

**COMMUNICATION ON PROGRESS (COP)
UNITED NATIONS GLOBAL COMPACT**

September, 2018

To the Stakeholders of CLN:

I am pleased to announce that in January 2018 C.L.N. Coils Lamiere Nastri S.p.A. ('CLN') and its Subsidiaries (together the 'CLN Group') confirmed their support for the Ten Principles of the United Nations Global Compact on human rights, labour, environment and anti-corruption.

In this first Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its business principles into our business strategy, culture and daily operations. We also commit to sharing this information with our stakeholders on the CLN Group website.

Sincerely yours

Gabriele Perris Magnetto
CEO

DESCRIPTION OF ACTIONS AND INITIATIVES

CLN Group Code of Ethics

During February 2018, CLN launched an awareness campaign to formally reinforce the commitment of all CLN business leaders to adhere to the CLN Group Code of Ethics. As part of this campaign the CLN business leaders committed to cascade the requirement to their collaborators and ensure that whatever training or communication is required to ensure the CLN Group Code of Ethics is fully understood in their organisation

The CLN Code of Ethics brings together a clear and transparent set of values to which CLN Group is committed. The Code applies to directors, managers and employees of CLN and of all of its subsidiaries comprising the CLN Group, and sets out the ethical principles and rules of conduct that must guide the way CLN conducts its business.

The CLN Code of Ethics is published on the CLN website in order to provide easy access for all our stakeholders (<http://www.gruppocln.com/en/corporate/missionvisionvalues.html>)

In May 2018 CLN implemented a new Whistleblowing Policy which allows any employee to report issues of non-compliance with the CLN Code of Ethics through the CLN Corporate Website. Cases are assessed by an independent committee which reports to the CLN Group CEO.

Reporting of Non-Financial Information

In May 2018, CLN produced its first Consolidated Disclosures of Non-Financial information ('NFI Report') in accordance with the Italian implementation of European Directive 2014/95/EU. The NFI Report is an important document through which CLN communicates its efforts regarding environmental protection, social responsibility and health and safety to its Stakeholders.

The NFI Report will be published on an annual basis as an integral part of the Annual Report, and will be subject to external assurance.

Furthermore, in order to foster a greater awareness and respect of issues relating to Corporate Social Responsibility, in February 2018 CLN appointed a senior executive as CSR Leader, reporting to the CEO and CLN Board on compliance issues. The CSR Leader is supported by a multi-disciplinary CSR team and chairs the Whistleblowing Committee.

Corporate Guidelines and Policies Project

As part of our commitment to continual improvement of our management system, during 2017 CLN launched a project to fully review Corporate Guidelines and Policies. The purpose of the review is to ensure that CLN Corporate Guidelines and Policies properly support Corporate Social Responsibility

and the CLN Code of Ethics. The project is led by a team comprising business owners from all key business areas with the support of qualified external advisors. The Steering Committee is composed of representatives of the CLN Board and the Group CFO.

Our CSR team has the target to review, and if necessary improve, our Corporate Guidelines and Policies for the CLN Group by mid-2019, based on a gap analysis and risk assessment. Roll out of revised policies and supporting procedures, if required, will take place during the period 2018 to 2020. An internal audit function has been tasked with assessment of compliance.

Human Rights

CLN is committed to ensure that employees are provided safe, suitable and sanitary work facilities. To this end a robust Safety System was launched in 2009 to avoid workplace related injuries and occupational illnesses, and the system has been extended step by step to include all CLN Group companies. There is a clear and homogeneous methodology to the Safety System, with annual targets, and metrics are reported monthly by every company in the Group, together with their preventative and remedial actions. Formal reviews of progress are carried out up to CLN Board level. The Safety System has been highly successful, with marked improvements in frequency and gravity of accidents over the last years.

As a further step towards ensuring that our health and safety policies and processes are consistently applied, CLN Group is rolling out OHSAS 18001, which is a widely recognised occupational health and safety management system. Approximately 56% of CLN subsidiary companies have already achieved certification and the aim is to reach 80% by 2020.

