

sergio rossi

SUSTAINABILITY REPORT 2017

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*The world of art is not a
world of immortality but of
metamorphosis*

Andr  Malraux

A message from our CEO

Sustainability is a pillar in the growth strategy of Sergio Rossi. Combining business development with the need to adopt sustainable policies in environmental and social issues is the challenge of our future, and it is the only way to achieve important results. It is necessary to take care of our planet, to collaborate for the benefit of our employees, suppliers and customers and to safeguard our heritage for a healthy growth in the future.

At Sergio Rossi significant progress has been made over the years in terms of sustainability, but we will continue to improve ourselves in order to achieve the highest environmental and social standards by becoming conscious and active players in a path of sustainable growth within the fashion industry.

In 2017 it is inadmissible to tackle the issue of sustainability lightly. For us, our children and our future, it is essential to continue investing in research to ensure the protection of our planet.

RICCARDO SCIUTTO
CHIEF EXECUTIVE OFFICER



Sergio Rossi in 2017: the main highlights

OUR PEOPLE IN ITALY



290 EMPLOYEES OF WHICH 159 ARTISANS AND
TECHNICIANS



96% EMPLOYEES WITH PERMANENT CONTRACT

OUR SUPPLIERS



100% OF OUR RAW MATERIAL AND COMPONENT
SUPPLIERS ARE ITALIAN



33.4% OF RAW MATERIAL AND EXTERNAL
PRODUCTION ACTIVITIES ARE LOCALLY-SOURCED

ENVIRONMENT



- GHG EMISSIONS (tCO₂e): 1,769.7
- ELECTRICITY CONSUMPTION (kWh):
3,399,480.6 – (GJ) 12,238.1
- ENERGY CONSUMPTION (kWh):
5,221,858.33 – (GJ) 18,798.7

3,500 SQM OF PHOTOVOLTAIC PANELS INSTALLED

	2,052 GJ
	570,003.7 kWh
	11% OF OUR OVERALL ENERGY CONSUMPTION IS MET BY SELF-PRODUCED RENEWABLE ELECTRICITY

THE ARCHIVE



MORE THAN 4,000 PAIRS COLLECTED IN THE
LAST 2 YEARS ALONE CONSIDERING OLD
COLLECTIONS AND VINTAGE SERGIO ROSSI
SHOES

01. srREVOLUTION



1.1
SERGIO ROSSI
AT A GLANCE

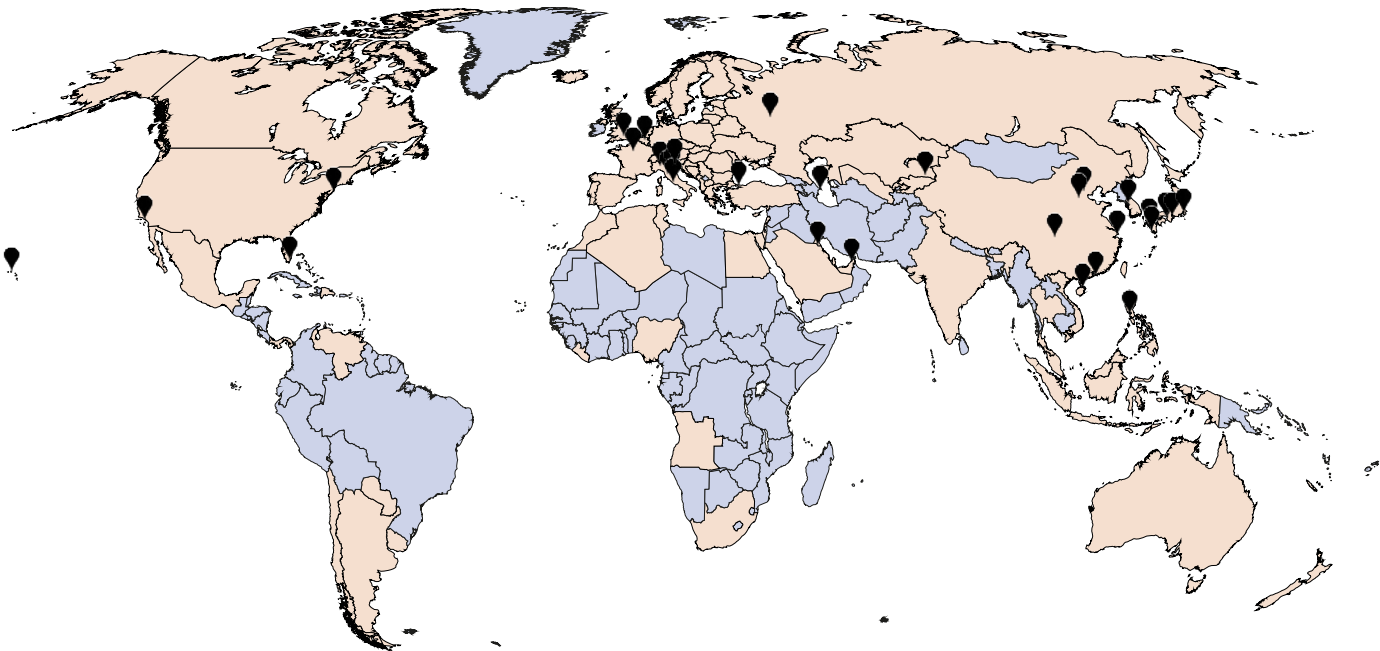
Sergio Rossi S.p.A. is an Italian company active in the design, production, distribution and sale of leather shoes and leather accessories for women through its brand Sergio Rossi [102-1; 102-2]. Since its creation, our brand has become a primary reference in the luxury shoemaking sector and is renowned worldwide for its artisanship and for creating iconic models. In 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. In the same vein, 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 140 skillful artisans have been hand-creating 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. These features enable us to oversee and implement all the shoes production phases in a completely autonomous fashion, which is crucial when it comes to guarantee the highest quality and artisanship to our devoted customers. The San Mauro plant currently employs 219 of our 294 people (290 in Italy and 4 in France) and relies on more than 12,400 square meters for production and offices, plus around 3,570 square meters for the logistic hub of finished products.



We distribute our products in 14 countries, considering directly operated stores (DOS) and stores in franchising, divided into 4 main geographical markets: Europe and the Middle East (EMEA), Asia Pacific (APAC), Japan and the United States. We own 45 retail point of sales (36 stores and 9 outlets) scattered among these 4 regions, as well as 10 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].

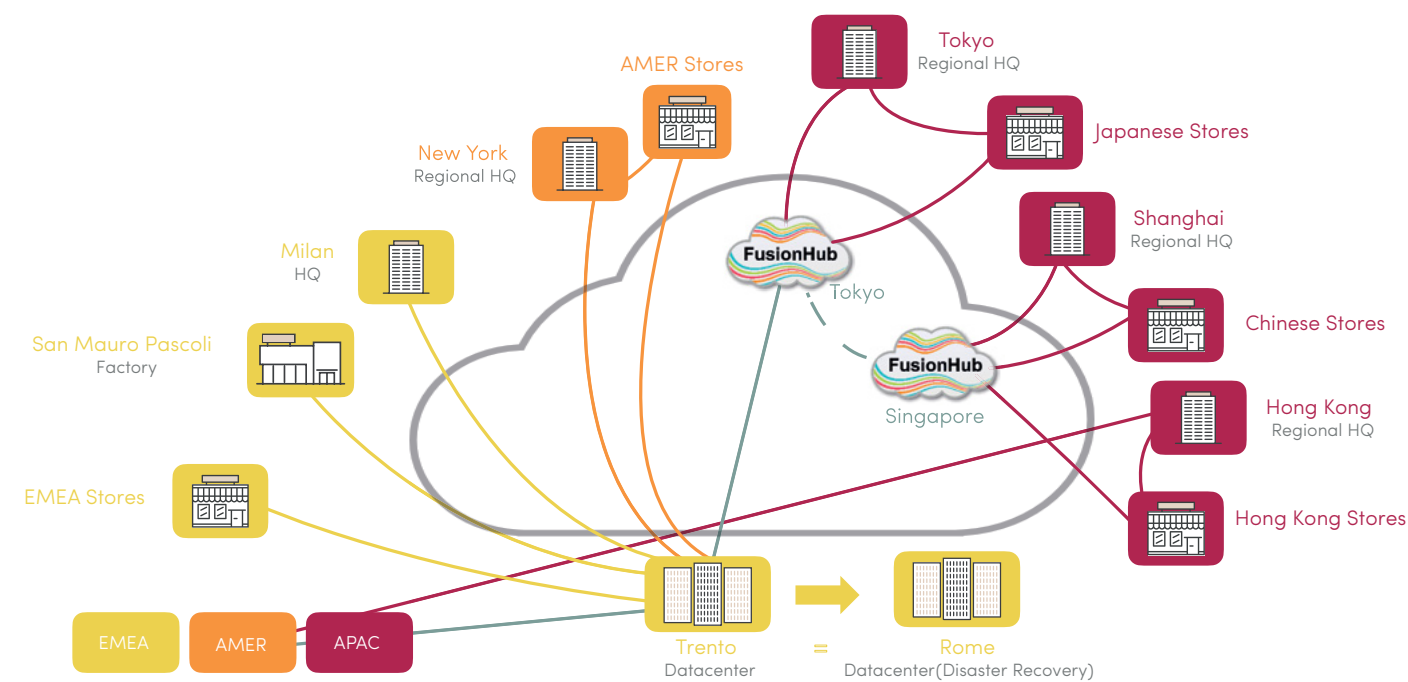
The last few years have been a period of profound reorganization of our corporate structure and business, a factor that has directly influenced our economic performance. In fact, our direct economic value generated, a figure comprising our annual revenues calculated as net sales plus revenues from financial investments and sales of assets, minus the variation in raw material stocks, has decreased in Italy by 4.4%, from €44.32M in 2016 to €42.38M in 2017. This is mainly related to a review in the allocation of inter-company service costs between the holding Sergio Rossi S.p.A. and the EMEA Retail Network companies, implying a null effect at a consolidated level. Indeed, by taking into account also the EMEA Retail Network in 2017 we have reached an overall economic value generated equal to €55.98M [102-7; 201-1].



- DISTRIBUTION NETWORK
- 45 DOS WORLDWIDE
 - 10 FRANCHISEES' MONOBRAND STORES AND CORNERS
 - 82 COUNTRIES SERVED THROUGH E-COMMERCE

OUR ECONOMIC PERFORMANCE	M. U.	2016 ITALY	2017 ITALY	2017 ITALY AND RETAIL NETWORK
DIRECT ECONOMIC VALUE GENERATED: REVENUES	€	44,315,810	42,384,026	55,979,150
ECONOMIC VALUE DISTRIBUTED	€	48,667,920	46,050,289	61,469,990
– OPERATING COSTS	€	32,738,156	28,552,321	41,487,844
– EMPLOYEE WAGES AND BENEFITS	€	15,681,374	17,073,579	19,549,957
– PAYMENTS TO PROVIDERS OF CAPITAL	€	70,587	214,668	214,668
– PAYMENTS TO GOVERNMENT	€	166,803	179,600	187,400
– COMMUNITY INVESTMENTS	€	11,000	30,121	30,121
ECONOMIC VALUE RETAINED	€	-4,352,110	-3,666,263	-5,490,840

Our economic value distributed has decreased by 5.4% from €48.67M in 2016 to €46.05 in 2017, mainly because of cuts in operating costs. On the other hand, employee wages and benefits have increased due to our willingness to keep strengthening our organization by hiring new talents. The same applies to community investments, which have increased in demonstration of our desire to contribute to local development. The economic value retained, calculated as the difference between the direct economic value generated and the economic value distributed, has slightly increased since 2016 (if we take into account Italy only) and actually coincides with a negative €3.67M at the closure of the 2017 financial year.



