



RATTI FOR RESPONSIBILITY

RATTI GROUP 2018

Sustainability report

Consolidated declaration of a non-financial nature in compliance
with Articles 3 and 4 of Legislative Decree 254 of 2016

RATTI



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Letter from the CEO

Our second sustainability report represents a transparent statement, created according to a model that seeks to underline the sublime quality of the relationship that exists between Ratti and its stakeholders, in a context in which practical expression is given to financial, social and environmental aspects.

This has been a year in which important choices have been made, such as updating our code of ethics or our future strategy, that have enabled us to obtain important certifications, thereby improving the quality of our work.

We are, inevitably, talking about an essential evolution, developed and shared, because we are convinced that adopting ethical principles in our daily operations constitutes an undeniable duty. It is also an opportunity to monitor our work, identifying areas in which it is still possible to make improvements.

All this is covered in our report.

This is our wager, giving all interested parties clear and transparent information that satisfies the need for knowledge that the global market asks of us.

Responsibility, indeed, for Ratti means not leaving anyone behind, requiring us to open wider the gates of our Guanzate production site to receive, as best we can, the demands of the world around us, without ever losing sight of our artistic and cultural heritage.

This is the treasure that makes Ratti a leading firm in the printing and production of fine fabric. Our collections are the result of values that have been consolidated over the years by the notable drive towards the excellence of Italian craftsmanship.

Their origins lie in a complex of knowledge that, since 1945, has delineated a new business model that is sustainable, stylish and elegant.

Letter from the Chairman

As we publish this second edition of our sustainability report, I would like to emphasise how this document now represents (and this is also from a cultural point of view) a significant moment for our company. Not only does this help us to continue with our daily routine with resolution and consistency, it also, at the same time, gives us the energy and stimulation to take responsibility for continuous improvement.

The value of this report lies not simply in its pages and chapter headings, but also relates to the capacity of each and every one of us to challenge ourselves and to embark on journeys of improvement, in the knowledge that every obstacle can be overcome if we pool and share our experiences. The pages of this sustainability report measure our credibility, they make us take responsibility and they trigger a process, a history, that day by day unites us and makes us one with the region, with the precise objective of building a community in which each of us can express their talent and creativity.

My signature at the foot of this letter is not just that of a chairman, but is the signature of all those who will never cease to give thanks for the sense of responsibility and passion that makes Ratti the company it is today.



CHAPTER 1

The search for beauty with a commitment to sustainability

- 1.1 The legacy of a great history
- 1.2 The elegance of innovation
- 1.3 The Ratti Group today







The search for beauty with a commitment to **sustainability**

1.1. The legacy of a great history

Ratti's history and the company today

1945, this was the year that Antonio Ratti powered up the machines of his business specialising in the production and marketing of fabrics for ties and scarves in Como, the world capital of silk.

This is a commitment that has, for over seventy years, combined the skill of craftsmanship, design research and technological innovation to offer, in collection after collection, a range of designs and prints of extraordinary exclusivity and excellence: the preferred choice of the major fashion houses of the world. If it's true, as Roald Dahl wrote, that: "*Time grows everything that is alive, leaving the rest to age*", Ratti has never stopped investing and improving without, in doing so, forgetting its own roots, its links with the region and its specialised craftsmanship. These are all elements that have allowed the Group to give life to a product that is synonymous with quality, luxury and attention to detail.

For over seventy years we have provided craftsmanship expertise, style research and technological innovation, offering, collection after collection, an exclusive range of prints and designs.

Every Ratti collection derives its *raison d'être* from an exclusive archive, reinterpreted by following suggestions from the contemporary world. In the same way, each accessory is designed and planned through the lens of tradition and ancient wisdom, so that the classic and the modern can merge without the slightest disturbance to the refined style that, as always, represents the beating heart of the Guanzate company. Over the years, Ratti has been notable for

its attention to detail and an international outlook, to the point where it has become one of the largest Italian fabric manufacturers and was listed, in 1989, on the Italian stock market (*Meracto Telematico Azionario, MTA*).

Towards the end of the 1990s, the industrialist and philanthropist, **Antonio Ratti**, decided to pass the baton to the next generation. His daughter Donatella took the helm of the company, while also confirming her prowess in the art of printing, and adding to the sensory, artistic and aesthetic value that underpins each piece of work.

Ratti fabrics, with their elegance and artistic refinement are, more than anything else, the perfect embodiment of the spirit of this journey: a tribute to tradition as the starting point in the creation of a new language imprinted on a

From Ludovico il Moro ("the Moor") to the industrial revolution to Made in Italy

The history of the Ratti Group is symbiotic with the centuries-old history of Como, city of silk

In the Como area the development of artistry in silk dates back to the XV century, a golden age when Italian manufacturing became oriented toward luxury, something for which our country is still famous throughout the world, and the expression *ouvrage de Lombardie* became synonymous with an object of precious craftsmanship.



sinuous and noble material such as silk. In the years that followed, the Group continued to expand through a number of acquisitions. In the early 2000s, economic changes in the world of fashion and, most of all, the silk industry drove greater synergy and a subsequent strengthening of the balance sheet. In 2010 an agreement was reached with the **Marzotto textiles Group** and with **Faber Five Srl**, which became shareholders of Ratti SpA, holding a controlling interest. Donatella Ratti, daughter of the founder, is currently Chairman of the Ratti Group, one of the largest manufacturers in the world of fabrics with a high technological and creative content. **Ratti SpA** is a member of organisations including *Confindustria (Unindustria Como and Sistema Moda Italia)* and *Centro Tessile Serico*; in 2018 it also became a member of the *BCI (Better Cotton Initiative, an association consisting of producers,*

“Experiencing silk is an art, today as it was yesterday”
Antonio Ratti



intermediaries and non-profit groups) to promote the cultivation of sustainable cotton that is less harmful to the health of farmers and which respects the environment. The other companies in the Ratti Group are not members of any national or international associations.

The manufacture of silk had been brought to Europe from the Orient a short time before that, risking the death penalty prescribed by the Chinese and Japanese emperors for anyone betraying the secret techniques used to manufacture the precious fabric. A decisive boost to the world of silk was provided by **Ludovico Sforza**, Lord of Como. The duke forced farmers to plant mulberry trees in the fields, since silkworms eat only mulberry leaves. As a result, within just a few decades, the traditional production of wool had been replaced by silk. This was a forward-looking vision which, according to many historians of economics, represented the first seeds of Lombardy's characteristic entrepreneurial spirit.

The start of this trend in the seventeenth century meant that Italy, and Como in particular, became a centre of excellence in the production of wonderfully designed and coloured fabrics. The industrial revolution, between the eighteenth century and the first half of the nineteenth century, spread twisting and spinning machines throughout the area. Growers of mulberry trees and producers of spinning machines became entrepreneurs in the most modern sense of the word – they were able to create a new culture as they

were the unique custodians of a wealth of knowledge and inimitable craftsmanship. The twentieth century then became the century that consecrated Italian style throughout the world, with **Como** at the forefront of the great Italian and international luxury and fashion groups.





Finding inspiration in the classic to recreate a new language with evermore original tones to offer a new interpretation of fabrics in which all aspects complement and permeate each other in a way that is totally natural.



RATTI SETAMARINA



Mission, vision and value

In a world that is built on the search for beauty, Ratti operates by taking great care of and enhancing its work.

Ratti's passion for the art of printing has continued, since the last century, by respecting a historical continuity that is characterised by a style and elegance that is immune from influences and fashions, instead basing every gesture on a ritualised discipline and dedication, while fully respecting every particular and detail.

Creativity and innovation then become the cornerstones that guide the company in establishing its brand throughout the world.



Research, applied study and continual experimentation, both in traditional table printing and in modern digital printing, seek to support and promote the quality brand that then becomes tangible on each and every fabric, and that bears witness to the strong bond between Ratti and the great masters of fashion who represent the Group's principal external stakeholders.

What Ratti does is to instil a continuous dialogue with its customers in a collective work that makes visible the intersection of different DNAs and knowledge so that every product becomes a cultural and artistic unity. This is the modus operandi the Ratti Group uses to offer an exclusive personalisation of the product. Finding inspiration in the classic to recreate a new language with evermore original tones to offer a new interpretation of fabrics in which all aspects complement and permeate each other in a way that is totally natural. This is the Ratti Group's goal: the conjugation of an intuition that springs from the original: "Experiencing silk is an art, today as it was yesterday".

Beauty as a vocation has become, for the Ratti Group, a **daily commitment** that involves everyone who works in the business. It seeks to balance innovation and practicality, while always respecting the craftsmanship of its professionals, the protection of the environment, and the values and principles on which it was founded.

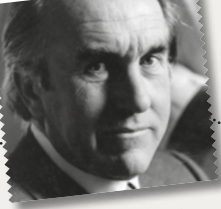
Ratti's shareholders



Ratti SpA, the Group's centre of excellence for silk, is owned jointly by Marzotto SpA and Faber Five Srl. They each hold a 33.95% stake. Donatella Ratti (DNA 1929 Srl) holds 16.52% of the share capital, while the remaining 15.58% is held by other shareholders.

Timeline

1945



Antonio Ratti sets up "Tessitura Serica Antonio Ratti" in Como, for the creation and marketing of silk fabrics and scarves. The first headquarters are in Viale Varese.

1954



He begins his industrial activities, opening his first factory, printing silk fabrics at Bulgarograsso, in Como province.

1958



The factory at Guanzate opens, with its integrated production cycle process, for manufacturing silk from yarn to finished product, through the phases of weaving, dyeing, photoengraving, printing and finishing.

1961



The fabric line for women's clothing is launched.

1968



The first major expansion of the Guanzate complex takes place.

1973



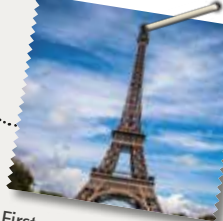
Ratti USA Inc. is established, with offices in New York.

1974



The fabric line for furnishings is launched.

1975



First expansion abroad: sales offices are opened in Paris and New York.

1985



The Antonio Ratti Foundation is set up to promote initiatives, research and studies of artistic, cultural and technological interest in the area of textiles and contemporary art.

1989



Ratti SpA is listed on the Milan stock exchange.

1992



Ratti buys Creomoda Sarl, a company dealing with hemming and textile accessories, with headquarters in Tunisia

1995



With a contribution from the Antonio Ratti Foundation, the Metropolitan Museum of Art in New York opens the Antonio Ratti Textile Center, one of the biggest and most technologically advanced centres for the study and conservation of fabrics.

1999



The Guanzate plant is completely renovated – the project is managed by the architect Luigi Caccia Dominioni.

2004



Ratti buys Textrom Srl, a company located in Romania that specialises in the printing of finished garments, knitwear and leatherwear.

2010



Ratti becomes part of the Marzotto Group.

2011



Ratti embarks on a virtuous path of sustainable development, in economic, environmental and social terms.

2015



Ratti SpA obtains the following certifications: SA8000:2014 for the social accountability of the company, ISO 14001:2015 for environmental sustainability, Oeko-tex® Standard 100 for raw materials.

2016



The Tunisia company (Creomoda) obtains the certification SA 8000:2014

2017



The Responsible Collection is launched; Ratti SpA obtains certification OHSAS18001:2007 relating to health and safety in the workplace, and publishes a certified environmental declaration in accordance with ISO 14021:2016

2018



The Responsible Collection adds four new materials; Ratti obtains SERI.CO



1.2. The elegance of innovation

Innovation plays a key role for companies exposed to environments that are increasingly complex. The potential to grow in the long term, and the safeguarding and improvement of competitiveness, are closely linked to the capacity to transform ideas into new and improved products and services.

Creating a working environment that favours innovation, that is open to contributions from managers and staff members is, for Ratti, an objective of critical importance.

In Ratti innovation contributes to the fulfilment of the strategic plan of a company that is sustainable, digital, circular, a leader in design, continually seeking to broaden and develop its offer, highly reactive and proactive in its relations with customers and the market.

In Ratti innovation comes both from a continuous improvement in practices, processes, products and services, as well as industrial research projects, experimental development, technological innovation, which mostly originate in its network of relationships. Ratti is a member of the Clusters of Regione Lombardia "AFIL- Associazione Fabbrica Intelligente Lombardia" and "Chimica Verde" ("Lombardy Association of Intelligent Manufacturing" and "Green Chemicals"). Through the Marzotto Group it is a member of the ETP, the European Technology Platform of Euratex, la Confederazione Europea delle Aziende del Tessile e

Antonio Ratti: a patron with a vision

Beauty provides an infinite source of creative stimuli that recount a freedom of expression that avoids banality and overcomes preconceptions. An archive of images, designs and colours that are values infused in the DNA of the company and its founder.

Nominated Cavaliere del Lavoro (knight) in 1972 and appointed Honorary Trustee of the Metropolitan Museum of Art in New York, Antonio Ratti was one of the greatest exemplars of Italian entrepreneurship, in addition to being one of the most enlightened patrons, both nationally

and internationally. His search for beauty went beyond his passion for silk, the fulcrum of his business activities, to embrace the world of art in all its manifestations, and his name was linked with some of the most prestigious cultural institutions, including the Guggenheim, the Museum of Modern Art, the Metropolitan Museum of Art in New York, Palazzo Grassi in Venice, Palazzo Reale and the Padiglione d'Arte Contemporanea (*pavilion of contemporary art*) in Milan. Blessed with a heightened proclivity for innovation and non-industrial research, in 1985 Antonio Ratti



600,000
designs and fabrics
in the archive



14,000
books in the library



12%
of revenues invested
in research and
development



ARCHIVE



The birth of silk

Legend has it that... the empress Hsi Ling Shih was sipping tea in the shade of a mulberry tree swarming with silkworms. A silkworm's cocoon fell from the green leaves into the steaming cup. The empress watched, astounded, as the cocoon in the tea took on the appearance of a mass of threads.

She took hold of the end of one, and the thread unravelled to an interminable length. So the legend recounts the origin of silk at the dawn of Chinese civilisation, three thousand years before Christ, along with the inseparable link between the silkworm and its only food – mulberry leaves

dell'Abbigliamento (*the European Confederation of Fabric and Clothing Companies*).

Ratti has three targets for its innovation:

Sustainability, this regards the development of plans that aim at a reduction of consumption and waste, the control of chemicals, and the reuse and recycling of discarded fabric.

Product innovation, this is based on the recognised primacy of Ratti's innovative design and creativity, and extends its range of action to themes such as ecodesign, immaterial design, functionals and smart textiles. The choice of sustainable materials, the reduction of impacts, and digitalisation are the change vectors of contemporary design. In an environment such as this action is also taken that enhances the cultural reserves of the company. Ratti invests 12% of



created, in Como, the Foundation bearing his name. The Foundation is fully dedicated to cultural and historical research in the world of textiles (*a collection of ancient fabrics, themed exhibitions and fora*), and to the promotion of the most talented visual artists. On the back of this initiative Antonio Ratti decided, in 1995, to finance, at the Metropolitan Museum of Art in New York, a centre set up to conserve, restore and catalogue the textile collections owned by the museum. And so the Antonio Ratti Textile Center was established – it is, today, one of the most significant centres

open to the public inside an art gallery. It is perfectly equipped for research and for the conservation of fabrics. November 1998 saw the opening of the Museo Tessile (textile museum) of the Antonio Ratti Foundation – subsequently renamed Museo Studio del Tessuto. This museum houses the collection of antique fabrics that he collected with passion and foresight throughout the whole of his life. The collection is now looked after, with the same passion, by his daughter Annie Ratti.

Beauty provides an infinite source of creative stimuli that recount a freedom of expression that avoids banality and overcomes preconceptions



its revenues in research and development to plan new collections, implement new processes, and fine-tune increasingly innovative techniques. The company has made its experience available in the creation of private label textile product lines, thanks to its archive of over 600,000 designs and fabrics that are a source of inspiration, from the choice of a product through to its creation.

Processes and Advanced Manufacturing, this relates to the development of projects that involve both internal processes as well as manufacturing and external processes, whether upstream or downstream of the current industrial perimeter. In such an environment Ratti's production process is subject to the requests and changes required by the "Advanced Manufacturing" model (*better known by the name "Industria 4.0"*), which marks the transition from automated manufacturing to digital and intelligent manufacturing.

1.3. The Ratti Group today

The Ratti Group's activities

The Ratti Group is a leader in the creation and manufacture of printed, plain and yarn-dyed fabrics for clothing, ties, shirts, beachwear, underwear and furnishings.

Worldwide, it produces and distributes hemmed products, in particular accessories for men and women such as ties, shoes and scarves.

With a heritage that is closely linked to the manufacturing of silk, over time Ratti has perfected its **workmanship** with different natural

"Antonio Ratti was not a typical collector of contemporary art. Instead of possessing it, he wanted to live it himself"
Lorenzo Benedetti

fibres, composite fibres and technical fibres. Ratti manages and controls the full supply chain: from the creative phase, including the fabric design and production planning, to ennoblement processes (*weaving, dyeing, printing and finishing*) and hemming.

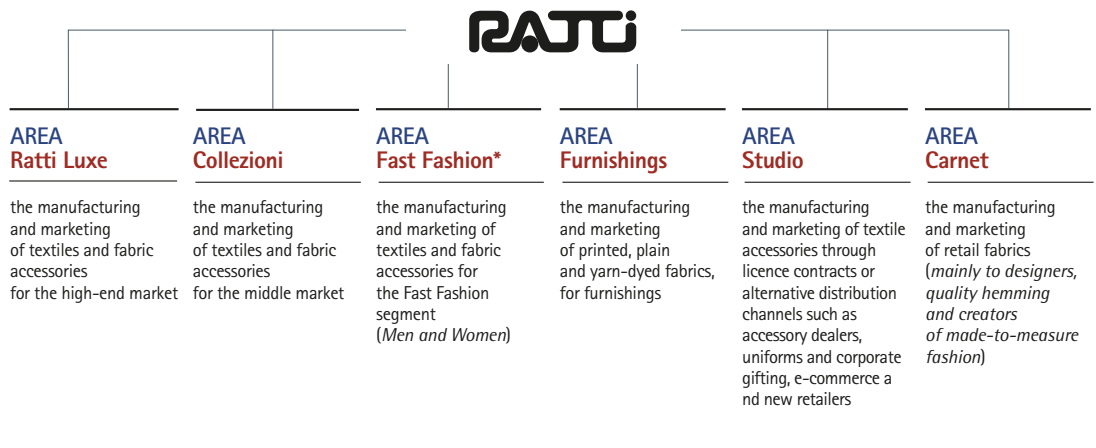
The company works with **leading** global luxury and prêt-à-porter **fashion houses**. Apart from Italy and Europe in general, the main markets served are America and Japan. Ratti customers from the fashion, luxury, fast fashion and furnishing sectors purchase textile accessories that are finished or still fabrics so they can proceed to hemming finished products (*clothing or furnishings*) that can be launched on the consumer market. For the licensing segment, belonging to Area Ratti Studio (*cases in which Ratti – as the licensor – produces and sells textile accessories which carry a specific brand*), customers are retailers.

Its annual production exceeds five million metres of fabric, while **exports** account for approximately 63% of total turnover.





The Ratti Group's activities

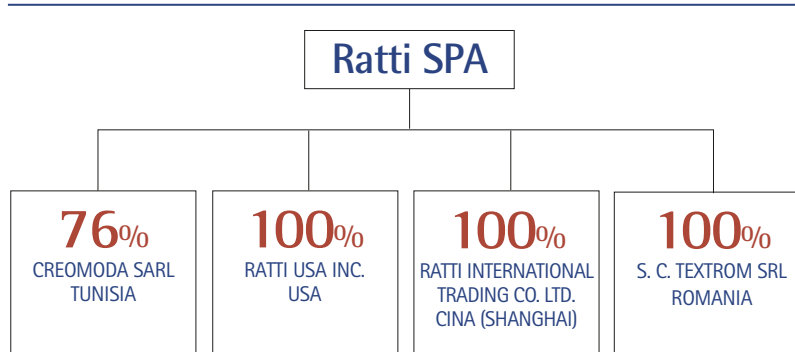


*Fast Fashion: the clothing industry sector which produces collections inspired by high fashion but sold at reasonable prices and renewed rapidly

Corporate structure

The Ratti Group consists of Ratti SpA, the Parent company, and the subsidiaries Textrom Srl (Romania), Creomoda Sarl (Tunisia), Ratti International Trading Co Ltd (China) and Ratti USA Inc (United States).

A workshop belonging to Creomoda Sarl at Sousse, in Tunisia, is involved, in particular, in the hemming phase of women's accessories, while the Textrom Srl plant at Floresti (Romania) specialises in the printing of finished garments, knitwear and leatherwear. There is also a sales office in New York (United States) and an office in Shanghai (China), which deal with the purchasing and marketing of fabrics and finished products.



Overall, at 31 December 2018, the Group had 799 employees in its various offices and subsidiaries.

The management, coordination and control of all the companies belonging to Ratti SpA is carried out directly by the Parent company through the staff functions identified in Departments and/or Divisions, specifically including: Administration, Finance and Control; Human Resources; Legal Services; Information Systems; Management Systems.

The headquarters are at Guanzate (Como), as are the general management and the sales management. This is also the location of the manufacturing and marketing of printed and yarn-dyed fabrics in silk, wool, cotton, linen and other fibres for clothing, neckwear, furnishings and fabric accessories.

RATTI SPA
Guanzate, Como (Italy)
Via Madonna, 30
Manufacturing and marketing of printed and yarn-dyed fabrics in silk, wool, cotton, linen and other fibres for clothing, neckwear, furnishings and accessories.
General management and sales management.

CREOMODA SARL
Sousse (Tunisia)
Route de Kondar - Kalaa Kebira, 4060 Sousse
Workshop
Hemming of fabric accessories.

RATTI USA Inc.
New York (USA)
8 West, 38th Street
Sales office.

RATTI International Trading Co., Ltd.
Shanghai (China)
Room 303B, N. 118 Xinling Road,
Waigaoqiao Free Trade Zone, Shanghai
Purchasing and marketing of fabrics and finished products.

S.C. TEXTROM SRL
Cluj-Napoca (Romania) Floresti, Luna de Sus str. Hala nr. 10
Production specialised in the printing of finished garments, knitwear and leatherwear.

DESIGNERS OFFICE



BEAUTY PROVIDES
AN INFINITE SOURCE OF CREATIVE
STIMULI THAT RECOUNT
A FREEDOM OF EXPRESSION
WITHOUT TIME



CHAPTER 2

2. Uniqueness and talent, ingredients for **SUCCESS**

- 2.1 Ratti's employees
- 2.2 Training and developing talent
- 2.3 Health and safety
- 2.4 The welfare of our employees
- 2.5 Safeguarding fundamental rights
- 2.6 Communicating is the key to sharing

AREA COLLEZIONI
TEAM AND FABRICS R COLLECTION AND R UOMO







Walt Disney said: "You can design, create and build the most beautiful place in the world, but you need people to make the dream come true".

2. Uniqueness and talent, ingredients for **SUCCESS**

The value of people

Walt Disney said: "You can design, create and build the most beautiful place in the world, but you need people to make the dream come true".

Starting from this quote, there are many parallels with the visionary philosophy of Antonio Ratti: the idea of a company created out of the force of creativity and a search for beauty in which people and their art represent, even today, a value that should be protected, simply because they are the "healthy transmitters" of an ancient wisdom and a skill that is indisputable.

It is this nexus between people and their art that makes the Ratti Group unique in the region. This is a form of human capital which is growing continuously and is nourished at source by the search for and development of talented professionals, who come from the most prestigious national and international schools and universities of design and fashion.

This human capital finds its maximum protection in the Code of Ethics. Indeed, the Ratti Group

is committed to enhancing its employees, encouraging them to develop their expertise and to grow professionally, in order to guarantee the satisfaction and wellbeing of those working on the production sites.

In addition, the **Code of Ethics** provides the basis for ensuring there are equal opportunities in terms of work and professional development for all its employees. This is done by enhancing their professional qualifications and performance, without any discrimination, given that the functions select, hire and manage employees exclusively on the basis of expertise and merit.

799

Ratti Group total employees at 31 December 2018

518

Women

281

Men

5.83%

Increase of group population compared to 2017

2.1 Ratti's employees

At 31 December 2018 the Ratti Group had 799 employees, the majority of whom are women (64.83%). The workforce increased by 5.83% on 2017 and has grown by 11.74% since 2016. The positive staff growth rate mirrors the financial performance of the Group, since due to increasing work volumes, more staff have had to be hired. The significant majority of women is due to historical characteristics of the sector.



TAB. 1 - Workforce of the Ratti Group by gender at 31 December for the three-year period 2016-2018

	2016	2017	2018
Women	439	472	518
Men	276	283	281
Total	715	755	799

The great majority of employees are on permanent contracts (71.46%), while 26.78% are on fixed-term contracts, with the remaining 1.75% employed



FABRICS TECHNICAL OFFICE

R COLLECTION | R UOMO



through other forms of contract. The last figure fell compared with the previous year, confirming the desire of the company to offer better stability to employees. At 31 December 2018, Ratti USA had two fixed-term employees, while Ratti International (China) had one full-time employee.

93.74% of employees are full time, while 6.26% are part time – an option chosen mainly by women in order to enhance work-life balance. In Ratti USA, of the two employees, one is full time, the other is part time. However, in Ratti International Trading the employee is full time. (Table 2).

Figure 1 shows the breakdown of the workforce

on full-time contracts by position and gender, comparing the 2018 with the 2017 data.

For men, the full-time workforce for each of the four categories (executives, middle management, white-collar workers and blue-collar workers) remained fundamentally unchanged between 2017 and 2018. Larger increases were recorded for women in the "white-collar" category (+6.93%) and in the blue-collar category (+10.26%).

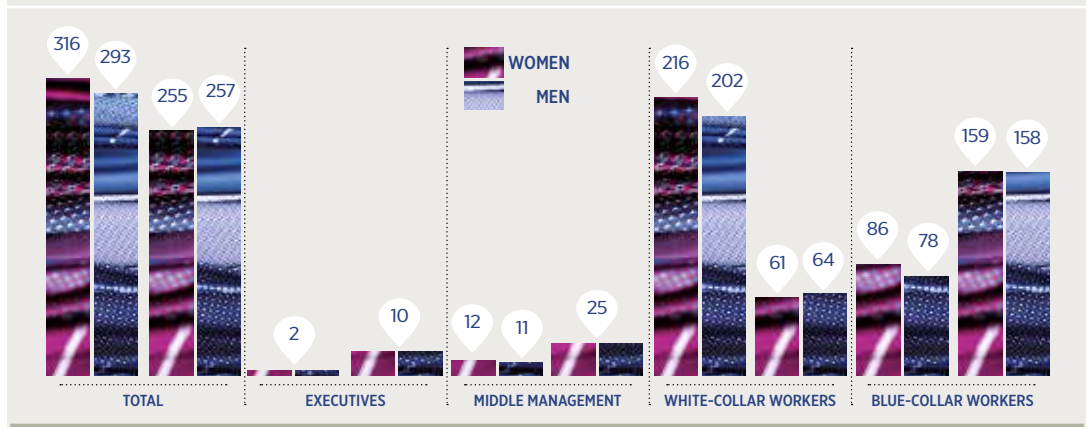
Tab. 2 - Workforce of the Ratti Group by contractual category, gender and geographical area at 31 December for the three-year period 2016–2018

Workforce by contractual category, gender and geographical area	GROUP			ITALY			TUNISIA			ROMANIA		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Total	715	755	799	534	543	555	153	183	215	25	26	26
Total women	439	472	518	276	282	296	142	169	201	18	18	18
Total men	276	283	281	258	261	259	11	14	14	7	8	8
Full time	543	550	571	495	503	523	23	21	21	25	26	26
Women	285	293	316	247	256	278	20	19	19	18	18	18
Men	258	257	255	248	247	245	3	2	2	7	8	8
Fixed term	139	177	214	6	12	18	130	162	194	0	0	0
Women	130	162	196	5	9	12	122	150	182	0	0	0
Men	9	15	18	1	3	6	8	12	12	0	0	0
Other employees	33	28	14	33	28	14	0	0	0	0	0	0
Temporary	0	8	1	0	8	1	0	0	0	0	0	0
Women	0	6	0	0	6	0	0	0	0	0	0	0
Men	0	2	1	0	2	1	0	0	0	0	0	0
Project workers	3	3	2	3	3	2	0	0	0	0	0	0
Women	2	1	1	2	1	1	0	0	0	0	0	0
Men	1	2	1	1	2	1	0	0	0	0	0	0
Interns	30	17	11	30	17	11	0	0	0	0	0	0
Women	22	10	5	22	10	5	0	0	0	0	0	0
Men	8	7	6	8	7	6	0	0	0	0	0	0



FIGURE 1

The Ratti Group workforce with full-time contracts by position and gender at 31 December: comparison between 2018 and 2017



224

Employees of the Ratti Group below 30 years

300

Employees of the Ratti Group between 30 and 50 years

275

Employees of the Ratti Group above 50 years

93.74%

Employees hired full time by the Ratti Group

6.26%

Employees hired part time by the Ratti Group

Figure 2 shows the breakdown of the workforce by age and gender.

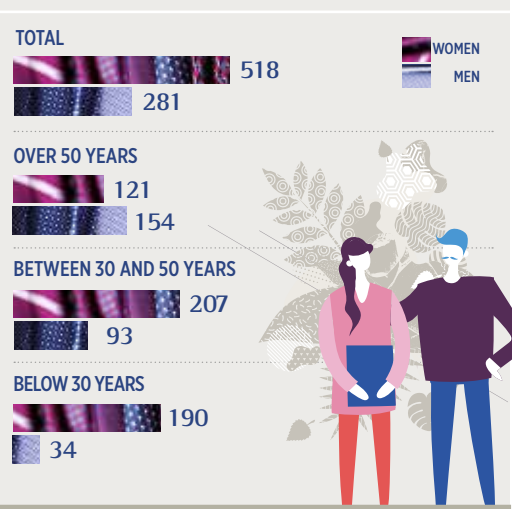
The composition of the BoD remained unchanged in the three-year period 2016-2018. Three of the nine current members are women, with 77.78% of the members in the age range "Over 50 years".

TAB. 3 - Composition of the BoD by gender at 31 December for the three-year period 2016-2018

	2016	2017	2018
Between 30 and 50 years	3	3	2
Women	2	2	1
Men	1	1	1
Over 50 years	6	6	7
Women	1	1	2
Men	5	5	5
Total	9	9	9
Total women	3	3	3
Total men	6	6	6

FIGURE 2

Workforce of the Ratti Group by age range and gender at 31 December 2018



133

New hires at 31 December 2018

67.67%

New hires below 30 years

Tab. 4 - Employees by contractual category (full time/part time) by gender and geographical area at 31 December for the three-year period 2016-2018

Employees by contractual category	GROUP			ITALY			TUNISIA			ROMANIA		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Total	715	755	799	534	543	555	153	183	215	25	26	26
Women	439	472	518	276	282	296	142	169	201	18	18	18
Men	276	283	281	258	261	259	11	14	14	7	8	8
Full time	667	702	749	487	492	509	153	183	215	25	25	23
Women	392	423	473	231	234	253	142	169	201	18	18	17
Men	275	279	276	256	258	256	11	14	14	7	7	6
Part time	48	53	50	47	51	46	0	0	0	0	1	3
Women	46	49	45	45	48	43	0	0	0	0	0	1
Men	2	4	5	2	3	3	0	0	0	0	1	2

RATTI



People, and their diversity, represent the engine of creativity and competitiveness for the Ratti Group. The enhancement of individuals and the safeguarding of equal opportunities starts with the recruitment process, and continues during each individual's growth pathway.



Enhancing and safeguarding the diversity of the individual

Since 1945 the name Ratti has been synonymous with concepts such as creativity, style and talent, to name but a few.

There is, however, something else that characterises the experience of the Group and that represents its real point of strength.

The one thing that has allowed us to continue to grow over the decades we have been in business: the human factor. People represent, in all their diversity, the motor of creativity and competitiveness of the Group. This is why in Ratti enhancing the individual and safeguarding equal opportunities begins with the recruitment process, and then continues during the journey of personal growth that each person undertakes, thanks to continuous investment in training.