The CLN Code of Ethics commits all Group companies to providing equal opportunities in employment and career advancement to all employees, avoiding any form of discrimination and, in particular, discrimination based on race, gender, sexual orientation, social and personal position, physical and health condition, disability, age, nationality, religion or belief.

Our CSR team has the target to verify that company policies fully support the human rights principles enshrined in the CLN Code of Ethics. So far, revised CLN Policies on Equality and Diversity, Labour and Human Rights and Whistleblowing have been circulated in early 2018 and are in the process of being rolled out throughout CLN Group.

Labour

CLN Code of Ethics upholds freedom of association, requires compliance with minimum wage standards and the right to join a trade union. Furthermore, it specifically prohibits the employment of any form of forced labour or child labour and requires adherence to the minimum age provisions of national labour laws and regulations.

As at December 2017, approximately 95% of all CLN Group's employees were hired through collective bargaining agreements. CLN's relationship with labour unions has historically been focussed on transparency and balanced solutions between the parties. In the last few years, CLN Group has not faced any cases of social unrest or unilateral actions by members of its workforce, such as strikes or work to rule, with the exception of actions related to nationwide union disputes.

Environment

CLN has made a considerable effort over the last years to ensure that subsidiaries have robust environmental management systems in place to ensure that they not only commit to local legal compliance, but also strive to continuously improve their environmental performance. In order to ensure that environmental management is applied on a consistent basis, CLN Group is rolling out ISO 14001, which is a widely recognised environmental management system. Approximately 76% of CLN Group subsidiary companies have already certified under ISO 14001, and the aim is to reach 85% by 2020.

As an integral part of the annual budgeting process CLN companies are encouraged to prioritise regular maintenance of production processes to prevent environmental damage and capital expenditure projects which ensure environmental protection. This will continue to be a priority for CLN Group.

In order to measure the impact of CLN business activities on the environment and assess the success in reducing environmental damage, CLN Group has collected data for the years 2015-17 for consumables such as electricity, gas, water and compressed air. In 2018 a new initiative has been launched to use this data in order to set clear targets for all CLN industrial plants and to encourage projects to reduce the environmental impact of the Group.

Anti-Corruption

During 2017, no cases or losses attributable to corruption or bribery have been recorded in CLN Group companies, as confirmed in our May, 2018 NFI Report.

The Corporate Guidelines and Policies review will assess the risk of corruption when doing business, and ensure that internal procedures support the company's anti-corruption commitment in accordance with the CLN Group Code of Ethics.

Furthermore, during 2018, CLN is requiring all major suppliers to confirm their commitment to ethical behaviour and preventing corruption through a formal signed undertaking.

The undertaking is mandatory and sets out clearly CLN expectations in respect of compliance with laws and regulations, prevention of corruption, ethical behaviour and the promotion of Corporate Social Responsibility.

Measurement of Outcomes

During 2017 and 2018 a number of indicators and disclosures have been migrated towards Global Reporting Initiative ('GRI') Standards, and the NFI report includes references to such GRI Standards.

Examples of some of the most relevant GRI disclosures and other indicators in place during 2018 are as follows:

GRI 302-1 Energy consumption within the organisation
GRI 302-3 Energy intensity ratio
GRI 303-1 Water withdrawal by source
GRI 305-1 Direct (Scope 1) GHG emissions
GRI 305-2 Energy indirect (Scope 2) GHG emissions
GRI 401-1 Average hours of training per year by gender and classification
GRI 403-2 Types of injury
GRI 403-2 Number of accidents
GRI 403-2 Frequency rate of accidents
GRI 403-2 Gravity rate of accidents
GRI 403-2 Days lost through accidents and occupational diseases
GRI 403-2 Absenteeism
GRI 306-2 Recycled waste
GRI 302-1 Total usage of electricity
GRI 303-1 Total volume of water used from public utility companies
GRI 303-3 Total water recycled and reused
GRI 305-1 Gross direct GHG emissions
Percentage of suppliers covered by Supplier Commitment