WW DOMAIN SERGIO ROSSI

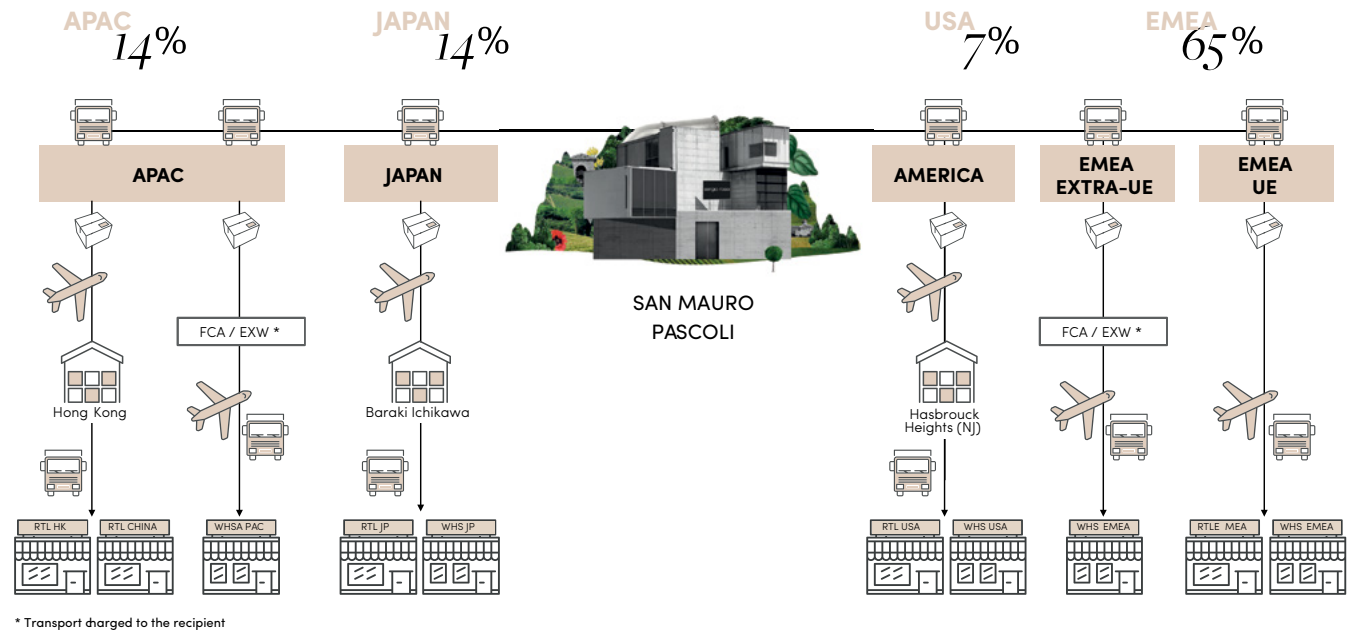
In line with the motto introduced by our CEO, “Think heritage, play digital”, as an effort to merge tradition and modernity, in 2017 we started the implementation of a brand new corporate digitalization strategy, which aims at progressively enhancing our online presence, while streamlining our internal processes and reducing our environmental impact. Such 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. Albeit begun in 2017, our multi-channel retail digitalization strategy entails a series of actions already on track but continuing in the upcoming years and has been 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 that of completely internalizing the management of IT processes on a global scale. As such, we have now the 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 harmonious manner. 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.

Concerning logistics, in 2017 we completed the carve out of logistics control activities, which were formerly conducted by a third company, and developed a comprehensive IT monitoring infrastructure. Today, all our logistic hubs have returned under the complete governance of the Sergio Rossi headquarter and are fully integrated with our IT system. In particular, we have harmonized all of our logistics management software at a global scale, enabling us to better manage working capital, product allocation and transports.

Evidently, 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.



WW LOGISTIC NETWORK

**THE TIMELINE LEADING
TO OUR CORPORATE
NEW DEAL**

Immediately after the end of World War II, the young Sergio Rossi, native of the San Mauro area, starts learning how to make shoes from his father, an artisan shoemaker, whom he accompanies in his daily working activities. When Sergio is only 14, his father dies. Unabated, Sergio carries on his father's job to support his mother and his younger brother, Franco. His young age notwithstanding, Sergio already masters a wide range of artisanal skills, which he then perfects by studying fashion design in Milan.

Once completing his studies, he moves to Bologna and starts selling his first sandals, helped by Franco and driven by his passion for modern shapes. The Opanca sandal, which embodies Sergio's disruptive creativity, is such a success that in 1966 Sergio opens his own company, together with his brother, who will then become the Company's Production Director and maintain this role for his entire life.



1970s

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



1980s-90s

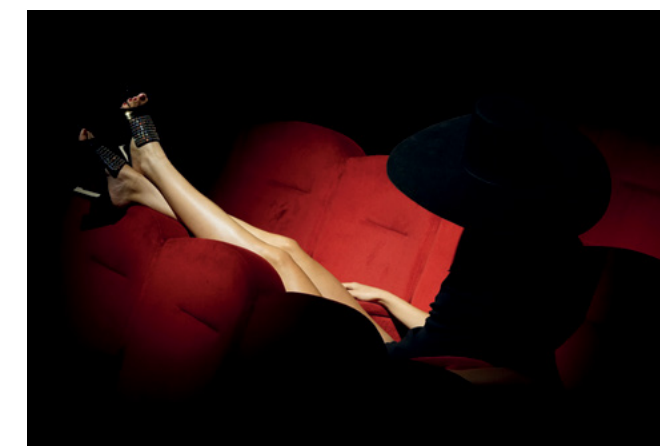
The Company starts its expansion age, by opening its first monobrand boutique in Ancona, soon followed by Turin, Florence, Rome, Brussels, New York, Los Angeles, and London. It is also a period of intense collaboration with some of the most iconic fashion houses at the international level, since Sergio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

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



2000-15

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



2015 - 17

Investindustrial indirectly acquires 100% of Sergio Rossi S.p.A. The acquisition sets 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 starts a comprehensive transformation of its brand and image.



SERGIO ROSSI PLANT

1.2
CORPORATE
GOVERNANCE

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 STRUCTURE

Our governance structure is based on a Board of Directors, comprising seven 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 7 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 a constant monitoring and a correct conduction of the 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.



*The values of the
Sergio Rossi Group*

“We are true to our brand and committed to protect and develop it”, Riccardo Sciutto, Sergio Rossi CEO.

The Group is committed to the highest ethical standards:

Integrity

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 Sergio Rossi'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

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

Loyalty

To support the Company's needs and to be committed to serve Sergio Rossi's interests first.

RISK MANAGEMENT ACTIVITIES

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 verify on a continuous fashion the compliance of Sergio Rossi with local, national and international norms and ensures the respect of 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 sanction or fine in the reporting period [307-1]. Given our commitment to fully adhere to all the legal norms relevant to our business, we have also started preparing for the adoption of an Organizational, Management and Control Model pursuant to Italian Legislative Decree 231/2001. Such framework introduced into Italian law the administrative liability of entities, companies, associations and legal persons for certain crimes that are committed by individuals who have acted in their best interest or for their benefit. Our goal is to adopt the 231 Model by the end of 2018.

Following the recent changes in the property, in 2017 the Human Resources Department, in agreement with the CEO, has published a worldwide Code of Business Conduct. This document defines 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.

MANAGEMENT OF SUSTAINABILITY ASPECTS

Given the importance we devote to sustainability issues, we have reignited our relationships with our key stakeholders and we constantly adapt our internal structure in order to ensure the correct management of sustainability matters. As highlighted in the following paragraph, the top management, coordinated by the CEO, has been involved in the definition of the Sustainability Report contents, starting from the identification of the most important issues related to sustainability and the analysis of the most relevant stakeholders’ requests. Sergio Rossi periodically revises the materiality map of the Company, as to redefine the corporate sustainability priorities and better conduct data gathering and monitoring activities.

Sergio Rossi’s Chief Executive Officer is the person in charge of the decision-making and supervision of internal health, safety and environmental (HSE) aspects. In this respect, the CEO appoints the people responsible for the correct implementation of HSE actions and the respect of HSE national and international norms. 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, he periodically reports to the Board about the state of such activities, notifies 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 concern related to HSE aspects, they report it to the CEO. Once having carefully analyzed the matter, the CEO decides the corrective actions to be implemented and appoints the respective people in charge. Moreover, the CEO coordinates the top management in the analysis of the most relevant stakeholders’ requests.

We are strongly committed to create 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 member of several trade associations, comprising Confindustria, Altagamma, Montenapoleone District and Sammauroindustria, and we participate to their associative meetings [102-12; 102-13]

**1.3
STAKEHOLDERS AND
MATERIAL ASPECTS**

This document represents Sergio Rossi’s second sustainability report. It provides a qualitative and quantitative overview of our performance in relation to the material topics we have identified, i.e. those that reflect our significant economic, environmental and social impacts or that substantively influence the assessments and decisions of our stakeholders.

Furthermore, it provides an account of the most relevant sustainability initiatives we have implemented, which fall under the domain of such topics and describes our overall vision and approach towards sustainability.

In 2017, Sergio Rossi subscribed to the United Nation Global Compact Initiative, a call to companies to voluntarily align their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption, and to take actions in support of UN goals, including the Sustainable Development Goals. Companies participating to the Global Compact initiative are required to communicate annually on progresses made in implementing the ten principles in order to inform company stakeholders (e.g., investors, consumers, civil society, governments, etc.).

The Sustainability Report will therefore represent Sergio Rossi’s Communication on Progress.

With regards to Human Rights, Sergio Rossi’s 2017 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.

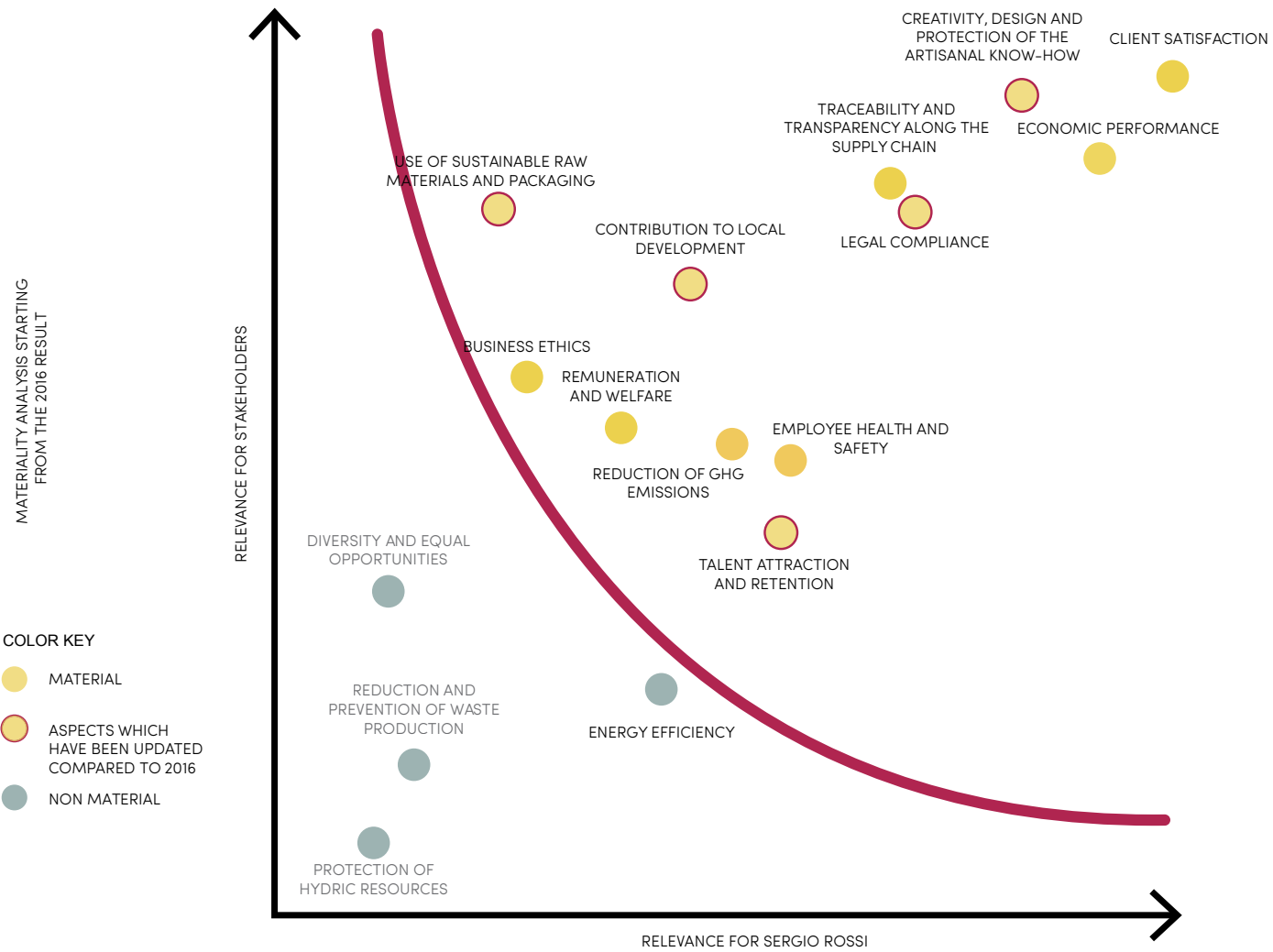
Following from last year’s definition of our key stakeholders, in 2017 we created an inter-functional management working group, called “Sustainability Committee”, with the aim of updating our stakeholder map, which provided the opportunity to share precious insights among our top managers and to map the main channels and tools through which we interact with our stakeholders. The main topics and concerns raised by stakeholders have been taken into account in the definition of the materiality matrix as described at page 23 [102-40; 102-42; 102-43; 102-44].



