



CONSOLIDATED
NON-FINANCIAL
INFORMATION
STATEMENT

2019

Pursuant to Legislative Decree 254/2016

Safilo®

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TABLE OF CONTENTS

The Safilo Way: The key to a Sustainable Future is in our DNA	4
Highlights	6
1. Safilo	8
1.1 Our Origins and Heritage	8
1.1.1 Our essence	8
1.2 The product at the heart of our history	9
1.3 We are a key leader in the Wholesale Eyewear Market	10
1.4 Global reach in the Eyewear Market	11
1.5 Key figures and economic value in 2019	14
2. A Sustainable Business	16
2.1 Our key strategies	16
2.2 Our 3 Ps Approach - Product, People, Planet	18
2.3 Materiality Assessment	18
3. Safilo Governance	24
3.1 Governance and Risk Management	24
3.2 Business Ethics and Compliance	28
4. Product Craftmanship & Innovation	30
4.1 Heritage of our Products	30
4.2 Made In Safilo	31
4.3 Safilo Creation Process: A Product-Minded Process	31
4.4 Quality of raw materials and compliance with best standards	33
4.5 The past meets the present	34
4.6 Forward looking vision	35
4.7 Life Cycle Assessment and Nickel-Free production processes	36
5. Integrity in the Workplace	38
5.1 Safilo people and The Safilo Way	38
5.2 Diversity and inclusion	42
5.3 Ensuring workplace health and safety	43
5.4 Industrial Relations	44
6. Responsible Partnerships	46
6.1 Our licensed brands	46
6.2 Our responsible supply chain	47
6.3 Our Customers	49
7. Social Responsibility	52
7.1 Shared value	52
7.2 Safilo for kids	52
7.3 Social Initiatives	54
8. Environmental Responsibility	56
8.1 Energy consumption & CO ₂ emissions	56
8.2 Waste generation & recycling, and water consumption	60
About this Report	62
Annexes	66
GRI Content Index	75
Contacts	81
Independent Auditors' Report	82

THE SAFILO WAY: THE KEY TO A SUSTAINABLE FUTURE IS IN OUR DNA

At Safilo, we are aware that the specific DNA of our Company and our Products is determined by the unique social and environmental conditions that lead to the development of the modern eyewear industry in the Italian valleys of Cadore and expand all over the world.

This DNA permeates our daily work and will continue to do so, determining our choices day after day. If today Safilo can look to the future, choosing to carry out actions, projects and interventions that aim to safeguard the best conditions for our Company in the long term, it is because of the awareness of the fundamental importance of its role in the social, environmental and product context in which it operates.

Safilo pursues this commitment with passion, investing significantly in technology and digital tools to be able to project its heritage towards the future in an increasingly sustainable way.

Safilo has been investing in the digital transformation within its offices and production sites to reduce processing and paper waste, and at the same time optimizing logistics to reduce environmental impacts and emissions. The Company is also building strategic partnerships to pool resources, develop and use eco-sustainable and recycled materials, and to increasingly use technological and eco-friendly tools.

Safilo is investing in manufacturing innovation, such as the nickel-free galvanic processes in Longarone (Belluno, Italy), to improve risk and safety indices for workers and the health of consumers, the preservation of the environment in which factory is located thanks to precious metal recycling, the re-use of industrial water with a related reduction of water withdrawal and elimination of waste water, and the reduction of CO₂ emissions into the atmosphere.

Safilo continues its commitment to protect and preserve people's eyesight, continuing its training and informative projects with an increasingly strong focus on the development of the optical frames category, working side by side with its customers to increase sensitivity, more and more, towards cure and prevention. Safilo continues its over fifteen-year partnerships with global non-profit organizations to bring visual screenings to disadvantaged and visually impaired populations all over the world, such as the Special Olympics athletes with mental disabilities and the Barraquer Foundation.