Welfare and benefit policies contribute to creating an environment in which every employee can find an effective answer to their specific needs, whether

in terms of family management or mental and physical health.

The Group pays attention to the needs of employees with disabilities. In Ratti SpA all necessary measures have been taken to ensure ease of access to company spaces, with internal and external parking spaces reserved for people with disabilities, lifts that are suitable for ascending to the first floor of the building, and specially adapted bathrooms. Any workers who have difficulty walking following surgery or other medical treatment are granted temporary access to parking spaces. Textrom and Creomodà, at 31 December 2018, had no workers with disabilities or belonging to protected categories.

Selection and turnover

Each company autonomously defines its personnel selection and administration of policies on the basis of the principles and practices established by the Group's Management, according to its specific requirements.

As indicated in the Ratti Group's Code of Ethics, the selection of personnel is carried out by the Group's competent functions, and must fully respect the company's values, the ethical principles of the Code and all applicable legislation, whether at European or national level.

The selection and administration of personnel is based exclusively on criteria of expertise and merit, and is carried out while fully respecting the rights





of the individual, and condemning any form of discrimination.

In applying the principles and values in the Code of Ethics, Ratti SpA, Creomoda and Textrom have a specific selection policy. For hiring by Ratti USA and Ratti International Trading, the Parent company's policies are applied.

In accordance with the principle of **developing talent and expertise** in response to a hiring request or a need to manage staff turnover, an internal search is first carried out. A "vacant position" is created and is subsequently advertised internally as a job posting.

If the internal search does not produce the required results, external selection channels are activated,

Tab. 5 - New hires by age, gender and country at 31 December for the three-year period 2016-2018

Newly hired employees by age*	GROUP			ITALY			TUNISIA			ROMANIA		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Below 30 years	42	67	90	14	22	35	28	45	55	0	0	0
Women	37	57	79	10	13	27	27	44	52	0	0	0
Men	5	10	11	4	9	8	1	1	3	0	0	0
Between 30 and 50 years	30	21	33	9	10	21	21	10	12	0	1	0
Women	22	12	22	6	6	11	16	6	11	0	0	0
Men	8	9	11	3	4	10	5	4	1	0	1	0
Over 50 years	8	4	10	7	4	10	1	0	0	0	0	0
Women	4	2	5	4	2	5	0	0	0	0	0	0
Men	4	2	5	3	2	5	1	0	0	0	0	0
Total employees	80	92	133	30	36	66	50	55	67	0	1	0
Total women	63	71	106	20	21	43	43	50	63	0	0	0
Total men	17	21	27	10	15	23	7	5	4	0	1	0

*The figures refer to employees hired on fixed-term and full-time contracts



571

Employees hired on full-time contracts by the Ratti Group

224

Employees hired on fixed-term contracts by the Ratti Group

Tab. 6 - Personnel who interrupted/terminated their employment, by age at 31 December for the three-year period 2016-2018

Personnel who interrupted/terminated their employment, by age*	GROUP			ITALY			TUNISIA			ROMANIA		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Below 30 years	29	24	33	6	5	6	23	19	27	0	0	0
Women	27	22	31	4	4	6	23	18	25	0	0	0
Men	2	2	2	2	1	0	0	1	2	0	0	0
Between 30 and 50 years	24	11	18	8	5	10	16	6	8	0	0	0
Women	19	6	10	6	1	4	13	5	6	0	0	0
Men	5	5	8	2	4	6	3	1	2	0	0	0
Over 50 years	16	12	24	14	12	24	2	0	0	0	0	0
Women	4	3	8	4	3	8	0	0	0	0	0	0
Men	12	9	16	10	9	16	2	0	0	0	0	0
Total employees	69	47	75	28	22	40	41	25	35	0	0	0
Total women	50	31	49	14	8	18	36	23	31	0	0	0
Total men	19	16	26	14	14	22	5	2	4	0	0	0

*The figures refer to employees hired on fixed-term and full-time contracts

including announcements on specialised websites, direct contact or by examining the database of CVs. Every new-hire has a period of induction as set out in the welcome plan, together with his/her future boss. At the end of the induction period, the journey is assessed – normally at the end of the contractual probation period.

In 2018 a total of 133 people were hired, 67.67% of whom were under 30 years of age.

Also in 2018, 75 people left the company, 59.57% more than the previous year.

The turnover figures did not include Ratti USA Inc. and Ratti International Trading, where the workforce was unchanged in 2016 and 2017.

In 2018 total staff turnover was 26.50%. In detail, there was an increase in both the turnover for leavers (+4.29%), and, although it was smaller, that for departures (+3.09%).

The figures for leavers affected only Ratti SpA and Creomoda Srl.

For the former, the "over 50s" category showed the largest number of leavers (24), due to people retiring. Meanwhile, in Tunisia, the high level of mobility was linked to the type of contract predominantly in use there, i.e. a fixed-term contract, which increases flexibility in the local labour market.

215
Total employees of Creomoda at 31 december 2018

93.49%
Female employees

64.18%
Female employees under 30 years

18
Female employees of Textrom at 31 December 2018

Creomoda: a feminine company

Acquired by Ratti in 1992, Creomoda is a company specialising in the hemming of women's fabric accessories. It is based in Sousse, in Tunisia – one of the countries which has been most successful in seizing the opportunities for change in the Maghreb in recent years. Until the early 2000s, the company had around 30 employees, a number which increased to 142 in 2015, and to the figure of 200 professionals employed today. According to the data recorded at 31 December 2018, Creomoda has 215 employees, the majority of whom are women (93.49%) and are below 30 years of age (61.40%).

Romania, monitoring that makes a difference

Textrom Srl, a company that is owned 100% by Ratti SpA, has a plant at Floresti in Cluj-Napoca in Romania, an area that has a developing fabric district.

The Romanian subsidiary specialises in printing finished garments.

Although in numerical terms it represents only a marginal share of total production volumes, it plays an important role for specific product lines.

At 31 December 2018 its workforce consisted of 26 employees – 18 women and 8 men.

Tab. 7 - Total employee turnover rate by gender, age and country in the period 2016-2018

Employee turnover rate Value as %	GROUP			ITALY			TUNISIA			ROMANIA		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Total turnover* rate	21.85	19.12	26.50	11.58	11.26	19.59	59.48	43.72	47.44	0.00	3.85	0.00
Employee turnover rate (incoming)	11.73	12.65	16.94	5.99	6.99	12.20	32.68	30.05	31.16	0.00	3.85	0.00
Women	15.18	15.60	20.70	7.94	7.92	14.83	30.28	29.59	31.34	0.00	0.00	0.00
Men	6.37	7.72	9.89	4.02	6.00	9.16	63.64	35.71	28.57	0.00	12.50	0.00
Below 30 years	30.88	40.61	42.25	29.17	36.07	43.21	32.18	43.69	41.67	0.00	0.00	0.00
Between 30 and 50 years	10.42	7.02	11.04	4.21	4.69	10.00	35.59	14.29	16.67	0.00	6.67	0.00
Over 50 years	3.10	1.52	3.66	2.93	1.66	4.00	14.29	0.00	0.00	0.00	0.00	0.00
Employee turnover rate (outgoing)	10.12	6.46	9.55	5.59	4.27	7.39	26.80	13.66	16.28	0.00	0.00	0.00
Women	12.05	6.81	9.57	5.56	3.02	6.21	25.35	13.61	15.42	0.00	0.00	0.00
Men	7.12	5.88	9.52	5.62	5.60	8.76	45.45	14.29	28.57	0.00	0.00	0.00
Below 30 years	21.32	14.55	15.49	12.50	8.20	7.41	26.44	18.45	20.45	0.00	0.00	0.00
Between 30 and 50 years	8.33	3.68	6.02	3.74	2.35	4.76	27.12	8.57	11.11	0.00	0.00	0.00
Over 50 years	6.20	4.56	8.79	5.86	4.98	9.60	28.57	0.00	0.00	0.00	0.00	0.00

*The turnover rates were also recalculated for the period 2016 to 2017, using the following methodology. The turnover rate is calculated as the relationship between: (Number incoming in the year + Number outgoing in the year/full-time and fixed-term workforce at 31/12) *100; the turnover rate (incoming) is: (Number incoming in the year/full-time and fixed-term workforce 31/12) *100; the turnover rate (outgoing) is: (Number outgoing in the year/full-time and fixed-term workforce at 31/12) *100

7,412

Hours of training carried out in 2018

1,126

Of training for middle management and executives

3,663

Hours of training for white-collar workers

2,623

Hours of training for blue-collar workers

23.60%

Increase in the total hours of training in the Ratti Group in 2018

2.2. Training and developing talent

Each company in the Ratti Group autonomously defines its method of administration of personnel, as well as training and development policies that align with its own specific characteristics.

Every year Ratti SpA carries out a diagnosis of training needs using a specific instrument for gathering information compiled by each department head, who carries out a pre-assessment of the training needs of his or her unit. At end-2018, a training Catalogue was introduced, detailing the most frequent training initiatives, broken down by topic. This new tool was introduced to plan training for 2019. A training plan was created from the information gathered.

The training is financed, where possible, using corporate funding (Fondimpresa and Fondirigenti). Creomaoda Sarl has adopted a similar procedure to that followed by Ratti SpA. Managers report the training needs of their staff, sharing this with senior

management. They then decide on the training plan and the provider autonomously.

Textrom personnel periodically receive (from a specialised company) training covering health and safety at work and dealing with emergencies.

The training plan implements programmes that aim to provide continuous updating and support changes of role or organisation. The plan identifies specific moments for hiring new resources who, through on-the-job experience and training, support and facilitate the handover.

The quality of training carried out is periodically evaluated by the managers of the business units, by the line manager of the participant or by the trainer who actually delivered the training. All internal training relating to SA80000 and health and safety is evaluated at the end of the course.

Overall, in 2018 the Ratti Group carried out 7,412 hours of training, an increase of 23.60% on 2017. In 2018, middle management and executives received 1,126 hours of training, while white-collar workers received 3,663 hours and blue-collar workers 2,623 hours of training.

The average number of hours of training increased at Group level for all categories, while for blue-collar workers the figure remained almost the same as in 2017. (Table 8).

In detail, the training plans for 2018 for Ratti SpA further strengthened technical and financial expertise (43% of the total, +7% compared with 2017); 30% of training involved safety (+1% compared with 2017), 19% foreign languages and 8% soft skills (+4% compared with 2017).

The training of young people

Following the logic of mutual exchange and enrichment, the Ratti Group pays particular attention to promoting the training and development of young people.

Partnering with schools has, therefore, become a cornerstone of their enhancement. In 2018 Ratti promoted a number of projects that physically brought youngsters into the company to work.

The projects worthy of attention certainly include the partnership with the "Setificio" ISIS PAOLO CARCANO on the ITS course, which lasts two years. The objective of this course is to train professionals in the creative and industrial fields (the high-level technique of production and process in the designing and planning of textile, clothing and fashion articles), through a powerful synergy between training (1,000 hours) and working in the company

(800 hours). Ratti supports the project by welcoming youngsters to the company by offering them high-level training apprenticeships. In 2018 two young people were hired on an apprenticeship contract.

Meanwhile the second edition of "Looking for designers" ended in March. This project, developed by the Marzotto Group together with Ratti, involved searching for and developing talented youngsters in the field of textiles and graphic design. The review of the CVs and portfolios sent by the young candidates, who come from a variety of Countries, was done with the help of Giulia Pivetta, journalist and lecturer at the Domus Academy. She is the coordinator and tutor for this project.

At the end of the placement, one of the best participants was hired on an apprenticeship contract and continued their training with Ratti.

43%
Strengthened technical and financial expertise

19%
Strengthened foreign languages expertise

30%
Strengthened safety expertise

8%
Strengthened soft skills expertise



Tab. 8 - Annual average training hours per employee (on fixed-term or permanent contracts), by gender, position and geographical area for the three-year period 2016-2018*

Average number of hours of training per employee per year, by gender	GRUPPO			ITALIA			TUNISIA			ROMANIA		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Executives	4	10	19	4	10	20	-	-	0	-	-	-
Women	7	24	22	7	24	22	-	-	-	-	-	-
Men	4	7	18	4	7	20	-	-	0	-	-	-
Middle management	9	16	23	9	16	23	-	-	-	-	-	-
Women	10	16	20	10	16	20	-	-	-	-	-	-
Men	8	16	24	8	16	24	-	-	-	-	-	-
White-collar workers	8	9	12	6	8	11	32	5	70	60	72	3
Women	7	10	11	6	9	10	33	6	43	60	60	1
Men	9	8	17	6	6	13	32	2	283	60	90	7
Blue-collar workers or equivalent	7	7	6	1	2	4	8	6	8	60	57	11
Women	10	9	7	1	2	2	7	6	7	60	60	11
Men	4	4	5	1	2	5	12	3	8	60	50	11
Total	7	8	9	4	6	9	9	6	10	60	60	9
Total women	9	10	9	5	8	9	8	6	9	60	60	9
Total men	6	6	10	3	5	9	17	2	27	60	60	10

*For USA and China employees no training was scheduled for the period 2016-2018. In Textrom (Romania) there were no employees in the executive and middle management categories. In Creomoda (Tunisia) in 2018 there was one "male executive" and no middle managers.

In particular, the Group invested heavily in sales training aimed at improving the service offered to customers.

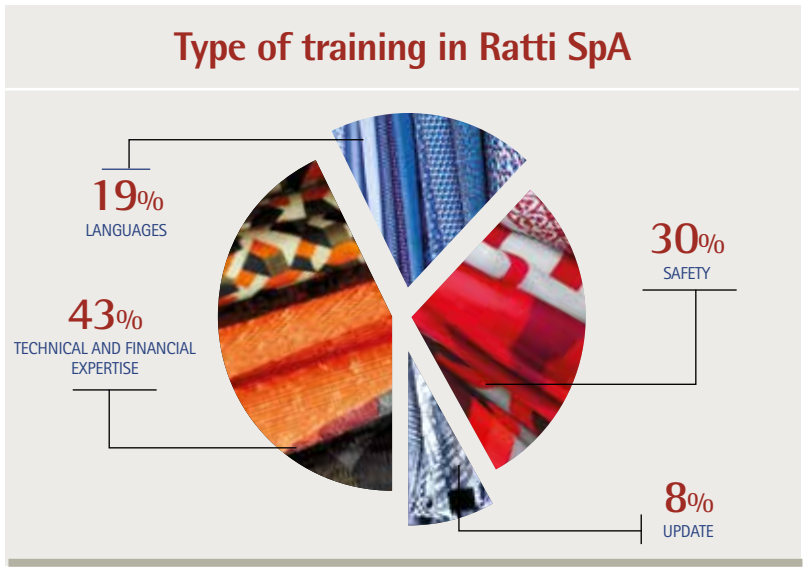
In Creomoda Sarl 75% of training involved safety and 24.9% foreign languages, including a proposed Italian course aimed at improving communication and integration with the Parent company. In Textrom Srl training only concerned safety.

2.3. Health and safety

Safeguarding the health and safety of employees

Health and safety is one of the top priorities of the Ratti Group, which acts in the conviction that anyone who accesses our place of work should be able to perform their duties in a comfortable and safe space, and that this environment should be safeguarded in the interests of everyone and the Group itself.

The Group is committed, whilst fully complying with the legislation in force with regard to health and safety in the workplace, to disseminate a culture of safety, develop risk awareness and promote responsible behaviour.



The importance of this theme is illustrated by the presence of a paragraph dedicated to it in the Groups' Code of Ethics and by certifications. In 2017, Ratti SpA obtained OHSAS 18001 certification. At this point the document *Politica e Obiettivi di Sicurezza e Ambiente* (safety and environmental policy and objectives) was formalised. It includes the procedures set out in the

-50%
decrease in accidents
at work
compared to 2017

29
people from external
suppliers working at
the premises of Ratti SpA
on an ongoing basis

8
people from external
suppliers that
work at Creomoda Sarl

OHSAS 18001 management system, and which is currently applied at all company levels. In Creomoda Sarl health and safety aspects were monitored and checked through social accountability certification: SA8000:2014.

Creomoda is also committed to complying with all the prevailing national regulations on the matter, and to adopting the SAAS recommendations relating to fire prevention and risk reduction measures. Since 2015 the company has also had a **Committee for health and safety at work** and since 2016 a manager responsible for health and safety at work. The Committee is invited to meet every two months to examine any developments in the matter, and once a year to discuss matters directly related to the standard of social accountability. The committee generally consists of one representative from the management, one occupational doctor and two representatives from

the workers. In 2017 a **regulatory compliance audit** was conducted on Ratti SpA, Creomoda Sarl and Textrom Srl, in accordance with Italian legislation. The aim of this was to report on, in particular, compliance with Legislative Decree 81/08 ("testo unico" (law) on health and safety at work) and the documentation laid down by law, the application of **legal requirements** governing the management and planning of actions aimed at achieving regulatory compliance, both in terms of documentation and in terms of application in practice.

The Creomoda Sarl site complies with Tunisian regulations and with the standard SA8000:2014, and does not carry out any high-risk activities.

In Textrom the prevailing national regulations are applied and in October 2018 the **Policy for social accountability** was extended to include health and safety aspects. The policy came into force in the early months of 2019.

WEAVING



FINISHING

Table 9 below shows the rate of absenteeism by cause of absence, while Table 10 shows the total number of accidents, specifying the relative days absent, the accident frequency index (AFI) and the accident severity index (ASI). In 2018 the Ratti Group recorded **four accidents**, of which one was during travel and the remaining three were at work (*two during fabric printing and one at the workplace, but not during production activities*). This represented a decrease of 50% on 2017. **However, no accidents were recorded at the Romania, USA or China premises.**

Overall, in 2018 the Group recorded a rate of absenteeism for employees of 3.30%, in line with the figure for 2017 (3.29%). Most of this was due to illness-related absence; in 2018 there were no recorded strikes.

The Ratti Group also pays attention to the health and safety of personnel who carry out ongoing working activities on the premises, whether or not they are employees. This regards workers who offer services such as cleaning, guarding the factories, plumbing, electrical and mechanical maintenance, company catering and gardening. These services are contracted out by Ratti to external suppliers. At 31 December 2018 there were a total of 29 people from external suppliers working at the premises of Ratti SpA on an ongoing basis, and eight who were working at Creomoda Sarl.

In 2018 no accidents were recorded for these types of workers, either in Ratti SpA or in Creomoda Sarl. In Textrom, Ratti USA and Ratti International Trading there are no external workers who carry out such activities on an ongoing basis.

Tab. 9 – Rate of absenteeism** by reason for absence, gender and country for the three-year period 2016–2018*

Rate of absenteeism Value as %	GROUP			ITALY			TUNISIA			ROMANIA		
	2016	2017	2018	2016	2017	2018	2016	2017	2018	2016	2017	2018
Total absenteeism	3.66	3.29	3.30	3.10	3.13	2.82	5.16	3.88	4.45	4.07	1.18	3.53
Women	3.54	3.15	3.45	2.42	2.73	2.70	5.22	3.94	4.36	4.36	1.36	4.47
Men	3.87	3.49	3.00	3.89	3.55	2.95	3.77	2.88	9.06	3.28	0.70	0.96
Strikes	0.12	0.08	0.00	0.17	0.12	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Women	0.06	0.04	0.00	0.10	0.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Men	0.24	0.16	0.00	0.25	0.17	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Union related	0.02	0.01	0.01	0.03	0.02	0.02	0.00	0.00	0.00	0.00	0.00	0.00
Women	0.01	0.01	0.00	0.02	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Men	0.04	0.03	0.03	0.04	0.03	0.03	0.00	0.00	0.00	0.00	0.00	0.00
Illness	2.97	2.82	3.22	2.80	2.85	2.76	3.31	2.98	4.30	4.07	1.18	3.53
Women	2.71	2.66	3.39	2.20	2.54	2.69	3.34	3.01	4.22	4.36	1.36	4.47
Men	3.45	3.07	2.89	3.49	3.16	2.84	2.59	2.54	8.41	3.28	0.70	0.96
Accidents	0.06	0.15	0.04	0.08	0.21	0.02	0.00	0.00	0.09	0.00	0.00	0.00
Women	0.04	0.10	0.04	0.07	0.11	0.00	0.00	0.00	0.09	0.00	0.00	0.00
Men	0.10	0.21	0.05	0.10	0.17	0.05	0.00	0.00	0.00	0.00	0.00	0.00

*In the USA and China, by contract, data on employee absenteeism are not gathered.

**The rate of absenteeism is calculated as: (number of working days lost due to absence/number of working days)*100. The causes of absenteeism taken into consideration are accidents, unjustified absences, strikes and absences in relation to union activities.

Tab. 10 – Total number of accidents, days absent due to accidents (from the calendar), AFI* and ASI**

Total number of accidents, days absent due to accidents, AFI and ASI	GROUP			ITALY			TUNISIA		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Number of accidents	6	8	4	6	8	3	0	0	1
Women	3	3	2	3	3	1	0	0	1
Men	3	5	2	3	5	2	0	0	0
Number of days absent due to accidents	93	255	101	93	255	46	0	0	55
Women	42	108	60	42	108	5	0	0	55
Men	52	147	41	52	147	41	0	0	0
Accident frequency index (AFI) including journeys	5.12	7.13	3.10	7.2	9.66	3.43	0	0	2.67
AFI women	4.17	4.38	2.41	7.43	7.23	2.19	0	0	2.90
AFI men	6.63	11.42	4.35	6.98	12.11	4.79	0	0	0,00
Accident severity index (ASI)	0.75	1.88	0.68	1.06	2.6	0.45	0	0	1.32
ASI women	0.52	1.3	0.61	0.89	2.21	0.09	0	0	1.34
ASI men	1.21	2.8	0.81	1.28	2.99	0.84	0	0	0.00

* The following formula was used to calculate the accident frequency index: (total number of accidents/hours worked) * 1,000,000

** The following formula was used to calculate the accident severity index: (total days absent due to accidents/working hours) * 10,000



2.4. The welfare of our employees

Ratti Group Welfare

Along with safeguarding the health and safety of personnel, Ratti pays particular attention to its employees' welfare.

Welfare, in the company's eyes, therefore becomes a precious tool for improving the atmosphere within the company, ensuring the loyalty of the most talented staff, as well as the achievement of high quality standards in production. The issue of balancing working and private time thus becomes a priority in terms of guaranteeing personal satisfaction.

Ratti offers its employees a range of services and deals from medical to recreational, as well as those services and opportunities that may be defined as "time saving".



Some services available to employees

- **Parking reserved** for staff and, specifically, pregnant women;
- **Car pooling** and incentives towards sustainable travel (e.g. vouchers;
- Free-to-use **recharging points** for electric or hybrid cars;
- A **postal service** for receiving private letters and packages at the concierge area instead of at home;
- A **laundry service** with collection/return of items twice a week;
- A **"zero km"** market once a week selling fruit and vegetables from the local region;
- Psychological support for employees;
- A **physiotherapy service** inside the company, with an agreement with **UniSalute**;
- Supplementary **healthcare covering** specialist medical support;
- **"CartAzienda Unindustria"**, agreements with shops and organisations in the local area;
- **Holiday resorts** (Villaggio Marzotto);
- **Christmas gifts** for employees' children (up to and including ten years old), and other communal events during the holidays.

The Ratti Groups' main welfare initiatives for subsidiaries relate to home-workplace transport. Employees of both Creomoda and Textrom benefit from a shuttle bus service and there is a home-workplace transport service in Romania which uses company cars. Employees of Creomoda Sarl also benefit from financial incentives, such as support with their children's education and help towards purchases of scholastic materials. The Group offers flexitime with two main categories of working hours: 08.00/08.30 – 17.00/17.30

and 08.30/09.00 – 17.30/18.00. In the case of departments where work is organised on the basis of shifts, any requests to work different hours will be considered for periods which are short or, in any case, compatible with production needs. In Romania and Tunisia employees work almost exclusively on a shift basis.

In 2018 a corporate climate survey was carried out for employees of Ratti SpA, with 71% of the sample replying.

The poll was an occasion to evaluate employees' welfare and attachment to the company, and to harvest some practical suggestions with regard to welfare, for the development of future projects. Welfare activities was the area which received the highest scores

Bringing hidden talent into the light

The culture of beauty is an intrinsic part of Ratti's DNA. For this reason we are constantly committed to enhancing the talent of individuals, who are the strength of our Group. In 2018 the exhibition "Artisti Ratti in mostra" (Ratti artists on display) was organised. The first exhibition was in the rooms of the Guanzate plant: 100 metres to put oneself on display, 100 meters to open a dialogue between ideas and art. The artistic value of the exhibition was to display the "hidden" talent in Ratti. It was the perfect embodiment of the spirit of the initiative: a tribute to freedom of expression and a representation of beauty.



Healthy work – work that generates health in the region

During 2018 Ratti SpA took part in the project “Healthy work”, aimed at implementing measures to support both male and female employees involved in providing care and assistance to minor children or relatives who have disabilities or are over 65.

The initiative was carried out by making financial contributions to Ratti SpA’s employees to reimburse costs incurred for the purchase of:

- Additional services for minors (kindergartens, educational and recreation services during the daytime, in the summer or during the school holidays);
- Services for providing care and assistance to minor children and/or disabled or elderly relatives.

The project, financed by the Lombardy region and coordinated by the Consorzio Servizi Sociali dell’Olgiatese (Social Services Consortium of the Olgiatese), seeks to respond to the needs of

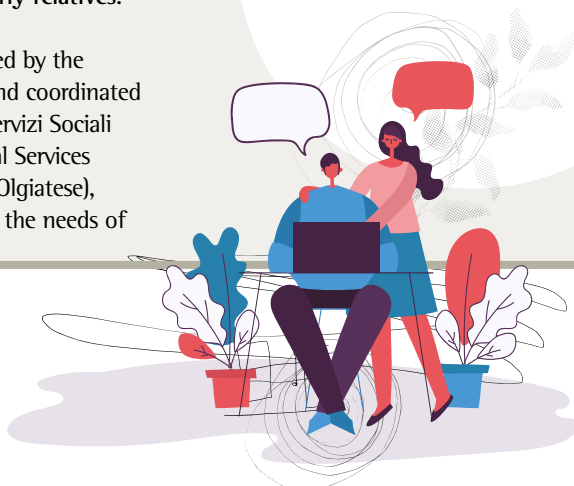
male and female workers who are trying to balance their working lives and the needs of their children or the elderly (their parents or other relatives). It offers them support in their search for appropriate solutions.

These are two needs that are having an increasing impact on today’s society, given that there is less support available from public welfare.

At November 2018 payments had been made to eight employees for a total amount of €7,337.00

7,337.00€

Value of contributions paid with the month of November 2018 to 8 employees



As set out in the Code of Ethics and in the Policy for Social Accountability, the Ratti Group is committed to opposing any possible situation involving exploitation in the workplace.

2.5. Safeguarding fundamental rights

The fight against child labour

As set out in the Code of Ethics and in the Policy for Social Accountability, the Ratti Group is committed to opposing any possible situation involving exploitation in the workplace.

As a guarantee of their respect for human rights, both Ratti SpA and Creomoda are SA8000 certified. In its recruitment policies, the Group also specifies its requirements regarding minimum age of employees, in line with national regulations (18 years in Ratti SpA and in Textrom Srl, 16 years in Creomoda Sarl) for all companies. When interviews are conducted with minors below the age of 18, there is a specific procedure in place to assess the educational circumstances of the minor, so that the working commitment is not incompatible with the former, and to verify and monitor compliance with the conditions agreed when the contract is signed. The verification of any risks inherent to non-compliance with respect for human rights is carried out periodically, during the process of updating SA8000 certification.

The provisions of the Group's Code of Ethics are further reinforced by the **Suppliers' Code**, which was introduced in 2018 and in which the Group requires its suppliers to respect national laws, any other applicable laws and the principles stipulated by International Labour Law conventions, the Universal Declaration of Human Rights and the OECD guidelines for Multinational Companies (see Chapter 3, paragraph 3.3 "A process that creates value").

The Ratti Group is committed to preventing and to opposing all situations involving exploitation in the workplace and in particular child labour, not only in its production units, but along the whole of the supply chain.



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All aboard for sustainability

In mid-April the 2017 Sustainability Report was delivered and presented to all employees, during a meeting held by CEO Sergio Tamborini.

This provided concrete evidence that the creation of sustainable value for persons and the environment represents a key element of the company's strategy.

The results and initiatives are born out of teamwork in which every idea, print or project has not just given

life to an excellent product that is an expression of Made in Italy, but is the result of all those values in which the company still believes after more than 70 years in business.

As far as employees of Creomoda Sarl and Textrom Srl are concerned, internal monitors were installed. These are connected with the Guanzate premises in order to share the Group's main news. In 2018 the 2017 Sustainability Report was also transmitted through information sent to the monitors.



2.6. Communicating is the key to sharing

Internal communication

If it's true that communication is not what we say, but rather that which arrives from others, this discipline becomes a key tool in ensuring that all employees are aligned with principles, values and objectives.

Against this backdrop, a key role is played by the company's intranet. This is the Group's actual portal that manages the news, publishes shared documents and, last but not least, manages a number of internal processes.

The intranet area of Ratti SpA has a number of sections with a full range of informational and institutional content: Company information (The Group, its history, its organisation and its premises), Financial and operating results, Area News with the latest news, an Events calendar, and Useful information, which includes new opportunities and active special agreements.

The Documents section has been designed to facilitate access to everything that concerns daily working life in the company. There are also areas relating to projects, specific shared documents (manuals, headed paper, company logos), specific company initiatives and working tools, depending on the authorisation granted.



STYLE AND DESIGN OFFICE



Internal communication is an instrument that is key to ensuring that all employees are aligned with the company's principles, values and business objectives

Internal procedures and rules are published in the Procedures section. The most important of these are explained during the induction process, while new employees are asked to read all procedures and instructions in force as soon as possible.

Internal communication is an instrument that is key to ensuring that all employees are aligned with the company's principles, values and business objectives. The section Training and Sustainability in Ratti SpA is dedicated to training and to environmental sustainability. The Training area consists of different areas for different corporate communities (managers, sales people, engineers), aimed at updating managerial competences and technical knowledge.

The aim of the HR portal is to optimise management and communication processes and to permit the company's employees to interact, managing their presence or absence through technology that allows them to connect either through the public internet or the company's intranet. Through the portal, it is possible to request, either a priori or a posteriori, evidence of holidays, periods of leave, failures to clock in/out, or overtime payments, which are processed by the attendance management system once they have been authorised by the relevant manager.

The intranet includes measures that guarantee security, and each employee is identified by a user name and an access password. The Communication section contains instructions.

IT OFFICE



In the talent of the individual, the strength of the Group

799, this is the power of the Ratti Group: unique identities which, day after day, set off a chain reaction that creates a compact team.

We always start with people, their value, their talent, but it's a group in its entirety that brings out and makes the difference. In Ratti there is a rule whereby it's better to count on 1% of 100 people than on 100% of an individual, simply because the force of this group overshadows individuals and moves everyone in unison. It's belonging to the group that

stimulates an individual to give of their best, overcoming barriers that on their own they would never be able to cross.

Working in Ratti does not just mean climbing over the gates of Via Madonna in Guanzate - instead, it is a change of mentality that maximises an individual's performance.

This has been our strength and our passion for over 70 years: creativity and talent to be, every day, the first choice of the most prestigious fashion houses in the world.

