization with the trade unions, which began in 2010, led, in 2011, to the signing of a trade union agreement on the classification of all figures present at the production plant and research centre in Nera Montoro.

The gravity index (GI) represents the invalidating consequence of the injury and indicates the number of days lost per injury; it has a value of 0.04 for 2009 and 0.004 for 2010 and 0.039 for 2011.
This tool has led to widespread participation of the entire company staff.

• Work groups: constitution of specific work groups for each functional area.

- Safety patrol: weekly internal audits, with a view to controlling the tidiness and cleanliness of the work environments, the correct use of personal protective equipment (PPE), etc. The Safety Patrol teams work across the entire organization, thus patrolling all the areas of the production plant and research centre and helping the entire staff to gain greater competence in safety issues.

- Safety proposals: practical proposals for the improvement of health, safety and work environment that every worker made to company management and for which the same worker must find an adequate response (whether positive or negative).

- Near misses: reports from employees of potentially hazardous situations that could lead to injuries. In 2011, 80 near misses were reported, analysed and solved, almost 380 since June 2006.

- Safety proposal: practical proposals for the improvement of health, safety and work environment, the correct use of personal protective equipment (PPE), etc. The Safety Patrol teams work across the entire organization, thus patrolling all the areas of the production plant and research centre, and helping the entire staff to gain greater competence in safety issues.

- Work groups: constitution of specific work groups for each functional area.

This tool has led to widespread participation of the entire company staff.

“Zero injuries” Project

The aim of the “Zero injuries” project is to identify further room for improvement in safety management and, more specifically, to tend towards the “Zero Injuries” target, thus going beyond the requirements laid down by the legislation in force.

Over 5 years after the start of the project (June 2006 - December 2011), a considerable improvement from the technical and operational viewpoint has been recorded due, among other things, to the use of the following tools:

- Safety proposals: practical proposals for the improvement of Health, Safety and the Environment that every worker made to company management and for which the same worker must find an adequate response (whether positive or negative). In 2011, compared with a target of 300 Safety Proposals, the workers submitted about 340 Safety proposals; since June 2006 over 1,600 Safety proposal have been made and about 1,200 of these have been implemented.

- Near misses: reports from employees of potentially hazardous situations that could lead to injuries. In 2011, 80 near misses were reported, analysed and solved, almost 380 since June 2006.

- Safety Patrol: weekly internal audits, with a view to controlling the tidiness and cleanliness of the work environments, the correct use of personal protective equipment (PPE), etc. The Safety Patrol teams work across the entire organization, thus patrolling all the areas of the production plant and research centre, and helping the entire staff to gain greater competence in safety issues.

- Work groups: constitution of specific work groups for each functional area.

This tool has led to widespread participation of the entire company staff.

ACCIDENT TABLE: GRAVITY – RATE OF INJURY

<table>
<thead>
<tr>
<th>Frequency index</th>
<th>Number of injuries/hours worked</th>
<th>Gravity index</th>
<th>Number of injuries</th>
<th>Incidence index</th>
<th>Number of injuries/number of employees* 100</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>1</td>
<td>532,660</td>
<td>1.95</td>
<td>0.05</td>
<td>0.27</td>
</tr>
<tr>
<td>2008</td>
<td>0</td>
<td>525,824</td>
<td>1.90</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2009</td>
<td>2</td>
<td>483,991</td>
<td>2.16</td>
<td>0.04</td>
<td>0.66</td>
</tr>
<tr>
<td>2010</td>
<td>1</td>
<td>504,700</td>
<td>1.98</td>
<td>0.09</td>
<td>0.34</td>
</tr>
<tr>
<td>2011</td>
<td>5</td>
<td>537,762</td>
<td>9.00</td>
<td>0.65</td>
<td>1.47</td>
</tr>
</tbody>
</table>

The gravity index (Gi) represents the invalidating consequence of the injury and indicates the number of days lost per injury; it has a value of 0.04 for 2009 and 0.004 for 2010 and 0.039 for 2011.

3.1.8 INTERNAL COMMUNICATION AND STAFF SATISFACTION

Alcantara S.p.A. takes care to listen to and dialogue with its workers with a view to establishing relationships of collaboration between the persons, thus increasing the feeling of belonging and the distribution of the company’s values and culture.

On the basis of the analysis of the company atmosphere conducted in 2010, in 2011 Alcantara S.p.A. took the following measures:

- Intranet, which is used to report on all events of significance to company life and information/initiatives/events coming from the market;

- The new company magazine “La voce di Alcantara”. The magazine is published every four months and is distributed to all staff;

- For the production plant and research centre in Nera Montoro, the “Safety Day” and “Safety Dinner”, which are turning into an opportunity to illustrate the main company events of the quarter and to share company policy and projects with the entire staff at the plant, and to discuss and share safety projects and guidelines;

- For the Milan office, the meeting with the Chairman who illustrated the main aims and results obtained to all employees;

- Comparative salary analysis with the leading reference multinational that the company’s salaries are in line with the external market, which revealed that the company’s salaries are in line with the leading reference multinational companies;

- Renovation works started on the canteen, toilets and some offices for a total sum of 267,000 euros;

- Extraordinary maintenance and modernization (e.g. toilets and dressing rooms);

- Improvement in the quality of meals served at the company canteen, discussed beforehand and afterwards with the canteen committee;

- Illustration of all positions within the organization to the trade union representatives and redetermination of each position, drawing up of the responsibilities attributed to all managers, in accordance with Legislative decree no. 81/2008;

- For the aspects concerning the perception of work esteem and related rewards, Alcantara S.p.A. consolidated its bonus system (see paragraph 3.1.4).

For each of these initiatives, Alcantara S.p.A. directly bears its proportion of the costs. At the production plant and research centre in Nera Montoro there is a recreational club, which organizes cultural and sports events for the employees and their families.

SUMMARY OF THE RESULTS OF THE “ZERO INJURED” PROJECT

<table>
<thead>
<tr>
<th>Near misses</th>
<th>Safety proposal</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>32</td>
</tr>
<tr>
<td>2010</td>
<td>86</td>
</tr>
<tr>
<td>2011</td>
<td>86</td>
</tr>
</tbody>
</table>

In 2009, 2010 and 2011 the zero injuries rate was 252, 317 and 340 respectively.
3.2 Alcantara S.p.A. and its customers

**Staff Benefits**

Alcantara S.p.A. gives its staff some benefits in addition to the provisions laid down in the Collective Labour Agreement:

- **Company canteen**: the cost of the company canteen is borne almost entirely by the company as regards its running costs. Employees pay a small percentage of the cost of each meal (about 11.5%);
- **Occupational and extracorporal insurances**: in addition to the provisions laid down by INAIL, and in extension to non-work activities, the company takes out an insurance policy for all members of staff;
- **Recreational club**: the company sets aside a yearly amount for the recreational club;
- **Company health service**: (doctors – ambulance – defibrillator); at the production plant and research centre in Nera Montoro, there is a health service active 24 hours a day, which includes the presence of a doctor during the day on work days and on-call duty on the other days and outside working hours;
- **Long service awards**: for staff who reach 25 years of service at Alcantara S.p.A., the company organizes an event where the Chairman rewards their loyalty with petrol coupons;
- **Bus service**: at Alcantara S.p.A.’s request, the transport company has provided a bus service between Terni and the production plant and research centre in Nera Montoro at times that allow the staff to travel to and from work in line with their working hours (the cost of the ticket is borne by the employees);
- **Reimbursement of travelling expenses**: for service calls answered by maintenance and IT staff outside working hours;
- **On-call allowance**: for middle managers and IT staff.

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New projects have been developed in the USA and China and brand awareness has been consolidated through numerous initiatives (see paragraph 3.2.6). In particular, in the USA, new projects have been launched with local customers, the aftermarket distribution network and some leading design centres. In China, in addition to the consolidation of the business with European and American customers that carry out production activities in situ, relations with importers of European and American trademarks have been established.

A significant drop in demand was recorded in the yachting sector, counterbalanced however by Alcantara®’s entry in the aviation sector due in part to the obtaining of the necessary certifications. New low-emission flameproof product is offered.

A new production process has been introduced with a view to drastically reducing energy consumption and the environmental impact.

The aftermarket channel has been opened in the USA for indirect automotive sales. The indirect channel has been developed for furniture customers in the regions not followed directly by Alcantara S.p.A. (Turkey, Ukraine, Arab Emirates – See par. 3.2.1)

For the civil aviation market, products have been homologated.

The efficacy of the technical/stylistic prototype planning and construction process and the application of the planning tool for optimizing the time to market have been consolidated. (See par. 3.2.1)

The offer of some products, designed initially for some markets in order to meet the demand of new fields of application has been broadened (e.g. Alcantara® EXO, for which the motorcycle sector will be placed alongside the yachting sector).
### 3.2.1 MARKETING POLICY AND INNOVATION

Alcantara® products and sells Alcantara®: a unique, innovative covering material, which, due to its versatility, offers an extraordinary combination of sensoriality, aesthetics and functionality, together with an exclusive modern-day lifestyle.