STAKEHOLDER MAPPING
AND ENGAGEMENT

STAKEHOLDER CATEGORY	ENGAGEMENT TOOLS AND ACTIVITIES
CLIENTS	Direct dialogue through the retail force, analysis of social media, monitoring of the satisfaction on products through complaints management (see §2.2)
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 the San Mauro District (see §3.2), 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 though Sergio Rossi social media profiles
SUPPLIERS	Continuous dialogue, periodic meetings, written communication regarding our quality and chemical compliance requirements (see §3.2)
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

MATERIALITY MATRIX
AND TABLE



As part of the process for defining the contents of the present Report, during the Sustainability Committee we updated our materiality analysis, in order to map 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.

In particular, we summarized the insights coming from a preliminary scenario analysis aimed at providing a synthetic overview of the main sustainability issues affecting the leather goods industry. In particular, we have conducted a sector-specific media analysis and a benchmark analysis of our peers’ sustainability reporting, as to identify a long list of the most relevant issues for comparable companies and the most pressing priorities for our stakeholders.

Afterwards, during the Sustainability Committee we have prioritized the identified issues by asking each manager to provide a score based on their perception, their 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 obtained a weighted score for each topic, which is indicated on the x-axis within the materiality map above.

By adopting the same approach, we have estimated the relevance of each topic for our stakeholders, by weighting it depending on the different priorities and concerns of each stakeholder category, as emerged from the preliminary scenario analysis. Furthermore, we have taken into account our top managers’ perceptions about stakeholders’ priorities, as to assign a weighted score to each topic. Such scores, representing the relevance of each topic for all our relevant stakeholders, is indicated on the y-axis within the materiality map above.

The 12 dots in the map above the red curve correspond to our material topics. In particular, the topics on the top-right correspond to the most relevant both for the Company and for our stakeholders [102-47].

MATERIAL TOPIC	WHY IS IT RELEVANT FOR US?	WHERE WE TALK ABOUT IT
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.	§2.3 Creating a new client experience
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 of maximizing the economic value we generate, with the aim of benefiting both our shareholders and the local community.	§1.1 – Sergio Rossi at a glance
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 as our duty both to foster and safeguard our know-how and the uniqueness of the San Mauro Pascoli district.	§2.1 sr1 §2.2 Digitalizing our identity §4.1 Exporting our artisanal maestria
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 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.	§4.1 Exporting our artisanal maestria
Legal compliance	We have a strong commitment in the respect of 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.	§4.1 Exporting our artisanal maestria
Contribution to local development	The bulk of our economic activity takes place in the San Mauro district, recognized at a global level as a shoemaking luxury 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 §3.1 Investing in the artisans of tomorrow §4.1 Exporting our artisanal maestria
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.	§4.1 Exporting our artisanal maestria

MATERIAL TOPIC	WHY IS IT RELEVANT FOR US?	WHERE WE TALK ABOUT IT
Business Ethics	We firmly believe that an ethical business is a successful business. This is why we have decided to redefine our internal Code of Conducts and management of corporate values.	§1.2 – Corporate governance
Remuneration and welfare	The maximization of the welfare of our employees is one of our key goals. Coherently, we have structured dedicated plans, and we ensure that our facilities are constantly motivating working environments. In the same vein, we consider equal remuneration as a strategic factor that brings significant benefits, not only for our people but also for the whole company.	§3.2 Promoting a better working life
Reduction of GHG emissions	We are strengthening our efforts to reduce the current levels of our GHG emissions, in particular for what concerns our energy consumption. Our photovoltaic plant represents a good example of our commitment and a best in class solution in this direction.	§4.2 Reducing the footprint of our shoes
Employee health and safety	The maximization of 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, investing in the training and equipment of our people.	§3.2 Promoting a better working life
Talent attraction and retention	We are convinced that the attraction and retention of the best talent constitute the fuel of our economic development. As such, we collaborate with renowned actors located in San Mauro Pascoli to train and attract the next generation of artisans.	§3.1 Investing in the artisans of tomorrow

02. A constantly innovative design



*Timeline with
the most iconic models*

#GodivaPump

The Godiva Pump is the timeless shoe every woman should own. This icon pump represents a versatile choice, the perfect balance between charming femininity and a dynamic attitude.

#srBoot

Over-the-knee Matrix boots as well as Virginia heel boots are a Sergio Rossi must have. Entirely hand made in the most precious materials, they are a staple adding an edge to any look.

#sr1

Presented in September 2016 and first introduced in 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.



2.1 sr1

Starting from 2016, Sergio Rossi has been redefining its brand identity and positioning with the aim of rediscovering its original DNA, thus enhancing its renowned craftsmanship and relaunching its product authenticity. As a result, the ultimate outcome of the brand rebirth has been the sr1 collection that represents the first step of a new beginning for the Company and a new journey for our clients into the deepest essence of Sergio Rossi's distinctive style.

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 we made a fresh start by revisiting the most authentic aesthetics of the brand and providing to our contemporary target customer an interesting and portable footwear, diving into the legacy of the brand.

Through the 2017 collections, 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 FW17 collection was a tribute to an historic archive piece inspired to the allure and the boldness of the 90s' Supermodels. Accessories also pay tribute to our important heritage, with the emblematic leather tongue and its personalized silver plaque that 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.

OUR RENEWED BRAND IDENTITY

The refresh of the brand image, started in 2016 with the redesign of the Sergio Rossi logo and the product packaging, involved in 2017 also the store concept. The architect Marco Costanzi conceived the structure of the new store, 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.

As a result, a scenic setting emerged, featuring an elegant sitting room as if we were in a private luxury closet with seating and low tables resting on feet shaped as sr1 heels, a separ  decorated with Mermaid pattern and a dressing table rounded shaped like the brick on the store walls. Carpets and wall interiors create a dynamic and sophisticated backdrop, partly inspired by the city of Milan, and present a color palette that goes from nude to chalk colors, up to amaranth, pine and pale green.

PARIS - 11, RUE DU FAUBOURG SAINT HONOR 



Our Archive: a Living Heritage

Since the new management arrived in 2016, a dedicated team was appointed to work on the creation of a corporate archive. In less than 2 years, we gathered more than 4,000 models, representing the history of Sergio Rossi creative genius since the foundation of the Company in the late 60s. This collection activity has been intended primarily to provide a narrative capable of enhancing the unicity and the poignant history of our brand, by gathering all the main elements of its distinctive DNA bringing them back to life.

Secondly, the archive represents a precious research resource for current and future shoe designers, who will be able to consult it and take inspiration for their creative activity. That is why, as to further increase its accessibility and to better organize and promote the memory of the brand, we have started the digitalization of the archive, which will be completed in 2018. The Digital Archive does not just provide information storage and consultation advantages, but becomes a new way of telling the story of the brand. Hence, it will funnel the creation of applications and tools specifically conceived for a greater customer involvement in the discovery of Sergio Rossi's founding values and history.

In the future, the Digital Archive will be accompanied by the creation of a dedicated physical space within the San Mauro plant, which will foster its artistic and social dimensions, potentially becoming a cultural reference point at a local level.



LIVING HERITAGE



BRAND PROTECTION

Our brand represents one of Sergio Rossi's most valuable assets and therefore it deserves a dedicated protection and monitoring activity. Indeed, it is so precious for us to preserve our design authenticity and uniqueness that we have decided to register the models belonging to the srl collection. In addition, we are also committed to protect not just our models but also the entire creative elements related to our new collection: therefore, we have registered the Sergio Rossi and srl trademarks in all major countries, as well as the furniture designs created for our new store concept by the interior designer Cristina Celestino.

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. That is why, in 2017, we conducted the first market research groups in France, Italy, Japan and Russia as to understand how people perceive and recognize Sergio Rossi, its key values as well as the emotional reactions of customers to competitors' initiatives. As a result, we discovered that the Sergio Rossi's actual and potential customers link our brand to the idea of an unmatched artisanal expertise, as well as to the assurance of high quality levels guaranteed by our Made in Italy production.



CRISTINA CELESTINO PIECES
OF FURNITURE

2.2
DIGITALIZING
OUR IDENTITY

As part of our corporate digitalization strategy, the first phase of our communication strategy has been that of channeling the uniqueness of our heritage via a new digital identity. To do so, in February 2017 we have created 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 fact, by making all the main corporate contents available on this digital platform, we will minimize our paper consumption, since our catalogues and promotional materials have been printed in limited editions in SS17 and only for Japan, due to cultural preferences, in FW17/18.

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 602,000 followers on Instagram, 37% more than in 2016, 18,600 on Twitter, 303,365 likes on our Facebook page – all numbers obtained from organic growth, without any paid advertising campaign or followers acquisition.

ADVERTISING CAMPAIGNS
AND SPECIAL
DIGITAL PROJECTS

sr1, the collection that marked our new beginning in 2017, has also been the first collection advertised only digitally. Both Spring Summer 2017 and Fall Winter 2017/18 campaigns have been shot upon a clean and precise concept, where the shoe is the only protagonist and a black and white contrast enhances the distinctive design elements and decorations on every shoe, while paying growing attention not only to fashion models but also seasonless items. The natural background and frame color align the communication with the new brand identity and packaging, thus giving consistency in the overall brand communication.

NEW SERGIO ROSSI WEBSITE LAUNCHED IN FEBRUARY



#srSTORIES

The launch of each collection has been accompanied by dedicated digital projects titled #srStories. These projects launched both in SS and in FW represented a fresh start for our new communication strategy, aimed at delivering our new ideal woman concept through contemporary lifestyle contents. Pictures, videos and interviews to female leaders developing their business activities, following their passions and creating something concrete for their success and personal affirmation depict the natural attitude of the Sergio Rossi woman to become a lifestyle influencer in her community, thus perfectly mirroring the evolution and dynamism of our brand DNA.

The Spring Summer issue of #srStories, starring the sr1 sabot style in black leather, has been fully dedicated to the way in which stylish and talented women from Milan to Tokyo to New York wear our styles by telling us about their stories of success. The second issue created for Fall Winter depicted such special women as described through the eyes of their very special friend, their “Partner in crime”, thus describing one another’s their personality, in a game of complicity and secret storytelling which allowed us to enter into their social environment.



STYLISH AND TALENTED
WOMEN WEARING sr1 SHOES



BELLA HADID



KAIA GERBER



RIHANNA

**WOMEN WE LOVE -
COLLABORATIONS WITH
STYLE ICONS**

In order to enlarge 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. On top of this ongoing activity, we have also designed personalized collections for singers and pop stars like Katy Perry and Juju. For the former, our talented designers and skilled artisans have developed a series of boots aimed at accompanying Katy during her 2017/18 “Witness” worldwide tour. For the latter, a deeper collaboration took place, with the creation of a dedicated capsule collection, also featuring one unique model available only in our Isetan corner in Tokyo and featured on Juju’s latest CD cover picture, mashing up the souls of our identity with Juju’s crisp image and talent.



