

CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT



Pursuant to Legislative Decree 254/2016

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2018

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Cover image: The galvanic treatment on the metal frames: metal layers are deposited on the frame surfaces by means of electricity. The aim of the process is to avoid material corrosion and obtain different colors based on the mix of metals used in this process: gold, palladium, silver, ruthenium and more. In November 2018, Safilo introduced production processes with nickel-free treatment at its Longarone facility, confirming its place at the forefront of technological innovation in terms of metal surface treatments. Thanks to the new galvanic process technology – a first in the eyewear sector – metal frames currently manufactured at the Longarone facility boast the same features, in terms of sleekness, wear- and corrosion-resistance as before, and are plated nickel-free.

The Safilo logo consists of the word "Safilo" in a blue, sans-serif font. A small registered trademark symbol (®) is located at the top right of the letter "o".

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THE SAFILO WAY: TRADITION & INNOVATION FOR A SUSTAINABLE FUTURE

At Safilo, we are passionate about our heritage as founder of the Italian tradition of eyewear craftsmanship, and that motivates our investments to protect and preserve peoples' eyesight and to build a collective sustainable future. That is why we are passionate about preserving the tradition of Italian eyewear while simultaneously investing in technical and environmental innovations and in social initiatives which will prepare us for long-term sustainable growth and generate shared value for our stakeholders and communities.

Safilo works hard to grow in the global eyewear industry, assuring continuity in our craftsmanship and transferring know-how to the next generation of leaders and designers. We also endeavour to act as a trusted, transparent partner to our customers and suppliers, working together to constantly improve quality, while minimizing our environmental impact. Above all, we care about people, and believe that a responsible company is one that supports and protects its employees and communities. We consider our people as a precious asset to safeguard, by respecting and promoting diversity and inclusion.

In the introduction to this report, we explain the foundations of our Sustainability strategy at Safilo, which is an integral part of our transformation. This includes the foundation of clear company Purpose and Values, and their translation into a Worldwide Business Conduct Manual that spells out our individual accountability to uphold the company's responsibility commitments. As a company, we have made key investments to put our sustainability strategy in action, including our long-standing support of Special Olympics to empower sight across boundaries.

Our path to a sustainable future requires the creation of long term value for all our stakeholders, our Shareholders, our People, our Product and our Planet. Their interests are inter-dependent, and our corporate responsibility commitments compel us to conduct our business in a way that respects and furthers our interconnected goals. This means that we stay true to our values and heritage, which are rooted in our historical strength of product, while we transform ourselves by balancing our portfolio, strengthening our core brands and modernizing our supplier network to help us achieve a long-term sustainable future.

With this annual Statement of Consolidated Non-Financial Information we share our thinking and our actions in a transparent, measurable and consistent way, reporting our progress compared to our People, Product, and Planet goals.

We have chosen to follow the GRI standards, reporting on 16 topics across 6 areas – Governance Economic and Compliance, Product Craftsmanship and Innovation, Integrity in the Workplace, Responsible Partnerships, Social Responsibility, and Environmental Responsibility.

As always, we look forward to partnering with you to build a more sustainable future together, for us all.

Angelo Trocchia

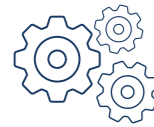
CEO, Safilo Group

HIGHLIGHTS

140 YEARS

OF EYEWEAR MANUFACTURING TRADITION

Product Craftsmanship & Innovation



≈ **1,700** NEW MODELS ON THE MARKET IN 2018

Employee Learning & Development



more than **83,000** HOURS OF TRAINING IN 2018

Diversity & Inclusion



62% OF WOMEN IN THE TOTAL WORKFORCE IN 2018

35% OF EXECUTIVES ARE WOMEN IN 2018

17% OF THE TOTAL WORKFORCE UNDER 30 IN 2018

16 NATIONALITIES AT DIRECTOR LEVEL IN 2018

Health & Safety¹



0.08 LOST DAY RATE IN 2018 AND 2017

3.40 WORKPLACE INJURY RATE IN 2018 VS 3.77 OF 2017

Industrial Relations and Supply Chain Responsibility



71% OF THE TOTAL WORKFORCE IS COVERED BY COLLECTIVE BARGAINING AGREEMENTS IN 2018

100 SOCIAL AUDITS OF SUPPLIERS IN 2018² (OF ~350 SUPPLIERS OF DIRECT MATERIALS)

Environmental Responsibility³



>342,000 GJ ENERGY CONSUMED IN 2018

>32,000 T CO₂ EMISSIONS IN 2018

-2.7% VS 2017 CONSUMPTION

-7.5% VS 2017

Signature Social Responsibility Partnerships



KIDS BY SAFILO
PRODUCT LINE DEVELOPED WITH A MEDICAL-SCIENTIFIC APPROACH TO MEET CHILDRENS' SPECIFIC EYE NEEDS AND TO SUPPORT ENVIRONMENTAL SUSTAINABILITY



BARRAQUER FOUNDATION
PARTNERSHIP TO PROVIDE EYE TREATMENTS AND PRESCRIPTION FRAMES TO PEOPLE IN DISADVANTAGED AREAS OF THE WORLD



SPECIAL OLYMPICS
1.2 MILLION OPTICAL FRAMES AND SUNGLASSES DONATED OVER PAST 15 YEARS



ASSINDUSTRIA SPORT PADUA
PARTNERSHIP TO SUPPORT ACCESS TO SPORT AND AWARENESS FOR PREVENTIVE EYE CARE

United Nations 2030 Sustainable Development Goals

We at Safilo support the United Nations 2030 Sustainable Development Goals and aim to create shared social, environmental and economic value in the communities in which we operate.

Our business strategy and corporate responsibility initiatives have an impact on the 2030 Sustainable Development Agenda and in particular on goals 3 (Good Health and Wellbeing), 4 (Quality Education), 5 (Gender Equality), 6 (Clean Water and Sanitation), 7 (Affordable and Clean Energy), 9 (Industry Innovation and Infrastructure), 10 (Reduced Inequalities), 12 (Responsible Consumption and Production), 13 (Climate Action), and 17 (Partnerships for the Goals).



¹ These KPIs are related to the Italian, Slovenian and Chinese manufacturing plants, and Padua headquarter, and do not include the external collaborators data.
² While in 2017 audit were carried out separately for social and environmental criteria, in 2018 each audit included the investigations of both aspects.
³ The reduction in 2018 energy consumption and CO₂ emissions, compare to 2017, includes both volume effect and energy savings generated from specific energy saving projects implemented. For scope II CO₂ emissions the KPI includes location based emissions.
 For further details please refer to the chapter "8.1 Energy consumption & CO₂ emissions" on pages 56-58.

1. SAFILO

1.1 OUR ORIGINS AND HERITAGE

We are Safilo, a global leader in the eyewear industry.

Our history dates back to 1878, when a manufacturing facility to create lenses and frames was opened in Calalzo di Cadore (Belluno) in the Italian Dolomites. In 1934, the facility was bought and incorporated into Safilo by Guglielmo Tabacchi, making us the oldest global player in the eyewear industry. Today, we are the world's second largest manufacturer of sunglasses and prescription eyewear, engaged in the design, production, wholesale and retail distribution of products for the global eyewear market.

1.1.1 OUR ESSENCE

Our purpose is the very essence of who we are.

We are a globally leading Italian eyewear creator and trusted partner.

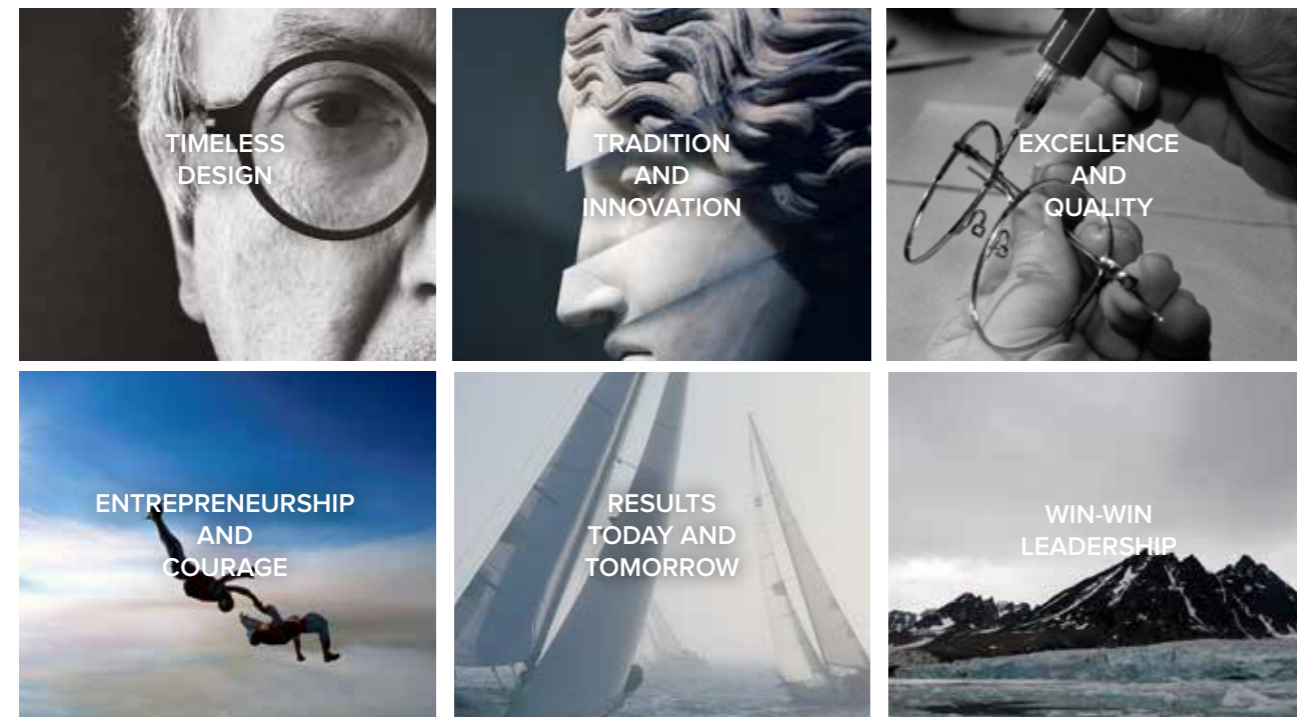
Brand led, Design inspired. We are passionate about creating unexpected, innovative eyewear brands firmly rooted in our unmatched savoir-faire of craftsmanship, selling them across the world reflecting each brand's unique identity and inspiring people all over the world to desire and wear them with pride. We cultivate long-term partnerships built on trust to create mutual value and consistently exceed expectations among ourselves as employees and with our customers and stakeholders. **Our values** are what we believe in as a company (timeless design, tradition and innovation, excellence and quality, entrepreneurship and courage, results today and tomorrow, win-win leadership).

Our competencies define our unique contributions and where each of us must excel to realize our purpose.

Our purpose, values and competencies drive the vision of who we want to be: a sustainable leader.

We aspire to be a **trusted partner and premier Italian eyewear creator**.

The **Group's values**, which have guided Safilo from the start, will guide us to our sustainable future.



1.2 THE PRODUCT AT THE HEART OF OUR HISTORY

<p>1878</p>  <p>First Italian manufacturing site in Calalzo di Cadore for lenses and frames</p>	<p>1934</p>  <p>Acquisition and incorporation as Safilo</p>	<p>1970</p>  <p>Safilo opens sales offices in many European countries, patents the Elasta hinge and introduces the successful UFO model of sunglasses</p>	<p>1980</p>  <p>Acquisition of US eyewear company Starline Optical Corp (then Safilo USA)</p>
<p>1987</p>  <p>Safilo is the first eyewear company to be listed on the Milan Stock Exchange</p>	<p>1989</p>  <p>Industrial development with the new production facility in Longarone (Belluno), the largest Italian unit in the Group</p>	<p>1994</p>  <p>Opening of the first Safilo Far East legal entity</p>	<p>1996</p>  <p>Acquisition of Carrera and American Smith Sports Optics</p>
<p>2012</p>  <p>Polaroid Acquisition</p>	<p>2015-2017</p>  <p>New license partnerships and commercial expansion through direct subsidiaries in emergin markets (Dubai and Turkey)</p>	<p>2018</p>  <p>2023 Strategic Business Plan, Share Capital Increase and New Refinancing Agreement, Launch of ChromaPop Lens Technology Made in Italy for Smith Goggles</p>	

1.3 WE ARE A KEY LEADER IN THE WHOLESALE EYEWEAR MARKET

The wholesale market for frames and sunglasses, which was about EUR 18.5 billion in 2018, grew about 4% between 2014 and 2018. Safilo expects the markets to continue to grow in the next five years, underpinned by favourable demographics, premiumization, and an increasing level of education regarding vision correction and protection.

Safilo is one of the **leading players in the eyewear industry** globally. Our business model is **end-to-end fully integrated**, which incorporates the entire business cycle of **product design, research and development, production, marketing and communication up to distribution**. Safilo plays in multiple **market segments**, from the mass produced to the very exclusive and handmade. Creating shared value for all stakeholders is at the heart of Safilo's strategy: whether it is about a luxury product, made by hand in the Safilo Atelier, or about a more dynamic product for customers with a contemporary style who pay attention to value for money, or even about satisfying customers who care about sustainable and technological innovation. Safilo **offers products for everyone** with the highest standards of quality, design and styles **to meet the most diverse consumer needs**. We are driven by the belief that the eyewear sector contributes positively to peoples' quality of life, by providing better vision.

Our Brands

Safilo's brand portfolio consists of owned and licensed brands selected based on their competitive positioning and international prestige. The portfolio is diversified across all strategic segments of the eyewear industry.

Own Core Brands

Safilo's Own Core Brands are of high strategic importance for the Group. They cover all five segments in which Safilo operates, each brand playing a key role in the respective market segment.

S A F I L O

MADE IN ITALY DAL 1934

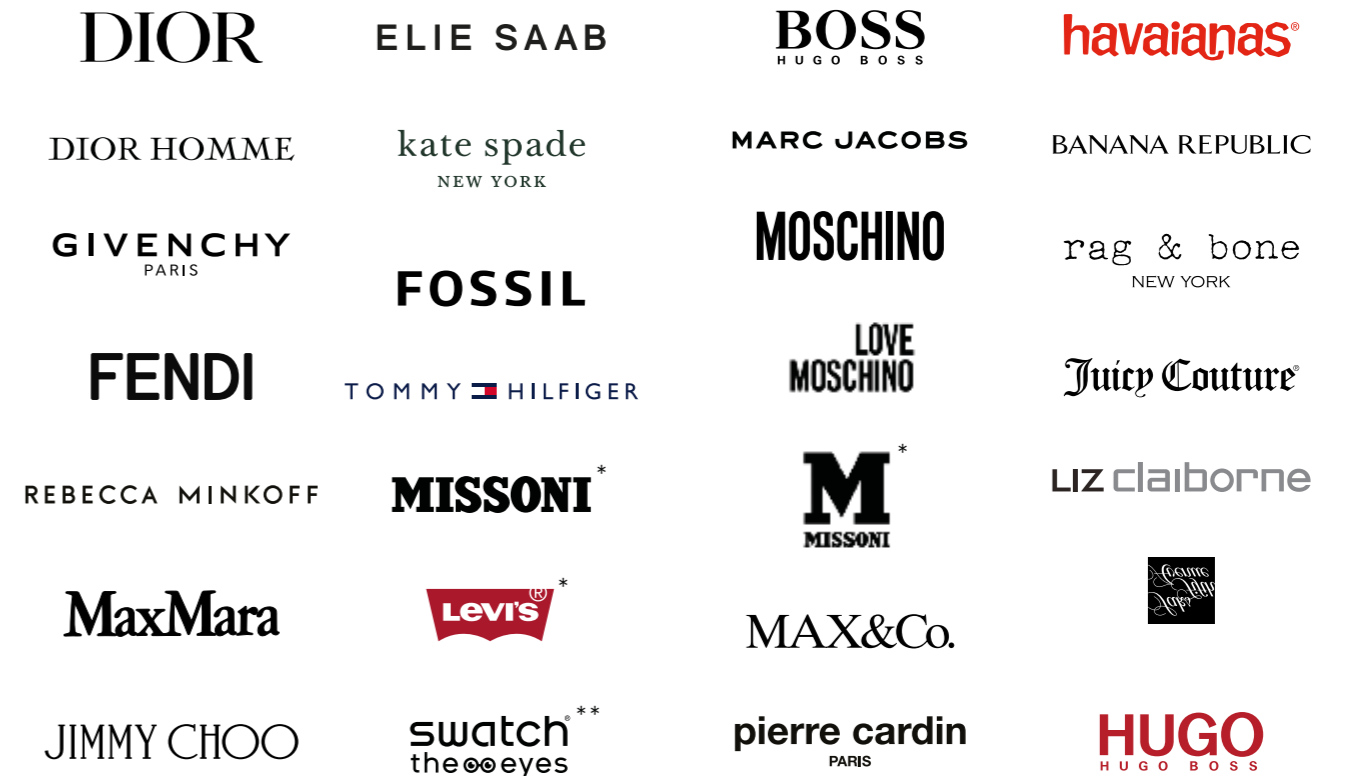
CARRERA
EYEWEAR SINCE 1956

 **Polaroid**

SMITH

Licensed Brands

Safilo's portfolio of licensed brands is one of the most significant and diversified in the eyewear market. Each of the licensed brands is designed and positioned for a specific market segment and target consumer, and they are ruled by exclusive contracts that provide for royalties and marketing contributions to the licensors.



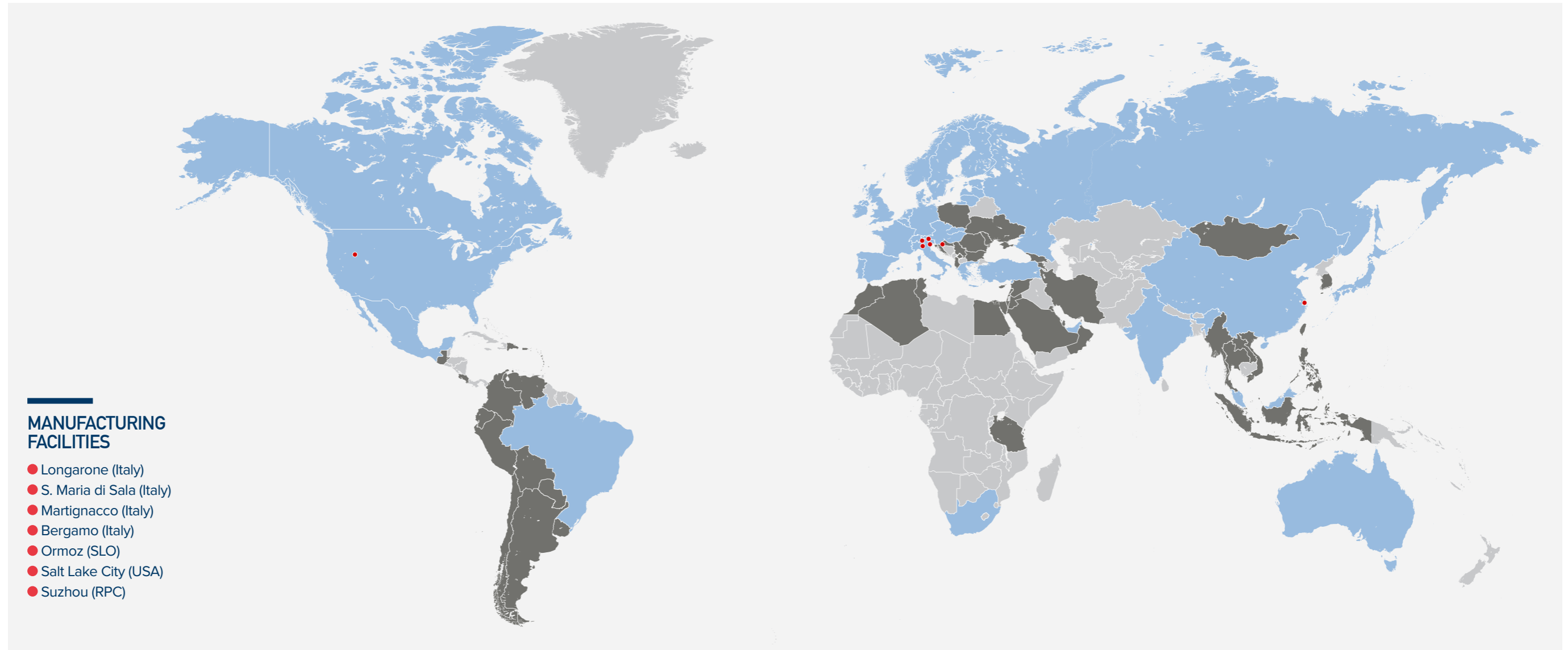
(*) From 2020

(**) Swatch the Eyes is a collaboration agreement

1.4 GLOBAL REACH IN THE EYEWEAR MARKET

With an extensive wholly owned network of subsidiaries in around 40 countries – in North and Latin America, Europe, Middle East and Africa, and Asia Pacific and China – and more than 50 distribution partners in key markets, Safilo is committed to quality distribution of its products in nearly 100,000 selected points of sale all over the world, including opticians, optometrists, ophthalmologists, distribution chains, department stores, specialised retailers, licensors' own stores, duty free shops and sports shops.