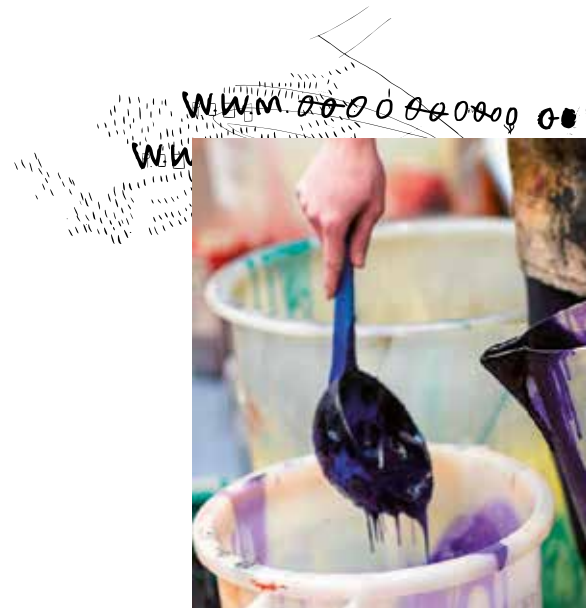
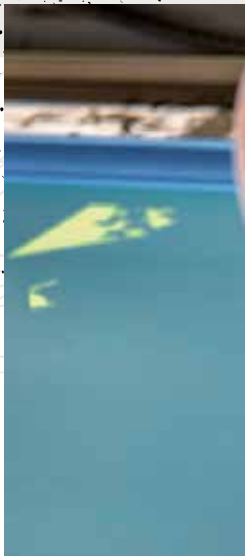




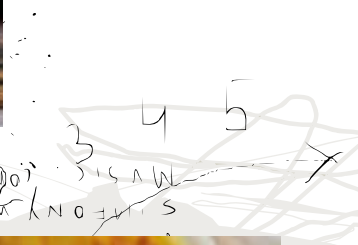
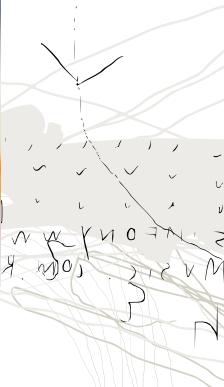
CHAPTER 3

Material becomes creation

- 3.1 Complete management to guarantee quality
- 3.2 Tradition that pays attention to the environment
- 3.3 A process that creates value
- 3.4 A commitment anchored in the most advanced standards



TRADITIONAL PRINTING





Material becomes creation

3.1 Complete management to guarantee quality

The production cycles

The harmony in every cog in Ratti's production is also reflected in the printing of the fabrics. They have a balance of colours and fluidity, as they do in the sublime quality of this art which is an equilibrium between traditional craftsmanship and technological and design innovation.

Strengthened by a tradition born out of the manufacture of silk, over time Ratti has transferred the specialist capabilities it has developed working with this fine fabric to different natural fibres, composite fibres and technological fibres.

Heritage and modernity: a pair of words that, in Ratti, look back over 70 years of history and merge into a heritage that is driven, always, by the search for **manufacturing** excellence. A capital deriving from an aggregated knowledge of culture and craftsmanship that has made the company an undeniable **point of reference** in the art of printing. The Group manages the entire production cycle,

from the creative phase, including the fabric design and production planning, to the ennoblement processes and hemming. Three principal production cycles are carried out by Ratti:

- Weaving
- Dyeing and printing
- Hemming finished garments

The overarching theme in production processes is innovation: Ratti studies, experiments with and adopts new production techniques, new technologies and new printing processes. Thanks to a marriage between a proclivity towards innovation and complete management of the process, the Group is able to guarantee maximum product quality, whilst constantly refining its environmental and social sustainability profile.

Every year, Ratti throws open the doors of its premises, organising **ad hoc company** visits. The idea is to explain the complete production cycle: from initial design to printing the fabrics. Tours are guided directly by plant managers and are aimed at Italian and international fabric institutes as well as **universities** and **fashion academies from around the world**. The weaving and the dyeing-printing cycles begin with **design**. This is a critical phase of the whole

Heritage and modernity: a pair of words that, in Ratti, look back over 70 years of history and merge into a heritage that is driven, always, by the search for manufacturing excellence.

TRADITIONAL PRINTING





process to which Ratti, as always, pays the greatest attention, emphasising the talent and creativity of its designers.

Talent that lends form to ideas

Design is an innate talent, it is related not to the age of the designer but rather to his or her artistic sensibility, imagination and innate capacity to comprehend and give form to the customer's wishes. It is a gift that cannot be taught.

What can, however, be taught and perfected is giving shape to ideas with the support of IT devices and graphics tablets, in order to best simulate working manually. Developing a complex prototype can require the full month's labour of a single resource, dedicated and working with great flexibility, creativity and willingness, to give form to the wishes of a client who is increasingly multifaceted and demanding.

To be ready, therefore, to face new challenges, recruiting new staff is delicate from this point of view and has, as a prerequisite, a period of activity (for example an internship) to test a worker's ability to mould their artistic abilities to the daily operational needs.

A designer's work may be linked to a specific

The common thread running through production and innovation processes: Ratti studies, experiments with and adopts new production techniques, new technologies and new printing processes.

Ratti and OPEN FACTORY

Ratti, as an advocate for Made in Italy and a reference partner for the major fashion houses of the world thanks to its inexhaustible creativity – the offspring of freedom of invention and a certain touch of eclecticism – took part in the OPEN FACTORY project, along with “L'Economia” (of “Corriere della Sera”).

Attentive, as always, to enhancing its heritage and its history, Ratti chooses to present and represent the values of the area in the best way it can, by opening the gates of its production site, and allowing all guests to take a look behind the scenes at an

organisation that has, since 1945, been the cradle of elegance and style in the world of printing. Every department, every print and every design must be closely observed by someone who has taken onto themselves the codes and aesthetic graphics of this strong Italian “stamp”. This is a connotation which includes, at the same time, harmony, wise elegance and the unique style of this company. Respect for people, for the environment and for tradition, a close attachment to its own roots and its own territory, along with a strong passion for its work – these are the cornerstones that have always guided Ratti in affirming its brand.





request that may be entirely based on a colleague's "imprint", whether this be a direct request or a specific request from an external customer. In the latter case the customer interfaces with the product manager, who gathers all information necessary and transmits it to the design team. In this phase a first step is taken by researching material in the archive, which contains references to everything that has been produced since 1945, and is supplemented by further archives acquired over time.



From this and from other sources of inspiration, which vary according to the type of project, a series of prototypes are created. These either propose a new edition of a previous project or a brand new design inspired by the selected sample. This is a road which is paved with perseverance, flexibility and innumerable attempts, before satisfaction is achieved with regard to the desired product.

Creativity at the click of a button

This project derives its origins from the need to move from physical to digital management of the creative archive, improving both effectiveness and efficiency, integrating it with design and production processes, and making it easier to safeguard the intellectual property (designs and images) of customers and other third parties. Ratti makes use of an API (*Application Program Interface for image recognition, classification and research (a cognitive computing system)*)

Ideas born out of internal proposals are developed most of all for international trade shows, which take place at pre-decided times for the summer and the winter collection, and during which Ratti is invited to present its proposals. The customers in these cases are from the luxury sector, with "tailored" proposals demonstrating Ratti's savoir faire and using special printing techniques. Alongside the high fashion sector, Ratti also presents to the fast fashion sector, with a rich collection of 150 proposals in addition to its shirt collection, which includes over 300 ideas. Once one of the designs presented has been assigned to a customer, out of ethics and respect for intellectual property the design is not shared with other customers.

Within Ratti there is a team of six people dedicated to the world of shirts and ties, while there are 22 designers working on women's accessories and clothing, furnishings and bathing suits. Every designer has his or her own characteristic style, maybe more rigorous or more extrovert, which is made available to the team, turning their creative ability into a concrete solution. Although it is good practice to rotate designers to guarantee new stimuli, it may also happen that special relations may be established between some designers and customers, which consolidates their cooperation over time.

The textile cycle: from yarn to fabric

Once the design has been stipulated, for the weaving cycle the yarn is then selected from the warehouse and sent to the various phases of the actual weaving process. In a dedicated area, compliance with the sample is checked, residues from manufacturing are removed, and any imperfections in the resulting fabric are noted. After this first check, the fabric is sent to the **Finishing department** for the necessary

The phases of the fabric

SPINNING

The yarn used to produce the fabric may already be dyed or it may be in its raw form. To ensure the yarn complies with specific requests, various additives are used to dye it.

WINDING

In order to carry out subsequent operations, the yarn is wound onto cones.



WARPING



DYEING LAB

ennoblement processes. Following this process a further check is performed before the product is sent for shipment, to ensure that the product complies with the specifications of the customer or those of the hemming professional who will produce the final garment.

Dyeing and printing: creativity becomes a pattern

The Dyeing and Printing department carries out a critical dual role: on the one hand it is the place where, through dyeing and printing on the raw fabric, the designer's artistic expression becomes a concrete design, on the other hand it is also one of the production phases that is particularly delicate from an eco-sustainability point of view, given the use of chemical products required.

These chemicals, apart from dyeing and printing, may be involved in phases such as **washing**, where excess colour is removed, or **finishing**, where the fabric is treated to improve its properties.

A **quality check** is carried out in the finishing phase and, if necessary, specific retouching techniques may be applied.

WARPING

This involves the unwinding of the yarn threads, which are then rewound very close to each other on a loom, in order to comply with the number of threads required by the production specification (warp).

WEAVING

This is the process by which the fabric is constructed, through the weaving of warp (vertical) with weft (horizontal). The loom predominantly used is the "jacquard". This allows, by moving a single yarn, various designs and types of weaving to be executed on the fabric.

The phases of dyeing and printing

SCOURING

This operation is carried out continuously on a device whose purpose is to remove sericin and oils from the raw fabric. At the end of the process the fabric is dried, smoothed and wrapped on a beam.

DYEING

Usually items are dyed mainly as a base for printing and only minimally for the production of plain-weave fabric. The fabrics are dried and smoothed and subsequently checked (*colour sample and defects*).

PLATING

Fabrics destined for inkjet printing are impregnated with a substrate that is chemically compatible with the fabric, so that the ink can set.

PREPARING COLOURS

The production order being worked on is sent to the Colour Kitchen for the preparation of dyes. The system is supplied by silos containing the necessary products: dyes in powder form, thickeners and auxiliary fluids. The system mixes pure colours with the thickener, producing the colour tone required by the production specification.

The fabric arrives already prepared for printing or as raw fabric. In the latter case it first undergoes **preparation processes**, before moving on to the actual **printing phase** which, according to the fabric and design specifications, may be carried out using a variety of technologies.

Traditional table printing

The technology of **traditional table printing** is characterised by "wet on dry" printing. The fabric to be printed is rolled out on a table on which there is a printing carriage which contains the print screen. This consists of a metal frame with a material (mesh) which is serigraphed and permeable in the areas through which the colour passes, which is applied automatically to the screen using a blade. The original design is divided according to the number of colours, and each colour corresponds to a print screen.

Traditional printing technology may be in "application" (*a white or clear fabric swatch and the print covers the colour of the fabric swatch*) or in "corrosion" (*fabric watch in a single colour, colours containing a whitener and the print replaces the background colour*).

Inkjet printing

Inkjet printing is the most recent technology. It uses the same technique as that used by inkjet printers. The design is reproduced not by means of screens but by using electronic formats produced on CADs. The print pastes are replaced by liquid inks whose principal characteristic is their high degree of purity, which guarantees their transmission through the micro-jets on the print heads.

TYPES OF TRADITIONAL PRINTING

TABLE

flat or rotary, used mainly for production limited-quantity batches.

HAND-MACHINE

the same principle as for table printing but with more printing locations in action at the same time. Used for large-quantity batches.

ROTARY CONTINUOUS PRINTING

where the print screen is replaced by a cylinder with the same characteristics.

WASHING



The harmony of each Ratti production stage is reflected in fabric printing: a balance of colours and fluidity as well as the superb quality of this art in perennial equilibrium between a tradition of craftsmanship and technological and stylistic innovation.

Looking to the future in a sustainable manner, for Ratti, means not abandoning the past but, instead, continuing to build on it and invest in it, and to be able to offer a high-quality product. Ratti SpA tasked a certification agency, **Bureau Veritas**, with validating the process of traditional printing against inkjet printing, showing that using traditional printing is a choice that better respects the environment.

The analysis focused on the **different use of resources, energy, water and chemical products** of the two printing processes – inkjet technology versus table printing – comparing their use of electricity, water and chemical products. The results demonstrated that **table printing** was more virtuous in that it **used less resources**.

The validity of the results of the internal study were confirmed by its compliance with the standard **ISO 14021:2016** on 15 December 2017.

The need to preserve the workmanship of traditional printing, given that a segment of luxury customers are still very interested in it, and to ensure its continuity, has also led Ratti to research and implement a new design project for table

printing, in partnership with a mechatronics firm and a software development company.

The redesign has brought Ratti's table printing in line with modern technological standards, and includes its integration with the IT system. Ratti's new printing table has been installed and is currently being fine-tuned and tested.

Traditional printing versus inkjet

	Energy saving (TEP/m)	Water saving (l/m)	Chemical products saving (g/m)
SILK	-19%	4%	-40%
COTTON	-33%	34%	-39%
VISCOSE	-47%	-9%	-48%

Source: Internal study commissioned to an independent body, 2017

Following the printing process, the fabric is treated with steam to set the colours (steaming phase)..

The **steaming phase** fixes the colours on the fabric through physico-chemical processes, whose final stage is a reaction between the colouring and the fibre, which varies according to the category or dye used. The main technique used is the continuous technique, whereby the printed fabric is always open with and without folds, using rooms with special temperature and humidity conditions.

Washing is used to remove excess dye from the fabric. The type of machine used depends on the structure of the fabric: for rigid weaving continuous machines are used for open-width washing, while for knitted fabrics washing in rope form is used with continuous or discontinuous machines. The temperature conditions and the time taken are also linked to the category of dye used.

The final phase of the production cycle is **finishing**. This is a mixture of chemical treatments, applications baths of specific products or mechanical treatments (calendering), which the fabrics undergo to improve their properties or add some new ones.

The operation is carried out with continuous machines and with the fabric in open-width form.

The **final check** before **shipping** is **quality control**, which verifies compliance with the production specifications. Following the check the fabric, rolled up in cardboard tubes, is labelled with details including a map of gross metres and any defects.





Hemmed garments: an added value

The two processes described above (*weaving and dyeing-printing*) may be followed by the garment hemming process: the entire series of activities designed to transform the finished fabric into ready-for-sale garments (*ties, scarves, foulard*). After the finished fabric has been checked, the garments are hemmed (*this is exclusively carried out at the Creomoda factory in Tunisia or by selected subcontractors*), before returning to Ratti SpA for a final check and shipping. Depending on the customers and the product lines, the goods are prepared, checked, boxed and delivered internally.

All garments are stored in the **finished garments warehouse** and may be traced using a management system with radio frequency terminals.

3.2 Tradition that pays attention to the environment

The Responsible Collection

In 2017 Ratti included the **Responsible Collection** in its value proposition, in line with a strategic logic which sees it growing and evolving over time, with the aim of allowing customers to choose the solution that best respects the environment, using production processes that are responsible and fabrics that are eco-sustainable.

A Responsible Collection broadens the Company's offer in terms of materials, providing a clear and decisive response to a market which is making more and more requests for sustainability and transparency. Choosing a responsible collection is a decision taken in harmony with the certifications that Ratti has acquired over the years that safeguard the company's immense heritage of creativity and craftsmanship, paying increasing attention to the phases of production with the aim of reducing environmental impact to a minimum.

Initially the collection consisted of 16 articles in six different eco-sustainable fibres and with traditional printing designs, i.e. **GOTS-certified organic Silk**, **Lyocell (natural cellulose fibre)**, **GOTS-certified organic Cotton**, **New Life (polyester 100% recycled from plastic bottles)**, **Greencel (an organic compound from wood pulp)** and **regenerated Nylon**. With its 2019 Spring/Summer presentation, the collection has expanded to 23 articles for diverse use, consisting of eight sustainable fibres finished using responsible processes, thanks to the addition of **GOTS-**

certified linen and hemp. Finally, in the 2019 Autumn/Summer Collection, which was shown at Premier Vision in September 2018, Ratti was proud to present the third responsible collection. This saw a further increase in the number of materials used – from eight to twelve – with the addition of **GOTS-certified organic Wool**, **regenerated Wool**, heavy metal-free **responsible Leather**, and **recycled Nylon**.

Première Vision in Paris

The event, intended to conceptualise and create new collections, unites all partners in fashion production under the same roof.

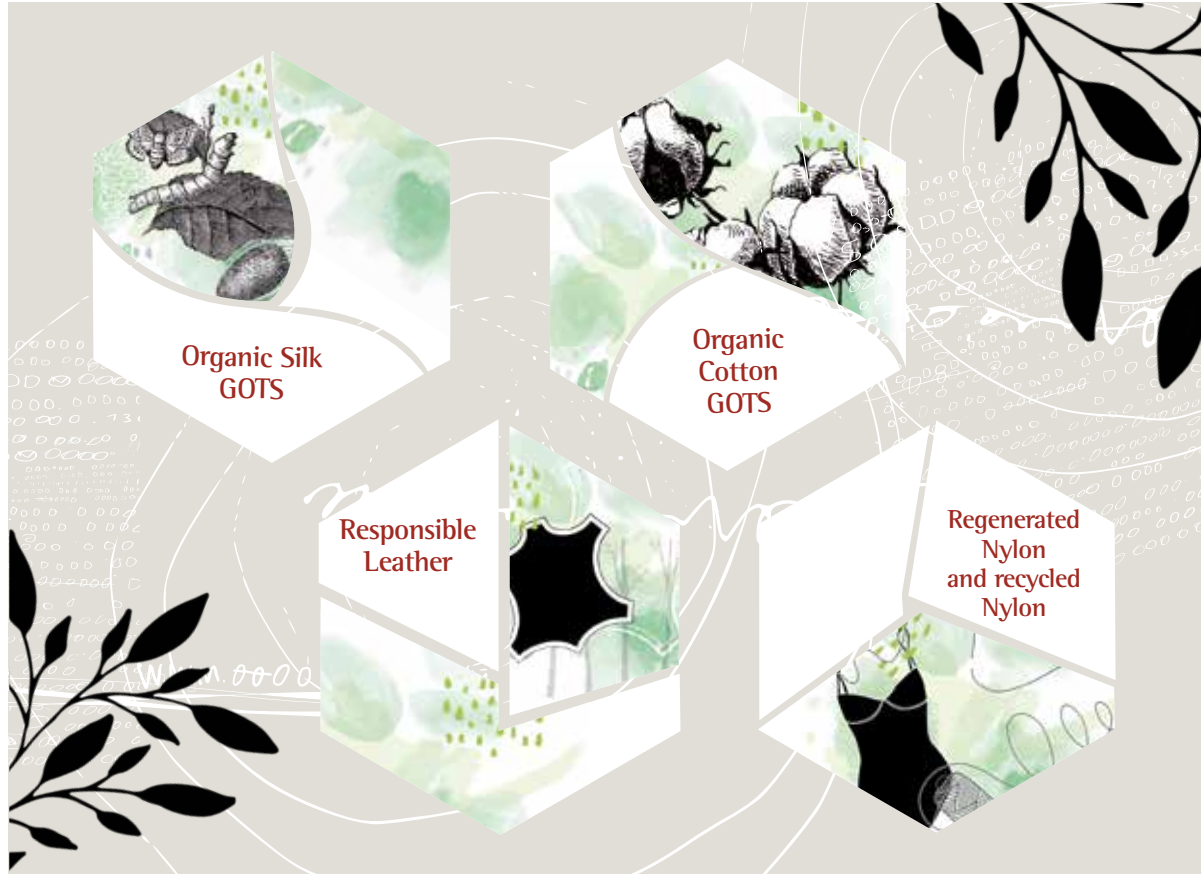
For three days, twice a year, at Paris-Nord Villepinte, the main industries that supply materials and services to the global fashion industry meet, bringing together all the main players in prêt-à-porter collections, leather goods and footwear, from design to production.

The idea of Première Vision is to present a complete creative offer selected by a committee of experts in yarn, fabrics, knitwear and leather goods, design and

accessories, from Europe and overseas.

Première Vision Paris presents the latest products of know-how of over 1,900 exhibitors, including those exhibitors, like Ratti, who are committed to responsible creativity. A stimulating immersion in forthcoming trends in various forms, such as 12 fashion forums in which the most interesting materials were selected and exhibited, as well as ranges of colours, and fashion seminars, including a series of conferences and workshops run by sector experts aimed at helping to understand and anticipate the problems destined to transform the industry of tomorrow.





ORGANIC COTTON

46%

potential global warming reduction thanks to reduced agricultural input

26%

potential reduction of excessive fertilisation thanks to reduced nitrogen and phosphorus deposits in water
(Source: textile exchange)

NEW LIFE

-94%

Water consumption

-60%

consumption of energy resources. Water and energy savings relate to the production of 1 kg of New Life fabric compared with the production of a virgin polymer
(Source: Sinterama)

REGENERATED NYLON

-7

Barrels of crude

-5.7

Tons Of CO₂ less.

101.2

Mj of energy savings. Each ton of Nylon regenerated
(Source: Aquafil)

LINEN

Using the same cultivated area, compared with cotton, linen guarantees – at European level¹ – a reduction of

650

billion m³ of water consumption

342,000

tons of carbon dioxide

300

tons of chemical fertilisers.
(Source: Report by the European Commission to the Council and to the Parliament)

HEMP

342,000

Thousand tons of CO₂ less

300,000

tons of chemical fertilisers less

-50%

use of water for cotton

Organic Silk, GOTS standard

Mulberry trees are grown using organic fertilisers, without the use of harmful substances such as pesticides and insecticides.

The cocoons are **not treated** with any form of drugs or antibiotics.

During the spinning and twisting phase of the yarn, only **certified oils** are used, while during the warping and weaving phase oils generally and cohesive agents specifically, are **not permitted**.

Organic Cotton, GOTS standard

The content of **certified organic natural fibres** is over 95% in weight terms.

Organic Cotton is grown using methods and products that have a low environmental impact, and without using chemical pesticides and fertilisers. In addition, organic production systems are used to fertilise the soil.

Lyocell

Lyocell is an artificial hypoallergenic and biodegradable cellulose fibre obtained from wood pulp. During the production phase the solvent used is 100% recovered, in contrast with that used for viscose².

Greencel

Greencel is an organic compound derived from wood pulp. It is a biodegradable and renewable fibre that is **not transformed chemically**.

New Life

New Life is a fibre derived from recycled polyester which is, in turn, derived 100% from used plastic bottles. These are collected and processed in an exclusively Italian production chain.

The mechanical process that transforms bottles into textiles does not use chemical compounds that harm the environment and does not release toxic gasses. New Life helps to reduce the amount of plastic that needs to be disposed of, requires few production stages and consumes only a moderate amount of energy resources.

Regenerated Nylon and recycled Nylon

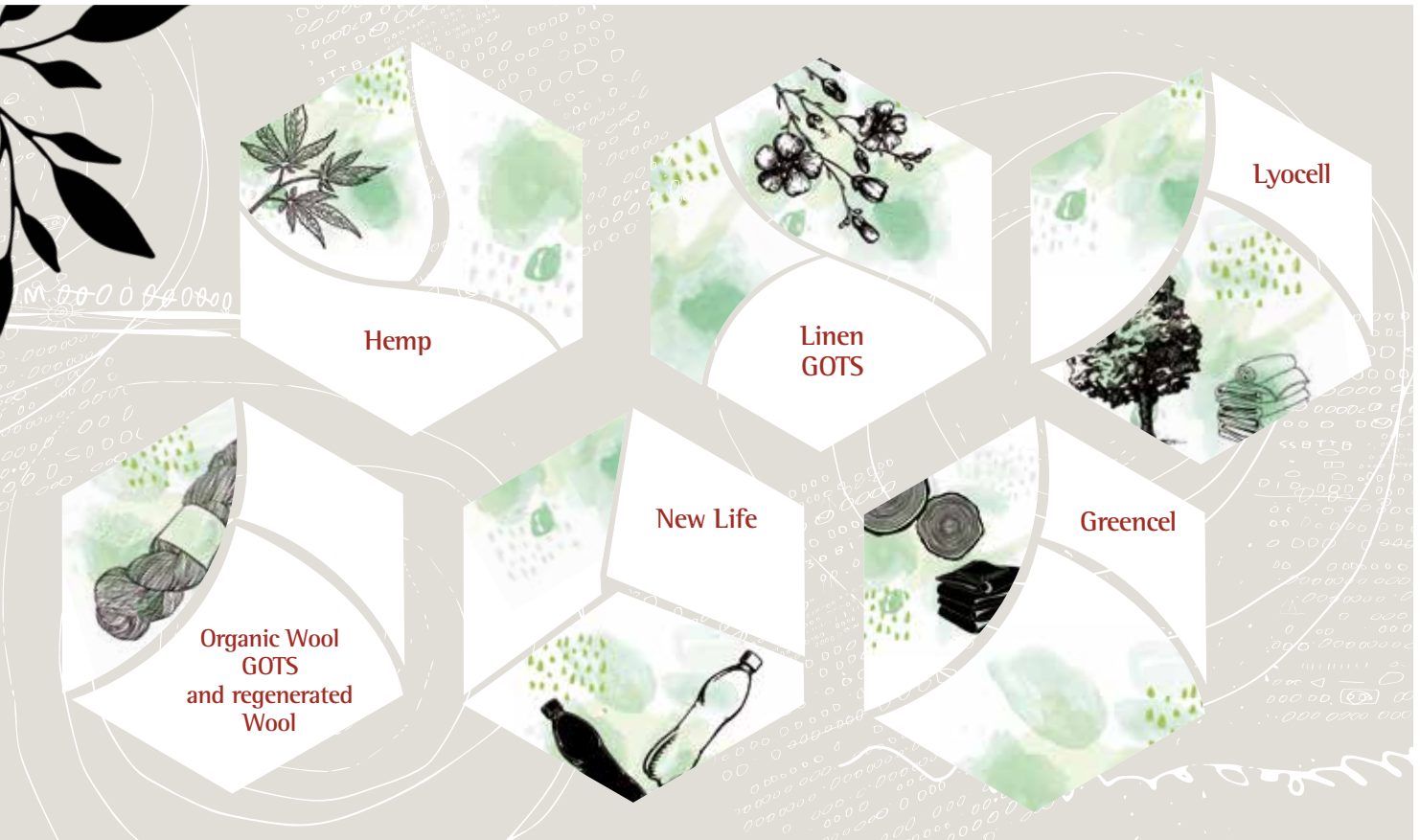
Regenerated Nylon is derived from post-consumption Nylon from fishing nets and bathing suits, collected globally. The advantage of this fibre is that it can be regenerated an infinite number of times without losing quality. Regenerated Nylon comes from secondary raw materials that are selected and recycled mechanically, without using any chemical substances.

Linen, GOTS standard

Always seen as a noble material thanks to its remarkable qualities, linen flax can be grown using only rainwater for irrigation, while crop rotation favours the regeneration of the soil.

Hemp

Hemp is very resistant to attacks by parasites and is 100% usable: from top quality fibre to discarded



The Responsible Collection represents first and foremost material that becomes the starting point for the concrete realisation of ideas that are destined for the world of clothing and accessories.

products. Its fibres are naturally antibacterial and antifungal and wear exceptionally well (*three times more resilient than cotton*).

They are also able to absorb humidity. Hemp needs 50% less water than Cotton and does not require the use of any chemical products. It also produces biomass and reduces the greenhouse effect, given that it is an excellent absorber of CO₂³.

GOTS standard organic Wool and regenerated Wool

GOTS organic Wool is obtained while fully respecting animal welfare. It is not exposed to the most common chemical and pharmacological treatments and does not use any chemical substances during the manufacturing process. Regenerated Wool is obtained through the recycling of woollen garments and fabric scraps from the manufacturing of wool mixtures.

Responsible Leather

This is leather that contains no heavy metals and has a low environmental impact thanks to CO₂ offsets through reforestation activities.

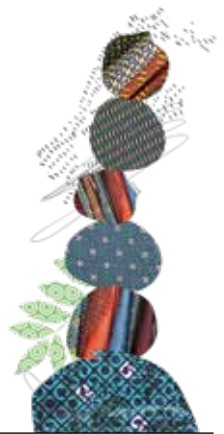
In addition to being traceable on traditional printing, the printing process of Ratti's Responsible Collection does not use premetallised dyes and it uses PFC-free finishing. These are the main innovations introduced during 2018 as part of the Chemical Sustainability Project, which is aiming to eliminate water and oil repellent finishing and, subsequently, to eliminate PFCs in the production cycle and to develop the Responsible Collection without using premetallised dyes.

The objective is to reduce pollution released into the environment and in the wastewater.

The PFCs that are used in water and oil repellent finishing are characterised by their great capacity to remain in the environment and to bioaccumulate. Once they have been released, they degrade very slowly; they can remain in the environment for hundreds of years and can spread everywhere in water and through the food chain.

With the goal of reducing pollution released into the environment and in wastewater, Ratti has eliminated the use of premetallised dyes in its Responsible Collection.

In order to manage all the chemical products and dyes, software has been developed into which all the information regarding safety and technical profiles (*on the appropriate data sheets*) has been input, as well as all other ecotoxicological information (*certifications, analyses and specific declarations from suppliers*). This software makes it



1 Source: Report by the European Commission to the Council and the Parliament, Brussels, 20 May 2008/Analysis of the Life Cycle of a Linen Shirt, Bio Intelligence Service, 2008/CELC website www.masteroflinen.com

2 Source: LENZING and TEXTILE INTELLIGENCE Talking Strategy fashioning fibres for environmentally sustainable future"

3 Source: www.canapaindustriale.it

possible to conduct research into specific substances (through CAS numbers – numerical IDs that identify chemical substances unequivocally) and to ensure compliance with the various specifications (MRSI - Manufacturing Restricted Substances List, also by conducting a search using a CAS number). Also used and updated during 2018 was the Chemical Gateway of the ZDHC – Zero Discharge of Hazardous Chemicals – to verify compliance of chemical products and dyes in use (for further information see Chapter 4, box “ZDHC, the international programme to eliminate harmful chemical substances”). It has therefore been possible to obtain the In Check Inventory Report.



The faces of the new Responsible Collection

Ratti's new Responsible Collection manifests itself through female faces, superimposed on one another almost as if they were a mosaic of the human soul. It is a tracing of lines, with pulsating tones and hues, with forms that vibrate so that every face seems different, a process of becoming. These are faces that recount hopes and disappointments, with eyes that are infinite open lines

and lips that make you want to follow to the end of the story. The 40 articles include natural fibres (GOTS organic silk, GOTS organic cotton, hemp, GOTS organic and regenerated wool), artificial fibres (Lyocell), synthetic fibres (New Life and recycled and regenerated Nylon) and responsible leather. These are the numbers

for a collection which stands out not just for the creative idea underpinning the process, but also for the technological innovation of its responsible printing techniques. This is a collection which is, first and foremost, a starting point for the concrete realisation of ideas, whether these be destined for the world of clothing or the world of accessories. Each print declares two types of complementary attitude. On

the one hand there is a search for a placid and essential equilibrium, almost a desire to remove oneself from the omnipresent visual frenzy, on the other the need to emphasise a cutting-edge modernity that is also a performance, and which only a company like Ratti is able to create. This is material for a tool which is paramount in that it allows us to realise forms and

volumes, defining lines and proportions. Experimentation and research, together with sophisticated manufacturing and printing, to create the basis of a solid and tight relationship between the creative idea and production. This makes available experience and ability that has been handed down from generation to generation. The faces of the new Ratti collection express a need to safeguard passion and

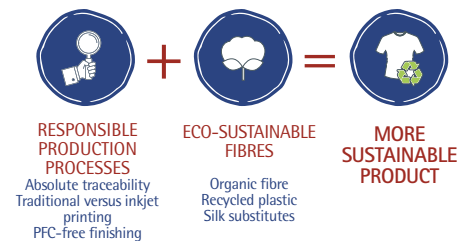
tradition, protecting these from the piracy of the ephemeral and, at the same time, tell the tale of an extraordinary labour which, collection after collection, takes care of the art of printing, protecting it from the stereotypes of daily modern life. Each woman's face initiates a dialogue with that beside it – these are gazes that live a profound reality, bringing out every undertone and sentiment.

Experimentation and research, together with sophisticated manufacturing and printing, to create the basis of a solid and tight relationship between the creative idea and production. This makes available experience and ability that has been handed down from generation to generation.