KATY PERRY

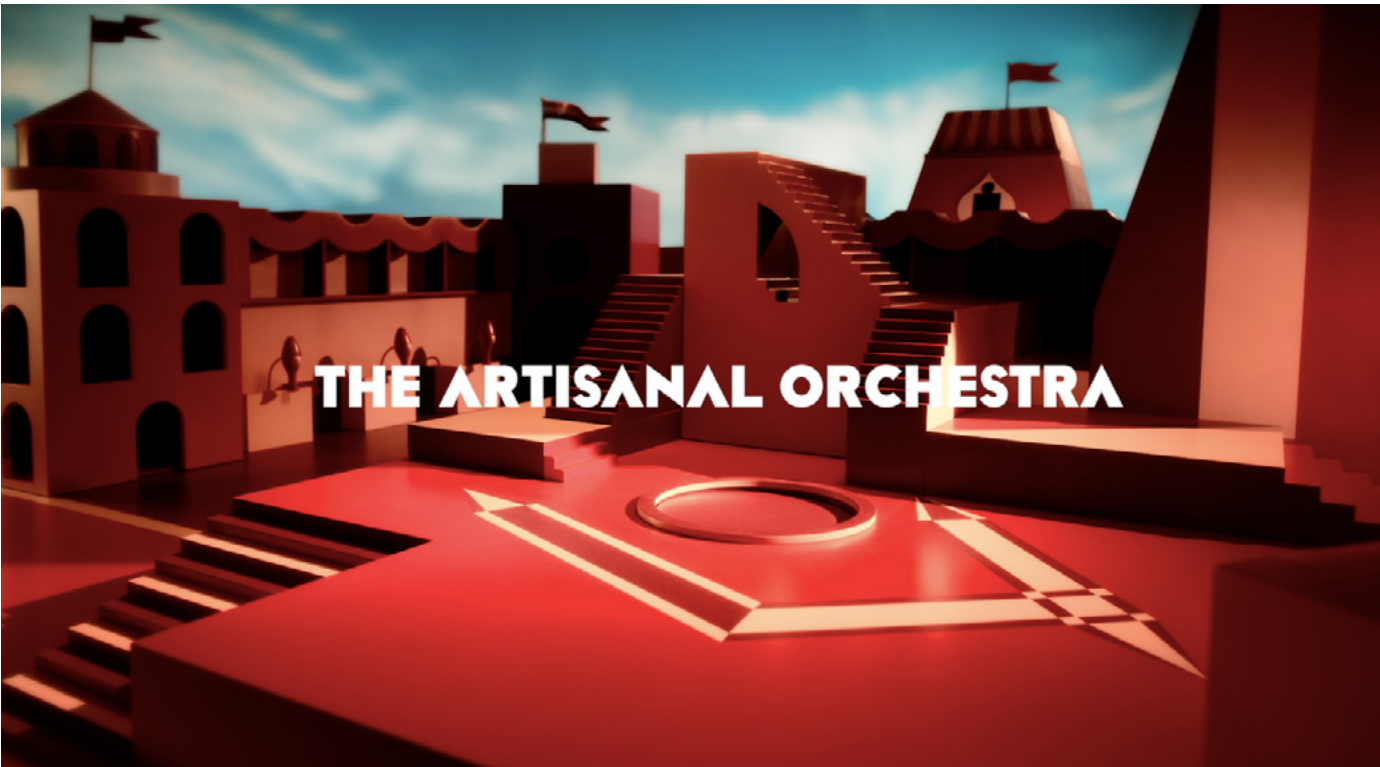
THE ARTISANAL ORCHESTRA

Following the great success of “The Magic Kingdom” video project, launched at the end of 2016 and dedicated to the 2016 Xmas period, we prosecuted our Xmas holiday series with another special project aimed at sustaining our sr1 holiday collection and spreading the Xmas spirit of Sergio Rossi through all our communication channels. We realized a short movie titled “The Artisanal Orchestra”, created by the Italian director Virgilio Villoresi and inspired by Sergio Rossi’s incomparable artisanship and Magic Kingdom factory. The movie, developed by adopting the innovative stop motion technique, intends to celebrate the art of shoemaking and the unmatched maestria of our artisans, by the tale of a magical world in which dreamy and surreal characters breathe life into the creations of the brand. Indeed, the story is a reflection of the essence of our brand: a playful presentation of the extraordinary craftsmanship seen in every single product.

The Artisanal Orchestra movie concept has been developed around two special edition shoes realized exclusively for Xmas period on sr1 iconic slipper and pump shapes, and has been communicated through all our digital tools (website, social media and digital advertising) as well as two dedicated window displays in Milan and Paris.



SPECIAL PRODUCT



2.3
CREATING
A NEW CLIENT EXPERIENCE

“It is crucial to always keep in mind the relevance of digital in all its facets, from social media channels to the omnichannel experience for our final customer”

Riccardo Sciutto, Sergio Rossi CEO

During 2017, the EMEA & Worldwide Retail Function carried out the development of “Retail Excellence”, a project aimed at turning the shopping occasion 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. Starting from the Selling Ceremony, the sales teams learn how to interpret client needs and how to create trust as to develop or strengthen solid ties with the customer. 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 possible to create Moments of Wonder for the clients in store. To guarantee coherence also in the Regions, Japan, China and Hong Kong regional training facilitators have been identified and educated in methods of training and coaching, based on the Selling Ceremony conduct.

The second aim of sr Academy is to convey and spread among our retail staff our new omnichannel commercial approach, thus reconfirming our client-centric approach. In fact, our customers are able to buy Sergio Rossi products where it is more convenient, using a variety of different channels, from physical stores to our online e-commerce platform, in line with our overall digitalization strategy.

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 addition, in order to promote in-store digitalization, we are planning to install digital touch screens in our new concept stores, in order to provide clients with more information on our collections and corporate heritage.

Sr ACADEMY



In the meanwhile, we also made tablets available to customers in all our stores, with the aim of making the shopping experience more modern and, crucially, to enable the customization services.

In fact, our customers have the opportunity to enjoy #yourownsergiorossi, a service enabling them to create their own sr1 model. Indeed, 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 it within just 5-6 weeks, independent of her physical location. Crucially, such customization features are available both online and in-store, given the presence of our tablets. We are working to constantly expand the personalization possibilities available to our customers, for instance by introducing new seasonal limited edition elements.



Finally, some stores also featured augmented reality visors, which provided visitors with a staggering experience during particular events or occasions. This solution was introduced during the launch of our Artisanal Orchestra holiday collection: a selected number of guests enjoyed a cocktail in our Montenapoleone and Hong Kong stores, watching The Artisanal Orchestra short film. Thanks to virtual reality, they felt fully immersed in the emotional atmosphere created by the movie, thus creating an unforgettable memory linked with our brand and products.

In parallel, with the aim of monitoring and measuring the performance of our digitalization strategy and its effects on final clients, starting from June 2017 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, spanning from requests on our products to suggestions to further ameliorate their overall Sergio Rossi experience. As of 31 December 2017, we had received 406 communications from our clients, among which only 8% corresponded to complaints.

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

We value so much our products and customers that in certain cases we also offer a customized service related to spare part replacements (like heels or small accessories), in case the issue is related to the client's misuse of the product.

In particular, clients can rely on local Sergio Rossi boutiques who will take care of the issue by interacting with the factory and local artisans in order to help solve the problem. Such a service demonstrates our willingness to offer a customized and solid answer to clients' requests, who care and wish to keep their pair, as well as to lengthen the life cycle of the product through maintenance activities, by adopting a circular economic outlook.



03. Preserving the value of our people

~63% of our employees are women
~37% of our employees are men

+139% in total training hours provided, compared to 2016

70% of the San Mauro Pascoli artisans/technicians we currently employ have worked for us for more than 10 years, on average.

3.1
INVESTING
IN THE ARTISANS
OF TOMORROW

OUR PEOPLE

We nurture a corporate culture, based on the concept of employee empowerment and growth. In our Company, in fact, we promote an inclusive environment and value the contributions of all people, since we believe that every one of our employees can make a difference and contribute to the success of our brand.

Following the corporate relaunch started in December 2015, as of 31/12/2017 we employed 290 people in Italy and 4 people in France [102-8]. The number has slightly increased since last year. In particular, we underline how the number of employed women in Italy has grown by around 9.5% year-on-year (from 167 to 183 people). Moreover, we have almost doubled our under-30 population (from 15 to 26 people), while increasing the number of interns hosted in our facilities by 4 units. These latter trends demonstrate how we are focusing on enhancing our attractiveness, especially by getting in touch with younger candidates for potential employment purposes.

In 2017, 95.9% of our employees counted on permanent contracts and 88.4% were employed on a full-time basis. In addition, all our employees are covered by collective bargaining agreements, as required by the respective country laws [102-41]. A comprehensive breakdown of our employees in terms of employment contract and type, geography, gender and age is provided at page 43.

The wave of new hires in Italy has been accompanied by a corresponding increase in the turnover rate, shifting from 16.5% to 19.9% [401-1]. Such increase has mainly been due to the completion of our internal restructuring, following the acquisition of our manufacturing affiliate. The restructuring activity, managed by our Human Resources & Facility function, has led to the creation of new functions and specialized roles, in order to respond in an even more effective manner to market trends and client requests.

		2016	2017
EMPLOYEES			
Employment contract	Permanent contract	269	282
	Of which women	164	178
	Of which men	105	104
	Of which in Italy	269	279
	Of which in the EMEA Retail Network (France)	N.A.	3
	Temporary contract	5	12
	Of which women	3	8
	Of which men	2	4
	Of which in Italy	5	11
	Of which in the EMEA Retail Network (France)	N.A.	1
Employment type	Full-time	N.A.	260
	Of which women	N.A.	154
	Of which men	N.A.	106
	Part-time	N.A.	34
	Of which women	N.A.	32
	Of which men	N.A.	2
Age cluster	< 30 years	15	26
	30 < x < 50	178	175
	> 50 years	81	93
Total Employees		274	294

	2016	2017
OTHER COLLABORATORS		
Interns – men	0	3
Interns – women	1	2
Agency workers – men	7	4
Agency workers – women	0	17
Total other collaborators	8	26
Overall total	282	320

		2016	2017
NEW HIRES			
Men	< 30 years	2	6
	30 < x < 50	16	6
	> 50 years	4	0
Total men		22	12
Women	< 30 years	4	10
	30 < x < 50	16	26
	> 50 years	2	2
Total women		22	38
Total employees		44	50
New hires rate		15.4%	18.5%

		2016	2017
TERMINATIONS			
Men	< 30 years	0	5
	30 < x < 50	8	5
	> 50 years	8	7
Total men		16	17
Women	< 30 years	3	4
	30 < x < 50	22	25
	> 50 years	6	8
Total women		31	37
Total employees		47	54
New hires rate		16.5%	19.9%

[401-1] Note: The turnover rate is calculated as number of terminations / total number of employees at 31st December of the previous year. The rate doesn't take into account the EMEA Retail Network, since it was not included in last year's total accounts.

**TALENT ATTRACTION
AND RETENTION**

Our inclusive way of working nurtures the creativity and innovation necessary for our Company to maintain its competitive advantage and reputation in the global luxury market. Accordingly, we always develop new ways of attracting and retaining the best talents available, both in terms of artisanal skills and business acumen.

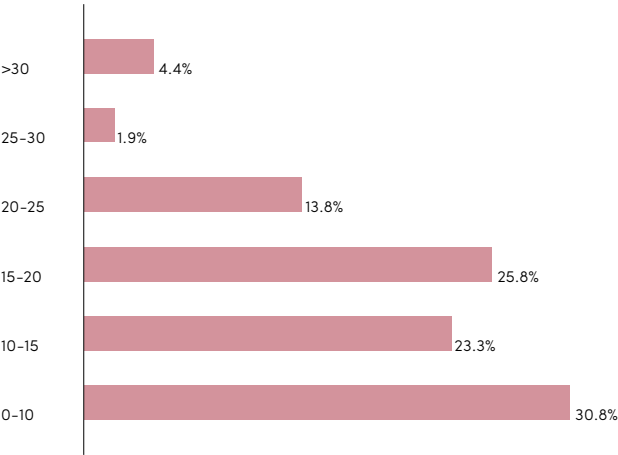
In 2017, we have further strengthened our partnership with CERCAL, one of the most renowned professional shoemaking schools in the San Mauro district. Building on the activities put in place in 2016, we have implemented the “Art of crafts” program, an initiative aimed at connecting unemployed young people with local shoe manufacturers, through a dedicated internship program. The project, which involved 12 participants, proved extremely successful and led us to hire 4 of the participating students. Following the success of the initiative, we are currently planning a second edition for 2018, which will be carried along with 2 additional shoe companies and will be extended to more students, who will have the chance to attend practical classes within our facilities.

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

In order to facilitate the attraction of the best talents available, we have also renewed our global referral program, enabling 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 terms of retention, we are proud to confirm that around 70% of our 159 technicians and artisans have remained with us for over 10 years, symbolizing our capacity to retain highly-skilled workers, as shown by the graph reported below.

**EMPLOYEE POPULATION
IN TERMS OF TOTAL
RETENTION YEARS**



**TRAINING
PROGRAM**

Sergio Rossi has specific training programs for both new hires and employees with permanent contracts.

Each new hire receives a training related to the normative requirements linked to our business activities and to our corporate values and policies, which enable us to respect our legal duties. The training package comprises our Code of Business Conduct, which is aimed at spreading the knowledge of our corporate principles as well as the conduct our employees have to maintain when exposed to potential conflict 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 the presentation of the brand history and describing the uniqueness of our productive 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. They learn the characteristics of our retail network and clientelling 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.