In 2011, Alcantara® S.p.A. modified some of its business priorities and developed new activities to deal with the sudden acceleration of the market globalization process. In particular:

- The new projects in the USA and China, already underway in 2011 and important for development in 2012-2015, modify the map of customers and areas covered by the sales network considerably.
- The projects in the USA and China have a non-negligible impact on the carbon footprint of Alcantara®.
- The activities in India and Brazil are complicated by barriers put up by their governments against imported products to favour their local products.
- The launch of products with a high added value and a higher price (collections) has slowed down on some markets (furniture) due to the economic crisis.

In the automotive and furniture sectors in particular, the growing globalization of the markets has led to:

- The development of new products for the USA automotive market.
- The launch of projects tailored to the Chinese automotive market.
- The establishment of initial trade relationships with furniture customers in the USA and the Far East.

The offer of some products, designed initially for some markets, has also been broadened to respond to new fields of application: for example, Alcantara® eXo, for which the motorcycle sector will be placed alongside the yachting sector.

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**Improvement objectives in the management of relations with customers**

- To support the technical-stylistic development for new business sectors (consumer electronics and proprietary collection)
- To develop new products
- Automotive division: to develop business and brand awareness in the USA, China, Japan and Korea
- Furniture division: to provide more information and education about the value chain, also on sustainability-related issues
- Fashion division:
  - To improve sales management in the luxury segment
  - To identify young emerging stylists to collaborate with
  - To increase the possibility of using Alcantara® for entire articles/accessories through the development of its proprietary collection
- To assess the start-up and development of the A for Alcantara® collection on an international level

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**Objectives for 2011:**

- Penetrate non-European markets
- Cooperate with industrial partners in co-marketing initiatives

**Targets reached:**

- Specific technical projects and stylistic scouting on innovative projects have been implemented (e.g., perforated line, three-layer electric welding – see par. 3.2.1).
- New products have been launched for the USA market and projects tailored to the Chinese market are underway.

**Objectives for 2011:**

- Consolidate the broadened offer
- Confirm the relationships of collaboration with strategic partners

**Targets reached:**

- Initial trade relations have been established with furniture customers in the USA and the Far East (in particular, Singapore and Indonesia).
- Tailor-made products have been developed in the Alcantara® Interiors selection through their inclusion in the collections of some partners.
- The Multilayer product has been introduced to new customers in Europe.

**Objectives for 2011:**

- Start repositioning the brand;
- Give information to young emerging stylists;
- Develop sales for new stretch dye-ready materials;
- Optimize the sales network.

**Targets reached:**

- A new product/project has been developed in collaboration with prestigious partners.
- A collection of finished products and accessories for the electronic goods sector has been created with the aid of some young emerging stylists (see par. 3.2.1 – 3.2.2).
- A new variant of the Stretch product has been presented.
3.2.2 CUSTOMERS AND MARKETS SERVED

The main sectors of business in which Alcantara S.p.A. operates are: automotive (75%), fashion and accessories (12%), furniture (13% in interior, contract and yachting sectors).

AUTOMOTIVE

Automotive customers

The Alcantara® offer is designed for car manufacturers, while the direct customers (those who process the material and to whom Alcantara S.p.A. delivers and makes out invoices) are System Suppliers.

Characteristics of the market

The car industry imposes particularly strict quality standards. European customers represent 95% of the manufacturers present on the reference market. Their loyalty towards Alcantara® is witnessed by their continuous involvement in new projects and the positive results recorded also in 2011.

In 2011, following the development of the global market, the composition of Alcantara S.p.A.'s clientele has changed to some extent. The main changes concern in particular:

• OEM (original equipment manufacturer) customers located outside Europe as far as direct sales are concerned
• The opening of the aftermarket channel in the USA for indirect sales
• The increase in sales in Europe resulting from the development of the business of Alcantara® customers on emerging markets (China and the USA).

The leading end market is represented by German builders.

Direct contact:

• for all projects, with car manufacturers, their technical, purchasing, marketing and style departments;
• with System Suppliers from the initial cutting phase to the construction of the seat, door panels and other parts of the car.

Indirect contact:

• for the “Aftermarket”, that is, operators that refurbish cars and/or limited series, in collaboration with car manufacturers or local importers.
• in 2011, the distribution channels in the United States were defined (with two partners, one on the Pacific coast and one on the Atlantic coast).

Advantages of Alcantara®

In 2011, Alcantara S.p.A. focused its attention on the implementation of technical projects for the car industry, such as:

• Homologation of low-emission products
• Introduction of the new ETA-BE flameproof product
• Introduction of the multilayer product
• Technical preliminary validation of the compound for ventilated seats
• Foam-coated products for European customers.

Stylistic scouting activities have been set alongside the technical activities in the implementation of considerably innovative projects, such as:

• “Perforated Line” numerical control drilling
• three-layer electric welding.

MANAGEMENT APPROACH

Some of the machining processes typically carried out by System Suppliers are performed by Alcantara S.p.A. in order to shorten the supply chain and get closer to the customer (the car manufacturer), ensuring higher quality and lower costs. In particular, by handling the additional processes, Alcantara S.p.A. reduces the number of links in the supply chain, thus reducing the number of kilometres travelled by the product prior to its installation inside the cars of OEM customers.
In 2011, Alcantara S.p.A. was very active in the development of co-creation projects with some important customers and, in particular, it:
• Developed a series of new materials for the accessories market
• Produced specific materials designed to solve technical problems for the new consumer electronics market
• Manufactured finished products (cases for mobile phones, tablets and glasses) for important partners
• Promoted highly innovative projects, such as pleated and embroidered patterns for the outside of bags
• Developed its own collection of finished products

The main end market is Europe and, in particular, Italy, France and Great Britain, that is, the countries with the largest number of luxury fashion brands. Germany and Spain are also important markets for Alcantara®. China is starting to become an interesting market, too, due to the delocalization process taking place in the fashion sector.
The business sectors are clothes, which accounts for about 78% of the volumes sold, and accessories for the remaining 22%.

The continuous technological evolution and research work carried out in house have enabled Alcantara S.p.A. to add multi-colour printing and dyeing to the numerous machining processes already applicable to the material.

In the fashion sector, Alcantara® distinguishes itself for its attention to detail, the exclusive textures and performance (washability, breathability and durability). These tangible characteristics are supplemented by the value of the Alcantara® brand, which, due to its relationships of collaboration with emerging designers that use Alcantara® in innovative design, is beginning to be appreciated again also on the fashion market.

Direct contact:
• with all the main fashion & accessories brands

Indirect contact:
• through a network of agents operating on the main markets

FASHION & ACCESSORIES

— Fashion & accessories customers
Its customers in the Fashion sector, over 800 in 2011, are leading European fashion brands operating in the luxury sector. In 2011, in particular, Alcantara S.p.A. recorded a considerable increase in the number of customers operating in the high end sector (+34%, with an increase in volume of 44%).
The end markets of this business sector of Alcantara S.p.A. are characterized by the marked loyalty of key customers and a gradual loss of non-strategic customers. The year 2011 was also characterized by:

- introduction of the Multilayer product, new generation of Alcantara® for covering seats at new customer sites and the aim for 2012 is to launch it on the European market (Holland and Italy);
- marked drop in the yachting sector, offset by Alcantara®'s entry on the aviation market also due to the obtainment of the necessary certifications (JAR/FAR standard used by all builders in the world to identify a product compatible with seat and panel covering applications for public and private aviation);
- development of the indirect channel for furniture customers who, for logistical reasons or due to the volumes developed, cannot be followed by Alcantara S.p.A. This distribution choice enables the number of documents, trips and commercial transactions to be reduced to a minimum, which has a positive impact on the environment;
- development of tailor-made products in the Alcantara® Interiors selection due to their inclusion in the collections of some partners.

The “tailor-made” offer is at the basis of the success in the relationship with the Key Customers in the Interiors sector. As far as the Yacht and Contract sectors are concerned, the certifications of the sector are fundamentally important, as is the ability to offer a comprehensive, rapid and prompt service (as early as the sampling phase).

Alcantara S.p.A. works in partnership with major customers, from the production of furniture to its distribution to the points of sale, communicating the characteristics of the product to the end customer in a joint and targeted way. For the Yachting and Contract sectors, the Alcantara® materials are tested and approved on the basis of the legislation in force in every country. Conformance with the aviation standards (JAR/FAR) has enabled Alcantara® to enter the aviation market.

**Interior, contract & yacht customers**

The customers are the leading residential furniture companies and distributors, for the potentially significant regions. The contract customers (public areas, hotels, etc.) are, on the one hand, Architecture and Design firms and, on the other, specialised companies (Contractors). The customers in the yachting sector are both large ship builders, who work in close collaboration with specialized Architecture and Design firms and ship fitters, and the leading brands for the production of yachts.

