

SUSTAINABILITY REPORT



sergio rossi

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A MESSAGE FROM OUR CEO



RICCARDO SCIUTTO

Chief Executive Officer

Three years ago we started a new journey of rebirth and discovery of the true essence and DNA of the Sergio Rossi brand.

To do so, we focused on our San Mauro Pascoli factory and the incredible artisanship that has always distinguished our brand as well as our heritage and know-how, but in a modern way.

It was indeed looking to the future of Sergio Rossi that we launched Living Heritage, our corporate archive, to celebrate and commemorate our history and to inspire the design and creativity process of our teams.

The shoes we create everyday are a true work of art, and wanting to enhance this I started a collection of modern art pieces inspired by the work of our artisans and the history of the Sergio Rossi brand.

Thinking of the future is as crucial as knowing our past. This is more important today than ever and is the reason behind our investment in reducing the direct and indirect environmental footprint of our manufacturing activities by focusing on high-efficiency energy production, energy monitoring, and optimizing logistics activities.

Similarly, driven by the willingness to ensure a motivating and stimulating working environment, we further increased training activities focusing on digital transformation and client centricity. 2018 has been a crucial year for Sergio Rossi not only because of the results achieved but also because, starting from our corporate values, we identified the three areas in which we want to focus our sustainability efforts. These strategic pillars, as a confirmation to our commitment to the Principles of the United Nations Global Compact, are now an integral part of our first Sustainability Policy, thus setting our commitments and priorities towards environmental protection and social responsibility. We truly believe that looking at our brand through a sustainability lens will help us to improve our social and environmental footprint and, in the meantime, to drive our growth.

00. SERGIO ROSSI IN NUMBERS

The main highlights

ENVIRONMENTAL



340 TONS OF CO₂ AVOIDED

THANKS TO THE OPTIMIZATION OF LOGISTICS ACTIVITIES AND TO THE PHOTOVOLTAIC PLANT INSTALLED IN SAN MAURO

SOCIAL



26% LOCAL SUPPLIERS

LOCATED IN THE EMILIA-ROMAGNA REGION



6,000 PIECES

WHICH INCLUDE HISTORICAL AND ICONIC SHOES, ACCESSORIES AND COMPONENTS, EDITORIALS AND ICONOGRAPHIC MATERIAL COLLECTED FOR THE CREATION OF OUR CORPORATE ARCHIVE



3 SITE-SPECIFIC WORKS OF ART

EXHIBITED IN OUR FACTORY IN SAN MAURO

GOVERNANCE



MODEL 231
ESG POLICY



01

sr REVOLUTION

1.1 SERGIO ROSSI AT A GLANCE

Sergio Rossi S.p.A. is an Italian company active in the design, production, distribution and sale of leather shoes and leather accessories for women through its brand Sergio Rossi [102-1; 102-2]. Since its creation, our brand has become a primary reference in the luxury shoemaking sector and is renowned worldwide for its artisanship and for creating iconic models.

Over the past 50 years, the Company has fostered its distinctiveness by enhancing the quality of its materials, the craftsmanship and elegance of its products and its luxury allure, which remain the foundations of Sergio Rossi's unique style. The Sergio Rossi brand has become synonym of timeless quality and utmost sophistication and over the decades our shoes have accompanied countless female leaders and celebrities in their daily life, from the sidewalk to the red carpet, enabling them to remain effortlessly chic all day long. Whilst showroom and managerial offices are based in Milan [102-3], the fulcrum and the pulsing heart of our production activity is the San Mauro Pascoli factory [102-4], where over 150 skillful artisans and technicians have been hand-crafting Sergio Rossi shoes for the past 50 years. The Sergio Rossi factory is the heart and soul of the brand, a place where magic and reality come together to create handmade shoes for the women of today. The plant, inaugurated in 2003, is equipped to sketch, design, develop, industrialize, and produce all types of women's luxury footwear, from flat styles to high heels, as well as to shorten the time-to-market in order to timely respond to market demand, increasingly oriented towards a "see now, buy now" model.

We distribute our products in 14 countries, including directly operated stores (DOS) and franchised stores, divided into 4 main geographical markets: Europe and the Middle East (EMEA), Asia Pacific (APAC), Japan, and the United States. We own 48 DOS scattered among these 4 regions, 35 Stores and 13 Outlets as well as 13 franchising stores in the EMEA and APAC regions. Furthermore, we sell products through our online e-commerce channel, by shipping to 82 countries worldwide [102-6].

The last few years have been a period of profound reorganization of our corporate structure and business, a factor that has directly influenced our economic performance. As a result, we managed to significantly decrease payments to providers of capital and, above all, operating costs. Indeed, by taking into account also the EMEA Retail Network, in 2018, we have reached an overall economic value generated equal to 58.5 million euros [102-7; 201-1]. In addition, considering the consolidated revenues, including Sergio Rossi S.p.A. and all its subsidiaries, 2018 revenues reached 64 million euros, a sign of our improved operating efficiency. Our aim for 2019 is to achieve 70 million euros of revenues.

OUR ECONOMIC PERFORMANCE	M. U.	2017	2018
Direct economic value generated: revenues	€	55,979,150	58,458,108
Economic value distributed	€	61,469,990	53,828,961
- Operating costs	€	41,487,844	35,699,541
- Employee wages and benefits	€	19,549,957	17,706,275
- Payments to Providers of capital	€	214,668	156,394
- Payments to government	€	187,400	221,335
- Community investments	€	30,121	45,416
Economic value retained	€	-5,490,840	4,629,147

The economic value retained, calculated as the difference between the direct economic value generated and the economic value distributed, has significantly increased shifting from a negative 5.49 million euros at the closure of the 2017 financial year to a positive 4.62 million in 2018.

*FINANCIAL DATA INCLUDE SERGIO ROSSI SPA AND ALL THE STORES OF THE EUROPEAN NETWORK (ITALY AND FRANCE FOR 2017; ITALY, FRANCE AND UK FOR 2018). WHILE REPORTING SCOPE CONSIDERS JUST A STORE SELECTION (SEE THE METHODOLOGICAL NOTE AT PAG. 88 FOR FURTHER DETAILS)



sr1 PUMP

The plant, inaugurated in 2003, is equipped to sketch, design, develop, industrialize, and produce all types of women's luxury footwear, from flat styles to high heels, as well as to shorten the time-to-market in order to timely respond to market demand, increasingly oriented towards a "see now, buy now" model.



The Sergio Rossi factory is the heart and soul of the brand, a place where magic and reality come together to create handmade shoes for the women of today.

The timeline leading to our corporate new deal



1970s

2000 - 2015

1950s



1980s

1990s



2015 - 2018



1950s

Immediately after the end of World War II, the young Sergio Rossi, native of the San Mauro area, started learning how to make shoes from his father, an artisan shoemaker, whom he accompanied in his daily working activities. In the mid-50s, Sergio Rossi took over the father's profession and created his own sandals selling them in the Riviera. The Opanca sandal, which embodied Sergio's disruptive creativity, was such a success that in 1951 Sergio opened his own company, together with his brother, who then became the Company's Production Director and maintained this role for his entire life.

1970s

Sergio started joining the Milanese fashion community and soon became the point of reference of the most renowned fashion stylists, such as Gianni Versace, with whom he started a collaboration by providing his shoes for catwalk shows. Swiftly, Sergio Rossi became a renowned brand in Italy's fashion capital and the public recognized it as a synonym of "Made in Italy" excellence.

1980s

The Company started its expansion age, by opening its first monobrand boutique in Ancona, soon followed by Turin, Florence, Rome, Brussels, New York, Los Angeles, and London. It was also a period of intense collaboration with some of the most iconic fashion houses at an international level, since Sergio Rossi produced shoes for the collections of haute couture brands like Dolce & Gabbana and Azzedine Alaïa.

1990s

Sergio Rossi's philosophy and values became more defined: women are a symbol of femininity and forcefulness, given their progressive emancipation and change of status. The shoe, instead, represented a continuation of the woman's body, a vital element of her character, and heels and shapes became an emblem of taste. Following three decades of continuous economic growth, in 1999 the Gucci Group acquired the Sergio Rossi brand.

2000 - 2015

In 2005 the Company was fully acquired by the Kering Group, new owner of Gucci. While the San Mauro Pascoli factory and the brand philosophy were completely refurbished, a series of well-known and very talented designers joined the company as its creative directors.

2015 - 2018

Investindustrial indirectly acquired 100% of Sergio Rossi S.p.A. The acquisition set the beginning of a new relaunch phase for the brand, focusing on innovation in line with traditional codes. In 2016, Sergio Rossi S.p.A. completed its fusion with Sergio Rossi Manufacturing S.r.l., involved in all the shoe production activities, while the company started a comprehensive transformation of its brand and image. In 2018, new stores are opened both in Italy and abroad, a clear sign of the positive momentum achieved thanks to the internal reorganization and the new brand identity.

Ownership structure

Since December 2015, Sergio Rossi S.p.A. is 100% controlled by Absolute Luxury Holding S.r.l., which is indirectly owned by a fund managed by Investindustrial. Prior to that, the Company was controlled by the primary international multi-brand Kering Group, which had acquired it from Mr. Sergio Rossi in 1999 [102-10]. In addition, the newly-formed Sergio Rossi S.p.A. entirely controls a series of affiliates and commercial branches located abroad, namely in the United States, the United Kingdom, France, Japan, Hong Kong and China [102-5] [102-45].

Corporate governance

Our governance structure is based on a Board of Directors, comprising eight members, which is entrusted with all the powers to ensure the ordinary and extraordinary management of the Company and a Board of Statutory Auditors, comprising three standing statutory auditors and two substitute statutory auditors. An independent auditing firm has also been appointed [102-18]. The Board of Directors reflects our new ownership structure, since, following the 2015 acquisition, 6 out of 8 members formally or informally represent Investindustrial in the definition of the corporate strategy and governance. Board members have also distributed among themselves a set of key responsibilities in order to ensure constant monitoring and correct conduct of corporate operations. In particular, our Chairman, Mr. Morante, is in charge of the legal representation of the Company before any relevant stakeholder, while our CEO, Mr. Sciutto, is responsible for any decision related to economic, social and environmental aspects and sets the Company's strategic objectives, in dialogue with the Company's top management.

Risk Management and corporate values

The Company's top management is entrusted with all the risk management activities related to corporate operations and the supply chain, as well as with the periodic revision of their effectiveness. In dialogue with the CEO, the Operations Function and the Human Resources Department continuously verify compliance of Sergio Rossi with local, national and international environmental and social laws and regulations. As a demonstration of the effectiveness of our internal control system, we have committed no legal violations and have not received any sanctions or fines in the reporting period [307-1].

In 2018, in line with the goal we set last year and aiming at enhancing our internal controls, we finalized and approved the Organizational, Management and Control Model pursuant to Italian Legislative Decree 231/2001, both for Sergio Rossi S.p.A. and Sergio Rossi Retail S.r.l.

The gap analysis, carried out within the Organizational Model arrangement, confirmed the absence of significant risks with respect to all the potential offences identified by the Model itself. In addition, in accordance with Italian legislation, the Model entails the introduction of a Supervisory Board, in charge of the supervision of the functioning and observance of the Model, and of a dedicated whistleblowing channel, which provides a secure tool to all our stakeholders for reporting violations of laws and internal policies.

THE VALUES OF THE SERGIO ROSSI GROUP

"We are true to our brand and committed to protect and develop it"
Riccardo Sciutto,
Group CEO.

The Group is committed to the highest ethical standards:

INTEGRITY

At the heart of the Group's Code of Conduct. We act with Integrity when doing business and in our working environment. Ethical behavior, accountability and moral responsibility are necessary tools for maintaining consistency between one's actions and Company's principles in order to put the Company's interest first and to contribute to the well-being of the working environment.

RESPECT

Interact with people by using a fair, professional and polite approach due in any respectful interaction between individuals.

RESPONSIBILITY

Be accountable when doing business, to perform satisfactorily and fulfill obligations in accordance with the Company's values.

LOYALTY

Support the Company's needs and commit to serve Company' interests first.

As regarding internal policies, since 2017, we have adopted a Code of Business Conduct defining a set of core corporate values, norms and principles of behavior, to which all employees of each company belonging to the Sergio Rossi Group must adhere without prejudice to the local law provisions. The Code of Conduct addresses the employees' responsibilities to the Company, to their colleagues and to their suppliers and customers, and states the Company's commitment on how the Group does business across the world. The document helps guide employees on how to conduct themselves as representatives of the Sergio Rossi Group, to be sure that all our employees' behaviors and decisions, both inside and outside the Company, are aligned towards the same principles and thus protect our Company Brand. [102-16]. As of today, the Human Resources Department is entrusted with ensuring the respect of the content of the Code by all the corporate employees. As for internal auditing and control activities, these are conducted by the Board of Statutory Auditors, which also oversees and manages the collection of internal data needed for the appropriate redaction of financial reporting documents.

TIMELINE WITH THE MOST ICONIC MODELS

#GODIVAPUMP

The Godiva Pump is the timeless shoe every woman should own.

This iconic pump represents a versatile choice, the perfect balance between charming femininity and a dynamic attitude.

#sr1

Presented in September 2016 and first introduced to the market in Spring 2017, sr1 soon emerged as one of the latest icons for Sergio Rossi: the square toe, the metal plaque and the leather tongue make this family immediately recognizable and gave birth to a complete collection of products recalling the same stylistic codes.

#SRMILANO

Introduced in FW18 as a return to true femininity, like sr1, srMilano took inspiration from our historical archive. srMilano is inspired by an early 00s sandal and aims at paying a tribute to the city of Milan and the glamour of its women: sophisticated, subtle, and yet impossible not to notice.

1.2 CLIENT CENTRICITY

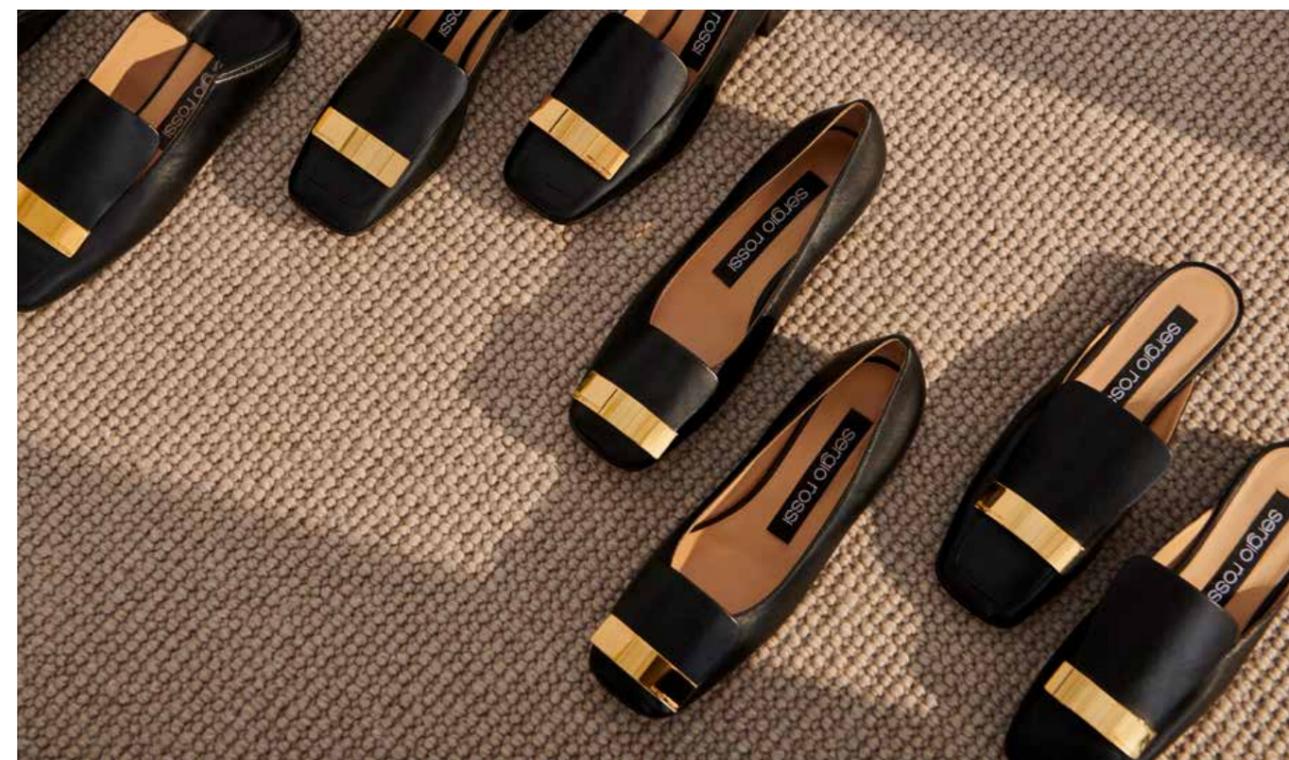
Starting from 2016, we have been redefining our brand identity and positioning with the aim of rediscovering Sergio Rossi's original DNA, thus enhancing its renowned craftsmanship and relaunching its product authenticity.

At first, the process involved the design of our products by reconnecting to the deepest essence of Sergio Rossi's distinctive style and innovative design. Concurrently, we started a digitalization process of our identity capable of channeling the uniqueness of our heritage via a new digital identity. An important part of this path has also been the creation of a corporate archive, essential for rediscovering our roots and making our clients aware of Sergio Rossi's history. Finally we began the development of "Retail Excellence", a project, started in 2017 and carried on in 2018, aimed at turning the shopping occasion into a client-tailored moment and at creating an emotional and exclusive bond with each client.

sr1

The sr1 collection represents the first step of a new beginning for the Company and of the rediscovery of our iconic design. In fact, the "sr" acronym represents our willingness to respect and stay focused on Sergio Rossi's most intimate nature, whilst the number "1" stands for this new chapter in our history. With the "sr1" collection, inspired by a 90s model of our corporate archive, we made a fresh start by revisiting the most authentic aesthetics of the brand and providing our contemporary target customer with an interesting

and portable footwear, diving into the legacy of the brand. sr1 models reinterpreted some of the unique features of our mostly iconic shoes, by supplementing them with an innovative, new romantic twist, linked to the introduction of modern and fresh accessories and shapes. The sr1 slipper, the first model introduced, recalled the daily flat shoes that marked the first success of Sergio Rossi, while the sr1 pump from Fall Winter (FW) 2017 collection was a tribute to an historic archive piece inspired by the allure and boldness of the 90s' Supermodels. Accessories also pay tribute to our important heritage, with the emblematic leather tongue and its personalized silver plaque that is spread all over the collection. This injection of courage, boldness and light-heartedness into tradition is the new Sergio Rossi's way of approaching design without compromising it, thus leading to the creation of a new kind of modern artisanal masterpiece. The products are timeless and break free from traditional and outdated rules - they work from day to night and suit all places and situations. Versatile creations that swear off trends and personalize the elegance of a woman. The sr1 collection was aimed at responding to the tastes of the redefined target customer archetype of Sergio Rossi, who is an entrepreneurial and active woman, instinctively attracted by beauty and style.



sr1 PRODUCT FAMILY

The new store concept

In 2017, following the Sergio Rossi renewed brand identity, we launched the new store concept, designed by Marco Costanzi.

The architect conceived a new structure identifying materials, colors and shapes which could perfectly communicate the new brand positioning and exalt the new product collections.

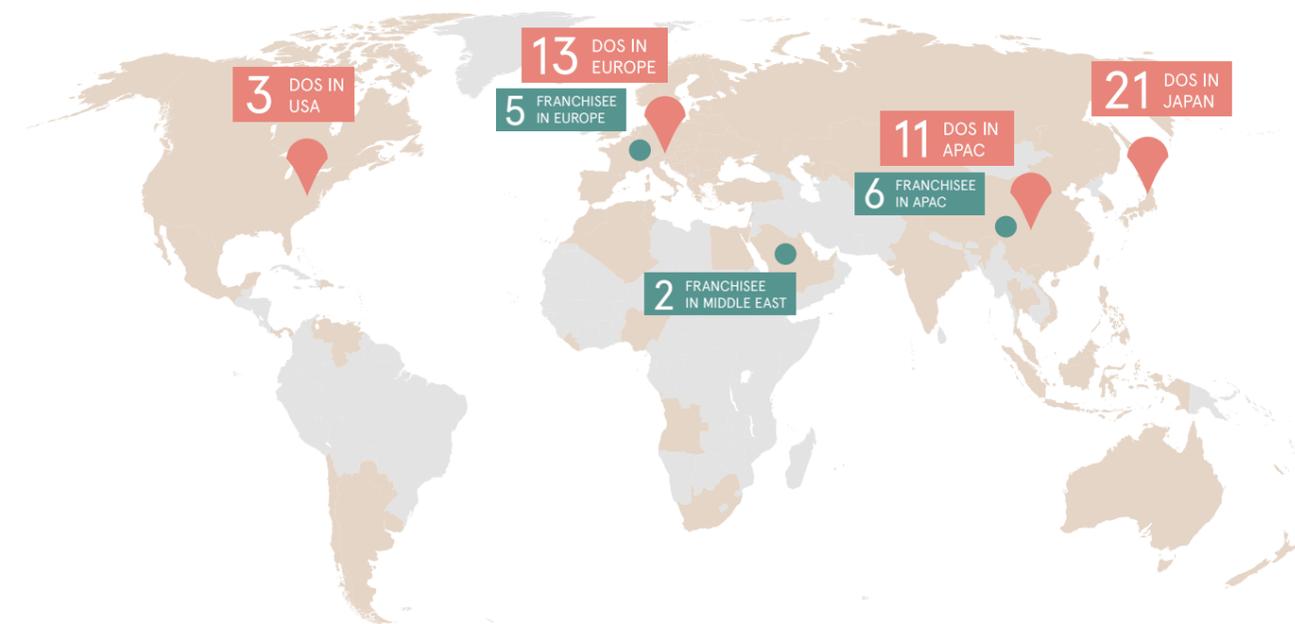
Additionally, the interior designer Cristina Celestino designed all the furniture pieces of the new store, taking inspiration from a cultivated and ironic femininity with a contemporary allure and expressly referring to iconic shapes, which made Sergio Rossi renowned all over the world.

In 2018, we completed the roll out of the new store concept and we inaugurated the installation of the Abricò chandelier in the newly refurbished Sergio Rossi store in the prestigious Via Montenapoleone in Milan. The furniture has been created by Cristina Celestino exclusively for Sergio Rossi and custom produced by Flos. The name comes from a tropical flower, Abricò, scented and with a vivid rose color.

The flower, which inspired the Spring Summer 2018 Sergio Rossi collection, grows on high trees with branches totally covered by flowers with full-bodied petals.



SERGIO ROSSI PARIS
FLAGSHIP STORE



- 48 DOS worldwide
- 13 Franchisees' monobrand stores and corners
- 82 Countries served through e-commerce



ABRICÒ
CHANDELIER



CRISTINA CELESTINO
PIECES OF FURNITURE

BRAND PROTECTION

Our brand represents one of Sergio Rossi's most valuable assets and therefore it deserves dedicated protection and monitoring.