In addition, in 2017, executives and supervisors received a customized training program including a detailed insight of the production plant with a focus on productive activities and special induction programs with department heads.

In parallel, given the attention we devote to retain our talent, we maintain a solid training package, comprising a series of modules tailored on the peculiar needs of different employee categories.

As a result, the number of per capita training hours provided to our employees has dramatically increased both for women and men (from 4.5 to 9.3 and from 4.9 to 11.7, respectively), while the overall amount of training hours has increased by 139% since last year, from 1,263 to 3,018 [404-1]. Moreover, the sub-division of training activities among different

employment categories highlights how all employees with permanent contracts benefit from them, with executives and blue collar accounting for an above-average coverage due to the nature of their jobs. Training activities are comprised of English courses, sessions related to the corporate culture as well as to health and safety aspects, and our internal Management by Objectives (MBO) appraisal policy.

Training programs are constantly updated according to departments' specific needs, market requests and new normative requirements. In 2017, for instance, we introduced the Store Experience activity, which we tested during the summer. The Store Experience involved headquarter employees with no prior retail knowledge, who had the chance to work for 3 days in our Montenapoleone store, focusing on a whole range of different tasks, spanning from visual merchandising to store management. Technical abilities of our factory employees, instead, are constantly improved thanks to a continuous job rotation scheme between different production functions and to “training on the job” activities, dedicated to the use of specific machinery and equipment.

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

SUB-DIVISION OF TRAINING HOURS PROVIDED BY GENDER	2016 HOURS / EMPLOYEE	2017 HOURS / EMPLOYEE
AVERAGE HOURS OF TRAINING PROVIDED TO FEMALE EMPLOYEES	4.5	9.3
AVERAGE HOURS OF TRAINING PROVIDED TO MALE EMPLOYEES	4.9	11.7
TOTAL TRAINING HOURS	1,263	3,018

SUB-DIVISION OF TRAINING HOURS PROVIDED BY EMPLOYEE CATEGORY	2016 HOURS / EMPLOYEE	2017 HOURS / EMPLOYEE
AVERAGE HOURS OF TRAINING PROVIDED TO EXECUTIVES	N.A.	39.6
AVERAGE HOURS OF TRAINING PROVIDED TO MANAGERS	N.A.	6.7
AVERAGE HOURS OF TRAINING PROVIDED TO WHITE COLLARS	N.A.	4.3
AVERAGE HOURS OF TRAINING PROVIDED TO BLUE COLLARS	N.A.	13.0
TOTAL TRAINING HOURS	N.A.	10.2

**PERFORMANCE
APPRAISAL**

More than anything, we are firmly convinced that employee motivation heavily relies on the equal and fair evaluation of their performance. That is why in 2017 we published our 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.

Each employee, in fact, sets and updates annual targets during a dedicated meeting with his/her supervisor, depending on his/her rank and seniority. Along the year, supervisors define a set of milestones to be achieved by their supervisees and carefully monitor their progress thanks to continuous coaching activity. Indeed, supervisors are open to listening to supervisees’ requests and try to satisfy their requests in terms of focus areas or mobility, when appropriate. Moreover, in 2017 we introduced a yearly meeting of all directors, the “Calibration of talents”, aimed at sharing feedback about the overall performance of their supervisees, highlighting best practices and model behaviors to be potentially replicated across the organization.

Furthermore, we have reinforced our existing commission scheme for store employees, with the underlining willingness of rewarding performance by allocating benefits also at an individual level, instead of merely at a store level, as it previously was. In our vision, the updated scheme should incentivize the improvement of individual and collective performance, given that employees could receive both an individual and a pooled commission, as well as personal commitment and motivation. As of today, the new commission scheme has been adopted in the EMEA and APAC regions, and we plan to extend it to Japan by the end of 2018.

In 2017 we also launched the sr1 Awards, the first WW Sergio Rossi 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, planned during the Milan Fashion Show in February 2018, 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.

3.2
PROMOTING
A BETTER WORKING LIFE

We believe that the quality enhancement of our employees’ working life is crucial in order to foster our corporate reputation and 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.

We have implemented a comprehensive set of health and safety activities aimed at maximizing the protection we guarantee to our employees, often by exceeding standard requirements. In particular, in early 2017 we put in place our 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.

We later published an updated version of our Safety and Emergency Plan, highlighting all the procedures, roles and responsibilities related to particular emergencies or risks, such as fires, earthquakes or unexpected threats both at a factory and at a store level. We also intensified the corresponding formation activities, with the aim of training all our employees on how to properly react and ensure the plant functioning in case of emergency.

In 2017, we registered a total of 9 injuries, compared to 6 in 2016, among which 2 were commuting injuries. Such an increase is partially due to the widening of our reporting scope, since last year’s data did not take into account the EMEA retail network. Furthermore, it has to be noted that the gravity of injuries has considerably reduced compared to last year, due to a lost day rate reduction from 0.4% to 0.1% for men. This demonstrates that the injuries occurred were of a non-serious entity. We also managed to reduce the number of occupational diseases experienced by our employees, thus resulting in an occupational disease rate equal to 0, as well as our absentee rate, which has consistently reduced from 12.7% to 4.8% for men and from 13.6% to 5.9% for women [403-2].

	2016		2017	
	MEN	WOMEN	MEN	WOMEN
TOTAL NUMBER OF INJURIES	4	2	5	4
INJURY RATE	24%	7.8%	11.5%	8.8%
OCCUPATIONAL DISEASE RATE	0.2%	0.2%	0.0%	0.0%
LOST DAY RATE	0.4%	0.1%	0.1%	0.2%
ABSENTEE RATE	12.7%	13.6%	4.8%	5.9%

The latest results notwithstanding, injuries and occupational diseases are continuously monitored by our Facility Function, that manages recordkeeping activities, enabling us to gain a comprehensive understanding of the causes and consequences of each accident. For instance, since last year we have conducted a series of amelioration actions related to work-related stress and repetitive movements, whose progress is under constant monitoring. The Facility Function, in fact, is entrusted to issue a dedicated report on a monthly basis and to transmit it to an evaluation team, comprising the CEO, the Chief Operating Officer and the Production Director, in order to highlight how the safety situation of our employees is evolving.

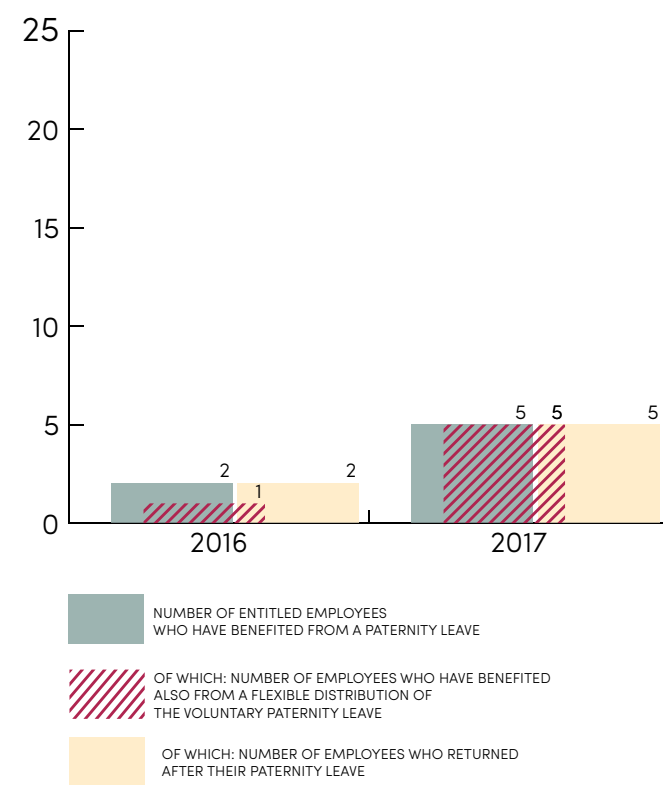
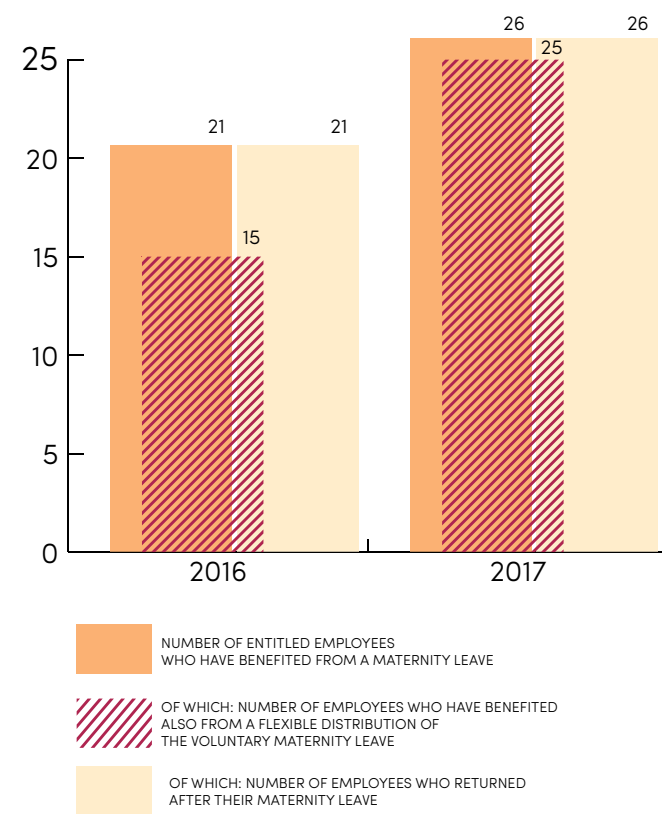
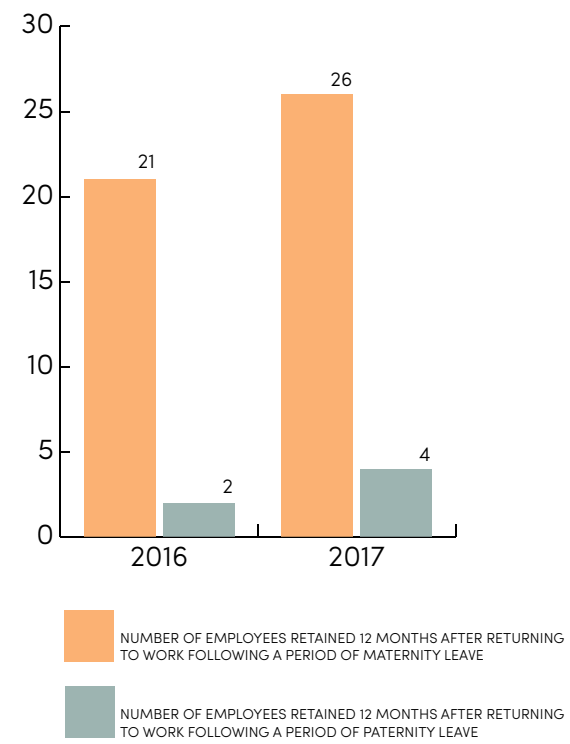
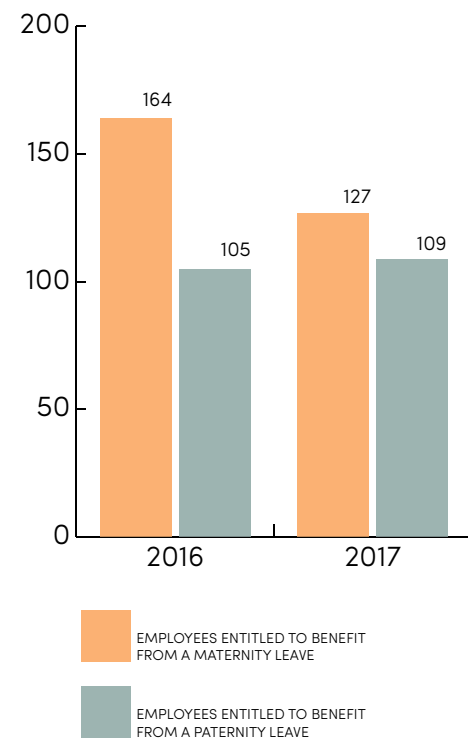
For what concerns employee welfare, instead, the Human Resources and Facility function has built upon the work conducted in 2016 by enriching the offer of welfare-related activities through a focus on the restructuring of compensations.