**Characteristics of the market**

**Direct contact:**
- with Key Customers and customers of the “tailor-made” offer
- with Contract customers (public areas, hotels, etc.)
- with some Architecture and Design firms and some Contractors that require the “tailor-made” offer

**Indirect contact:**
- with some distributors for minor customers
Alcantara S.p.A. approaches the reference markets along two main channels:

- direct contact: sale to the customer;
- indirect contact: agents and distributors, selected by the company, contact the potentially significant areas of the market directly.

In 2011, these figures present marked increases both in value and in volume, with a percentage of over 20%.

<table>
<thead>
<tr>
<th>DESCRIPTION (EUR000)</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finished product sales</td>
<td>63,344</td>
<td>77,110</td>
<td>91,104</td>
<td>+ 20.0%</td>
</tr>
<tr>
<td>By-product and material sales</td>
<td>706</td>
<td>738</td>
<td>763</td>
<td>+ 3.4%</td>
</tr>
<tr>
<td>Total net sales</td>
<td>64,050</td>
<td>77,848</td>
<td>93,947</td>
<td>+ 20.7%</td>
</tr>
</tbody>
</table>

MARKETS

EU Turnover for 2011

<table>
<thead>
<tr>
<th>Markets</th>
<th>2011</th>
<th>2010</th>
<th>2011</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>42,442</td>
<td>42,245</td>
<td>64%</td>
<td>4%</td>
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<tr>
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<td>2,952</td>
<td>3,312</td>
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<td>4%</td>
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<tr>
<td>France</td>
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<td>7,142</td>
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<td>9%</td>
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<tr>
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<td>5%</td>
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<tr>
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<td>9%</td>
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<td>Portugal</td>
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<td>2,134</td>
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<td>5%</td>
</tr>
<tr>
<td>Poland</td>
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<td>2,134</td>
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<tr>
<td>Other</td>
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<td>5%</td>
</tr>
<tr>
<td>Total</td>
<td>64,947</td>
<td>67,847</td>
<td>93,947</td>
<td>+ 20.7%</td>
</tr>
</tbody>
</table>

In 2011, these figures present marked increases both in value and in volume, with a percentage of over 20%.

DESCRIPTIO (EUR000)

- Finished product sales
- By-product and material sales
- Total net sales

EU Turnover for 2011

<table>
<thead>
<tr>
<th>Markets</th>
<th>2011</th>
<th>2010</th>
<th>2011</th>
<th>% Change</th>
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<tr>
<td>Switzerland</td>
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<td>1,230</td>
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<td>13%</td>
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<tr>
<td>Taiwan</td>
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<td>618</td>
<td>5%</td>
<td>13%</td>
</tr>
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<td>Japan</td>
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<td>5%</td>
<td>13%</td>
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<td>Turkey</td>
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<tr>
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<tr>
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<td>Russia</td>
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<td>13%</td>
</tr>
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<td>Mexico</td>
<td>361</td>
<td>361</td>
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<td>Other</td>
<td>1,966</td>
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<td>13%</td>
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<tr>
<td>Total</td>
<td>13,180</td>
<td>13,180</td>
<td>93,947</td>
<td>+ 20.7%</td>
</tr>
</tbody>
</table>

- Finished product sales
- By-product and material sales
- Total net sales
In particular, Alcantara S.p.A.’s offer has the following strong points:

- since 2010, the company has procured electricity from renewable sources through a hydroelectric power plant situated near the production plant;
- since 2009 Alcantara® has been Carbon neutral: it has defined, reduced and offset the CO₂ emissions coming from the entire production process from cradle (production of raw materials) to gate (delivery of material to the customer); in 2011 an analysis of the product’s life cycle “from cradle to grave” was conducted for total carbon neutrality;
- since 2008, all its electricity has been taken from renewable sources;
- Alcantara® is easy to clean and scratch-proof (easy-care and self-care);
- Variants of the material that use up to 25% in weight of after-use recycled raw materials are available;
- The production process uses exclusively raw materials authorized by the strictest community standards (REACH);
- Alcantara® conforms to the customers’ supply specifications and has the certifications required by the reference markets (see paragraph 1.2.3).

In order to achieve this balance and satisfy the increasingly demanding ethical, social and environmental needs, Alcantara S.p.A. has established a voluntary path of sustainable development the results of which, in terms of continuous improvement, enable it to offer a safe product that respects the environment.

In particular, Alcantara S.p.A.’s offer has the following strong points:

- since 2010, the company has procured electricity from renewable sources through a hydroelectric power plant situated near the production plant;
- since 2009 Alcantara® has been Carbon Neutral: it has defined, reduced and offset the CO₂ emissions coming from the entire production process from cradle (production of raw materials) to gate (delivery of material to the customer); in 2011 an analysis of the product’s life cycle “from cradle to grave” was conducted for total carbon neutrality;
- since 2008, all its electricity has been taken from renewable sources;
- Alcantara® is easy to clean and scratch-proof (easy-care and self-care);
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- The production process uses exclusively raw materials authorized by the strictest community standards (REACH);
- Alcantara® conforms to the customers’ supply specifications and has the certifications required by the reference markets (see paragraph 1.2.3).

On its main markets, furniture and automotive, Alcantara S.p.A.’s sustainability offer is implemented by its leading and most prestigious customers, above all in terms of:

- Response to some of the market needs for products and processes with a lower environmental impact;
- Alcantara S.p.A.’s success not only as a responsible company in its most direct sphere (its staff and processes) but also in corporate policy as a whole.

Alcantara S.p.A. takes care to guarantee the health and safety of its consumers and provides accurate information on the labelling of its products. In particular, the Oeko-Tex label of Alcantara® ensures that there are no risks for human health for end consumers, in conformance with the provisions laid down by the Oeko-Tex Standard 100 (see paragraph 1.2.3). In accordance with the company procedures, before each new product is put on the market, the specific risks associated with it are assessed by a management committee.

During the contract phase, Alcantara S.p.A. gives the customer all the necessary information about its products and labelling (composition, washing instructions, care and maintenance in time, abrasive strength, etc.) and the training necessary to use the material correctly.
3.2.5 Customer Satisfaction and Quality System

Alcantara S.p.A. is strongly oriented towards customer satisfaction and measurement of this satisfaction by listening to and communicating with the customer through the area managers, project managers and persons responsible for the stylistic development of the product. Dialogue gives rise to a continuous improvement of the procedures, interfaces and response times.

Quality system

Alcantara S.p.A. guarantees the quality of its products through numerous certifications (see paragraph 1.2.3). From the operational point of view, all the phases of the customer relationships are described in the Quality Manual developed in accordance with the UNI EN ISO 9001:2008 standard.

Every year, Alcantara S.p.A. conducts a critical internal analysis (Customer Satisfaction Review) designed on the basis of the “customer-supplier” model, in which the area managers and project managers act as spokesmen for the customers towards the company.

Within the scope of the Customer Satisfaction Review, the customer satisfaction is measured through three indicators:

- Level of service to the customer (On Time Shipment);
- “Non-quality” reports from customers;
- Overall rating (feed-back from customers only adopted by some OEM - Original Equipment Manufactures) completed or replaced by a qualitative analysis of the events that led to the customers’ dissatisfaction (TGW Analysis – Things Gone Wrong Analysis), particularly useful for identifying the continuous improvement activities in a setting of innovation and, in particular, the “tailor-made” offer.

In 2011, an analysis of the Customer Satisfaction measurement indicators revealed a further improvement with respect to the year 2010. In terms of the level of service provided to the customer (On Time Shipment), 2011 recorded values in line with the previous years, as can be seen from the graph shown below.

In terms of “non-quality” reports, the complaints received from customers represented only a small percentage of the total sales and a further, gradual improvement with respect to previous years, as highlighted in the following histograms.

With regard to the continuous improvement, in 2010 Alcantara S.p.A. concentrated its efforts on increasing the efficacy of the process for planning and producing technical and stylistic prototypes. In 2011, this process was activated 186 times (with an increase of 23% with respect to the previous year), obtaining full customer satisfaction in terms of efficacy and, in particular, procurement times.

In 2011 Alcantara S.p.A. consolidated the application of a planning tool introduced in 2009 to optimize the time to market of the customized stylistic development. This tool was used 53 times (with an increase of 40% with respect to the previous year).

Alcantara S.p.A. is also willing to subject its Quality Management System to periodic audits by customers and/or system suppliers, typically in the automotive industry.

The feedback received and the direct audits conducted by customers (mainly System Suppliers in the car industry) gave positive overall assessments, confirming Alcantara S.p.A.’s classification as a “Class A – APV Preferred Supplier” also in 2011.
3.2.6 THE RESEARCH CENTRE AND NEW PRODUCTS

Every year, Alcantara S.p.A. invests between 3% and 5% of its turnover in research and possesses the only Research Centre in Europe for the development and continuous improvement of its own type of products and processes. This choice constitutes one of the company’s strong points and is determined by its awareness that continuous experimentation and renewal constitute the “one step ahead” and meeting future market needs.