SAFILO IN THE WORLD



MANUFACTURING FACILITIES

- Longarone (Italy)
- S. Maria di Sala (Italy)
- Martignacco (Italy)
- Bergamo (Italy)
- Ormoz (SLO)
- Salt Lake City (USA)
- Suzhou (RPC)

Commercial network

THE AMERICAS

Brasil
Canada
Mexico
USA

EUROPE

Austria
Belgium
Czech Rep.
Denmark
Estonia
Finland
France
Germany
Greece

Hungary
Ireland
Italy
Latvia
Lithuania
Netherlands
Norway
Portugal
Russia

Slovenia
Slovenska Rep.
Spain
Sweden
Switzerland
Turkey
UK

ASIA PACIFIC

Australia
China
Hong Kong
India
Japan
Malaysia
Singapore

REST OF THE WORLD

South Africa
United Arab Emirates

Independent distribution partners

THE AMERICAS

Argentina
Bolivia
Caribbean
Chile
Colombia
Costa Rica
Dominican Republic
Ecuador
Guatemala
Paraguay
Peru
Uruguay
Venezuela

EUROPE

Albania
Armenia
Bulgaria
Croatia
Georgia
Kosovo
Moldavia
Poland
Romania
Serbia
Ukraina

ASIA PACIFIC

Indonesia
Mongolia
Myanmar
Philippines
South Korea
Taiwan
Thailand
Vietnam

REST OF THE WORLD

Algeria
Cyprus
Egypt
Gulf Cooperation Council
Iran
Israel
Jordan
Lebanon
Morocco
Saudi Arabia
Syria
Tanzania
Tunisia

1.5 KEY FIGURES AND ECONOMIC VALUE IN 2018

People and management

- **6,594** employees all over the world
- 17 Executives, 8 nationalities
- 99 Directors, 16 nationalities

Structure and distribution

- **7 plants:** four in Italy (Longarone (BL), Santa Maria di Sala (VE), Martignacco (UD), Bergamo (BG)), Ormož in Slovenia, Salt Lake City in the USA, and Suzhou in China
- **3 main distribution centres:** Padua, Denver (Colorado, USA), Hong Kong
- **nearly 100,000** selected points of sale reached all over the world

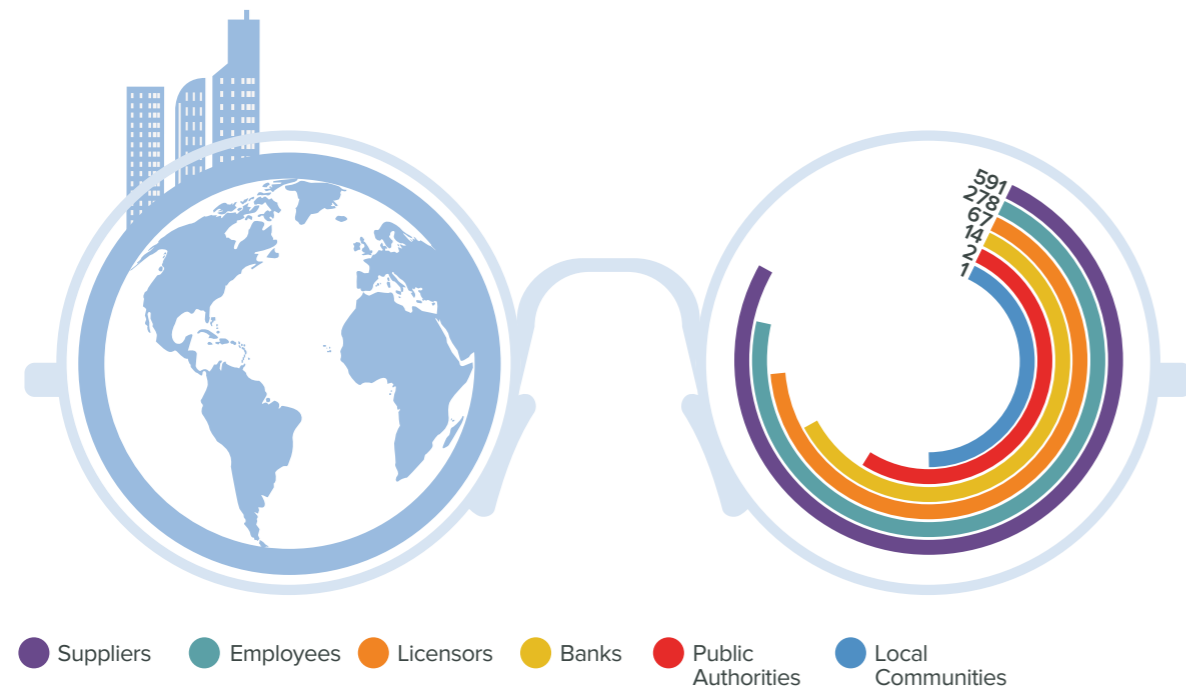
Financials

- Net sales at Euro **962.9** million
- Ebitda pre non-recurring items at Euro **47.5** million
- Profit/(Loss) attributable to the Group pre non-recurring items at Euro **(26.7)** million

As a consequence of its activities, Safilo contributes to the growth of the social, economic and environmental context it operates in.

The economic value generated by Safilo, as shown in the graph below, is distributed to employees (salaries, wages and benefits), suppliers (operating costs), licensors (royalties paid), public administration (taxes), banks (interests and commissions) and local communities (donations).

DISTRIBUTION OF ECONOMIC VALUE (VALUES IN EURO MILLION)



The economic value generation and distribution have been calculated on the basis of the financial and economic results for the year ending on December 31, 2018.

The Group's economic and financial aspects are described more in depth in the Group document "2018 Annual Report".



2. A SUSTAINABLE BUSINESS

2.1 OUR KEY STRATEGIES

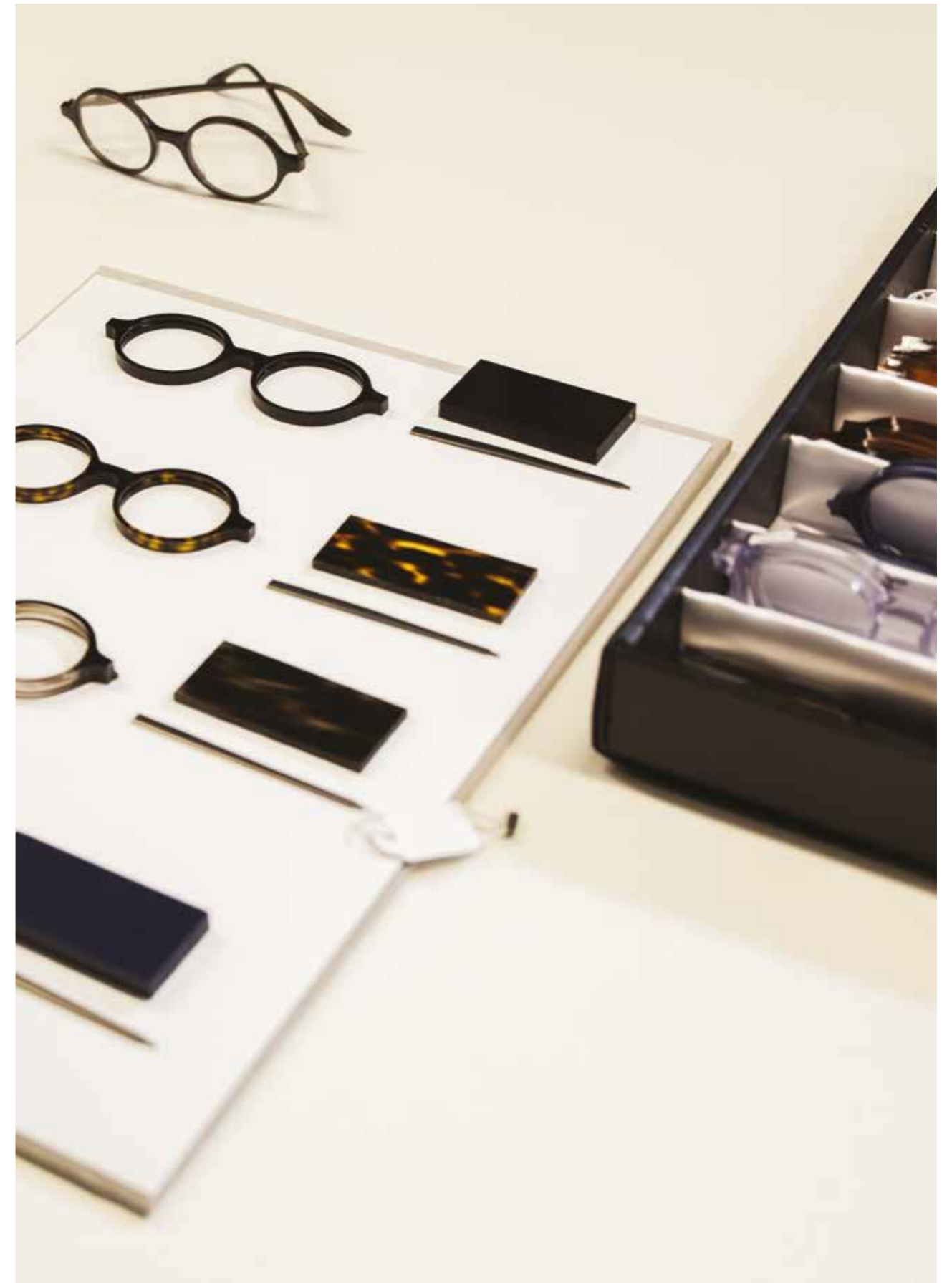
In August 2018, we presented our key strategies, which set the foundation for the Group's Sustainable Growth journey for the future. These strategies are:

Reignite sales growth with focus on key brands, geographies and channels, leveraging world-class product creation and innovation, embedding digital and e-commerce into our way of work and sell, and putting the consumer and customer at the heart of what we do;

Recover operating performance, significantly reducing the Group's cost structure, by driving gross margin improvement from cogs savings, and overhead reduction;

with a Culture of **Agility and Speed**.

Sustainability is core to Safilo's strategy and our key strategies aim to transform the business and operations for a sustainable, profitable growth.



2.2 OUR 3 PS APPROACH - PRODUCT, PEOPLE, PLANET



To us, **sustainability means taking a long-term view and making business decisions that are a win-win for all our stakeholders.** Our approach to sustainability is strategically motivated and practically implemented.

We focus on our 3 Ps - Product, People, Planet - to steer our business responsibly, ensuring we deliver the best products in ways that protect the environment and enhance peoples' lives.

Underscoring this approach are fundamental beliefs and behaviours that are vital to achieving our sustainability vision while driving long-term value creation.

We are driven by our heritage: a history of longstanding passion, perseverance and reliability and outstanding craftsmanship that started in Cadore (Italy) more than one century ago.

We look forward in ways that honour our past: staying true to our origins while investing to modernize our products and processes. Through our Global Innovation Centre, design studios disseminated all over the world, and our manufacturing network, we are able to invest not only in technologies, but also in human capital, as our people are the key to the Group's long-term success.

We act with integrity: focused on our product excellence, with great attention to details and to changing styles and evolving market dynamics, striving to preserve and enhance our expertise and knowledge, we pass down our precious heritage through valuable apprenticeships. We carefully select our business partners to ensure we share long-term goals and can learn and grow together.

2.3 MATERIALITY ASSESSMENT

Through a materiality assessment, the Group identified the environmental, social and governance (ESG) issues most relevant for the organization and our stakeholders. **The issues considered material are those having a substantial impact on Safilo's economic, social and environmental performance** or that may substantially influence stakeholders' decisions. Therefore, as required by the Standards of the Global Reporting Initiative (GRI), we have defined and organized the contents of the Consolidated Non-Financial Information Statement in order to provide a disclosure on how Safilo manages sustainability.

In 2017, Safilo conducted its first materiality assessment through a process involving several representatives of the Group's management, taking into consideration the topics of the Legislative Decree 254/2016 and the European Commission guidelines on Non-Financial reporting. After an analysis of sustainability trends, sector and Safilo specific items, a set of relevant topics were selected and evaluated through a survey. Considering that this was our first materiality analysis exercise, the process has not involved external stakeholders. However, their views have been considered by the managers involved in the assessment, who were asked to evaluate the relevance of each topic from the perspective of Safilo's main stakeholders.

The materiality assessment allowed the Group to identify 16 topics across 6 areas: governance economic and compliance, product craftsmanship and innovation, integrity in the workplace, responsible partnerships, social responsibility and environmental responsibility. These are considered as highly relevant for Safilo, as illustrated in the materiality matrix below.

Safilo has planned to strengthen during 2019 its stakeholder engagement process, involving also external stakeholders (customers in particular) in order to update the materiality assessment analysing the related outcomes in terms of key topics and concerns raised.



Safilo's ability to create value is profoundly interconnected with our ability to maintain an active dialogue with the stakeholders with whom the Group interacts in the regular performance of the business activities along the value chain, to gain a good understanding of their expectations and, as a consequence, build meaningful partnerships. In particular, our engagement with our main stakeholders - **employees, suppliers, customers, licensors, as well as shareholders, public authorities and local communities** – is vital to Safilo's long-term success.

Also in 2018, in line with normal practice for a listed company and in compliance with the market rules, Safilo actively interacted with shareholders through conference calls as per the corporate calendar published on the Safilo Group website, various ad hoc one-on-one and group meetings, held at the Group's Headquarters and in some of the core European financial markets, with the purpose of maintaining a continuous dialogue with investors about the company.

Safilo's Stakeholders



Safilo's **Sustainability vision aligns the materiality matrix and stakeholder needs** with the Group's key strategies and 3 Ps approach.

The **Safilo governance** structure provides the foundation for the Sustainability vision.



Product Craftsmanship & Innovation

"Excellence and quality" is one of Safilo's values, which is applied to every aspect of our business, and is an essential element of our products. Safilo aims to **provide superior products, constantly seeking out new technologies and leading-edge innovations**, applying rigorous safety standards and sharing accurate information about the origin of our products. In this context, the "Made In Italy" label is reflective of the excellence of Italian eyewear craftsmanship. Moreover, Safilo is focused on **preserving the Italian Eyewear craftsmanship heritage** by equipping the next generations with the knowledge and skills needed to carry the traditions forward in innovative and sustainable ways.

Integrity in the Workplace

Safilo considers our people as a precious asset and we are focused on safeguarding the well-being of all employees, by **creating excellence in people management, fostering a climate of mutual trust and respect and valuing the input of each individual, respecting and promoting diversity and inclusion**. We invest in employee development and talent management programmes and ensure healthy employee relations.

Responsible Partnerships

Safilo cultivates long-term partnerships built on trust to create mutual value and consistently exceed expectations, with its employees, customers, licensors and other stakeholders. To this end, Safilo is focused on **acting transparently, delivering on promises and providing reliable information about our activities**. Stewardship of this invaluable trust starts with our management and employees, who are expected to act openly and responsibly in all endeavours. Towards its business partners, Safilo complies with the aspects of its license agreement terms, protects confidential and proprietary information and operates transparently and fairly in commercial dealings.

Social Responsibility

Safilo is focused on the development of the communities in which we operate, striving to grow long-term partnerships that create opportunity and make a positive difference.

Environmental Responsibility

Safilo is committed to meeting all environmental laws and applicable regulations, including rules governing the use, control, transportation, storage and disposal of regulated materials that may reach the environment as a part of wastewater, air emissions, solid or hazardous waste.

These pillars will be explored in further detail in subsequent chapters.

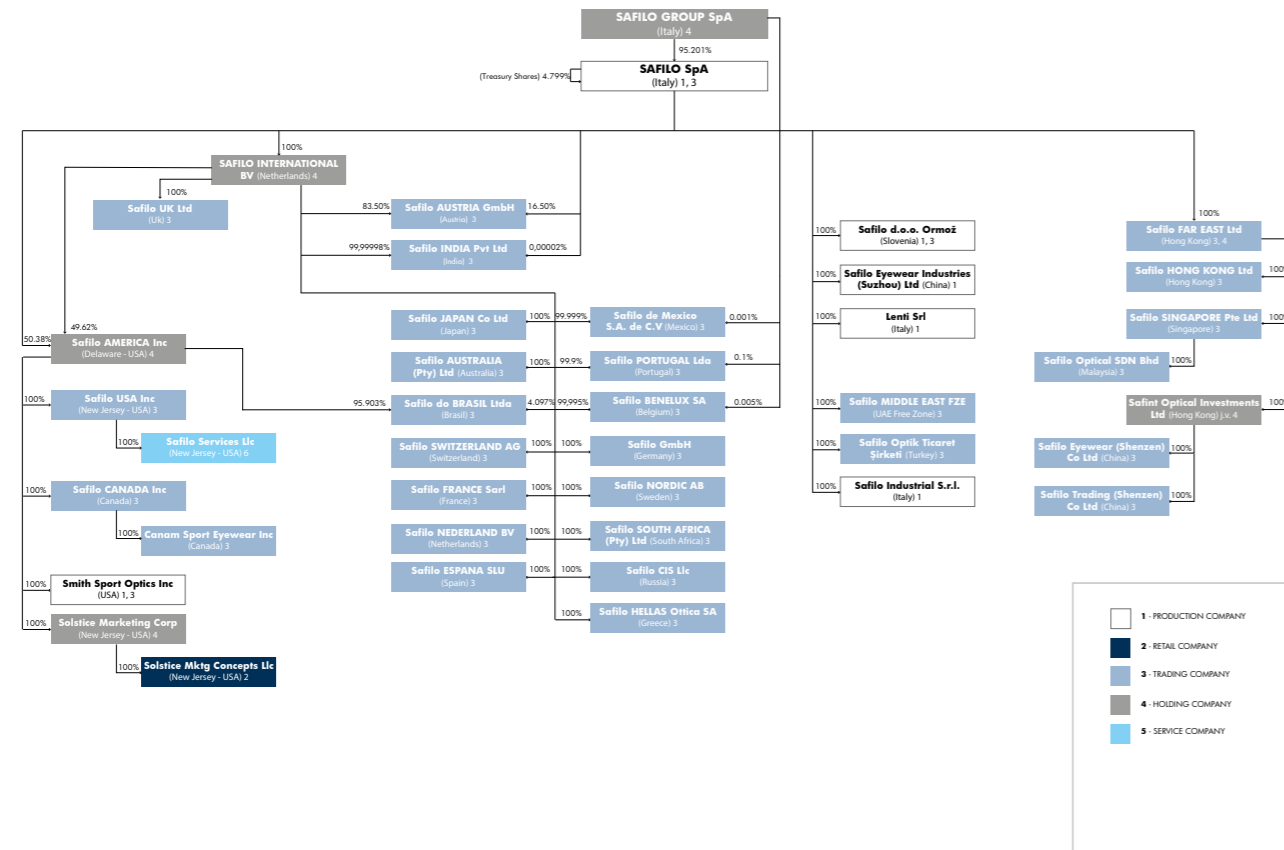


3. SAFILO GOVERNANCE

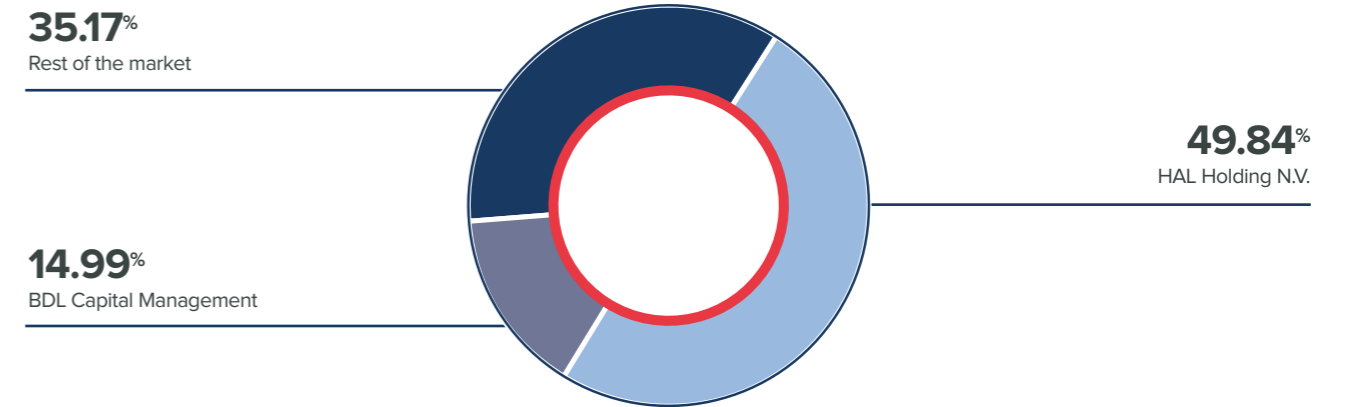
3.1 GOVERNANCE AND RISK MANAGEMENT

Organizational Structure and Ownership

Headquartered in Padua, Safilo Group S.p.A. is listed on Mercato Telematico Azionario (MTA) of the Italian Stock Exchange. The Group structure as at 31 December 2018 was the following:



The following chart shows owners of Safilo Group S.p.A. ordinary shares with shareholdings exceeding 3% of share capital as at 14 January 2019. It is hereby represented the shareholding structure as at 14 January 2019 in consideration of the fact that as at 31 December 2018 the share capital increase resolved upon by the Shareholders' Meeting on 29 October 2018 was still in the process of being completed. The communication related to the execution of said share capital increase was filed with the Companies Register of Padova on 7 January 2019 and disclosed to the market on 8 January 2019.