Indeed, it is so precious for us to preserve our design authenticity and uniqueness that we continue to register the models belonging to the sr1 collection as well as to the new srmilano collection. In addition, we carefully work on our trademarks' portfolio to ensure global protection. In our view, in fact, intellectual property consists not only in the protection of our brand, but also in the valuation of how our corporate identity is perceived by our key stakeholders.

Digitalizing our identity: "think heritage, play digital"

As part of our corporate digitalization strategy, in February 2017, we launched a new corporate website rethinking both the e-shop and the editorial contents in order to put the focus on our most iconic products and our artisanal heritage through dedicated sections. The renovation of the website represents the first, indispensable step in making it a window for our customers and most relevant stakeholders, a platform revealing our renewed corporate strategy and the continuous evolution of our brand. As such, our corporate website becomes a mirror of our corporate "new deal" and represents a concrete example of our strengthened commitment towards sustainability. In addition, we have decided to convey our advertising activities only through digital channels and concentrate our efforts in communication & PR specifically on social networks like Instagram and Facebook. This will allow us to achieve a higher measurability of digital advertising performance and the possibility of developing more focused content aimed at addressing specific audience segments. As a result, we can now count over 921,000 followers on Instagram, 53% more than in 2017, 17,800 on Twitter, 314,287 likes on our Facebook page and 16,351 subscribers on our newly created Wechat profile – all numbers obtained from organic growth, without any paid advertising campaign or followers acquisition.

In line with the motto introduced by our CEO, "Think heritage, play digital", as an effort to merge tradition and modernity, in 2017 we started the implementation of a brand new corporate digitalization strategy, which aims at progressively enhancing our online presence, while streamlining our internal processes and reducing our environmental impact.

Such a strategy, which involves all the main business functions in a cross-departmental fashion, will contribute to discovering and exploiting new synergies between them while making their functions more effective. Also developed in 2017, our multi-

channel retail digitalization strategy entails a series of actions already on track and continuing in the upcoming years. This was conceived with the aim of making it as flexible as possible, in order to dynamically respond to market and stakeholder requests. In particular, the first action of the strategy has been to completely internalize the management of IT processes on a global scale. As such, we have now full control of the entire IT hardware and software infrastructure needed to perform our activities both at a corporate and store level. This will enable us to benefit from a substantial cost reduction and to streamline our operations in a more harmonized way. Moreover, our Finance function can now count on a new ERP software, which will allow us to manage all the worldwide financial accounting activities from a single platform. In addition, in 2018, we created an Omnichannel and Customer Relationship Management (CRM) department, in order to continue the integration of our communication channels through the creation of meaningful customer experiences. In fact, our customers are able to buy Sergio Rossi products where it is most convenient for them, using a variety of different channels, from physical stores to our online e-commerce platform, in line with our overall digitalization strategy. For logistics as well, the IT monitoring infrastructure is now under complete governance of the Sergio Rossi headquarters and is fully integrated with our IT system.

In addition, we have started implementing a series of actions aimed at ameliorating our cybersecurity profile. A business continuity plan has been put in place, i.e. a series of processes related to the prevention of potential cyber threats - such as data thefts - and to information recovery. Indeed, as a recovery measure, we now rely on a server farm managed by a trusted third party, which provides us data storage and back-up services. Fully integrated with our corporate digitalization strategy, we have decided to channel the uniqueness of our brand heritage via a new digital identity with a series of interventions, which will be described in the next chapters.

314,287

FACEBOOK FANS

921,000

INSTAGRAM FANS

16,351

WECHAT SUBSCRIBERS

17,800

TWITTER FOLLOWERS

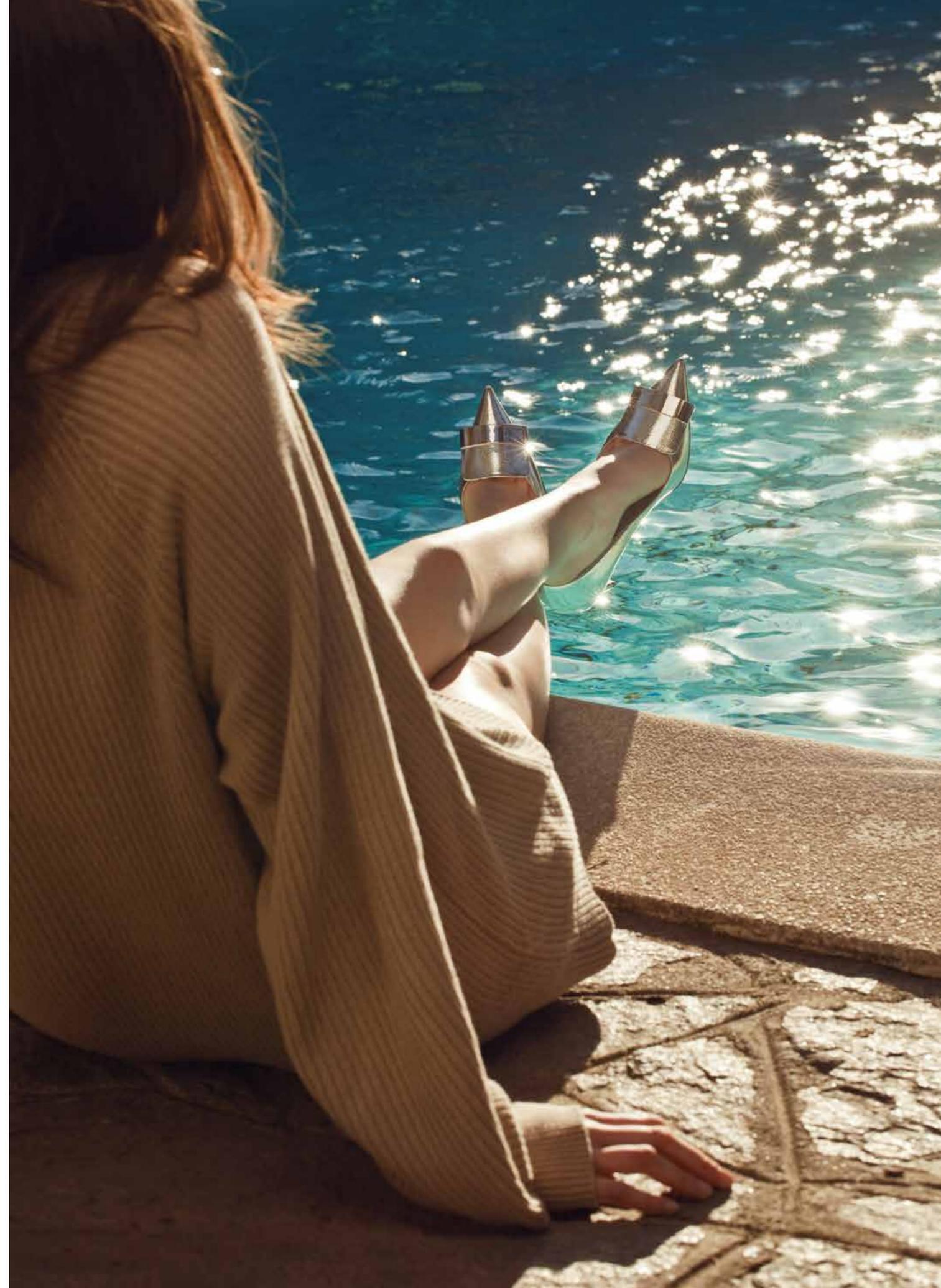
Advertising Campaigns and Special Digital Projects

After the relaunch of the sr1 collection, the first collection to be entirely digitally advertised, our communication focused on our target women's true lifestyle, dreams and ambitions.

The project "srPump - Stretched Instants", aimed at collecting all our most iconic PUMPs by introducing them into women's everyday-life. The campaign is based on different emotional moments describing woman's passions, styles and environments.



srPUMP - STRETCHED INSTANTS





In 2018, as part of our cross-channel communication strategy – i.e. channeled on social media, website and through in-store video – we have also launched the “srEstate” project, so as to underline the strong connection between the San Mauro Pascoli district and our Italian roots.

The advertising campaign is aimed at emphasizing, through emotional content, the summer in Romagna which has been Sergio Rossi’s home for more than 60 years. The story of an Italian summer, the essence of the Italian tradition and lifestyle, has been framed as the key concept.



srESTATE



120 Instants

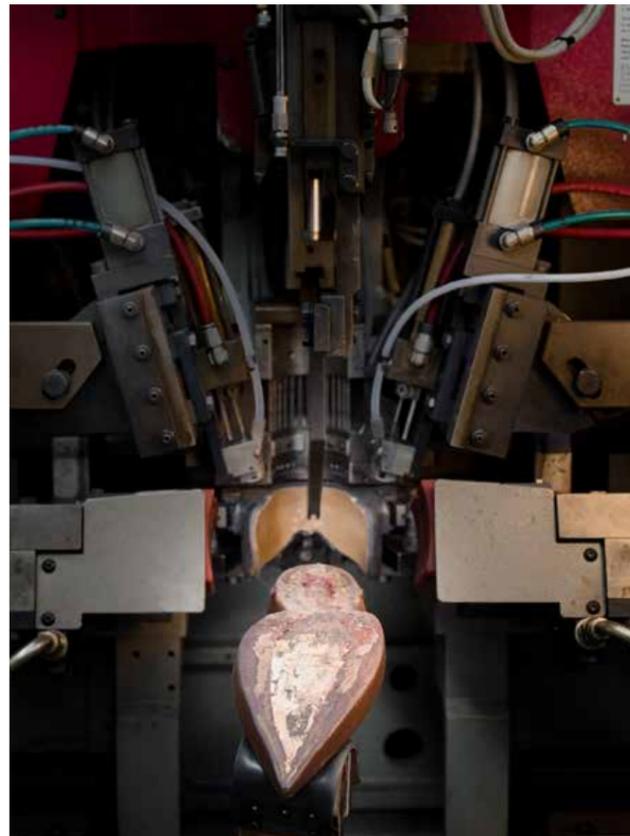
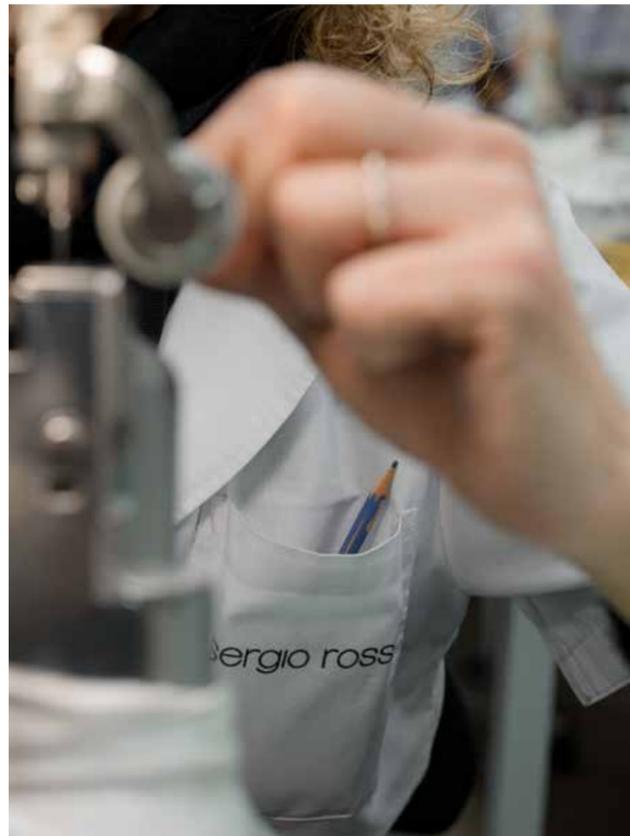
In line with our commitment to foster both the heritage and know-how that characterizes Sergio Rossi, in 2018, we launched the 120 instants, a social communication campaign featuring the creation of a shoe from the sketch to the packaging phase.

The number reflects the 120 steps needed to make a pair of shoes, an end to end process, entirely made in our factory in San Mauro Pascoli.

The mini video clips have been shot using macro images of the materials, the actual artisans during their daily activities as well as some scenes from the archive to give the audience the exact feeling and emotion of the manufacturing process.

The choice of shooting mini clips instead of one single video has a precise meaning: to make a Sergio Rossi shoe, every moment has its importance, everything should be perfect, from the very beginning through all the steps. Every step is a crucial moment with its own story, expertise, soul.

The project's goal is indeed to value the Italian know-how of Sergio Rossi's manufacturing process where the factory is the place, the artisans are the characters, the materials and technologies are the ingredients of these magic creations.



ARTISAN AT WORK
AND THE CREATION PROCESS





2018 DIGITAL CONTENTS

Creating a new client experience

In 2018 we carried forward the “Retail Excellence”, a project started in 2017 aimed at turning the shopping experience into a client-tailored moment and at creating an emotional and exclusive bond with each client.

The key starting point of the project has been the implementation of the sr Academy and the Sergio Rossi Selling Ceremony workshop week, conducted in Milan, Paris, London and Hong Kong and delivered to all store managers and staff, in order to spread harmonious habits and to enhance their sales competences. The aim of the sr Academy is twofold: the first one is that of training and coaching the store staff all around the world to create coherence between production, product, sales and communication; moreover, the store personnel studies how to adapt to different requests and situations in a proactive manner and how to build up a commercial mindset by using their product knowledge in the most personalized way. Furthermore, we started collaborating with big international fashion e-tailers, connecting shoppers to stores and brands from all around the world, and with other e-shop websites and marketplaces, in order to reach even more clients and offer them an even wider online experience.

In 2018 we focused on personal relationships with our clients by fostering the development of empathy towards clients in order to further understand their needs and desires. An integral part of this approach is the launch of an app that supports store personnel in creating and managing long lasting, high value relationships with clients, through direct, personalized and bidirectional conversations. The app aims at building personalized relations with our clients worldwide, helping store personnel in managing contact information and requests.

Client satisfaction

With the aim of monitoring and measuring the performance of our digitalization strategy and its effects on final clients, we have introduced a new service intended only for final customers called Client Service Management (CSM).

Clients, directly from our web site, can contact Sergio Rossi for any information or assistance they might need, ranging from requests on our products to suggestions to further improve their overall Sergio Rossi experience, or any complaint or repairing request.

This service completes our already existing Aftersale Service specifically dedicated to our Retail and Wholesale customers, which provides total assistance for any issues from Operational information to claims on product defects. We typically manage quality returns either by repairing the product or by reimbursing the customer; at present, the percentage of quality claims is below 1% of pairs shipped.

We value so much our products and customers that in certain cases we offer a customized service related to spare part replacements (such as heels or small accessories), whether it is a production problem or an issue related to the client's misuse of the product. In particular, clients can rely on local Sergio Rossi boutiques to take care of the issue by interacting with the factory and local artisans in order to help solve the problem.

Such service demonstrates our willingness to offer a customized and solid response to clients' requests, who care and wish to keep their pair, as well as our approach to lengthen the life cycle of the product through maintenance activities, by adopting a circular economic outlook.



BEYONCÉ



sr1 PRODUCTS IN STORE



Women we love - collaborations with style icons

In order to expand our audience and communicate the new brand positioning to more target customers, we implemented several collaborations between Sergio Rossi and key opinion leaders as well as celebrities worldwide.

In 2018 we continued designing personalized collections for singers and pop stars including Beyoncé and Rihanna, and dressed actresses as such as Julia Roberts and Nicole Kidman.

For Beyoncé, for instance, our talented designers and expert artisans have developed a series of custom-made boots aimed at accompanying the singer during her “On the Run II” worldwide tour in 2018.



JULIA ROBERTS



NICOLE KIDMAN



#yourownsergiorossi

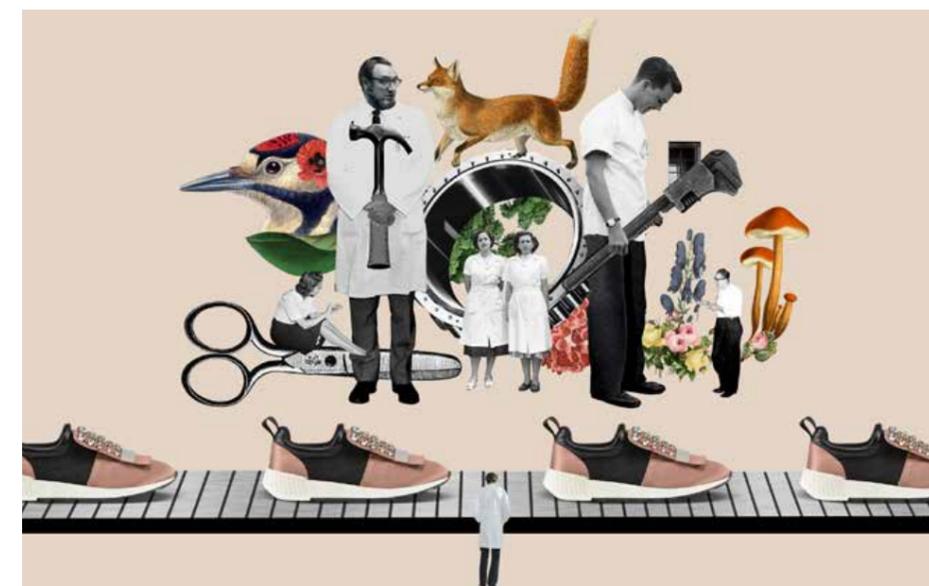
Our customers have the opportunity to enjoy #yourownsergiorossi, a service enabling them to create their own sr1 model. The customization service is another crucial step in the personalization of the customer experience that gives clients the unique opportunity to create their own Sergio Rossi shoes.

Our San Mauro Pascoli factory is uniquely equipped to offer our clients from all around the world the chance to fully personalize their favorite pair of shoes, by selecting materials, colors, accessories, sizes and initials, and to receive them within just 4-5 weeks, regardless of their physical location.

Crucially, such customization features are available both online and in-store, given the presence of our in-store tablets. In March 2018, after the iconic sr1 slipper, the first protagonist of the #yourownsergiorossi project, the customization option has been extended to sr1 pump.

Beginning in November 2018 the offer was completed with the introduction of the sr1 Running style. We keep working to constantly expand the personalization possibilities available to our customers, by introducing new products and elements.

YOUR OWN
sergio rossi



1.3 OUR COMMITMENT TO SUSTAINABILITY

Given the importance of sustainability, in 2018 we have further strengthened our commitment by formalizing our first Group Sustainability Policy. The document is the result of a cross-functional process which engaged the management of Sergio Rossi and analyzed internal and external sources regarding sustainability issues. It outlines what Sustainability is to Sergio Rossi by underlining the link with our founding corporate values and defines the three main strategic areas – pillars – that are at the core of our approach to managing a responsible business.

As expressed in the Policy, “Sustainability” for Sergio Rossi means being able to pursue quality and artisanal excellence while fostering environmental protection and social responsibility. Therefore, we undertake to conduct business responsibly through the integration of economic, environmental, and social aspects within all business processes and functions and by setting dedicated short and long-term goals intended to progressively improve our corporate sustainability performance.

WE SUPPORT These goals are established in accordance with the United Nations Global Compact (UNGC), of which Sergio Rossi is a member, and with the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development.

As such, we are strongly committed to conducting business legally and in accordance with the highest ethical standards, by actively working against all forms of corruption, including extortion and bribery. Sergio Rossi will not limit its efforts on sustainability goals to its operations but, when feasible, will collaborate with its business partners along the supply chain to cover the entire life cycle of its products.

These efforts are guided by Sergio Rossi’s distinctive values, as highlighted in the Group’s Code of Conduct: Integrity, Respect, Responsibility and Loyalty.

Furthermore, as presented below, we identified our three main strategic pillars which represent our primary areas of commitment for the coming years.

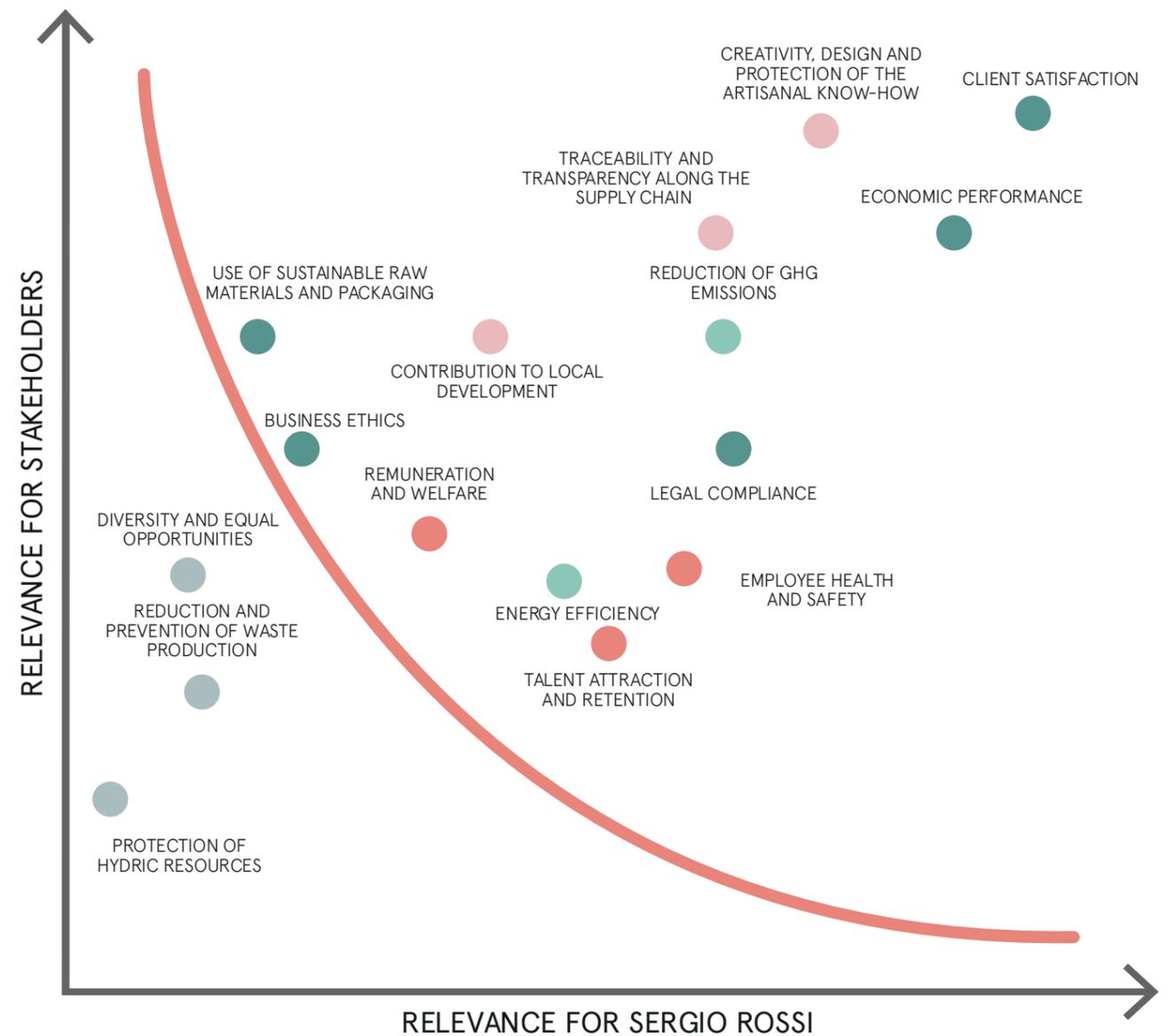
CHAPTER 4	ENERGY	<ul style="list-style-type: none"> - Efficient and responsible use of energy resources - Corporate carbon footprint and GHG emissions minimization
CHAPTER 2	HUMAN CAPITAL	<ul style="list-style-type: none"> - Training activities for personal development - Attraction and retention of best talents - Welfare and health and safety
CHAPTER 3	LOCAL COMMUNITIES	<ul style="list-style-type: none"> - Preserve local artisanal traditions - Quality of living and socio-economic development of local communities - Philanthropic activities

To ensure the achievement of its main strategic objectives, Sergio Rossi’s Chief Executive Officer is also responsible for the activities related to sustainability and coordinates the Sustainability Committee, an inter-functional management working group, established in 2017. The Sustainability Committee was involved in several activities in 2018, namely the definition of the Sustainability Policy, the analysis of stakeholders’ requests, the periodic revision of the materiality map and the development of the Sustainability Report.