The Research Centre includes, as an integral part of it, the modern Application Development Centre (CSA) whose activity is centred on the operating performance of the product and the applications technologies used at the main customers’ sites to provide customized solutions.

In line with its policy, the development of new products for Alcantara S.p.A. is closely linked to social, economic and environmental performance. The innovation generated by sustainability affects the production facilities, the product, process, procurement, logistics, and communication, thus creating an authentic business model.

It is for this reason that the Research and Development Department is constantly committed, on the one hand, to the discovery of processes and products suitable for the market (persuasive offer), and, on the other, to the search for specific solutions for the customer (on demand in accordance with a customer brief), which are in line with Alcantara S.p.A.’s sustainability policy. To this aim, it uses the skills and work of the Application Development Centre (CSA) and Stylistic Development.

In 2011 Alcantara S.p.A. undertook an important long-term research project with a view to developing a new production process distinguished by a drastic reduction in energy consumption and an even lighter environmental impact.

Alcantara S.p.A. continues its commitment to innovation and customization of its offer through:

- The consolidation of new products developed in the five-year period 2006 – 2010
- The addition of new-generation products.

In particular, in 2011, the company:

- Put a new variant of the stretch product for the fashion sector on the market
- Created new-generation products for the Interior and Automotive sectors
- Completed its three-year research programme entitled “research and precompetitive development activities for the design of new high-performance products for the car interior sector”, which resulted in an increase in durability, resistance to light and shapability
- Designed a new low-emission flameproof product
- Started developing the new field of application “covering materials for consumer electronic products”.

3.2.7 COMMUNICATION AND EVENTS

Communication of the values of the product and the Alcantara® brand lies at the centre of the collaboration with its customers/ partners. The company’s distribution contracts include a section specifically dedicated to this topic.

The main means of communication used by Alcantara S.p.A. towards its own customers are participation in events and trade fairs, articles and advertisements in the major media outlets – a local, national and international level – the web site and the Facebook page (see paragraph 3.4.4).

Participation of Alcantara S.p.A. in fairs and shows in 2011

- FASHION
  - Milano Unica (in Milan in February and September) and Première Vision (in Paris in February and September), as well as its presence at its distributor’s stand during the Munich Fabric Start fair.
  - The company took part in the first edition of the Qubique fair, which was held in Berlin and the Abitaire il tempo fa fair in Verona. During the Furniture Show, Alcantara S.p.A. takes part in the Fuorisalone di Zona Tortona show with ad hoc projects and designs; in 2011, the Dream House of Alcantara® was presented at Superstudio in via Tortona.

- INTERIOR
  - Alcantara® is present in the interiors of the cars on display at the main car shows, from Geneva to Frankfurt, not to mention the Bologna Motor Show.
  - Alcantara S.p.A. takes part in events and activities in several fields. Traditionally sensitive to the world of art, in 2011, the company confirmed its presence at the Rome Contemporary Art show by setting up a lounge area. This activity was also carried out for the first Italian edition of the Affordable Art Fair, a fair dedicated to “democratic” art at low prices.

- AUTOMOTIVE
  - 2011 saw Alcantara S.p.A. consolidate brand awareness in China through a series of important activities and initiatives developed during the course of the year.
    - March, Beijing: presentation of the Alcantara activities in the Interior and Automotive sectors to the press, opinion leaders, decision makers and V.I.Ps.
    - April: events organized in partnership with the Ultima publishing house (Media Shanghai Car Design Night, Interior Motives China Conference, Car Design Awards)
    - April: events organized in partnership with the Ultima publishing house (Media Shanghai Car Design Night, Interior Motives China Conference, Car Design Awards)
    - May-June: presentation to the public: at large through two roadshows in Shanghai and Beijing – ideal trip through the most exclusive Alcantara® applications
    - June-July: collaboration with prestigious partners in the car industry for the Racing Days that were held on the Anting circuit in Shanghai
    - October: participation in the first edition of the Beijing Design Week, with a speech at the RID Forum, and subscription to the first Sino-Italian forum organized by the Chamber of Italian fashion in Beijing to introduce the leading Made in Italy trademarks to the new Chinese Fashion scene.
### 3.3 Alcantara and the community

#### TO DO
- To strengthen the relationship with the local community, especially around the production plant, for example, through activities associated with the protection of the environment.
- To develop a management approach dedicated to relations with the local communities, no profit organizations and other socially and/or environmentally oriented organizations.
- To strengthen the “Extraordinary, every day” position, also through the new press campaign “Can you imagine?”

#### DONE
- In 2011 Alcantara S.p.A. held some meetings with representatives of local institutions with a view to exploring opportunities for collaboration to safeguard the area.
- Alcantara S.p.A. took part in environmental activities in the community. Worth of particular note is the collaboration with ARPA for the organization of the phytorenery conference of national interest.
- The “Can you imagine?” campaign comprised an experimental research project that culminated in a show organized by MAXXI Architettura in collaboration with Alcantara® involving 11 designers.
- In 2011 the new web site adapted to the restyling of the Alcantara® trademark was put on line and the new Facebook page was designed.

### Improvement objectives in relations with the community

- To communicate with various organizations on an international scale, from companies to end consumers.
- To consolidate and develop relations with public bodies and institutions to favour the sustainability of the area and the company.
- To assess and sustain new initiatives involving young stylists and emerging designers.
- To further develop communication channels and interaction with the stakeholders through the potential of the network.

On 2nd December 2011, Alcantara S.p.A. received a visit at its Milan office from a group of students from the Oriani Mazzini High School in Milan. The company and its products were presented to them, illustrating the interaction between the company departments. A particular emphasis was also laid on the sustainability aspects that the company has developed over the past years.

### 3.3.1 COMMUNITY RELATIONSHIP POLICIES

Alcantara S.p.A. has always taken care to dialogue continuously with the community on the basis of criteria of transparency and fairness and to spread its sensitivity to sustainable business and community development, encouraging the collaboration of the communities in reaching this ambitious objective.

The “Community” structure of Alcantara S.p.A. is made up as follows:

- at the Milan office: the local associations (National Chamber of Italian Fashion, Material Connexion), the trade associations, the world of the press and media in general. Alcantara S.p.A. also collaborates actively with university institutions such as Berlin University, the IED (European Design Institute) and the Polytechnic of Milan.

Through communication with the end customer, the company speaks mainly to “design lovers” who choose the material to cover the objects that they keep around them in everyday life, while the professional communication puts the company in contact with designers, project leaders, stylists and all those who use Alcantara® in their own creations.

- at the production plant and research centre in Nera Montoro: Alcantara S.p.A. dialogues with the institutions and develops initiatives with a view to supporting the local community. The company represents a major actor deeply rooted in the area and at a point of reference for many workers and families.

The communities where the energy generation from renewable sources projects is located are also influenced indirectly.

In fact, to offset the CO2 emissions produced by the company, it has obtained financing for another 3 projects which, under the protection of the UN, help to improve the conditions of the Earth from the economic, social and environmental points of view. After Honduras, New Zealand, India, Indonesia, Taiwan and Turkey, this year projects have been financed in Thailand, China and Brazil. The projects concern plants that generate energy from renewable sources, in line with the company’s choice to use exclusively this type of energy for production activities.

In 2011, Alcantara S.p.A. confirmed its commitment to sustainability related communication initiatives. In particular, in October, the company took part in a conference on sustainability in Umbria, illustrating its phytotreatment project as proof of its commitment in this field (see paragraph 4 for further details).

### 3.3.2 SPONSORING AND GIFTS

Alcantara S.p.A. takes part in events and activities in several different fields, mainly by supplying furniture for communal areas and providing bags and other gadgets for the press kits of their customers and partners.

**May 2011**
- Contribution to the Japanese school in Milan.

**August 2011**
- Contribution to the International Red Cross for the earthquake in Japan. Alcantara S.p.A. staff contributed by collecting funds to support the Japanese populations hit by the earthquake with a sum of 5,039 euros, while the company itself decided to contribute to the initiative with 30,000 euros.

**December 2011**
- Alcantara S.p.A. took part in the “Il Bello che fa Bene” event, an auction to support the sponsorship of deprived children organized by the Al.Bi. – Amici dei Bambini association.
— 3.3.3 ACTIVITIES IN THE WORLD OF RESEARCH AND CREATIVE INNOVATION

In 2011, collaboration in the field of university research continued through the projects:

- High-performance products for car interiors: Alcantara S.p.A. continued to collaborate with:
  - The Chemistry Department of the University of Perugia;
  - The Material Engineering and Production Department of the University of Naples.
- Future Alcantara, whose aim was to design a new, more efficient production process. To this aim, relationships of collaboration were established with the Departments of Chemistry and Industrial Engineering of the University of Salerno.

Remaining in the university environment, during the course of the year, a relationship of collaboration was established with the Berlin University of the Arts, which organizes a degree course on the artistic and applicational potential of Alcantara®.

In some cases considered of particular interest, the company supports talented students (Great Britain and United States) in the fields of fashion or interior design by supplying them with free samples of Alcantara®.