The following table shows the evolution of the shareholding of Hal Holding N.V. (i) as at 3 December 2018 before the capital increase, (ii) as at 28 December 2018 at the completion of the Subscription Period and Rights Auction, based on the information available to the Company, (iii) as at 7 January 2019 at the completion of the capital increase, and (iv) as at 14 January 2019 at the notification from Hal Holding N.V., pursuant to Article 120 Legislative Decree No. 58/98, of the reduction of its shareholding to 49.84%.

	As at 3 December 2018	As at 28 December 2018	As at 7 January 2019	As at 14 January 2019
HAL Holding N.V.	41.61%	45.80%	50.75%	49.84%

Corporate Governance

The Corporate Governance model adopted by Safilo aims to ensure transparent and responsible business operations, significantly contributing to medium and long-term value creation. The Governance system complies with the principles of the Corporate Governance Code for Italian listed companies issued by Borsa Italiana.

The structure of the Corporate Bodies and Committees of Safilo Group S.p.A. is represented below and includes the Board of Directors and four Committees:

- the **Supervisory Committee**: established pursuant to Lgs D. 231/01, is responsible for the supervision of the effectiveness, efficiency, maintenance and update of the organizational model under the same Lgs D. 231/01;
- the **Remuneration and Nomination Committee**: submits to the Board of Directors a policy for the remuneration of the directors and of the managers with strategic responsibilities and periodically evaluates its adequacy, overall consistency and actual application; it is also responsible for proposals with regard to the remuneration of the managing directors and of the other directors provided with special assignments; expresses opinions to the Board of Directors regarding its size and composition;
- the **Transactions with Related Parties Committee**: is entrusted by the Board of Directors with a consultative role concerning transactions with related parties;
- the **Control Risk and Sustainability Committee**: reporting to the Board, is responsible for the functionality of the control system. Since 2016 is also responsible for risk management and the supervision of the sustainability matters related to the performance of the Company's business and to the interaction with its stakeholders.

Corporate Governance model includes also:

- the **Board of Statutory Auditors** responsible for ensuring compliance with the law, the articles of association and correct administration principles;
- an **Independent Auditing Company** responsible for the audit on the financial statements.

As at 31 December 2018, Safilo Corporate Governance included 13 effective members, of which 46% women and 15% in the age group 30-50 years old and the remaining 85% in the age group over 50 years old.

In 2018 the Board of Directors has adopted and approved a "Diversity Policy" for the Board of Directors' composition and the Board of Statutory Auditors' composition.

Focus on the Control Risk and Sustainability Committee

The Control Risk and Sustainability Committee, having proposing and consultative functions, is in charge of supporting the evaluations and the decisions of the Board of Directors in relation to the internal control and risk management system, as well as in relation to the approval of the periodical financial statements. Moreover, the Committee has the duty to support the Board of Directors through adequate preliminary activities, having proposing and consultative functions, in the decisions relating to sustainability. In this regard, the Committee supervises sustainability issues related to the relevant business and to its interactions with all the stakeholders, examines the consolidated non financial information statement, supports the Board of Directors in the definition of the sustainability strategy and oversees the evolution of sustainability also in the light of the related international guidelines and principles. The Committee is therefore functional to integrate both business and sustainability priorities within the Group strategy and to identify emerging opportunities to gain competitive advantages.

For further information regarding the composition of the Group's committees and corporate governance in general, please refer to Safilo's "Corporate Governance Report 2018", available on the Corporate Website.

RISK MANAGEMENT

Safilo takes an integrated and transversal perspective of risks in order to implement effective mitigation actions.

Safilo implemented an **Enterprise Risk Management (ERM)** framework, with the aim of identifying and monitoring critical areas of risk (business, operational and compliance). The results of these activities are discussed on a half-year basis with the Control Risk and Sustainability Committee, which provides its opinion on the adequacy of the internal control and risk management system.

With reference to sustainability, the Group monitors the main ESG risks generated or incurred, deriving from the business and is aware of the impacts it has on the environment and society, strives to reduce negative impacts, and implements instruments and actions aimed at mitigating themselves. The main risk factors associated with sustainability topics and the related management methods implemented by the Group are disclosed below.



Environment

As for environmental topics, the Group aims at protecting the environment and preserving natural resources. The main environmental responsibility risks refer to possible cases of non-compliance with the environmental legislation in force in the countries in which Safilo operates. Environmental responsibility is a goal that permeates all aspects of the Group's daily operations, which is why Safilo has included in the Worldwide Business Conduct Manual a section dedicated to respecting the environment and current regulations promoting a sustainable business model, and has in place reporting mechanisms aimed at managing any critical topics arising in the context of environmental responsibility. Environmental risks are also monitored within the Organizational Model 231/01 for Italian entities. Confirming the commitment to environmental risk prevention, in 2018 the Group started the process to obtain the ISO 50001 certification for some significant plants and launched a Life Cycle Assessment project in relation to a selected panel of frames and components. Finally, it should be noted that environmental risk is also monitored along the entire supply chain of the Group, through social audit activities on suppliers aimed at investigating numerous characteristics, including their ability to protect the environment and related certifications. Any violations of the environmental legislation and principles included in the Worldwide Business Conduct Manual can be reported through the Group whistleblowing service.



Human rights respect, social and people aspects

As for human rights, Safilo monitors the risk of non-protection and non-promotion of fundamental human rights, and non-compliance with international human rights regulations and national labor laws. These topics are monitored by the Group both internally and along the supply chain.

As for people management, Safilo believes that respect for people and local communities is an essential pillar of its business model, at the workplace and in carrying out its activities.

Safilo's commitment on this topic is reflected in the Worldwide Business Conduct Manual, which defines the principles and standards of behaviour that all employees have to adhere to, and the Group expects to be equally respected also by suppliers and business partners with whom it is related.

Safilo guarantees respect for diversity, a selection and hiring process in compliance with the principle of equal opportunities and ensuring the personal data protection. Furthermore, the Group has always been committed to guaranteeing adequate industrial relations. Confirming the attention dedicated to these topics, in 2012 Safilo obtained certification of the SA8000 Social Accountability Management System Standard, which certified that Safilo's business system conforms to the principles of social responsibility (freedom of association, human rights, refusal of forced labor, health and safety in the workplace, transparency).

As for diversity and equal opportunities, in 2018 Safilo adopted and approved a "Diversity Policy" for the governance bodies (Board of Directors and Board of Statutory Auditors).

As for health and safety, the main risks are related to possible injuries and occupational diseases involving the Group's employees. On this topic, during 2018 Safilo renewed the certification of its occupational health and safety management system OHSAS 18001 for Safilo S.p.A. and Safilo Industrial S.r.l., in addition to the Organizational Model 231/01 for the Italian entities and to the Worldwide Business Conduct Manual regulations about safe working conditions and prohibition of alcohol or drugs.

As for social aspects along the supply chain, Safilo monitors the risk of non-transparency and integrity in its business relations with suppliers. To prevent these risks, the Group adopted a Corporate Responsible Sourcing Supplier Manual which confirms the principle for human rights respect, monitored through social audit activities along the entire supply chain, based on social and environmental criteria. Safilo also guarantees the correct management and protection of business partners' confidential data, as defined in the Worldwide Business Conduct Manual.

Any violations of the human rights respect, social and people aspects, can be reported through the Group whistleblowing service.



Active and passive corruption

Safilo promotes and monitors responsible management of business activities. The main risks in terms of governance, business ethics and compliance are related to possible errors or fraud that could be committed by the Group, or to non-compliance with laws and regulations to which the Group is subject, at national and international level.

As for business ethics and compliance with laws and regulations in force, anti-corruption, fair competition, anti-money laundering, these topics are covered by the adoption of the Organizational Model 231/01 for Italian entities. Furthermore, the Group takes a zero-tolerance approach towards forms of bribery and corruption, as defined in the Worldwide Business Conduct Manual, and has also adopted a whistleblowing process.

3.2 BUSINESS ETHICS AND COMPLIANCE

Ethics and Integrity

In 2006, Safilo adopted a **Code of Ethics**, and resolved to confirm and adopt principles of fairness, loyalty, integrity and transparency to govern the Group's behaviour, work methods, and management of relations, both within the company and with third parties.

In 2017 the Code of Ethics has been substituted by a new Worldwide Business Conduct Manual. The **“Worldwide Business Conduct Manual – The Safilo Way”** translates the Group's governance principles into standards of business conduct that guide the Group's daily actions and decisions, internally and with customers, license partners, authorities and other stakeholders. The Safilo Way establishes the worldwide reference standards that are applied in each country.

The Safilo Way underlines the importance the Group places on acting with integrity and responsibility towards employees, shareholders, business partners, governments and, in general, all people.

Anti-corruption and anti-bribery

Safilo does business in conformity with the highest standards and in compliance with applicable laws and regulations. **The Group takes a zero-tolerance approach towards forms of bribery and corruption.**

In addition, pursuant to Italian Legislative Decree 231/01, an Organization, Management and Control Model has been adopted for the Italian companies of the Group that includes general rules of conduct as well as more specific protocols, including control activities that must be respected when performing related activities, that have been defined to prevent the commission of crimes, inter alia, related to bribery and corruption. Employees in Italy have participated in a training session on the Legislative Decree 231/01 and the company's Organization, Management and Control Model.

Whistleblowing

In 2017, following the launch of the Worldwide Business Conduct Manual a new whistleblowing process was implemented with the aim of providing a means for employees, customers, suppliers and business partners to communicate concerns of possible violations of the Worldwide Business Conduct Manual or the law, while protecting their identity if they so wish.

Any misconduct reports received are managed by the Internal Audit function and evaluated by the Assessment Committee as defined in the Worldwide Business Conduct Manual Compliance Reporting Procedure published on the Safilo Group website.

The whistleblowing programme is active at a worldwide level with two channels for reporting potential violations of the Worldwide Business Conduct Manual or the law:

- Dedicated email address available worldwide
- EthicsPoint web and telephone reporting system available in some countries.

In addition, a dedicated email address is available for reporting possible breaches of the Organizational Management and Control Model.

No corruption cases have been reported during 2018.

Ethicspoint

Safilo EthicsPoint website, a comprehensive and confidential reporting tool, supports the Safilo Way, providing a means for employees, customers, suppliers and business partners to communicate suggestions, concerns or reports of possible misconduct. In the first place, the employee is encouraged to raise concerns directly with the line manager or the next level manager or to directly contact the Head of Global Internal Audit.

The Safilo EthicsPoint is run by an independent company and is available through a 24/7 multilingual web-based service. The Company does not permit retaliation of any kind for reports made in good faith. Anonymous reporting is allowed where permitted by local law. The website allows even to follow-up on reports, even if anonymous.

The EthicsPoint system was rolled-out during 2018 in three additional countries (Spain, Germany & Portugal) in addition to Italy, France, USA and UK.



4. PRODUCT CRAFTSMANSHIP & INNOVATION

4.1 HERITAGE OF OUR PRODUCTS

Safilo's products are an expression of the Group's identity, each of them representing on the one hand our connection to the past, tradition and craftsmanship, and on the other hand our vision for an innovative and sustainable future.



Calalzo di Cadore, in the Belluno District, is an area in the North East of Italy where the Italian eyewear industry was born. There, between 1877 and 1878, Angelo Frescura founded the artisan workshop that later became the first Italian industrial complex producing lenses and frames, making a start of Safilo's history.

This heritage provides the foundation for each product, providing a legacy of proven ideas, methods and innovations and offering inspiration for how to adapt to the present and anticipate the future.

Safilo Gallery

www.GalleriaSafilo.com is a digital museum entirely dedicated to eyewear, its history and technology, and its everlasting charm. GalleriaSafilo.com is a cloud-based digital project that allows visitors to discover, experience and share the wonders of a museum visit online. The permanent collection on display, counting 300 unique pieces, includes glasses that belonged to Elvis Presley, Madonna and Elton John, along with ancient and contemporary artworks. GalleriaSafilo.com also provides a calendar of events and temporary exhibitions.

This project demonstrates Safilo's role as leader and founder of the Italian Eyewear manufacturing tradition, and curator of one of the most significant private eyewear collections.



4.2 MADE IN SAFILO

As part of its key strategies, Safilo has planned to gradually increase the percentage of glasses and components produced within Safilo's plants, behind a modernization of facilities and improvements in production lead-time, product quality, inventory, and cost management.



Furthermore, Safilo is focused on tracking and providing accurate information about the origin of its products and to complying with related applicable laws.

In this context, the **"Made In Italy"** label is core to Safilo. It confirms the product's authenticity and reflects the genuine product savoir-faire of Italian-origin manufacturing.

4.3 SAFILO CREATION PROCESS: A PRODUCT-MINDED PROCESS

A consistent integrated process, that starts with the study of the relevant macro-trends and ends with the creation of sunglasses and optical frames.

Each and every pair of glasses is characterized by an attentive and detailed development process, in which a relevant part of the working process is handmade manufacturing.



From the first drawings...

Everything starts in Safilo's **Product Design and Creation Department**: designers express their creativity to develop new collections, based on the style concepts discussed with the Brands for the creation of each collection.



... to hand-made prototypes

The results are 2D drawings, that are used to create renderings and then **prototypes**, which perfectly represent each detail of the original sketch. These handmade samples are finally selected and approved by the Brands.



Towards industrialization

Once the design aspects have been defined, a careful strategic analysis guarantees the **industrialisation of the product**. This is the start of a development process able to merge creative intuition and production requirements, through the definition of all technical aspects to finally launch the production.



Research for the best materials

Even if with different technologies and materials, Safilo applies to each and every product the same criteria of aesthetic and qualitative excellence, that starts with a careful examination of **the raw materials and semi-finished products**. The technical certification of materials, machinery and processes gives the green light to production.



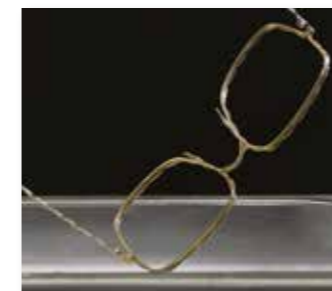
The supply chain

Safilo's production facilities are specialized in the four different production materials: **metal, acetate, injection moulded plastic, and Optyl**.



The first steps of production

The production cycle starts with the manufacture of the frontal sections and **temples**. The **tumbling process** then finishes the various elements of the glasses. Any flaw in the metal, acetate, injection moulded plastic and Optyl is eliminated.



Galvanic and coloring process

Glasses and metal accessories are first **galvanised** and the meticulous attention to quality continues with the **colouring process**. It is in this delicate phase that **Safilo** obtains the stylish finishes that make its products unique: shades, transparency, contrasts and exclusive treatments.



Shaping the lenses

Different materials are used for sunglass lenses - **glass, polycarbonate, nylon** -, all of the highest mechanical, physical and optical quality. The **cutting phase** entails a series of operations, such as shaping and engraving the lens. All these operations call for great expertise in the design phase, skill during processing and experience in the control phase.



The final steps

The production cycle ends up in the **assembly phase**. The frontal section, temples and lenses are finally merged to complete the glasses. The process ends with the **finishing phase**: lenses and frames are examined, mechanics of the temples are checked and hinges are adjusted/oiled.

≈ 1,700
NEW MODELS ON THE MARKET IN 2018

The markets and industries where the Group operates are continuously changing. To maintain excellence, quality and heritage, Safilo created a **Trends Observatory** to select and analyse what is trend and why, allowing for the combination of **brilliant design and innovative ideas with a solid market-based approach, and all without losing the connection to our roots**. Similarly, in order to succeed as a global leader, Safilo has opened **design studios around the world** (Padua, Portland, Milan, NYC, and Hong Kong) to bring to life a **network of designers of different origins and styles**. This variety infuses diversity and eclectic inspirations into the process of creating different lines and styles of eyewear, allowing the Group to stay ahead of evolving consumer and market trends.

The Group's designers combine intelligence from the Trends Observatory together with market analysis and potential specific brand innovations and then **create model prototypes**. Safilo Atelier produces prototypes leveraging on 3D Computer-aided Designs (CAD) and 3D printing, bridging craftsmanship and front end technology.

A creative team of more than 150 designers and eyewear technicians give fundamental contribution to release about 1,700 new models per year.

4.4 QUALITY OF RAW MATERIALS AND COMPLIANCE WITH BEST STANDARDS



Safilo leverages **quality as a competitive advantage by constantly and carefully checking that its products comply with national and international regulations**.

In order to ensure the quality of raw materials and semi-finished goods, the Group selects suppliers and evaluates them on an ongoing basis against their ability to ensure certain quality and sustainability standards, as well as on their available production capacity and delivery times.

The Group applies the industry's highest standards, in compliance with the Basic Health and Safety Requirements (BHSRs) and the Essential Requirements (ERs) set in the Directive 89/686/EEC (sunglasses) and 93/42/EEC (spectacle frames). Furthermore, Safilo is implementing all the relevant actions in order to comply with the PPE EU Regulation 2016/425. Thanks to Safilo's decades-long experience in the eyewear industry, we have developed our own internal standards that result in

a final product that is often superior to its legal obligations. These standards are subjected to controls at all stages of the process: from design, to verification of materials, to mass production, and across supplier relations. In addition, as a member of the national association (ANFAO), and through it of the EU association EUROM 1, Safilo actively works to anticipate future technical developments in order to implement them as soon as possible in own products. Through control gates during design and production processes and through audits of suppliers, the company ensures adherence to the defined specifications. By collecting and analysing market feedback and reviewing auditing activities required by the Public Authority, Safilo confirms its decisions and processes, and initiates improvement actions where needed.