Furthermore, Sergio Rossi’s CEO oversees the decision-making and supervision of internal health, safety and environmental (HSE) aspects. In this respect, the CEO appoints those responsible for the correct implementation of HSE actions and legal compliance. Additionally, the CEO coordinates the activities of the Human Resources & Facility and the Operations Functions, which are entrusted with the execution of HSE actions and the continuous assessment and monitoring of the related environmental, economic and social impacts. Furthermore, the CEO periodically reports to the board about the state of such activities, potential expenditure needs related to HSE aspects, and formally reviews and approves the organization’s sustainability report. In case the Human Resources & Facility and the Operations Functions detect any critical concerns related to HSE, they report these to the CEO. Once having carefully analyzed the matter, the CEO determines the corrective actions to be implemented and appoints the respective people in charge.

Sergio Rossi’s commitment is not limited to the three strategic areas highlighted in the Policy but includes other pivotal topics in order to create long-term value for all our stakeholders. These matters were, in fact, mapped during the process for defining our Sustainability Strategy together with the updating of the materiality analysis. In line with previous years, the materiality matrix shows the most relevant topics that reflect Sergio Rossi’s economic, environmental and social impacts and/or may influence the decisions of the key stakeholders identified.

Materiality Matrix



As reported above, the 13 topics above the curve were considered to be material in 2018. The topics shown on the top-right quadrant correspond to the most relevant issues both for the Company and for our stakeholders [102-47]. Furthermore, we have associated each topic with the three sustainability pillars included in our Sustainability Policy and with an additional area, “Business responsibility and economic performance”, which we consider as a precondition for the correct management of our company

- Energy
- Human Capital
- Local Communities
- Business Responsibility and Economic Performance
- Non-Material

MATERIAL TOPIC	OUR COMMITMENT	WHERE WE TALK ABOUT IT
SUSTAINABILITY PILLAR: ENERGY		
Reduction of GHG emissions	We are strengthening our efforts to reduce the current levels of our GHG emissions, for what concerns our energy consumption. Our photovoltaic plant represents a good example of our commitment in this direction.	§4.1 The responsible use of energy resources for emissions reduction
Energy efficiency	Aware that energy consumption plays a key role in our environmental footprint, we strive to identify and implement energy efficiency initiatives in all our facilities and operations.	§4.1 The responsible use of energy resources for emissions reduction

SUSTAINABILITY PILLAR: HUMAN CAPITAL

Remuneration and welfare	Maximizing the welfare of our employees is one of our key goals. We have structured dedicated plans to ensure that our facilities are constantly motivating working environments. In the same vein, we also consider equal remuneration, regardless of gender and any kind of diversity, as a strategic factor that brings significant benefits, not only for our people but also for the whole company.	§2.2 Promoting a better working life
Employee health and safety	Ensuring the health and safety of our employees constitutes the basis of our production process. In order to make our plant a 100% safe working environment, we always exceed the legal requirements, and invest in the training and development of our people.	§2.2 Promoting a better working life
Talent attraction and retention	We are convinced that the attraction and retention of the best talent constitutes the fuel of our economic development. As such, we collaborate with renowned actors located in San Mauro Pascoli to attract and train the next generation of artisans.	§2.1 Investing in the artisans of tomorrow

SUSTAINABILITY PILLAR: LOCAL COMMUNITIES

Contribution to local development	The bulk of our economic activity takes place in the San Mauro district, recognized at a global level as an area of luxury shoemaking excellence. Given the close relationships we have built with local actors and communities, we devote our interest to promote their growth and welfare and we often collaborate for the development of mutually useful solutions.	§1.1 Sergio Rossi at a glance §2.1 Investing in the artisans of tomorrow §3.1 Artisanal maestria in San Mauro Pascoli
Creativity, design and protection of the artisanal know-how	Creativity, design and artisanal excellence constitute the distinctive elements that make our products elegant and timeless. We consider it our duty both to foster and safeguard our know-how and the uniqueness one of the San Mauro district.	§1.2 Client centricity §3.1 Artisanal maestria in San Mauro Pascoli
Traceability and transparency along the supply chain	We acknowledge the importance of ensuring the utmost transparency along our supply chain, in order to guarantee the quality of our Made in Italy products and to ensure the respect of environmental and social issues. This is why we carefully select and evaluate our suppliers, most of which have collaborated with us for a long time, in a climate of mutual trust.	§3.1 Artisanal maestria in San Mauro Pascoli

MATERIAL TOPIC	OUR COMMITMENT	WHERE WE TALK ABOUT IT
BUSINESS RESPONSIBILITY AND ECONOMIC PERFORMANCE		
Business Ethics	We firmly believe that an ethical business is a successful business. This is why we have redefined our internal Code of Conducts and management of corporate values.	§1.1 Sergio Rossi at a glance
Legal compliance	We have a strong commitment with respect to national and international legal dispositions regarding eco-toxicological requirements for the raw materials we use in our production process, in order to guarantee the maximum safety for customers and the environment. That's why in the reporting period, we have committed no legal violations and have not received any sanction or fine, having usually exceeded mandatory norms.	§3.1 Artisanal maestria in San Mauro Pascoli
Economic performance	A solid and sustainable economic performance is a necessary element to ensure our growth as well as the appropriate management of sustainability aspects. Therefore, we take care to maximize the economic value we generate, with the aim of benefiting both our shareholders and the local community.	§1.1 Sergio Rossi at a glance
Use of sustainable raw materials and packaging	We devote the utmost attention to make sure that our raw materials and packaging are sustainably sourced, in order to guarantee the quality and safety of our products and to minimize our environmental and social impacts.	§3.1 Artisanal maestria in San Mauro Pascoli
Client satisfaction	We are committed to deliver an outstanding client experience focused on the creation of solid and long-lasting emotional bonds with our customers, who represent the focus of our activities and our main interlocutor.	§1.2 Client centricity

FOR FURTHER DETAILS ON THE PROCESS FOR UPDATING THE MATERIALITY ANALYSIS, PLEASE REFER TO CHAPTER "METHODOLOGICAL NOTE".



HUMAN CAPITAL

Preserving the value of our people

SUSTAINABILITY POLICY

“Convinced that human capital represents an invaluable resource for the company, Sergio Rossi aims to offer a positive and stimulating working environment, in order to motivate all its employees by developing their artisanal and managerial skills. Moreover, Sergio Rossi aims to ensure employees’ welfare, health and safety in excess of normative requirements, intended to guarantee they benefit from a constructive and safe workplace that meets everyone’s needs.”

KEY COMMITMENTS OF THE POLICY

To implement training activities aimed at fostering the technical, managerial and personal development of all its employees.

To ensure a stimulating and innovative working environment in order to attract and retain the best talent.

MAIN RESULTS

- 304 employees as of 31 December 2018
- 63% of our employees are women and 37% are men
- Approximately 90% of our employees have a permanent contract
- Under 30 y.o. hires have doubled compared to 2017

LINK WITH SDGs



2.1 INVESTING IN THE ARTISANS OF TOMORROW

We constantly strive to cultivate our corporate culture based on the concept of employee empowerment and growth. In Sergio Rossi we actively promote an inclusive environment and value the contributions of all the people that commit every day to the success of our brand.

In 2018 we continued working on our corporate structure by reviewing internal functions and increasing the number of employees in strategic areas, thus consolidating the corporate relaunch started in 2015. In 2018, in particular, we focused on strengthening the training and communication departments by creating new dedicated functions. Our commitment to fostering everyone’s potential and skills will continue in 2019 with the introduction of two new additional retail training functions in China and Japan. Finally, we introduced the Omnichannel and CRM department with the aim of further improving our presence and efficacy across all media channels, with a focus on e-commerce.

As of 31 December 2018 we employed a total of 304 people, of which 293 were based in Italy and 11 in our store network in France and the UK [102-8]. The number of employees confirms a steady growth of the company, with an increase in employees of 3.4% since last year and even higher growth (+10.9%) compared to 2016. In particular, we would like to stress how the number of female employees has grown from 167 in 2016 to 190 in 2018, equivalent to +13.8% in two years. Moreover, we have continued increasing our proportion of employees under 30 (from 15 people in 2016 to 32 in 2018), while registering a decrease (-8.6%) in employees aged 50 and above, mainly as a result of retirement of the workforce.

These latter trends demonstrate our commitment to attract young talent and to support our employees as their career come to an end, particularly considering our high levels of retention.

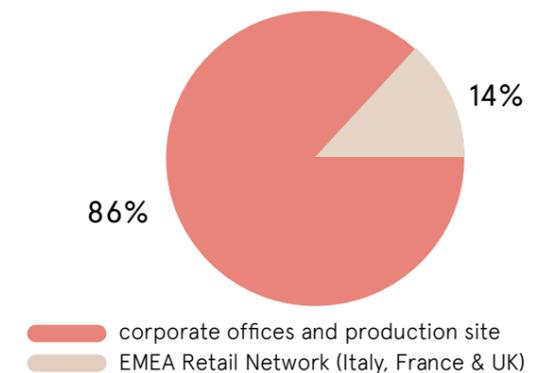
In line with to our commitment to create lasting relationships with our employees, in 2018, 91.4% of our employees held permanent contracts and 89.8% were employed on a full-time basis: 96.8% of employees who work on a part-time contract are women. In addition, all of our employees in Italy and France (equal to 97,7% of the total workforce) are covered by collective bargaining agreements, as required by the respective country laws. For employees working in the UK, national contracts are applied [102-41].

Furthermore, most of our employees (86%) are employed in our corporate offices and production site in San Mauro Pascoli, Italy, while the remaining 14%, work in our stores across the EMEA Retail Network.

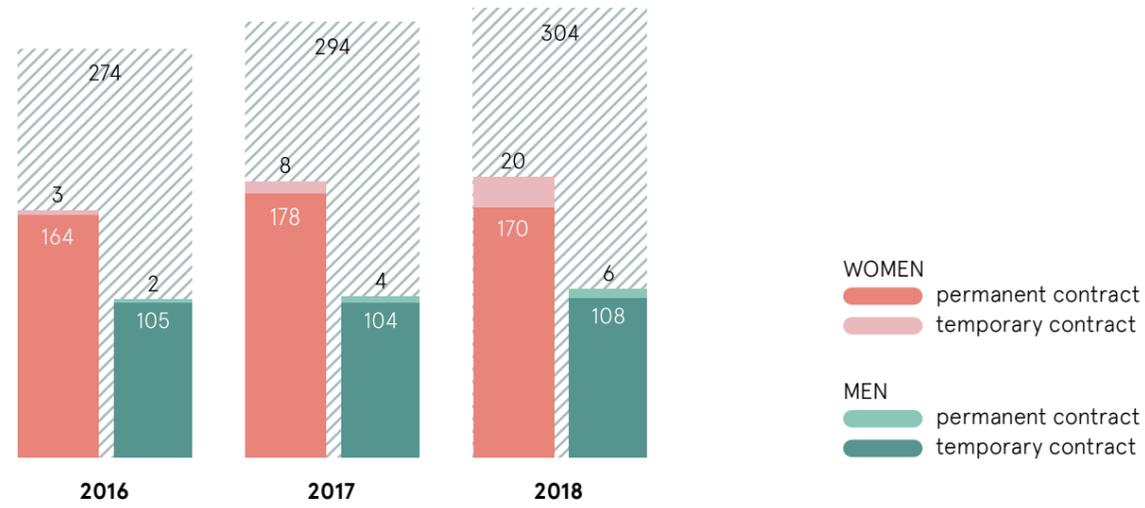
In line with previous years, we have continued investing in new hires and registered 63 new employees in 2018, with a rate of 21.4% mainly connected to the creation of new corporate roles and the opening of new stores. The process has been accompanied by a corresponding increase in the turnover rate, shifting from 19.9% in 2017 to 23.1% in 2018 [401-1], partially due to several retirements in 2018 and to the typical turnover rates that characterize the retail sector. Such changes in the workforce are connected to our internal restructuring, managed by our Human Resources & Facility function, which in the last two years has led to the creation of new functions and specialized roles, to respond more effectively to market trends and client expectations.

A comprehensive breakdown of our employees in terms of employment contract and type, geography, gender and age is provided in the following pages.

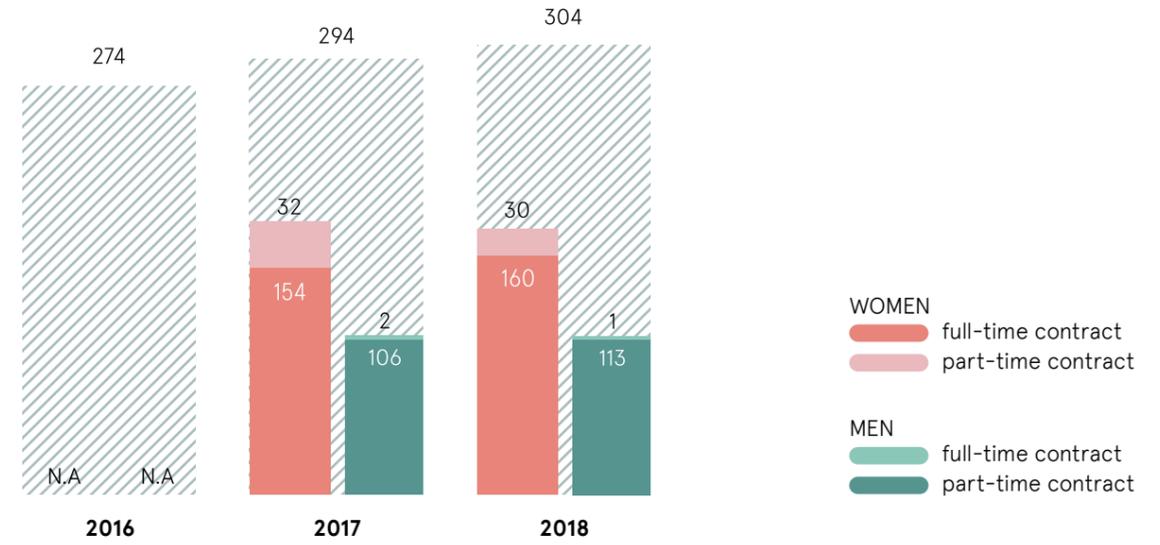
EMPLOYEE DISTRIBUTION AS OF 31 DECEMBER



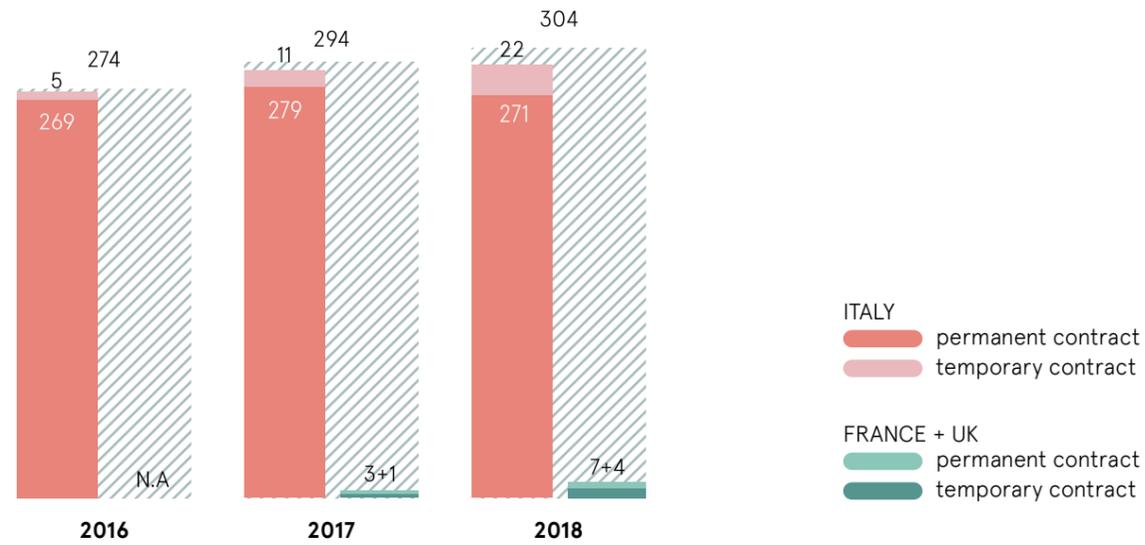
EMPLOYEES BY CONTRACT TYPE AND GENDER



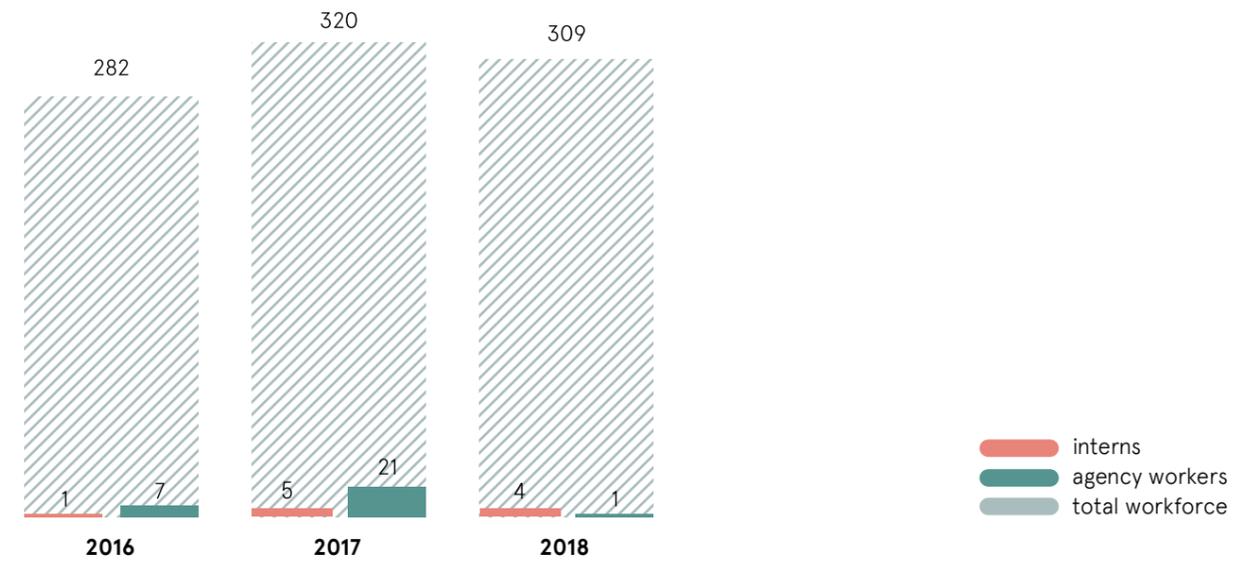
EMPLOYEES BY CONTRACT TYPE AND GENDER



EMPLOYEES BY CONTRACT TYPE AND REGION



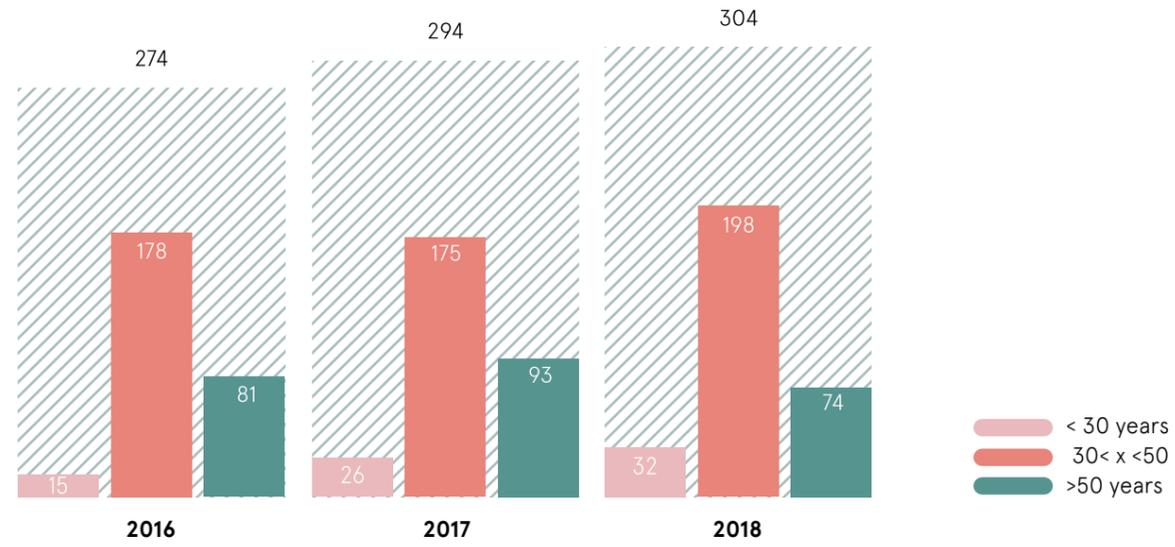
EMPLOYEES BY OTHER CONTRACT TYPE



NUMBER OF EMPLOYEES
(AS OF 31 DECEMBER)

NUMBER OF EMPLOYEES
(AS OF 31 DECEMBER)

EMPLOYEES BY AGE

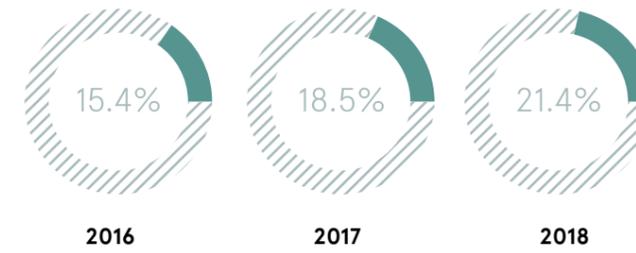


NUMBER OF EMPLOYEES
(AS OF 31 DECEMBER)