Safilo works hard to ensure the Group's continued growth on a global level, facing the significant challenges that industry changes are bringing to the sector. As a consequence of the license portfolio changes Safilo is facing, it is with the objective of preserving and enhancing its Italian production capacities and capabilities that Safilo is carrying out a restructuring plan, especially in Italy, of its industrial network. Once scaled down and made more efficient, it will continue to be the center of excellence of metal production in Longarone, in the Belluno area, and of acetate and injected plastic in Santa Maria di Sala, in the Venice area.

This plan of actions and measures is aimed at guaranteeing a sustainable future for our Company, today and tomorrow, laying down a new, more efficient and more competitive foundation, opening up new possibilities for investments aimed at generating and ensuring continuity at the highest levels of our manufacturing capacity, allowing the introduction of increasingly advanced innovations to optimize people's work and training, and improve internal and external working conditions.

When Safilo had to make difficult decisions with significant impacts for some of its workers, it always did so with a high sense of responsibility, bearing in mind the ultimate objective of ensuring a solid future for a Company that has many decades of history behind its and as many in front.

Our commitment does not end upstream of the value chain, but continues in the attention on how we deliver our product to the world and in particular on how we carry out our business on a global level, nurturing clear and mutual corporate values and objectives, through our Worldwide Business Conduct Manual which continues to be updated, to better describe the individual responsibilities of each of us aimed at supporting the Company's commitments.

We continue our journey towards a sustainable future for our Group, which requires important efforts and strategic decisions to preserve and create new long-term value for all our stakeholders, our shareholders, our people, our products and our planet.

We therefore continue to give signs of our commitment and our journey towards sustainability through this Consolidated Non-Financial Information Statement, in a transparent, measurable and coherent way, reporting our progress with respect to the objectives defined in terms of **People, Product and Planet**.

This report is based on the reporting standards of the GRI (Global Reporting Initiative), reporting on 16 topics organized in 6 areas: governance and compliance, craftsmanship and product innovation, integrity in the workplace, responsible partnerships, social responsibility and environmental responsibility.

We thank you for the support and trust you show towards us, which we know is decisive for the success of this path that involves us all, with passion and determination. Only together can we be concrete and effective in our journey towards sustainable growth, capable of generating an effective contribution to our sustainability objectives, bringing shared value to all our stakeholders and the communities in which we operate.

Angelo Trocchia
CEO, Safilo Group

HIGHLIGHTS

OVER **140 YEARS**
OF EYEWEAR MANUFACTURING TRADITION

Product Craftsmanship & Innovation



≈ **1,700** NEW MODELS ON THE MARKET IN 2019

Employee Learning & Development



more than **89,000** HOURS OF TRAINING IN 2019

Diversity & Inclusion



62% OF WOMEN IN THE TOTAL WORKFORCE IN 2019

38% OF EXECUTIVES ARE WOMEN IN 2019

11% OF THE TOTAL WORKFORCE UNDER 30 IN 2019

14 NATIONALITIES AT DIRECTOR LEVEL IN 2019

Health & Safety¹



0.12 LOST DAY RATE IN 2019 VS 0.08 OF 2018

3.27 WORKPLACE INJURY RATE IN 2019 VS 3.40 OF 2018

Industrial Relations and Supply Chain Responsibility



80% OF THE TOTAL WORKFORCE IS COVERED BY COLLECTIVE BARGAINING AGREEMENTS IN 2019

104 SOCIAL AUDITS OF SUPPLIERS IN 2019² (OF ~350 SUPPLIERS OF DIRECT MATERIALS)

Environmental Responsibility³



> **334.000 GJ** ENERGY CONSUMED AND

> **31.000 T** CO₂ EMISSIONS IN 2019, SUBSTANTIALLY IN LINE WITH 2018

RECYCLABLE, RECYCLED AND FSC CERTIFIED MARKETING MATERIALS LAUNCHED IN 2019

¹ These KPIs are related to the Italian, Slovenian and Chinese manufacturing plants, and Padua headquarter, and do not include the external collaborators data (the Group has no direct control about data from the employers of workers who are not employees).
² Each audit included the investigations of social and environmental aspects.
³ 2019 energy consumption and CO₂ emissions included volume effects 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" (pages 56-59).