Moreover, in order to efficiently guide consumers in their Eyewear choices, Safilo strives to always provide clear and accurate information about its products. Product information is accessible within the product packaging and available in Safilo's technical documentation.

To ensure our products are safe for consumers and the environment, when used as intended, all employees involved at any level of developing, manufacturing, handling, packing or storing products are expected to know applicable product safety and quality standards, policies and procedures and follow our defined related standards. This is true both for products manufactured in-house and those created by suppliers, whether they supply components, semi-finished goods or finished products.

Safilo's Quality System is ISO 9001:2015 certified. In 1996, Safilo obtained its first certification UNI EN ISO9001 standard "Quality Management Systems", an independent confirmation of the Group's ability to meet the needs of customers and other stakeholders while meeting statutory and regulatory requirements related to our products.

4.5 THE PAST MEETS THE PRESENT

Safilo product school

Since 2015, Safilo has supported the "**Safilo product school**", a programme to give young apprentices starting their professional lives the opportunity to build foundational mastery across all product functions. The program created a talent pipeline for technicians and industrial designers. The program recruited graduates of technical institutes or universities and aimed to select young professionals. Built on international apprenticeship best practices, the programme combined on-the-job learning and job rotation, including an international assignment in Safilo's worldwide operations, with coaching by experienced Safilo managers and experts, and regular classroom trainings.

The product school reflected Safilo's aim to eyewear craftsmanship and innovation, and the Group's desire to help shape the future by nurturing talent.

The focus of the programme was on product creation, from design to product development, from prototyping to manufacturing, materials, quality, pricing, and product concept selling. Safilo's values – quality, durability, and timeless design – together with our unique industry-shaping technological innovation, provide the foundation on which the courses have been built. Additionally, the programme also covered the development of managerial skills and behavioural competencies, inspired by The Safilo Way. The formal training was administered in collaboration with national and international partners, such as universities, technical and optical product certification institutes, and Safilo's customer and supplier network, supplemented by our own global management team.

4.6 FORWARD LOOKING VISION

Product and process innovation

Innovation has always been a strategic value for Safilo: the Group puts the product at the centre of the development process in order to exceed consumer and market expectations and to ensure we deliver value and sustainability with each product we make. We look for innovations that will improve the technical characteristics and speed to market of our products, as well as increase the effectiveness, efficiency and quality of our processes. Safilo is using sustainable solutions for its products' materials, such as using recyclable and bio-based polymers. Key pillars for Safilo's approach to innovation are:

- **Global Innovation Centre** which focuses on **Product Innovation** to analyse trends, research new materials and develop new concepts and technologies, and on **Industrial Engineering** for testing specific solutions to create "best quality" products;
- **Research and development of new solutions** on ground-breaking lenses and treatments that will help protect eyes from solar or artificial rays;
- **Product Certification Lab** working together with certification centers for new products and materials.

The Group focuses on **proactive and collaborative research** activities to develop innovative solutions in partnership with stakeholders, such as universities, research centres, qualified suppliers, customers, sector experts, and associations. These partnerships ensure a more robust and efficient innovation process that considers and integrates diverse ideas and competencies.

Our **Consumer Innovation Centre** constantly tracks the evolution of new technologies and develops disruptive innovation projects, in line with consumer trends, through the integration of ground-breaking technologies, such as wearable technology.



4.7 LIFE CYCLE ASSESSMENT AND NICKEL-FREE PRODUCTION PROCESSES

Life Cycle Assessment

In 2018 Safilo has for the first time performed the LCA (Life Cycle Assessment) study, an assessment of the environmental impact of a product or set of products throughout their entire life cycle.

LCA analyses the environmental impact of the product at all stages, from pre-production (raw materials extraction and processing), manufacturing of the product and its components, packaging, transport and distribution, and subsequent re-use, recycling or disposal.

The assessment includes also a careful examination of materials used, the type of waste released as a result of the production and at the end-life of the product, emissions and the type and quantity of resources used.

For the analysis Safilo has applied the International Standards ISO 14040 and ISO 14044 that define the criteria to be observed for the LCA. The study has been performed with the support of an independent consulting company to guarantee the correctness and objectivity of the results.

This first LCA was focused on 5 different product models produced in the Italian facilities and in the Slovenian plant. These models are representative of the most common processes and with significant production volumes.

The results of this first LCA have to be considered as an initial assessment, fundamental to identify all the possible aspects of the product and process on which to intervene in the future, with the aim of progressively reducing the impact on the environment.

Nickel-Free treatment

In November 2018, Safilo introduced production processes with nickel-free treatment at its Longarone facility, confirming its place at the forefront of technological innovation in terms of metal surface treatments. Only two years after the first nickel-free laboratory experiments, Safilo developed non-cyanide nickel-free galvanic processes. These have already been tested and are currently in use across all the production lines, from high-end to middle-segment eyewear products.

Thanks to the new galvanic process technology – a first in the eyewear sector – metal frames currently manufactured at the Longarone facility boast the same features, in terms of sleekness, wear- and corrosion- resistance as before, and are plated nickel-free. Through quality controls performed on a regular basis by the recently restored in-house lab, now equipped with the most cutting-edge technology, Safilo can maintain more stringent and qualitative standards to coating processes than those required by law.

Developing nickel-free decorative galvanic finishes was a top priority for Safilo to ensure the safety of workers and consumers alike. Nickel is a silvery-white metal traditionally employed in the galvanic treatment of eyewear for its sleek, gloss finish or used as a basecoat for other surface treatments.

Over the past two years, Safilo has invested 5 million euro in R&D and new technology, of which, almost 1 million euro was spent on metal surface galvanic treatments to ensure product excellence – developing and obtaining certification for its innovative nickel-free production process – one of the most remarkable results recently achieved by the company. Safilo also implemented a series of sustainability, environmental impact and safety initiatives at the Longarone facility, including precious metal recycling, industrial water reuse – thus also reducing water usage and wastewater production – CO₂ emission reduction, and the improvement of workers' health and safety indexes.

Safilo continues to invest in vocational training to ensure that its staff are constantly up-to-date with the latest developments in craft production techniques since most of the products manufactured here are handcrafted based on Safilo's 140-year-old tradition in eyewear manufacturing.

Today, Safilo's goal is to continue to invest in its skill and labor-intensive craft production, staying committed to excellence and craftsmanship, yet, also implementing automation to increase productivity.



5. INTEGRITY IN THE WORKPLACE

5.1 SAFILO PEOPLE AND THE SAFILO WAY

6,594 EMPLOYEES WORLDWIDE IN 2018

16% RATE OF NEW EMPLOYEES HIRES IN 2018

Safilo people

Safilo's people, our 6,594 employees, are at the heart of our culture and success.

Safilo, believes that **people play a key role for the Group's long-term success and sustainable growth**. Essential to our organization is the integrity of our employees, clarified and supported by the **Principles and Competencies, defined in the PVPC**, the primary compass for Safilo employees in all their activities.



In 2016, the Group defined and shared the **Safilo leadership profile**. Deeply rooted in the PVPC, the Safilo leadership profile outlines a modern leadership approach to deliver results in a globally integrated and multifunction interconnected business such as ours. The profile spells out leadership skills and personal grounding to orchestrate the delivery of results and to inspire for high performance.

In 2017, Safilo introduced the **Worldwide Business Conduct Manual**: it represents the translation of PVPC and the leadership profile into the standards of business conduct that guide the Group's daily actions and decisions internally and in the marketplace with consumers, suppliers, license partners, authorities and other stakeholders.

Talent acquisition

Since 2014, Safilo has been focusing on redefining a **talent acquisition** approach to identify, attract, integrate and build loyalty among the best candidates who can contribute to the Group's growth and long-term success.

The acquisition strategy is set in accordance with Safilo's values and it aims at developing and nurturing a **talent pipeline with a long-term view**, leveraging employer branding initiatives. Thanks to our **worldwide talent acquisition initiatives**, Safilo is attracting and recruiting people from different backgrounds, capable of offering a high degree of expertise and international experience and who are highly motivated and leadership-oriented.

At Safilo, our talent selection process, based on PVPC and leadership profile, aims at assessing skills, competencies, experience and motivation through a systematic approach designed to ensure an excellent candidate experience. All aspects of employment relationships are based on the principle of equal opportunity, fostering diversity and inclusion at each step. Discrimination is not tolerated.

Talent management

The Safilo people strategy is designed to ensure the right people, with the right skills and experiences, in the right jobs to deliver the expected business goals and help drive long-term sustainable growth. Therefore, **Safilo provides career pathing and competency development guidance for each function**.

The **Safilo career development** key principles are:

- Fair and equitable treatment
- Capability to meet the needs of the company and the individual
- Management and employee co-ownership
- Function-based career management.

At Safilo, **each career path is as unique as the individual**. There is no simple, one-size-fits-all formula for success. To provide choice to employees and to facilitate their ownership of their own path, Safilo set up an **open job posting**.

People move through various assignment/levels within each function based on:

- Performance (results and contributions)
- Experiences to build strong function, business, organizational leadership capabilities and skills that enable the employee to manage a range of business challenges
- Business needs (availability of positions and fit for the role)
- Career path as a sequence of steps for the employee's growth.



Performance management

Safilo's **performance management process** is based on Safilo PVPC and leadership profile. The Group's Executives and Directors are expected to focus their personal development plan on developing proficiency in the key leadership dimensions. Managers are expected to role model, coach and mentor their people either recognizing their strengths or pointing out where they need to be supported in order to improve.

Therefore, it exists to both plan performance and development, and assess these on a formal yearly basis. The approach is built on linking PVPC as the foundation, and the year's targets, with the individual work plan, and previous year's assessment with the following year's development plan. Throughout the process, transparency and respect are the guiding principles.

Learning and development

more than **83,000** HOURS OF TRAINING IN 2018

The **Safilo learning and development** philosophy is based on the following key drivers:

- it is a formal part of job progression
- each employee owns his or her learning
- teaching is an essential part of leadership
- employees teach to learn
- on-the-job training/coaching
- building a capability in-house is preferred to relying on external trainers.

The training policy and procedures are implemented across the world and are designed to ensure that all employees are exposed to the same guiding principles and content and that the company can accurately monitor and assess the effectiveness of each training programme.

Our core training team at headquarters is responsible for devising, rolling out and monitoring training. At local level, each HR department is responsible for implementing both the corporate trainings and a local specific training plan that meets local business needs.

In 2018 Safilo delivered more than 83,000 hours of training covering a wide range of subjects.

Through our training programmes, we have intensified the use of e-learning, internal coaching and action learning methods, with the aim of helping employees more effectively apply what they learned in their day-to-day working practices.

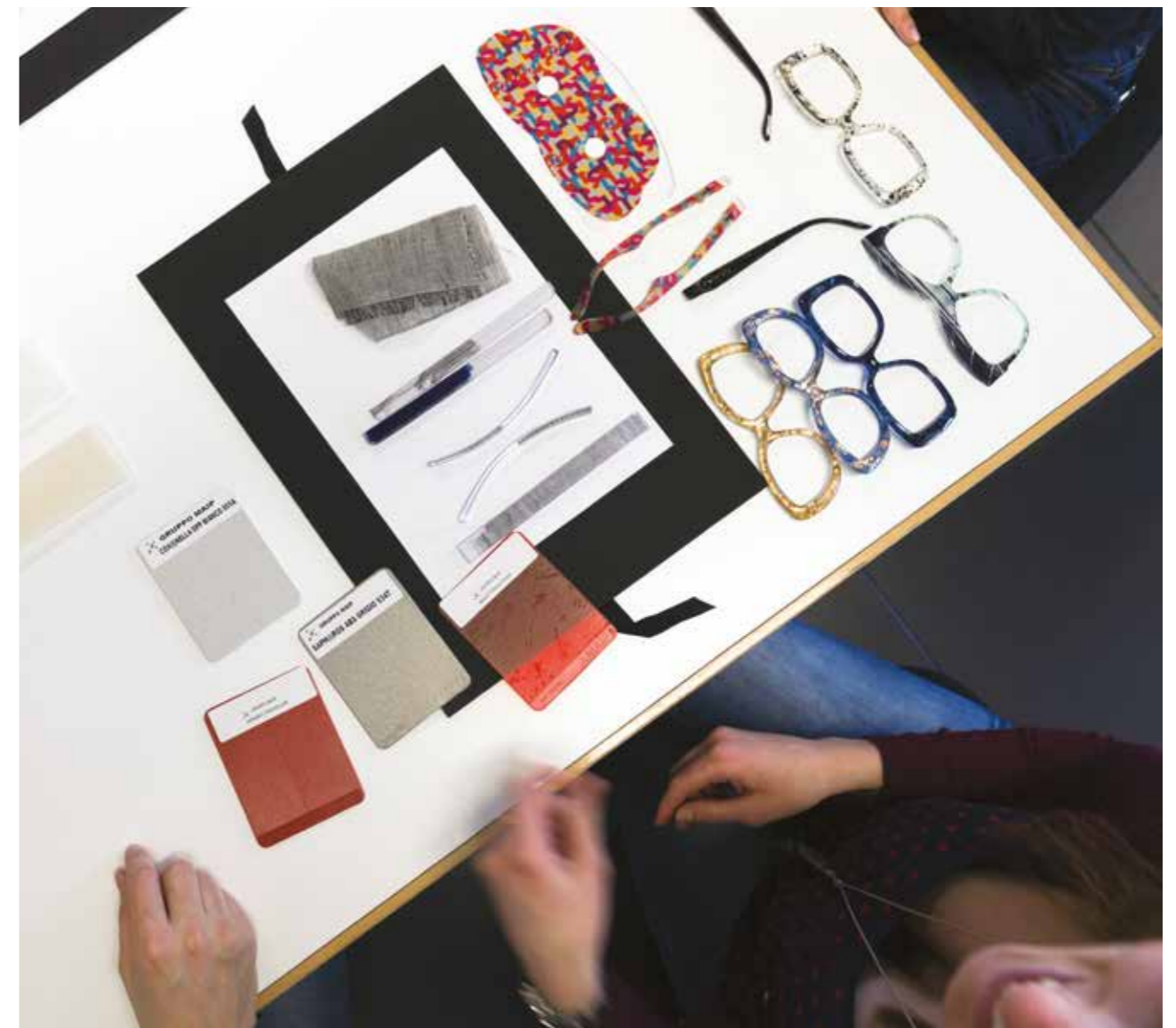
The main corporate training activities fall in the following categories:

Safilo way training: this initiative, that started in 2014 involving the Group's entire global workforce, is designed to spread awareness of Safilo's Purpose, Values, Principles and Competencies. More recently, the corporate training programs (beginning with the on boarding devoted to each new hire) also include a deep dive on the Safilo leadership profile and the Worldwide Business Conduct Manual.

Antitrust policy training: Safilo trains employees on antitrust issues to guarantee alignment of the Group with the national and international competition law principles and with the Safilo antitrust policy. Through this training, employees are guided on how to behave when dealing with internal and external parties, especially when it comes to material issues. The training involves all Safilo employees who work in the commercial, sourcing, marketing, finance and accounting, corporate and legal affairs functions, and all Executives and Directors. The course is delivered by e-learning and is available in 17 languages.

In addition to the corporate training activities, other training initiatives at headquarters and local levels fall in the following categories:

- **functional skills, linguistic and IT training** for which specific programs run for different departments;
- **compliance training** as per local law and guidelines. At headquarters, for instance, Safilo trains employees on the administrative liability of companies pursuant to Legislative Decree 231/01 (e-learning), corporate social responsibility – SA8000 (e-learning), privacy policy and the processing of personal data, health and safety "Accordo Stato-Regioni", and other regulations, in line with the agreement between the central government and regional authorities.



5.2 DIVERSITY AND INCLUSION

62%
OF WOMEN IN THE
TOTAL WORKFORCE
IN 2018

35%
OF EXECUTIVES
ARE WOMEN IN 2018

17%
OF THE TOTAL
WORKFORCE
UNDER 30 IN 2018

16
NATIONALITIES
AT DIRECTOR
LEVEL IN 2018

Safilo considers diversity and the value placed on diversity as essential to our culture. We seek to foster an inclusive working environment in which the unique strengths of each individual are leveraged for the benefit of the Group.

Safilo values differences and strives to attract, hire and retain a workforce that reflects, represents and is able to connect with the globally diverse market and consumers we serve.

In accordance with our focus on corporate responsibility and respect of human rights, **Safilo protects and promotes the value of our human capital** and rejects any discrimination on religion, sex, race, political or union opinion, gender, age, national origin, religion, marital status, citizenship, disability, political views, sexual orientation or any other legally protected status. Each employee is evaluated on his or her own professional qualifications and capabilities alone.

Safilo is focused on providing equal opportunities in employment and to offering qualified individuals the opportunity to reach their full potential and contribute to the Group's success.

Safilo's **global remuneration policy** is designed to develop and reward highly competent talents and to do so, we set competitive compensation compared to local market rates for comparable job content. We also respect and adhere to all applicable laws, including minimum wage, overtime, and maximum hour rules. The Group pays individuals based on their performance, steered by a transparent performance assessment process, including a multiple stakeholder feedback process for every employee.

Safilo is focused on providing a work environment that is free from physical, verbal, and sexual harassment, where all employees are respected and have opportunity to reach their potential in contributing to the success of the company. The Group respects the right to freedom of association, the right of employees to choose to join a trade union, or to have recognized representation in accordance with local law. The use of child labour or any form of forced or compulsory labour is prohibited. Unacceptable treatment of workers is not tolerated in any of Safilo's global operation or facilities. The Group respects all applicable laws relating to minimum age of employment.

5.3 ENSURING WORKPLACE HEALTH AND SAFETY ⁴

0.08 LOST
DAY RATE
IN 2018 AND 2017

3.40 WORKPLACE
INJURY RATE
IN 2018 VS 3.77 OF 2017

The Group is focused on safeguarding the health and safety of its employees, visitors, clients and communities. Our health and safety procedures are designed to enable employees to work safely wherever they are, whether in the office, plant or warehouse.

On January 19, 2012, Safilo obtained the certification of its occupational health and safety management system from the certification body DNV GL Business Assurance, in compliance with the international **OHSAS 18001:2007 standard**. In 2018, the company took and passed the renewal of the certification surveillance audit for the years 2018-2021.

The certification is a proof of the company's goals to properly implement the provisions of the Organizational, Management and Control Model adopted in accordance with Legislative Decree 231/01, with specific regard to the Special Part "C" – Occupational health and safety offences, in line with the requirements of the international standard, Occupational Health and Safety Assessment Series 18001:2007.

5.4 INDUSTRIAL RELATIONS

71%

OF THE TOTAL WORKFORCE IS COVERED BY COLLECTIVE BARGAINING AGREEMENTS IN 2018

Safilo sees its relationship with trade unions, as an important means of collaboration to improve working conditions and support employee needs.

In the Italian market, trade union relationships occur at two levels:

- **National level**, with the negotiation of the National Eyewear Industry Collective agreement, in which Safilo plays an important role as a leading company within the industry;
- **Company level**, with a Group company agreement covering both plant and headquarter facilities. Through this agreement, the Group involves the trade unions in the management of any issues or problems that arise. These issues are resolved by respecting each other's roles and ensuring transparent and thorough communications about critical business topics and necessary action plans (in particular, plant issues linked to efficiency and quality).