3.3 A process that creates value

Controlling the supply chain and managing logistics

Product quality starts with the raw materials. For this reason Ratti has made alliances with strategic suppliers which can be presented to the market at all stages of the supply chain: from checking and purchasing raw materials in the main producer countries such as China, Australia and New Zealand, to manufacturing the fabric and the finished product, ready for hemming.



The textile service: from warehouse to textile logistics operator

With its experience in the world of fashion, the Ratti Group is more than just a supplier of quality fabrics: it is a complete textile operator in the sense that is an authentic textile service company. Logistics have been revamped to offer additional processing and shipping services that offer added value to the customer.

It is not just a warehouse for storing goods, but an actual centre for international processing and shipping.

The objective is to centralise and standardise the supply chain to ensure that operations are managed as efficiently as possible and that the customer is completely satisfied.

Selecting suppliers

For Ratti, managing the **extended chain** represents an opportunity to generate new value in the complex textiles-fashion supply chain, guaranteeing an excellent level of service and total customer satisfaction, using an end-to-end supply chain model.

In 2018 Ratti shared with its suppliers both the updated version of its **Code of Ethics** (see the paragraph *"The Code of Ethics" in Chapter 6*) and the supplementary rules of conduct of the new **Suppliers' Code**.

Suppliers' reliability and their ability to meet these requirements are key elements in reaching the goal of guaranteeing the quality of the products and services offered. .

Seeking to enhance sustainability in its relations with suppliers, in 2018 Ratti worked on a selection procedure which takes sustainability parameters into consideration, in addition to criteria of quality, service and competitiveness.

The procedure will be perfected at the start of 2019, the objective being to implement it fully during the year.

A specific environmental assessment is carried out, particularly for companies which supply chemical products, and disposal services for waste and fabrics. For checks regarding chemical products, the Prevention and Protection function (Servizio Prevenzione e Protezione) and the Process Monitoring function (Servizio Presidio Processi), while also applying the provisions set out in the dedicated procedure, carry out assessments of chemical product suppliers, guaranteeing that in purchases made by Ratti there are no substances representing a high risk to the environment, in accordance with national laws and the most common certifications.

The checks carried out on chemical compliance are of critical importance to Ratti, which is shown by the significant investment it has made to upgrade its internal laboratory (see the box *"The REACH regulation"*).

With regard to the provision of goods and services from critical countries, a procedure has been established to verify the reliability of the supplier

"Tessuteca Ratti"

In order to improve its relations with its customers on a daily basis, Ratti has opened a tessuteca (fabric boutique), with fabric bases always available in the warehouse.

This is an efficient and effective area – and also a service – which offers more than 400 tested bases that offer the irrefutable guarantee of an immediate printing sample, whether traditional or inkjet printing.

The categories of always-ready fabrics such as silk, cotton, linen, wool/cashmere, viscose, synthetic fabrics, jersey fabrics, velvet and swimwear provide evidence that the company is leaning towards process

innovation, improved logistics and quality service.

The investment in the tessuteca, together with the company's ability to forecast purchasing criteria with the customer, represent a new business model in which delivery times are significantly reduced.

The Ratti Tessuteca has therefore become the basis of an increasingly close dialogue between ideas, production and delivery, where everything revolves around the customer's forecasting ability and the company's speed of response.

The Suppliers' Code

In managing its business activities, the Ratti Group is committed to respecting ethical and moral values that are defined on the basis of probity, honesty and transparency, and requires its suppliers to act in line with the same principles, respecting and adhering to the same philosophy when managing their companies.

The Ratti Group is working to include the New Suppliers' Code, which was approved in November 2018, as an integral part of its supplier contracts. Compliance with this Code as well as with the Group's Code of Ethics will be essential for supplier relationships to continue. To ensure supplier compliance, the Group reserves the right to check that the principles stipulated have

been complied with. The contents of the Suppliers' Code focus specifically on respecting human rights and working conditions, safeguarding the environment, the fight against corruption and respect for intellectual property.



and the quality of the product, and action has been taken to scrutinise aspects relating to social accountability.

Ratti SpA and its subsidiary Creomoda Sarl have implemented a system for managing social accountability, certified according to the standard SA8000:2014 by an independent body. Suppliers are asked to compile a self-assessment

questionnaire in which the Legal Representative of the company declares compliance with the principles of SA8000.

The indications provided by the certification bodies, due to a lack of laws/regulations safeguarding workers, even in the case of child labour, suggest using as rarely as possible suppliers from the following countries: Bangladesh, Iran, Kenya, Guatemala, Honduras, the Philippines, Venezuela, Laos, Bolivia, Vietnam, Pakistan.

Ratti has, therefore, limited its purchasing activities in these countries, carrying out the appropriate checks in cases where a supplier's credentials are not sufficient to guarantee compliance with social accountability good practice. Currently, the only case of supply relationships with suppliers in a country at risk is that of two Pakistani companies, whose compliance with SA8000 standards has been assessed.

In the case of significant commercial agreements, Ratti requires compliance with its **Code of Ethics**, which includes specific clauses regarding human rights.

The greatest volume of purchases is made by Ratti SpA, which duly follows the policies and procedures described above.

For the few local suppliers selected directly by Textrom Srl (Romania) the Group pays attention to compliance with all local legislation in force.

The only case of supply relationships with suppliers in a country at risk is that of two Pakistani companies, whose compliance with SA8000 standards has been assessed.

At December 31st 2018 the Ratti Group had 1,375 suppliers; of these **82.85%** were from Italy, **9.88%** from other European countries, **5.52%** from Asia, **1.16%** from North America and **0.36%** from Africa.

By way of confirming the historical-cultural links that the Ratti Group has with the region in which it operates, it may be usefully emphasised that **75.24% of the value of purchases** are made with **Italian suppliers**, and of these **67.67%** are from suppliers based in Lombardy.



Defending the cardinal value of intellectual property

The Group believes it is of paramount importance to fully respect intellectual and industrial property, whether this is its own or that of its customers.

This is a cardinal value of its activities, in a context of competition that is fair and proper. As a consequence, Ratti requires its suppliers to comply with the laws in force and the relevant applicable regulations.

The Group commits to treat with appropriate confidentiality – and to protect – ideas, models, designs and other forms of intellectual property developed during the company's working activities; not to undertake projects and/or develop products that could lead to violations of the

intellectual property rights of third parties, expressly forbidding any conduct aimed at the alteration, counterfeiting, and the illegal use of distinctive trademarks or logos, and designs and models whether Italian of foreign; not to sell products with distinctive trademarks or logos that are counterfeit and/or deceptive, including reference to the origin, source or quality of the product; not to produce, sell, distribute or even simply use products that have already been patented by third parties and over which the Group cannot claim any rights; to forbid any abusive distribution, reproduction, use or sale of original works for any reason and for any use.

The REACH regulation

Ratti requires its suppliers to comply with the REACH regulation for chemical products and dyes, other articles and manufacturing. These requests are sent every time the SVHC (Substances of Very High Concern) is updated, and following every amendment to REACH.

REACH (Registration, Evaluation, Authorisation and Restriction of chemical substances) is an EU regulation covering numerous chemical substances, with the aim of ensuring greater protection of human health and the environment.

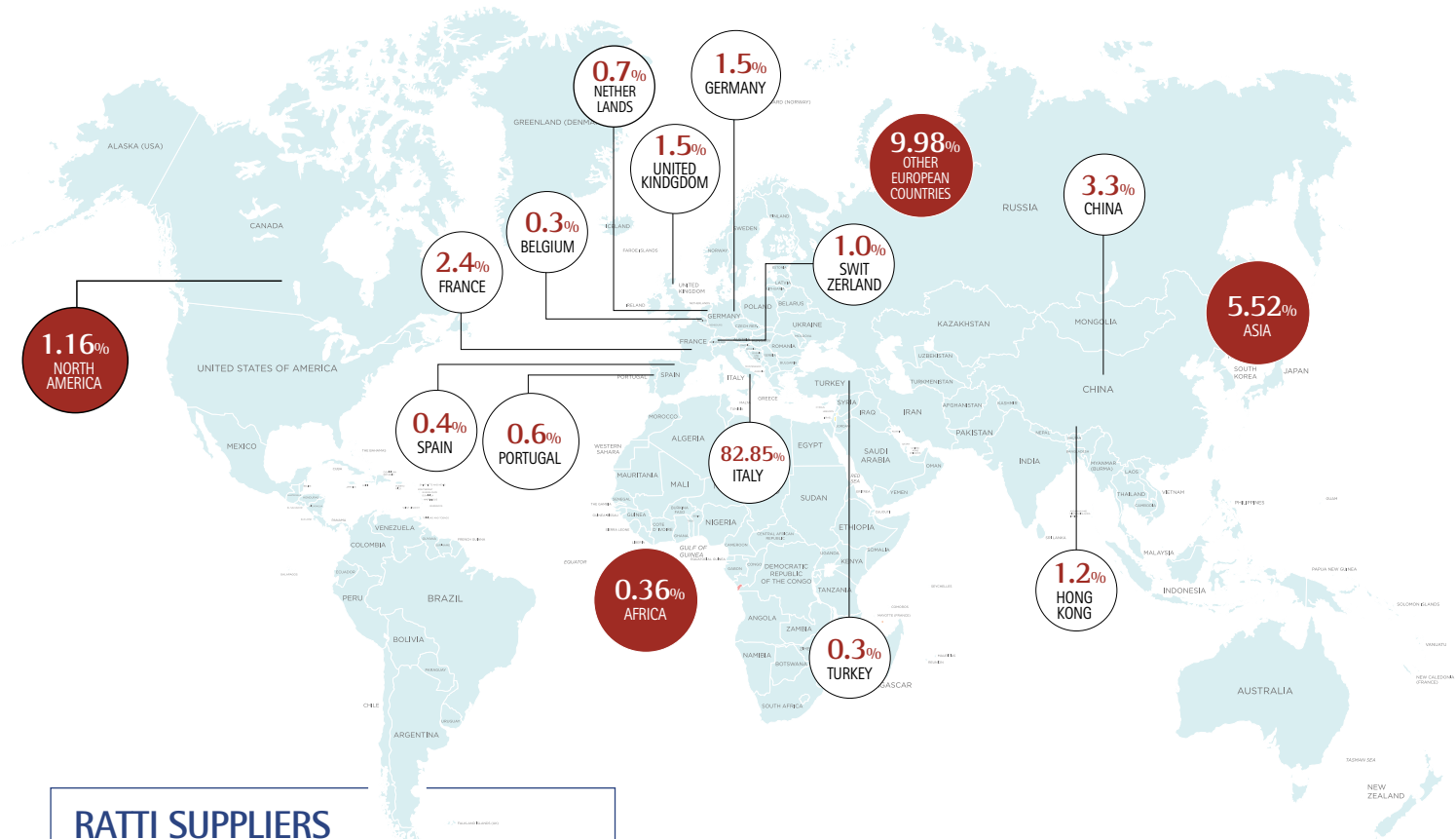
Through REACH it is possible to obtain information regarding the dangerous properties of products, risks associated with exposure and the safety measures that should be applied.

According to this regulation, in order to produce, import or market chemical substances, producers and importers are obliged to gather information on the properties of the substances, so they can be managed safely.

This information should be forwarded to

the ECHA (*European Chemicals Agency*). The above obligations concern, first and foremost, the producers and importers of substances in quantities greater than 1 ton/year, followed by the downstream users of substances as well as the producers and importers of articles who operate in the European economy.

All chemical substances used for production are purchased by Ratti SpA (*also for the Textrom subsidiary*). There is no provision for the use of such substances in Creomoda.



RATTI SUPPLIERS

1,375

TOTAL SUPPLIERS
RATTI GROUP

82.85%

SUPPLIERS FROM ITALY

9.88%

SUPPLIERS FROM
OTHER EUROPEAN
COUNTRIES

5.52%

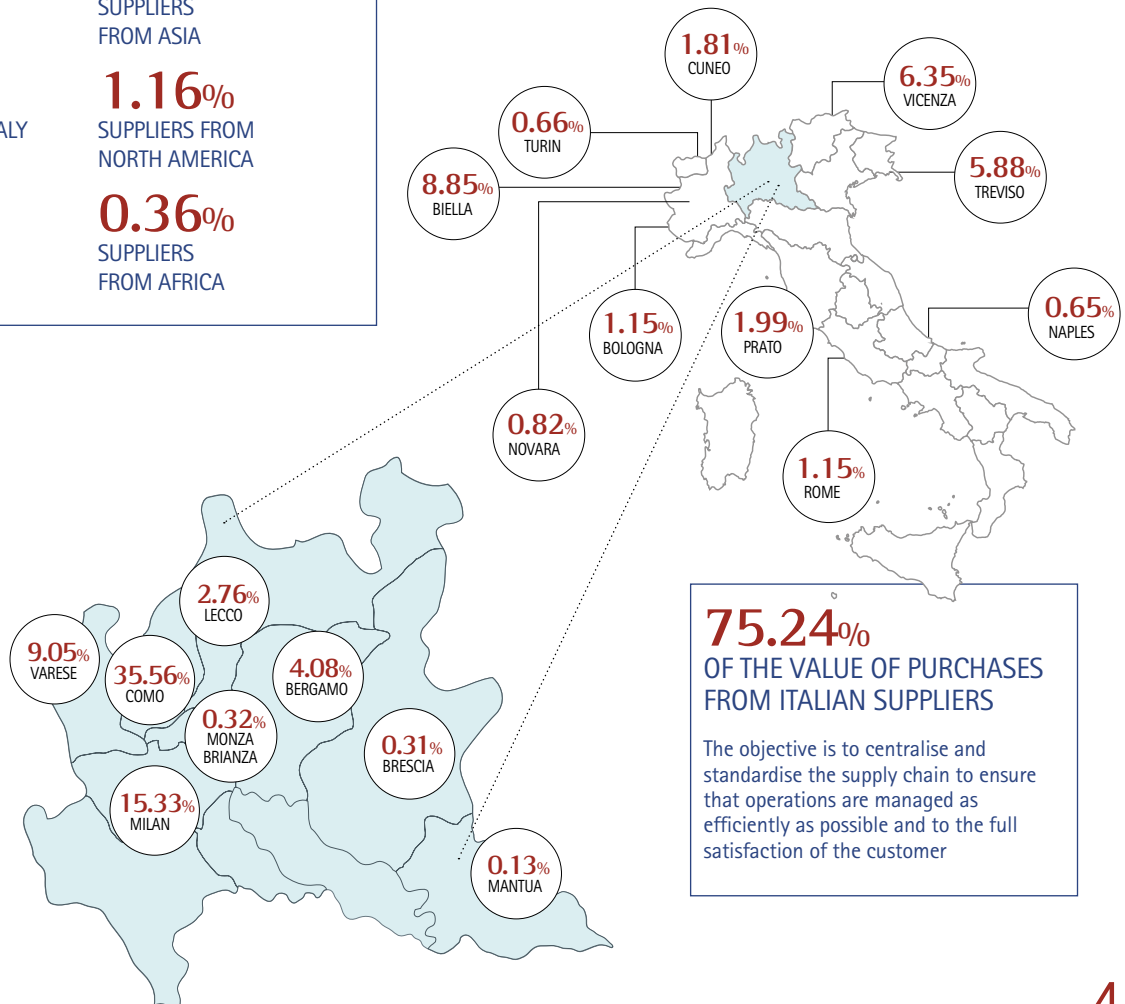
SUPPLIERS
FROM ASIA

1.16%

SUPPLIERS FROM
NORTH AMERICA

0.36%

SUPPLIERS
FROM AFRICA



75.24%
OF THE VALUE OF PURCHASES
FROM ITALIAN SUPPLIERS

The objective is to centralise and standardise the supply chain to ensure that operations are managed as efficiently as possible and to the full satisfaction of the customer

3.4 A commitment anchored in the most advanced standards

Standards and certifications

The company has made a strategic decision to develop an integrated management system that ensures total control of all aspects of its business processes and contributes to their consolidation. In line with this, Ratti has undertaken, starting with the Parent company, a journey that has led it to obtain important certifications, recognised internationally, relating to environmental management, safety in the workplace and social accountability:

- *Social accountability in accordance with the standard SA8000:2014*
- *Environmental protection in accordance with the standard ISO14001:2015*
- *Environmental labelling and declarations in accordance with the standard ISO14021:2016*
- *Health and safety in the workplace in accordance with the standard OHSAS 18001:2007*
- *Oeko-tex® standard 100 Class II for certain product types.*
- *Marchio SERI.CO*

Ratti SpA has also implemented procedures which comply with the following management systems, with the objective of certifying them during 2019:

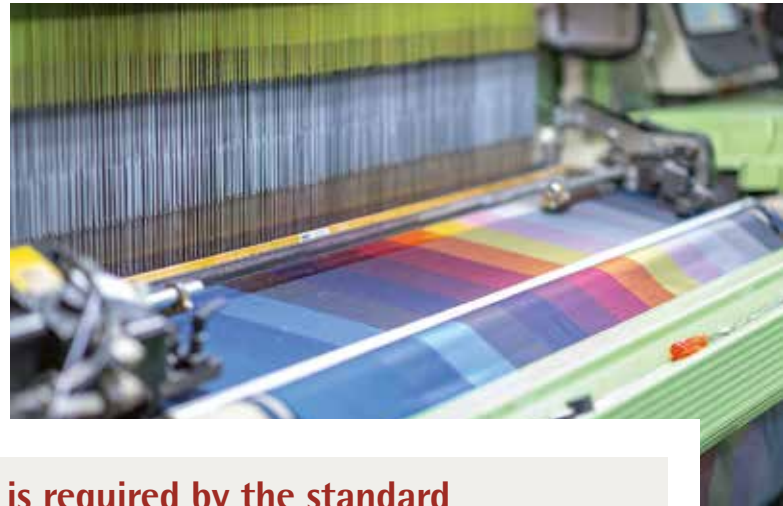
- *Quality in accordance with the standard ISO9001:2015*
- *Energy in accordance with the standard ISO50001:2018*

SA8000 is the main international standard suitable for companies of any size or sector and sets out the relevant requirements, for all parties involved, that guarantee the appropriate management of social accountability in the company.

Certifications

SA8000, respect for people is certified

In October 2015 Ratti S.p.A. obtained certification in accordance with the standard **SA8000:2014 Social Accountability**, with the aim of attesting that the corporate system conforms with the principles of social accountability (*freedom of association, the rejection of forced labour, health and safety in the workplace, improved attention to the needs of all interested parties, etc.*) In December 2016 the same certification (*SA8000:2014 Social Accountability*) was also obtained by the Group's Tunisian subsidiary, **Creomoda Sarl**. The above was a



What is required by the standard SA8000:2014?

The standard requires procedures to be implemented that respect social accountability requirements for direct workers and for the supply chain.

Compliance with the requirements relating to suppliers is ensured by obliging suppliers to periodically sign a commitment to comply with the standard, by sending out a questionnaire and subsequently evaluating the responses, and by the supplier accepting the principles of the Code of Ethics approved by the BoD of Ratti SpA. With the exception of individual cases investigated in a timely manner, Ratti has also decided not to operate in countries in which the workers' fundamental rights are not protected by legislation.

With regard to SA8000 certification, a company must:

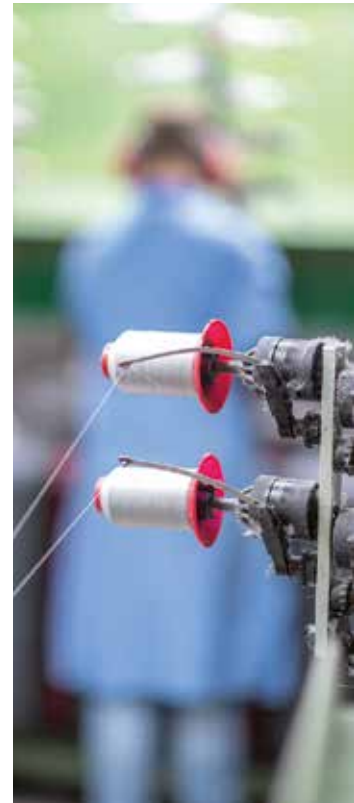
- effectively communicate the requirements of the standard to the management of suppliers, contractors, or private employment

agencies and sub-suppliers;

- evaluate significant risks of non-compliance by suppliers, contractors, or private employment agencies and sub-suppliers;
- take reasonable steps to ensure that significant risks are adequately dealt with by suppliers, contractors, or private employment agencies and sub-suppliers, and that subsequent action is taken with the appropriate priority;
- take action to monitor and track the performance of suppliers, contractors or employment agencies and sub-suppliers, with the aim of ensuring that their significant risks are effectively dealt with.

To ensure the above, the Group follows specific procedures, which govern the initial choice of suppliers and periodically assess whether said suppliers are complying with the standard SA8000.

significant result in terms of social accountability, considering the fact that SA8000 certification is one of the **international reference standards** for managing social accountability and rights in the workplace, based on ILO (*International Labour Organization*) conventions, the Universal Declaration of Human Rights, and the United Nations Convention of the Rights of the Child. It is the main international standard suitable for companies of any size or sector, and sets out the



relevant requirements, for all parties involved, that guarantee the appropriate **management of social accountability** in the company.

The main benefits for Ratti SpA deriving from SA8000 certification include:

- greater confidence in compliance with the regulations in force covering employment contracts;
- better involvement and motivation shown by employees;
- an improved corporate image;
- international recognition of the commitment made by a socially accountable business.

ISO 14001, the environment is safer

The international standard ISO 14001:2015 is a management system recognised throughout the world. It provides a structure for managing and improving environmental performance.

On 27 November 2015 Ratti SpA obtained certification in Management Systems for Safeguarding the Environment.

ISO 14001:2015 is a certifiable standard which confirms that corporate operations comply with the requirements laid down in terms of principles, systems and techniques that support appropriate environmental management. One of the main challenges the business faces in terms of sustainability is, indeed, **to limit the impact** of its activities on the environment and to achieve **sustainable organisational growth**.

The international standard ISO 14001:2015 is a management system recognised throughout the world. It provides a structure for managing and improving environmental performance.

The main benefits for Ratti SpA deriving from ISO 14001 certification include:

- improved energy efficiency;

- savings in financial terms;
- greater confidence in compliance with all binding environmental requirements;
- better relationships with public administration;
- higher levels of expertise of the individuals involved.

From an external perspective, compliance with the standard ISO 14001 is underlined, which:

- meets the growing expectations of customers and other parties involved regarding respect for the environment;
- involves a reduction in waste and the consumption of environmental resources;
- improves competitiveness, demonstrating sustainable management;
- demonstrates compliance with the relevant environmental legislation;
- increases stakeholders' and customers' trust.

User safety is always paramount

In the textiles sector, user safety is linked first and foremost with products' compliance with environmental and chemical regulations.

Against this backdrop, the main policy of the Ratti Group for safeguarding consumers is the guarantee that all products comply with the regulations governing the environment and chemical compliance.

The company makes a great effort in this area, especially in the form of investments aimed at improving

quality control and product safety, including investments earmarked for the internal laboratory, and by constantly requesting compliance from its suppliers – raw materials, processing and chemical products – as well as investments in analytical tests carried out in accredited external laboratories.

In this regard, during the reporting year there were no recorded cases of non-compliance with regulations or voluntary codes governing the impact on health and safety of products during their life cycles.



**ISO 14021,
declared assumption of responsibility**

On 15 December 2017 Ratti SpA obtained, for 23 of its products, compliance with the standard **ISO 14021:2016**, which involves companies making **self-declared environmental claims** about

their products, in particular with type II environmental labelling claiming: *"Reduced use of resources, energy and water, and chemical products in the two types of printing (table and inkjet), within Ratti SpA"*. The standard is a **key tool** for companies to **communicate – in the best way possible – the sustainability of their products**. It provides a list of general requirements, describes terms commonly used and supplies the conditions for their use.

It also describes a **general**

methodology for evaluating and verifying the self-declared environmental claims.

The most significant advantages of ISO 14021:2016 include:

- more accurate, verifiable and non-misleading environmental claims;
- better opportunities to make more informed decisions when acquiring and purchasing products.

All products comply with the most important regulations governing the environment and chemical compliance.

**OHSAS 18001:2007,
health and safety at work**

With **OHSAS 18001** certification, Ratti SpA has brought into being a solid system for managing the working environment, through the creation of formal procedures for identifying and managing risks and dangers to safety in the workplace, and guaranteeing the best working conditions possible for the health of its employees.

This international standard defines the best practice requirements that should be applied in respect of health and safety, with the aim of eliminating or minimising operational risks and dangers.

The OHSAS 18001 standard makes it possible to:

- identify risks and initiate controls to manage them;
- create the best possible working conditions within the company;
- lower the number of accidents and illnesses at the workplace with a consequent fall in employee inactivity;
- involve and motivate staff thanks to better and safer working conditions;

- certify, to customers and suppliers, compliance with an international standard.

Oeko-Tex® Standard 100: ecological requirements based on scientific evidence

On 3 October 2013 Ratti SpA obtained the certification **Oeko-Tex® Confidence in Textiles Standard 100** for fabrics and tulle in polyamide and polyamide/elastane, printed using inkjet printing with ink, in various colours.

On 14 November 2017 this certification was also extended to jerseys in cotton/elastane, printed using inkjet printing with reactive dyes, in various colours. On 10 December 2018 it was also extended to polyester/elastane fabrics printed using transfer printing in various colours.

Standard 100 by Oeko-Tex® is an independent and internationally uniform testing and certification system with test criteria, limit values and scientifically based test methodologies, **covering the human-ecological requirements** for raw materials, semi-finished and finished products in the textile sector at all manufacturing stages, as well as for the accessories materials used.

For articles consisting of more than one part, the premise for certification is that **all components** must satisfy the requirements laid down.

Certifiable articles may include, for example: raw, dyed and finished yarn, fabrics and knitwear, accessories such as buttons, zips, yarn for sewing or labelling, various types of hemmed articles (*clothing of all types, fabrics for the house and for furnishings, bedlinen, towels*).

Checks for potentially toxic substances are generally designed to take the intended use of the fabrics and materials into account.

The closer the product's contact with the skin and the more sensitive this is, the stricter the human-ecological requirements to be respected.

The main advantages of adopting Standard 100 by Oeko-Tex® include:

- guaranteeing a high and effective level of product safety from the consumer's perspective;
- achieving better safety thanks to verification criteria and value limits that are far more demanding than national and international parameters;
- raising the supply chain's awareness of the responsible use of chemical substances, in the long term and on a global scale;
- encouraging the application and improvement of management procedures and safeguarding quality;
- improving the company's reputation by transmitting a message of sustainability.

For Ratti, the art of savoir-faire represents an immense heritage of creativity and craftsmanship and, as such, must be protected and enhanced. Only in this way can a Ratti fabric or print represent a real competitive advantage.



SERI.CO certification

Ratti has always been careful not to lose sight of the priorities that arise for consumers during the selection of a product, service or company, particularly with regard to the environment.

The most recent recognition obtained is SERI.CO. This is a system of product and process certification, released by an independent body in April 2018, and whose main purpose is to provide the maximum guarantee in terms of production process, textile product and toxicological properties for a chemical/formulate/dye product.

SERI.CO guarantees the quality characteristics of a textile product, both in terms of technological and performance attributes and in terms of ecotoxicological properties. In addition, it guarantees that the fabric does not contain any released substances that are harmful to the health of the user. In order to ensure the compliance of a product, it must comply with the requirements of Technical Datasheet no. 24 for raw materials purchased and external manufacturing.

The purpose of Technical Datasheet no. 24 is to safeguard health with regard to textiles and to define the ecotoxicological specifics of products, formulates and dyes. In addition, sample analyses are carried out with regard to a risk plan, and this ensures that finished products comply with the standards. In 2018 specific analyses were also carried out on MRSL parameters (*Manufacturing Restricted Substances List, as laid down in the ZDHC protocol*) including in wastewater.

This is valid both for production in Italy and for production in Romania (the same raw materials are used), while in Tunisia there is no wet production.

For Ratti, the art of savoir-faire represents an immense heritage of creativity and craftsmanship and, as such, must be protected and enhanced.

Only in this way can a Ratti fabric or print represent a real competitive advantage. In the economic and social context that prevails today, it is vital for Ratti to confirm that it is deeply respectful of its environmental and craftsmanship heritage, guaranteeing that its work is of the highest quality.

RATTI STUDIO





CHAPTER 4

Ratti's environmental commitment

- 4.1 A commitment to reducing environmental impact
- 4.2 Less consumption, more creativity
- 4.3 Less resources consumed, a better future
- 4.4 Objective: to reduce waste

QUALITY CONTROL LAB







Each fabric and each print is not only the result of an art that is Ratti's and Ratti's alone, it is the expression of a region. We live in a world that must be protected from harmful contamination and, instead, nourished by a passion for excellence, as well as by a profound respect for the harmony between a business and the region.

Ratti's environmental commitment

In Ratti, the art of *savoir-faire* opens itself every day to the trends and demands of contemporary connoisseurs, in a constant search for excellence and exclusivity that is nourished by those cornerstone ethical values that the Group has always had.

This is a commitment that has led Ratti to affirm a signature style that strikes an elegant balance between the *savoir-faire* of its experts and the brilliance of its design office, as between technological innovation and sustainability, thanks to the journey **Ratti for Responsibility**, which it has undertaken since 2011.

As proof of its solid commitment, the Group has made **significant investments** to optimise its production processes, replace machinery and reduce the amount of resources consumed which, in the last four years, has exceeded **€20 million**. In terms of daily praxis, this specifically means **optimising the use of energy resources and reducing waste** in a context of continuous improvement. For this reason, in addition to the energy efficiency initiatives in the production processes, the Ratti Group is actively implementing experimental projects aimed at the reduction and recovery of fabric scraps as potential secondary raw material, as well as the optimisation of raw material consumption.

In 2018 the Ratti Group continued the journey it had undertaken with the project **Ratti for Responsibility** and aimed at assessing the environmental impact deriving from its activities, starting with the plant at the Guanzate premises, while in Creomoda Sarl the absence of production processes means the environmental impact there is negligible.

In 2018, in order to assess its environmental impacts, Ratti carried out an LCA (*Life Cycle Assessment*) analysis, using a gate-to-gate approach, for the Guanzate plant and carried out in accordance with the standard UNI EN ISO 14040:2006 "Environmental management – Life

Cycle Assessment – Principles and framework". Once these analysis activities are complete, an audit by the independent external certification body is planned in 2019.

The environmental aspects that have been identified as priorities in the journey towards impact mitigation concern energy consumption, the quality of **industrial water discharges** and that of runoff water (*for more details on product chemistry see also Chapter 3, paragraph 3.2 "Tradition that pays attention to the environment"*) and the production of waste.

4.1 A commitment to reducing environmental impact

In carrying out its activities, as shown by the principles set out in its Code of Ethics, the Ratti Group is committed to promoting environmental protection, with the aim of guaranteeing the environmental sustainability of its activities. The Group's objective is to guarantee environmental protection and energy efficiency and, with this in mind, seeks to raise the awareness of those parties that come into contact with the Group.



Ratti was mentioned as an example of best practices in Italy in the **GreenItaly 2018** report, an annual report produced by the **Symbola Foundation and Unioncamere**, which takes stock of best practices in the Italian green economy. The document was presented in Rome during a conference in **October 2018**.



CARNET



In order to manage and reduce the environmental impact of the use of energy and water, as well as emissions of polluting gases or gases with a greenhouse effect, each company in the Ratti Group operates autonomously, in accordance with its business model for managing and organising its activities and in accordance with its environmental policies, and in compliance with the local regulations governing environmental protection.

4.2 Less consumption, more creativity

The investments made in 2018 have led to the optimisation of the Ratti Group's production processes, concentrating on the objectives of energy saving and the monitoring of consumption at the Guanzate premises, which account for 95.87% of the Ratti Group's energy consumption.

In particular, interventions were carried out in Ratti SpA in 2018 with the aim of reducing the consumption of the service facilities both at the factory and in the offices. The interventions covered various aspects, details of which include improving the system monitoring consumption and increasing the efficiency of the lighting and air-conditioning systems.