Secondly, we included welfare initiatives within our digitalization strategy, by making available to our employees a series of software, which should facilitate some of the most frequent procedures they are involved in. Pagheweb, for instance, is a software enabling the monitoring of work attendance and highlighting every employee absence, holiday or other authorizations, facilitating the input of the corresponding documents for individual purposes. The introduction of such technology, in line with the overall corporate digitalization, will make our internal cross-functional activities leaner.



The other software we introduced last year is Workplace, an interactive internal platform that facilitates a 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 among the Sergio Rossi community, and it can be considered a social device with which employees may update their news and photographs and share them with their peers in Italy and abroad. Ultimately, the growth in the utilization of this platform may foster the development of new corporate welfare initiatives and enhance opinion- and idea-sharing at all levels.

Finally, regarding parental leave, compared to 2016 there has been a slight increase in the number of employees benefitting from maternity or paternity leaves (from 21 and 2 to 26 and 5, respectively), a trend in line with the increase in the number of people we employ and our willingness to offer to our people a comprehensive welfare package. Crucially, all the employees who returned from their leave in 2016 have been retained within the Company, apart from 1 case, as a signal of the importance we devote to family values and employees’ well-being [401-3].



04. Improving our shoemaking

≈1500 pairs daily production capacity

80% of our finished products are manufactured in San Mauro Pascoli

11,700 sqm dedicated to production activities, prototype department, logistic hub and warehouses

4.1
EXPORTING
OUR ARTISANAL MAESTRIA

ARTISANAL PRODUCTION,
WORLDWIDE DISTRIBUTION

Since the early 20th century, in popular culture 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”, as to demonstrate his attachment to the purest act of artistic creation.

Nowadays, the vision of Mr. Sergio Rossi is still intense in San Mauro Pascoli, thanks to the presence of our over 140 artisans, who make our Company an internationally

renowned example of excellence by daily exploiting their skills and know-how to create unmatched masterpieces. Their prowess is actually accompanied and accentuated by the features of the San Mauro plant. The plant features 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 all over the world up to 5,000 pairs of shoes per day.

SELF-SUFFICIENCY
ON PRODUCT DEVELOPMENT & PRODUCTION

The factory works as an efficient engine exploiting the synergies between our craftsmanship excellence and the best technology available.

The factory, our Magic Kingdom, is a self-sufficient organization able to carry out projects from the designer’s sketch to the realization of the finished product, undergoing all stages of development. Together with the capability of engineering all our pairs of shoes, 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 SKUs¹ . Today, 80% of our products are made in San Mauro Pascoli. This figure represents a result we are particularly proud of, since it highlights the fact that we maintain an almost complete ownership over our production activity. Furthermore, as an additional value added, the centralization of shoe production in San Mauro Pascoli guarantees the excellence of the Made in Italy savoir faire.

At the same time, albeit counting on decades of cumulated know-how, we have not renounced to 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, in fact, is constantly at work to develop new prototypes and shapes. Actually, the creation of our corporate archive has to 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. In the future, we believe we could further develop the image of the plant as a center of excellence, in order to attract a growing number of creative talents to constantly enrich our model array.

With a constant dialogue between craftsmanship and technology, the plant is regularly updated with the most appropriate machinery and tools, as a guarantee of constant

upgrading in terms of technology and safety. In 2017, for instance, we completed the installation of an automatic re-pressing machine and of a folding machine, which enable us to reduce the producing time of these activities while also cutting down the risks of injuries and occupational diseases. The folding machine, in particular, helps to automate a very complex and laborious task, which can also produce damages to the carpal nerve if performed for a prolonged time.

Moreover, in 2017 the Company also introduced a new cutting machine out of the 2 already in place, plus a new “positioning” machine (helping the positioning of the model patterns on leather). Such implementing measure will help us to reach higher production targets while avoiding the externalization of this activity, thus providing cost reduction benefits while increasing product quality. Actually, in 2017 more than 40% of cutting activities were performed internally – a more than twofold increase versus the less than 20% value in 2016 – thus enhancing the technical competence of our artisans and reducing our reliability on external parties, now limited only to specific tasks and conducted by high quality and recognized suppliers. Furthermore, the cutting phase is conducted by joint teams of experienced and young artisans, since it requires a deep knowledge of leather and materials in order to maintain high standard product quality while reducing waste. By doing so, we ensure the transmission of know-how from generation to generation, while spreading a sustainability mindset among our artisans.

In order to maximize synergies and avoid useless waste, in 2017 we conducted a series of initiatives oriented to reuse the leftover leather coming from older collections. Partial amounts of materials have been reused to promote limited collections and internal projects such as the creation of personalized gadgets (shoecases, leather agendas etc).

¹ A STOCK KEEPING UNIT (SKU) IS AN ID STORAGE CODE FOR A PRODUCT, BASED ON COMBINATIONS OF DIFFERENT PARAMETERS LIKE COLORS AND SHAPES



OUR PRODUCTION
PROCESS

The production process is split into 4 main phases: cutting, seaming, lasting and finishing. The Production Function is the one entrusted with the overall management of the production process, and we rely on 4 managers who are in charge of coordinating and supervising the single activities implemented by the workers active within the plant.

In 2017, the job rotation practice has been extended to all the main phases of the production process, as well as to the engineering phase. Thanks to an important project in collaboration with CERCAL, we managed to ensure an adequate generational turnover and to reinforce the industrial vision in our technical team. As such, technicians, once specialized only in single activities, such as modeling or CAD drawing, have now to switch regularly from one task to the other, in order to obtain a comprehensive and interconnected vision of all phases of the engineering process. Participating from the prototyping stage to the finalized model will improve employees’ technical skills and operative versatility and in the meanwhile enhance the odds of creative ideas generation and the effectiveness of the production process.

PRODUCTION PHASE

DESCRIPTION

CUTTING



After having passed our first quality controls upon reception, the received leathers are cut by using the models authorized by the technical area. We rely on automated cutting machines, hollow cutters and highly-skilled cutters, able to perform this operation manually, as their high level experience enables them to extract the best from a leather piece. Therefore, all prototype samples and special pairs are always cut manually.

SEAMING



This stage is a key point in the shoemaking process: all the upper parts coming from the previous cutting phase are sewn together thanks to the prowess of expert hand-sewing operators. Often, at this point also 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 box.

THE IMPORTANCE OF SOURCING

It is vital for us to maximize the scrutiny over our supply chain, in order to ensure the respect of appropriate quality levels as well as to minimize social and environmental impacts related to the production of our shoes. To do so, when developing a new collection the Supply Chain function speaks with the Research & Style function in order 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. In fact, the selection of new suppliers for this purpose may be a lengthy and complex one, given the high quality and reliability standards we require from all our business partners.

Furthermore, the Supply Chain function is entrusted with guaranteeing a smooth and correct functioning of all the supplier selection, monitoring and control phase, as well as of the inbound and outbound logistics operations. To do so, the function closely interacts 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.

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

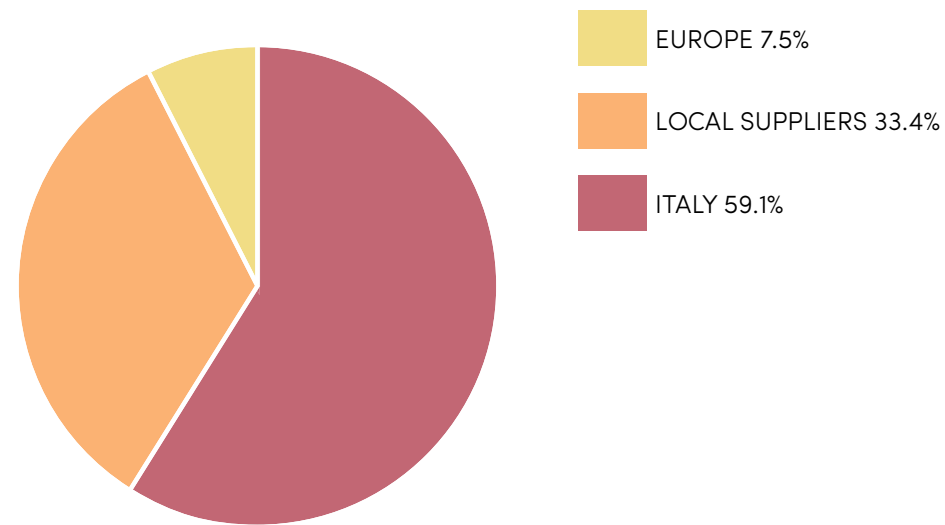


relies on a consolidated network of raw material suppliers, which have been carefully evaluated in the past few years thanks to dedicated Quality/Cost/Effectiveness rankings and which are constantly monitored.

We are proud to underline that leather and components of a Sergio Rossi shoe are rigorously Made in Italy. Leather, in fact, 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 the 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 historical providers, while simultaneously extending our network, in a constant pursuit of transparent, efficient and reliable partners sharing our values. On top of that, we strongly rely on the uniqueness and force of the Forlì 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 around 33.4% of our overall procurement volumes² and, more generally, 92.5% of our procurement of raw materials, products and services comes from Italian suppliers, while the remaining 7.5% comes from the European area [102-9; 204-1]. Compared to last year, we have slightly increased in relative terms the weight of subcontractors, especially from Spain. This is mainly due to a specific section of SS18 collection envisaging espadrillas styles. Since Spain is worldwide recognized for its creations of special midsummer fashion alternative to sandals, we decided to realize our srl espadrillas in Spain in the quest for the utmost artisanal quality.

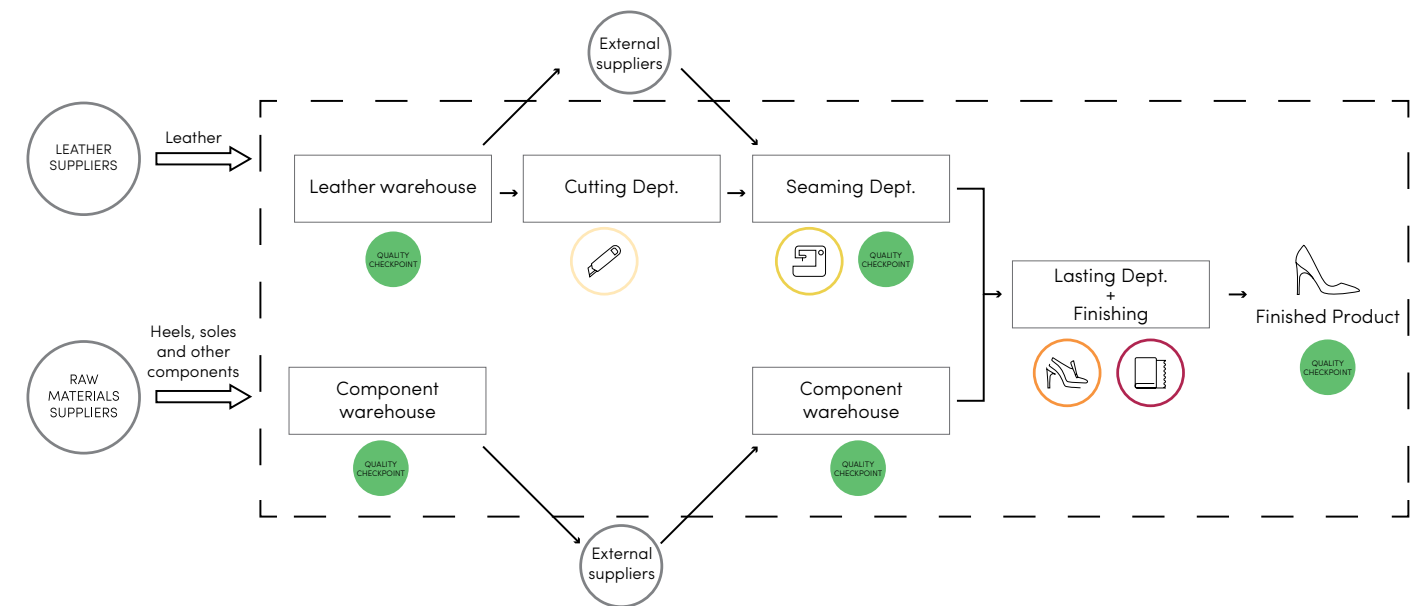
² OUR OVERALL PROCUREMENT VOLUMES COMPRISE PURCHASE OF RAW MATERIALS (LEATHER, PLATEAUS, SOLES, INSOLES AND HEELS); OTHER RAW MATERIALS LIKE ANCILLARY COMPONENTS (GLUES AND SOLVENTS) AND PACKAGING; FINISHED PRODUCTS (RELATED TO EXTERNAL PRODUCTION OF FINISHED PRODUCTS); AND SERVICES (LIKE CUTTING AND 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, INSTEAD OF ON THE WEIGHT.