Safilo acknowledges the fundamental role each **plant trade union delegation** plays, and is focused on maintaining strong relationships with all unions. In many Safilo subsidiaries, the company enables and provides employees to exercise their right to freedom of association and collective bargaining, through specific company agreements or in accordance with legal provisions, local and Group practices. For example, Safilo signed a Collective Wage Contract with the labour union for our Chinese plant, which was then reviewed and approved by the Chinese government's Labour Security Administration Bureau. In our Slovenian Plant, the company encourages continuous and constructive social dialogue between workers and management, through the establishment of a company trade union, whose membership is voluntary.

In 2018, 71% of the Group workforce was covered by collective bargaining agreements.

⁴ These KPIs are related to the Italian, Slovenian and Chinese manufacturing plants, and Padua headquarter, and do not include the external collaborators data, nor in transit injuries.

6. RESPONSIBLE PARTNERSHIPS

6.1 OUR LICENSED BRANDS

Safilo is **focused on being a trusted business partner**. We earn the trust of licensors, suppliers, marketing agencies, distributors, and customers by **acting transparently, delivering on promises and providing reliable information about our activities**. Stewardship of this invaluable trust is requested of all our partners, who are expected to act openly and responsibly in their dealings with us.






28 LICENSED BRANDS IN 2018

3 NEW LICENSED BRANDS IN 2018

5 KEY PARTNERSHIPS CONFIRMED IN 2018

Licensors are integral to Safilo’s success, as they share our business objectives and contribute to our growth and performance. The Group manages a portfolio of brand names, focusing on long-term brand partnerships as a licensee to leading fashion houses.

2018 was another year in which the Group continued to **sign new strategic agreements** as well as **confirming key partnerships**.

<p>FOSSIL</p> <p>In August, Safilo renewed until the end of 2023 its agreement for the design, manufacturing and distribution of the Fossil eyewear collections.</p>	<p> kate spade NEW YORK</p> <p>In August, Safilo renewed until the end of 2020 its agreement for the design, manufacturing and distribution of the Kate Spade eyewear collections.</p>	<p>BANANA REPUBLIC</p> <p>In September, Safilo renewed until January 31, 2025 its agreement for the design, manufacturing and distribution of the Banana Republic eyewear collections.</p>
<p> TOMMY HILFIGER</p> <p>In December, Safilo renewed until the end of 2025 its agreement for the design, manufacturing and distribution of the Tommy Hilfiger eyewear collections.</p>	<p> havaianas</p> <p>In December, Safilo renewed until the end of 2024 its agreement for the design, manufacturing and distribution of the havaianas eyewear collections.</p>	
<p> MISSONI M MISSONI</p> <p>In December, Safilo also announced a new licensing agreement for the design, manufacturing and distribution of the Missoni and M Missoni eyewear collections, which will be launched in January 2020. The agreement will run for five years through December 2024 renewable for an additional five years, up to 2029.</p>	<p> Levi's</p> <p>In January 2019, Safilo also announced a new licensing agreement for the design, manufacturing and distribution of the Levi's eyewear collections, which will be launched in January 2020. The agreement will run for five years through November 2024, renewable for an additional five years, up to 2029.</p>	

6.2 OUR RESPONSIBLE SUPPLY CHAIN

≈350 SUPPLIERS OF DIRECT MATERIALS

100 SOCIAL AUDITS ON SUPPLIERS IN 2018 (OF ≈350 SUPPLIERS OF DIRECT MATERIALS)

The Group buys finished products, components and raw materials for use in its own production (direct materials). In addition, it buys products and services to support the business in all areas (indirect spend).

Finished products consist of **sunglasses and optical frames, sports helmets, ski goggles and cases**.

Components consist mostly of **metal components (hinges, screws, etc.) and lenses**.

Raw materials consist of **metal sheets, acetate sheets and plastics for injection mould production**.

Indirect products and services purchased consist mostly of logistics, marketing and general services.

Safilo purchases direct materials from about 350 suppliers. These suppliers are primarily located in China and Italy. The Group's largest suppliers are Chinese frame manufacturers.

Conflict Minerals

Safilo buys **gold** and **palladium** from an Italian supplier that is a certified and audited member of the **Responsible Jewelry Council RJC**. The RJC is a not-for-profit standards-setting and certification body, whose members commit to and are independently audited against the RJC Code of Practices – an international standard on responsible business practices for diamonds, gold and platinum group metals.

Safilo's supplier only accepts **conflict-free gold** traceable from refiners or banks on the current London Bullion Market (LBMA) good delivery list, and only accepts **conflict-free palladium** traceable from RJC Chain of Custody, standard for the precious metals supply chain, applicable to gold and platinum group metals (platinum, palladium and rhodium) certified companies.

Eyewear today very much remains a “handmade” product and, as such, it is very **labour intensive**. Therefore, Safilo works together with its suppliers to **ensure fair, ethical and sustainable working conditions throughout the supply chain**.

Our suppliers are required to respect the Safilo Worldwide Business Conduct Manual, which has the following main principles:

- Prohibition of forced labour
- Freedom to join trade unions and right to collective bargaining
- Prohibition of child labour and exploitation
- Prohibition of employment discrimination
- Obligation to guarantee and maintain a safe and healthy working environment.

The Group manufacturing partners and suppliers are carefully selected based on rigorous criteria to ensure reliability and sustainability along the entire production process. The Group respects the terms and conditions of agreements with suppliers.

Safilo seeks to manage its relationships with suppliers in a responsible way, actively seeking business relationships with partners who comply with guiding international standards, share our values, and promote the application of these high standards.

In line with its principles and values, in 2017 the Group decided to adopt a **Corporate Responsible Sourcing Supplier Manual** to formally regulate its relationships with suppliers. The Manual captures and describes the principles and the non-negotiable minimum standards that the Group asks its suppliers to respect and adhere to in order to work together. Moreover, Safilo expects its suppliers to replicate these standards further down the supply chain.

Compliance auditing is a milestone in Safilo's responsible sourcing program since it provides effective oversight and better understanding of potential and current issues along the supply chain and allows for the identification of areas for improvement and, when needed, corrective actions. With this aim, Safilo performs periodic audits to cover an ever growing area of its supply chain to check the compliance with its CRS Supplier Manual.

In 2018, a total of 100 social audits (35 in EMEA and 65 in Asia) have been carried out, of which 19 conducted by a third-party audit company and 81 by an internal dedicated team. While in 2017 audit were carried out separately for social and environmental criteria, in 2018 each audit included the investigations of both aspects.

Since Safilo achieved the SA8000 Certification in 2012, an internal Supply Chain Committee, composed of the Director Global Sourcing, Management System Compliance Manager and the Global Quality Assurance Director, has monitored the conformity level of the supply chain with the social responsibility principles adopted by the Group.

Out of 7 direct materials' new suppliers with spending in 2018, 7 out of 7 have been assessed through social audits (equal to 100%).

On January 17th 2012, Safilo obtained certification of the **SA8000 Social Accountability Management System Standard**, which certified that Safilo's business system conforms to the principles of social responsibility (freedom of association, human rights, refusal of forced labor, health and safety in the workplace, transparency). In 2014 Safilo has taken and passed the certification surveillance audit for the renewal period 2015-2018.

Safilo aims to raise awareness of the CRS Supplier Manual and social responsibility standards throughout its supply chain and to auditing the compliance of its suppliers and, where necessary, implementing corrective actions.

Therefore, two internal dedicated teams, based in Padua and in Hong Kong, have been created to monitor and increase the level of conformity with the CRS Supplier Manual and performances, against social responsibility practices.

Supplier Assessment and Selection

Pre-Selection: before entering any business agreement with potential suppliers and as a first level check for existing ones, Safilo requires suppliers to complete the **Self-Assessment Questionnaire (SAQ)**, a tool designed to collect basic information related to macro-level, industry and factory specific risks and obtain an overall understanding of the Supplier's operating style.

Assessment: each supplier might be required to undergo an audit. Scope, timing and extension of the audit is determined annually based on a risk grade assigned to each supplier based on elements extracted from SAQ data (including country, activity done, number of employees), purchase volume, contract size and, where applicable, the compliance level identified in any prior audit. The scope of assessment is grounded in applicable laws and regulations (including but not limited to laws related to labor practice, human rights, health and safety, environmental responsibility, anti-corruption, safety and quality of goods and services) in the countries where the supplier is located.

The assessment process consists of an initial **full on-site audit** and, where necessary, of a **follow-up audit**, which is a re-assessment carried out as a shortened version of the full audit process. The follow-up audit aims to identify whether the concerns of the initial assessment have been fixed or have become more serious. Timing of the follow-up audit is determined by the types of issues found and is carried out in line with the due dates agreed for implementing corrective actions.

Safilo has adopted a **scale grading system** to evaluate a supplier's compliance with the aim of:

- classifying individual violations under categories based on the level of severity of non-compliance
- measuring progress and achievement of remediation over time
- providing a final qualitative grade to the supplier.



6.3 OUR CUSTOMERS

Safilo treats customers with respect and transparency, never engaging in unfair, deceptive or misleading practices.

We want to be a preferred partner for our customers, offering differentiation, agility, adaptability and passion to bring our strategic business plans to life.

Our main customers are independent opticians and key accounts, global partners that distribute our own core and licensed brands in their territories, and global travel retail accounts.

The Group is focused on supporting our customers' business models with long-term partnerships based on trust and mutual advantage. Our relationships with customers are managed in an equitable manner, not giving unfair advantage to one customer over another competing customer.

Safilo follows specific principles for customer relations:

- Company products are presented to customers in a transparent and clear way
- Customers are eligible to purchase our products, unless selective distribution criteria or similar are in place
- Customers can qualify for our trade investments in return for specific performance
- Trade policies are fair and transparent, all customers easily understand what they need to deliver.

Customer Service

Safilo Customer Service is devoted to excellence, promoting outstanding service to our customers including:

- Pre-sales activities: supply product information, details on promotions and commercial conditions
- Sales: to support their commercial counterparts through punctual order entry for finished products, spare parts and in store material, and taking part in dedicated sales events
- After-sales service: provide assistance on product and supply solutions to technical issues and manage returns and warranties.

Its main goals are measured with internal KPIs, which are compliant with commonly established ones in other sectors in the field of Customer Care, and are tracked on a very regular basis:

- Answer to 80% of calls within 20 seconds
- Solve technical issues and requests within 5 days
- Manage at least 98% of Customers' enquiries in "one call solution", without the need to escalate to Second Level teams or other Departments.

We track customer calls in order to understand customer needs and provide the right expertise. Customers often enquire about information on materials, products, promotions, returns, spare parts and warranties.

The Customer Service also takes care of:

- The **relationships with end-user consumers**, through different channels, such as email and social media
- **Direct Email Marketing (DEM) activities** to support the business, commercial counterpart, brand management and trade marketing departments.

Through dedicated quality monitoring tools, the quality of our Customer Service is then assessed through side-by-side supervision and dedicated tutoring of Customer Service Representatives.

Customer Satisfaction Survey

At the end of 2018, Customer Service launched the first Customer Satisfaction Survey with the aim of understanding Customers' 360° perspective on Safilo main areas and services: Product, Commercial team, Customer Service, After Sales Service, Service Levels, Trade Marketing and B2B-websites. The scope was: independent active Opticians of West European countries (Italy, Spain, Portugal, France, Benelux, DACH, Nordic and UK) and North America (US and Canada).

Main KPIs investigated were:

- **NPS** (Net Promoter Score): on a scale from 0 to 10
- **Purchase Intention**: on a scale from 1 to 5 (1 = Completely Unsatisfied, 5 = Completely Satisfied)
- **CSAT** (Customer overall Satisfaction): on a scale from 1 to 5

Western Europe overall results have been:

- NPS: **48%** of Customers responded with a ranking between 7 and 10
- Purchase Intention: **83%** are likely to purchase from Safilo again; of these **48%** are more than likely
- CSAT: **68%** are at least satisfied; of these **24%** are more than satisfied

North America overall results have been:

- NPS: **76%** of Customers responded with a ranking between 7 and 10
- Purchase Intention: **95%** are likely to purchase from Safilo again; of these **81%** are more than likely
- CSAT: **83%** are at least satisfied; of these **54%** are more than satisfied

EMEA Customer Service Team

Our EMEA Customer Service team is composed of 160 people, speaking 21 languages and covering more than 20 markets and global channels. In 2018, the EMEA Customer Service team managed 1.1 million contacts - inbound calls, emails and faxes – and answered, on average, 83% of calls within 20 seconds.

Specific Customer Service KPIs were also measured through **Customer Satisfaction Survey**. Herewith main results for Western Europe:

- **Overall: 75%** of Customers are at least satisfied; of these **34%** are more than satisfied
- Competence: **75%** are at least satisfied; of these **28%** are more than satisfied
- Politeness, kindness: **86%** are at least satisfied; of these **49%** are more than satisfied
- Problem solving attitude: **68%** are at least satisfied; of these **31%** are more than satisfied
- Ability to solve issues: **66%** are at least satisfied; of these **29%** are more than satisfied
- Readiness: **82%** are at least satisfied; of these **34%** are more than satisfied

US Customer Service Team

In 2018, our US Customer Service team supported 11 Markets, including 3rd O, Key Accounts, and Consumer relations. The team has made great strides in leveraging resources and talents to better serve our business partners. By Customer Service working closely with Accounts Receivable, as an example, we increase our ability for one-call resolution to help make Safilo the industry leader in "ease of doing business". In 2018, the team managed nearly 750,000 interactions, a combination of calls, emails, and electronic transmissions.

US Customer Service team answered 282,000 calls within 20 seconds and resolved 22,000 research tickets within 48 hours, maintaining close relations with salespeople and our Denver DC that allows for quick action to deliver speedy responses. US Customer Service team understands the uniqueness of the eyewear business and works to strengthen Safilo position in the marketplace.

Specific Customer Service KPIs were also measured through **Customer Satisfaction Survey**. Herewith main results for North America:

- **Overall: 91%** of Customers are at least satisfied; of these **56%** are more than satisfied
- Competence: **90%** are at least satisfied; of these **54%** are more than satisfied
- Politeness, kindness: **94%** are at least satisfied; of these **63%** are more than satisfied
- Problem solving attitude: **89%** are at least satisfied; of these **54%** are more than satisfied
- Ability to solve issues: **88%** are at least satisfied; of these **55%** are more than satisfied
- Readiness: **94%** are at least satisfied; of these **56%** are more than satisfied.

7. SOCIAL RESPONSIBILITY

7.1 SHARED VALUE



Safilo's sustainability strategy is driven by our intent to create shared value and contribute to the UN 2030 Agenda for Sustainable Development.

The eyewear sector plays a vital role for society, and therefore, we understand how central shared value is to our business and to our employees and partners. We start first with our own core business and expertise in the protection, care and importance of good eyesight. Then we build a sustainability approach that serves to help more and more people correct their eyesight defects and improve their vision. We are proud that we are able to serve so many different types of consumers and their needs with our product range, encompassing brands across customer segments. Additionally, we meet the needs of athletes and sport practitioners through our range of safe, reliable products for children and adults, enabling them to stay active without risk to their eyes, as well as practicing their favourite sports in security and safety thanks to our helmets, designed with the most advanced technologies.

Eyesight is not only the main human sensory system, fundamental to discover the world around us, but it also allows each of us to define own perception of the world, its beauty and colours. Eyesight is an essential part of a high quality of life.

Safilo seeks to help protect and preserve eyesight for people around the world, not only through our eyewear, but also through the promotion of positive lifestyle and behaviour changes in society. We champion many initiatives that will make a real difference for people of all ages and their eyes through our broad vision that progress is for everyone:

- the prevention of potential eye damage through access to high quality frames and sun lenses
- the usage of bio-based eco-friendly materials and processes to help protect the environment
- awareness campaigns targeting the riskiest populations most in need to eye care help and solutions.

7.2 SAFILO FOR KIDS



For Safilo, childhood is about seeing the world different perspectives. Children are not little adults: they have specific needs and their own unique point of view. The importance of serving the eyewear needs of kids was reinforced during a meeting with some workers in our Italian plants, which lead to the creation of KIDS BY SAFILO.

KIDS by SAFILO



Created in 2015, the **KIDS BY SAFILO eyewear collection** is a ground-breaking eyewear project devoted to 0-8 year-olds, and designed through a medical-scientific approach to meet children's specific eye needs. The Green Back to School product line is engineered with advanced technologies and eco-compatible materials.

The design of KIDS BY SAFILO eyewear was guided by a clear understanding of children's unmet needs. As a matter of fact, the Group found that, on a global scale, one in every six children has visual defects, and that approximately 15% of those refractive errors require prompt correction. For this reason, Safilo decided to develop a unique collection designed to respond to the complex demands of children's eyewear, thereby improving children's quality of vision and their healthy development. As the ideal blend of innovation and comfort, the new eyewear collection perfectly matches children's requirements and, at the same time, their parents' expectations.

100% Made in Italy, and developed in light, safe and eco-friendly materials, the glasses represent a uniquely sustainable offer that addresses with special care the specific needs of children with innovation in design and construction. These bio-compatible, hypoallergenic, and washable materials guarantee the safety of the product and its durability, and are therefore perfectly suitable for use by infants and toddlers.

Through the collaboration with SIOP (Società Italiana di Oftalmologia Pediatrica) and in compliance with the consensus statement of WSPOS (World Society of Paediatric Ophthalmology and Strabismus), Safilo has created a specific product with the adoption of a medical-scientific approach to meet the key needs of children's eyewear:

- **Safety:** frames are flexible, safe, and free from sharp surfaces and edges
- **Comfort and Fitting:** frames are lightweight and stable, thanks to the presence of a lower bridge and to the special design of the temples with a horizontal bend. Moreover, thanks to the enhanced design of the front, the lenses cover the children's entire field of vision, ensuring effective correction
- **Resistance:** frames are made with flexible, stable and washable materials to prevent them from becoming deformed or weakened
- **Aesthetics:** frames are discreet on the child's face, almost invisible, especially for the youngest ones
- **Eco-friendly:** this unique eyewear line is made of bio-based polymers, derived from natural renewable resources and engineered to replace fossil-oil based polymers. As part of Safilo's commitment to sustainability and continuous efforts to protect the environment, Safilo Kids eyewear uses two different bio-polymers, both made with bio-based contents derived from castor oil: a rigid one to give structural performance to the frame and the temples and a soft one to guarantee the best fit on the face, comfort and safety for the user.

Elena Barraquer Foundation & Polaroid Kids Initiative

Since 2015, Safilo has teamed up with **Elena Barraquer Foundation**, which was founded in 2003 to provide eye treatment and prescription frames to people in disadvantaged areas of the world. Safilo collaborates with the Foundation on its expeditions to Africa and all around the world. Though this partnership, Safilo and the Barraquer Foundation have developed an educational programme, drawing on the many learnings of the hundreds of cataract surgeries performed by the Foundation, interventions directly linked to overexposure to the sun. Children's eyes are much more sensitive to light than those of adults: their pupils are wider and their ocular tissues, such as the cornea, lens and fluids, contain less pigment and, as such, are clearer and allow more light rays to enter the retina. Protecting them should be a primary focus of parents (protection of the skin and eyes from UV rays is one of the most important aspects of preventive medicine in this century).

During these four years of collaboration, Safilo has accompanied Dr. Elena Barraquer on her expeditions around the world. Specially focused on Mozambique, where we were present during seven days of humanitarian trip, she and her team performed more than 240 cataract surgeries, and distributed more than 1,000 pairs of glasses and sunglasses, fundamental for the correct care of the post-op period and to help people improve their sight for the long-term.

Moreover, and on the side of prescription frames, 2018 has been the pinnacle of this activity where we presented the campaign "Ver para aprender" from the non-governmental organization "Visión y Vida" from FEDAO (Spanish optician federation) that alerted that 1 out of every 3 kids have eyesight problems and parent don't even know. To be able to raise awareness about the fact of the growth of myopia in the population, we organized a press call with our Iberian ambassador, Sara Carbonero, as a journalist and mother, and Dr. Elena Barraquer as medical prescripator where they also endorsed this fact and asked people to visit the specialist and get their sight and their kids's checked.

This collaboration has been serving us as a strengthen of our corporate reputation and CSR activities in the market.