The system monitoring consumption

The energy efficiency actions start with enhancing the systems that control and measure consumption. For a number of years Ratti SpA has regularly verified electricity consumption by using a monitoring system based on a range of meters that the company has installed over time. In particular, in 2018 this measurement was extended from the main sources of consumption associated with production (*transformers, control panels*

The Ratti Group's environmental policies

Ratti SpA, Creomoda Sarl and Textrom Srl, the Ratti Group's companies, have equipped themselves with environmental policies which aim to orientate business processes towards solutions that ensure the maximum protection of the environment and reduction of consumption in the name of sustainable development.

The Group's environmental policies promote the following actions:

To choose and use equipment, resources, materials and substances in a rational manner, taking into consideration their impact on the environment and their potential risks to health and safety, with particular regard to mechanical, chemical and manual handling risks;

To favour the use of technology products and services, whenever these are available, that have the least impact on the environment;

To operate with the logic of a circular economy, limiting the use of natural resources and the production of waste, focusing instead on the reuse and/or recovery of materials;

To select suppliers/subcontractors on the basis of their ability to supply goods and services in compliance with the requirements and principles of the management system;

To promote organisational growth and orientate business systems towards solutions that best protect the environment, reduce the consumption of energy and water, reduce the amount of waste produced and manage waste responsibly;

To develop and extend information, communication and employee training processes to raise awareness of environmental sustainability and promote dialogue with internal and external stakeholders to guarantee the effective and efficient application of the company's management system;

To prevent any form of pollution, in particular air and water pollution;

To develop and update evaluation criteria for risks to health and safety in the workplace and to the environment, as well as management procedures for emergency situations

in the electricity cabinets, control panels in the departments, principal machinery) to individual users, and data gathering was imposed on a daily basis. In this way, at the Guanzate site, Ratti ensures compliance with the applicable authorisations, laws and regulations, and that the environmental performance of specific KPI parameters is monitored by surveillance plans that are defined and managed by the dedicated procedure "Surveillance, Monitoring and Measurement".

With the goal of developing a consumption monitoring system that is increasingly extensive and integrated, Ratti SpA has set itself the objective over the next few years of increasingly monitoring individual users.

Action to improve energy efficiency

Among the most significant investments made since 2014 at the Guanzate plant in terms of improving consumption is the replacement of old machinery and the installation of a machine that recovers heat from vapour released by the steaming department.

This also involved the washing and finishing departments and the power plant and resulted in a significant decrease in the consumption of electricity and methane and making the departments increasingly efficient.

The replacement of the old washing lines and the installation of a system recovering heat from wastewater has led to a reduction in both water and energy consumption: the energy is used to heat



WAX FABRICS



-7.00%

Consumption of electricity over metres of fabric produced

-2.17%

Consumption of gas over metres of fabric produced

+6,613Kwh

Increase in electricity produced by photovoltaic plant in 2018

22,365Kwh

Photovoltaic electricity provided to the national grid

-2.18%

CO₂ emissions per metre of fabric produced

300

Tons of CO₂ avoided in 2018

the in-flowing water that replenishes the tanks forming part of the washing line.

Following the **important interventions** of the last five years, in 2018 a number of actions were taken aimed at further reducing superfluous consumption of electricity. Among these:

- The **air-conditioning** system in the Weaving building was replaced by an innovative system that is more energy efficient;
- A **lighting system** with LED lights was installed in the printing room and in the maintenance tunnels, following completion of the **relamping plan** implemented in recent years which involved internal and external lighting throughout the company;
- Some older-generation batteries and battery chargers, which had reached the end of their useful lives, were replaced by **high-efficiency batteries**, which offer recharging savings of around 30%;
- The **Uninterruptible Power Supply (UPS)** group for the Centro Elaborazione Dati (*CED data processing centre*) was replaced by a more innovative and efficient group. The UPS static continuity group guarantees a constant supply of electricity to electrical devices, and is needed where there is electrical equipment that can under no circumstances be without an electrical current.

During 2018 activities were also carried out aimed at certifying Ratti's Energy Management System in accordance with the standard ISO 50001:2018. An analysis and diagnosis of energy consumption was carried out ahead of the certification programmed for 2019.

In addition to the reduction in electricity consumption, investments were made which led to a reduction in the consumption of methane and to the replacement of machinery that consumes that gas indirectly. In terms of monitoring consumption, all methane gas meters were replaced by the latest generation of systems that allow remote reading, so that consumption data can be archived and accessed more frequently.

With regard to the air-conditioning and heating systems, the Guanzate plant follows a specific procedure for managing air-conditioning systems and for managing emissions into the atmosphere, that ensures compliance with the **Autorizzazione Unica Ambientale** (*single environmental authorisation*).

In particular, 2018 saw the following initiatives:

- All the burners were replaced in the power plant used for production. This covers 74% of the

consumption of methane on the Italian site, with the latest generation of burners that have inverters and oxygen probes. The new burners guarantee emissions of NOX<120 µg/m³;

- The air-conditioning system was replaced in the building used for printing, switching from a system which used superheated water to one using hot water. The new plant will improve heat exchange efficiency and will be suitable, in the future, for integration with a cogeneration plant;
- The air-conditioning system in the weaving building was replaced with new machines that use the gas R1234z and with Global Warming Potential (the measurement of the contribution a gas makes to the greenhouse effect) that is negligible in comparison with traditional HFC refrigerants.

Energy consumption

Table 1 summarises the Ratti Group's energy consumption aggregating data for Italy, Romania and Tunisia.

The Group's energy consumption breaks down into consumption of methane gas and consumption of electricity. In 2018, in light of the significant increase in production (+11.70% total metres of fabric produced), the increase recorded for methane gas was +9.28% while for electricity it was +3.88%.

Relating consumption to metres of fabric produced therefore gives a reduction of 2.17% for gas consumption and 7.00% for electricity consumption.

The photovoltaic plant, installed at the Guanzate premises in 2012, facilitated the production in 2018 of around 832,536 kWh (2,997 GJ) of electricity from renewable sources, an increase of 6,613 kWh (24 GJ) compared with 2017.

CO₂ emissions

For the Ratti Group, CO₂ emissions are essentially due to energy consumption.

The energy efficiency actions implemented allowed the increase in CO₂ emissions to be contained (+9.26%), despite the greater increase in production (+11.70%). In fact, if we relate total emissions to metres of fabric produced, a fall of emissions of 2.18% is recorded, compared with 2017.

Furthermore, in 2018 Ratti's photovoltaic plant at the Guanzate premises produced 832,536 kWh of electricity, of which 97% was consumed by the company and 3% released to the grid, thereby avoiding total emissions of 300 tons of CO₂.

Tab. 1 - Aggregated energy consumption for factories and offices in Italy, Tunisia and Romania¹

Energy consumption of the Ratti Group for offices and factories		2016	2017	2018	Variation
Units of measurement GJ					
Methane gas*	Total consumption	121,563	127,597	139,433	9.28%
Electricity**	Total consumption	30,915	31,362	32,579	3.88%
	of which purchased	28,125	28,598	29,662	3.72%
	of which produced and self-consumed, from photovoltaic systems (Guanzate premises)	2,790	2,764	2,917	5.52%
Total energy consumption		152,478	158,958	172,012	8.21%
Energy consumption of the Ratti Group for offices and factories over metres of fabric produced		2016	2017	2018	Variation
GJ/m					
Consumption of methane gas over metres of fabric produced		0.036	0.033	0.032	-2.17%
Consumption of electricity over metres of fabric produced		0.009	0.008	0.007	-7.00%

¹ The Creomoda plant in Tunisia does not consume methane gas

* The conversion into Gigajoules was performed using the PCI factor published in the ISPRA "Table of parameters for national standards" for the respective years.

** The percentage of electricity produced from renewable sources and consumed by the Group depends on individual national electricity mixes. In Italy there is also self-consumption of renewable energy produced from photovoltaic systems.

Tab. 2 - CO₂ Emissions the Ratti Group*

u.m. tCO ₂	2016	2017	2018	Variation
SCOPE 1 - Direct Emissions* from the consumption of methane gas and refrigerant gas leaks of the air-conditioning systems	6,752	7,133	8,087	13.38%
SCOPE 2 - Indirect Energy Emissions** Location-based from the purchase of electricity for offices and factories	2,935	2,983	2,966	-0.56%
SCOPE 2 - Indirect Energy Emissions - Market-based *** from electricity bought for offices and factories	3,402	3,683	3,917	6.34%
Total SCOPE 1 and SCOPE 2 location-based emissions	9,687	10,116	11,054	9.26%
Total SCOPE 1 and SCOPE 2 location-based emissions over metres of fabric produced (u.m. tCO₂ /m)	0.0028	0.0026	0.0025	-2.18%

* For the consumption of methane gas, the data is calculated on the basis of emission factors published in the "Table of parameters for national standards" published by the Ministry of the Environment and for the Protection of Land and Sea, for the respective years. The source of the GWP (Global Warming Potential) values used to calculate the emissions from refrigerant gas leaks is the IPCC 4th Assessment Report, 2007

** Data calculated on the basis of emissions factors published by Terna SpA's "International comparisons" 2017.

*** Data calculated on the basis of emissions factors published by the Association of Issuing Bodies (AIB) "European Residual Mixes" 2016 for the year 2016 and "European Residual Mixes" 2017 for the years 2017 and 2018.

Sustainable travel

Carpooling

- Parking places reserved for work teams.
- Company cars available when overtime is required.
- Special end-of-year bonuses for work teams who have performed well in terms of saturation travel and reduction of CO₂ emissions.

46

PEOPLE INVOLVED
OVERALL IN 15 TEAMS
DURING 2018

16 t

Tons of CO₂ avoided thanks to similar work-home journeys being shared through carpooling.

-54%

compared with theoretical emissions from participants' vehicles.

Electric cars

Recharging points for electric cars available to employees who decide to acquire an electric or plug-in car. The company car park gained a new electric car in 2018, which has a range of around 300km.

Reserved parking

Pink > pregnant women
Green > carpooling
Cycles > bicycles and scooters

Bicycles

Numbered and personalised racks with locks

22

PEOPLE INVOLVED
IN 2018



Local public transport

Through an agreement with ASF (*the company which manages public road transport in Como province*), the route linking the Company with the Trenord station Fino Mornasco and Como was diverted.

7

PEOPLE INVOLVED
IN 2018

- Employees may purchase an annual season ticket from the company (train and/or bus), and the amount is deducted from salaries in ten monthly instalments.
- Company cars available when overtime is required.

Shuttle Bus

Creomoda and Textrom have organised an efficient and safe transport service that may be used by all workers.

+200

MORE THAN 200
PEOPLE INVOLVED
IN CREOMODA

19

PEOPLE INVOLVED
IN TEXTROM



Travel better to consume less

Sustainable travel

Not only what one does in the company but also how one gets there can contribute to a better environment.

To encourage more sustainable travel, the company has gradually replaced a number of company cars with electric vehicles, with five charging points, also available to employees who wish to acquire electric or hybrid cars.

Employees who use the company car park are asked to give priority to electric cars for journeys that involve up to a total of 100 km.

Ratti SpA also encourages employees to make journeys using public transport, combining this



Tab. 3 - Water consumption by source and water discharges, premises of Italy and Romania*

u.m. - Mc		2016	2017	2018	Variation
Water consumption, by source	Total consumption	353,779	379,832	425,033	11.90%
	from well (*)	350,656	377,619	421,123	11.52%
	from aqueduct	3,123	2,213	3,910	76.68%
Tot. Water consumption over metres of fabric produced		0.105	0.098	0.098	0.18%
Water discharges	Total water discharges into the sewerage system	302,831	325,108	373,976	15.03%
Tot. Water discharges over metres of fabric produced (u.m. Mc/m)		0.090	0.084	0.086	2.98%

*For the Tunisia premises water consumption and discharges are not accounted for. Water is drawn from a well.

with the pre-existing shuttle bus to and from Lomazzo station. **Carpooling** has also been organised by employees who share similar journeys to and from work. A shuttle bus has been made available for the **Creomoda** and **Textrom** sites.

Water consumption

With regard to **water consumption**, the Ratti Group is launching a process which reduces water consumption during the phases of the production process. This will start with the Guanzate plant, which uses **97.78%** of the Group's water resources. In total, **99.08%** of the water consumed by the Ratti Group is drawn from a **dedicated well** (with only **0.92%** of water consumption coming from the aqueduct) exclusively for the use of the Guanzate plant.

For a number of years the Group has regularly verified water consumption by using a range of meters. This measurement network currently consists of meters that must be read manually. With regard to the Guanzate premises, monitoring the parameters for water consumption follows the procedure "Surveillance, Monitoring and Measurement".

In 2018 water consumption saw an increase of 11.90% in light of the 11.70% increase in metres of fabric produced. As a result, the consumption of water per metre of fabric produced remained essentially unchanged (+0.18%). Compared with 2013, the year in which major investments in washing machinery began, in 2018 consumption per metre was down by 27%.

Water discharges into the sewage network increased by 15.03% in 2018, although in relation to metres of fabric produced the increase recorded was 2.98%.

In order to reduce future water consumption, in 2018 Ratti SpA carried out the following interventions:

- it took an obsolete fume reduction system out of service, which will guarantee a future saving in water consumption estimated at 8,000 m³;
- it replaced a machine used to wash screens and doctor (squeegee) blades in traditional printing. The new machines will guarantee a water saving of 40% thanks to the use of a water recycling methodology.

Careful management of discharges

As far as **water discharges** are concerned, at the Guanzate plant the water resulting from production carried out at the plant, including that from the bathroom facilities, is channelled through the internal collection network to the primary lifting station, where it is filtered in a number of phases (through bar screens) and pumped into the accumulation basin of the system. In the homogenisation tank there is a redox sensor which, on the basis of pre-set thresholds, actions a sodium hypochlorite dosing pump which releases the required amount of reagent into the tank. Water collected in this manner is sent to Lura Ambiente SpA of Caronno Pertusella for purification, as authorised by Autorizzazione Unica Ambientale (single environmental authorisation).

For **managing wastewater**, in 2018 Ratti SpA created an **intermediate storage** system for water coming from the scouring bath (with a high

In Tunisia, Ratti opened a drinking water source outside the Creomoda plant, for the use of the whole of the surrounding community.





content of surfactants), in order to avoid the full amount of water discharged by the machinery being sent to the tank next to the homogenisation system instantly. It is instead sent to the

homogenisation system over a week in gradual batches. In the production plant in **Textrom** in Romania, industrial wastewater is channelled into a decantation tank in order to separate and subsequently remove the solid part. It is

then sent to the Apa Somes group for purification, as authorised and regulated by the contract.

Ratti carefully monitors the parameters relating to surfactants and the concentration of colour in the wastewater, which is closely linked to the variation in production specifications for the year.

Water deriving from civil use is, however, stored in a reservoir, drained off and disposed of by Strict Prest, in accordance with the relevant contract. However, at the Creomoda Sarl plant, water is not used for production – it is only for civil use.

With regard to the quality of wastewater, every three/four months an analysis of the water is carried out at the discretion of the purification consortium, in addition to the analyses carried out twice a year as prescribed by the **Autorizzazione Unica Ambientale**. Ratti carefully monitors the parameters relating to surfactants and the concentration of colour in the wastewater, which is closely linked to the variation in production specifications for the year.

The COD (Chemical Oxygen Demand) and BOD (Biochemical Oxygen Demand) parameters, used

to identify the biodegradability of wastewater, were well below the limits set by the relevant regulations, as was total nitrogen, which came in on average 22% below the limit.

In October 2018 Ratti SpA also conducted the water campaign requested by the ZDHC (*Zero Discharge of Hazardous Chemicals*) protocol, which involved the analysis of MRSL (*Manufacturing Restricted Substance List*) parameters and others that the ZDHC programme considers to be fundamental (see also the box below).

In the Textrom Srl plant in Romania analyses of industrial wastewater are carried out annually, as prescribed. In order to lower the COD and BOD parameters, experimental testing is currently under way via treatment with chemical products in the decantation tank.



ZDHC, the international programme to eliminate harmful chemical substances

Zero Discharge of Hazardous Chemicals (ZDHC) is an international programme born out of various studies on the pollution caused by industrial textiles, tanneries and the footwear sector – suppliers of major global brands.

Their key objectives of the ZDHC are:

- To eliminate or replace hazardous chemical substances;
- To develop transparent processes to promote the use of safer chemical substances;
- To develop effective tools, good practices and training to improve the

management of chemical substances;

- To nurture partnerships with stakeholders to promote transparency in relation to chemical substances used/disposed of and the application of good practices.

The ZDHC programme encompasses both the brands and the companies that make up the production chain.

The latter, in order to be considered as qualified suppliers by their customers, must demonstrate that they comply with the ZDHC programme.

The type of substances which, according to the ZDHC may not be introduced into the production cycle and for which

specific limits have therefore been set, are placed on the MRSL (*Manufacturing Restricted Substance List*). In addition, companies which comply with the ZDHC programme must manage their wastewater in compliance with the concentration limits set by the Wastewater Guideline for wastewater originating from production processes. Chemical substances must be handled in an appropriate and organised manner, and an audit protocol is in place to assess this aspect.

Finally, in order to replace particularly dangerous chemical substances with those that are ecologically superior, a company must implement a system to research and develop alternative substances.

4.3 Less resources consumed, a better future

The consumption of raw materials

The Ratti Group purchases raw materials in an almost entirely centralised manner at the Guanzate premises (e.g. for all chemical substances and dyes), which manages purchases of materials that are then sent to the sites in Romania and Tunisia.

The remaining materials are purchased locally by the foreign companies in negligible quantities, following the general recommendations which favour the use of substances that have less impact on the environment and that are suitable for recycling, as set out in the Environmental Policies of the foreign companies.

For its **Responsible Collection** (described in detail in Chapter 3, paragraph 3.2 "Tradition that pays attention to the environment") in 2018 Ratti further widened its offer in terms of sustainable raw materials, confirming its decisive response to the challenges posed by a market that is increasingly demanding in terms of environmental sustainability and transparency.

As may be seen in Table 4, in 2018 Ratti further increased its use of eco-sustainable fabrics, introducing four new materials: GOTS organic wool, regenerated wool, responsible leather and recycled Nylon. In addition, Ratti is committed, through ad hoc research, to reducing the quantity of chemical products used for all the fabrics it produces. In particular, in Ratti SpA the consumption of chemical products in 2018 fell by 7.03% per metre of scoured fabric, while per metre of printed fabric it remained essentially the same (+1.30%), apart from some slight variation in the production

specification during the year (such as, for example, printing design and type of fabric used).

As regards consumption of printing paper by the offices at the Guanzate premises, this went down from 14,788 kg in 2016 to 13,950 kg in 2017 and 14,050 kg in 2018, a reduction of 4.99% compared with the data gathered for 2016.

Packaging

All paper packaging used by the Ratti Group comes from renewable sources that are FSC certified. Further action has also been taken at the Guanzate plant, aimed at **reducing packaging** and the waste of raw materials.

This includes using **folding and stackable plastic boxes** for internal deliveries within the Group at the Tunisia site. Thanks to this action, which allows transport optimisation, from 2017 to 2018 total packaging over metres of fabric produced decreased by 30.77%.

Specifically on the basis of the successful model for stackable boxes, in 2018 Ratti carried out an analysis of possible returnable packaging with suppliers and customers.

Table 5 shows aggregate figures for packaging used at the Italy, Tunisia and Romania premises for the three-year period 2016-2018.

+23.45%
Total metres of fabric printed

+4.95%
Metres of eco-sustainable printed fabrics

-7.03%
Reduction of chemicals consumed per metre of fabric scoured

100%
Packaging using FSC certified paper

Stackable plastic boxes
Use of stackable and reusable plastic boxes which allow transport optimisation and waste reduction.

Tab. 4 – Raw materials used in production at the Italy and Romania factories (including fabrics from third parties)

u.m. - m	2016	2017	2018	Variation	
PRINTED FABRICS*	Total printed fabrics	3,608,968	4,393,019	5,423,377	23.45%
	Of which: eco-sustainable printed fabrics	7,626	64,318	67,505	4.95%

* The data for 2016 and 2017 have been updated following a change in the method of calculation.

Tab. 5 – Packaging used, subdivided by material, for the premises of Italy, Tunisia and Romania

u.m. - kg	RATTI GROUP				
	2016	2017	2018	Variation	
FSC PAPER	3,625	7,276	5,376	-26.11%	
CARDBOARD	70,609	72,534	62,781	-13.45%	
PLASTIC	13,456	13,315	9,572	-28.11%	
PALLETS	30,795	30,754	18,074	-41.23%	
	kg	118,485	123,879	95,803	-22.66%
	kg/m	0.04	0.03	0.02	-30.77%

Innovation in systems of material requirement planning

The goal of the project is to ensure coverage of the requirements for raw materials or semi-finished materials generated by sales or production orders, optimising warehouse monitoring, purchase flows, work in progress, and always with an eye on reducing waste.

The project, developed using internal IT and production resources, involved designing and implementing a System of Material Requirement Planning, and was concluded in 2018.

QUALITY CONTROL



-8.96%
Kg of hazardous waste over metres of fabric produced

70%
Of hazardous waste to be recovered

68%
Of non-hazardous waste to be recovered

Avoiding waster by optimising the production of printing paste

In 2018 Ratti launched a project dedicated to monitoring and calculating the absorption of printing paste. A work team from the Printing department was specifically tasked with revising the tables in use for the absorption of printing paste by fabrics, with the aim of optimising production. Following this first phase of the project, a second phase is now under way involving the installation of new machinery (Colour Kitchen) and the software to manage it (procol).

4.4 Objective: to reduce waste

The management of waste

Ratti considers the production of waste to be one of the main indicators of corporate sustainability and has set itself the objective of continuously reducing impacts, testing circular economy projects in which material discarded during the production process could become secondary raw material for other companies.

As in previous years, Ratti is continuing to monitor waste production according to KPIs for waste production on a quarterly basis, starting with the Guanzate plant. In 2018 a more advanced level of detail was achieved, monitoring discarded textile fibre by department.

This action has facilitated the development of an initial sample analysis on a range of textile scraps, identifying any action that could be taken with regard to the excess quantity of fabric used.

On the basis of these results Ratti intends to widen the analysis in order to include further efficiency enhancement actions.

The reduction of discards was also the subject of efforts made by the CEO to raise employees' awareness of the issue during the presentation of the company's first **Sustainability Report**. For the event, work groups were specifically focused on fabric waste and the production of printing paste.

All employees were asked to contribute, providing suggestions and ideas for improving all aspects of **corporate sustainability**.

Since most purchases are made in Italy, even those for the foreign production sites, most discards, along with the initiatives seeking to reduce them, are concentrated at the Guanzate plant.

As there is no production plant in Cremona, the discards produced are negligible and are disposed of using specialised companies, in accordance with local applicable regulations.

In order to achieve increasingly detailed monitoring of the quantity and type of waste produced, since 2018 Ratti has committed itself to weighing, tracking and reporting the main categories of waste – paper, plastic, textile and undifferentiated waste – with the objective of also increasing the reduction of waste at the Tunisian plant.

In Textrom waste disposal takes place in accordance with local regulations, reporting the principal categories of waste and their destinations and

having launched a study of projects aimed at improving performance.

With regard to **waste production**, the following tables report the quantity of the Group's hazardous and non-hazardous waste by method of disposal.

Relating **quantity of waste** to metres of fabric produced reveals a **reduction of 8.96% for hazardous waste**, while non-hazardous waste remained essentially unchanged (+0.43%), due in part to a number of extraordinary disposals carried out in 2018 in Ratti SpA.

In total, **70% of the Ratti Group's hazardous waste and 68% of its non-hazardous waste is destined for material and energy recovery activities.**



From discards to inspiration

To fuel sustainability projects and innovation from the perspective of the circular economy, in December Ratti began a partnership with **Kapdaa – The Offcut Company**, with a view to recovering fabric scraps and developing new creative projects. It was out of this concept that the partnership with Kapdaa was born.

Kapdaa is a company which is devoted to sustainability, and which partners with designers and manufacturers to minimise waste in the textiles field, using fabric scraps to create new design products.

The project made it possible to recover fabric scraps from the production phase as well as samples from the Ratti collections and transform these into elegant and coloured notebooks, which are on sale in the company shop.

Ratti is also a partner of **Carmina Campus**, whose mission “save waste from waste” focuses squarely on the use of industrial materials commonly considered to be scraps as a source of inspiration and as a secondary raw material, and which in the hands of expert Italian craftsmen takes on new life as part of a design object.



Tab. 6 - . Quantity of hazardous waste related to production, premises of Italy and Romania*

u.m. - kg Hazardous waste, subdivided by method of disposal	RATTI GROUP		
	2017	2018	Variation
Recycling (<i>Put in reserve R13</i>)	17,670	19,171	8.49%
Other (<i>Incinerator or landfill after D15 treatment</i>)	9,197	8,152	-11.36%
Total hazardous waste	26,867	27,323	1.70%
Hazardous waste over metres of fabric produced (km/m)	0.007	0.006	-8.96%

*No hazardous waste is produced at the Tunisia factory

Tab. 7 – Quantity of non-hazardous waste related to production, premises of Italy, Tunisia and Romania*

u.m. - kg Non-hazardous waste, subdivided by method of disposal	RATTI GROUP		
	2017	2018	Variation
Recycling (<i>Put in reserve R13</i>)	335,113	419,207	25.09%
Incinerator	1,900	1,560	-17.89%
Landfill	74,141	73,197	-1.27%
Other (<i>Incinerator or landfill after D15 treatment</i>)	137,266	121,258	-11.66%
Total non-hazardous waste	548,420	615,222	12.18%
Non-hazardous waste over metres of fabric produced	0.141	0.142	0.43%

* The data for Tunisia for 2017 and the first six months of 2018 have been estimated.



CHAPTER 5

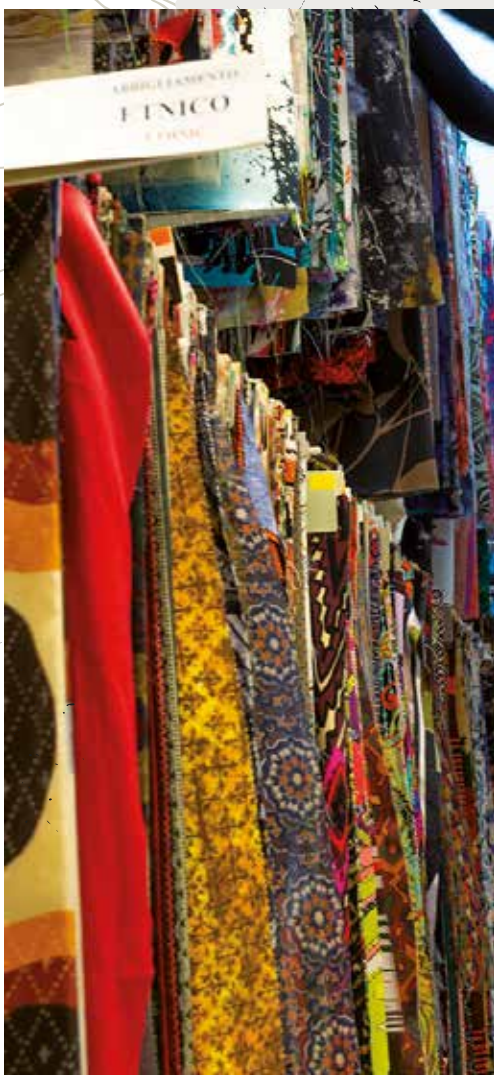
Ratti, adding **value** to the community and the region

- 5.1 At the forefront of communicating sustainability
- 5.2 Believing in talent, investing in the future
- 5.3 Partnerships that do good
- 5.4 Ratti and the Foundation supporting culture

RATTI ARCHIVES



3
4
5
MUSIC
K. COM
S. MONY
M. A





Ratti, adding value to the community and the region

Local connections but strong internationalisation of competences, because it is only through encountering, relating to and exchanging cultures and knowledge that a product can be obtained which can satisfy the tastes of the principal fashion houses of the world.

The overarching lesson from our founder Antonio Ratti is that the love of beauty and a passion for creativity are a common denominator that can unite, with shared meaning, the personal and the professional life.

The Group's objectives are not limited to safeguarding its craftsmanship and manufacturing heritage, but also to pushing ourselves further, moving in the direction of protecting the territory and its resources. In this sense, every creation develops and evolves over time: from research work to a kind of sartorial architecture, from the conception of new designs to the printing craftsmanship of the finished product, rewriting, time after time, this exclusive art that belongs exclusively to the Como region.

For Ratti, adding value to the region in which it operates is a fully fledged commitment. This is achieved not just through partnerships and

institutional initiatives, but also through working constantly on the organisation, the logistics, and the daily operations that seek to grow the local organisation and optimise its use of resources. For the Group, speaking of the territory means continuing down a road that is paved with creativity and style, with personality, and with an elegance that has given prestige to Made in Italy, conquering the world, collection after collection. In fact, Ratti prints have always married local experience with strong internationalisation, which may be understood as a meeting and exchange of cultures and knowledge.

Local connections but strong internationalisation of competences, because it is only through encountering, relating to and exchanging cultures and knowledge that a product can be obtained which can satisfy the tastes of the principal fashion houses of the world.



ARCHIVIO



5.1 At the forefront of communicating sustainability

Strengthened by the conviction that one should not rest on the laurels of results achieved and in order to continue its commitment to implementing best practices with regard to sustainability, during 2018 Ratti took part, as an interlocutor, in a series of encounters and training events with the schools of the region, partner companies, and other organisations in the sector.

For the Group, sustainability is strongly linked to the values of a business and, like these, must be communicated and shared.

Among these initiatives, Ratti chose to host the participants of the **Textile Sustainability Conference** organised by **Textile Exchange** in order to share and publicise the sustainability project undertaken. The Textile Sustainability Conference, which brought together brands, buyers and companies from all parts of the textile world, with the objective of creating an idea of a more sustainable and responsible textile industry, took place in Milan. It had over 800 participants with 145 speakers from 43 countries.

Among moments of training and interaction with students, during the corporate strategy course of the Executive MBA of the **Il Sole 24 Ore Business School**, the CEO was asked to present Ratti as a successful case-history for the Marzotto Group. Still



in this vein, the CEO was invited to the **Executive MBA di ALTIS** course of the Università Cattolica del Sacro Cuore to present to students the journey undertaken by the company in terms of environmental and social sustainability. The Chief Procurement and Sustainability Officer of Ratti also presented to the **Sustainable Luxury Academy** at **Milan Politecnico**, explaining the deep commitment of the company to sustainability. In December Ratti was invited to take part in the Sustainability Forum "Verso una nuova economia circolare" (*Towards a new circular economy*) organised by the **Sole 24 Ore Group** to bear testimony to the vision that leans towards a new growth model that results in a sustainable and competitive economy.

Ratti then participated in a conference organised by **Enea** on corporate sustainability and hosted a delegation led by the editor of **Ecotextile**, a

For the Group, speaking of the territory means continuing down a road that is paved with creativity and style. Ratti prints have always married local experience with strong internationalisation, which may be understood as a meeting and exchange of cultures and knowledge.



Ratti's leading role in "Trame d'Azienda"

Randstad Italia, the second-largest global human resources services operator, has chosen Ratti for "Trame d'Azienda", a storytelling project that recounts success stories of textile innovation and manufacturing.

The project involves the use of an interactive online platform that allows the user to visit the factories and to understand how the different production departments function in the Italian quality textile industry, and to hear stories and interviews with the leaders of the most innovative Italian companies in the sector. "With this initiative we are seeking to turn our gaze on a sector in which tradition

and innovation live together and to share the stories of the successful companies and workers which are behind the creation of fine fabric. Organisations participated in this project that have known how to survive crises and reinvent themselves, and that have managed to become known as the Made in Italy points of reference for the sector, but that nowadays struggle to find professional profiles that are specialised and have appropriate experience, and are now searching for people who are young and motivated and who they can help to grow in a sector with renewed vitality." (Marco Ceresa, CEO of Randstad Italia).



magazine dedicated to sustainability in the textile world.