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
MORE THAN 1.2 MILLION OPTICAL FRAMES AND SUNGLASSES DONATED OVER PAST 15 YEARS

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. SAFILO

1.1 OUR ORIGINS AND HERITAGE

We are Safilo, a worldwide leader in the eyewear industry, engaged in the design, manufacturing and distribution of sunglasses, optical frames, sports eyewear and related products for the global eyewear market.

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.

Thanks to strong craftsmanship expertise, Safilo translates its design projects into high-quality products created according to the Italian tradition.

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.

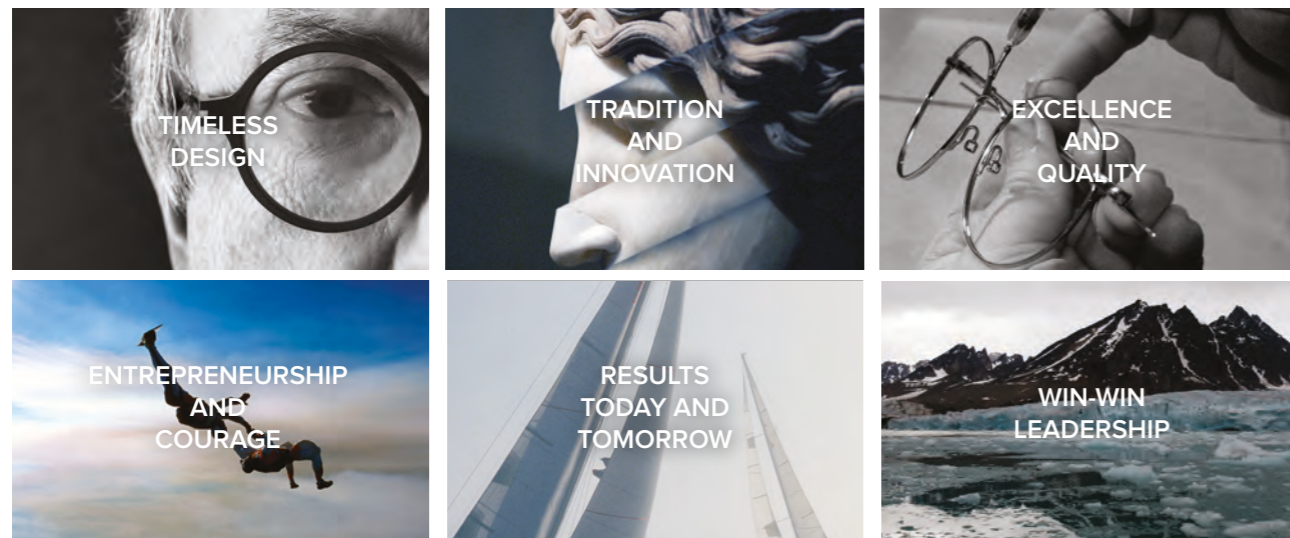
Our values are what we believe in as a company (timeless design, tradition and innovation, excellence and quality, entrepreneurship and courage, results today and tomorrow, win-win leadership).

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>	<p>2019</p>  <p>2024 Strategic Business Plan, New license partnerships and commercial expansion through a new joint venture in South Korea, Launch of ECONYL® regenerated nylon in eyewear collections, Recyclable, recycled and FSC certified marketing materials</p>

1.3 WE ARE A KEY LEADER IN THE WHOLESALE EYEWEAR MARKET

The wholesale market for frames and sunglasses, which was about EUR19 billion in 2019, grew about 4% between 2014 and 2019. 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.