7.3 SOCIAL INITIATIVES

Special Olympics



Since 2003, Safilo has been actively supporting Special Olympics, a global non-profit organization that unleashes the human spirit through the transformative power and joy of sports, every day around the world, fighting inactivity, injustice and intolerance. It is dedicated to sports, training and competition for people with intellectual disabilities.

Over the past 15 years, through this partnership, Safilo has helped provide over 1.2 million optical frames and sunglasses to Special Olympics athletes all over the world. As part of the Special Olympics global health platform, made possible through the support of the Golisano Foundation, Lions Clubs International, the United States Centers for Disease Control and Prevention, and various additional stakeholders, the Special Olympics-Lions Clubs International Opening Eyes® program is the largest programme in the world dedicated to providing vision care for people with intellectual disabilities. The programme provides Special Olympics athletes in more than 170 countries with vision examinations, prescription eyewear and valuable referrals for follow-up care. Safilo is a global supplier of the programme.

In November 2018, Safilo re-committed its longstanding support of Special Olympics announcing a new three-year partnership. This partnership renewal came as a highlight in a momentous year for the Special Olympics movement, which was celebrating 50 years of tackling the inactivity, stigma, isolation and injustice that people with intellectual disabilities face worldwide.

In addition to the critical donation of optical frames and sunglasses, Safilo employees also actively contribute to the Special Olympics-Lions Clubs International Opening Eyes events organization as volunteers, donating time and knowledge to the athletes with intellectual disabilities.

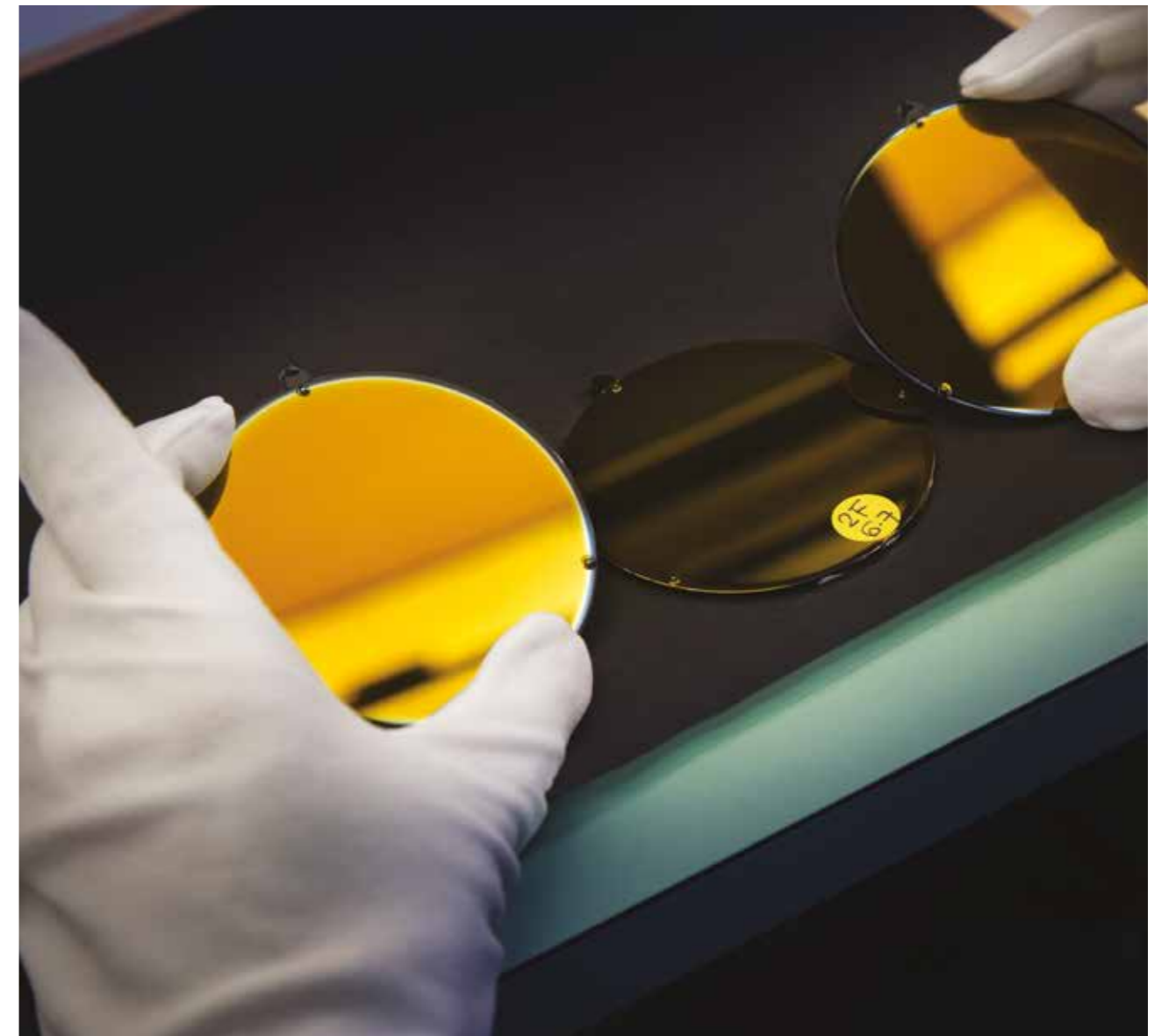
Assindustria Sport Padua



For Safilo, **eyesight is a universal value**. Therefore, we aim to support specific initiatives that benefit the local communities in which we operate. One example of this commitment is our three-year sponsorship agreement with **Assindustria Sport Padua**. Through the partnership, Safilo is able to support access to sport for disadvantaged children and youth in Padua and raise awareness for the importance to undergo eye prevention screening. **Safilo promotes eye screenings and information sessions** during the main events organized by Assindustria.

Solidarity for territorially relevant initiatives

In consideration of the many natural disasters and unanticipated events that can affect our local communities, Safilo provides support in various forms either directly or indirectly through corporate channels and in partnership with aid organizations.



8. ENVIRONMENTAL RESPONSIBILITY

8.1 ENERGY CONSUMPTION & CO₂ EMISSIONS



Safilo's long-term aim is to create an environmentally sustainable business model, achieved by **incorporating environmental implications into our product, packaging and operational decisions**. The Group is focused on meeting or exceeding all requirements of environmental laws, and applicable regulations, including rules governing the use, control, transportation, storage and disposal of regulated materials that may reach the environment as a part of wastewater, air emissions, solid or hazardous waste.

Safilo adopted an integrated environmental practise aimed at:

- Reduction of environmental impacts due to fully compliant internal production processes and to suppliers' activities coaching and monitoring
- Production process optimisation in order to minimize waste from scraps
- Optimisation of natural resources utilisation
- Enabling employees to raise environmental violations on Ethicspoint
- Compliance to environmental regulations.

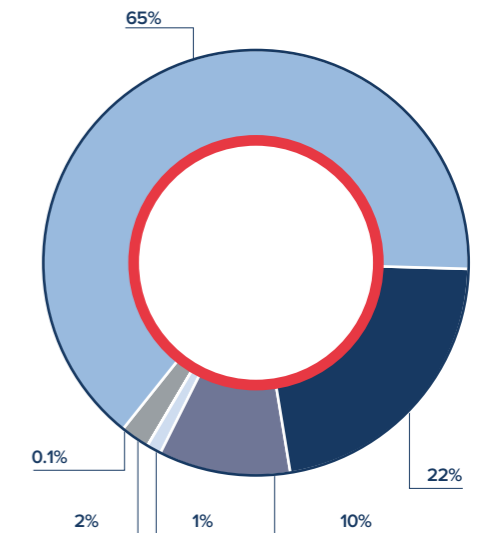
The Group expects the same from our business partners, through the adoption and sharing of Safilo's sustainability vision and standards.

Safilo's energy drivers are electricity, natural gas, petrol and diesel fuel. The main energy source used within the Group is electricity, which accounts for 67% of its total energy consumption.

⁵ The reduction in 2018 energy consumption and CO₂ emissions, compare to 2017, includes both volume effect and energy savings generated from specific energy saving projects implemented. For scope II CO₂ emissions the KPI includes location based emissions.

2018 ENERGY CONSUMPTION BY TYPE OF FUEL

- Electricity bought
- Natural Gas
- Diesel (transportation)
- Petrol (transportation)
- Diesel (heating)
- Electricity from solar panels



TOTAL 342,673 GJ

Starting from 2015, Safilo has implemented several energy saving projects in order to decrease energy consumption and CO₂ emissions⁶. In 2018 the installation of the first solar panel system of the Group has been completed by the Chinese plant, that already in 2018 led to **electricity energy savings of 7,365 GJ** (-3.1% compared to 2017 electricity consumption) with a **saving in CO₂ emissions of 1,297 tonnes**.

Firstly, energy savings have been achieved through investments in energy efficiency solutions and through the implementation of energy efficiency practices aimed at a **low energy consumption**. Some of the implemented projects include:

- Light system revamping thanks to the implementation of LED instead of neon
- Gradual replacement of obsolete compressors with new and more efficient ones, variable-speed drive air compressors with lower energy consumption
- Ongoing replacement of the current heating systems and DHW (Domestic Hot Water) with natural gas boiler and heat pump
- Installation of motion sensor and light automatic ignitions in low frequented areas
- Adjustment of ignition and shutdown of air systems: the systems' ignition has been moved to be closer to the working day starting hour whereas the shutting down has been anticipated in order to exploit the thermic inertia of the working environment
- Modification of the set point temperatures of the working place air system, in line with the DPR 74/13 (during working hours, in winter max temperature of 20°C and in summer minimum temperature of 26°C, for non-working hours, no limits to the temperature)
- Reduction of the ignition hours of the production facilities, by reducing work shifts and optimizing the industrial calendar
- Placement of vending machines in standby mode during night time and holidays.

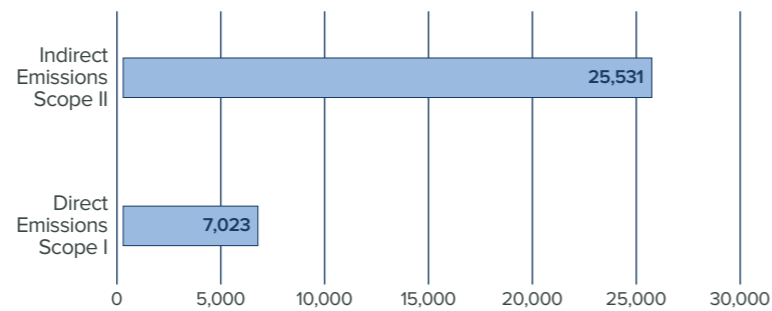
In addition, in order to reduce CO₂ emissions in transportation, Safilo invested in initiatives such as the introduction of the **first electric car** (NISSAN LEAF) during 2016, in the Padua headquarter company's fleet, and the creation of a **car pooling** programme during 2017 to encourage more sustainable commuting by employees from home to work.

⁶ These projects have been implemented in the context of the EU 20-20-20 climate and energy package aiming at reducing by 20% emissions, at increasing by 20% the use of renewable energy sources and at improving by 20% the energy efficiency by 2020.

Thanks to these energy efficiency practises and investments, the use of sustainable, low-environmental impact materials and the reduction of carbon emissions, which are constantly monitored by external parties on all the production methods and technologies used, in 2018 Safilo has also started the **ISO 50001 energy management system certification** process for the Italian entities, which is currently underway.

Thanks to all these energy efficiency initiatives, in 2018 **Safilo has reduced its total energy consumption for 2.7% with a saving in CO₂ emissions of 7.5% compared to 2017**⁷.

2018 CO₂ EMISSIONS



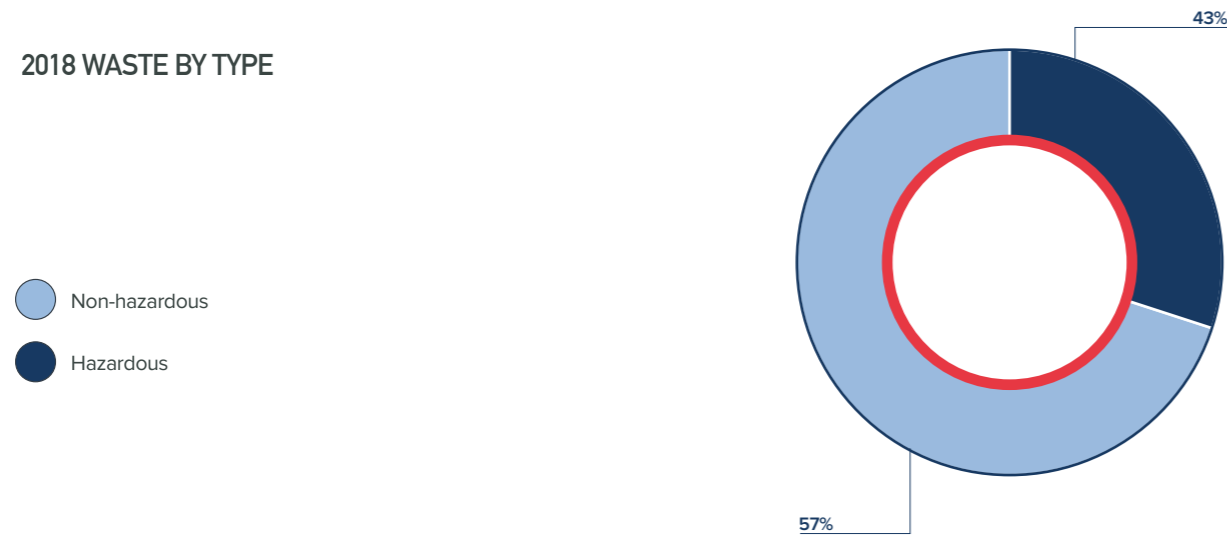
TOTAL 32,554 T CO₂

8.2 WASTE GENERATION & RECYCLING, AND WATER CONSUMPTION

Safilo aims to help the industry modernize in order to simplify and eliminate waste. The Group wants to purposefully leverage its leadership position in the industry to initiate such changes across the value chain to systematically reduce waste. Such reduction of waste will impact significantly and measurably the Group's own environmental footprint, as well as that of the industry as a whole.

Examples of chosen areas of intervention are inventory, returns, sku simplification, lean manufacturing, and logistics flows management, as well as driving towards a healthy balance between digitization and needs for actual prototypes and samples.

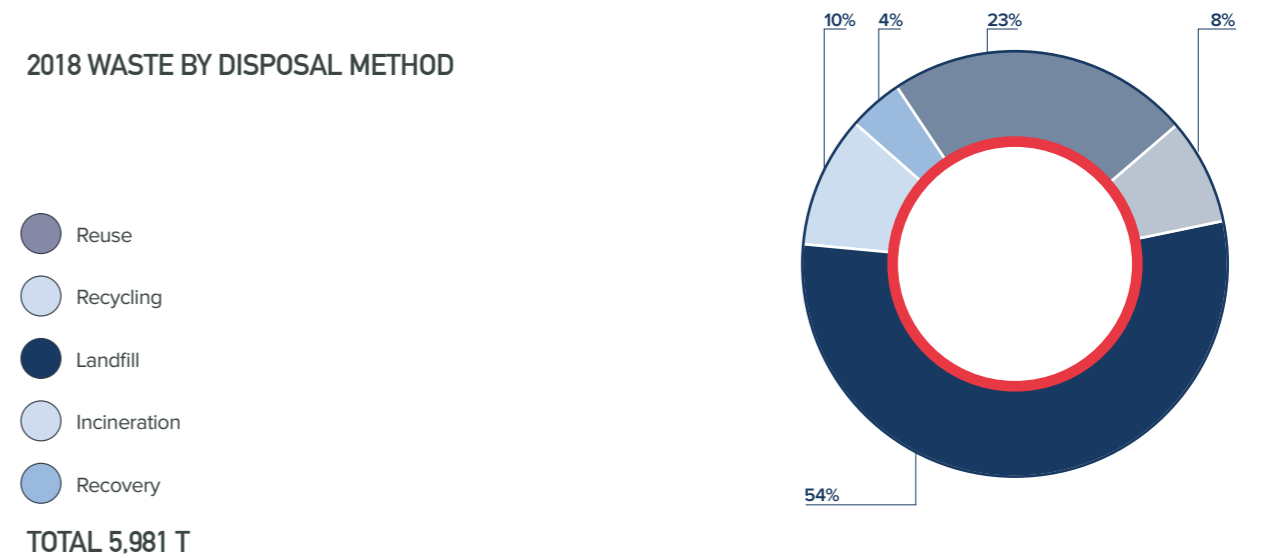
2018 WASTE BY TYPE



TOTAL 5,981 T

⁷ The reduction in 2018 energy consumption and CO₂ emissions, compare to 2017, includes both volume effect and energy savings generated from specific energy saving projects implemented. For scope II CO₂ emissions the KPI includes location based emissions.

2018 WASTE BY DISPOSAL METHOD



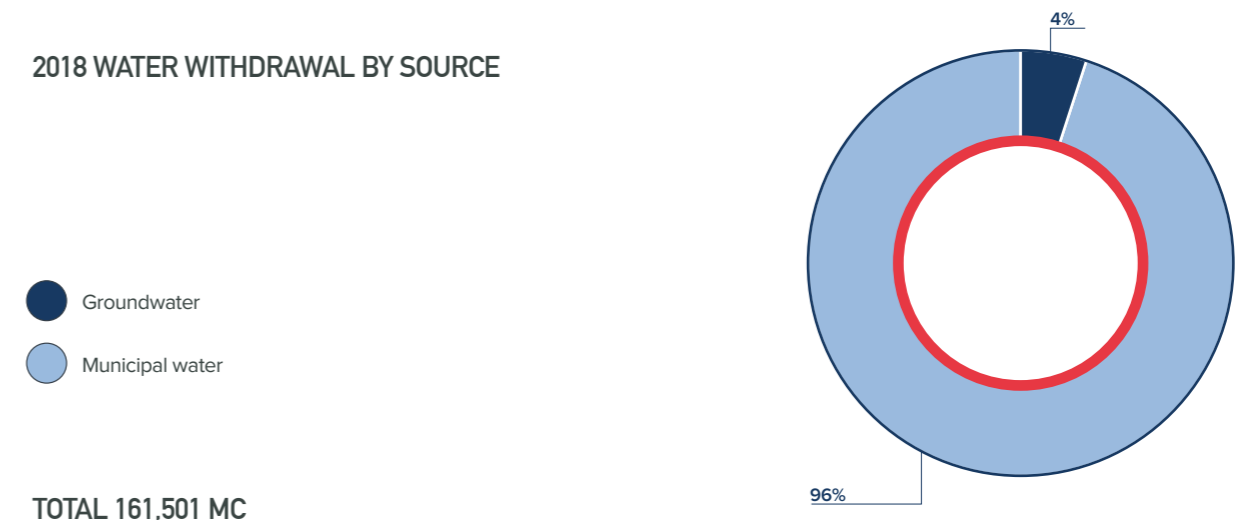
TOTAL 5,981 T

In 2018, waste have been equal to 5,981 tonnes **with a reduction of 36.5%** compare to 2017.

Safilo promotes a sensible and responsible use of water for production facilities and hygiene-sanitary purposes. During 2018, water consumption has been equal to 161,501 mc (of which 96% from municipal water and 4% from groundwater) **with a reduction of 5.4%** compare to 2017.

During 2018 has been completed the implementation of a **new water purification system by the Italian plant in Longarone**, which led to a strong reduction of both water usage (saving over 9,500 mc equal to -20% of 2017 water consumption of Longarone facility), and wastewater production (saving over 3,000 tonnes equal to -60% of 2017 landfill waste of Longarone facility), thanks to the over 90% recycling and reusing water⁸.

2018 WATER WITHDRAWAL BY SOURCE



TOTAL 161,501 MC

⁸ The reduction in 2018 water withdrawal and waste generation, compare to 2017, includes both volume effect and benefits linked to specific projects implemented (i.e. the new water purification system by the Italian plant in Longarone).