**Alcantara Project-MAXXI**

In 2011, an initiative was taken to explore the artistic and creative potential of the Alcantara® material. In particular, an experimental research project was implemented, leading to the organization of a show by MAXXI Architettura in collaboration with Alcantara S.p.A., in the period from 7th October to 13th November 2011.

Through 11 installations by 11 designers of international fame, the show explored the versatility of Alcantara®, by investigating new areas and brand new models of interpretation.

The 11 designers, chosen for their inclination for material experimentation by Domitilla Dardi, design manager of MAXXI Architettura, and Giulio Cappellini, the art director of Alcantara S.p.A., gave their vision and interpretation of Alcantara® in scenographic installations, each one emphasizing a particular aspect of the material, according to their own creative sensitivity.

In the work, each author revealed his own identity, starting from the use of Alcantara® as a common material: their individual personalities were fully expressed in their interpretation of the material, proposed in novel three-dimensional forms. A project that interpreted fully the spirit of MAXXI: an interdisciplinary campus for 21st century art in which all forms of modern-day creativeness find space and open up research and experimentation.
Alcantara S.p.A. supports many associations and/or institutions through its membership fee and direct participation in order to support the company’s representation and use the services provided by the associations.

### 3.3.5 TRADE ASSOCIATIONS

**LIST OF ASSOCIATIONS OF WHICH ALCANTARA S.p.A. WAS A MEMBER IN 2011**

- ADECE (Italian Supplier Ass.)
- ANOTERM
- MIAS (Italian Safety Worker Ass.)
- AUSIL
- MIQ (Central-Northern It)
- NAATIONAL CHAMBER OF FASHION
- MILOG (Italian Logistic Ass.)
- CREDIT MANAGER
- MIM (Italian Macromolecule Ass.)
- FEDERCHIMICA
- MITTELMODA
- TEXTILTEC
- VERAPELLE
- ADI (Industrial Design Association)
- ASSOFISICHE
- MATERIAL CONFLEXION
- ASSOFIBRICHE
- CITTA’ DELLE ARTI FASHION

In 2011 Alcantara S.p.A., together with the PR agencies with whom it works, wrote and issued 47 press releases:

- 20 for the Automotive sector (8 in Italy, 9 in Germany and 3 in China);
- 5 for the Fashion & Accessories sector (4 in Italy and 1 in China);
- 4 for the Interior & Contract sector;
- 1 for the Marine sector in China;
- 7 for the design sector (6 in Italy and 1 in China);
- 9 in the corporate sector (3 in Italy and 6 in China).

In addition, 7 press conferences were organized together with prestigious partners with whom the company had been working for some time. The complete set of communication activities amounted to media coverage of 3,405 articles (on-line and off-line) on all the leading newspapers across the world.

Also in 2011, the company created its own Facebook page, which reached 20,000 “friends” in its first year. In 2011, the number of persons who visited the internet site was 201,653 of whom 179,676 were single visitors.

See also http://www.facebook.com/alcantara.Company.

The press is monitored periodically by means of a digital print review service, which reads and assesses both the advertisements and the articles. Contacts with the press are kept by Alcantara S.p.A. both directly and through its print offices, in Italy (company press office and automotive press office), France, Germany and China.

The relationship with the press is continuous: on the one hand, press releases and press kits are produced for fairs, events and major innovative projects and, on the other, the company answers and fulfils the requests of the journalists for information, interviews and samples of material for the press services. Press days and press conferences are also organized on important occasions such as the Furniture Show.

### 3.3.4 RELATIONS WITH THE MEDIA

Alcantara S.p.A. uses the principal media outlets to notify the stakeholders of the initiatives taken, the innovations made and to provide all of the information necessary to perceive the company’s situation in the correct way. The means of communication chosen concern mainly printed media (daily, weekly and monthly newspapers and magazines in the interior, car, fashion and general lifestyle sectors) and the web (specialized sites and portals for professionals through banners, buttons, ad hoc articles and advertisements on the basis of the topic proposed).

WHO IS ON NEXT?

Alcantara S.p.A. again took part as a leading actor in “Who is on Next?”, a project conceived and implemented by Alta Roma in collaboration with Vogue Italia to promote young emerging stylists. The Alcantara® creations were shown on the collective catwalk of Alta Roma in July and were worn during the Gala Dinner that closed the event. The protagonists of this edition were: Angelo Iatrou, Stella Jean, To Long Nam, Cristina Miralaldi, Ragazze Ornamentali, Thomas Blakk, Alessio Spinelli, Au jour le jour, Marta Ferri, CO TE and Paula Cademartori.
Environmental improvement objectives

- To consolidate and continue energy efficiency
- To optimize and improve its Carbon Foot Print (CFP) along the value chain
- To reduce production waste
- To start the construction of a new gas turbine plant
  - To improve waste management
major investments have been made to minimize atmospheric emissions and reduce the consumption of energy, mainly electricity. (see paragraph 4.4 for further details)

major investments have been made to rationalize and optimize the wastewater treatment plant and the management of waste flows as well as those of energy, mainly electricity. (see paragraph 4.6)

the integrated environmental authorization was obtained for the following environmental improvement projects:
- modern phytotreatment plant (see separate file);
- the sludge from the wastewater treatment plant can be recovered in cement factories or other authorized plants instead of being disposed of at the landfill;
- wastewater treatment plant has been optimized for an increasingly high quality water with a level of contaminants already well below the legal limits.

although there are no particular protected species in the area around the site, the aquatic and terrestrial fauna and flora that may be influenced by the activities of alcantara s.p.a. can be identified. this objective remains valid for the coming years.

having calculated the emissions in accordance with the UNI ISO 14064-1 standard, alcantara s.p.a. offset all its CO₂ emissions, certifying the entire operation. (see paragraph 4.6)

in october 2011, at a conference on phytotreatment organized by the ARPA centre in terni, the phytotreatment system built by alcantara s.p.a. was presented as a case study, which included a visit to the plant. the phytotreatment system is based on the natural process by which plants absorb water from the soil. this "evapotranspiration" activity is regulated by climatic factors such as sunlight, temperature, humidity and wind speed. the climatic factors in turn depend upon "stationary" factors such as latitude, longitude, altitude and exposure. through the evapotranspiration process, the plants transfer large quantities of water from the soil to the atmosphere using solar energy as input.

the construction of the phytotreatment system was approved by the Province of terni within the scope of the IEP and, for an initial period of three years, the system will be subjected to monitoring and control of soil quality and the plants present in order to assess the accumulation of contaminants into the soil and is made up of three covered basins. the water treatment system manages the water flows of leachate even during the winter. the plants absorb water from the soil to the atmosphere using solar energy as input. the function of the plants is to consume the leachate directly in situ, thus avoiding the costly transfer and production of waste after the treatment of the leachate. in 2011 the system cost 87,485 euros; for the year 2012, the estimated cost is a further 50,000 euros.

for the design and construction of the new phytotreatment system, alcantara s.p.a. received support from the Faculty of Agriculture of the University of Tuscia – Department for Innovation in biological, agricultural, food and forestry systems, in collaboration with the Water Research Institute of the CNR. Applications of this kind have been experimented in the USA and in Australia, but still represent a novelty on the European scene.

In October 2011, at a conference on phytotreatment organized by the ARPA Centre in Terni, the phytotreatment system built by Alcantara S.p.A. was presented as a case study, which included a visit to the plant. The phytotreatment system is based on the natural process by which plants absorb water from the soil. This "evapotranspiration" activity is regulated by climatic factors such as sunlight, temperature, humidity and wind speed. The climatic factors in turn depend upon "stationary" factors such as latitude, longitude, altitude and exposure. Through the evapotranspiration process, the plants transfer large quantities of water from the soil to the atmosphere using solar energy as input.

The construction of the phytotreatment system was approved by the Province of Terni within the scope of the IEP and, for an initial period of three years, the system will be subjected to monitoring and control of soil quality and the plants present in order to assess the accumulation of contaminants into the soil.

The Nera Montoro area selected is already equipped with the safety systems necessary to prevent the leakage of contaminants into the aquifer and is made up of three covered basins and a cultivation basin. Plantations of evergreen species suited to the climate of the area were set up on the three basins. They are evergreen woody species capable of ensuring a fair capacity for consuming flows of leachate even during the winter. By means of a special dripping system, the plants are irrigated with leachate and continually supplied with water, so as to maximise the evaporation and evapotranspiration processes and favour the development of surface root systems.

The system built ensures an overall improvement in the environment of the landfill area, breaks the cycle that leads to the production of waste and creates new destinations for the sludge produced by the water treatment system. In particular, the results obtained include the following:

- Ecological restoration of a surface area of about 7,000 m² on the cover of some full basins of a landfill with over 2,500 plants with industrial wastewater rich in nutrients;
- Reduction in the amount of pollutants treated in the water treatment plant, with a consequent reduction in the treatment products and sludge produced and an improvement in the characteristics of the wastewater.