THE DATA ARE ASSESSED IN TERMS OF ECONOMIC VALUE OF THE PURCHASED MATERIALS AND SERVICES AND COVER THE ENTIRE PROCUREMENT BUDGET RELATED TO THE PRODUCTION PROCESS. THE "LOCAL SUPPLIERS" CATEGORY COMPRISES SUPPLIERS BASED IN THE EMILIA ROMAGNA REGION OF ITALY AND IN SAN MARINO; THE "ITALY" CATEGORY COMPRISES THE MARCHE, VENETO, LOMBARDIA, CAMPANIA AND TOSCANA REGIONS; WHILE THE "EUROPE" CATEGORY COMPRISES ALBANIAN, SPANISH AND SERBIAN SUPPLIERS.

Given our support to the Made in Italy concept and the high qualitative standards characterizing our products, in 2016 we have started a Quality Project, aimed at formalizing, consolidating and redesigning the procedures and operations leading to our daily shoemaking activity. 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 only 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.

The overall amount of raw materials used for production purposes has slightly decreased from 178.2 tons in 2016 to 158.2 tons in 2017, given the specificities of the models included in the new collections, as well as our willingness to minimize unnecessary purchases, signaling our commitment for maintaining our procurement volumes under scrutiny. The weight of the packaging procured, instead, has remained stable, shifting slightly from 105.2 tons to 109.2 tons on a year-on-year basis.



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



TYPE OF RAW MATERIAL	TYPE OF RAW MATERIAL (DETAIL)	QUANTITY 2016 (TON)	QUANTITY 2017 (TON)
PRODUCTION-RELATED	LEATHER	69.8	70.8
	PLATEAUS	1.7	0.6
	INSOLES	21.6	17.9
	SOLES	59.4	49.3
	HEELS	20	14.2
ANCILLARY MATERIALS	GLUES	2.8	3.0
	SOLVENTS	2.9	2.4
PACKAGING	QUALITY LABELS	0.2	0.3
	BOX LABELS	0.5	0.5
	LABELS	0.2	0.2
	BOXES	62.7	59.8
	SHOPPING BAGS	3.7	10.5
	TISSUE PAPER	16.2	15.3
	TRANSPORT PACKAGING	21.7	22.6
TOTAL		283.3	267.5

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

Finally, the total amount of procurement volumes in 2017 has been equal to 267.5 tons, 5.6% less than in 2016 [301-1]. Moreover, we wish to point out that all our boxes and shopping bags are FSC-certified (see the box at page 61).



FSC Certification

The Forest Stewardship Council (FSC) is an international not for profit NGO. The FSC is a forest certification system recognized at international level.

The certification aims to ensure a correct forest management and the traceability of related products. The FSC certification guarantees that the product was made using raw materials from wood correctly managed according to the principles of the 2 main standards: forest management and chain of custody. The FSC certification programme 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). One of the main activities of the FSC is the drafting of standards, which are adapted at local level from national initiatives.

OUR EFFORTS TO GUARANTEE CUSTOMER HEALTH AND SAFETY

The health and safety of our customers is central to Sergio Rossi. Our Company, indeed, has always been committed to monitor the adequacy of the materials it uses in its production activities, in accordance with the national and international legal dispositions imposing the respect of eco-toxicological requirements. These latter are intended to limit the adoption 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, as to guarantee our legal compliance [416-1].

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.

As a result, in 2017 we have not received any relevant sanction related to the chemicals quantities 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].

4.2
REDUCING THE FOOTPRINT
OF OUR SHOES

In Sergio Rossi, we are deeply committed to contribute to the fight against climate change, as demonstrated by the adherence to the UN Global Compact and by a series of interventions we have put in place in the last few years in order to decrease our environmental footprint. Specifically, our Facility team is in charge of identifying and implementing a series of initiatives aimed at increasing our energy efficiency in a comprehensive fashion.

In particular, the team constantly monitors energy consumption levels of our facilities and operations, as well as the corresponding amount of GHG emissions generated. As such, in 2017 we have proceeded for the first time to the calculation of our overall corporate carbon footprint, taking into account both the performance of the San Mauro plant and our Milan office, as well as the emissions related to our business travels. For the years to come, we are committed to keep performing such computation by further expanding the computation scope to logistics activities, as to monitor our progress and to identify potential amelioration opportunities.

The carbon footprint has revealed that our energy consumption levels are mainly related to the San Mauro plant and attributable to three main vectors: electricity consumption, natural gas purchased from the grid and the diesel consumed by corporate vehicles.

Importantly, since the construction phase of the San Mauro plant, we planned the structure of the roof in order to augment its exposure to the sun. Our forward-looking vision allowed 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 given that not so many companies, as of today, are able to produce and sell their own renewable energy. Around 15% of the electricity we consume is produced by our photovoltaic system, while the rest is purchased from the grid. Thanks to our sustainability effort, in 2017 alone we have generated CO₂ savings equal to the CO₂ emitted by around 135 passenger cars, which travel for 10,000 km in one year.

TYPE OF CONSUMPTION	FUEL	DATA (GJ)	
		2016	2017
EMERGENCY GENERATOR	DIESEL	2.2	4.8
HEATING	NATURAL GAS	2,524.6	3,248.4
ELECTRICITY	PURCHASED	10,994.4	12,238.1
	PHOTOVOLTAIC	1,856.4	2,052.0
VEHICLES (OWNED)	DIESEL	18.5	27.1
VEHICLES (LEASED)	DIESEL	1,293.3	1,228.3
TOTAL CONSUMPTION		16,689.4	18,798.7

In 2017, our total energy consumption was equal to 18,799 GJ, a 12.6% increase compared to 2016. This result can be explained by the fact that 2017 data comprise also the EMEA retail network.

Our renewable energy consumption, coming from our photovoltaic plant, was equivalent to 2,052 GJ [302-1]. Moreover, in 2017 we sold around 183 GJ to the grid, compared to 135 GJ in 2016. Concerning our natural gas consumption, related to the heating of the San Mauro factory and the retail stores, it has slightly increased on a year-on-year basis, taking into account the consumption related to our stores.

The reduction of our energy consumption levels has been due to a number of efficiency initiatives we have put in place in the past months. First, we have pursued the substitution of halogen lamps with LED models within the plant, an activity that we will continue in the upcoming months. Moreover, in 2017 we conducted an energy audit aimed at identifying new interventions to be put in place in order to further reducing our overall consumption levels. The audit results suggested to substitute one of the 5 heat pumps installed within the factory with a more efficient model. This would enable us to progressively estimate the corresponding energy saving potential and to study the chance of substituting further heat pumps in the years to come, as well as to use the spare parts coming from the substituted pump for maintenance purposes. Therefore, we aim at completing such substitution in early 2018, in order to accelerate the energy consumption reduction started in the previous years.

The total amount of GHG emission (Scope 1 + Scope 2 emissions) has increased from 1,380 ton CO₂ in 2016 to 1,569 ton CO₂ in 2017, i.e. a 13.7% year-on-year increase. This can be explained by the inclusion of the EMEA retail network data, as well as by the augmented production activity. Scope 3 emission levels have also augmented, mainly because of an increase of business travels due to the reorganization of our sales network [305-1; 305-2; 305-3].



	2016	2017	U.M.
Non-renewable fuel consumption for heating and cooling purposes	140.9	181.6	ton CO₂
Natural Gas	140.9	181.6	ton CO ₂
LPG	0.0	0.0	ton CO ₂
Fuel consumption for emergency electricity generation	0.2	0.3	ton CO₂
Diesel	0.2	0.3	ton CO ₂
Fuel consumption for owned vehicles	1.4	2	ton CO₂
Diesel	1.4	2	ton CO ₂
Fuel consumption for leased vehicles (e.g. rent vehicles)	95.2	90.4	ton CO₂
Diesel	95.2	90.4	ton CO ₂
Refrigerant gases	45.5	19.5	ton CO₂
Total Scope 1 (Direct emissions)	283.1	293.8	ton CO₂
Electricity purchased from the grid – Location-based method	1,096.4	1,274.8	ton CO₂
Electricity purchased from the grid – Market-based method	1,420.4	1,581.1	ton CO₂
Total Scope 2 (Energy indirect emissions) – Location-based method	1,096.4	1,274.8	ton CO₂
Total Scope 1 and 2 – Location-based method	1,379.6	1,568.6	ton CO₂
Business travel (by air)	93.2	192.7	ton CO ₂ eq
Business travel (by train)	6.6	8.4	ton CO ₂
Total Scope 3 (other indirect emissions)	99.7	201.1	ton CO₂eq
Total Scope 1, 2 and 3 – Location-based method	1,479.3	1,769.7	ton CO₂eq

We are firmly committed to correctly manage and stock the waste generated by our operations, often in partnership with local entities and companies. Our total waste volumes can be split in 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. Our total waste volumes have increased (+20.1%), from 34,600 kg in 2016 – of which 32% recycled – to 41,566 kg in 2017 – of which 52% recycled [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 in our recycling rate is linked to the treatment of around 200 kg of mineral oil we had cumulated in the previous years, which we decided to recycle in a single solution, and the disposal of approximately 20 tons of shoes lasts belonging to old seasons.

WASTE TYPE	TREATMENT	DATA (KG)	
		2016	2017
Hazardous waste	Recycling	105	356
	Landfill	775	780
Non-hazardous waste	Recycling	10,900	21,250
	Landfill	22,820	19,180
Total recycled		11,005	21,606
Total waste		34,600	41,566

*THE DATA COMPRISED WITHIN THE TABLE REFER ONLY TO THE SAN MAURO PASCOLI PRODUCTION SITE, GIVEN THAT IT HAS BEEN IMPOSSIBLE TO ESTIMATE WASTE PRODUCTION AND TREATMENT LEVELS FOR THE PONTACCIO OFFICE AND THE EMEA RETAIL NETWORK, SINCE LOCAL UTILITIES DO NOT DISCLOSE THESE DATA.

05. Methodological note

REPORTING PRINCIPLES AND CRITERIA

This is the second Sergio Rossi Sustainability Report, which encompasses the period from 1 January to 31 December 2017 calendar year [102-51; 102-52]. This document 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 the paragraph §1.3 “Stakeholders and material aspects”, in accordance with the GRI Standards. 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.

MATERIAL ISSUES

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 guidelines aspects. 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 identify and implement specific actions aimed at gradually extending the scope of data collection and reporting for material aspects.

SCOPE OF REPORTING

This document includes a description of initiatives, events and programs happened or implemented in 2017, as well as a series of previous events with repercussions on the 2017 calendar year. Moreover, the Report introduces additional initiatives that will be carried out in 2018 [102-50]. When available and applicable, the quantitative information provided refer also to 2016, as to highlight current performance trends and evolutions.

For 2016 data, all the information refer just to Sergio Rossi S.p.A., while the 2017 data refer also to a series of selected monobrand and outlet stores from the Company’s EMEA Retail Network, namely the Montenapoleone store in Milan, the Leccio, Noventa di Piave and San Mauro Pascoli outlets in Italy, and the Faubourg Saint-Honoré store in Paris. Any exception to such scope is clearly outlined within the text [102-45; 102-49].

Sergio Rossi S.p.A. has its headquarters and plant in San Mauro Pascoli, via Stradone 600/602.

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 2017 Sustainability Report. The current Sustainability Report is not subject to external assurance [102-56].

GRI MATERIAL ASPECT	ASPECT BOUNDARY		REPORTING LIMITATION	
	WITHIN THE ORGANIZATION	OUTSIDE THE ORGANIZATION	WITHIN THE ORGANIZATION	OUTSIDE THE ORGANIZATION
Economic performance	Sergio Rossi S.p.A.			
Procurement practices	Sergio Rossi S.p.A.			
Materials	Sergio Rossi S.p.A.	Suppliers		Reporting scope not extended to suppliers
Energy	Sergio Rossi S.p.A.	Suppliers		Reporting scope not extended to suppliers
Emissions	Sergio Rossi S.p.A.	Suppliers		Reporting scope just to extended to suppliers
Effluents and waste	Sergio Rossi S.p.A.	Suppliers		Reporting scope not extended to suppliers
Environmental compliance	Sergio Rossi S.p.A.	Suppliers		Reporting scope not extended to suppliers
Supplier environmental assessment	Sergio Rossi S.p.A.	Suppliers		Reporting scope not extended to suppliers
Employment	Sergio Rossi S.p.A.			
Occupational health and safety	Sergio Rossi S.p.A.			
Training and education	Sergio Rossi S.p.A.			
Diversity and equal opportunity	Sergio Rossi S.p.A.			
Supplier social assessment	Sergio Rossi S.p.A.	Suppliers		Reporting scope not extended to suppliers
Customer health and safety	Sergio Rossi S.p.A.	Clients		Reporting scope not extended to clients

**REPORTING PRINCIPLES
AND CRITERIA**

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

**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	DEFRA (Department of Environment, Food & Rural Affairs), Conversion factors – Full set, 2016 and 2017
LCV (Lower Calorific Value)	MATTM (Ministero dell’Ambiente e della Tutela del Territorio e del Mare), Tabella parametri standard nazionali, 2016 and 2017

**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.

**GHG
EMISSIONS**

Concerning environmental data, when these 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, indirect emissions resulting from purchased goods, inbound and outbound logistics have not been taken into account due to the lack of reliable data.