Polaroid

CARRERA
EYEWEAR SINCE 1956

SAFILO
MADE IN ITALY DAL 1934

SMITH

PRIVÉ REVAUX*
EYEWEAR


BLENDERS*
EYEWEAR

* From 2020

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.



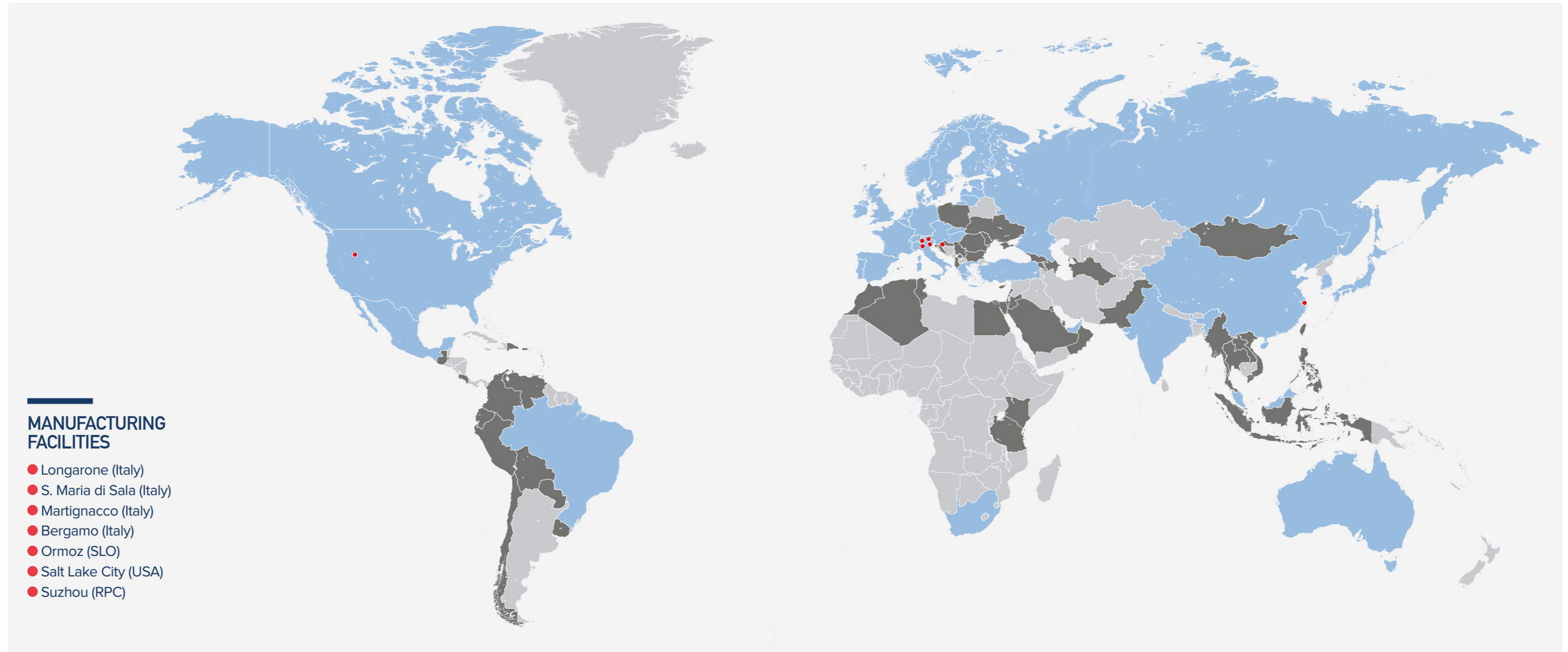
* From 2020 (Under Armour from 2021).