NEW EMPLOYEES HIRES BY GENDER AND AGE

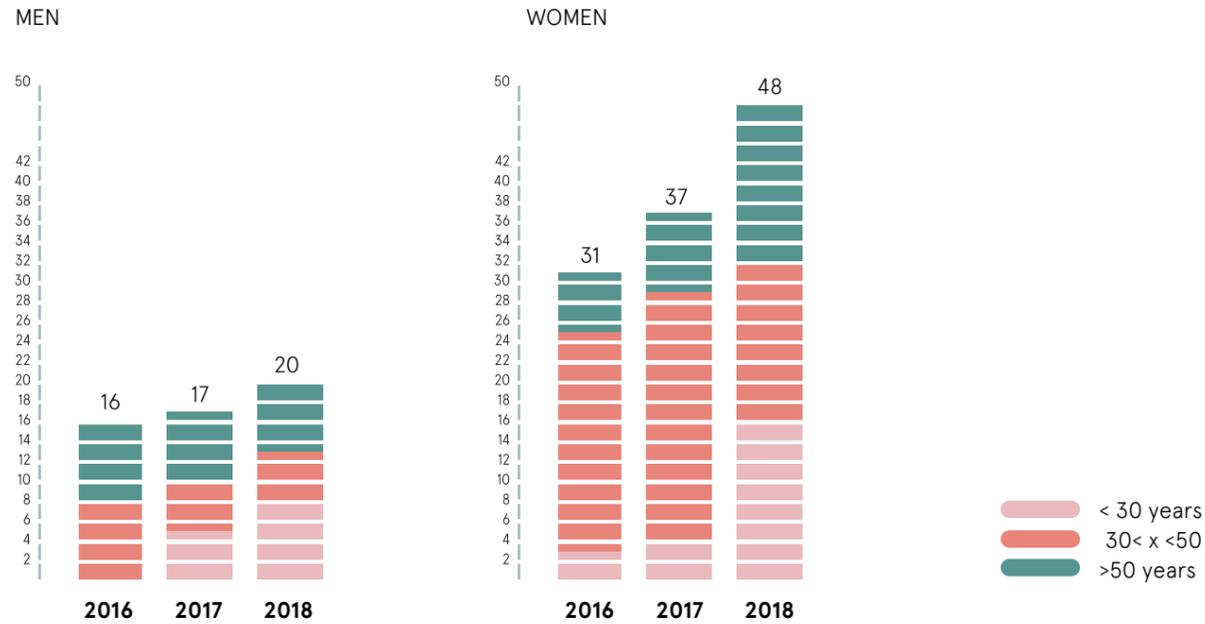


NEW HIRES RATE

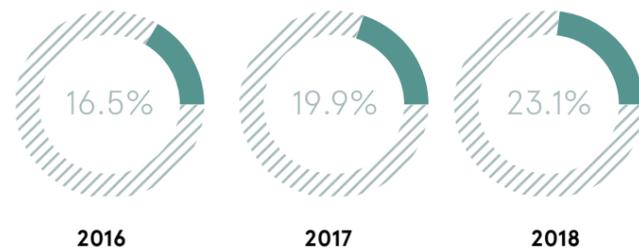


NUMBER OF EMPLOYEES
(AS OF 31 DECEMBER)

TERMINATIONS BY GENDER AND AGE



TURNOVER RATE



[401-1] NOTE: THE NEW HIRES RATE AND THE TURNOVER RATE ARE CALCULATED AS NUMBER OF NEW HIRES OR TERMINATIONS / TOTAL NUMBER OF EMPLOYEES AT 31ST DECEMBER OF THE PREVIOUS YEAR. 2016 RATES DO NOT TAKE INTO ACCOUNT THE EMEA RETAIL NETWORK, SINCE IT WAS NOT INCLUDED IN THE PREVIOUS YEARS' SCOPE OF REPORTING.

Talent attraction and retention

Firmly convinced that the success of our iconic models is rooted in a stimulating and inclusive working environment, we strive to attract the best talent and to encourage people in developing innovative and creative ideas and solutions.

Since artisanal excellence is one of our distinctive attributes, in 2018 we continued investing in the development of talents by strengthening our partnership with CERCAL, one of the most renowned professional shoemaking schools in Italy.

Building on the activities put in place in the past two years, we renewed our participation in the "Shoes Academy" program, an initiative that connects unemployed young people with local shoe manufacturers, through a dedicated internship scheme.

The program aims to create professionals in the luxury shoemaking sector with the ability to contribute to all phases of production, from cutting to the preparation of the final product; the course entails 600 hours of training, of which 366 hours are theoretical-practical lessons in class and in the laboratory and 234 hours are spent undertaking an internship in a shoe manufacturer company. The project aims not only to train potential employees, but also to value the artisanal expertise and the art of luxury shoemaking. The project, which involved 12 participants in 2018, proved extremely successful and led us to hire 4 of the participating students. Following the success of the initiative, we planned a second edition for 2019

which will see the engagement of 15 young participants, 5 of which we plan to train in our facility. The second edition will in fact be carried out together with other shoe companies in the San Mauro District, with the objective of creating a shared program in the area.

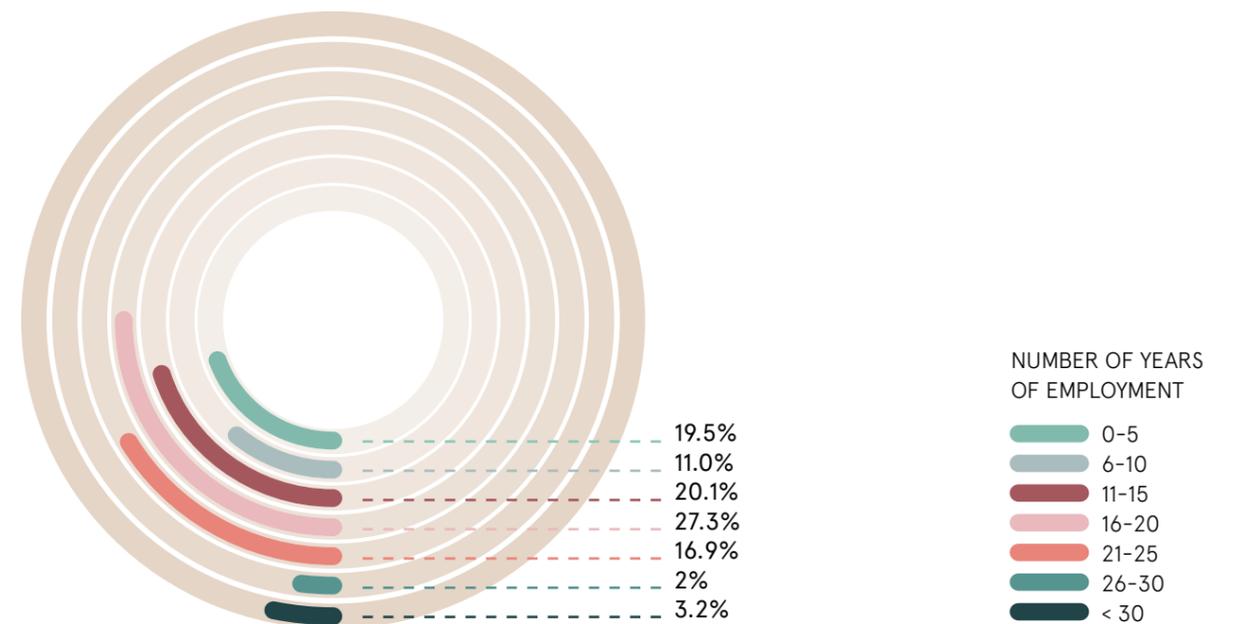
In line with last year, CERCAL, besides recommending its best students for potential internships within our Company, has recently started providing specific courses for people with disabilities and without any work experience, who, after having learned traditional shoemaking techniques, will become employable.

Given the importance we recognize of attracting the best talent, we maintained our global referral program in 2018, which enables employees to inform the recruiting team of potential candidates for current and future job openings. In case a referred person is hired and successfully completes a probation period of 6 months, the referring employee is entitled to receive a financial reward, which is proportional to the rank of the newly-hired person.

In line with previous years, about 70% of our technicians and artisans have stayed with us for more than 10 years, confirming our ability to create a positive environment and to retain highly skilled workers.

Considering our total employees (304), almost half of them have worked at Sergio Rossi for more than 10 years, demonstrating the effectiveness of our programs dedicated to our staff.

EMPLOYEES RETENTION (TECHNICIANS AND ARTISANS)



Training Programs

Sergio Rossi has structured specific training programs aimed at developing everyone's professional and personal skills. Each new hire, in particular, receives training related to the requirements of our business activities and to our corporate values and policies, which enable us to respect our legal duties. The training package includes our Code of Business Conduct, which is aimed at spreading the knowledge of our corporate principles as well as the conduct our employees are required to maintain when exposed to potential conflicts of interest, bribery and corruption or gift occurrences. Furthermore, the package includes our internal policies, representing another key part of the standard training.

New employees are subsequently welcomed into the Sergio Rossi world with a training program including a presentation of the brand history and describing the uniqueness of our production site in San Mauro. Furthermore, Sales teams receive additional sessions highlighting the features of the communication and marketing activities, in line with our digital strategy, as well as specific training courses dedicated to our craftsmanship and materials' quality. They learn the characteristics of our retail network and clienteling activities, with a particular focus on the main in-store activities they may be entrusted with and the new commercial channels we have recently launched for specific training on product collection. Training and coaching activities in store and in the classroom are supplemented with regular interactive training activities on the brand's own eLearning platform that keeps all Retail sales staff up to date.

In 2018 we also started the "making of" project, a training program designed to teach employees the complete shoemaking process, during which each head of department showed the main steps of production to the employees and assisted them in performing the tasks.

The course is aimed at employees that do not work in production to give them the opportunity to fully understand the process behind the creation of Sergio Rossi shoes. 10 people undertook the "making of" project in 2018.

Considering our increasing focus on digital transformation, in 2018 the company IT Manager started a specialization course in "Innovation Strategy and Digital Transformation" which has the objective to illustrate the competitive advantage that companies can gain through digitalization. In particular it addresses, amongst the many, the topics of digital transformation, business intelligence, customer centricity, big data and cyber risks.

As training programs are constantly updated, especially in the technical and production area, in 2018, in parallel with our job rotation program (for more information refer to the § 3.1 Artisanal Maestria in San Mauro Pascoli), we included a specific training package consisting of a series of modules tailored to particular needs: 5 artisans dedicated to the finishing of products, for instance, were involved in a technical course of retouching for a total of 32 hours. The course was held by a CERCAL professor, specialized in finishing techniques for footwear products and leather goods. Retouching may be needed in the final phase of production if minimal color imperfections and smudges are detected during products' inspections.

As a result, the number of per capita training hours provided to our employees has increased in the last two years, from 4.7 in 2016 to 12.1 in 2018 (+157%). In line with the per capita increase, total hours of training have reached 3.663 hours in 2018, +21.4% compared to 2017 [404-1].

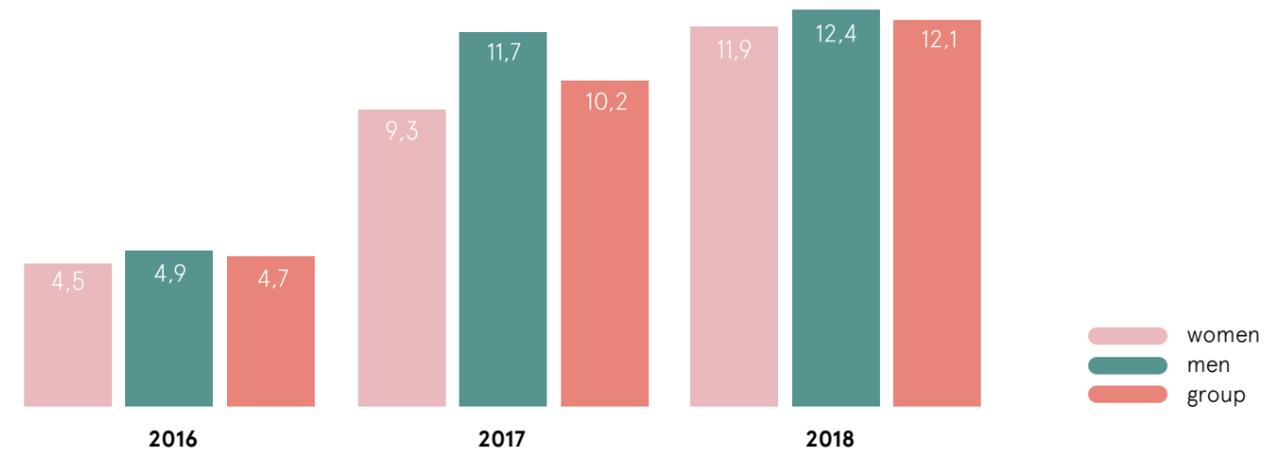
Regarding the average training hours by employee category, in 2018 we have registered an increase of activities for managers and white collar employees, the same categories which in 2017 had lower training hours compared to other employee groups. The data highlights our commitment to engage and train, over time, all categories of our employees. Training activities include English courses, sessions related to the corporate culture as well as to health and safety aspects. Training programs are constantly updated according to departments' specific needs, market requests and new requirements.

In 2018 we also launched a new program, the "sr Ambassador", specifically designed for the Retail Network employees, with the objective to train, engage and reward our people.

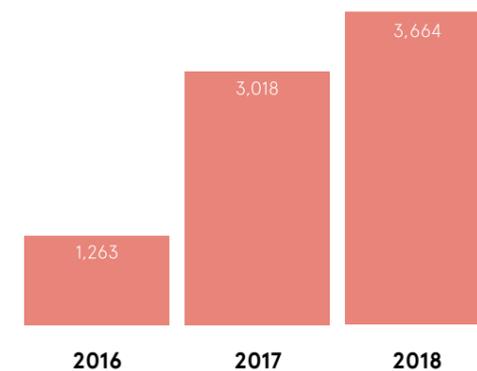
The program consists of different tasks assigned to employees based on role and type of store; every task performed, such as e-learning courses, CRM activities or the achievement of sales KPI's, grant points to obtain rewards. Based on the level reached, employees can gain gifts, vouchers for leisure activities and even the opportunity to experience working in a different store or country. Overall guidelines have been established globally but the tasks rewarded may be adapted to local needs or to specific market requests.

All the aforementioned initiatives have contributed to further strengthening not only our corporate culture and the synergies existing between our internal functions, but also our employees' professional skills.

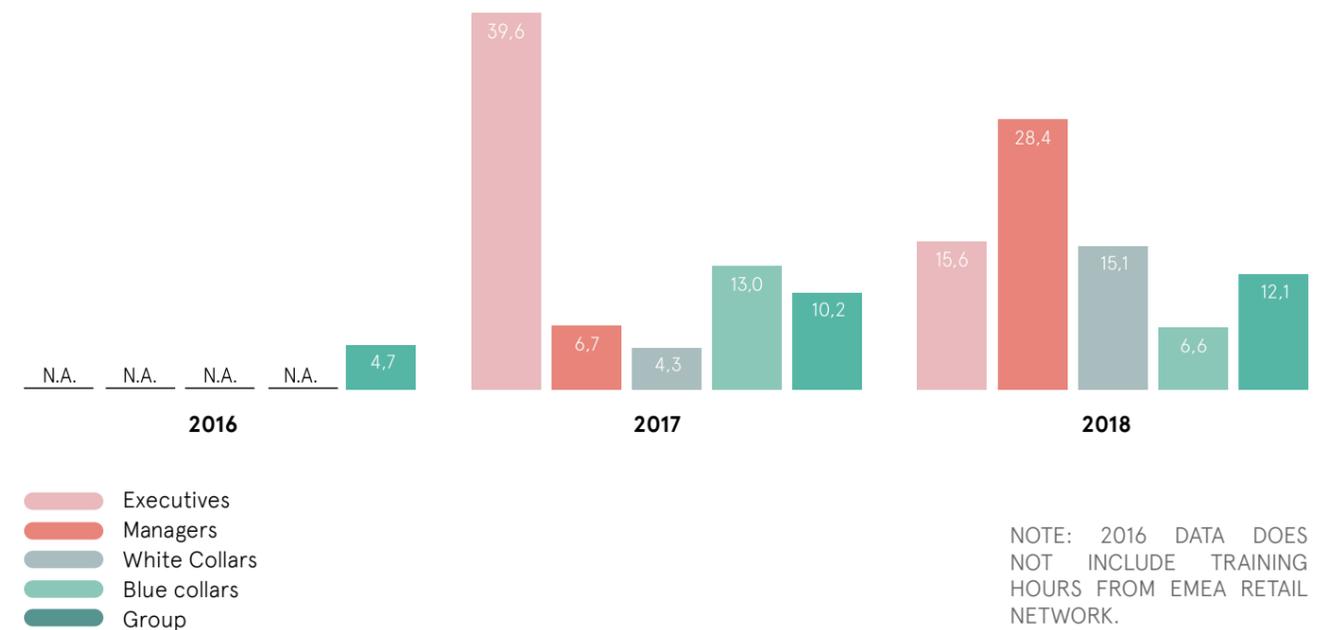
AVERAGE HOURS OF TRAINING BY GENDER



TOTAL NUMBER OF HOURS OF TRAINING



AVERAGE HOURS OF TRAINING BY EMPLOYEE CATEGORY



NOTE: 2016 DATA DOES NOT INCLUDE TRAINING HOURS FROM EMEA RETAIL NETWORK.

Performance Appraisal

We believe that one of the most important aspects of retaining the best talents is an equal and fair evaluation of employees' performance. For this reason, each employee sets and updates annual targets during a dedicated meeting with his/her supervisor, depending on his/her rank and seniority. During the year, supervisors define a set of milestones to be achieved by their supervisees and carefully monitor their progress through continuous coaching activities. Supervisors are open to listening to employees' requests and try to satisfy these, when appropriate. Given the positive results of the "Calibration of talents" started last year, we have continued holding an annual meeting of all directors, aimed at sharing feedback about the overall performance of their team, highlighting best practices and model behaviors to be potentially replicated across the organization.

Moreover, we continued to apply our Management By Objective (MBO) policy, intended to establish a set of shared rules regarding individual performance, target definition and appraisal criteria, as well as bonus distribution schemes.

Bonuses, in particular, are distributed based on the Company's and individuals' achievement of pre-determined targets, agreed with their supervisors. We introduced also the MBO + C policy specifically addressed to sales positions: the basic concept is the same as per the MBO, but with a strong focus on individual targets.

In 2018 we maintained the existing commission scheme for store employees, with the intention of rewarding performance by allocating benefits at an individual level, instead of merely at a store level, as was previously the case.

The updated scheme is intended to boost the individual and collective performance, given that employees could receive both an individual and a pooled commission. It is also designed to encourage personal commitment and motivation. As of today, the new commission scheme has been adopted in the EMEA and APAC regions and it was extended to Japan in 2018.

In 2018 we continued the sr1 Awards, Sergio Rossi worldwide retail competition specifically targeting in-store employees and designed to highlight and reward the best performers of the year.

In particular, the winners of the contest were:

- The employee who sold the most pairs of the sr1 collection in our 3 main geographical areas (Europe and USA, APAC and Japan). For each of these areas, the winner received a 4-day trip in Italy, during the Milan Fashion Show in February 2019, and had the opportunity to visit our plant in San Mauro Pascoli.

- The Worldwide Best sr1 Store that sold the highest percentage of pairs of sr1 Collection on the total sales. The best store worldwide received a customized sr1 limited edition for each member of the store.

2.2 PROMOTING A BETTER WORKING LIFE

To nurture a positive work environment, we invest the utmost attention to the quality of employees' working life, a crucial element to maintain our corporate reputation and reach economic results. Indeed, we are proactively managing the health, safety and welfare aspects linked to the life of our people, and in the past few years we have been introducing a series of brand new initiatives enabling us to better address these matters, with a specific focus on the San Mauro Pascoli working environment.

In San Mauro, health and safety aspects are directly managed by our Facility Function, responsible for monitoring activities as well as implementing a comprehensive set of health and safety activities aimed at maximizing the protection we guarantee to our employees, often by exceeding standard requirements. The team is also in charge of reporting health and safety performance on a monthly basis and of transmitting it to an evaluation team, including the CEO, the Chief Operating Officer and the Production Director, in order to highlight how the safety performance of our employees is evolving.

In early 2017 we put in place a yearly check of the correct functioning of the aspiration system of powders and solvents within the San Mauro factory, which led to a satisfactory result with no detection of malfunctioning. In 2018, we introduced a vending solution for personal protective equipment (PPE). The new system will help safety managers to oversee the correct use of PPE thus increasing the awareness of their correct use.

We registered 5 injuries in 2018, which is equal to a 38% reduction compared to 2017. In line with previous years, no injuries were categorized as "high-consequence" as they did not result in a fatality or in an injury from which the worker could not expect to recover fully to pre-injury health status within 6 months [403-9].



EMPLOYEES' WORK-RELATED INJURIES

NUMBER / RATE	2016	2017	2018
Total number of recordable work-related injuries	6	8	5
of which high-consequence work-related injuries	0	0	0
Rate			
Recordable work-related injuries rate	14.2	9.5	10.7
High-consequence work-related injuries rate	-	-	-

[403-9:2018] NOTE: RECORDABLE WORK-RELATED INJURIES RATE IS CALCULATED AS THE NUMBER OF RECORDABLE WORK-RELATED INJURIES / NUMBER OF HOURS WORKED MULTIPLIED BY 1,000,000. HIGH-CONSEQUENCE WORK-RELATED INJURIES RATE IS CALCULATED AS THE NUMBER OF HIGH-CONSEQUENCE WORK-RELATED INJURIES / NUMBER OF HOURS WORKED MULTIPLIED BY 1,000,000.

In relation to employee welfare, in 2018 we launched a new system for senior and middle managers which enables them to convert the full amount of their bonus, thus exempt from taxes, directly into welfare services, such as leisure activities, courses, sports, elderly care, supplementary pension, etc. Moreover, a second reward with similar characteristics has been defined and it is connected to the business results of the year.

In line with our corporate digitalization strategy, we have continued studying the adoption of new features available in HR management software, to increasingly make our internal cross-functional activities easier.

In the past years we started introducing new digital solutions for our employees, such as Pagheweb and Workplace. - In particular Workplace is an interactive internal platform that facilitates more transparent and direct communication of activities, events or campaigns, covering the entire Sergio Rossi global network.

As such, Workplace is mainly devoted to spreading the energy amongst the Sergio Rossi community, and it can be considered a social device with which employees may update their professional news and photographs and share them with their peers in Italy and abroad. Ultimately, the growth of the use of this platform may foster the development of new corporate welfare initiatives and enhance opinions and ideas-sharing at all levels.