As the crowning achievement of the strategy followed, in 2018 Ratti joined the **Comitato di sostenibilità di Sistema Moda Italia** (*Sustainability Committee of the Italian Fashion System*), one of the largest global organisations representing the textile and fashion industries in the West, and which represents a sector boasting 400,000 staff and around 50,000 companies.

5.2 Believing in talent, investing in the future

Schools, universities and training

For the Ratti Group, believing and investing in the younger generation, cooperating with Italian and international schools and universities, means encouraging growth and mutual enrichment. Two worlds, Ratti and schools, which in recent years have often been intertwined, breathing life into

ideas and projects consisting of stories, talent and, most of all, people. Ratti invests in young people, seeking new talent and enhancing these employees' growth through continuous internal and external training.

The company cultivates its relationship and strengthens its cooperation with fashion and design institutes through **taking on** talented **young people** as **interns** with competitions and project work, **supporting** undergraduates during their **thesis** projects, **supplying** fabrics for laboratories or courses and as a technical **sponsor** of events, exhibitions and competitions organised by schools and universities. Internships and other opportunities for growth in the company are explained in the relevant **section Young Talent** on the website, where aspiring candidates can fill in a contact form to register as candidates.

In addition to university programmes, Ratti is also involved with students from high schools and vocational schools. Young people from Italy and all over the world participate in the workshops, which offer a unique training experience thanks to their mix of applied creativity, inspiration from the past and the latest technology.

Designers learn **on-the-job** to deal with the issues of the sector, from choosing fabrics and materials for the future to developing operative autonomy and dealing professionally with the customer. Company visits offer a chance to consult the archives and to observe, close up, the creative journey and the production cycle.

The attention Ratti pays to young people begins in high school: with its **work-school alternation programme**, Ratti hosts – for a period ranging from one to three months – 12 students from various schools in the region, focusing on various areas such as fabric, accountancy, IT and languages. Supported by a tutor, the students are placed in various areas so they can gain a more practical experience of the topics they study at school. This is an initiative which allows them to develop their skills and enter into 360-degree contact with the world of work.

Through training courses, internships, study bursaries, and competitions to reward the best projects, Ratti also partners with the best schools, universities and fashion and design institutes, whether locally or internationally, such as **Accademia del Costume**, **IED – Istituto Europeo di Design**, **IUAV University in Venice**, **Setificio in Como**.

As a partner of **Camera Moda Italia** (*the National Chamber for Italian Fashion*), Ratti has spent time with young people who stand out in terms of

Ratti receives an award for its Social Report

The Social Report Library is a meeting point that encourages and makes it possible to consult sustainability reports at national level.

It is a documentation centre that can be accessed by anyone (associations, consumers, students, universities, the world of information, institutions and companies) who over time want to understand and evaluate all the information contained in these documents.

This association has set itself the goal of sharing the data and news published in the reports to an increasingly wider audience, representing a meeting point that encourages and makes it possible to consult, at national level, the social, environmental and sustainability reports produced by Italian companies.

Every year the **Social Report Library** presents an award to the company that has distinguished itself in the area of sustainability through its

reporting instrument. The event, which had its fifth edition in 2018, was held on 5 December at the **Fondazione Ambrosianum** in Milan.

The main purpose of the prize is to attest to the contents published in the sustainability reports, with the intention of sharing these values and stories with the widest possible audience. This year the event focused on the importance of integrating sustainability into corporate plans, and to what extent this could be a key element for growth and development.

Of the ten companies involved, Ratti (second place), together with **Fruttage** (first place), **PanariaGroup** and **Piaggio** (equal third place) **Gruppo Bper**, **Deco**, **Enel**, **Gruppo RDM**, **Società Gas Rimini** and **Vodafone Italia**, was given the chance to present its sustainable vision and to share the current and future projects that are part of the “**Ratti for Responsibility**” journey that began in 2011.



Ratti receives the stamp of quality for its school/work alternation programme

As confirmation that, as always, the company's philosophy is built on the strong enhancement of its craftsmanship and that of the region, Ratti has received the stamp of quality from Confindustria for its school/work alternation programme. The stamp rewards those businesses that stand out for their development of programmes of great substance and content while initiating, at the same time, valuable partnerships with the schools of the region. School/work alternation

represents an innovative educational model that, by offering concrete experience, helps to consolidate knowledge and tests young peoples' attitude "in the field". Specifically, in Ratti its aim has been to encourage the circulation of know-how and the birth of a common identity: not only through the sharing of technical production knowledge, but also through the enhancement of entrepreneurial culture and identification with the interests of the local area. The journey undertaken has facilitated the

creation of a stable relationship, based on relations of mutual trust that will, in future, encourage the search for new forms of partnership and integration.

"I am convinced", declares Angela Caccia, tutor of the project and Human Resources Manager at Ratti, "*that the experience these young people have had will help them in their professional choices precisely because they have shared with their group the atmosphere that pervades the company and they have learned to appreciate our art*

and our values, acquiring an awareness of knowledge and abilities that up until now may have been dormant". The stamp of quality received by Ratti is a further demonstration of the great synergy that exists between the group and schools, and which often manages to make a tangible mark on the experience of these young people by creating tailored projects that are also born out of mutual expectations. This recognition represents a further encouragement, for the Group, to continue to invest in the training and growth of people.

the excellence of Italian fashion schools, and the choice of fabrics they mould onto their ideas and their creativity, with the primary aim of cultivating their talent and offering them, at the same time, an opportunity to open themselves up to a world made out of beauty, content and meaning. These eight talented young people, once their training course was complete, were asked to create a collection that could be brought to the catwalk, respecting production times, the complicated dynamics of the system and, last but not least, for the first time seeing how they measure up to the world of work.

With an eye on the future from an international perspective, Ratti sponsors TexSelect, which every

For the Ratti Group, believing and investing in the younger generations, collaborating with Italian and international schools and universities, means growth and mutual enrichment.

year invites the tutors from graduate courses and Master's degrees to select the most creative students of the year. The 24 best graduates selected are presented to buyers, to the press and to the sponsors at TexSelect London

Preview and the Première Vision Paris trade show. The worthy winners of this mentorship programme have earned not only an excellent first experience in the textile-industrial field, but



CARNET SHOWROOM

also an opportunity to collaborate with the most prestigious Italian textile companies and to be taught and updated on the use of CAD software.

Ratti is also a sponsor of MAFED, the Master's programme in Fashion, Experience & Design Management at Bocconi University, an international course aimed at those seeking a managerial career in the fashion, luxury and design sectors, as well as the project Career Card of the Aldo Galli Accademia di Belle Arti (Academy of Fine Arts) – IED Como, an initiative aimed at introducing students to the reality of business and sponsored by Unindustria and the Como Chamber of Commerce.

The initiative, born out of a partnership between the Aldo Galli Accademia di Belle Arti, Unindustria

As a partner of Camera Moda Italia, Ratti has spent time with young people who stand out in terms of the excellence of their fashion schools, and the choice of fabrics they mould onto their ideas and their creativity, with the aim of cultivating their talent.

and the Como Chamber of Commerce, seeks to encourage an encounter between students and companies, through carrying out projects that are developed in parallel with education and which are useful to the companies' business activities. Ratti, a partner in the project, has accompanied the youngsters up until the completion of their study programmes, involving them in its daily activities and offering the most deserving of them, in line with its philosophy, a study bursary. The experience these young people have had will help them in their professional choices precisely because they have shared with their group the atmosphere that pervades the company, and they have learned to appreciate our art and our values, acquiring an awareness of knowledge and abilities that up until now may have been dormant.

5.3 Partnerships that do good

Ratti aspires to and establishes cooperative relations with parties in the surrounding area,

both in Italy and abroad, with shared values and objectives in terms of **social accountability**. This includes **Convivio**, the biggest Italian charity fair in the world of fashion. For the latest edition, Ratti participated by printing its foulard to depict the Convivio campaign. They were worn by volunteers and put on sale between 6 and 10 June 2018.

With the aim of dedicating special attention to those less fortunate, Ratti works with **Quid**, an ethical and sustainable fashion brand which produces handmade garments and accessories in a limited edition, created with end-of-line fabrics made available by textiles companies. Hemming is carried out through tailoring provided by 20 women from disadvantaged groups. Ratti also works with **Made in Carcere** (*Made in Prison*), a not-for-profit social cooperative which helps women on the margins of society: 20 women prisoners who make accessories, giving a second life to fabric scraps from textile companies. The company donates fabric scraps to Italian fashion schools so they can carry out internal work and projects. In addition, the company supplies fabric every year and follows some students as they make their collections for their final theses. Finally, Ratti is in partnership with **Siticibo**, a programme of the Banco Alimentare Onlus Foundation, which was set up in Milan in 2003 to collect excess food from canteens. It is also a partner of an initiative organised at the social theatre in Como to collect funds for the **Umberto Veronesi Foundation**.



HEMMING AND LABELLING DEPT.





Innovation partnerships

TEDxLakeComo

As a strong believer in the talent and ideas of everyone who wishes to "improve reality", once again Ratti took part as a sponsor of TEDxLakeComo, encouraging interested employees to participate. TEDxLakeComo, now in its tenth edition, represents an unmissable opportunity for those seeking to challenge themselves and open themselves up to highly stimulating themes in order to rethink the world in which we live. Thirteen/ fourteen speakers make presentations on various topics ranging from science to technology to society. The tenth edition of TEDxLakeComo was held on Saturday 10 November 2018 in the Centro Internazionale Congressi (*international conference centre*) of Villa Erba at Cernobbio. The theme was BRIDGES: "a bridge is a structure that is built in order to get past an obstacle; it is a fundamental means of communication for reaching places that would otherwise be isolated; it is the undeniable symbol of union between persons, peoples and cultures; it instils safety, it expresses the possibilities of mutual help between two shores; it narrates a desire to challenge and converge with different scientific disciplines, technologies or practices, but also between the present and the future, between reality and dreams".

ComON

Ratti is also a partner of COM ON, a project launched in 2008 thanks to the passion of a group of Como entrepreneurs who, with the support of Unindustria Como, gave life to a true "European creativity hub" in order to foster the dissemination of creative ideas, not only by bringing the most talented graduates from the most prestigious design schools to companies in the business region of Como, but also by promoting an interaction between various entrepreneurial organisations, universities, training schools, young students and professionals – testimonials and authorities – in a permanent training and fusion laboratory. Every year Ratti

SAMPLES DEPT.



Source: One of the images on the site www.tedxlakecomo.com

hosts talented young interns, giving form to the interaction between entrepreneurial organisations and training schools, in an intersection of creativity, experience and feelings.

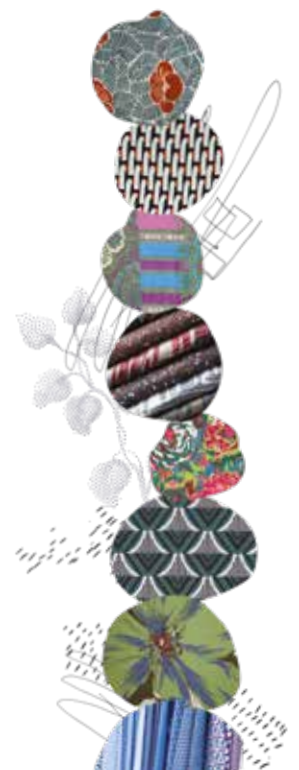
DIGITAL FOAM, Smart Fashion and Design

As a part of the DIGITAL FOAM experimental development project, financed by the Lombardy Region through the "Smart Fashion and Design" tender (DDUO 3169/2016), Ratti participates as an end user in a partnership whose leading players are a research centre (*Innovhub - Stazione Sperimentale della Seta*), a chemicals company, a textiles machinery company and two end users. The project derives from a need to improve the sustainability of digital printing and seeks to develop and demonstrate, within an existing production line, integrated machinery for the preparation and functionalisation of the fabric substrates of various fibres destined for inkjet printing, thanks to experimentation with innovative technologies that have a lower environmental impact. The project is currently testing and carrying out trials on an industrial prototype that has been deployed at end-user companies.

SMART4CPPS

Conceptualised by the working group "Smart Manufacturing" of AFIL, the SMART4CPPS (*Smart Solutions for Cyberphysical Production Systems*) project is a partnership financed by the Lombardy Region (*Call Agreements for research and innovation POR FESR 2014-2020, Project ID 236789*). The players are companies and research organisations (*Milan Politecnico, University of Bergamo, University of Brescia*).

The project sets out the paradigms that underpin Industria 4.0., according to which ICTs not only support production processes, but are also integrated into components, machines and environments that thus become CPS (*Cyber - Physical Systems*) that are intercommunicating and intelligent. The development of this working programme



involves industrial research, experimental development and innovation.

PILOT 6

Ratti is involved in the "PILOT 6" of the project, which involves the integration of plant and machinery with IT systems and the traceability of the product during the process. The project was launched in April 2018 and will end in September 2020. As scheduled, a number of preliminary activities were carried out in Ratti in 2018 before the launch of the project, including the mapping of production processes and, last but not least, an analysis of infrastructure.

At the same time Ratti continued its meeting and relationship-building activities with the leading players in sericulture (silk farming), agro-industrial activities that result in the production of silk yarn. These activities, which include mulberry/silkworm cultivation, the reeling and spinning of silk, began mainly in China. Ratti, in cooperation with companies and research centres, has undertaken a series of research studies and projects in sericulture that serve in the acquisition of knowledge and to launch experimentation.

+ 400,000
fabrics covering more than
100 years of history

+ 14,000
Books and fashion
magazines in the library

5.4 Ratti and the Foundation supporting culture

Set up in 1985 and chaired by Annie Ratti, the Antonio Ratti Foundation (ARF) focuses on the history and trends in the world of costumery and the arts. In particular, it promotes initiatives, research and studies that allow researchers and artists, whether emerging or established, to produce new works and to reach a much wider audience.

With the objective of spreading the culture of beauty to the public at large as the primary source of Italian creativity, Ratti makes available, in cooperation with the Foundation, fabrics from its own production and archive to the increasingly numerous exhibitions organised in Italy and abroad.

The Museum of Fabric

The museum houses more than 400,000 fabrics covering more than 100 years of history, a "tessuteca" and a library with over 14,000 books and magazines, with online images, as well as a major collection of antique fabrics. In 1995 ARF also contributed to the creation of the Antonio Ratti Textile Center at the Metropolitan Museum of Art in New York, with a space of 2,300 m3 housing the fabric collections.

The promotion of visual arts

Since 1988 ARF has been investigating the languages of the visual arts. Major international artists attend the annual CSAV-Artists Research



ANTONIO RATTI FOUNDATION



Ratti chooses to support the world of art because never before, as on this occasion, has the narrative of fabric so focused the gaze of the visitor on those elements that encompassed the life of this patron, accompanying him on a fascinating and introspective journey into creativity and talent.

Laboratory as invited lecturers. Ratti cooperates with the Foundation at the ARF Artist Limited Edition Series workshop for emerging artists. For the 2016 workshop Tacita Dean created eight silk pouches printed with Giotto frescoes.

Exhibitions are also very important, and are often born out of cooperation with the Antonio Ratti Foundation. In the exhibition: **Arabesque – Antonio Ratti: Il tessuto come Arte** (*fabric as art*), which is a part of a programme which started in 2017 at Palazzo Te in Mantova, Ratti continues to seek to narrate the passion for beauty of a refined and multifaceted person who, investing in the creation and enhancement of fabric as art, has learned over decades to give prominence to the art of printing. The exhibition highlights the experimentation and the creativity of Antonio Ratti, investigating not only the poetry of his passion but also the connection between business culture and humanistic culture.

The story that derives from this entrepreneurial experience overlaps with the narration of a story of fabric, ironing out the creases and allowing the close link between fashion and art to emerge.

Once again Ratti has chosen to remain close to the world of art because, as on this occasion, the narrative via fabric focuses the gaze of the visitor towards the elements that have enveloped the life of this patron, accompanying him along an introspective and fascinating journey around creativity and talent.

Enhancing history and trends in the world of art by promoting initiatives, study and research with the goal of disseminating a culture of beauty as the primary source of creativity.



ARABESQUE EXHIBITIONS - ANTONIO RATTI. IL TESSUTO COME ARTE

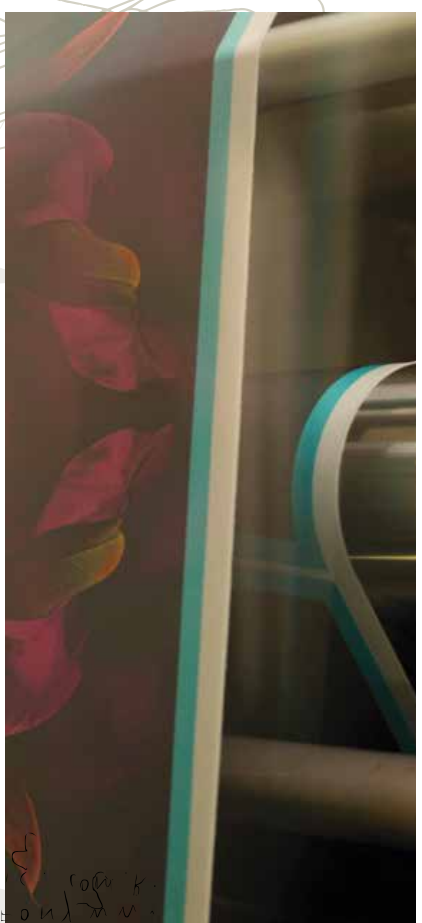


CHAPTER 6

Governance and monitoring corporate ethics and risk management

- 6.1 The governance structure of the Group
- 6.2 The governance of Ratti SpA
- 6.3 The bodies and the instruments that monitor corporate ethics
- 6.4 Risk management and preventing corruption
- 6.5 Sustainability integrated into risk management







Governance and monitoring corporate ethics and risk management

6.1 The governance structure of the Group

The Ratti Group has a governance structure and support tools to guarantee the ethical and transparent governance of its activities.

In 2018 in this area some major innovations were introduced that apply to the whole Group, such as updating the **Code of Ethics**, the establishment of a **Group Ethics Committee** and the adoption of a **Suppliers' Code**. In 2018 the specific Organisation, Management and Control Model (MOG 231) for Ratti SpA was updated by the introduction of a new policy relating to **whistleblowing**.

The Parent company Ratti SpA is organised according to the **traditional model** of administration and control, in compliance with Article 2380-bis et seq. of the Italian Civil Code: **Shareholders' Meeting**, **Board of Directors** and **Board of Statutory Auditors**.

The company also has a **Supervisory Body**. The reporting activities are audited by an independent third-party company.



Ratti SpA carries out strategy, coordination and control activities in accordance with Article 2497 of the Italian Civil Code; for that reason all the Company's operations of particular strategic and financial significance are subject to the collective examination and the exclusive approval of the Company's Board of Directors.

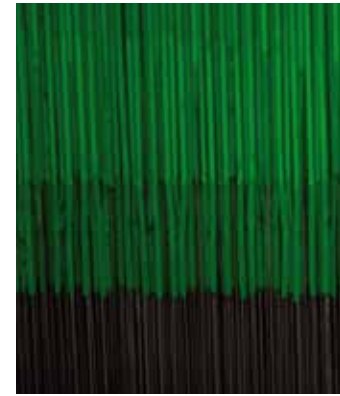
The members of the BoD of Ratti SpA, as well as some executives who cover strategic roles, are involved in the administration of other companies in the Group, ensuring the appropriate participation of the associates in the Group's governance decisions.

In particular:

- **Ratti International Trading (Shanghai) Co. Ltd and Textrom Srl** have Donatella Ratti as sole director, who exercises all powers of administration. The sole director's mandate does not have a pre-defined expiry date.
- **Creomoda Sarl** has the following directors: Thierry Cusinato and Ali Ghedamsi, who exercise all management powers. The directors' mandates do not have a pre-defined expiry date.
- The governance structure of **Ratti USA Inc.** consists of Sergio Tamborini (Director), Michael Marchese (Director and Vice President), Paul Guggi (Director and President) Liberio Romano (Secretary) and Claudio D'Ambrosio (Treasurer), who exercise management powers. The mandate expires on an annual basis.

Governance for sustainability issues (Legislative Decree 254/2016)

With regard to sustainability issues, the strategy and coordination of activities are within the remit of the Parent company Ratti SpA. In particular, the BoD of Ratti SpA defines the Group's strategic choices in accordance with the contents of Legislative Decree 254/2016, based on knowledge



of the processes in other Group companies and the integrated system for managing risks (see the paragraph *"Sustainability integrated into risk management"*), with the aim of providing a line of conduct to follow in the operating activities of the Group.

In 2017 the Sustainability Committee was set up in Ratti, and meets periodically to develop projects and proposals for the Group in various areas of sustainability. The CEO of Ratti SpA takes part periodically in the meetings.

With increasing monitoring of aspects of sustainability, Ratti SpA has adopted a range of policies and monitoring instruments that have been successively communicated and adopted by the various companies of the Group according to the specific needs and various contexts in which they operate.

In particular, Ratti SpA, Creomoda and Textrom have adopted their own social accountability policy and safeguard the fundamental rights of persons, with a particular focus on forced and compulsory child labour, health and safety in the workplace and ensuring there is no discrimination against workers during the recruitment phase and following hiring (see *Chapter 3, paragraph 3.4 "A commitment anchored in the most advanced standards"*).

With regard to environmental aspects Ratti SpA, Creomoda and Textrom have adopted an environmental policy with the aim of safeguarding the environment and promoting a sustainable development agenda, both in terms of making company processes more efficient and in terms of using products and services with a lower environmental impact, focusing attention on the selection of suppliers (see *Chapter 4, Box "The environmental policies of the Ratti Group"*).

The Sustainability Committee

In 2017 the Ratti Group set up the Sustainability Committee. Created in order to give impetus and form to sustainability themes, the Committee involves the heads of various key functions with the aim of stimulating innovation and promoting a culture of sustainability within the Group. In 2018 it supported the team which drew up the Sustainability Report – Declaration of a non-financial nature, intervening in the process of updating the materiality matrix. The following Managers take part permanently in the Sustainability Committee: Human Resources, Purchasing, Communication,

Product Chemicals and the Sales Division. In 2019 the Committee will take on the character and designation of a working group, having been assigned a new and significant role in developing projects in the area of sustainability.



The management of personnel and respect for human rights are enshrined in the personnel and selection policies of Ratti SpA, Creomoda and Textrom.

No discrimination of any type is tolerated and selection is based exclusively on merit and the equitable treatment of candidates. Particular attention is given to practices of verification and hiring with regard to minors (see *Chapter 2, paragraph 2.5 "Safeguarding basic rights"*).

With regard to social themes, managing the health and safety of consumers is important. This aspect is linked to the quality of the product and the possible negative impact of the use of chemical substances related to the production processes. Both Ratti SpA and Textrom Srl monitor chemical substances used to guarantee compliance with

In 2017 the Sustainability Committee was set up in Ratti, and meets periodically to develop projects and proposals for the Group in various areas of sustainability.

With regard to social themes, managing the health and safety of consumers is important. This aspect is linked to the quality of the product and the possible negative impact of the use of chemical substances related to the production processes.

the prevailing regulations and the clients' specific requests, as stipulated in the certifications obtained by Ratti SpA, such as SERI.CO and Oeko-Text®. The same attention is requested of suppliers, e.g. the request to comply with the REACH regulation (see Chapter 3, paragraph 3.4 "A commitment anchored in the most advanced standards").

With regard to corruption, Ratti SpA follows Model 231/01, updated to November 2018 and integrated with the whistleblowing policy.

As required by the Model, there is also a Supervisory Body (see paragraph 6.3 "The bodies and instruments that monitor corporate ethics"). For the Group's other companies, the main monitoring methods are the Code of Ethics, whose purpose is to receive and manage any reports of violations, including those relating to conduct that could violate the provisions of the Code (see the paragraphs "The Code of Ethics" and "Risk management and preventing corruption").

6.2 The governance of Ratti SpA

Ratti SpA is a limited company that has been listed since 1989 on the screen-based market system (Mercato Telematico Azionario, MTA) organised and managed by the Italian stock exchange (Borsa Italiana). Its system of corporate governance adheres to the principles of the Code of Conduct of Borsa Italiana.

Ratti SpA is the only company in the Group in which the Committees and the Internal Audit function are centralised.

The Board of Directors

Appointed by the Shareholders' Meeting, the Board of Directors (BoD) is the corporate body responsible for managing the company. It consists of the Chairman, the Deputy Chairman, the CEO and six directors, of whom two are independent.

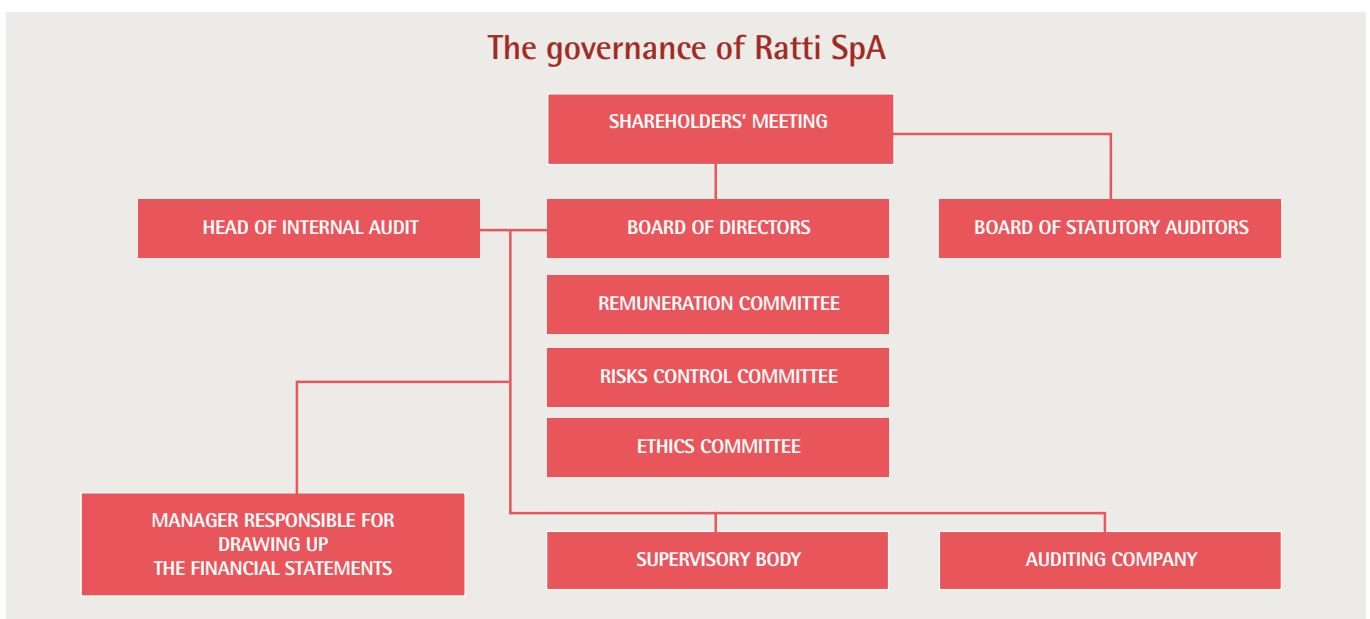
General duties relating to management powers are attributed to the BoD, leaving responsibility to the shareholders' meeting for actions such as appointing and removing directors, approving the financial statements and amending the by-laws. Directors remain in post for three years (except in the case of shorter periods stipulated by the shareholders' meeting at the time of appointment), cease to hold office or are replaced according to the law, and may be re-appointed.

Composition of the Board of Directors At 31 December 2018

Donatella Ratti	Chairman
Antonio Favrin	Deputy Chairman
Sergio Tamborini	CEO
Andrea Paolo Donà dalle Rose	Director
Federica Favrin	Director
Sergio Meacci	Independent Director
Carlo Cesare Lazzati	Independent Director
Davide Favrin	Director
Giovanna Lazzarotto	Director

The Board of Directors, in addition to exercising management powers, carries out the following functions:

- Examines, approves and monitors the Group's strategic, business and financial plans;
- Defines the governance and structure of the Group, as well as the nature and level of risk



compatible with the strategic objectives of the Group;

- **Evaluates** the adequacy of the organisational, administrative and accounting structure and the internal control and risk management system in relation to the Group and the individual companies of which it consists.

The BoD has assigned the ordinary management of the company to the management.

The Chairman and the Deputy Chairman have a coordinating role, while the CEO is responsible for the executive management of the Company and the Group. This is in line with the principle of separating the management of the business from the role of Chairman. In light of the above model it has not been considered necessary to appoint a **Lead Independent Director**.

Specifically, the Board of Directors has assigned to the Chairman Donatella Ratti the duties of supervising administrative, tax and financial activities, convening meetings of the Board of Directors and the Executive Committee and coordinating their activities, ensuring that the resolutions passed by those bodies are implemented, and coordinating, alongside the Deputy Chairman, communication activities of an institutional and financial character both for the Company and the Group.

The CEO, Sergio Tamborini, has been assigned all executive functions. In particular, the CEO has been awarded other powers (*subject to certain limitations by value*), relating to the monitoring and development of various areas of the Company including, by way of example (*non-exhaustive*), the legal and representational, financial and operational areas.

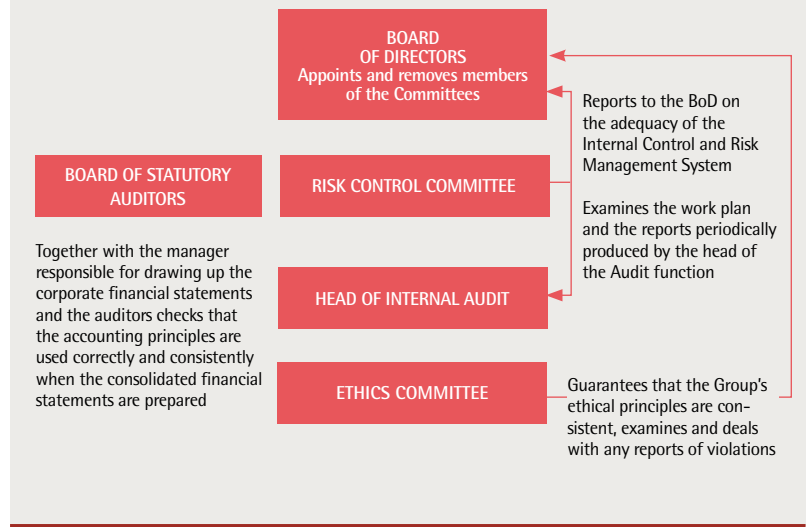
The Board of Directors has formed a **Risks Control Committee** and a **Directors' Remuneration Committee** from among its members, and has also appointed an **Executive Committee**. In 2018 a **Group Ethics Committee** was set up.

Executive Committee

The **Executive Committee** consists of three members elected from Board of Directors; it may be convened either by the Chairman of the Board of Directors, a member of the BoD or a member of the Board of Statutory Auditors.

It is the Committee's duty to supervise management performance and to decide on all matters and/or business of significant importance to the Company or the Group, according to the criteria laid down by corporate governance.

Monitoring the governance of the Ratti Group



Executive Committee At 31 December 2018

Donatella Ratti	Chairman
Antonio Favrin	Deputy Chairman
Sergio Tamborini	CEO

The Risk Controls Committee and risk management

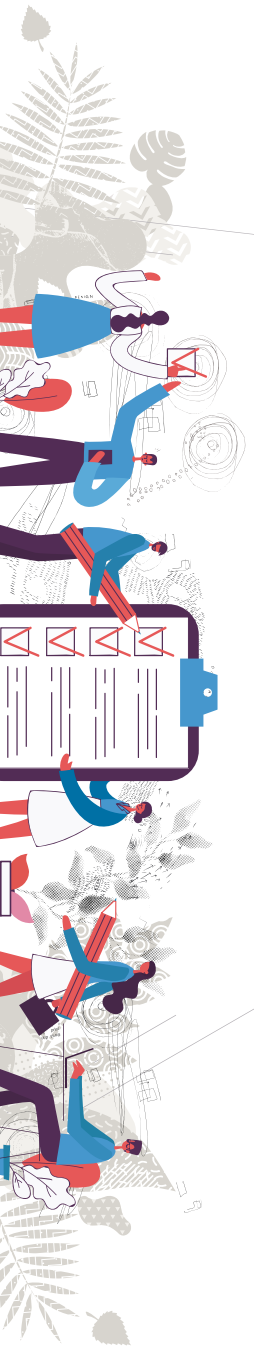
The **Risks Control Committee** is appointed by the Board of Directors and consists of two Independent Directors and one non-Independent Director who are responsible for accounting and finance.