As a result of the construction of the phytotreatment system, the wastewater treatment system no longer receives landfill leachate and, consequently, the latter no longer lies within the scope of the IEP (Integrated Environmental Authorization) in that it is no longer a waste treatment system.
Raw materials and energy are used at the production plant and the finished product is released on the basis of the diagram shown below:

The integrated-cycle production of the material takes place at the production plant and research center in Nera Montoro. The Alcantara S.p.A. production process starts with two polymers from which the finished product is obtained through a series of phases. The material undergoes final transformation treatments according to the type of application for which it is to be used.

The company actively undertakes to eliminate or minimize the impacts of its processes and products on the environment through a series of actions that concern:

- Improvement in environmental efficiency and minimization of the environmental impacts produced;
- Constant training and briefing on major environmental issues;
- Stimulation of awareness and communication activities outside the company.

The attention paid by Alcantara S.p.A. to environmental issues is witnessed by the significant awards received:

- Since 2000, certification of the Environment Management System in accordance with the ISO 14001:2004 standard, renewed in July 2010, which enables the impacts of the activities carried out during the phases of production to be kept permanently under control;
- Integrated Environmental Authorization (IEA) valid until 2013, which has grouped in a single authorization all the previous authorizations on atmospheric emissions, wastewater, waste management following a regional services conference. The competent authority (ARPA) conducts periodic audits and tests on the plant to assess the respect of the requirements and the improvement obtained. The Authorization lays down that all investments, particularly those with an environmental impact, are to be checked and approved by the Competent Authorities (Province of Terni and ARPA), before they are implemented.

In addition to the audits conducted by the supervisory bodies, in 2011 Alcantara S.p.A. underwent a supplementary audit conducted by an independent third party to assess the environmental risk, which gave the following result:

- The authorizations required by law for the management of industrial sites have been obtained and are currently valid;
- The specifications of the Integrated Environmental Authorization have been respected. For some, the operations are still in progress but will be completed within the terms indicated in the authorization;
- The periodic monitoring of waste, atmospheric emissions and drainage in surface waters is performed regularly, within the terms and using the methods laid down, and has provided results that conform to the limits laid down by the laws in force;
- The documentation consulted on the management and transport of waste was found to be correct from the formal and regulatory viewpoints.
Alcantara S.p.A.’s production process makes exclusive use of raw materials authorized by the strictest community standards.

The potentially critical environmental and safety issues of all new products are assessed by means of an internal Product Safety procedure that involves all company departments.

The results of the assessments are examined by management before the marketing authorization is granted.

All auxiliary raw materials, such as some of the thermoplastic polymers and sizes used, are treated on the site, recovered and reused in the production cycle or allocated to other industrial uses.

All emissions and discharges are treated on the plant.

The greater specific consumption of raw materials in 2011 is attributable mainly to the company’s decision to increase its stock of principal raw materials.

The production process produces two materials (by-products). These are put on the market as raw materials and used in other production processes by third-party companies that thus obtain an equivalent net saving in raw material. These by-products are:

- Alcarene®: thermoplastic polymer for injection moulding;
- Alcanol®: vinyl adhesive for the paper-making industry.

Other by-products, called textile scrap, are also produced during the various phases of the process. They are used in other industrial sectors in place of virgin raw materials.

The percentages declared in the table were calculated with respect to the raw materials actually used in production.

Alcantara S.p.A. regularly pays the environmental contribution for the CONAI (National Packaging Consortium) through packaging material suppliers. In fact, the suppliers expressly indicate the amount due on the invoice and Alcantara S.p.A. pays it together with the amount for the materials.

The company’s product portfolio includes a variant of the Alcantara® product for Furniture and Car seats, made using 25% in weight of post-consumption recycled raw materials. In addition, the solvents used for production were regenerated and reused several times in the production process.
4.4 Energy Requirement and Saving

Since 1st July 2008, Alcantara S.p.A.’s energy has been taken exclusively from renewable sources. In 2011, RECS (Renewable Energy Certificate System) certificates were purchased with an investment of 15,960 euros for an amount equivalent to the annual electricity consumption of the two installations. The balance between the energy procured and the certificates purchased has been certified by TÜV SÜD. For the year 2011, all electricity was procured from the hydroelectric power plant of Saliano in the province of Rieti.

Energy consumption is inevitably influenced by the upward trend in production: compared to 2010, in 2011 the volume of finished products rose by 24% despite an increase in energy consumption of less than 10%.

The reduction in Alcantara S.p.A.’s energy requirement is due to its constant commitment to optimizing its processes and production plants, which may be divided into the following main stages:

- from 1998 to 2002, total renewal of its plants;
- in 2000, establishment of a partnership with a local manufacturer for the exclusive procurement of steam from a cogeneration plant;
- starting from the year 2008, exclusive purchase of energy from renewable sources;
- in 2010, new investments to further reduce energy consumption, in particular, the plant’s electricity consumption through:
  - the installation of new dyeing and laminating lines with a minor energy impact;
  - the replacement of the air compressors and refrigerator units for the production of chilled water with new generation machines with a minor energy impact.

The year 2011 benefited from the operations performed in 2010 and so a further energy saving was also achieved: the specific amount of electricity consumed in 2011 expressed in kWh per metre of Alcantara® was 19% less than in 2010 and 27% less than in 2009. The results obtained enabled Alcantara S.p.A. to apply to ENEA for the Energy Efficiency Credits (EECs) also known as White certificates.

In 2011, process studies were conducted with a view to obtaining a further energy saving, by proposing investments to be made starting from 2012 but, more importantly, the Provincial Authority of Terni granted authorization for the construction and operation of a cogeneration system at the production plant, which will be constructed and managed by the company Cofely (Gas de France).
4.5 Atmospheric Emissions

The Streamlined Life Cycle Assessment made in 2008 on the production plant and research centre in Nera Montoro, revealed that the production process had virtually no impact in terms of ozone-depleting substance emissions.

The assessment was confirmed by the analysis of the life cycle of the product from cradle to grave conducted for the first time in 2011.

In 2011, Alcantara S.p.A. thus drew up:

- a report on the emissions of the greenhouse gases (GHG) defined “Corporate” in the directives of the UNI ISO 14064-1 standard and the Corporate Accounting and Reporting Standard of the Greenhouse Gas Protocol. The operational limits include all direct emissions (Scope 1) and the indirect emissions associated with the generation of electricity and steam purchased (Scope 2). They also include indirect emissions (Scope 3) not attributable to the product and in particular those associated with staff’s business trips and their transport to and from the workplace;
- a report on the emissions of GHG attributable to the product drawn up in accordance with the directives of the UNI ISO 14064-1 standard and the Product Life Cycle Accounting and Reporting Standard of the Greenhouse Gas Protocol. The life cycle includes services, materials and energy flows that become, make and accompany the product, in particular:
  - Scope 1 and Scope 2 emissions associated with the production site;
  - Direct and indirect activities for the production and transport of raw materials, the production and transport of the finished product to the recipients’ gates in the subsequent processing phase;
  - Packaging and use;
  - End of life.

The inventory does not include the following, as they are not attributable to the product:

- The environmental impact of the production of property assets;
- The commercial and administrative activities of the Milan office;
- The transport of employees.

The direct atmospheric emissions of reduction systems that do not contain GHG are also excluded from the inventory.

The tables below indicate the summary values of GHG emissions, certified by TÜV SÜD and expressed in tonnes of CO₂ equivalents for the year 2011.

<table>
<thead>
<tr>
<th>Scope</th>
<th>TONNES OF CO₂</th>
<th>KG CO₂E/M</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope 1 total</td>
<td>1,965</td>
<td>0.601</td>
<td>9.52%</td>
</tr>
<tr>
<td>Scope 2 total</td>
<td>251</td>
<td>0.009</td>
<td>1.22%</td>
</tr>
<tr>
<td>Raw material total</td>
<td>14,773</td>
<td>5.117</td>
<td>71.59%</td>
</tr>
<tr>
<td>Waste transport and disposal</td>
<td>89</td>
<td>0.031</td>
<td>0.43%</td>
</tr>
<tr>
<td>Transport of finished products</td>
<td>996</td>
<td>0.351</td>
<td>4.35%</td>
</tr>
<tr>
<td>Packaging and use</td>
<td>1,352</td>
<td>0.049</td>
<td>11.25%</td>
</tr>
<tr>
<td>End of life</td>
<td>342</td>
<td>0.121</td>
<td>1.66%</td>
</tr>
<tr>
<td>Scope 3 total</td>
<td>18,421</td>
<td>6.505</td>
<td>89.26%</td>
</tr>
<tr>
<td>GRAND TOTAL</td>
<td>20,636</td>
<td>7.288</td>
<td>100%</td>
</tr>
</tbody>
</table>

The inventory does include the following, as they are not attributable to the product:

- The environmental impact of the production of property assets;
- The commercial and administrative activities of the Milan office;
- The transport of employees.

The direct atmospheric emissions of reduction systems that do not contain GHG are also excluded from the inventory.