As such, we are continuously focused on evaluating new digital tools which could simplify internal procedures among all company functions.

Finally, regarding parental leave, the number of employees benefitting from maternity or paternity leave has been almost constant compared to 2017 (from a total of 31 to 27 in 2018). All employees who ended their mandatory parental leave returned to work in 2018, besides two people who have yet to complete it [401-3].

PARENTAL LEAVE	2016	2017	2018
Employees entitled to benefit from maternity leave	164	127	144
Employees entitled to benefit from paternity leave	105	109	114
Total employees entitled to benefit from parental leave	269	236	258
Number of employees who have benefited from maternity leave	21	26	20
Number of employees who have benefited from paternity leave	2	5	7
Total employees who have benefited from parental leave	23	31	27
Of which: number of employees who have benefited also from a flexible distribution of voluntary maternity leave	15	25	19
Of which: number of employees who have benefited also from a flexible distribution of voluntary paternity leave	1	5	5
Of which: number of employees who returned after their maternity leave	21	26	18
Of which: number of employees who returned after their paternity leave	2	5	2
Of which: number of employees who returned after their mandatory paternal leave	23	31	20
Number of employees retained 12 months after returning to work following a period of maternity leave	21	26	18
Number of employees retained 12 months after returning to work following a period of paternity leave	2	4	7
Total employees retained 12 months after returning to work following a period of parental leave	23	30	25



ARTISANS AT WORK



03

LOCAL COMMUNITIES

Fostering local districts

SUSTAINABILITY POLICY

“Sergio Rossi is highly committed to promoting the growth, cultural development and welfare of the San Mauro Pascoli territory, where it concentrates its business activity, by involving the population and local stakeholders in the creation of new opportunities and initiatives based on local needs and expectations.”

KEY COMMITMENTS OF THE POLICY

To preserve the local artisanal tradition.

To contribute to enhancing the quality of living and the socio-economic development of local communities where the Company operates.

To implement philanthropic activities in line with Company’s values and objectives.

MAIN RESULTS

- 26% of our suppliers are located in the Emilia-Romagna region,
- 85% of which are in the same province of San Mauro Pascoli
- 1,500 pairs daily production capacity
- 100% of our raw material and component suppliers are Italian
- 50% of the cutting activity takes place in house

LINK WITH SDGs



26%

SUPPLIERS LOCATED
IN EMILIA-ROMAGNA

1,500

PAIRS DAILY PRODUCTION
CAPACITY

100%

RAW MATERIAL AND COMPONENT
ITALIAN SUPPLIERS

50%

IN HOUSE CUTTING
ACTIVITY

3.1 ARTISANAL MAESTRIA IN SAN MAURO PASCOLI

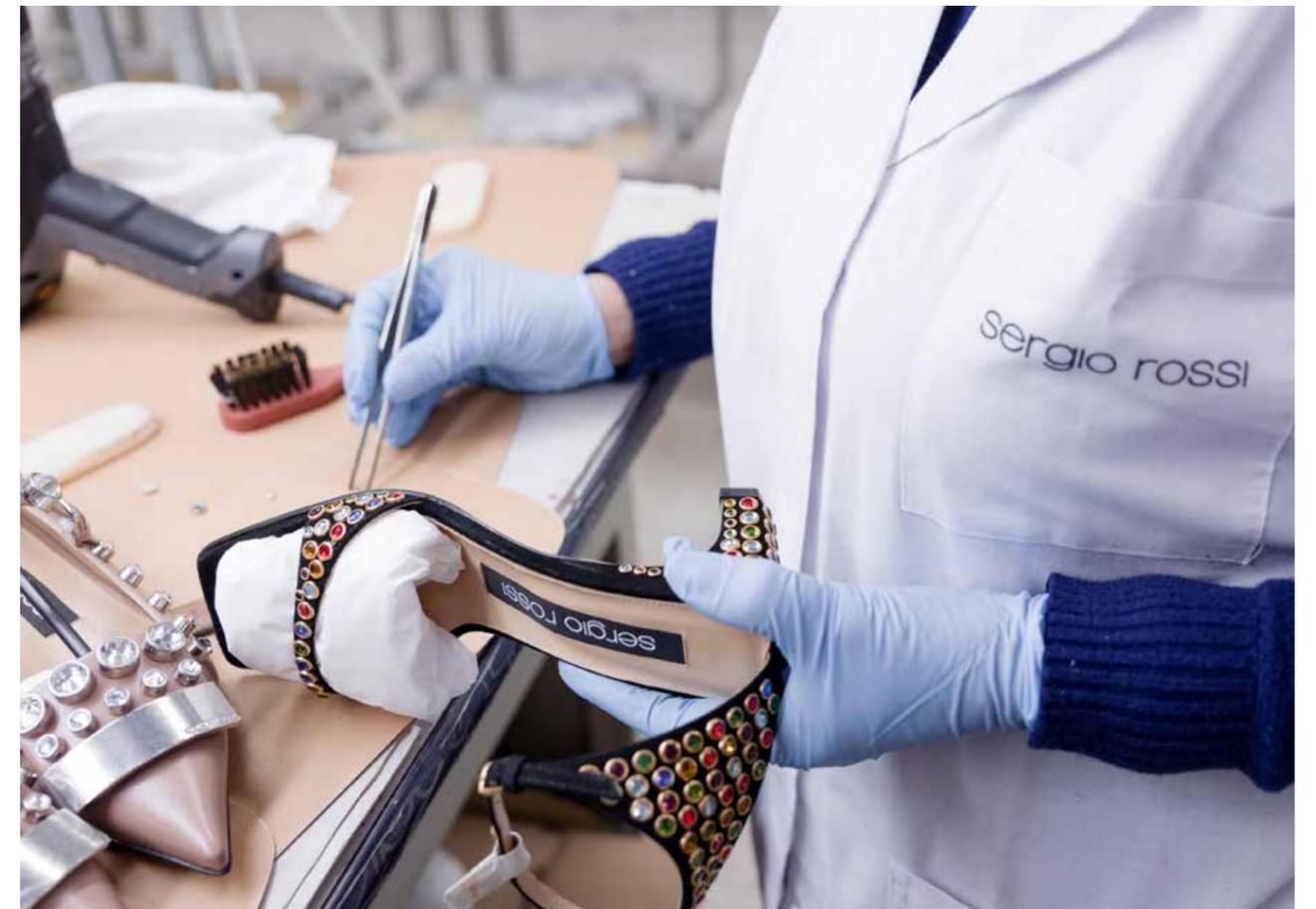
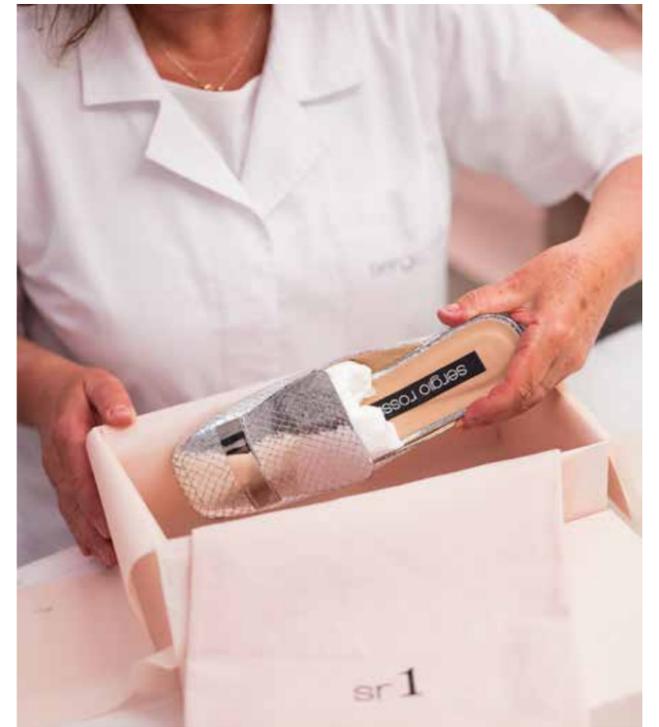
Artisanal production, worldwide distribution

Since the early 20th century, the art of shoemaking has always been associated with the concept of Made in Italy.

Indeed, the capability of entwining beauty and functionality in daily use objects is a unique feature of Italian artisans, who have always put their genius at the service of their clients with the genuine ambition of creating works of art capable of making their owners stand out from the crowd.

This unmatched “maestria” has been fully internalized by Sergio Rossi since its foundation. Famously, our founder used to say that “the comfort of a shoe comes from its shape. I maybe made no more than ten and they are what I cherish the most. Each shape is a part of me”, demonstrating his attachment to the purest act of artistic creation.

Nowadays, we still feel the responsibility not only to keep alive the art of shoemaking but also to leverage this tradition as a means to foster the development of the community and the district in which we operate. That is the reason why the vision of Mr. Sergio Rossi is still vivid in San Mauro Pascoli, thanks to the presence of over 150 artisans and technicians, who make our Company an internationally renowned example of excellence by daily employing their skills and know-how to create unique masterpieces.



ARTISANS AT WORK

The fulcrum of our commitment: the Magic Kingdom

Within the factory, our Magic Kingdom, we are able to carry out projects from the designer's sketch to the realization of the finished product, undergoing all stages of development.

The plant comprises a factory equipped with 2 production lines and 2 warehouses, storing bottoms, leather and accessories, the prototype department and a logistic hub 11,700sm large, capable of dispatching up to 5,000 pairs of shoes per day all over the world.

Together with the engineering skills, the factory is vertically integrated to all production stages: from Cutting to Assembling. It has a production capacity of about 1,500 pairs a day, choosing from the range of nearly 400 models and over 2,000 SKUs. Nearly 80% of our products are made in San Mauro Pascoli.

Decades of accumulated know-how combined with our focus on constant innovation: indeed, Sergio Rossi's strategic approach can be considered similar to a startup's, despite the Company's long history. Our Research & Style function, for example, is constantly working to develop new prototypes and shapes.

We are particularly proud of these figures, since they highlight the fact that we maintain almost complete ownership over our production activity. Furthermore, as an additional value add, the centralization of shoe production in San Mauro Pascoli guarantees the excellence of the Made in Italy savoir faire.

In 2018, we took a further step towards the centralization of our activities by internalizing a part of the production of our sneaker collection. In doing so, we have hired new artisans, fully dedicated to sneaker production, and we have developed new manufacturing technical expertise aimed at guaranteeing to our sportive dedicated collection the same quality levels and uniqueness that characterize our brand.

In addition, in 2018 we continued the internalization of cutting phases, started in 2017 with the installation of a new cutting machine adding to the 2 already in place, and of a new "positioning" machine that helps to position the model patterns on leather. Such new equipment enabled us to perform nearly 50% of such activities within our factory in San Mauro, thus providing cost reduction benefits while increasing product quality. Furthermore, the cutting phase is conducted by joint

teams of experienced and young artisans, since it requires a deep knowledge of leather and materials to maintain high product quality while reducing waste. By doing so, we ensure to pass on the know-how from generation to generation, while spreading a sustainability mindset among our artisans.

The introduction and the consolidation of young talented artisans is the leitmotiv of the improvement of our manufacturing processes, not only related to cutting phases but to all processes. For this reason, we have created specific training for young employees working in production and technical areas.

This commitment is also enhanced by the collaboration with CERCAL, thanks to which we ensure an adequate generational turnover (for more information, please see §2. Preserving the value of our people).

Moreover, in 2018 we continued the job rotation scheme between different production functions and "training on the job" activities, dedicated to the use of specific machinery and equipment. In this way our technicians and artisans, besides improving their technical abilities, can gain a comprehensive and interconnected vision of all phases of the engineering process. This commitment is also enhanced by our collaboration with CERCAL (for more information, please see §2. Preserving the value of our people).

Both the internalization of our sneaker collection and of cutting phases allow us not only to enhance the technical competence of our artisans, thus limiting collaboration with external parties to specific tasks conducted by recognized high quality suppliers, but also to increase control over our supply chain.

In 2018, we continued to focus on reducing the environmental impacts of our activities, through adopting a circular economy approach and by implementing our environmental responsibility policy across the business.

Besides our historical spare part request service, deeply appreciated by our clients, we continued our commitment to optimize leather stocks coming from previous collections in order to avoid waste. Such materials can sometimes be used to produce gadgets, while special and prestigious materials are involved in the production of specific capsule collections.



SERGIO ROSSI PLANT

1 A Stock Keeping Unit (SKU) is an ID storage code for a product, based on combinations of different parameters like colors and shapes.

PRODUCTION STEPS



CUTTING

This process is based on automated cutting machines, hollow cutters as well as highly-skilled cutters, able to perform this operation manually, as their experience enables them to extract the best from a leather piece. Therefore, all prototype samples and special pairs are always cut manually.



SEAMING

All the upper parts coming from the previous cutting phase are sewn together thanks to the expertise of hand-sewing operators. Often, at this point specific accessories, such as buckles, stones or embroideries, depending on the characteristics of each model, are inserted.



LASTING

The lasting phase comprises a series of operations leading to the assembling of the upper and the other components, such as the sole and the heel. Our artisans' precision and ability to adapt their manual work depending on the specificities of each model add further value to the final product.



FINISHING

Representing the end of the production process, this phase comprises all the polishing, waxing and retouching activities. Our dedicated team is entrusted with implementing these final steps before placing the final product in its package.

The importance of sourcing

We are committed to contributing to the quality of living and the socio-economic development of local communities through the minimization of social and environmental impacts related to the production of our shoes. In addition, it is crucial for us to maximize scrutiny over our supply chain, in order to ensure appropriate quality levels.

To do so, when developing a new collection, Sergio Rossi's Supply Chain function coordinates with the Research & Style function to clearly establish the range of raw materials and semi-finished components which will be needed to realize at an industrial scale the models included in the new collection. The selection of new suppliers for this purpose may be a lengthy and complex process, given the high quality and reliability we require from all our business partners.

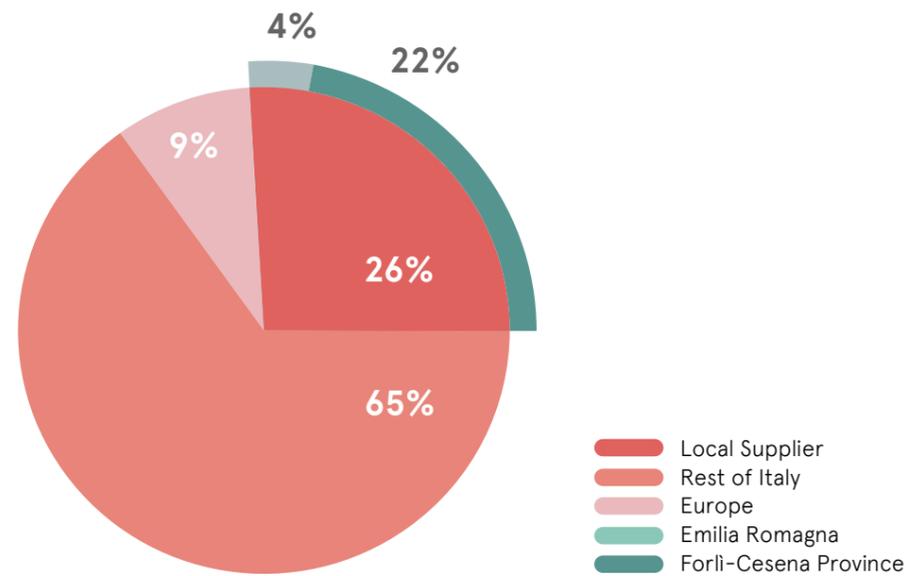
Furthermore, the Supply Chain function is entrusted with the smooth and correct functioning of all the supplier selection, monitoring and control phase, as well as of the inbound and outbound logistics operations. The function interacts closely with the Logistics and Buying offices, which are responsible for each specific task involved in the selection and shipping of raw materials, accessories, semi-finished and finished products. Given the strategic role of suppliers, we put in place a structured system to ensure their appropriate selection and monitoring to guarantee consistent levels of quality; for this reason, we are constantly in contact with them and we visit their production sites regularly.

The supplier research activity driven by the Buying Office is sealed by the signing of our supply agreements comprised of a series of ethical and environmental clauses that have to be accepted in order to agree a commercial collaboration. At the same time, we also ask our suppliers to adhere to our Restricted Substances List (RSL) (please refer to the paragraph concerning customer

health and safety), containing all the specific limitations in the use of chemical substances, which suppliers have to comply with before we can accept their products in our warehouses. The Buying Office relies on a consolidated network of raw material suppliers, which have been carefully evaluated in the past few years thanks to dedicated Quality/Cost/Effectiveness rankings, which are constantly monitored.

We are proud to underline that leather and components of a Sergio Rossi shoe are rigorously Made in Italy. Leather is the most important material of our production, not only for quantity and value, but also because it defines the style of Sergio Rossi's shoes. Therefore, we rely on Italian tanneries for 100% of the leather procured.

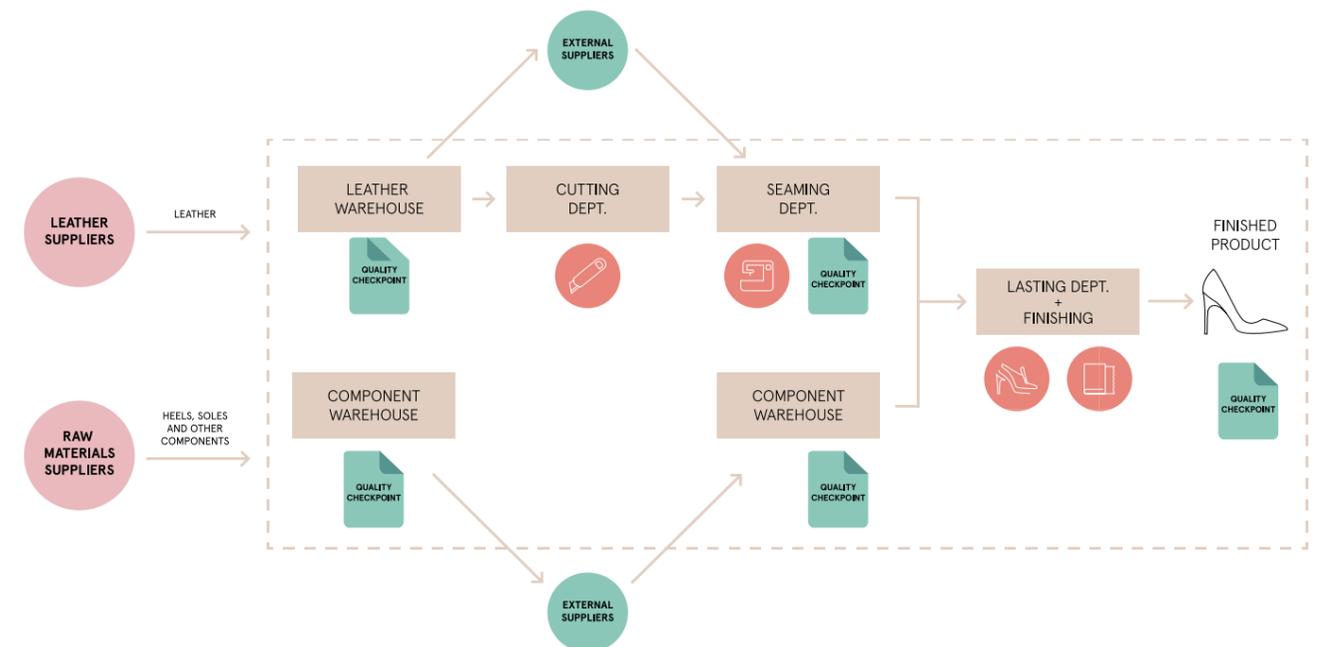
The strong collaboration created with our external raw materials and semi-finished products providers has been possible also thanks to the constant commitment to keeping and strengthening our relationships with local and historic providers, while simultaneously extending our network, in a constant pursuit of transparent, efficient and reliable partners who share our values. In addition, we strongly rely on the uniqueness and force of the Forli and Cesena district, gathering around 200 small companies and 3,000 people working with the best shoemaking brands in the world. These local suppliers provide us more than the 26% of our overall procurement volumes² and, more generally, 91% of our procurement of raw materials, products and services comes from Italian suppliers, while the remaining 9% comes from the European area [102-9; 204-1]. Part of this latter category is related to our espadrillas collection, manufactured in Spain. Spain is recognized worldwide for its creations of the special midsummer fashion alternative to sandals, that is the reason why we decided to realize our sr1 espadrillas in Spain in the quest for the utmost artisanal quality.



NOTE: THE DATA ARE ASSESSED IN TERMS OF ECONOMIC VALUE OF THE PURCHASED MATERIALS AND SERVICES AND COVERS THE ENTIRE PROCUREMENT BUDGET RELATED TO THE PRODUCTION PROCESS. THE "LOCAL SUPPLIERS" CATEGORY COMPRISES SUPPLIERS BASED IN THE EMILIA ROMAGNA REGION (ITALY) AND IN SAN MARINO, THEN FURTHER SUBDIVIDED INTO THE FORLI-CESENA PROVINCE, LOCATED IN THE EMILIA ROMAGNA REGION AND CHARACTERIZED BY THE SIGNIFICANT PROXIMITY TO THE SAN MAURO FACTORY, AND THE REST OF THE REGION; THE "REST OF ITALY" CATEGORY COMPRISES THE MARCHE, VENETO, LOMBARDIA, CAMPANIA AND TOSCANA REGIONS; WHILE THE "EUROPE" CATEGORY COMPRISES ALBANIAN, SPANISH AND SERBIAN SUPPLIERS.

Given our support of the Made in Italy concept and the high qualitative standards characterizing our products, in 2016 we started a Quality Project, aimed at formalizing, consolidating and redesigning the procedures and operations leading to our daily shoemaking activities. In this respect, we mapped over 120 steps needed to obtain the final product, in order to align the organizations to our quality and value targets. At the same time, we have defined in a clear way the objectives, methods and instruments needed to perform periodic controls on the quality of the raw materials, components and semi-finished products we receive from our suppliers, as well as on our final products. This long-term oriented project has been implemented thanks to the active participation of all the people who work every day with passion and attention to processes, and who represent the crucial strength of our brand.

Total procurement volumes in 2018 equaled 288.7 tons, 8% more than in 2017 [301-1]. Specifically, the amount of raw materials used for production purposes increased from 158.2 tons in 2017 to 173 tons in 2018, mainly due to an increase in production. The weight of packaging procured, in line with production-related raw materials, increased by 6% compared to 2017 levels. All our packaging materials, including boxes and shopping bags, are FSC-certified (see the box at page 64).



NOTE: REFERRING TO THE CUTTING AND SEAMING PHASE WE RELY ON OUR INTERNAL PRODUCTION CAPACITY AND ON EXTERNAL SPECIALIZED SUPPLIERS, WHICH ARE CONSTANTLY MONITORED IN TERMS OF QUALITY

²Our overall procurement volumes comprise purchase of raw materials (leather, plateaus, soles, insoles and heels); other raw materials like ancillary components (glues and solvents) and packaging; finished products (related to external production of finished products); and services (like cutting and stitching activities). Concerning the computation of the spending on local suppliers, we have calculated percentages based on the value of the purchased products and services, rather than the weight.