Finally, in order to calculate the amount of ton 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 equated to the amount of CO₂ emissions generated by a “Supermini” passenger vehicle (as defined by the UK DEFRA conversion tables) traveling for 10,000 kilometers a year, as to obtain the corresponding equivalence

	SOURCE	ACTIVITY DATA	EMISSION FACTOR	GWP
GHG EMISSIONS SCOPE 1	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 and 2017	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 and 2017	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	Electricity purchased from the national grid (Location-based method)	Electricity consumption (kWh)	Terna, Confronti Internazionali, 2015 and 2016	Only CO ₂ emissions were considered
	Electricity purchased from the national grid (Market-based method)	Electricity consumption (kWh)	AIB, European Residual Mixes 2016	Only CO ₂ emissions were considered
GHG EMISSIONS SCOPE 3	Business travel by air	Distance covered (km)	DEFRA (Department of Environment, Food & Rural Affairs), Conversion factors 2016- Full set, 2016 and 2017	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 and 2016	Only CO ₂ emissions were considered

CONTACTS

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Appendix

In addition to the information required by the GRI Standard with respect to each indicator linked to our material topics, we closely monitor other environmental aspects connected to our processes, in a perspective of regulation compliance.

WATER

Our water consumption, which is entirely supplied by municipal sources, has recently increased from 10,076 to 13,833 cubic meters, mainly due to the inclusion the Pontaccio office in the calculation [303-1].

WATER CONSUMPTION SOURCE*	2016	2017
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MUNICIPAL SUPPLY	10,076m³	13,833m³
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AIR EMISSIONS	2016	2017
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VOLATILE ORGANIC COMPOUNDS (VOC)	0.12†	0.66†
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*THE DATA COMPRISED WITHIN THE TABLE REFER ONLY TO THE SAN MAURO PASCOLI PRODUCTION SITE AND THE PONTACCIO OFFICE, SINCE LOCAL UTILITIES DO NOT DISCLOSE THESE DATA.



AIR EMISSIONS

Every year we carry out an analysis on our air emissions, as requested by environmental authorizations in accordance with Legislative Decree n. 152/06. Compared to 2016, the air emission levels have increased. Nevertheless, these two values are not fully comparable because the value resulting from the measurement is based on timely annual estimates, not on average annual estimates. In any case, in 2017 all the emissions examined in all the samplings performed were lower than the limits indicated by law. Details are provided in the table below.

5.1 GRI CONTENT INDEX











The table on the right 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 are missing because of the actual impossibility of measuring the related KPIs, we have inserted a detailed reference under the “Omissions” column [102-55].












GRI STANDARD	DISCLOSURE	PAGE NUMBER / URL	OMISSION PART OMITTED, REASON AND EXPLANATION
GRI 101: FOUNDATION 2016			
GRI 102: GENERAL DISCLOSURES 2016	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	18	
	102-6 MARKETS SERVED	12	
	102-7 SCALE OF THE ORGANIZATION	12	NET SALES ARE NOT CLEARLY REPORTED, AS WELL AS THE TOTAL CAPITALIZATION BROKEN DOWN WITH A DEBT/ EQUITY SPLIT. WE DO NOT REPORT THE TOTAL NUMBER OF SHOES PRODUCED EVERY YEAR.
	102-8 INFORMATION ON EMPLOYEES AND OTHER WORKERS	42	
	102-9 SUPPLY CHAIN	57	
	102-10 SIGNIFICANT CHANGES TO THE ORGANIZATION AND ITS SUPPLY CHAIN	18	
	102-11 PRECAUTIONARY PRINCIPLE OR APPROACH		AS OF TODAY, SERGIO ROSSI DOES NOT FORMALLY ADHERE OR ADAPT ITS DECISION- MAKING APPROACH IN ACCORDANCE TO THE PRECAUTIONARY APPROACH.











GRI STANDARD	DISCLOSURE	PAGE NUMBER / URL	OMISSION PART OMITTED, REASON AND EXPLANATION
GRI 102: GENERAL DISCLOSURES 2016	102-12 EXTERNAL INITIATIVES	20	
	102-13 MEMBERSHIP OF ASSOCIATIONS	20	
	STRATEGY		
	102-14 STATEMENT FROM SENIOR DECISION-MAKER	7	
	ETHICS AND INTEGRITY		
	102-16 VALUES, PRINCIPLES, STANDARDS, AND NORMS OF BEHAVIOR	19	
	GOVERNANCE		
	102-18 GOVERNANCE STRUCTURE	18	
	STAKEHOLDER ENGAGEMENT		
	102-40 LIST OF STAKEHOLDER GROUPS	21	
	102-41 COLLECTIVE BARGAINING AGREEMENTS	42	
	102-42 IDENTIFYING AND SELECTING STAKEHOLDERS	21	
	102-43 APPROACH TO STAKEHOLDER ENGAGEMENT	21	
	102-44 KEY TOPICS AND CONCERNS RAISED	21	









GRI STANDARD	DISCLOSURE	PAGE NUMBER / URL	OMISSION PART OMITTED, REASON AND EXPLANATION
GRI 102: GENERAL DISCLOSURES 2016	REPORTING PRACTICE		
	102-45 ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS	18/66	
	102-46 DEFINING REPORT CONTENT AND TOPIC BOUNDARIES	66	
	102-47 LIST OF MATERIAL TOPICS	23/25	
	102-48 RESTATEMENTS OF INFORMATION	NA	
	102-49 CHANGES IN REPORTING	66	
	102-50 REPORTING PERIOD	66	
	102-51 DATE OF MOST RECENT REPORT	66	
	102-52 REPORTING CYCLE	66	
	102-53 CONTACT POINT FOR QUESTIONS REGARDING THE REPORT	69	
	102-54 CLAIMS OF REPORTING IN ACCORDANCE WITH THE GRI STANDARDS	66	
	102-55 GRI CONTENT INDEX	70/79	
	102-56 EXTERNAL ASSURANCE	66	






GRI STANDARD	DISCLOSURE	PAGE NUMBER / URL	OMISSION PART OMITTED, REASON AND EXPLANATION
MATERIAL TOPICS			
GRI 200 ECONOMIC STANDARD SERIES			
	ECONOMIC PERFORMANCE		
GRI 103: MANAGEMENT APPROACH 2016	103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	12/13	
	103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	12/13	
	103-3 EVALUATION OF THE MANAGEMENT APPROACH	12/13	
GRI 201: ECONOMIC PERFORMANCE 2016	201-1 DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED	13	
	PROCUREMENT PRACTICES		
GRI 103: MANAGEMENT APPROACH 2016	103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	57/58	
	103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	57/58	
	103-3 EVALUATION OF THE MANAGEMENT APPROACH	57/58	
GRI 204: PROCUREMENT PRACTICES 2016	204-1 PROPORTION OF SPENDING ON LOCAL SUPPLIERS	58	

GRI STANDARD	DISCLOSURE	PAGE NUMBER / URL	OMISSION PART OMITTED, REASON AND EXPLANATION
GRI 300 ENVIRONMENTAL STANDARDS SERIES			
	MATERIALS		
GRI 103: MANAGEMENT APPROACH 2016	103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	 58/60	
	103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	 58/60	
	103-3 EVALUATION OF THE MANAGEMENT APPROACH	 58/60	
GRI 301: MATERIALS 2016	301-1 MATERIALS USED BY WEIGHT OR VOLUME	 60	
	ENERGY		
GRI 103: MANAGEMENT APPROACH 2016	103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	 62/63	
	103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	 62/63	
	103-3 EVALUATION OF THE MANAGEMENT APPROACH	 62/63	
GRI 302: ENERGY 2016	302-1 ENERGY CONSUMPTION WITHIN THE ORGANIZATION	 62	
	WATER		
GRI 103: MANAGEMENT APPROACH 2016	103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	 70	
	103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	 70	

GRI STANDARD	DISCLOSURE	PAGE NUMBER / URL	OMISSION PART OMITTED, REASON AND EXPLANATION
	103-3 EVALUATION OF THE MANAGEMENT APPROACH	 70	
GRI 303: WATER 2016	303-1 WATER WITHDRAWAL BY SOURCE	 70	
	EMISSIONS		
GRI 103: MANAGEMENT APPROACH 2016	103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	 63/64	
	103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	 63/64	
	103-3 EVALUATION OF THE MANAGEMENT APPROACH	 63/64	
GRI 305: EMISSIONS 2016	305-1 DIRECT (SCOPE 1) GHG EMISSIONS	 64	
	305-2 ENERGY INDIRECT (SCOPE 2) GHG EMISSIONS	 64	
	305-3 OTHER INDIRECT (SCOPE 3) GHG EMISSIONS	 64	
	EFFLUENTS AND WASTE		
GRI 103: MANAGEMENT APPROACH 2016	103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	 65	
	103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	 65	
	103-3 EVALUATION OF THE MANAGEMENT APPROACH	 65	

GRI STANDARD	DISCLOSURE	PAGE NUMBER / URL	OMISSION PART OMITTED, REASON AND EXPLANATION
GRI 306: EFFLUENTS AND WASTE 2016	306-2 WASTE BY TYPE AND DISPOSAL METHOD	 65	
	ENVIRONMENTAL COMPLIANCE		
GRI 103: MANAGEMENT APPROACH 2016	103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	 19	
	103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	 19	
	103-3 EVALUATION OF THE MANAGEMENT APPROACH	 19	
GRI 307: ENVIRONMENTAL COMPLIANCE 2016	307-1 NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS	 20	
GRI 400 SOCIAL STANDARDS SERIES			
	EMPLOYMENT		
GRI 103: MANAGEMENT APPROACH 2016	103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	 42/45	
	103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	 42/45	
	103-3 EVALUATION OF THE MANAGEMENT APPROACH	 42/45	
GRI 401: EMPLOYMENT 2016	401-1 NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER	 44/45	
	401-3 PARENTAL LEAVE	 52	

GRI STANDARD	DISCLOSURE	PAGE NUMBER / URL	OMISSION PART OMITTED, REASON AND EXPLANATION
OCCUPATIONAL HEALTH AND SAFETY			
GRI 103: MANAGEMENT APPROACH 2016	103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	 50/51	
	103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	 50/51	
	103-3 EVALUATION OF THE MANAGEMENT APPROACH	 50/51	
#	403-2 TYPES OF INJURY AND RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS, AND ABSENTEEISM, AND NUMBER OF WORK- RELATED FATALITIES	 50	
TRAINING AND EDUCATION			
GRI 103: MANAGEMENT APPROACH 2016	103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	 47/48	
	103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	 47/48	
	103-3 EVALUATION OF THE MANAGEMENT APPROACH	 47/48	
GRI 404: TRAINING AND EDUCATION 2016	404-1 AVERAGE HOURS OF TRAINING PER YEAR PER EMPLOYEE	 48	

GRI STANDARD	DISCLOSURE	PAGE NUMBER / URL	OMISSION PART OMITTED, REASON AND EXPLANATION
CUSTOMER HEALTH AND SAFETY			
GRI 103: MANAGEMENT APPROACH 2016	103-1 EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY	 60/61	
	103-2 THE MANAGEMENT APPROACH AND ITS COMPONENTS	 60/61	
	103-3 EVALUATION OF THE MANAGEMENT APPROACH	 60/61	
GRI 416: CUSTOMER HEALTH AND SAFETY 2016	416-1 ASSESSMENT OF THE HEALTH AND SAFETY IMPACTS OF PRODUCT AND SERVICE CATEGORIES	 61	
	416-2 INCIDENTS OF NON-COMPLIANCE CONCERNING THE HEALTH AND SAFETY IMPACTS OF PRODUCTS AND SERVICES	 60	