The Risks Control Committee monitors the observance and periodic updating of the Corporate Governance rules. In particular, it assists the BoD in carrying out the duties the Code assigns to it in matters of internal control and risk management.

More specifically, the Risks Control Committee:

- **Checks**, together with the Manager Responsible for preparing the corporate financial and governance reporting, that the accounting standards adopted are used correctly and are uniformly applied in drafting the consolidated financial statements;
- **Supports** the Board of Directors, along with the Director Responsible and Internal Audit, in pursuing the objective of steadily and continuously improving the internal control and risk management system (ICRMS) instituted by the Ratti Group;
- **Monitors** the autonomy, adequacy, efficiency and effectiveness of the Internal Audit department;
- **Supports**, through its preliminary activities,





the assessments and decisions of the Board of Directors relating to managing risks resulting from detrimental facts that come to the Board of Directors' attention

- Expresses reasoned non-binding opinions on the interests of the Company when it executes transactions with related parties, on the expediency and substantive probity of the related conditions and, periodically, on the effectiveness of the procedure governing related party transactions adopted by the Company;
- May perform further duties assigned to it by the Board of Directors.

**Composition of the Risks Control Committee
At 31 December 2018**

Sergio Meacci (<i>Independent Director</i>)	Chairman
Federica Favrin	Member
Carlo Lazzati (<i>Independent Director</i>)	Member

The Remuneration Committee

The Directors' Remuneration Committee, in accordance with the Code of Conduct, consists of non-executive directors, the majority of whom are independent.

Directors do not take part in Remuneration Committee meetings in which proposals are put forward relating to their own remuneration.

The Remuneration Committee has been assigned the duty of:

- Periodically assessing the suitability, overall consistency and actual application of the policy on the remuneration of directors and managers with strategic responsibilities;
- Formulating recommendations for the Board of Directors on the matter;
- Presenting proposals or expressing opinions to the Board of Directors on the remuneration of executive directors and of other directors who cover any special roles, as well as setting performance objectives relating to the variable component of that remuneration, monitoring the application of the decisions taken by the Board, and verifying, in particular, that performance objectives have been reached.

**Composition of the Remuneration Committee
at 31 December 2018**

Carlo Lazzati (<i>Independent Director</i>)	Chairman
Sergio Meacci (<i>Independent Director</i>)	Member
Andrea Donà dalle Rose	Member

6.3 The bodies and the instruments that monitor corporate ethics

The Ratti Group guarantees that it complies with applicable legislation with regard to its operations, primarily through the activities and checks carried out by accredited internal offices (e.g. *legal, financial administration and control, internal audit, the technical office, the internal laboratory, the prevention and protection service, human resources and management systems*) and, should this not be sufficient, with the help of external consultants.

The supervisory bodies for laws and regulations relating to financial and social matters are, in particular:

- Board of Statutory Auditors;
- Supervisory Body;
- Risks Control Committee;
- Ethics Committee.

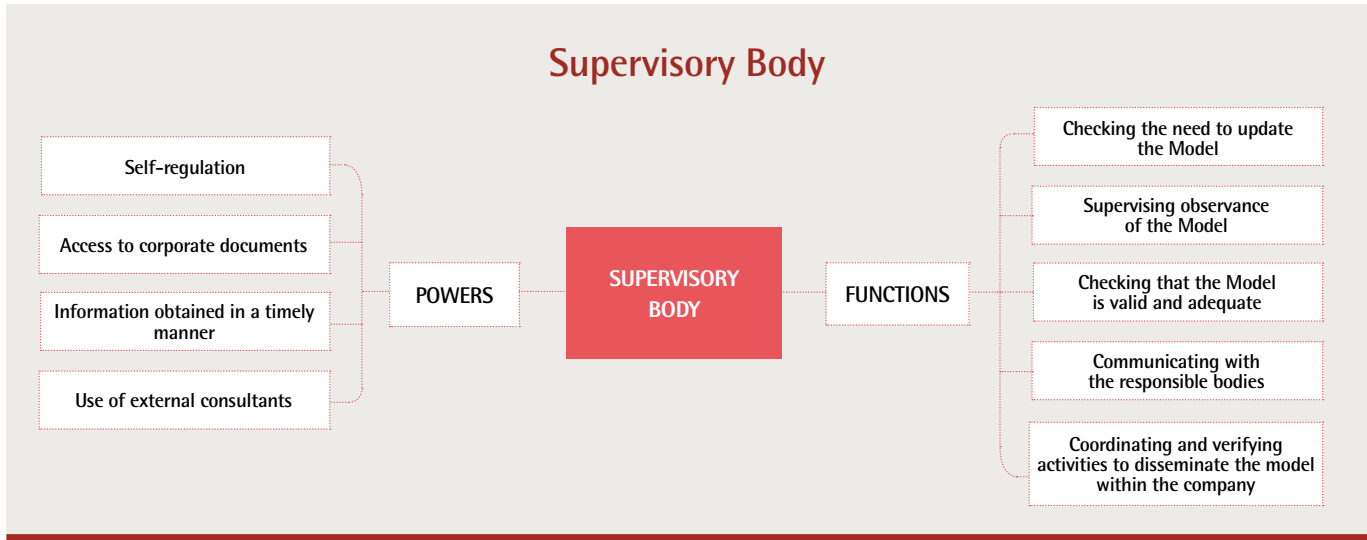
In turn, the supervisory bodies have access to a number of instruments and policies that ensure compliance with the Principles as well as the proper conduct of the Group and compliance with the principles deriving from the following documents: first and foremost Model 231, the Code of Ethics, the Suppliers' Code, the "Company Policy", the "Social Accountability Policy" of Ratti SpA and the "Social Accountability Policy" of Creomoda and Textrom.

The Board of Statutory Auditors

The Board of Statutory Auditors is the internal body that monitors the application of all corporate governance principles and ensures compliance with regulation and legislation. It also ensures compliance with the principles of the by-laws and guarantees that the principles of proper administration are adhered to, with a specific focus on the functioning of the organisational, administrative and accounting structure.

**Composition of the Board of Statutory Auditors
at 31 December 2018**

Giovanni Rizzi	Chairman
Marco Della Putta	Standing auditor
Antonella Alfonsi	Standing auditor
Stefano Rudelli	Alternate auditor
Alessandra Antonia Biagi	Alternate auditor



Supervisory body

Ratti SpA has also established a Supervisory Body, in accordance with the provisions of Legislative Decree 231/2001.

The activities of the Supervisory Body are based on criteria of autonomy and independence, as well as on professionalism and continuity of action.

With regard to the **Organisational Model** implemented by the legal entity, the Supervisory Body is responsible for constantly monitoring:

- its observance by all recipients;
- its actual effectiveness in preventing offences from being committed;
- the implementation of its requirements;
- its amendment, should it become necessary to update the model due to changes to the Company's structure and organisation or to the legislative framework.

The Body reports on the implementation of the Model by highlighting critical points, using two reporting lines:

- the first, on an **ongoing basis**, directly to the Board of Directors and the Risks Control Committee;
- the second, on a **six-monthly basis**, in the form of a written report to the Board of Directors and the Board of Statutory Auditors.

The Supervisory Body is obliged to promptly inform the **Board of Directors**, the **Board of Statutory Auditors** and the **Risks Control Committee**, with regard to provisions within their remit, of any transgressions, infractions and non-compliant behaviour that have been observed and to suggest revisions, amendments and additions that could prevent the above.

In this regard the Supervisory Body has informed the competent bodies that in 2018 an INAIL

verification procedure was concluded, as a result of which Ratti SpA was able to – working with INAIL itself – define the company's insurance positions more accurately. The procedure revealed a number of discrepancies that had occurred entirely in good faith – the allocation of INAIL insurance positions – which resulted in a fine of €104,000 for the entire period subject to verification (*the 2011-2017 financial years*). Since November 2018 the Supervisory Body has also managed the reporting flow from the new whistleblowing procedure.

Composition Supervisory Body at 31 December 2018:

Sergio Meacci	Chairman
Antonella Alfonsi	Member
Vittorio Stefano Zuccotti	Member

Organisational Model 231

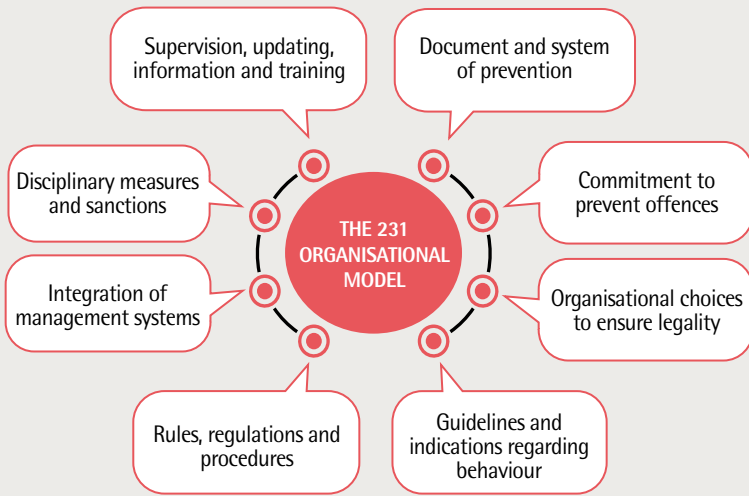
Since 2006, Ratti SpA has had an **organisational, management and control Model** which complies with Legislative Decree 231/2001 (*MOG231/01*) and has appointed a **Supervisory Body**. During 2018 The Parent group Ratti SpA carried out a project to update the Model, which was approved by the Board of Directors on 14 November 2018.

The Model has been brought into line with the new offences added by the legislator in the catalogue that is required due to the administrative responsibilities of bodies in accordance with Legislative Decree 231/2001, as well as with organisational changes, procedural updates and jurisprudential developments.

The Model consists of twelve parts: a general introductory part and eleven special parts which describe the details of the offence, recipients, general principles regarding behaviour in the areas of activity at risk, as well as sensitive activities, control protocols

The Model consists of twelve parts: a general introductory part and eleven special parts which describe the details of the offence, recipients, general principles regarding behaviour in the areas of activity at risk, as well as sensitive activities, control protocols and, finally, the duties of the Supervisory Body.

Organisational Model 231



and, finally, the duties of the Supervisory Body. Finally, the Model is completed by the Code of Ethics and the list and description of offences stipulated in Legislative Decree 231/01, the suppliers' code and the whistleblowing policy.

The Code of Ethics

The Group's Code of Ethics summaries all the elements which underpin its corporate identity and culture; the updated version was updated by the BoD of Ratti SpA on 14 November 2018 and, through subsequent resolutions, by the subsidiaries Textrom Srl, Creomoda Sarl and Ratti USA Inc. Ratti Shanghai will approve and adopt the Code of Ethics by February 2019.

The Code sets out the principles and values that characterise the management of the Group's activities and to which all subjects must adhere who act in the name of or on behalf of the Group and, in various ways and at various levels, maintain relationships with the various companies. The main recipients, who are explicitly referred to, are: the Directors, the Statutory Auditors, all the employees of all the companies in the Ratti Group, all freelance workers, all external collaborators (*consultants, trading partners, agents*) and suppliers.

The Code of Ethics lists nine ethical principles which underpin the governance and the management of the Group's activities. Two paragraphs are dedicated to the themes of safeguarding and protecting the environment and the social accountability of the Group, principles which find concrete expression in certified policies and actions (see *Chapter 3, paragraph 3.4 "A commitment anchored in the most advanced standards"*).

The Code stipulates the rules of conduct that recipients must follow when conducting corporate business and activities, and when managing people and information. The code underlines the importance of dialogue and transparency between the parties as necessary prerequisites for the creation of shared value, reiterating respect for health and safety in the

The new Whistleblowing Policy

Article 2 of Law no. 179/2017, amending Article 6 of Legislative Decree 231/2001, added to Legislative Decree 231/2001 the requirement to safeguard the whistleblower from offences or irregularities of which he or she had become aware during activities carried out in relation to a private employment relationship, known as "whistleblowing".

Ratti SpA complemented the General Part of the Model with a section dedicated to the regulations and penalties relating to violations of the prohibition of acts of retaliation against whistleblowers and the abusive use of reporting channels. The Company has adopted a

whistleblowing policy which governs:

- the parties involved
- the purpose, the channels of communication and the contents of the whistleblowing report
- the recipients of the report
- the duties of the recipients of the report
- protection of the whistleblower
- the penalty system

All recipients must be familiar with the document and must comply with its contents. MOG 231/01 may be consulted by accessing the **Procedures area** of the Company's intranet and is also published (*only the general part*) on the page <https://www.ratti.it/it/societa/sostenibilita>.



workplace and for fundamental human rights (*freedom of association, opposition to child labour and the absence of discrimination of any type*) at all the companies of the Group and at all suppliers.

The Code also governs relationships with authorities and institutions, such as supervisory authorities and regulatory bodies, public administration, political parties and trade unions.

Finally, the Code provides rules for the probity and transparency of financial reporting, for managing relations with third parties such as customers, suppliers, shareholders and trade partners, and for the management of information, IT resources and communication, on the basis of transparency, accuracy and punctuality, and guaranteeing the security of sensitive data (*privacy*).

The Code of Ethics may be consulted by accessing the Procedures area of the Company's intranet or the Sustainability area of the website www.ratti.it

The Ethics Committee

With the resolution of October 2018, the BoD of Ratti SpA established the Group's Ethics Committee, with the aim of strengthening the role of the Code of Ethics, ensuring that the ethical principles of the Group are consistently applied and of examining and managing any reports of violations of the Code of Ethics or any requests for clarification.

The Group's Ethics Committee provides the Board of Directors with information relating to notifications or opinions required at least twice a year and on an occasional basis to the other supervisory bodies where applicable.

The Board of Statutory Auditors, in the event of any complaints regarding the balance sheet, the accounting, the internal controls and the financial audit, may request further clarification from the Ethics Committee of the Group.

In addition, a new procedure was created which is valid for all companies in the Group and which

The Code sets out the principles and values that characterise the management of the Group's activities, and to which all subjects must adhere who act in the name of or on behalf of the Group and, in various ways and at various levels, maintain relationships with the various companies

identifies the *modus operandi* and the rules to be followed if it is necessary to report any violations of the Group's Code of Ethics.

All reports of violations received, no matter who they have been sent by or from what source, must be sent for the attention of the Group's Ethics Committee. This includes reports relating to foreign subsidiaries.

The accepted ways to send these are:

- ordinary post;
- by email to: rattihwhistleblowing@legalmail.it

6.4 Risk management and preventing corruption

The internal control and risk management system

Ratti SpA has an internal control and risk management system (ICRMS) which complies with the Code of Conduct of Borsa Italiana (Italian stock exchange), to which it adheres voluntarily.

The ICRMS focuses on the Ratti Group, although its activities also relate to the subsidiaries.

The ICRMS of Ratti SpA is represented by the sum total of the rules, procedures and organisational structures whose purpose is to allow the identification, measurement, management and monitoring of the principal risks, including all the risks which could assume importance in terms of sustainability.



The Group's Ethics Committee is responsible for receiving and handling any reports, including those relating to conduct that could potentially/substantially violate the aforementioned anti-corruption measures.

The BoD is responsible for the ICRMS and, assisted by the Risks Control Committee, defines guidelines and periodically checks that the main corporate risks have been identified, measured, managed and monitored in an adequate and proper manner. A meeting of the BoD is convened annually to analyse the trend for the main corporate risks and to evaluate their impact on the Company's strategy and performance.

The **Director Responsible** – in the shape of the CEO – has the task of implementing the guidelines of the BoD through the planning, management and monitoring of the ICRMS. Ratti SpA has also established an Internal Audit department, which supports the BoD, the Director Responsible, the Risks Control Committee and the management in carrying out their respective tasks in relation to the ICRMS.

Other control bodies include the Supervisory Body, the Board of Statutory Auditors, the Manager Responsible and the Group Ethics Committee.

To maximise the efficiency of the ICRMS and coordinate the activities of those involved Ratti SpA, in compliance with the **Code of Conduct**, has specifically separated control activities and has implemented various organisational practices, such as annual board meetings, regular reporting to the BoD, the participation of the relevant parties in meetings of the Control Committee, and the implementation and maintenance of the management system.



The prevention of corruption

The regulations with regard to non-financial reporting (Legislative Decree 254/2016), include the fight against active and passive corruption.

The commitment to promote and adopt high ethical standards is stipulated in the Group's Code of Ethics, in which one of the fundamental principles is "*Integrity and the fight against corruption*" where it is reported that the Group has "*decided to prevent and avoid the risk of*

corruption, through the adoption of a structured system of organisational and procedural measures containing rules, controls and reporting mechanisms aimed at preventing illegal behaviour and protecting the reputation of the company at global level".

In the Group's Code of Ethics some examples are given of actions that are not tolerated such as "*any exchange of gifts, presents, money or any other benefit in favour of third parties whether they be private or part of the Public Administration, such as could alter the normal relationship of cooperation, professionalism and impartiality of judgement, unjustly favouring the interests of the Ratti Group and/or one of the Group's companies*".

Given that corruption is included as a serious crime in Legislative Decree 231/2001, the second control adopted by Ratti SpA to prevent such a risk is **Model 231/2001**.

During 2018, with regard to the project to update MOG 231/01 a complete mapping was carried out in Ratti SpA of activities sensitive to offences included in Legislative Decree 231/01, which includes all corruption offences relating to public administration and private individuals.

This project resulted in the implementation, with regard to the MOG 231/01 of Ratti SpA, of a whistleblowing policy and a Procedure governing the handling of declarations, complaints and notifications of violations of the ethical and behavioural principles laid down in the Code of Ethics of the Ratti Group

Corruption is one of the areas covered by the new **Suppliers' Code** approved by the BoD of Ratti SpA with the resolution of 14 November 2018.

The Code is an integral part of contracts agreed with suppliers who are asked to note that corrupting behaviour of any type with private individuals or the public administration will not be tolerated by the Group; for this reason failure to observe the provisions of the Code could lead to the termination of the contract (*see the paragraph "Selecting suppliers" in Chapter 3*).

The **Group's Ethics Committee** is responsible for receiving and handling any reports, including those relating to conduct that could potentially/substantially violate the aforementioned anti-corruption measures.

With regard to the other companies of the Ratti Group (other than Ratti SpA) it should be noted that some activities that generally risk amounting to corruption are not executed by these companies

or – if they are carried out – are of marginal importance, due to the fact that these companies only carry out workmanship on an outsourced basis for the Parent company and/or directly on behalf of the latter.

In 2018 no non-compliant behaviour was identified in respect of compliance with the principles and regulations relating to corruption.

6.5 Sustainability integrated into risk management

In 2018 the Ratti Group defined the relevant process for analysing the risks associated with the issues mentioned in Legislative Decree 254/2016.

The CEO of Ratti SpA is responsible for identifying and evaluating sustainability risks. While identifying the risks the CEO is assisted by a team consisting of the heads of the following functions: Financial Administration and Control, Management Systems and Internal Audit.

From an analysis of the strategic risks and the risks mapped to maintain environmental certification (ISO 14001) and social accountability (SA8000), using mainly qualitative evaluation, risks were identified that have a significant potential impact on the activities of the Group or the stakeholders. The evaluation of the risks linked to aspects of the Decree was carried out for all Group companies. The Group's assessment was that risks of this type were not significant for Ratti USA and Ratti International Trading, given the dimension and nature of their activities.

There now follows a presentation of the main risks and the actions taken to mitigate them.

The main risks of an environmental nature

The main environmental risks were the pollution risk deriving from the management of waste and water discharges. These risks were closely linked to the production of Ratti SpA, with a lower frequency at Textrom Srl. In particular, the phases of dyeing, washing, finishing and printing are the most delicate in terms of environmental impact, not least because of the use of chemical products. In Creomoda Sarl water is used only for civil purposes and the volume of waste produced is very limited. For more details of the environmental policy and specific projects undertaken see *Chapter 4 "Ratti's environmental commitment"*.



The main risks of an environmental nature

Description of the main risks

Non-compliance with the applicable regulations concerning management of waste and discharges, with possible financial and administrative sanctions and associated reputational damage for the local community and customers due to environmental pollution.

Mitigation action taken

In Ratti SpA there is a system of environmental management, renewed in 2018, which complies with the regulation ISO 14001:2015.

In Textrom Srl there is a consultant dedicated to ensuring compliance with the relevant national regulations; in addition, in July 2018 a project was launched to improve the quality of the discharges, and separated waste collection was started.

Both in Ratti SpA and in Textrom Srl water discharges are channelled to public purification plants..

In Creomoda Sarl, even though risks are negligible, an environmental policy has nevertheless been adopted.



For a group such as Ratti which works with some of the biggest names in international fashion who are attracted by Made in Italy, the creativity and professionalism of personnel is a key success factor. Ratti therefore seeks to attract talent, and also tries not to lose it.

Principal risks associated with the management of personnel

There are two aspects with regard to the principal risks associated with the management of personnel identified by the Group: safeguarding health and safety in the workplace and the Group's ability to attract and retain highly specialised personnel, which makes it possible to maintain a high level of product quality.

The risks for workers in terms of health and safety relate mainly to the production process, i.e. to the use of plant and machinery in the various phases of product manufacturing.

Failure to retain talent is a risk faced by various sectors, given that the labour market is highly flexible. For a group such as Ratti which works with some of the biggest names in international fashion who are attracted by Made in Italy, the creativity and professionalism of personnel is a key success factor. Ratti therefore seeks to attract talent, and also tries not to lose it, guaranteeing a working environment that is stimulating, challenging, and rich with opportunities to learn and to grow.

For more detail on the policies for safeguarding the health and safety of employees and on managing talent see *Chapter 2 "Uniqueness and talent, ingredients for success"*.

Principal risks associated with corruption

The risk of acts of corruption includes the possibility that corporate representatives could commit acts that are illegal and significant from an administrative point of view and/or criminal in relation to third parties. With regard to private individuals the risk of corruption is adequately monitored by the Parent company, which in 2018 carried out a complete mapping of activities that are sensitive to crimes covered by Legislative Decree 231/01, which includes all corruption offences relating to both public administration and private individuals. As for the **Public Administration**, the Ratti Group considers this risk to be limited given that it does not take part in tenders.

Principal risks associated with the management of personnel

Description of the main risks	Mitigation action taken
Risk of injury and/or occupational illnesses.	Ratti SpA has management systems in place for social accountability (SA8000) and health and security in the workplace (OHSAS 18001). Creomoda Sarl has a management system for social accountability (SA8000) which includes aspects relating to health and safety. Since 2015 the company has also had a Committee for health and safety at work and since 2016 a manager responsible for health and safety at work.
	Textrom Srl has a consultant who is specialised and dedicated to ensuring compliance with national regulations, with a contract that stipulates periodic visits, and includes the provisions and updates of the Risk Evaluation Documentation and subsequent training.
	In 2018, both in Creomoda Sarl and in Textrom Srl the employees took part in health and safety training.
The risk regards the ability to attract and retain talent in a sector in which peoples' expertise is an extremely important competitive factor.	Ratti SpA continually collaborates with schools and professional institutes, with the dual aim of improving the level of professionalism in the labour market and enhancing the skills of young Ratti employees. The Group conducts both internal and external training. This makes it possible not only for employees to acquire knowledge and expertise, but also enhances and rewards them by investing in their professional future.
	The Group invests in corporate welfare policies with the aim of increasing employee retention.

Principal risks associated with corruption

Description of the main risks	Mitigation action taken
The possibility that corporate representatives might commit illegal acts that are particularly significant from an administrative and/or criminal point of view, and could lead to penalties or reputational damage.	Update of the Code of Ethics of the Group and the MOG 231/01 of Ratti SpA by adding the crimes of corruption between private individuals. Establishment of the whistleblowing policy.
	Approval of the Suppliers' Code.
	Establishment of the Group's Code of Ethics with the role of disseminating the principles of the Code of Ethics and dealing with any reports of violations.

The risk from acts of corruption is still less for other Group companies since the activities that generally risk amounting to corruption are not executed by these companies or – if they are carried out – are of marginal importance due to the fact that these companies only carry out workmanship on an outsourced basis for the Parent company and/or directly on behalf of the latter.

For details see *paragraph 6.4 “Risk management and preventing corruption”*.

The main risks of a social nature

The analysis of social aspects identified the type of risk with the greatest impact: those relating to the health and safety of the end customer. Consumers are increasingly sensitive and attentive to their choices: they therefore demand a product that is not only safe, but also pays attention to environmental factors and satisfies ethical conditions. These topics receive great attention in the fashion sector and from the Group’s major customers.

For further information see *Chapter 3 “Material becomes creation”*.

The main risks relating to human rights

The Ratti Group monitors risks associated with the violation of human rights and, in particular, the use of child labour on its operational premises and by its suppliers.

For more details of the policies to safeguard human rights and the fight against child labour see *Chapter 2 “Uniqueness and talent, ingredients for success”* and *Chapter 3 “Material becomes creation”*.

The main risks of a social nature

Description of the main risks	Mitigation action taken
The risk of harm to the health of end-consumers due to chemical substances in the products.	The Group partners with its suppliers to develop solutions that meet high safety standards.
The risk of not responding to the expectations of customers who require an increasing use of products that come from certified supply chains.	In 2017 Ratti launched its responsible collection which uses certified raw materials.
	The Group launched two projects: the Chemical Sustainability Project, which is aiming to eliminate water and oil repellent finishing and, subsequently, to eliminate PFCs in the production cycle and to develop the responsible collection without using premetallised dyes. The objective is to reduce pollution released into the environment and in the wastewater.
	Also used and updated during 2018 was the Chemical Gateway of the ZDHC – Zero Discharge of Hazardous Chemicals – to verify compliance of chemical products and dyes in use.

The main risks relating to human rights

Description of the main risks	Mitigation action taken
The risk of the violation of human rights by Ratti’s suppliers at operational premises abroad, with subsequent reputational damage.	Ratti SpA and Creomoda Sarl are SA8000 certified.
The risk of child labour.	This safeguards human rights as expressed in the Group’s Code of Ethics and in the Suppliers’ Code of Conduct that all Ratti’s trade partners must agree to comply with.
	Major suppliers and those coming from those countries considered to be at risk in terms of respect for human rights are asked to complete a self-assessment questionnaire for SA8000.
	Hiring policies for Ratti SpA, Creomoda Sarl and Textrom Srl specify minimum age requirements for hiring workers and set out the appropriate procedures for checking these requirements are observed.





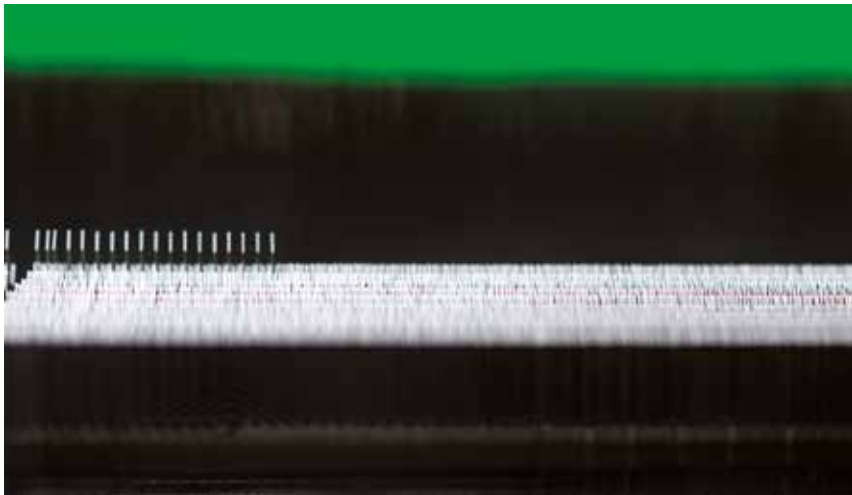
CHAPTER 7

Economic performance

- 7.1 The results of the Group for the 2018 financial year
- 7.2 Directly generated and distributed economic value



TESSITURA E ORDITURA





Economic performance



+17.1%

Sales growth for EU countries.

+10.9%

Sales growth in domestic market.

115.1

Million of economic value generated in 2018

+15.78%

Increase compared with the previous financial year

7.1 The results of the Group for the 2018 financial year

The principal economic indicators relating to the 2018 financial year, compared with the corresponding values for the previous year, are reported below:

Amount in Euro thousands

Summary of financial data	31.12.2018	31.12.2017
Revenues from sale of goods and services	109,580	99,410
Value of production and other income	114,300	99,272
Gross margin (EBITDA)	16,458	11,528
Operating profit (EBIT)	13,190	8,077
Profit before tax (EBT)	13,090	7,507
Profit for the year	10,454	6,022

The results for the 2018 financial year showed an **improvement for all the economic indicators** of the Group, which grew both in terms of revenues (+€10.2 million, +10.2%) and profitability (EBITDA) was €16.5 million, up by 42.8% on the previous financial year, while profit for the year was €10.5 million, up by 73.6% on 2017).

The increase in profitability is linked to a better sales mix in terms of margins, as well as an increase in volumes. This allowed better saturation of production facilities, with resulting cost benefits.

The trend for sales was characterised mainly by growth in **Area Luxe** (+€8.4 million, +20.8%), and a trend that was positive overall for the other areas of the business, especially **Area Collezione** and

Area Fast Fashion, which both grew by €1.2 million compared with 2017.

Sales by geographical area increased in European Union countries (+€5.4 million, +17.1%) and in the domestic market (+€4.0 million, +10.9%).



7.2 Directly generated and distributed economic value

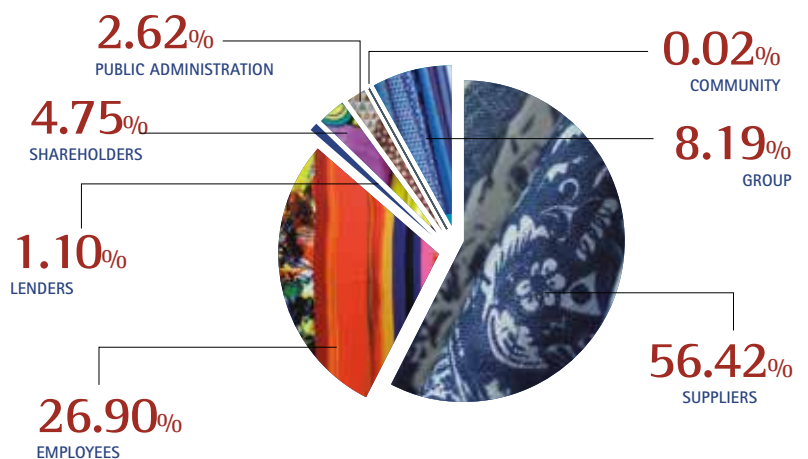
The following table shows economic value directly generated by the Ratti Group and distributed to internal and external stakeholders.

amounts in EUR thousands

	2018	2017	
Directly generated economic value	115,100	99,413	15.78%
Revenues from sales of goods and services	109,580	99,410	
Change in stock and work in progress	3,223	-1,466	
Other revenues and net income	1,136	1,052	
Financial income	1,161	417	
Economic value distributed	105,670	92,461	14.29%
Operating costs (for the acquisition of raw materials, subsidiary materials, consumables, goods, and for third-party services and leases and rentals)	64,936	57,299	13.33%
Salaries paid to employees, including social security contributions, TFR (employee severance fund) and other costs	30,960	28,652	8.06%
Interest payable on loans and other forms of debt	1,261	987	27.76%
Dividends distributed	5,470	3,555	53.87%
Income taxes and other tax liabilities	3,017	1,894	59.29%
Charitable gifts and donations	26	74	-64.86%
Economic value retained	9,430	6,952	35.64%

In 2018 the Ratti Group generated €115.1 million of economic value – an increase of 15.78% compared with the previous year. This was due, in particular, to growth in revenues from sales of goods and services.