The tables below indicate the summary values of GHG emissions, certified by TÜV SÜD and expressed in tonnes of CO₂ equivalents for the year 2011.
4.6 Total “Cradle to Grave” CO₂ Neutralization

Alcantara S.p.A.
is “Carbon Neutral”, that is, it measures and offsets 100% of its carbon dioxide emissions attributable to the company’s activities and the Alcantara® product, from the cradle (including the raw materials) to the grave (the end of the life of the product including the management of waste).

All the operations are certified by TÜV SÜD and the first year of Product Carbon Neutrality is 2012.

The total emissions to be offset comprise:
- the Corporate emissions
- the Scope 3 emissions attributable to the product (as the Scope 1 and 2 emissions attributable to the product are already included in the Corporate inventory). Due to the quantification of the emissions carried out in 2011 on the organization and product level, Alcantara S.p.A. can offset the residual CO₂ emissions produced through the financing of three projects, which,

| Total 2011 Corporate emissions to be offset | 3,304 |
| Account of 2012 Corporate emissions to be offset | 1,632 |
| Account of 2012 Product emissions to be offset | 9,002 |

TOTAL EMISSIONS TO BE OFFSET 14,878

Offset projects N. Certificates

<table>
<thead>
<tr>
<th>Account</th>
<th>7,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sendio₂ - Biomass - Thailand - VCS</td>
<td>2,000</td>
</tr>
<tr>
<td>Sendio₂ - Hydropower - China - VCS</td>
<td>2,000</td>
</tr>
<tr>
<td>First Climate – Biomass – Brazil - VCS Social Carbon</td>
<td>2,000</td>
</tr>
<tr>
<td>Balance</td>
<td>8,000</td>
</tr>
<tr>
<td>Sendio₂ – Biomass - Thailand - VCS</td>
<td>4,000</td>
</tr>
<tr>
<td>Sendio₂ – Hydropower - China - VCS</td>
<td>4,000</td>
</tr>
<tr>
<td>TOTAL OFFSET</td>
<td>15,000</td>
</tr>
</tbody>
</table>

under the protection of the UN, will help to improve the conditions of the Earth from the economic, social and environmental points of view. The cost of the operation is about 72,000 euros.

The table below provides a summary of the quantities of CO₂ calculated for the offset.

These projects have enabled Alcantara S.p.A. to offset a total of 15,000 tons of CO₂ equivalents that cover the 2011 “corporate” emissions and an account for the “product” emissions for 2012.

The projects concern plants that generate energy from renewable sources, in line with the choice of making exclusive use of this type of energy for all business activities.

Small and very small-scale hydroelectric plants with a capacity of 0.5 to 15 MW each have been built in the mountainous and rural areas of Southwestern China.

**Environmental benefits**
Reduction in atmospheric greenhouse gas emissions by limiting the use of wood burning chimneys and fossil fuel electricity generators for lighting and heating.

**Socioeconomic benefits**
Employment of the local work force, construction of new roads and canals for farms, annual workshops for the local farmers and reduction of respiratory diseases.

In the rural province of Saraburi a partial reuse of fossil fuels in favour of biomass fuels has been started at 5 cement factories of the company Siam Cement.

**Environmental benefits**
Improvement in air quality through correct use of biomass; erection of more than 6,500 barriers to protect the surrounding rain forest against fires and landslides during the rainy season.

**Socioeconomic benefits**
Improvements in health care (use of mobile medical unit in the local communities), promotion of sport (sponsoring) and education (extension of study grants to end of high school and provision of technical stages). Construction of a small biomass plant for the local school. aid to economic development through the purchase of biomass from the local population and creation of new jobs in which professional skills are acquired.

In the state of Tocantins (Northern Brazil), the blast furnace of Ceramica Milenium, a company that manufactures ceramic structures, has been converted to biomass.

**Environmental benefits**
Reduction in greenhouse gas emissions from the 30,000 m² per year of wood used to fire the blast furnace and the consequent deforestation and soil erosion processes. In addition, 500,000 eucalyptus trees have been planted.

**Socioeconomic benefits**
Employment of the local work force with an improvement of the working conditions, increase in culture for optimum use of energy sources and donations to local community programmes.
The waste produced during the production activities consists mainly of residues (sludge) coming from the waste water treatment plants. This sludge is taken to authorized landfills and in 2012 it may be recovered at authorized cement factories once the phytotreatment system has been put into operation.

On the basis of the two-monthly tests carried out by external laboratories qualified in accordance with the Integrated Environmental Authorization requirements and communicated to the competent authorities, it is pointed out that the waste water quality parameters are well below the limits set by the legislation in force.

The level of contaminants is normally less than 25% of the limits set, this percentage being exceeded only occasionally and, in any case, always well within the safety limits. In particular, the Acute Toxicity Tests carried out on the wastewater have always been well below the limits set.

In 2011 the water treatment system was subjected to further optimization operations in order to guarantee an increasingly high quality of wastewater, whose contaminants are already well below the legally-imposed limits. The table below indicates, for example, the average values of the principal contaminants with respect to the limits laid down by the law.

**Waste Quality: Industrial Wastewater Drainage, Average Annual Values of Principal Contaminants in Industrial Wastewater**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>pH</th>
<th>Suspended solids</th>
<th>BOD5</th>
<th>COD</th>
<th>Chloramines</th>
<th>Nitrogen</th>
<th>Nitrate</th>
<th>Chlorinated solvent</th>
<th>Escherichia coli</th>
<th>Acute toxicity test</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit of measurement</td>
<td>(mg/l)</td>
<td>(mg/l)</td>
<td>(mg/l)</td>
<td>(mg/l)</td>
<td>(mg/l)</td>
<td>(mg/l)</td>
<td>(mg/l)</td>
<td>(mg/l)</td>
<td>(mg/l)</td>
<td>(CFU/100 ml)</td>
</tr>
<tr>
<td>Legal limits</td>
<td>5.5-9.5</td>
<td>≤0.2</td>
<td>≤0.2</td>
<td>≤0.15</td>
<td>≤200</td>
<td>≤0.1</td>
<td>≤0.1</td>
<td>≤5000</td>
<td>≤5</td>
<td>≤5</td>
</tr>
<tr>
<td>Mean value found</td>
<td>7.09</td>
<td>9.38</td>
<td>7.53</td>
<td>34.0</td>
<td>≤0.005</td>
<td>≤0.07</td>
<td>≤0.51</td>
<td>≤0.05</td>
<td>≤0.05</td>
<td>≤5</td>
</tr>
</tbody>
</table>

Most of the waste produced is not hazardous (92% in 2010, 87.3% in 2011). The table below contains a list of the waste produced and disposed of by the plant, divided by type and volume.

**Production of Waste**

The waste produced during the production activities consists mainly of residues (sludge) coming from the waste water treatment plants. This sludge is taken to authorized landfills and in 2012 it may be recovered at authorized cement factories once the phytotreatment system has been put into operation.
The table below contains the information necessary to assess the degree to which the information requirements laid down by the GRI-G3.1 reporting standard are satisfied. The table is made up of five columns. The third column indicates the disclosure level in accordance with the following legend:

- Completely reported (the information given meets the requirements of the standard completely)
- Partially reported (the information given meets the requirements of the standard in part due to the sensitive nature of the information or failure to conform fully to the requirements)
- Not reported (no information has been collected or the information given is not representative)

<table>
<thead>
<tr>
<th>CODE</th>
<th>STANDARD REQUIREMENT</th>
<th>LEV</th>
<th>Explanatory note</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>The Chairman’s Letter</td>
<td>*</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>1.2</td>
<td>Principal impacts, risks and opportunities</td>
<td>*</td>
<td></td>
<td>1, 11</td>
</tr>
</tbody>
</table>

| PROFILE 1 | Name of the organization | * | 2 |
| PROFILE 2 | Primary brands, products, and/or services | **Alcantara®** | 2 |
| PROFILE 3 | Operational structure | * | 3, 7 |
| PROFILE 4 | Location of organization’s headquarters | * | See also the “Contacts” section of the company site www.alcantara.com | 3 |
| PROFILE 5 | Countries where the organization operates | * | 3 |
| PROFILE 6 | Nature of ownership and legal form | * | 3 |
| PROFILE 7 | Markets served | * | 40, 47 |
| PROFILE 8 | Scale of the reporting organization | * | 14, 40 |
| PROFILE 9 | Significant changes during the reporting period regarding size, structure, or ownership | * | 4 |
| PROFILE 10 | Awards received in the reporting period | * | Carbon neutrality from cradle to grave | 50 |
## REPORT PARAMETERS

| 3.1-3.3 | Reporting period, date and frequency | H |
| 3.4 | Contact point for questions regarding the report or its contents | See also the "Contacts" section of the company site www.alcantara.com | H |
| 3.5-3.7 | Reporting process, scope and limitations | H, II |
| 3.8 | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourcing operations, and other entities | H |
| 3.9 | Data measurement techniques and the bases of calculations | H |
| 4.10 | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement | In 2011, the CO₂ emission analyses were conducted from cradle to grave instead of from cradle to gate. | H |
| 4.11 | Explanation of whether and how the precautionary approach or principle were taken into account | H |
| 4.12 | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses | H |
| 4.13 | Membership of trade associations | 59 |