MATERIALS USED FOR PRODUCTION AND PACKAGING [TONS]

CATEGORY	TYPE MATERIAL	2016	2017	2018
Production-related	Leather	69.8	70.8	68.2
	Plateaus	1.7	0.6	1.1
	Insoles	21.6	17.9	19.9
	Soles	59.4	49.3	58.4
	Heels	20	14.2	19.9
Ancillary materials	Glues	2.8	3.0	3.2
	Solvents	2.9	2.4	2.3
Total raw materials		178.2	158.2	173
Packaging	Quality labels	0.2	0.3	0.1
	Box labels	0.5	0.5	0.6
	Labels	0.2	0.2	0.2
	Boxes	62.7	59.8	64.0
	Shopping bags	3.7	10.5	6.4
	Tissue paper	16.2	15.3	14.5
	Transport packaging	21.7	22.6	29.9
Total packaging materials		105.1	109.2	115.7
Total materials used for production and packaging		283.3	267.4	288.7

THE DATA COMPRISED WITHIN THE TABLE REFER TO THE PRODUCTION ACTIVITIES CONDUCTED IN SAN MAURO PASCOLI.

FSC Certification

The Forest Stewardship Council (FSC) is an international, independent, non-profit organization that protects forests for future generations. The FSC sets standards under which forests and companies are certified.

FSC certification ensures that products come from responsibly managed forests that provide environmental, social and economic benefits. The FSC certification program is an independent third-party scheme. FSC inspections are carried out by 17 independent certification bodies across the world. These bodies are in turn accredited by ASI (Accreditation Service International).



ARTISAN AT WORK

Our efforts to guarantee customer health and safety

The health and safety of our customers is central to Sergio Rossi. Our Company, has always been committed to monitoring the materials it uses in its production activities, in accordance with national and international legislation imposing the respect of eco-toxicological requirements. These requirements are intended to limit the use of prohibited chemical substances and to guarantee the maximum safety for customers and the environment, according to the REACH regulation³. Therefore, Sergio Rossi has created an internal Restricted Substances List (RSL), shared with all our raw materials suppliers as an annex to the supply agreement.

In addition, we have adopted an internal control plan aimed at implementing chemical controls upon the reception of our raw materials. In this respect, we rely on accredited chemical laboratories, conducting tests on the raw materials we receive, to

guarantee our legal compliance. Each commodity category, such as leathers and textiles, has its own dedicated quality control plan that ranges from 10 to 15 substances to be verified. In 2018, we performed chemical tests on 85 materials. Finally, for specific cases, we also carry out mechanical tests, such as tensile and deformation tests, in order to test materials' physical properties and their conformity to international standards. [416-1]

As a result, in 2018 we have not received any sanctions related to the chemicals contained in our final products. There has not been any incident of non-compliance with regulations or voluntary codes concerning health and safety impacts, nor have we been found guilty of legal infringements [416-2].

³ The REACH Regulation of the European Union (EC 1907/2006) has been adopted to improve the protection of human health and the environment from the risks that can be posed by chemicals, while enhancing the competitiveness of the EU chemicals industry. It also promotes alternative methods for the hazard assessment of substances in order to reduce the number of tests on animals.



3.2 CULTURAL AND PHILANTHROPIC ACTIVITIES

Our Archive: a Living Heritage

Sergio Rossi has a rich heritage which we believe is the key to successfully leading the way for future generations. With this idea we started the Living Heritage project, aimed at preserving and fostering the cultural heritage of the brand and of the artisanal district in which we operate.

In line with this, in 2017, we established a dedicated team to work on the creation of a corporate archive.

In less than 2 years we gathered more than 6,000 historical pieces from all over the world and have them archived in San Mauro, representing the history of Sergio Rossi's creative genius since the foundation of the Company in the '50s. So far we have managed to restore and catalogue a great amount of products, from shoes to editorials, lookbooks, material for events and media contents.

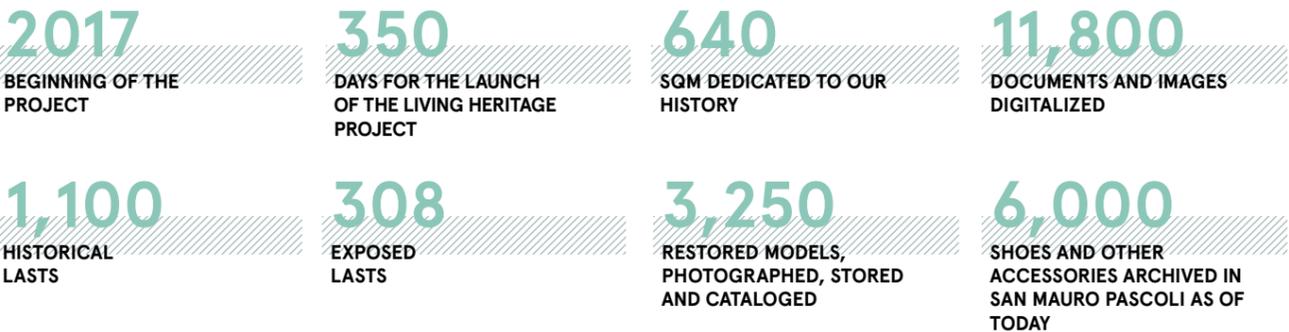
Together with the creation of a physical archive, the passionate and intense research activity has led to the creation of an exhibition space created by architect Marco Costanzi, and a digital platform.

The exhibition space, strategically located within our Magic Kingdom in San Mauro Pascoli, is divided into three different moments, each of them characterized by a spatial and functional level. The first one is the "Gallery of Lasts", where the history of the brand is reinterpreted through its distinguishing element: the last. Once passed through the gallery, the visitor enjoys the heart of the Archive, the so called "Living Archive", where part of the vintage collection is conserved. The area is indeed mainly conceived as a "living" area for consultation, research and

work. Alongside the Living Archive is finally located the "Living Emotions" area: a synaesthetic space where the world of Sergio Rossi can be experienced through a strong visual and emotional impact by showing the most iconic models and themes that have always represented the different souls of the brand.

In order to further increase its accessibility and in line with our corporate digitalization strategy we developed a digital platform that provides information storage and consultation advantages. In 2018, we completed the main structure of the platform back-end settings while in the near future we will launch the front-end, allowing an in-depth research able to guide users on new paths of reading through unexpected relationships between images, documents, photographs, places, people of the past but also more recent and contemporary, which continue to enrich and bring to life the story of Sergio Rossi.

The Living Heritage project has been intended primarily to provide a narrative capable of enhancing the uniqueness of our brand, by gathering all the main elements of its distinctive DNA. The creation of our corporate archive should be considered a pivotal move in this sense, aimed at providing designers with an extremely wide range of past models and sketches to take inspiration from. That is why, in 2018, we hosted fashion influencers from different countries whose feeds on social media have reached more than 4 million people. Beside the fashion community, in 2018 we opened the doors of our Archive to post-graduate schools and universities. One of our future objectives is, in fact, to further increase the number of visits so to unveil the plant as a center of excellence and to share with all stakeholders the passion and the magic behind both our artisanal work and our Kingdom.



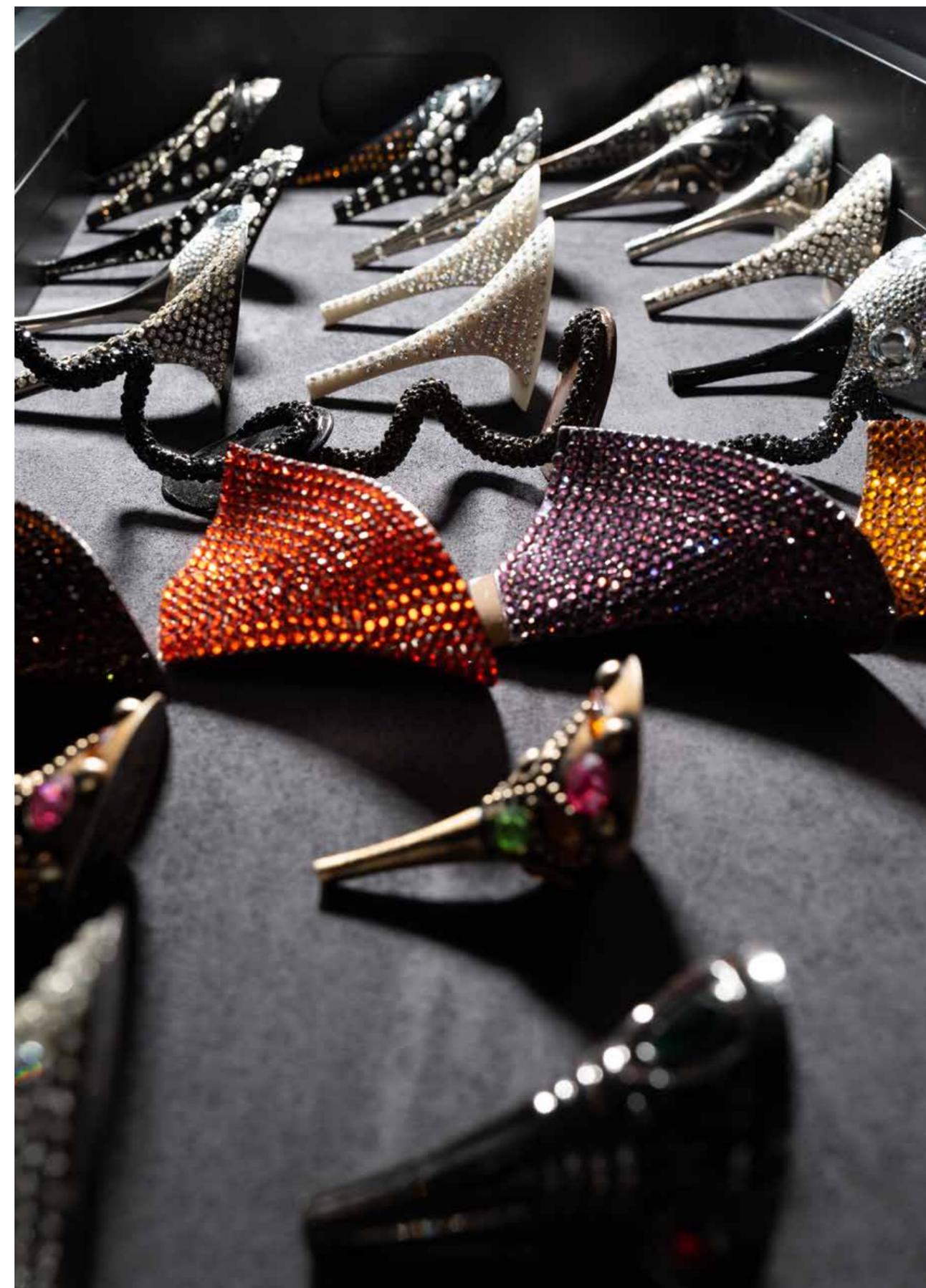




Enhancing the skills of our Living Heritage team

In 2018, a member of our Living Heritage team had the opportunity to take part in a summer school dedicated to heritage management and, in particular, to archives in fashion companies. The course, organized by the Fashion Research Italy Foundation, was a two-week full immersion during which Sergio Rossi's staff explored characteristics, peculiarities and operational aspects of the archives in Italian fashion companies.

With classroom lessons, active laboratories and technical visits to some of the most renowned Italian archives, the course explored diffused archive models and settings as well as their role in enhancing the brand identity of the company and fostering the historical heritage.



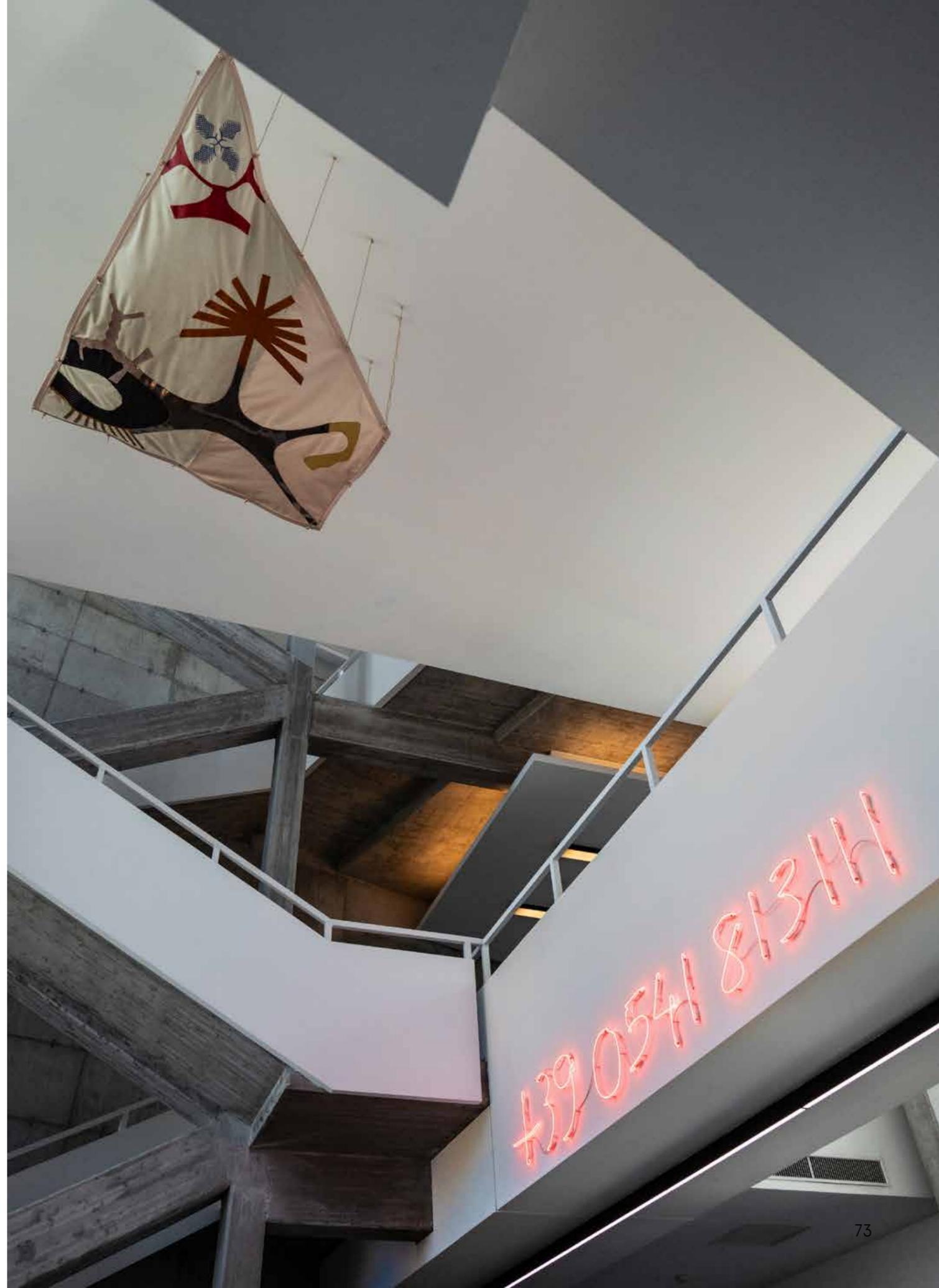
HEELS COLLECTION

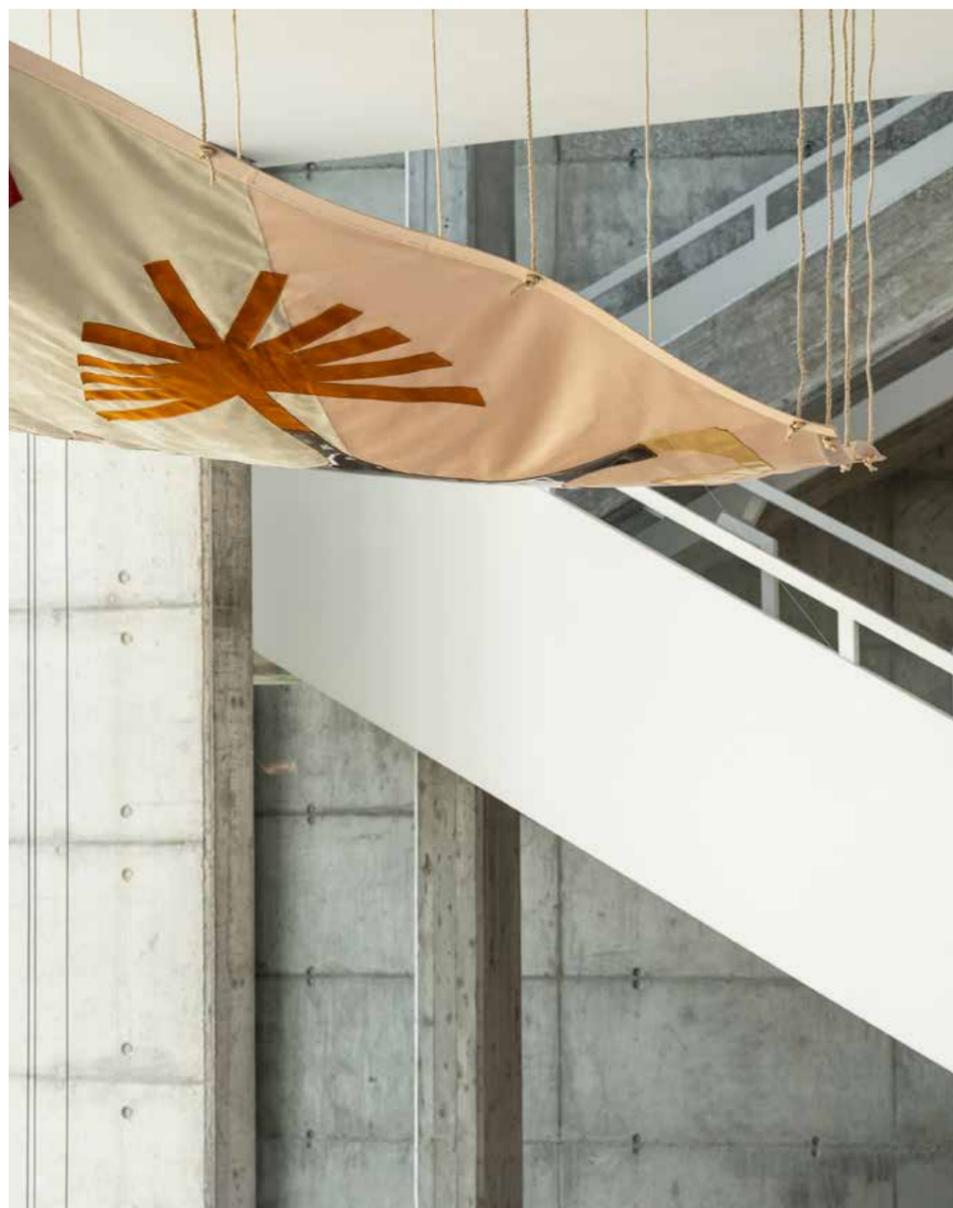
Art in the factory

Mr. Sergio Rossi has always been influenced by the artistic movements of his time, especially the '70s, and we still find multiple similarities between a Sergio Rossi product and a piece of art. That's the starting point for the creation of a site-specific art collection where the synergy and interdisciplinarity between art and fashion is tangible. The project, curated by Rossella Farinotti, aims to enhance the history of the brand by researching and supporting Italian artistic productions. The purpose of the collaboration is to develop a work of art born and raised in the factory with a strong interaction with the artisans and the working space.

The first three works of art installed in 2018 in San Mauro Pascoli have been selected to mark the beginning of an exhibition path in the factory, thus setting up a dialogue with the history of the brand, the nature of the place and its territory.

The common thread of the three works of art is indeed the dialogue with the place, with the context and also with Romagna and the story of Sergio Rossi. That is why we chose Italian artists, which are only the first of a series, who serve to make the factory a more accessible and beautiful space.





VELA AL TERZO (ARVĒDAS)

Ettore Favini

Fabrics, leather

Dimensions determined by space

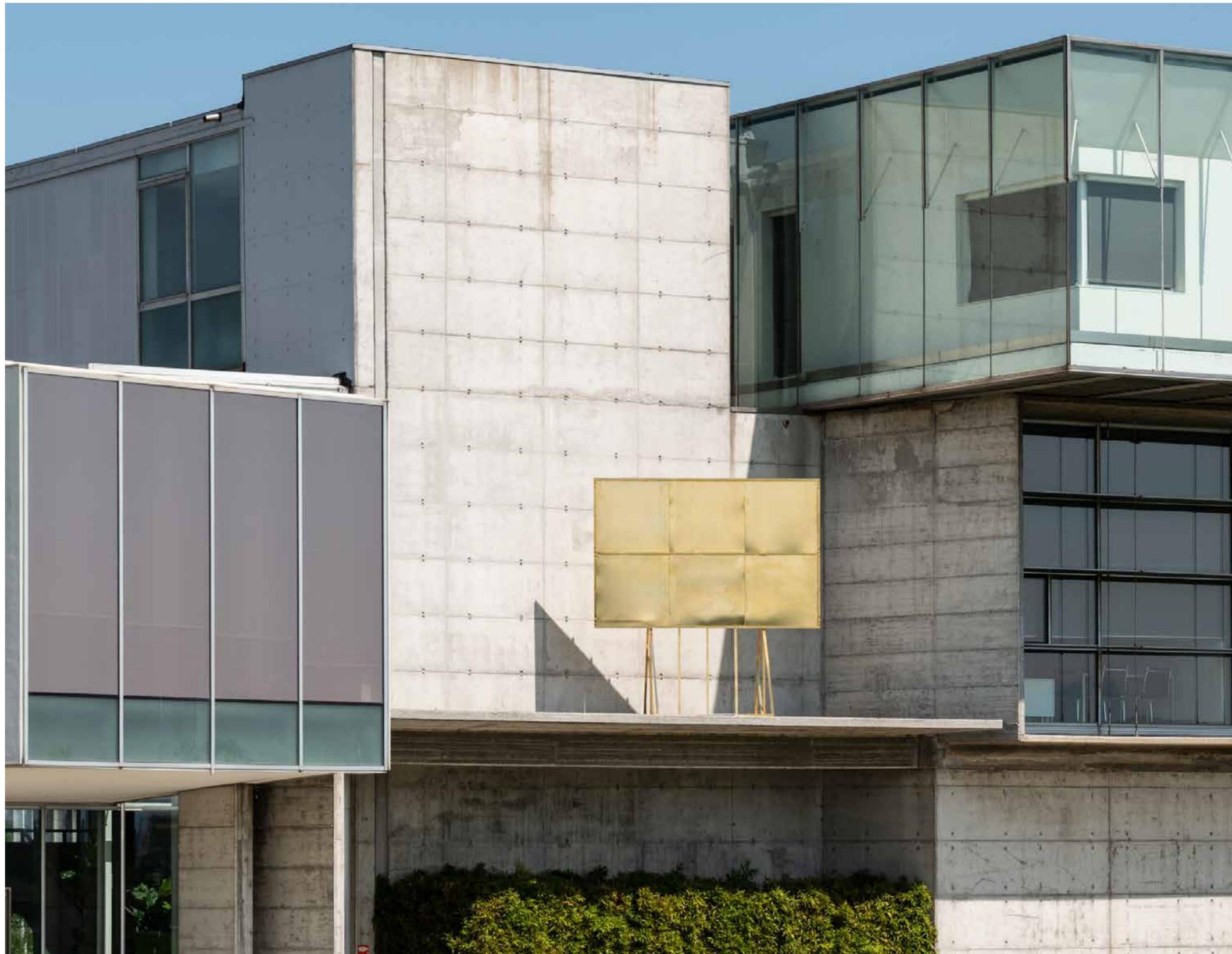
A delicate and elegant sail of 2 meters in diameter, installed in the highest part of the entrance in the hall of Sergio Rossi. As the sails of the ancient local boats representing the coat of arms of the owning families, Favini created a specially tailored heraldic symbol, realized with leathers and model patterns coming from our past collections. Favini, in fact, spent a week together with our artisans choosing materials and tissues coming from the archive but also from the living memories of the workers. In so doing he created a design sewn on the surface of the sail, which is precisely hanging - with sailing ropes - as a symbol and memory of Sergio Rossi's history.