91.81% of this value was distributed to the reference stakeholders. In detail, suppliers received 56.42% of this, employees 26.90%, shareholders 4.75%, the Public Administration 2.62%, lenders 1.10% and the community (in the form of charitable gifts and donations) 0.02%. The remaining 8.19% was retained in the Group to support future growth.





The criteria of this Report

Methodological note
GRI Content Index
Assurance







Methodological Note

The data are reported with the goal of presenting a clear picture of the actions and the characteristics of the Group. The process of reporting information and figures has been structured in a way that guarantees comparability, with the aim of facilitating an accurate interpretation of the information and giving all stakeholders a complete overview of the trend of Ratti's performance.

Perimeter, purpose and contents of the Sustainability Report and the DNF

Any organisation, in carrying out its activities, is constantly interacting, internally and externally, with customers, the community, institutions, other companies as well as individuals – the stakeholders.

This has an impact on the socio-economic context and the local area that is far beyond any economic dimension.

The Directive 2014/95/EU, implemented through Legislative Decree 254 of 30 December 2016 (Legislative Decree 254/2016) introduced an obligation for large public-interest entities to declare, as from 1 January 2017, any non-financial information regarding, in particular, environmental and social aspects, as well as matters relating to personnel, the respect for human rights and the fight against active and passive corruption.

The Decree also stipulated some general criteria for the structure and contents of the relevant document called Consolidated declaration of a non-financial nature (DNF).

The Ratti Group is among the subjects included in the Decree, which is why this Sustainability Report complies with the obligations of the Decree, and constitutes the 2018 Consolidated declaration of a non-financial nature.

The decision to report more widely than on only the themes identified by Legislative Decree 254/2016 and subsequent amendments was born out of an awareness of the specific social and environmental importance of a company operating in the luxury and fashion sector.

The Sustainability Report was considered to be the ideal instrument for presenting to the stakeholders

the activities, projects and results achieved in the 2018 financial year (1 January to 31 December 2018) in economic, social and environmental terms, as well as initiatives undertaken and the commitments made with the principal stakeholders.

The data are reported with the goal of presenting a clear picture of the actions and the characteristics of the Group.

The process of reporting information and figures has been structured in a way that guarantees comparability, with the aim of facilitating an accurate interpretation of the information and giving all stakeholders a complete overview of the trend of Ratti's performance.

The reporting perimeter is unchanged on that defined in the 2017 Document and is representative of the whole Ratti Group (*Ratti SpA and fully consolidated companies such as Creomoda Sarl, and Textrom Srl*), with the exception of Ratti USA Inc. and Ratti International Trading Co. Ltd. for environmental and social matters, due to the small number of people they employ (*two employees for Ratti USA Inc. and one employee for Ratti International Trading Co. Ltd.*) and their negligible environmental impact (*given that they do not have production activities*).

This document (DNF) was approved by the Board of Directors of Ratti SpA on 13 March 2019. The "Consolidated declaration of a non-financial nature" was drawn up in accordance with GRI Standards: core option.

This DNF has been verified by an independent company, EY SpA (which has also been appointed to audit the Ratti Group's financial statements), in the manner laid down by the regulations currently in force. The relevant report may be consulted on **pag. 104**.



For any clarification with regard to this Sustainability Report please send an email to sostenibilita@ratti.it.

Analysis of materiality

The materiality matrix represents, in summary form, the most significant (“material”) aspects for the Ratti Group and its stakeholders.

The materiality matrix is the product of a structured process involving management and stakeholders which, after a detailed evaluation of the significance of a list of aspects of sustainability, has allowed the most important aspects to be identified and then reported.

The list of aspects to be evaluated was created in accordance with the provisions set out in Article 3, paragraph 2 of Legislative Decree 254/2016 and on the basis of all the aspects specified in the GRI Standards.

In accordance with the 2016 GRI Standard it was decided to consider as material those aspects that emerged as significant for Ratti or for its stakeholders.

The process of involving stakeholders was implemented in 2017 for the publication of the first DNF; in 2018 the list of material aspects was updated in the light of certain considerations made by the management at the end of the reporting process the previous year. The updating process involves the following phases:

- more details on certain material themes with the relevant corporate representatives;
- sharing and reflecting on quality with the Sustainability Committee;
- approval of the new matrix by the CEO.

The material themes relating to the five areas

covered by Legislative Decree 254 are the following:

- 1. environmental themes:** reduction of environmental impact, compliance with laws and regulations (from an environmental perspective) and responsible management of the supply chain (environmental evaluation of suppliers);
- 2. social themes:** product quality and safety, responsible management of the supply chain (social evaluation of suppliers), compliance with laws and regulations (from a socio-economic perspective), procurement policy and financial relationship with suppliers, financial performance;
- 3. themes relating to personnel:** health and safety at work; talent training and development, employee wellbeing, safeguarding diversity and equal opportunities;
- 4. respect for human rights:** safeguarding human rights and the fight against child labour;
- 5. the fight against active and passive corruption:** opposing corruption.

Since the last Report¹ the Ratti Group has decided to exclude the following specific themes from the sustainability matrix: Management of industrial relations, Safety practices, Product marketing and labelling, Safeguarding customer privacy. The exclusion of these themes was decided on the basis of the improved understanding, following the previous year's reporting process, reached by the management of the concept of “significance” for the Group in terms of the evaluation of the impacts and risks associated with the themes, which have now been repositioned below the significance threshold. In particular, the theme “Management of industrial relations” has been excluded from the sustainability matrix on the basis of the observation

For any clarification with regard to this Sustainability Report please send an email to: sostenibilita@ratti.it

¹See 2017 Sustainability Report – Consolidated Declaration of a Non-financial nature, accessible at <https://www.ratti.it/it/societa/sostenibilita/>

that the management of relations with the workers and their representatives takes place within the Ratti Group in an atmosphere of serenity and partnership in which the company goes beyond legislative compliance.

Therefore, since the theme is adequately monitored and does not present any particularly negative impacts, it was decided to promote other themes pertaining to the management of personnel. The 2018 materiality matrix therefore includes 19 material themes presented in detail in Table 1. To make this easier to read it was decided to produce a number of summaries, as shown in

Table 2. The graphical representation of the 2018 materiality matrix therefore shows 12 material themes following merging.

Material aspects for the Ratti Group

With regard to the external perimeter of reporting it should be noted that, in this document for 2018, reporting does not currently include suppliers.

With regard to the internal perimeter of reporting it should be noted that the reporting of water discharges does not include Creomoda Sarl.

Stakeholders and the process

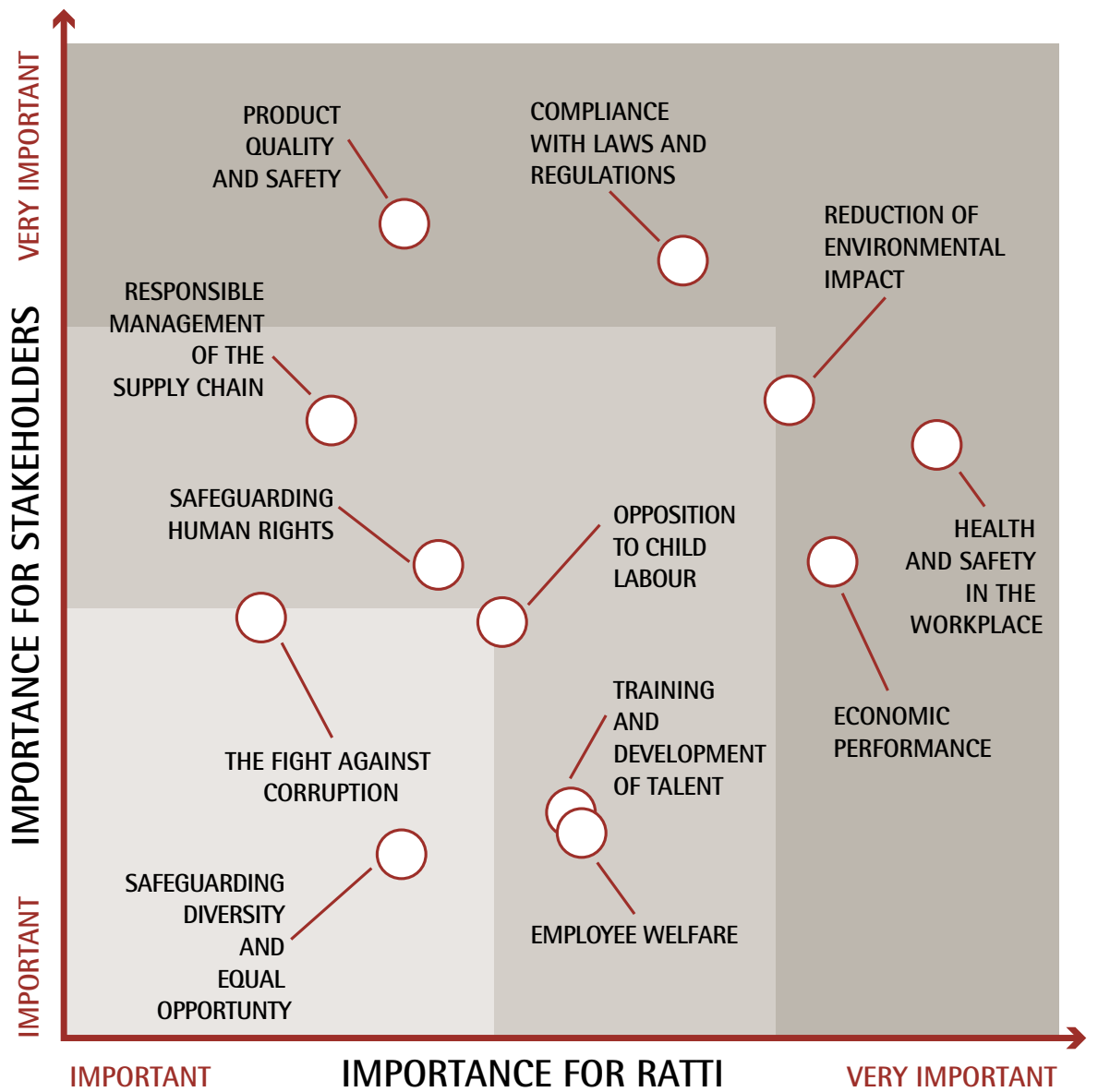


Table 1. Perimeter of the material aspects (GRI indicators)

Material aspects for the Ratti Group	Material aspects GRI Standard	Perimeter of the material aspects	
		Internal	External
Financial performance	201 - Economic performance	Ratti Group	-
Procurement policy and financial relations with suppliers	204 - Procurement practices	Ratti Group	-
Fight against corruption	205 - Anti-corruption	Ratti Group	-
Reduction of environmental impact (consumption of raw materials)	301 - Materials	Ratti Group	Suppliers
Reduction of environmental impact (energy)	302 - Energy	Ratti Group	Suppliers
Reduction of environmental impact (water)	303 - Water	Ratti Group	Suppliers
Reduction of environmental impact (emissions)	305 - Emissions	Ratti Group	Suppliers
Reduction of environmental impact (management of discharges and waste)	306 - Effluents and waste	Ratti Group	Suppliers
Compliance with laws or regulations	307 - Environmental compliance	Ratti Group	-
Evaluation of new and potential suppliers according to environmental criteria	308 - Supplier environmental assessment	Ratti Group	-
Welfare of employees	401 - Employment	Ratti Group	-
Health and safety at work	403 - Occupational health and safety	Ratti Group	Suppliers Contractors
Training and developing talent	404 - Training and education	Ratti Group	-
Safeguarding diversity and equal opportunities	405 - Diversity and equal opportunity	Ratti Group	-
The fight against child labour	408 - Child labor	Ratti Group	Suppliers
Safeguarding human rights	412 - Human rights assessment	Ratti Group	Suppliers
Evaluation of suppliers according to social criteria	414 - Supplier social assessment	Ratti Group	-
Quality and safety of the product	416 - Customer health and safety	Ratti Group	-
Socio-economic compliance	419 - Socioeconomic compliance	Ratti Group	-

Tabella 2 - Summary of significant aspects for Ratti

Summary of significant aspects for the Ratti Group	Material aspects GRI Standard
RESPONSIBLE MANAGEMENT OF THE SUPPLY CHAIN	204 - PROCUREMENT PRACTICES
	308 - SUPPLIER ENVIRONMENTAL ASSESSMENT
	414 - SUPPLIER SOCIAL ASSESSMENT
COMPLIANCE WITH LAWS AND REGULATIONS	307 - ENVIRONMENTAL COMPLIANCE
	419 - SOCIOECONOMIC COMPLIANCE
REDUCTION OF ENVIRONMENTAL IMPACT	301 - MATERIALS
	302 - ENERGY
	303 - WATER AND EFFLUENTS
	305 - EMISSIONS
	306 - EFFLUENTS AND WASTE

of involvement

Ratti's long-term strategies and action plans are also defined with the goal of meeting the expectations of the various stakeholders, with whom Ratti launched a number of initiatives involving debate and dialogue in 2018.

The Group's key stakeholders were identified by the heads of the various corporate functions during the drafting of the sustainability report containing the DNF in 2017.

The heads of the various corporate functions expressed a precise evaluation of the influence of stakeholders on Ratti's activities and stakeholders' interest in Ratti. Stakeholders were considered to be important if they had been evaluated as above average for both

dimensions (influence/interest). In 2018 a number of specific engagement activities were carried out on the theme of sustainability, an improvement on the 2017 Declaration of a Non-financial nature.

The following table shows:

- the principal categories of stakeholder;
- the themes felt to be priorities;
- the activities involving listening, dialogue and consultation held during the year.

No critical issues emerged from the involvement of and dialogue with stakeholders.

Table 3. List of the main dialogue initiatives with stakeholders and the key topics discussed

Stakeholder	Key topics and critical issues	Principal initiatives for dialogue
Controlling shareholder (Marzotto Group)	Partnerships	Joint working groups
Employees and partners	Reminder of the themes of sustainability	Informal meetings and institutional events organised ad hoc. Dedicated communication plan; the sending out of questionnaires to gather opinions on the 2017 Ratti Sustainability Report.
Competitors	Innovation of processes in terms of sustainability	Participation in the regional round table meetings and the trade associations.
Suppliers	Reports of collaboration focusing on the sustainability of the process and the product; Ratti ascertained a key point regarding participating and responding in a timely manner to the self-assessment questionnaires, as well as transmitting the documentation concerning the various certifications.	Sales meetings and company visits; audits in accordance with SA8000. Joint projects on specific topics related to sustainability.
Customers	Monitoring of the supply chain and partnerships	Sales meetings and company visits; monthly newsletters with information on the various sustainability activities in the company; communication of the 2017 Sustainability Report by sending a copy to key figures in major customers' teams; sending out questionnaires to gather opinions on Ratti's Sustainability Report.
Schools and universities	Cooperation on innovation processes	Company visits and meetings at major universities in the region for technical expertise and specific projects; Work-school alternation programmes; training programmes with possible recruitment by Ratti at the end of the process
Licensors	Partnerships	Sales meetings and Company visits

GRI Content Index

GRI CONTENT INDEX			
GRI STANDARD	INDICATORS	REFERENCE IN THE TEXT	COMMENTS
GRI 102 – GENERAL DISCLOSURE 2016			
GD – PROFILE OF THE ORGANISATION			
102-1	Name of the organisation	Chapter 1, paragraph 1.1 The legacy of a great history	
102-2	Principal activities, brands, products and services	Chapter 1, Paragraph 1.3 The Ratti Group today	
102-3	Location of head office of organisation	Chapter 1, Paragraph 1.3 The Ratti Group today	
102-4	Number of countries in which the organisation operates	Chapter 1, Paragraph 1.3 The Ratti Group today	
102-5	Ownership structure and legal form	Chapter 1, box "The shareholders of Ratti SpA"	
102-6	Markets served	Chapter 1, Paragraph 1.3 The Ratti Group today	
102-7	Size of the organisation (e.g. employees, net revenues etc.)	Chapter 2, paragraph 2.1 Ratti's employees; Chapter 7, paragraph 7.1 The results of the Group for the 2018 financial year	
102-8	Number of employees by type of contract, geographical area and gender	Chapter 2, paragraph 2.1 Ratti's employees.	
102-9	Description of the supply chain (number of suppliers, type, provenance, etc.)	Chapter 3, paragraph 3.3 A process that creates value	
102-10	Significant modifications (in the reporting period) to the organisation and its supply chain	Chapter 3, paragraph 3.3 A process that creates value	In the reporting period there were no changes to the organisation or to the supply chain.
102-11	Explanation of the application of the prudence approach	Chapter 6, Paragraph 6.4 Risk management and preventing corruption; paragraph 6.5 Sustainability integrated into risk management	
102-12	Subscribing to the code of conduct, principles and charters developed with external entities and associations	Chapter 3, paragraph 3.4 A commitment anchored in the most advanced standards	
102-13	Membership of associations	Chapter 1, paragraph 1.1 The legacy of a great history	
102-14	Declaration by the CEO and/or the Chairman with regard to the importance of sustainability to the organisation and its strategy	Letter to the stakeholders	
ETHICS AND INTEGRITY			
102-16	Values, principles and rules of conduct	Chapter 1, paragraph 1.1 The legacy of a great history; paragraph 1.2 The elegance of innovation	



GOVERNANCE		
102-18	Governance structure of the organisation	Chapter 6, paragraph 6.1 The governance structure of the Group 6.3 The bodies and the instruments that monitor corporate ethics
STAKEHOLDER ENGAGEMENT		
102-40	List of stakeholders with whom the organisation engages	Methodological note
102-41	Percentage of employees covered by collective contractual agreements	In 2018, 100% of employees of Ratti SpA were covered by collective agreements. Textrom Srl guarantees it will respect national legislation regarding a minimum salary, supplementing this by an amount stipulated in an internal agreement between representatives of the workers and the company. In Ratti International Trading Co. Ltd. (China) and Ratti USA Inc. there are no collective agreements – employees and the company sign individual contracts. Overall, 96.37% of employees were covered by collective agreements.
102-42	Principles used to identify and select major stakeholders in order to organise activities to engage with them	Methodological note
102-43	Approach to stakeholder engagement activities, specifying the frequency by each type of activity developed	Methodological note
102-44	Key and critical topics emerging from stakeholder engagement activities and the way the organisation reacted to the critical issues	Methodological note
REPORTING PRACTICES		
102-45	List of companies included in the consolidated report and an indication of those companies not included in the report	Methodological note
102-46	Process of defining the contents of the report	Methodological note
102-47	List of aspects identified as material	Methodological note
102-48	Explanation of the effects of and the reasons for any changes to the calculations/information compared with previous editions	For 2018 there were no changes to the calculations and the information presented in the 2017 Consolidated Declaration of a Non-financial nature, with the exception of the data relating to water consumption, which was recalculated to take into consideration the fact that one of the meters was out of order.
102-49	Significant changes since the previous reporting period	Methodological note
102-50	Reporting period	Financial year 2018

102-51	Date of publication of most recent report	The most recent document is the 2017 Consolidated Declaration of a Non-financial nature, with assurance released on 28 March 2018.
102-52	Frequency of reporting	Annual
102-53	Useful contacts and addresses for requesting information on the report and its contents	Methodological note
102-54	Indication of the option "In accordance" with the GRI Standard chosen (Core or Comprehensive)	Methodological note
102-55	GRI table of contents	GRI Content Index
102-56	External assurance of the report	Assurance
GRI 201 – ECONOMIC PERFORMANCE 2016		
103-1	Explanation of the material aspects and their perimeter	CHAPTER 7 - Economic performance
103-2	Description of the management approach	CHAPTER 7 - Economic performance
103-3	Evaluation of the management approach	CHAPTER 7 - Economic performance
201-1	Directly generated and distributed economic value	Chapter 7, paragraph 7.2 Directly generated and distributed economic value
GRI 204 – PROCUREMENT PRACTICES 2016		
103-1	Explanation of the material aspects and their perimeter	Chapter 3, paragraph 3.3 A process that creates value
103-2	Description of the management approach	Chapter 3, paragraph 3.3 A process that creates value
103-3	Evaluation of the management approach	Chapter 3, paragraph 3.3 A process that creates value
204-1	Percentage of expenditure concentrated on local suppliers rather than on the more significant operational locations.	Chapter 3, paragraph 3.3 A process that creates value
GRI 205 – ANTI-CORRUPTION 2016		
103-1	Explanation of the material aspects and their perimeter	Chapter 6, Paragraph 6.4 Risk management and preventing corruption
103-2	Description of the management approach	Chapter 6, Paragraph 6.4 Risk management and preventing corruption
103-3	Evaluation of the management approach	Chapter 6, Paragraph 6.4 Risk management and preventing corruption
205-3	Verified acts of corruption and action taken	Chapter 6, Paragraph 6.4 Risk management and preventing corruption
GRI 301 – MATERIALS 2016		
103-1	Explanation of the material aspects and their perimeter	Chapter 4, paragraph 4.3 Less resources consumed, a better future
103-2	Description of the management approach	Chapter 4, paragraph 4.3 Less resources consumed, a better future

103-3	Evaluation of the management approach	Chapter 4, paragraph 4.3 Less resources consumed, a better future
301-1	Materials used (total weight or volume) in the production or packaging of the organisation's products/services, distinguishing between renewable and non-renewable materials	Chapter 4, paragraph 4.3 Less resources consumed, a better future
GRI 302 – ENERGY 2016		
103-1	Explanation of the material aspects and their perimeter	Chapter 4, paragraph 4.2 Less consumption, more creativity
103-2	Description of the management approach	Chapter 4, paragraph 4.2 Less consumption, more creativity
103-3	Evaluation of the management approach	Chapter 4, paragraph 4.2 Less consumption, more creativity
302-1	Consumption of energy within the organisation	Chapter 4, paragraph 4.2 Less consumption, more creativity
GRI 303 – WATER AND EFFLUENTS 2016		
103-1	Explanation of the material aspects and their perimeter	Chapter 4, paragraph 4.2 Less consumption, more creativity
103-2	Description of the management approach	Chapter 4, paragraph 4.2 Less consumption, more creativity
103-3	Evaluation of the management approach	Chapter 4, paragraph 4.2 Less consumption, more creativity
303-1	Total water obtained from sources of supply	Chapter 4, paragraph 4.2 Less consumption, more creativity
GRI 305 – EMISSIONS 2016		
103-1	Explanation of the material aspects and their perimeter	Chapter 4, paragraph 4.2 Less consumption, more creativity
103-2	Description of the management approach	Chapter 4, paragraph 4.2 Less consumption, more creativity
103-3	Evaluation of the management approach	Chapter 4, paragraph 4.2 Less consumption, more creativity
305-1	Direct emissions of greenhouse gasses (Scope 1)	Chapter 4, paragraph 4.2 Less consumption, more creativity
305-2	Emissions of greenhouse gasses generated by energy consumption (Scope 2)	Chapter 4, paragraph 4.2 Less consumption, more creativity
GRI 306 – EFFLUENTS AND WASTE 2016		
103-1	Explanation of the material aspects and their perimeter	Chapter 4, paragraph 4.2 Less consumption, more creativity; Chapter 4, paragraph 4.4 Objective: to reduce waste
103-2	Description of the management approach	Chapter 4, paragraph 4.2 Less consumption, more creativity; Chapter 4, paragraph 4.4 Objective: to reduce waste
103-3	Evaluation of the management approach	Chapter 4, paragraph 4.2 Less consumption, more creativity; Chapter 4, paragraph 4.4 Objective: to reduce waste
306-1	Total discharges of water by quality and destination	Chapter 4, paragraph 4.2 Less consumption, more creativity
306-2	Total weight of waste by type and method of disposal	Chapter 4, paragraph 4.4 Objective: to reduce waste

GRI 307 – ENVIRONMENTAL COMPLIANCE 2016

103-1	Explanation of the material aspects and their perimeter	Chapter 6, Paragraph 6.5 Sustainability integrated into risk management	
103-2	Description of the management approach	Chapter 6, Paragraph 6.5 Sustainability integrated into risk management	
103-3	Evaluation of the management approach	Chapter 6, Paragraph 6.5 Sustainability integrated into risk management	
307-1	Non-compliance with environmental laws and regulations and related penalties		During the reporting year no penalties were recorded due to breaches of environmental laws and regulations

GRI 308 – SUPPLIER ENVIRONMENTAL ASSESSMENT 2016

103-1	Explanation of the material aspects and their perimeter	Chapter 3, paragraph 3.3 A process that creates value	
103-2	Description of the management approach	Chapter 3, paragraph 3.3 A process that creates value	
103-3	Evaluation of the management approach	Chapter 3, paragraph 3.3 A process that creates value	
308-1	Percentage of new suppliers evaluated on the basis of environmental criteria		Of the total of 273 new suppliers, the 43 who were assessed in accordance with environmental criteria represented 32% of the value of purchases generated by new suppliers during the year.

GRI 401 – EMPLOYMENT 2016

103-1	Explanation of the material aspects and their perimeter	Chapter 2, paragraph 2.1 Ratti's employees.	
103-2	Description of the management approach	Chapter 2, paragraph 2.1 Ratti's employees.	
103-3	Evaluation of the management approach	Chapter 2, paragraph 2.1 Ratti's employees.	
401-1	Total number of hirings and staff turnover by age, gender and geographical area	Chapter 2, paragraph 2.1 Ratti's employees.	

GRI 403 – OCCUPATIONAL HEALTH AND SAFETY 2016

103-1	Explanation of the material aspects and their perimeter	Chapter 2, paragraph 2.3 Health and safety	
103-2	Description of the management approach	Chapter 2, paragraph 2.3 Health and safety	
103-3	Evaluation of the management approach	Chapter 2, paragraph 2.3 Health and safety	
403-2	Type of injury, injury rate, occupational illnesses, working days lost, absenteeism and number of fatal accidents related to work, subdivided by region and by gender	Chapter 2, paragraph 2.3 Health and safety	In 2018 there were no cases of fatal accidents among employees or contract workers. In addition, there were no cases of occupational illness either employees or among contract workers.



GRI 404 – TRAINING AND EDUCATION 2016		
103-1	Explanation of the material aspects and their perimeter	Chapter 2, 2.2 Training and developing talent
103-2	Description of the management approach	Chapter 2, 2.2 Training and developing talent
103-3	Evaluation of the management approach	Chapter 2, 2.2 Training and developing talent
404-1	Average number of hours of training per employee per year, by gender and by category of employee	Chapter 2, 2.2 Training and developing talent
GRI 405 – DIVERSITY AND EQUAL OPPORTUNITIES 2016		
103-1	Explanation of the material aspects and their perimeter	Chapter 2, paragraph 2.1 Ratti's employees.
103-2	Description of the management approach	Chapter 2, paragraph 2.1 Ratti's employees.
103-3	Evaluation of the management approach	Chapter 2, paragraph 2.1 Ratti's employees.
405-1	Composition of the management bodies and subdivision of employees by category according to gender, age group, membership of a minority group or other indicator of diversity	Chapter 2, paragraph 2.1 Ratti's employees.
GRI 408 – CHILD LABOR 2016		
103-1	Explanation of the material aspects and their perimeter	Chapter 3, paragraph 3.3 A process that creates value
103-2	Description of the management approach	Chapter 3, paragraph 3.3 A process that creates value
103-3	Evaluation of the management approach	Chapter 3, paragraph 3.3 A process that creates value
408-1	Identifying the operations and the principal suppliers at high risk of resorting to child labour and the measures taken to contribute towards its elimination	Chapter 3, paragraph 3.3 A process that creates value
GRI 412 – HUMAN RIGHTS ASSESSMENT 2016		
103-1	Explanation of the material aspects and their perimeter	Chapter 3, paragraph 3.3 A process that creates value
103-2	Description of the management approach	Chapter 3, paragraph 3.3 A process that creates value
103-3	Evaluation of the management approach	Chapter 3, paragraph 3.3 A process that creates value

412-3	Investment agreements and "significant agreements" which include clauses on human rights or which are subject to an assessment of human rights impact.		In the case of significant commercial agreements (with a value higher than €50,000/year), Ratti requires compliance with its Code of Ethics, which includes specific clauses regarding human rights. There were 225 "significant" suppliers during 2018, representing 16.4% of total suppliers (1,375) with a turnover of €58,331,579, i.e. 87% of the total value of purchases.
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GRI 414 – SUPPLIER SOCIAL ASSESSMENT

103-1	Explanation of the material aspects and their perimeter	Chapter 3, paragraph 3.3 A process that creates value	
103-2	Description of the management approach	Chapter 3, paragraph 3.3 A process that creates value	
103-3	Evaluation of the management approach	Chapter 3, paragraph 3.3 A process that creates value	
414-1	New suppliers which have been assessed in accordance with social criteria		Of the total of 273 new suppliers, the 36 who were assessed in accordance with social criteria as per the Manual of Social Responsibility represented 77% of the value of purchases generated by new suppliers during the year.

GRI 416 – CUSTOMER HEALTH AND SAFETY 2016

103-1	Explanation of the material aspects and their perimeter	Chapter 3, paragraph 3.2 Tradition that pays attention to the environment; paragraph 3.4 A commitment anchored in the most advanced standards	
103-2	Description of the management approach	Chapter 3, paragraph 3.2 Tradition that pays attention to the environment; paragraph 3.4 A commitment anchored in the most advanced standards	
103-3	Evaluation of the management approach	Chapter 3, paragraph 3.2 Tradition that pays attention to the environment; paragraph 3.4 A commitment anchored in the most advanced standards	
416-2	Total number of cases of non-compliance with regulations or voluntary codes governing the impact on health and safety of products and services during their life cycles		No cases of non-compliance were reported in 2018.

GRI 419 – Compliance Socio-Economica 2016

103-1	Explanation of the material aspects and their perimeter	Chapter 6, paragraph 6.3 The bodies and the instruments that monitor corporate ethics	
103-2	Description of the management approach	Chapter 6, paragraph 6.3 The bodies and the instruments that monitor corporate ethics	
103-3	Evaluation of the management approach	Chapter 6, paragraph 6.3 The bodies and the instruments that monitor corporate ethics	
419-1	Monetary value of significant fines and the total number of non-monetary penalties for non-compliance with legislation or regulations	Chapter 6, paragraph 6.3 The bodies and the instruments that monitor corporate ethics	



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Independent auditors' report on the consolidated disclosure of non-financial information in accordance with Article 3, par. 10, of Legislative Decree 254/2016 and with Article 5 of Consob Regulation adopted with Resolution n. 20267 of January 18, 2018

(Translation from the original Italian text)

To the Board of Directors of
Ratti S.p.A.

We have been appointed to perform a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5 of Consob Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non-financial information of Ratti S.p.A. and its subsidiaries (hereinafter the "Group") for the year ended on December 31, 2018 in accordance with article 4 of the Decree approved by the Board of Directors on March 13, 2019 (hereinafter "DNF").

Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by GRI - Global Reporting Initiative (hereinafter "GRI Standards"), identified by them as a reporting standard.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

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

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

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

EY S.p.A.
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Capitale Sociale Euro 2.525.000,00 i.v.
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Auditors' independence and quality control

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

Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the GRI Standards. Our work has been performed in accordance with the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This principle requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

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

In particular, we have performed the following procedures:

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



With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below.

5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF.
In particular, we have conducted interviews and discussions with the management of Ratti S.p.A. and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.

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

- at group level
 - a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
 - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- For the site of Guanzate of Ratti S.p.A., that we have selected based on its activities, relevance to the consolidated performance indicators and location, we have carried out site visit during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the Ratti Group for the year ended on December 31, 2018 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.

Other Information

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

Milan, April 1, 2019

EY S.p.A.
Signed by Cristina Pigni, Partner

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

With the contribution of