ABOUT THIS REPORT

The Safilo Group, as a public interest entity (pursuant to Article 16, paragraph 1, of Legislative Decree 27 January 2010 no. 39) with size limits of employees, balance sheet and net revenues above the thresholds set in Article 2, paragraph 1, is subject to the application of the Legislative Decree 30 December 2016 no. 254 (hereinafter Decree 254) "Implementation of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, amending Directive 2013/34/EU and subsequent updates Law no.145 published on December 30, 2018 as regards disclosure of non-financial and diversity information by certain large undertakings and groups".

This document represents the second "Consolidated Non-Financial Information Statement" of the Safilo Group (hereinafter "NFS" or "Sustainability Report"), and refers to the period January 1 - December 31, 2018.

This Consolidated Non-Financial Information Statement has been drawn up to the extent necessary to ensure the understanding of the Safilo Group's business, its performance, its results and the impacts from the same produced, and includes the data of the parent company and its subsidiaries consolidated on a line-by-line basis, and covers the topics deemed relevant and provided for by the Article 3 of Decree 254.

However, it should be noted that:

- health and safety rates and injuries figures are related to the Italian, Slovenian and Chinese manufacturing plants, and Padua headquarter;
- water withdrawal by source figures are related to the Italian, Slovenian, Chinese and USA manufacturing plants, and Padua headquarter;
- waste by type and disposal method figures are related to the Italian, Slovenian, Chinese and USA manufacturing plants, and Padua headquarter.

This report has been prepared in accordance with the GRI Standards: Core option as for the detection of fundamental key performance indicators and it has featured the support of a dedicated information system in order to be able to collect and consolidate quantitative and qualitative data and all the results that will be achieved thanks to the policies adopted in the various areas of sustainability. A GRI Content Index is provided at the end of the Report, to provide an overview of indicators disclosed and pages references.

The key performance indicators used are those required by the reporting standard adopted and are representative of the various areas, as well as consistent with the business and the impacts from the same produced. The choice of the key performance indicators to be reported, has taken into consideration the materiality assessment conducted in 2017, which considered the topics defined by the Decree 254 and by the European Commission guidelines about the non-financial information reports.

The Group's economic and financial aspects and the Group's Corporate Governance are described more in depth in the Group documents: "2018 Annual Report", "2018 Report on Corporate Governance", "2018 Report on the Remuneration", all available on the Safilo Group website along with the present NFS (<http://www.safilogroup.com>).

Any disclosure methods of quantitative data that should differ from the foregoing, are expressly indicated through specific notes. Moreover, for the purposes of a correct performance representation and to guarantee the reliability of the data, the use of estimates has been limited as much as possible and, if present, is based on the best available methodologies and properly highlighted. Where possible, data and information within the NFS related to the fiscal year 2017 are provided for comparison purposes.

The Consolidated Non-Financial Information Statement is prepared on an annual basis, in compliance with the requirements of the Decree 254. The document has been approved by the Board of Directors of Safilo Group S.p.A. on March 13, 2019.

The Independent Auditor appointed for the limited assurance engagement of the present NFS is Deloitte & Touche S.p.A..

During 2018, the Safilo Group continued its path of continuous improvement within the topics and procedures applied with respect to the reduction of environmental impacts, the development of social and personnel procedures, respect for human rights along the supply chain, acting against active and passive corruption, in order to adhere more and more virtuously to what is required by legislation and industry best practices.

In this regard, a detailed project overview is shown below.

ENVIRONMENT

Considering the materiality matrix applied and the nature of the eyewear industry, the environmental topic has not resulted as highly relevant for the Group. Safilo has worked to structure a reporting system on the environmental KPIs, according to the GRI Standards.

In 2018, the Group continued with the analysis of the main risks generated or suffered deriving from the business, started the process to obtain the ISO 50001 certification for some significant plants, and launched a Life Cycle Assessment project in relation to a selected panel of frames and components.

SOCIAL AND PEOPLE ASPECTS

The Safilo Group operates with an extensive subsidiary network in around 40 countries, and production plants located in 4 countries. The Group has already developed several initiatives related to the enhancement of its human capital, with particular reference to the talent acquisition and development, diversity and inclusion, health and safety and industrial relations.

This topic is reflected in the Worldwide Business Conduct Manual, which defines the principles and standards of behaviour that all employees have to adhere to. Furthermore, in 2018 Safilo adopted and approved a "Diversity Policy" for the governance bodies (Board of Directors and Board of Statutory Auditors).

With regards to the workplace health and safety, it should be noted the adoption of safeguards to mitigate this risk through the adoption of the OHSAS 18001 management system for Safilo S.p.A. and Safilo Industrials S.r.l. and the application of the Organization Model required by Legislative Decree 231/01 for the Italian entities.

The Group has also always been committed to guaranteeing adequate industrial relations.

HUMAN RIGHTS RESPECT

With reference to the human rights respect, the topic is monitored by the Group both internally and along the supply chain. These are defined within the Worldwide Business Conduct Manual and the Corporate Responsible Sourcing Supplier Manual. Furthermore, in 2012 Safilo obtained certification of the SA8000 Social Accountability Management System Standard.

ACTIVE AND PASSIVE CORRUPTION

The Group has already adopted the Organizational Model 231/01 and corruption topics are already covered within the Italian context. Furthermore, the Group takes a zero-tolerance approach towards forms of bribery and corruption, as defined in the Worldwide Business Conduct Manual, and has also adopted a whistleblowing process.

ANNEXES

Safilo impact boundaries and types

The following table represents the impact boundaries and types of Safilo Group to understand to which extent the Group and its activities impact the different topics identified as material.

Topics	Boundaries	Types
Business Ethics and Compliance	Safilo Group	Caused by Safilo Group
Economic performance	Safilo Group	Caused by Safilo Group
Governance & Risk Management	Safilo Group	Caused by Safilo Group
Product Craftsmanship & Innovation	Safilo Group and Safilo supply chain	Caused by Safilo Group and directly connected to its activities
Diversity and Inclusion	Safilo Group	Caused by Safilo Group
Safety and Wellbeing	Safilo employees ⁹	Caused by Safilo Group
Industrial Relations	Safilo Group	Caused by Safilo Group
Employee Development	Safilo Group	Caused by Safilo Group
Licensor's Trust	Safilo Group	Caused by Safilo Group
Sustainable Supply Chain	Safilo Group and Safilo supply chain	Caused by Safilo Group and directly connected to its activities
Client Satisfaction	Safilo Group	Caused by Safilo Group
Human Rights	Safilo Group and Safilo supply chain	Caused by Safilo Group and directly connected to its activities
Social Impact	Safilo Group	Caused by Safilo Group
Energy Consumption & CO ₂ emissions	Safilo Group	Caused by Safilo Group
Water Consumption	Safilo Group	Caused by Safilo Group
Waste Generation & Recycling	Safilo Group	Caused by Safilo Group

Safilo people

Workforce breakdown by gender and employee category [GRI 405-1b]

Employees by gender and employee category	December 31, 2018						December 31, 2017					
	Men	%	Women	%	Total	% on total	Men	%	Women	%	Total	% on total
Executives	11	65%	6	35%	17	0.3%	14	67%	7	33%	21	0.3%
Directors	72	73%	27	27%	99	2%	85	73%	31	27%	116	2%
Management	243	56%	194	44%	437	7%	257	55%	210	45%	467	7%
Employees	1,093	42%	1,528	58%	2,621	40%	1,243	42%	1,683	58%	2,926	41%
Workers	1,068	31%	2,352	69%	3,420	52%	1,179	33%	2,400	67%	3,579	50%
Total	2,487	38%	4,107	62%	6,594	100%	2,778	39%	4,331	61%	7,109	100%

⁹ The Group will carry out an analysis concerning the relevance of workers who are not employees, in order to consider the possibility to gather data from the employers of workers who are not employees and the suppliers who work in the Group's plants and/or the control of the Group, taking into consideration the quality and the accuracy of those data over which the Group has no direct control.

Workforce breakdown by age group and employee category [GRI 405-1b]

Employees by age group and employee category	December 31, 2018							
	< 30	%	30-50	%	> 50	%	Total	% on total
Executives	-	0%	8	47%	9	53%	17	0.3%
Directors	-	0%	85	86%	14	14%	99	2%
Management	12	3%	334	76%	91	21%	437	7%
Employees	657	25%	1,568	60%	396	15%	2,621	40%
Workers	453	13%	2,203	64%	764	22%	3,420	52%
Total	1,122	17%	4,198	64%	1,274	19%	6,594	100%

Employees by age group and employee category	December 31, 2017							
	< 30	%	30-50	%	> 50	%	Total	% on total
Executives	-	0%	13	62%	8	38%	21	0.3%
Directors	-	0%	101	87%	15	13%	116	2%
Management	10	2%	367	79%	90	19%	467	7%
Employees	840	29%	1,709	58%	377	13%	2,926	41%
Workers	598	17%	2,309	65%	672	19%	3,579	50%
Total	1,448	20%	4,499	63%	1,162	16%	7,109	100%

Workforce breakdown by gender and employment contract [GRI 102-8a]

Employees by gender and employment contract	December 31, 2018						December 31, 2017					
	Men	%	Women	%	Total	%	Men	%	Women	%	Total	%
Permanent	2,454	99%	3,987	97%	6,441	98%	2,710	98%	4,220	97%	6,930	97%
Temporary	33	1%	120	3%	153	2%	68	2%	111	3%	179	3%
Total	2,487	100%	4,107	100%	6,594	100%	2,778	100%	4,331	100%	7,109	100%

Workforce breakdown by employment contract and region [GRI 102-8b]

Employees by employment contract and region	December 31, 2018					December 31, 2017				
	Europe	North America	Asia Pacific	Rest of the world	Total	Europe	North America	Asia Pacific	Rest of the world	Total
Permanent	3,874	1,267	1,130	170	6,441	4,057	1,453	1,239	181	6,930
Temporary	123	8	20	2	153	141	6	32	-	179
Total	3,997	1,275	1,150	172	6,594	4,198	1,459	1,271	181	7,109

Workforce breakdown by gender and employment type [GRI 102-8c]

Employees by gender and employment type	December 31, 2018						December 31, 2017					
	Men	%	Women	%	Total	%	Men	%	Women	%	Total	%
	Full time	2,280	92%	3,274	80%	5,554	84%	2,524	91%	3,443	79%	5,967
Part time	207	8%	833	20%	1,040	16%	254	9%	888	21%	1,142	16%
Total	2,487	100%	4,107	100%	6,594	100%	2,778	100%	4,331	100%	7,109	100%

New employee hires & employee turnover [GRI 401-1] ¹⁰⁻¹¹

Incoming employees by age group and gender	December 31, 2018						December 31, 2017					
	Men	%	Women	%	Total	%	Men	%	Women	%	Total	%
< 30	260	53%	359	57%	619	55%	357	54%	500	63%	857	59%
30 - 50	139	9%	208	8%	347	8%	238	14%	302	11%	540	12%
> 50	19	4%	48	6%	67	5%	17	4%	47	6%	64	6%
Total	418	17%	615	15%	1,033	16%	612	22%	849	20%	1,461	21%

Incoming employees by gender and region	December 31, 2018					December 31, 2017				
	Europe	North America	Asia Pacific	Rest of the world	Total	Europe	North America	Asia Pacific	Rest of the world	Total
Men	61	235	89	33	418	164	315	106	27	612
%	5%	52%	14%	28%	17%	12%	57%	15%	23%	22%
Women	144	390	72	9	615	189	552	93	15	849
%	5%	47%	14%	16%	15%	7%	61%	16%	23%	20%
Total	205	625	161	42	1,033	353	867	199	42	1,461
%	5%	49%	14%	24%	16%	8%	59%	16%	23%	21%

Outgoing employees by age and gender	December 31, 2018						December 31, 2017					
	Men	%	Women	%	Total	%	Men	%	Women	%	Total	%
< 30	322	65%	423	67%	745	66%	285	43%	444	56%	729	50%
30 - 50	322	21%	345	13%	667	16%	330	20%	471	17%	801	18%
> 50	65	15%	71	9%	136	11%	99	23%	125	17%	224	19%
Total	709	29%	839	20%	1,548	23%	714	26%	1,040	24%	1,754	25%

10 Percentage of new employee hires and employee turnover have been calculated on the respective number of employee (by age group, gender and region) at the end of the year.

11 The significant turnover figures are mainly due to the seasonality effect, characteristic of the Group's industry, in particular for the workforce of our retail chain, Solstice.

Outgoing employees by gender and region	December 31, 2018					December 31, 2017				
	Europe	North America	Asia Pacific	Rest of the world	Total	Europe	North America	Asia Pacific	Rest of the world	Total
Men	185	332	159	33	709	227	284	181	22	714
%	14%	73%	25%	28%	29%	16%	52%	26%	19%	26%
Women	218	476	127	18	839	369	508	145	18	1,040
%	8%	58%	24%	33%	20%	13%	56%	25%	28%	24%
Total	403	808	286	51	1,548	596	792	326	40	1,754
%	10%	63%	25%	30%	23%	14%	54%	26%	22%	25%

Employees covered by collective bargaining agreements [GRI 102-41]

	December 31, 2018	December 31, 2017
Employees covered by collective bargaining agreements	4,713	5,006
Total workforce	6,594	7,109
%	71%	70%

Health & Safety rates and injuries ¹² [GRI 403-2]

Health & Safety Rates	December 31, 2018			December 31, 2017		
	Men	Women	Total	Men	Women	Total
Lost day rate (* 1,000)	0.04	0.11	0.08	0.04	0.11	0.08
Workplace injury rate (* 1,000,000)	2.63	3.95	3.40	2.92	4.38	3.77
Occupational disease rate (* 1,000,000)	-	-	-	-	0.63	0.36
Absentee rate (% on total days worked)	2.7%	5.6%	4.4%	2.9%	6.5%	5.0%
Health & Safety Injuries						
Workplace injuries	9	19	28	10	21	31
Fatal injuries	-	-	-	-	-	-
Occupational diseases	-	-	-	-	3	3
Lost days	149	533	682	146	504	650
Absences days	11,675	33,555	45,230	12,560	39,181	51,741

12 "Lost day rate" is calculated as the number of lost days divided by the number of hours worked, multiplied per 1,000.

"Injury rate" is calculated as number of workplace injuries divided by the number of hours worked, multiplied per 1,000,000.

"Occupational disease rate" is calculated as the total occupational disease divided by the number of hours worked, multiplied per 1,000,000.

"Absentee rate" is calculated as total absences (in days) divided by the number of days worked.

These KPIs are related to the Italian, Slovenian and Chinese manufacturing plants, and Padua headquarter, and do not include the external collaborators data.

	December 31, 2018			December 31, 2017		
	Men	Women	Total	Men	Women	Total
Europe Health & Safety Rates						
Lost day rate (* 1,000)	0.08	0.15	0.13	0.08	0.14	0.12
Workplace injury rate (* 1,000,000)	5.14	5.37	5.29	5.24	5.65	5.51
Occupational disease rate (* 1,000,000)	-	-	-	-	0.81	0.53
Absentee rate (% on total days worked)	4.4%	7.1%	6.2%	4.4%	8.0%	6.8%
Europe Health & Safety Injuries						
Workplace injuries	9	19	28	10	21	31
Fatal injuries	-	-	-	-	-	-
Occupational diseases	-	-	-	-	3	3
Lost days	149	533	682	146	504	650
Absences days	9,546	31,614	41,160	10,542	37,227	47,769

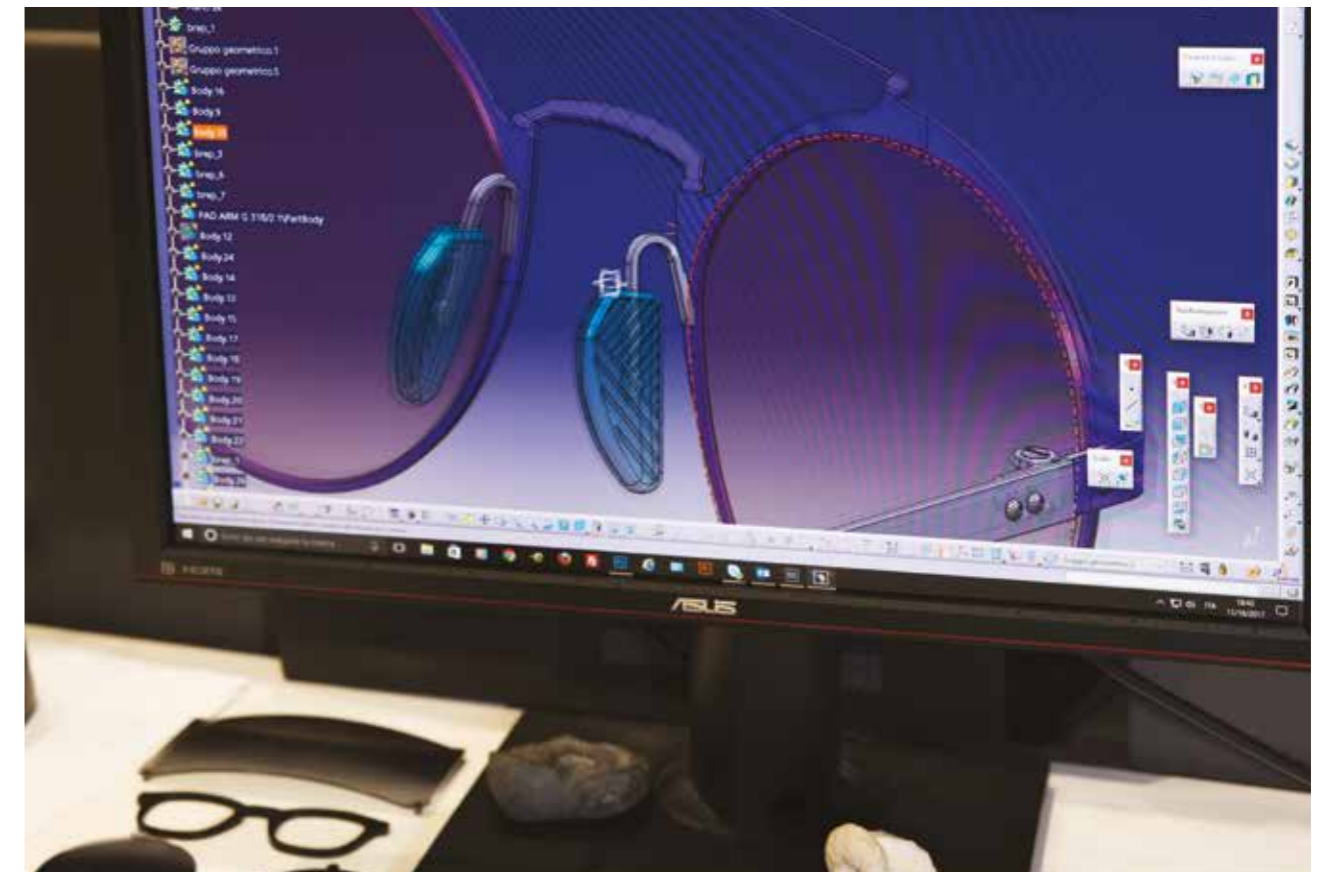
	December 31, 2018			December 31, 2017		
	Men	Women	Total	Men	Women	Total
Asia Pacific Health & Safety Rates						
Lost day rate (* 1,000)	-	-	-	-	-	-
Workplace injury rate (* 1,000,000)	-	-	-	-	-	-
Occupational disease rate (* 1,000,000)	-	-	-	-	-	-
Absentee rate (% on total days worked)	1.0%	1.2%	1.1%	1.1%	1.5%	1.2%
Europe Health & Safety Injuries						
Workplace injuries	-	-	-	-	-	-
Fatal injuries	-	-	-	-	-	-
Occupational diseases	-	-	-	-	-	-
Lost days	-	-	-	-	-	-
Absences days	2,129	1,941	4,070	2,018	1,954	3,972

Average hours of training per year per employee [GRI 404-1]