SIGNATURE Vedovamazzei

Neon light
cm 400x49,8

The company's telephone number written by the CEO Riccardo Sciutto made from neon and called "Signature".
Made in blown glass with a traditional technique in Milan, the work has an immediate visual impact since it is 4 meters long and indicating the human personalization of the brand and it is also visible from the outside.



BILLDOR
Davide Allieri

Brass
cm 370x300x250

A 3 meter high structure made of brass plates assembled on site. The choice of the position, in relation to the rigorous architecture of the factory, is a sign visible from the highway in a way that all passersby can not fail to notice the golden structure that represents an advertising bill, emptied of its media content. A tribute to the substance of a brand like Sergio Rossi, who does not need images or bright lights, but lives his story.

Supporting arts and culture

Besides the creation of a museum of contemporary art within our factory in San Mauro, we have been asked to be active protagonist in different cultural events.

We have been part of the Exhibition “Italiana” held in Palazzo Reale in Milan (February, 22 – May 6, 2018) , curated by Maria Luisa Frisa and Stefano Tonchi. The exhibition, supported by the National Chamber of Italian Fashion and by the Italian Ministry for Economic Development, was dedicated to Italian fashion design from 1971 to 2001 and explored the social and cultural impact of fashion. We have been asked to participate with our most iconic stiletto red pump.

We also collaborated with the production of an Italian TV series dedicated to the history of Made in Italy between the ‘60s and ‘70s, giving them the possibility to use our special vintage shoes for shooting films .

Giving back to the community

Our commitment to carry out philanthropic activities by involving the population and local stakeholders has been carried forward with the contribution to charity and fundraising events. An example of such initiatives is “Profit No Profit”, an event organized by ABN and Panda Onlus and sponsored by the Chamber of Fashion and AssoModa, with the support of the Montenapoleone District. We supported the charitable initiative by donating our products that, together with over 90 other brands involved, were sold during a three-day shopping event held in Cinema Manzoni, in Milan. The funds raised supported activities of the associations active in the care and assistance of children suffering from kidney diseases.

Through our Montenapoleone Store in Milan, we have also organized a charity shopping event which raised funds for the Francesca Rava Foundation, which is focused on helping children in difficult conditions in Italy and around the world, through distance adoptions, awareness-raising activities on children’s rights and volunteering.

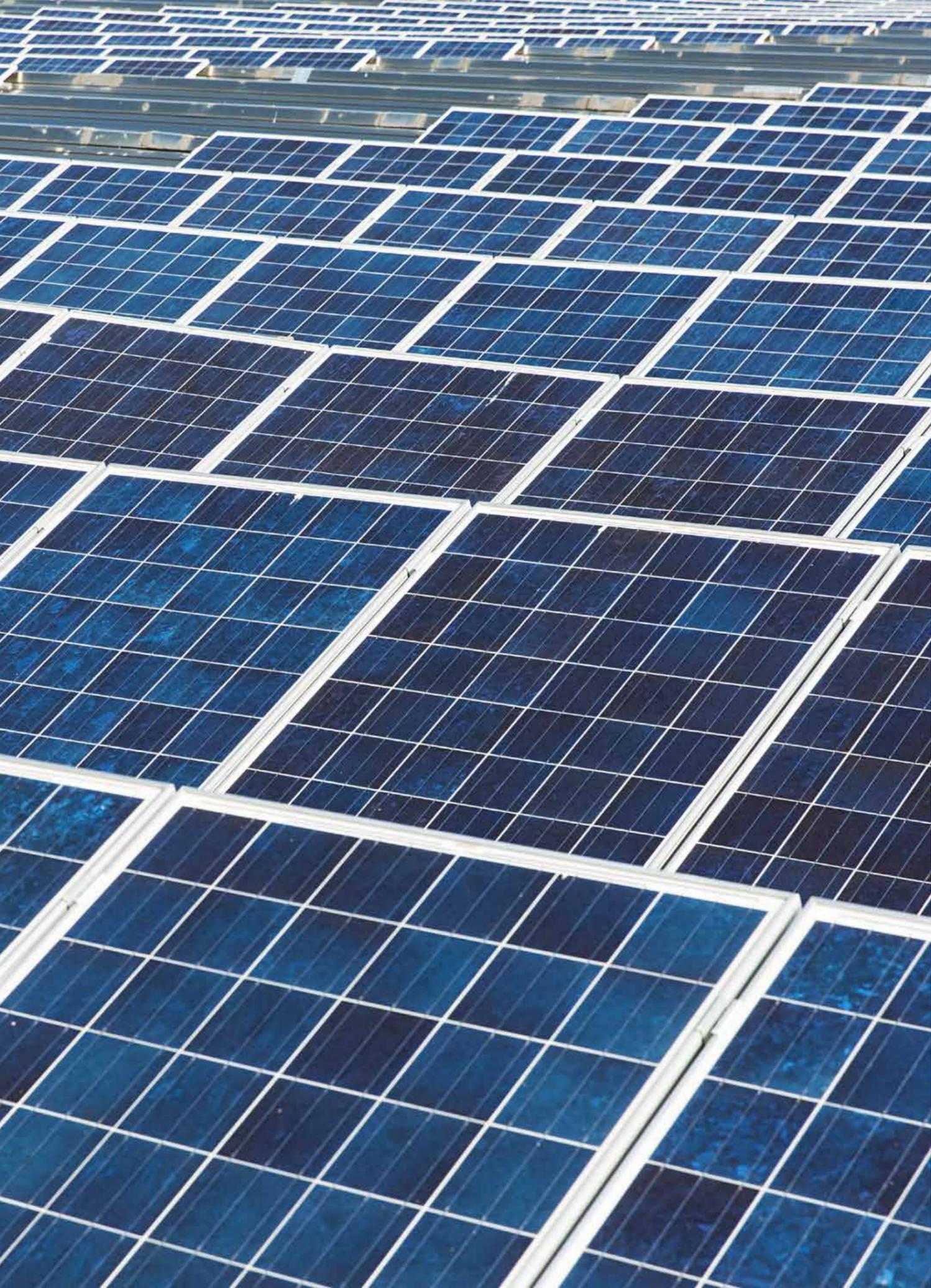
In 2018, we participated to “Convivio”, an event that supports the activities of ANLAIDS which has been operating for almost 30 years to help HIV research, assisting HIV-positive people and their families. In December 2018, we supported the charity gala dinner in Milan “Lo chiedo anche a te”, in aid of cancer research. During the dinner there was a charity auction with fashion products offered as prizes by different brands. The auction raised more than 160 thousand euros. Finally, we participated in a gala dinner organized by AEM, a non-profit organization working in the fields of education, nutrition, health and development aiming to help children in Rwanda.

In addition we support the local association “Associazione Sammauroindustria”, whose main purpose is to safeguard the shoe industry and the local culture, with particular reference to the celebration and safeguard of the cultural heritage of the Italian poet Giovanni Pascoli born and raised in San Mauro (which became San Mauro Pascoli honoring the poet).

Trade associations

We are strongly committed to creating synergies with Italian trade associations, which support the development of the industry and publish sectorial studies that are key to our business.

As Sergio Rossi S.p.A., we are currently members of several trade associations, comprising Confindustria, Altagamma, Montenapoleone District and Sammauroindustria, and we participate in their associative regular meetings [102-12; 102-13].



ENERGY

Reducing the footprint of our shoes

SUSTAINABILITY POLICY

“Sergio Rossi is aware of the increasing challenges posed by climate change and it is committed to monitor and progressively reduce its energy consumption as well as to mitigate the GHG emissions related to its activities. In particular, the San Mauro Pascoli plant is the epicentre of Sergio Rossi’s sustainability activities as well as the fulcrum of all its production activities.”

KEY COMMITMENTS OF THE POLICY

To develop strategies to promote the efficient and responsible use of energy resources such as the improvement of energy efficiency of the production plants and of the proprietary stores within the retail network.

To continuously measure the corporate carbon footprint and its sources, and to identify further initiatives aimed at minimizing GHG emissions.

MAIN RESULTS

- 340 tons of CO₂ avoided thanks to the optimization of logistics activities and to the photovoltaic plant installed in San Mauro
- Installation of a new high-efficiency heat pump in our factory
- Installation of an energy metering system in San Mauro
- 42% reduction of Scope 3 GHG emissions from business travel by air, train and rented cars with respect to 2017

LINK WITH SDGs



340
TONS OF CO₂ AVOIDED

-42%
REDUCTION OF SCOPE 3 GHG
EMISSIONS FROM BUSINESS TRAVEL

4.1 THE RESPONSIBLE USE OF ENERGY RESOURCES FOR EMISSIONS REDUCTION

Sergio Rossi is aware of the challenges posed by climate change and believes in the essential role of business in addressing these issues; as such, we are committed to reducing the environmental footprint of our activities and, following the signing of the UN Global Compact on 7th August 2017, Sergio Rossi has started implementing a series of interventions set out to achieve a long-term reduction of our main impacts. Specifically, the Facility team is in charge of identifying and implementing initiatives aimed at comprehensively increasing energy efficiency.

In particular, the team constantly monitors energy consumption levels of our facilities and operations in the San Mauro plant, the Milan office and the retail network in the EMEA region, as well as the corresponding amount of GHG emissions generated. Since 2015, the first year for which we have calculated our carbon footprint, the analysis also includes fugitive emissions of refrigerant gases and emissions related to our business travel.

In line with our commitment of expanding the scope of our carbon footprint that we measure, in 2018, we have also estimated for the first time the GHG emissions related to the logistics of sold products. The calculation considers all the products shipped on our charge from our factory in San Mauro to both our clients worldwide and to our logistic hubs in Asia and North America. Analysis shows that, as expected, the most significant contribution is related to air transport, which accounts for 95% of logistics-related carbon emissions. The remaining 5% is related to road vehicles, used for all our deliveries in Italy and Europe.

The carbon footprint of outbound logistics has been impacted by an important reorganization of our logistic activities and networks, concluded in 2018. The project aimed, for every region in which we market and sell our products, at redesigning the settings and the internal procedures in order to improve our performance both in terms of cost and quality. As part of the

restructuring, we reduced the number of providers with the aim of centralizing logistic activities, thus increasing the attention and control on the related processes.

Concurrently, as regarding Europe, we regulated the shipment frequency in order to maximize the efficiency of our deliveries. As a result, in spite of an overall 27% increase in the number of shipped products globally, we managed to avoid more than 530 shipments corresponding to approximately 160 tons of CO₂. These positive results were possible as we succeeded in increasing the number of pair of shoes per shipping unit, thus increasing the overall number of products per delivery, +23% compared with 2017. Most importantly, we achieved these goals while maintaining the same delivery times and customers service quality.

We are particularly proud to say that redesigning our global logistics not only increased efficiency and reduced costs but enabled us to avoid a significant volume of CO₂ emissions, whilst at all times maintaining our high-quality standards.

For the years to come, our commitment is to keep monitoring the performance of our outbound logistics and to keep seeking new ways to further reduce our footprint and to support clients in all logistics-related activities.

OUR EFFORT TO ASSIST OUR CLIENTS IN CUSTOMS AND CERTIFICATION PROCESSES

Regarding the logistics of sold products, in 2018, we internalized custom activities by creating a dedicated area, authorized by custom authorities, within our factory in San Mauro Pascoli. This allows us to carry out clearance procedures directly, thus reducing risks related to non-compliances and to goods manipulations during external controls. In addition, being an accredited place for custom clearance procedures, Sergio Rossi will also increase the mutual trust with local custom authorities.

In February 2018, we received the Eurasian Conformity (EAC) mark, a certification used to indicate that sold products conform to all the technical requirements of the Eurasian Customs Union, currently comprising Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan. To obtain the EAC certification we completed, through authorized laboratories, specific physico-chemical tests and technical analysis on a sample of our products in order to guarantee that all requirements are met. Being Sergio Rossi accredited for the use of the EAC mark, clients in Russia, and in the other countries of the Eurasian Union, now have the possibility to directly require the application of such certification, thus drastically reducing the costs and the timing of the process as well as the risks and the responsibility related to import procedures.

With respect to energy-related emissions, the carbon footprint confirmed that our energy consumption levels are mainly related to the San Mauro plant and attributable to three main factors: electricity consumption, natural gas purchased from the grid and the diesel consumed by corporate vehicles. Firmly convinced that effective energy management stems from the implementation of thorough monitoring, in 2018 we have installed a new system to supervise energy consumption levels in our San Mauro Pascoli facilities. The system, that will become fully operational from the beginning of 2019, is based on a set of near 30 internal meters that allow us to have real-time data record of the energy demand of different production departments within the factory. Detailed daily energy consumption data also enable us to check energy trends and identify potential issues that would not otherwise be detected.

The full picture of historical data will be available in the next years; nevertheless, the first analysis shows that the most energy intensive processes are connected to the thermal power station and to the aeration system linked to manufacturing activities. The ultimate goal is to have a better understanding of the consumption patterns within the plant in order to target and prioritize energy saving initiatives by considering, for instance, the mix of the plant thermal energy production and the operational aspects related to manufacturing processes.

The new metering system will therefore allow us to have a more comprehensive overview of our electricity need, already significantly mitigated by the photovoltaic system installed in our factory in San Mauro. Since the construction phase of the plant, in fact, we planned the structure of the roof in order to augment its exposure to the sun.

Our forward-looking vision enabled us a few years later to install 3,500 square meters of photovoltaic panels.

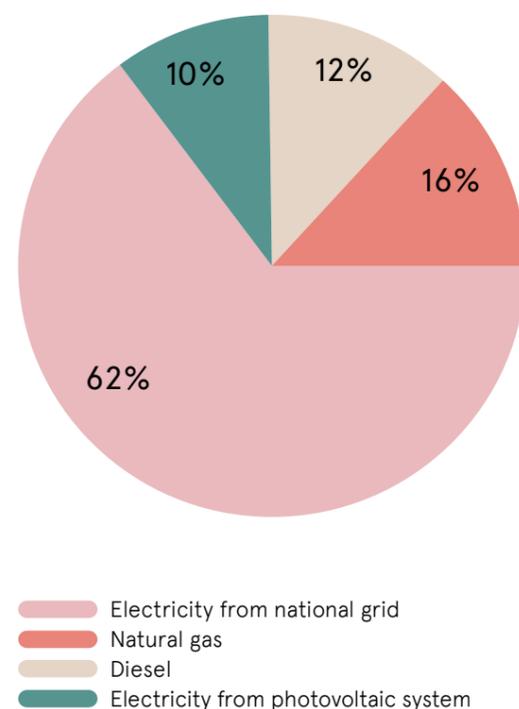
This photovoltaic system represents an excellence in the San Mauro district, a virtuous example of sustainable architecture and production facility so far. Around 16% of the electricity we consume in San Mauro is produced by our photovoltaic system and is directly used by the production plant, while the rest is purchased from the grid. Our renewable energy consumption, coming from our photovoltaic plant, in 2018, was equivalent to 1,843 GJ [302-1]. Moreover, in 2018 we sold around 185 GJ to the grid, in line with 2017 data.

Thanks to our efforts, in 2018 alone we have generated CO₂ savings of around 180 tons of CO₂, equal to the greenhouse gases emitted by about 100 passenger cars, which travel for 10,000 km each.

ENERGY CONSUMPTION [GJ]

TYPE OF CONSUMPTION	ENERGY SOURCE	2016	2016	2016
Emergency generator	Diesel	2.2	4.8	3.5
Heating	Natural gas	2,524.6	3,248.4	3,075.2
Electricity	National grid	10,994.4	12,238.1	11,857.2
	Photovoltaic system	1,856.4	2,052.0	1,842.7
Owned vehicles	Diesel	18.5	27.1	39.0
Leased vehicles	Diesel	1,293.3	1,228.3	2,313.4
Total energy consumption		16,689.4	18,798.7	19,131.0

SERGIO ROSSI'S ENERGY MIX



In 2018, our total energy consumption was 19,131 GJ, almost in line with 2017 levels taking into account the opening of new stores and the increase in production. This is a good result considering that these values are affected by external factors, such as weather conditions, which have an impact on the energy production of our photovoltaic system.

If we consider only our San Mauro facilities, despite an overall increase in production, our Facility team managed to reduce the electricity consumption by 7% with respect to 2017. -This achievement is the result of the concrete steps we have taken as part of our commitment to fight climate change. In particular, in 2018, we invested in new technology solutions and installed a new high-efficiency heat pump whose significant energy saving results will be evident starting from 2019. In line with our view of a circular economy, we kept all components of the uninstalled pump as spare parts for future repairs of the old pumps still in use. Moreover, in 2018 we continued the substitution of halogen lamps with LED models by converting the lighting system of the finished products warehouse. This activity will be completed in 2019 together with the substitution of the lighting system of the thermal power station. Updating infrastructure and installing new technologies are points of pride and encourage us to keep working in this way.

The total amount of GHG emissions (Scope 1 + Scope 2), mainly thanks to the reduction of electricity consumption levels, has decreased from 1,569 in 2017 to 1,505 tons of CO₂ in 2018, i.e. a 4% year-on-year reduction. As regarding other indirect GHG emissions (Scope 3), the significant increase is related to the introduction of logistics-related emissions in the scope of the carbon footprint for 2018 only. Excluding logistics, thus considering only emissions derived from business travel by air, train and rented cars, we would have achieved a significant reduction, equal to -41,8% compared to 2017. This result is mainly related to an overall optimization of business travel and to a stabilization of the market. [305-1; 305-2; 305-3]

DIRECT AND INDIRECT GHG EMISSIONS [TONS OF CO₂ EQUIVALENT]

ACTIVITY	2016	2017	2018
SCOPE 1: DIRECT GHG EMISSIONS			
Natural gas consumption for heating purposes	140.9	181.6	172.0
Diesel consumption for emergency electricity generation	0.2	0.3	0.2
Diesel consumption for owned and leased vehicles	96.6	92.4	162.5
Refrigerant gases leakage	45.5	19.5	0
Total scope 1	283.1	293.8	334.7
SCOPE 2: ENERGY INDIRECT GHG EMISSIONS			
Electricity purchased from the grid (Location-based method)	1,096.4	1,274.8	1,170.6
Electricity purchased from the grid (Market-based method)	1,420.4	1,581.1	1,547.4
Total scope 1 and 2 (Location-based method)	1,379.6	1,568.6	1,505.3
SCOPE 3: OTHER INDIRECT GHG EMISSIONS			
Business travel by air	93.2	192.7	104.4
Business travel by train and rented cars	6.6	8.4	12.6
Logistics of sold products	-	-	530
Total scope 3	99.7	201.1	647
Total scope 1, 2 (location-based method) and 3	1,479.3	1,769.7	2,152.3



05

METHODOLOGICAL NOTE

Reporting principles and criteria

Sergio Rossi Sustainability Report, which encompasses the period from 1 January to 31 December 2018 calendar year [102-51; 102-52], is an annual publication and has been prepared in accordance with the GRI Sustainability Reporting Standards: Core option, published in 2016 by the Global Reporting Initiative (GRI) [102-54]. The contents of this report reflect the materiality analysis carried out according to the approach described in detail in the paragraph “materiality analysis” and in paragraph §1.3 “Our commitment to sustainability”.

As a signatory to the United Nations Global Compact (UNGC) Initiative from 2017, through this sustainability report Sergio Rossi will also fulfill its commitment to produce a Communication on Progress – a public disclosure outlining its progress in implementing the 10 principles of the UNGC. In this sense, the UNGC principles are clearly mapped versus the GRI indicators in the GRI Content Index. With regards to Human Rights, Sergio Rossi’s 2018 Sustainability Report does not directly address the UNGC issues and principles, since the major part of the Company’s direct activities and suppliers are located in Italy, where laws ensure the regulation of human rights. Nonetheless, Sergio Rossi includes clauses on labor conditions and on the respect of human rights in its Code of Business Conduct and the protection of workers occupational health and safety is an issue on which the Company is continuously committed to report on.

Scope of Reporting

This document includes a description of initiatives, events and programs that took place or were implemented in 2018, as well as a series of previous events with repercussions on the 2018 calendar year. Moreover, the Report introduces additional initiatives that will be carried out in 2019 [102-50]. When available and applicable, the quantitative information provided refers also to the period 2016-2017, so to highlight current performance trends and evolutions. For 2016 data, all the information refers to Sergio Rossi S.p.A. only, while the 2017 and 2018 data refer also to a series of selected monobrand and outlet stores from the Company’s EMEA Retail Network, operating under the Sergio Rossi Retail S.r.l. and its French branch, and the Sergio Rossi UK Ltd – all fully controlled by Sergio Rossi S.p.A. In particular, 2018 data include the following: the Montenapoleone store in Milan, the Via dei Condotti store in Rome*, the Leccio, Noventa di Piave, Fidenza Village* and San Mauro Pascoli outlets in Italy, the Faubourg Saint-Honoré store in Paris and the Bicester Village outlet in Bicester*4. Any exception to such scope is clearly outlined within the document [102-45; 102-49]. Sergio Rossi S.p.A. has its headquarters and plant in San Mauro Pascoli, via Stradone 600/602 (Italy).

Materiality analysis

In line with previous years, the “Sustainability Committee” was involved in updating the materiality analysis, in accordance with the GRI Standards. To begin with, the main topics and concerns raised by stakeholders were taken into account in the definition of the materiality matrix, as summarized below [102-40; 102-42; 102-43; 102-44].