## GOVERNANCE, COMMITMENTS AND ENGAGEMENT

| 4.1 | Governance structure of Alcantara S.p.A. | H |
| 4.2-4.3 | Whether the Chairman is an executive officer, and an independent and/or non-executive role of governance bodies | All members of the Board of Directors are independent and non-executive, apart from the Chairman and CEO |
| 4.4 | Mechanisms for providing recommendations to governance bodies | 6 |
| 4.5 | Linkage between compensation and results | 6, 9 |
| 4.6 | Processes in place for the highest governance body to resolve conflicts of interest are as follows: | See also Code of Ethics |
| 4.7 | Determination, composition and qualification of the highest governance body | 6 |
| 4.8 | Missions, values and code of conduct | H |
| 4.9 | Procedures and committees for the management of economic, environmental and social performance | Management and the entire staff are responsible for implementing the Quality, Safety and Environment Management Systems and Corporate Social Responsibility, for achieving customer satisfaction, for development in line with the needs of the parties concerned and for reaching the objectives set for the areas in which they work. See also the Quality and Social Responsibility Policy. |
| 4.10 | Processes for evaluating the highest governance body’s own performance, particularly with respect to economic, environmental, and social performance | Management sets the objectives and targets in the Operational Plan. The department managers of Alcantara S.p.A. take part in elaborating the Operational Plan and supervise its implementation in view of reaching objectives and targets set. See also the Quality and Social Responsibility Policy. |
| 4.11 | Explanation of whether and how the precautionary approach or principle is addressed by the organization | H |
| 4.12 | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses | H |
| 4.13 | Membership of trade associations | 59 |

## ECONOMIC PERFORMANCE

| 4.14 | List of stakeholder groups engaged by the organization | 11, 59 |
| 4.15 | Basis for identification and selection of stakeholders with whom to engage | 11 |
| 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group | 11 |
| 4.17 | Outcomes of engagement | 11 |

## WORK PERFORMANCE

| 4.18-core | Total workforce employed, by employment contract, region and gender | 27 |
| 4.19-core | Total number and rate of employee turnover by age group, gender, and region | 27 |
| 4.20-add | Benefits provided to full-time or part-time employees, by major operations | 33 |
| 4.21-core | Percentage of employees covered by collective bargaining agreements | All employees are covered by the National Labour Collective Agreement. |
| 4.22-core | Minimum notice periods regarding operational changes, including whether it is specified in collective agreements | No organizational changes necessary to improve the management of business activities are taken without informing the trade union representatives beforehand. The labour agreement imposes a minimum period of notice to the staff in case of changes to the company’s operations or organisation. |
| 4.23-add | Percentage of total workforce represented in formal joint management–worker health and safety committees | 49 |
| 4.24-core | Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region | 35 |
| 4.25-core | Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases | 54 |
| 4.26-add | Health and safety topics covered in formal agreements with trade unions | 55 |
| LA10-core | Average hours of training per year per employee by employee category and gender | 31 |
| LA11-addl | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings | 31 |
| LA12-addl | Percentage of employees receiving regular performance and career development reviews | 30 |
| LA13-core | Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity | 27 |
| LA14-core | Ratio of basic salary of men to women, by employee category and significant region | 30 |
| LA15-core | Return to work and retention rates after parental leave, by gender | 27 |

### HUMAN RIGHTS

| HR1-core | Percentage and total number of significant investment agreements that include human rights clauses or that have undefined human rights screening | 44 |
| HR2-core | Percentage of significant suppliers and contractors that have undefined screening on human rights and actions taken | 19, 20 |
| HR3-addl | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employee trained | 25, 31 |
| HR4-core | Total number of incidents of discrimination and actions taken | None |
| HR5-core | Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights | 32 |
| HR6-core | Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour | Child labour is prohibited by Italian law and monitored by the <ARMS> standard. Alcantara S.p.A. has no significant suppliers that present this risk |
| HR7-core | Operations identified as having significant risk for incidents of forced or compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour | Forced labour is prohibited by Italian law and monitored by the <ARMS> standard. Alcantara S.p.A. has no significant suppliers that present this risk |
| HR8-addl | Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations | Alcantara S.p.A. has no significant suppliers that present this risk |
| HR9-addl | Total number of incidents of violations involving rights of indigenous people and actions taken | None |
| HR10-core | Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments | Alcantara S.p.A. is committed to respecting all laws and commitments laid down by the trade union agreements signed or any other commitment undertaken by the company concerning human rights. In relation to this, no violation has ever emerged from the inspections made. |
| HR11-core | Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms | None |
There were no significant emissions of NOx or SOx, except for those produced by the combustion of natural gas. The total amount of natural gas consumed is equivalent to about 4% of the total amount of energy used.

Over the past few years, there have been no leakages or cases of environmental contamination. Any spills that take place are monitored continuously and handled through special reports, and emergency procedures and corrective measures are taken.

There have been no biodiversity studies or operational plans have been conducted.

There are no IUCN red list species in the areas of operation.

There are no IUCN red list species in the areas of operation.

There are no IUCN red list species in the areas of operation.

There was no leak of R22 gas from the equipment occurred.

No fines or any other penalties.
Public Declaration. External Assessment based on the Global Reporting Initiative (GRI - G3) Guidelines – A+ Level

This Public Declaration refers to the External Assessment of “Bilancio di Sostenibilità di ALCANTARA S.p.A.” (ALCANTARA S.p.A.’s Sustainability Report) for the year 2011, carried out by TÜV Italia. The assessment process was carried out in accordance with the methodologies and steps described below.

Declaration of Assurance Level, Application Limits and Observations

The audit process included various assessment steps, carried out both on-site at ALCANTARA S.p.A., premises and off-site, for documentation review. The audit methodology endorsed sampling techniques and ensured that the Sustainability Report conformed to all requirements specified in the GRI Guidelines, whilst ensuring the reliability of the data collecting process and the legitimacy of information provided. Interviews with personnel and management have been conducted, as well as assessment of data, records, documents, the data collecting process and details presented in the graphics and tables within the Sustainability Report.

Part of not mandatory requirements has been excluded by ALCANTARA S.p.A., accordingly to GRI Guidelines. During the audit several improvements have been appreciated against outstanding findings identified in the last year Sustainability Report.

The audit outcomes highlighted areas of improvement which had been already implemented and reported in this Sustainability Report:

- Completeness on parental leave data – LA15;
- Information about training on Human Rights for security staff – HR8;
- Deepening for indicators EN2, EN3, EN4, EN5, EN21, HR2, S8, PR5 and clarification about link with improvements;
- Updated information about exporting/importing countries;
- Updated information about participation to professional association and relationship with Public Administration;
- Clarification on report boundary in relation to controlled legal entity.

ALCANTARA S.p.A. commits to incorporate additional areas of improvement to next Sustainability Report editions.

These areas include:

- Improvement of data and information collection and aggregation processes including indicators, in order to facilitate a systematic approach in Sustainability Report preparation, partially in progress in 2011;
- Improvement of internal and external communication process about Sustainability Report contents;
- Define a roadmap for enhancing “customer” involvement as stakeholder;
- Deepening the link between compensation for members of the highest governance body, senior managers, and executives and the organization’s performance;
- Identify a Stakeholders Engagement plan and the methodology to be used


For economic data we referred to the Balance Sheet 2011, certified by Reconta Ernst & Young S.p.A. on the 2nd March 2012.

The required principles of Inclusiveness, Materiality and Completeness are observed.
Methodology
This declaration is in line with the criteria specified in AA1000AS 2008 “Assurance Declaration”. The declaration is public and can be used by ALCANTARA S.p.A. to communicate to external parties the assurance level covered by their Sustainability Report, in accordance with the Global Reporting Initiative (GRI - G3) Guidelines. The company cannot omit parts of the Declaration issued by the Assurance Provider TÜV Italia and it is responsible for all information present in the Sustainability Report.

Independence and Information of Assurance Provider
TÜV Italia srl, a branch of the International Group TÜV SÜD, is an independent certification and inspection body accredited by important entities within social and environmental fields. The Company boasts experience, on an international level, in terms of the certification and inspection of both social and environmental responsibility, in addition to carbon management.
In order to assess “Bilancio di Sostenibilità di ALCANTARA S.p.A.” (ALCANTARA S.p.A.’s Sustainability Report), TÜV Italia srl used a varied team of people with specific knowledge of working conditions, the safety of workers, the environment and energy.
TÜV Italia srl declares to have no conflict of interest with ALCANTARA S.p.A..

Sesto San Giovanni, 18/05/2012

Pablo Marzella
TÜV Italia srl
TÜV SÜD Group
Head of Certification Management Services Department

Sara Brandimarti
TÜV Italia srl
TÜV SÜD Group
Project Leader Management Services Department