Average hours of training by gender and employee category	December 31, 2018					
	Men	Average hours of training	Women	Average hours of training	Total	Average hours of training
Executives	82	7	10	2	92	5
Directors	995	14	199	7	1,193	12
Management	3,335	14	1,588	8	4,923	11
Employees	7,640	7	10,476	7	18,116	7
Workers	11,086	10	48,227	21	59,313	17
Total	23,137	9	60,500	15	83,637	13

Average hours of training by gender and employee category	December 31, 2017					
	Men	Average hours of training	Women	Average hours of training	Total	Average hours of training
Executives	159	11	66	9	225	11
Directors	1,067	13	523	17	1,590	14
Management	8,579	33	6,141	29	14,719	32
Employees	18,392	15	18,129	11	36,521	12
Workers	19,609	17	79,118	33	98,727	28
Total	47,806	17	103,976	24	151,782	21

Training hours provided by type of training	December 31, 2018	December 31, 2017
Health & Safety	9,356	11,882
Compliance	1,725	8,511
Professional	58,049	106,392
ICT	476	1,834
PVPC	5,680	7,641
Managerial	5,721	6,470
Linguistic	2,631	9,052
Total	83,637	151,782



Environment

Energy Consumption [GRI 302-1]¹³

Energy Consumption (GJ)	December 31, 2018	%	December 31, 2017	%	change %
From non-renewable sources	335,308	98%	352,258	100%	-4.8%
Electricity bought	221,614	65%	237,115	67%	-6.5%
Natural Gas	75,847	22%	77,487	22%	-2.1%
Diesel (Transportation)	33,694	10%	33,196	9%	1.5%
Petrol (Transportation)	3,793	1%	4,100	1%	-7.5%
Diesel (Heating)	360	0.1%	360	0.1%	0.0%
From renewable sources	7,365	2%	-	0%	n.s.
Electricity from solar panels	7,365	2%	-	0%	n.s.
Total	342,673	100%	352,258	100%	-2.7%

Emissions¹⁴ [GRI 305-1 and GRI 305-2]

Total Emissions (t CO ₂)	December 31, 2018	%	December 31, 2017	%	change %
Direct Emissions - Scope I	7,023	22%	7,096	20%	-1.0%
- Natural Gas	4,240	13%	4,327	12%	-2.0%
- Diesel (Transportation)	2,479	8%	2,442	7%	1.5%
- Petrol (Transportation)	277	1%	300	1%	-7.5%
- Diesel (Heating)	27	0%	27	0%	0.0%
Indirect Emissions - Scope II ¹⁵	25,531	78%	28,106	80%	-9.2%
- Electricity bought	25,531	78%	28,106	80%	-9.2%
Total	32,554	100%	35,202	100%	-7.5%

Water withdrawal by source¹⁶ [GRI 303-1]

Water withdrawal by source (mc)	December 31, 2018	%	December 31, 2017	%	change %
Municipal Water	154,976	96%	161,984	95%	-4.3%
Groundwater	6,525	4%	8,770	5%	-25.6%
Total	161,501	100%	170,754	100%	-5.4%

¹³ For electricity consumption 1 kWh = 0.0036 GJ; for natural gas consumption 1 mc = 0.035134 GJ; for diesel (transportation and heating) consumption 1 litre = 0.03601668 GJ; for petrol (transportation) consumption 1 litre = 0.03082824 GJ.

¹⁴ These figures have been calculated using TERNA 2016 and Minambiente 2017 emissions factors, according to the GHG Protocol methodology. The consolidation approach for the Group's emissions is the operational control. Figures refer to CO₂ emissions only.

¹⁵ Scope II CO₂ emissions reported in the table have been calculated with the location-based method. However, they have also been calculated with the market-based method, using the emission factors related to the "residual mix" (AIB-2017 European Residual Mix), where available. Otherwise, the same emissions factors used for the location-based method have been used also for the market-based method. In 2018, CO₂ equivalent emissions with market-based method accounted for 30,878 t (compare to 34,110 t of 2017). Some data may have been estimated or calculated.

¹⁶ These figures are related to the Italian, Slovenian, Chinese and USA manufacturing plants, and Padua headquarter. These figures have been consolidated starting from the information of the resource providers.

Waste by type and disposal method¹⁷ [GRI 306-2]

Waste by type and disposal method (t)	December 31, 2018					
	Reuse	Recycling	Landfill	Incineration	Recovery	Total
Non-Hazardous	1,335	393	1,040	531	104	3,403
Hazardous	53	111	2,166	87	160	2,578
Total	1,388	504	3,206	618	265	5,981
%	23%	8%	54%	10%	4%	100%

Waste by type and disposal method (t)	December 31, 2017					
	Reuse	Recycling	Landfill	Incineration	Recovery	Total
Non-Hazardous	1,424	468	986	550	92	3,520
Hazardous	78	87	5,214	70	447	5,896
Total	1,503	555	6,200	620	539	9,416
%	16%	6%	66%	7%	6%	100%



¹⁷ These figures are related to the Italian, Slovenian, Chinese and USA manufacturing plants, and Padua headquarter. Information has been collected by the waste disposal contractor.

GRI CONTENT INDEX¹⁸

Safilo 2018 Consolidated Non-Financial Information Statement has been prepared in accordance with the GRI Standards: Core Option. The following index provides the qualitative and quantitative information disclosed during the materiality assessment, with related references to the document's chapters.

GRI Standards		Chapters - Paragraphs	Pages
GRI 102: GENERAL STANDARD DISCLOSURES			
Organizational profile			
102-1	Name of the organization	Safilo Governance – 3.1 About this Report	24 60-61
102-2	Activities, brands, products and services	Safilo – 1.3	10-11
102-3	Location of the headquarters	Safilo Governance – 3.1	24
102-4	Location of operations	Safilo – 1.4	11-13
102-5	Ownership and legal form	Safilo Governance – 3.1	24
102-6	Markets served	Safilo – 1.4	11-13
102-7	Scale of the organization	Highlights Safilo – 1.5	6 14
102-8	Information on employees and other workers	Safilo – 1.5 Integrity in the Workplace – 5.1 Annexes	14 40 63-64
102-9	Supply chain of the organization	Responsible Partnerships – 6.2	47-49
102-10	Significant changes to the organization and its supply chain	In 2018, there has not been any significant change	70
102-11	Precautionary principle or approach	Safilo Governance – 3.1 and 3.2 Environmental Responsibility 8.1 and 8.2	24-29 56-59
102-12	External Initiatives	Product Craftsmanship & Innovation 4.4 Responsible Partnerships – 6.2	34-35 47-49
102-13	Membership of Association	Product Craftsmanship & Innovation 4.4 Social Responsibility – 7.2 and 7.3	34-35 52-55
Strategy			
102-14	Statement from senior decision maker	The Safilo Way	4-5
102-15	Description of key impacts, risks, and opportunities	Safilo Governance – 3.1	25-26
Ethics and integrity			
102-16	Values, principles, standards, norms of behaviour	Safilo – 1.1 Safilo Governance – 3.2 Integrity in the Workplace – 5.1 Responsible Partnerships – 6.2	8 28-29 40 47-49
102-17	Mechanisms for advice and concerns about ethics	Safilo Governance – 3.2	28-29
Governance			
102-18	Governance Structure	Safilo Governance – 3.1	24-27
Stakeholder engagement			
102-40	List of stakeholder groups engaged	A Sustainable Business – 2.3	19-22
102-41	Collective bargaining agreements	Integrity in the Workplace – 5.4 Annexes	45 65

¹⁸ Management approach and topic-specific Standards used, are those issued by GRI in 2016.

GRI Standards		Chapters - Paragraphs	Pages
102-42	Basis for identifying and selecting stakeholders	A Sustainable Business – 2.3	19-22
102-43	Approach to stakeholder engagement	A Sustainable Business – 2.3	19-22
102-44	Key topics and concerns that have been raised through stakeholder engagement	A Sustainable Business – 2.3	19-22
Reporting Practice			
102-45	Entities included in the consolidated financial statement	Safilo Governance – 3.1 About this Report	24 60-61
102-46	Defining report content and topics boundaries	A Sustainable Business – 2.3 Annexes	19-22 62
102-47	List of material topics	A Sustainable Business – 2.3	19-22
102-48	Restatement of information	No such cases occurred for 2017 data.	71
102-49	Significant changes in the list of material topics and topics boundaries	A Sustainable Business – 2.3 About this Report and Annexes	19-22 60-62
102-50	Reporting period	About this Report	60-61
102-51	Date of most recent previous report	About this Report	60-61
102-52	Reporting cycle	About this Report	60-61
102-53	Contact point for questions regarding the report	Contacts	75
102-54	Claims of reporting in accordance with the GRI Standards	About this Report	60-61
102-55	GRI content index	GRI Content Index	70-75
102-56	External assurance	About this Report Independent Auditors' Report	60-61 76-78
TOPIC-SPECIFIC STANDARDS			
CATEGORY: ECONOMIC			
Economic Performance			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 62
103-2	The management approach and its components	Safilo – 1.1, 1.2, 1.3, 1.5	8-14
103-3	Evaluation of the management approach		
GRI 201: Economic Performance			
201-1	Direct economic value generated and distributed	Safilo – 1.5 In 2018, direct economic value generated was equal to 919.8 million euro, the economic value distributed was equal to 952.2 million euro, and the economic value retained was negative for 32.4 million euro.	14
Anti-corruption			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 62
103-2	The management approach and its components	Safilo Governance – 3.2	28-29
103-3	Evaluation of the management approach		
GRI 205: Anti-corruption			
205-3	Confirmed incidents of corruption and actions taken	In 2018 and 2017, no incidents of corruption have been registered	71

GRI Standards		Chapters - Paragraphs	Pages
CATEGORY: ENVIRONMENTAL			
Energy			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 62
103-2	The management approach and its components	Environmental Responsibility – 8.1	56-58
103-3	Evaluation of the management approach		
GRI 302: Energy			
302-1	Energy consumption within the organization	Environmental Responsibility – 8.1 Annexes	56-57 68
Water			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 62
103-2	The management approach and its components	Environmental Responsibility – 8.2	59
103-3	Evaluation of the management approach		
GRI 303: Water			
303-1	Total water withdrawal by source	Environmental Responsibility – 8.2 Annexes	59 68
Emissions			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 62
103-2	The management approach and its components	Environmental Responsibility – 8.1	56-58
103-3	Evaluation of the management approach		
GRI 305: Emissions			
305-1	Direct greenhouse gas emissions (scope 1)	Environmental Responsibility – 8.1 Annexes	58 68
305-2	Energy indirect greenhouse gas emissions (scope 2)		
Effluents and Waste			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 62
103-2	The management approach and its components	Environmental Responsibility – 8.2	58-59
103-3	Evaluation of the management approach		
GRI 306: Effluents and Waste			
306-2	Waste by type and disposal method	Environmental Responsibility – 8.2 Annexes	58-59 69
CATEGORY: SOCIAL			
Employment			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 62
103-2	The management approach and its components	Integrity in the Workplace – 5.1	40-41
103-3	Evaluation of the management approach		

GRI Standards		Chapters - Paragraphs	Pages
GRI 401: Employment			
401-1	New employee hires and employee turnover	Annexes	64-65
Labour and industrial relations			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 62
103-2	The management approach and its components	Integrity in the Workplace – 5.4	45
103-3	Evaluation of the management approach		
GRI 402: Labour and industrial relations			
402-1	Minimum notice period regarding operational changes	Regulatory issued and salary consideration vary based on national collective labor agreements and law in force in the countries where the Group operates	73
Occupational Health and Safety			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 62
103-2	The management approach and its components	Integrity in the Workplace – 5.3	45
103-3	Evaluation of the management approach		
GRI 403: Occupational Health and Safety			
403-2	Type of injury and rates of injury, occupational diseases, lost day rate, absentee rate, and work-related fatalities	Integrity in the Workplace – 5.3 Annexes ¹⁹	45 62-65-66
Training and Education			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 62
103-2	The management approach and its components	Integrity in the Workplace – 5.1	42-43
103-3	Evaluation of the management approach		
GRI 404: Training and Education			
404-1	Average hours of training per year per employee	Integrity in the Workplace – 5.1 Annexes	42-43 66-67
Diversity and Equal Opportunity			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 62
103-2	The management approach and its components	Safilo Governance – 3.1 Integrity in the Workplace – 5.2	25 44
103-3	Evaluation of the management approach		
GRI 405: Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	Safilo Governance – 3.1 Integrity in the Workplace – 5.2 Annexes	25 44 62-63

19 These figures do not include external collaborators.

GRI Standards		Chapters - Paragraphs	Pages
Human Rights Assessment			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 62
103-2	The management approach and its components	Responsible Partnerships – 6.2	47-49
103-3	Evaluation of the management approach		
GRI 412: Human Rights Assessment			
412-1	Operations that have been subject to human rights reviews or human rights impact assessments	Responsible Partnerships – 6.2	47-49
Local Communities			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 62
103-2	The management approach and its components	Social Responsibility – 7.1, 7.2 and 7.3	52-55
103-3	Evaluation of the management approach		
GRI 413: Local Communities			
413-2	Operations with significant actual and potential negative impacts on local communities	In 2018 and 2017 no significant actual or potential negative impacts on local communities have been registered	74
Supplier Social Assessment			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 62
103-2	The management approach and its components	Responsible Partnerships – 6.2	47-49
103-3	Evaluation of the management approach		
GRI 414: Supplier Social Assessment			
414-1	New suppliers screened using social criteria	Responsible Partnerships – 6.2	48
Customer Health and Safety			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 62
103-2	The management approach and its components	Product Craftsmanship & Innovation – 4.4	34-35
103-3	Evaluation of the management approach		
GRI 416: Customer Health and Safety			
416-2	Incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services	In 2018 and 2017, no incidents of non-compliance have been registered	74
Socioeconomic Compliance			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 62
103-2	The management approach and its components	Safilo Governance – 3.2	28-29
103-3	Evaluation of the management approach		
GRI 419: Socioeconomic Compliance			
419-1	Non-compliance with laws and/or regulations in the social and economic area	In 2018 and 2017, no significant fines or sanctions were reported	74

GRI Standards		Chapters - Paragraphs	Pages
Product Craftsmanship & Innovation			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 62
103-2	The management approach and its components	Product Craftsmanship & Innovation	30-38
103-3	Evaluation of the management approach		
Licensor's Trust			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 62
103-2	The management approach and its components	Responsible Partnerships – 6.1	46
103-3	Evaluation of the management approach		
Client Satisfaction			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 62
103-2	The management approach and its components	Responsible Partnerships – 6.3	50-51
103-3	Evaluation of the management approach		

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INDEPENDENT AUDITORS' REPORT



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**INDEPENDENT AUDITOR'S REPORT
ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,
PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND
ART. 5 OF CONSOB REGULATION N. 20267/2018**

**To the Board of Directors of
Safilo Group S.p.A.**

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Safilo Group S.p.A. and its subsidiaries (hereinafter "Safilo Group" or "Group") as of December 31, 2018 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 13, 2019 (hereinafter "NFS").

Responsibility of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" established in 2016 by GRI - Global Reporting Initiative ("GRI Standards"), which they have identified as reporting framework.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Palermo Parma Roma Torino Treviso Verona

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Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the "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. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art. 3 of the Decree and taking into account the adopted reporting standard;
2. analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree;
3. comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the Safilo Group;
4. understanding of the following matters:
 - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
 - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
 - main risks, generated or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a).

5. understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

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In particular, we carried out interviews and discussions with the management of Safilo S.p.A. and with the employees of Safilo Industrial S.r.l., Safilo USA Inc., Smith Sport Optics Inc., and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- at the parent company and subsidiaries level:
 - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
 - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.
- for the following subsidiaries, divisions and sites, Safilo S.p.A., Safilo Industrial S.r.l. (Longarone and Santa Maria di Sala), Safilo USA Inc. (Secaucus), which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out site visits, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

Conclusion

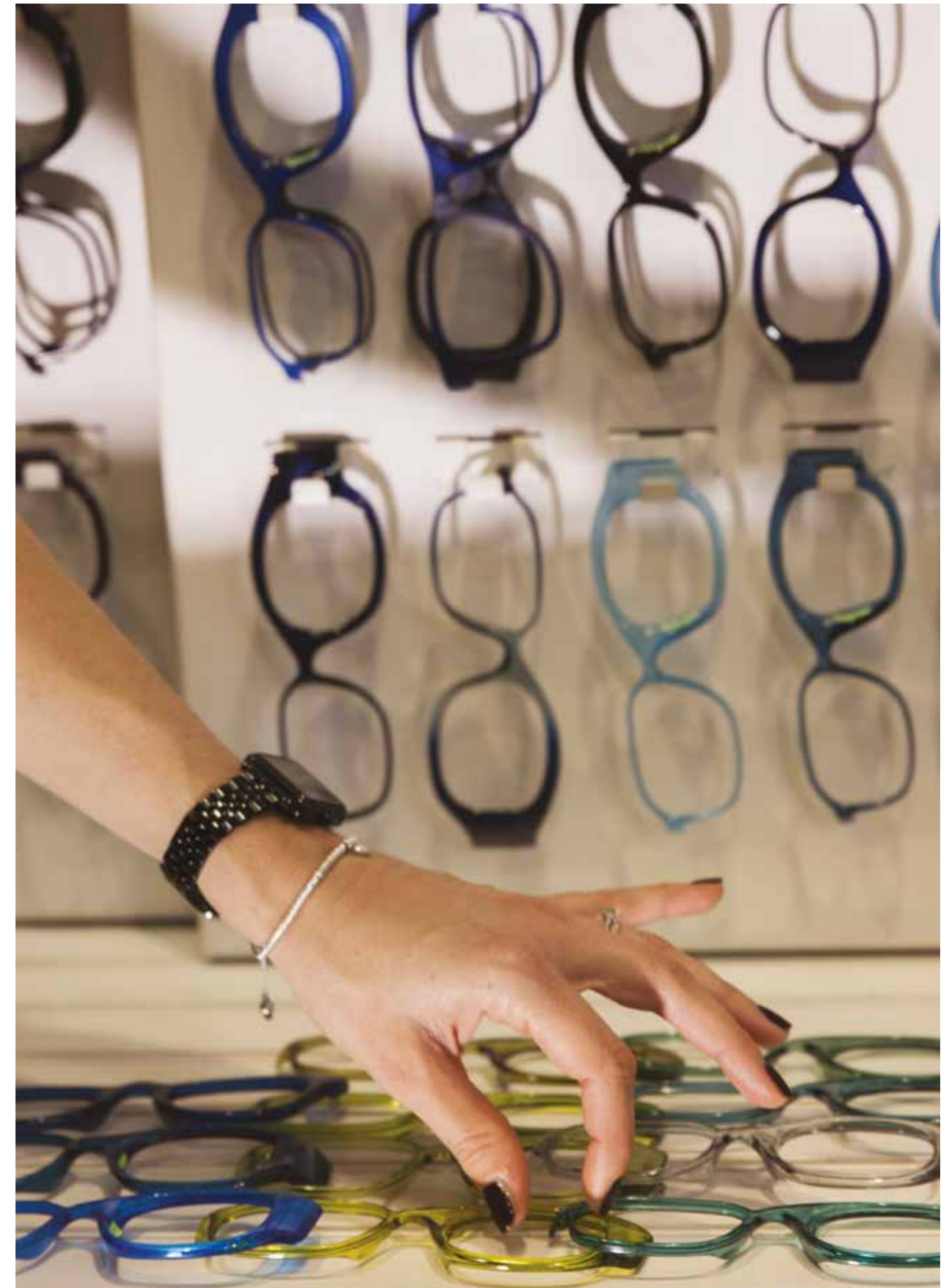
Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Safilo Group as of December 31, 2018 is not prepared, in all material aspects, in accordance with article 3 and 4 of the Decree and the GRI Standards.

DELOITTE & TOUCHE S.p.A.

Signed by
Giorgio Moretto
Partner

Padua, Italy
March 22, 2019

This report has been translated into the English language solely for the convenience of international readers.



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