STAKEHOLDER CATEGORY	ENGAGEMENT TOOLS AND ACTIVITIES
Clients	Direct dialogue through the retail force, analysis of social media, monitoring of the satisfaction of products through complaints management (see §1.2)
Competitors	-
Employees	Continuous dialogue with the HR department
Franchisees and Landlords	Periodic meetings
Local communities	Monitoring of main topics and concerns through the dialogue with other actors of San Mauro District, media monitoring and participation to trade associations
Shareholder and Investors	Formal and informal meetings, periodic management reports, sustainability reporting
Social Media users and influencers	Analysis of social media trend topics, interaction through Sergio Rossi social media profiles
Suppliers	Continuous dialogue, periodic meetings, written communication regarding our quality and chemical compliance requirements (see §3.1)
Testimonials	Continuous dialogue, periodic meetings, interaction through Sergio Rossi social media profiles
Trade and production partners	Periodic meetings
Universities and other educational institutions	Joint initiatives, such as the one organized with CERCAL, and other periodic meetings

⁴ Store signaled with the “**” were not included in 2017 reporting data.

We summarized the insights coming from a preliminary scenario analysis aimed at providing an overview of the main sustainability issues affecting the leather goods and fashion industries. In particular, we conducted a sector-specific media analysis and a benchmark analysis of our peers' sustainability reporting, in order to identify the most relevant issues for comparable companies and the most pressing priorities for our stakeholders.

The results of such analysis also helped to inform the relevance of each topic for our stakeholders, by weighting them depending on the different priorities and concerns of each stakeholder category. We took into account our top managers' perceptions about stakeholders' priorities by asking them to update the relevance for Sergio Rossi of each sustainability topic and to assign a weighted score to each topic. Such scores, representing the relevance of each topic for all our relevant stakeholders, are indicated on the y-axis within the materiality map presented in §1.3 "Our commitment to sustainability".

Finally, we asked each manager to evaluate the relevance of each material topic for Sergio Rossi based on their perception, impressions and knowledge of the sector and its recent developments, the commitment of Sergio Rossi on those topics and their actual and potential impact for the Company and its entire value chain. By doing so, we have updated the relative position of each topic on the x-axis of the materiality matrix.

The following table highlights the linkages between Sergio Rossi's material issues (whose identification is described in detail in Chapter 1 above) and the corresponding GRI Standards. Moreover, the table shows the so-called reporting "boundaries", i.e. whether each material topic generates impacts both within and outside the organization. The table also reports any potential reporting limitation due to the current unavailability of data and information pertaining to an external perimeter [102-46]. In the coming years, Sergio Rossi is committed to identifying and implementing specific actions aimed at gradually extending the scope of data collection and reporting for each material topic.

MATERIAL TOPIC	GRI MATERIAL ASPECT	ASPECT BOUNDARY		REPORTING LIMITATIONS	
		WITHIN THE ORGANIZATION	OUTSIDE THE ORGANIZATION	WITHIN THE ORGANIZATION	OUTSIDE THE ORGANIZATION
Economic performance	Economic performance	Sergio Rossi S.p.A.			
Contribution to local development	Procurement practices	Sergio Rossi S.p.A.			
Use of sustainable raw materials and packaging	Materials	Sergio Rossi S.p.A.	Suppliers	Reporting scope not extended to suppliers	
Energy efficiency	Energy	Sergio Rossi S.p.A.	Suppliers	Reporting scope not extended to suppliers	
Reduction of GHG emissions	Emissions	Sergio Rossi S.p.A.	Suppliers	Reporting scope extended just to some suppliers	
Legal compliance	Environmental compliance	Sergio Rossi S.p.A.			
Business Ethics	Supplier environmental assessment	Sergio Rossi S.p.A.			
Traceability and transparency along the supply chain	Employment	Sergio Rossi S.p.A.			
Talent attraction and retention	Training and education	Sergio Rossi S.p.A.			
Employee health and safety	Occupational health and safety	Sergio Rossi S.p.A.			
Remuneration and welfare	Diversity and equal opportunity	Sergio Rossi S.p.A.			
Traceability and transparency along the supply chain	Supplier social assessment	Sergio Rossi S.p.A.			
Client satisfaction	Customer health and safety	Sergio Rossi S.p.A.	Clients		
Creativity, design and protection of the artisanal know-how	Training and education	Sergio Rossi S.p.A.			

QUALITY REPORTING PRINCIPLES

Our Sustainability Report is drafted in accordance with the principles of balance, comparability, accuracy, timeliness, clarity and reliability, as defined by the GRI Standards. The document highlights both strengths and weaknesses, as well as potential areas of improvements for the Group. The data collection and reporting processes are structured in order to ensure the comparability over the years and to guarantee an accurate interpretation of information by the key stakeholders interested in our performance evolution. We have been supported by the Italian EY Climate Change and Sustainability Services team in the drafting of this 2018 Sustainability Report. The current Sustainability Report is not subject to external assurance [102-56].

Reporting principles and criteria

The calculation methodologies described below outline how energy and environmental figures have been computed for 2016, 2017 and 2018.

Energy consumption

The energy consumption related to the Company's owned and leased vehicles have been calculated starting from available fuel consumption data. The following table shows the conversion factors that have been used:

FUEL DENSITY	LCV (LOWER CALORIFIC VALUE)
DEFRA (Department of Environment, Food & Rural Affairs). Conversion factors - Full set, 2016, 2017 and 2018.	MATTM (Ministero dell'Ambiente e della Tutela del Territorio e del Mare), Tabella parametri standard nazionali 2016, 2017 and 2018.

GHG emissions

Concerning environmental data, when actual data are not available, conservative estimations have been used, resulting in the underestimation of the Group's environmental performance. Greenhouse gases emissions calculations have been carried out based on the principles included in the GHG Protocol Corporate Accounting and Reporting Standard.

Indirect (Scope 2) GHG emissions related to electric energy consumption have been calculated with both the location-based and the market-based method. The first one reflects the average emissions intensity of grids on which energy consumption occurs while the second reflects emissions from electricity that the Company has chosen on purpose.

For what concerns the amounts of GHG emissions related to transportation activities (Scope 3), indirect emissions resulting from outbound logistics have also been taken into account by considering all shipments from our factory in San Mauro Pascoli to our store network and logistic hub worldwide. Finally, in order to calculate the amount of CO₂ saved thanks to the energy generated by our photovoltaic system, we have first converted the kWh consumption of electricity coming from the photovoltaic system into avoided CO₂ emissions by using the Terna emission factor (i.e. the same used for electricity purchased from the grid). Afterwards, such saving has been compared to the amount of CO₂ emissions generated by an average passenger vehicle (as defined by the UK DEFRA conversion tables) traveling for 10,000 kilometers, as to obtain the corresponding equivalence.

Air emissions

Air emissions are calculated taking into account all pollutants relating to industrial processes; the calculation is based on detection of pollutants concentrations, multiplied by estimated annual flows.

Contacts

For further information about this Sustainability Report, please contact [102-53]:

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GHG EMISSIONS SCOPE 1

SOURCE	ACTIVITY DATA	EMISSION FACTOR	GWP
Emergency generator/ Heating and Cooling	Fuel consumption (Diesel and natural gas)	MATTM (Ministero dell'Ambiente e della Tutela del Territorio e del Mare), Tabella parametri standard nazionali 2016, 2017 and 2018	Only CO ₂ emissions were considered
Owned and leased cars	Fuel consumption (diesel)	MATTM (Ministero dell'Ambiente e della Tutela del Territorio e del Mare), Tabella parametri standard nazionali 2016, 2017 and 2018	Only CO ₂ emissions were considered
Leakages from air-conditioning systems of refrigerant gases	Leakages (kg)		IPCC, 2013 - Climate Change 2013: The Physical Science Basis. Contribution of Working Group I to the Fifth Assessment Report of the IPCC. Cambridge University Press, p. 732

GHG EMISSIONS SCOPE 2

SOURCE	ACTIVITY DATA	EMISSION FACTOR	GWP
Electricity purchased from the national grid (Location-based method)	Electricity consumption (kWh)	Terna, international comparisons on Enerdata figures - 2016 data	Only CO ₂ emissions were considered
Electricity purchased from the national grid (Market-based method)	Electricity consumption (kWh)	AIB, European Residual Mixes 2016 and 2017	

GHG EMISSIONS SCOPE 3

SOURCE	ACTIVITY DATA	EMISSION FACTOR	GWP
Business travel by air	Distance covered (km)	DEFRA (Department of Environment, Food & Rural Affairs), Conversion factors - Full set, 2016, 2017 and 2018.	CO ₂ equivalent, considering the following gases: CO ₂ (GWP = 1), CH ₄ (GWP = 25) and N ₂ O (GWP = 298). Global Warming Potentials (GWPs) are taken from IPCC Fourth Assessment Report (AR4).
Business travel by train	Distance covered (km)	Ferrovie dello Stato Italiane, "Rapporto di Sostenibilità", 2015, 2016 and 2017.	Only CO ₂ emissions were considered
Outbound logistics	Products shipped (km*kg)	DEFRA (Department of Environment, Food & Rural Affairs), Conversion factors - Full set, 2016, 2017 and 2018.	CO ₂ equivalent, considering the following gases: CO ₂ (GWP = 1), CH ₄ (GWP = 25) and N ₂ O (GWP = 298). Global Warming Potentials (GWPs) are taken from IPCC Fourth Assessment Report (AR4).

APPENDIX

In addition to the topics highlighted as material through our materiality analysis, we closely monitor other environmental aspects connected to our processes, especially from the perspective of regulatory compliance.

Water

In 2018, our water consumption, which is entirely supplied by municipal sources, decreased by 7% compared with 2017, shifting from 13,833 to 12,874 cubic meters [303-1]. This follows a number of optimization activities carried out in our factory in San Mauro Pascoli such as the introduction of a new drip irrigation system able to save it by placing it directly onto the soil at low rates, thus minimizing evaporation.

WATER CONSUMPTION SOURCE	DATA (M3)		
	2016	2017	2018
Municipal supply	10,076	13,833	12,874

* The data refer only to the San Mauro Pascoli production site and the Pontaccio office, since local utilities do not disclose these data. 2016 data include the San Mauro Pascoli production site only.

Air emissions

Every year we carry out an analysis on our air emissions, as requested by environmental authorities in accordance with Italian Legislative Decree n. 152/06. Details are provided in the table below.

AIR EMISSIONS	UNIT	2016	2017	2018
Volatile Organic Compounds (VOC)	┐	0.12	0.66	2.2

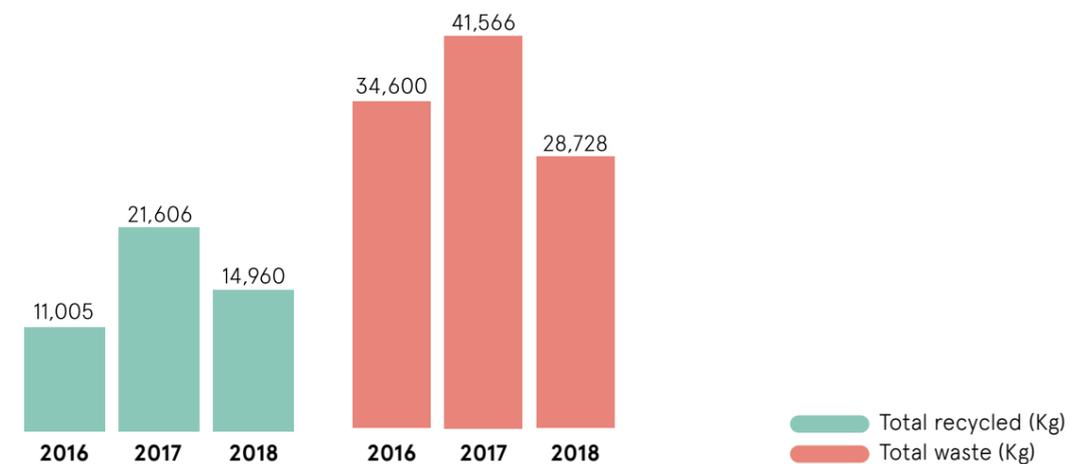
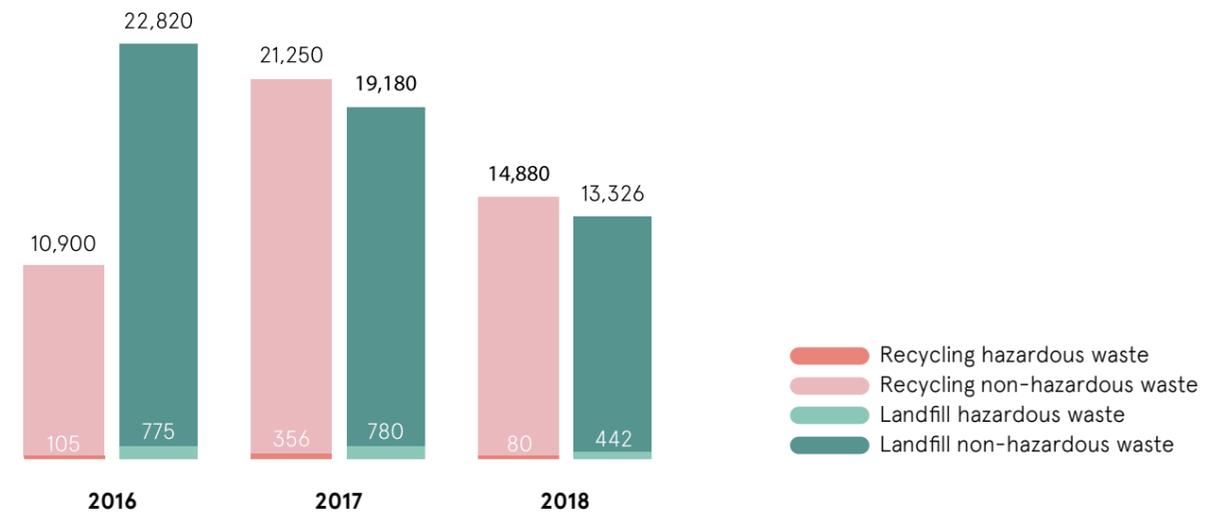
The year-on-year increase in air emission levels are not due to a parallel increase in the number of functioning hours of our machines, but to the fact that their measurement is based on timely annual estimates, which are subject to the volatility of particle concentrations related to machine utilization.

Moreover, in 2018 we respected all the limits required by law. The legal limits are related to the purchase of products releasing VOCs during their use; such limits for Sergio Rossi are equal to 9.500 kg of glues and solvents that are mainly used for production and cleaning.

Waste

Our total waste volumes can be split into 2 different categories: hazardous and non-hazardous waste. The former category comprises some of the glues we use in our production process, neon and some container categories, while the latter comprises raw material and packaging waste and can be compared to municipal waste. In 2018, our total waste volumes have significantly decreased (-31%), from 41,566 kg in 2017 to 28,728 kg in 2018, while the percentage of recycling has remained almost stable (52%) [306-2]. Those numbers are affected by a variable pattern from one year to the other as a part of our waste production is linked with the disposal of old stocks and it is not directly linked to the regular production process. In particular, the increase recorded in 2017 in our recycling rate and total waste volumes is linked to the treatment of around 200 kg of mineral oil we had accumulated over previous years, which we decided to recycle in a single effort, and the disposal of approximately 20 tons of shoes lasts belonging to previous seasons.

* The data refer only to the San Mauro Pascoli production site, given that both the Pontaccio office and the EMEA Retail Network fall within the local municipal waste collections, thus not requiring quantity monitoring.



GRI Content Index

The following table indicates the correspondence between the information required by the GRI Standards with respect to each indicator linked to our material topics and the contents of this document.

In particular, when some information is missing because of the actual impossibility of measuring the related KPIs, we have inserted a detailed reference under the “Omissions” column below [102-55].

GRI STANDARD	DISCLOSURE	PAGE NUMBER/URL	OMISSION PART OMITTED, REASON AND EXPLANATION	
GRI 101: FOUNDATION 2016				
ORGANIZATIONAL PROFILE				
General Disclosures	102-1 Name of the organization	10		
	102-2 Activities, brands, products, and services	10		
	102-3 Location of headquarters	10		
	102-4 Location of operations	10		
	102-5 Ownership and legal form	16		
	102-6 Markets served	10; 20		
	102-7 Scale of the organization	10; 42; 58		
	102-8 Information on employees and other workers	43-48		
	102-9 Supply chain	62-64		
	102-10 Significant changes to the organization and its supply chain	15		
	102-11 Precautionary Principle or approach		Sergio Rossi does not formally adhere or adapt its decision-making approach in accordance to the precautionary approach.	
	102-12 External initiatives	78		
	102-13 Membership of associations	36; 78		

GRI STANDARD	DISCLOSURE	PAGE NUMBER/URL	OMISSION PART OMITTED, REASON AND EXPLANATION
	STRATEGY		
	102-14 Statement from senior decision-maker	5	
	ETHICS AND INTEGRITY		
	102-16 Values, principles, standards, and norms of behavior	16-17	
	GOVERNANCE		
GRI 102: General Disclosures 2016	102-18 Governance structure	16	
	STAKEHOLDER ENGAGEMENT		
	102-40 List of stakeholder groups	89	
	102-41 Collective bargaining agreements	43	
	102-42 Identifying and selecting stakeholders	89	
	102-43 Approach to stakeholder engagement	89	
	102-44 Key topics and concerns raised	89	
	REPORTING PRACTICE		
	102-45 Entities included in the consolidated financial statements	16; 88	

GRI STANDARD	DISCLOSURE	PAGE NUMBER/URL	OMISSION PART OMITTED, REASON AND EXPLANATION
	102-46 Defining report content and topic Boundaries	36-39; 89-91	
	102-47 List of material topics	90	
	102-48 Restatements of information		For this Report we have adopted the updated version of the GRI 403 (2018) and therefore restated 2016-2017 data to align them with the new GRI Disclosure requirements.
	102-49 Changes in reporting	88	
	102-50 Reporting period	88	
	102-51 Date of most recent report	August 2018	
	102-52 Reporting cycle	88	
	102-53 Contact point for questions regarding the report	92	
	102-54 Claims of reporting in accordance with the GRI Standards	88	
	102-55 GRI content index	97-105	
	102-56 External assurance	91	

GRI STANDARD	DISCLOSURE	PAGE NUMBER/URL	OMISSION PART OMITTED, REASON AND EXPLANATION
GRI 200 ECONOMIC STANDARD SERIES			
ECONOMIC PERFORMANCE			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	38-39; 90	
	103-2 The management approach and its components	10; 39	
	103-3 Evaluation of the management approach	10	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	10	
PROCUREMENT PRACTICES			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	39; 90	
	103-2 The management approach and its components	39; 58; 62-63	
	103-3 Evaluation of the management approach	62-63	
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	62	
ANTI-CORRUPTION			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	38-39; 90	
	103-2 The management approach and its components	16-17; 39	
	103-3 Evaluation of the management approach	16-17	

GRI STANDARD	DISCLOSURE	PAGE NUMBER/URL	OMISSION PART OMITTED, REASON AND EXPLANATION
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	No incidents of corruption were recorded in 2018	
GRI 300 ENVIRONMENTAL STANDARDS SERIES			
MATERIALS			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	 38-39; 90	
	103-2 The management approach and its components	 39; 62-63	
	103-3 Evaluation of the management approach	 39; 62-63	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	 63-64	
ENERGY			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	 38-39; 90	
	103-2 The management approach and its components	 38; 82-84	
	103-3 Evaluation of the management approach	 38; 82-84	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	 84	
WATER			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	 94	
	103-2 The management approach and its components	 94	

GRI STANDARD	DISCLOSURE	PAGE NUMBER/URL	OMISSION PART OMITTED, REASON AND EXPLANATION
	103-3 Evaluation of the management approach	 94	
GRI 303: Water 2016	303-1 Water withdrawal by source	 94	
	EMISSIONS		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	 38-39; 90	
	103-2 The management approach and its components	 38; 82-84	
	103-3 Evaluation of the management approach	 38; 82-84	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	 85	
	305-2 Energy indirect (Scope 2) GHG emissions	 85	
	305-3 Other indirect (Scope 3) GHG emissions	 85	
	EFFLUENTS AND WASTE		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	 95	
	103-2 The management approach and its components	 95	
	103-3 Evaluation of the management approach	 95	
GRI 306: Effluents and waste 2016	306-2 Waste by type and disposal method	 95	

GRI STANDARD	DISCLOSURE	PAGE NUMBER/URL	OMISSION PART OMITTED, REASON AND EXPLANATION
	ENVIRONMENTAL COMPLIANCE		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	 38-39; 90	
	103-2 The management approach and its components	 39; 90	
	103-3 Evaluation of the management approach	 16; 39	
GRI 307: Environmental compliance 2016	307-1 Non-compliance with environmental laws and regulations	 16	
	GRI 400 SOCIAL STANDARDS SERIES		
	EMPLOYMENT		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	 38-39; 90	
	103-2 The management approach and its components	 38; 42-43	
	103-3 Evaluation of the management approach	 42-43	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	 43; 47-48	
	401-3 Parental leave	 54	
	OCCUPATIONAL HEALTH AND SAFETY		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	 38-39; 90	

GRI STANDARD	DISCLOSURE	PAGE NUMBER/URL	OMISSION PART OMITTED, REASON AND EXPLANATION
	103-2 The management approach and its components	38; 42; 53	
	103-3 Evaluation of the management approach	42; 53	
GRI 403: Management approach disclosure 2018	403-1 Occupational health and safety management system		Occupational health and safety management for Italian companies is based on the Italian legislation which defines periodic activities that have to be carried out in order to ensure workers' safety.
	403-2 Hazard identification, risk assessment, and incident investigation		Integral part of such activities is the identification of work related hazards and risk assessments from which no significant risks have emerged.
	403-3 Occupational health services	53	
	403-4 Worker participation, consultation, and communication on occupational health and safety		These aspects are managed in compliance with the provisions of the Italian legislative framework which requires the presence of at least one "Employee Representative" as a mandatory role within the Occupational health and safety management system.
	403-5 Worker training on occupational health and safety		Pg. 50; based on the Italian Legislation, training on health and safety is mandatory for all employees; length and type of training is based on worker's role and level of risk.
	403-6 Promotion of worker health		The Group did not provide any additional non-occupational medical and healthcare services.
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		Sergio Rossi does not have in place a process to analyze potentially significant negative occupational health and safety impacts that are directly linked to its operations, products or services by its business relationships.

GRI STANDARD	DISCLOSURE	PAGE NUMBER/URL	OMISSION PART OMITTED, REASON AND EXPLANATION
GRI 403: Occupational health and safety 2018	403-9 Work-related injuries	53	
	TRAINING AND EDUCATION		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	38-39; 90	
	103-2 The management approach and its components	38; 50	
	103-3 Evaluation of the management approach	50	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	50-51	
	CUSTOMER HEALTH AND SAFETY		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	38-39; 90	
	103-2 The management approach and its components	38; 65	
	103-3 Evaluation of the management approach	65	
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	65	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	65	