** 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
South Korea

REST OF THE WORLD

South Africa
United Arab Emirates

Independent distribution partners

THE AMERICAS

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

EUROPE

Albania
Armenia
Azerbaijan
Bulgaria
Croatia
Georgia
Kosovo
Moldavia
Poland
Romania
Serbia
Ukraina

ASIA PACIFIC

Indonesia
Mongolia
Myanmar
Philippines
Taiwan
Thailand
Vietnam

REST OF THE WORLD

Algeria
Cyprus
Egypt
Gulf Cooperation Council
Israel
Jordan
Kenya
Lebanon
Morocco
Pakistan
Saudi Arabia
Tanzania
Tunisia
Turkmenistan

1.5 KEY FIGURES AND ECONOMIC VALUE IN 2019

People and management

- 5,754 employees all over the world;
- 16 Executives, 7 nationalities;
- 92 Directors, 14 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.

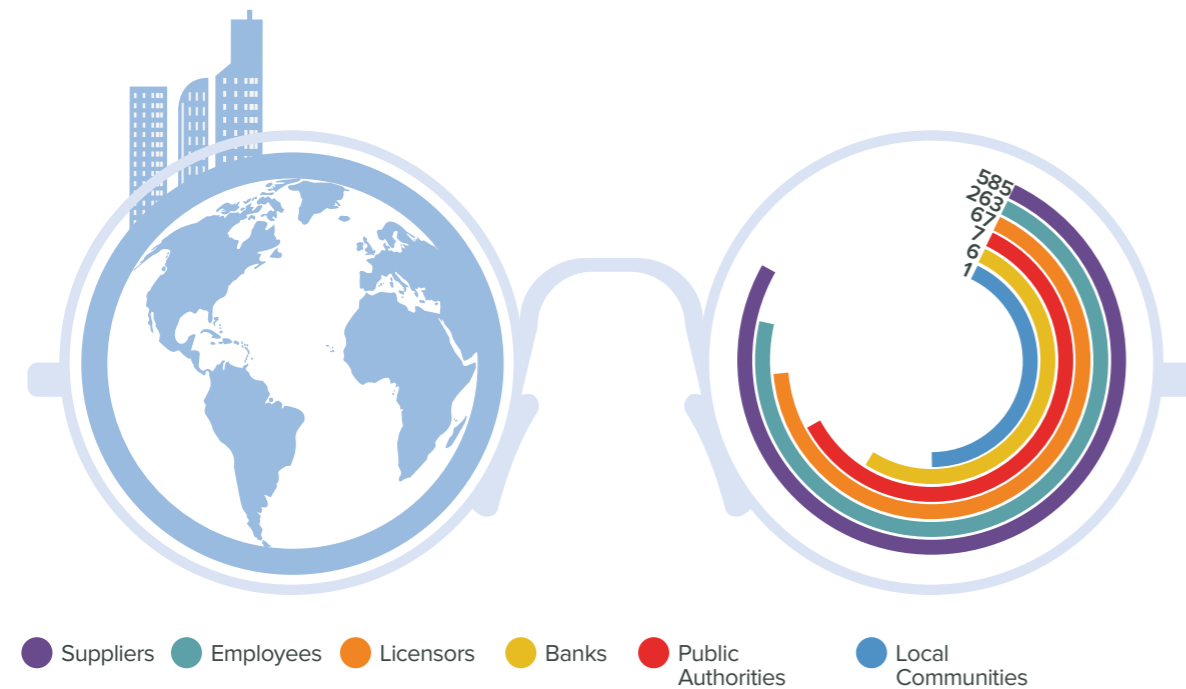
Financials results of Continuing Operations⁴

- Net sales of Continuing Operations at Euro **939.0** million.
- Ebitda of Continuing Operations, pre IFRS 16 and pre non-recurring items, at Euro **51.8** million.
- Group net result of Continuing Operations, pre IFRS 16 and pre non-recurring items, at Euro **(4.0)** 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, 2019.

The Group's economic and financial aspects are described more in depth in the Group document "2019 Annual Report".

⁴ Continuing Operations exclude the Group's discontinued Retail operations sold on July 1, 2019.



2. A SUSTAINABLE BUSINESS

2.1 OUR KEY STRATEGIES

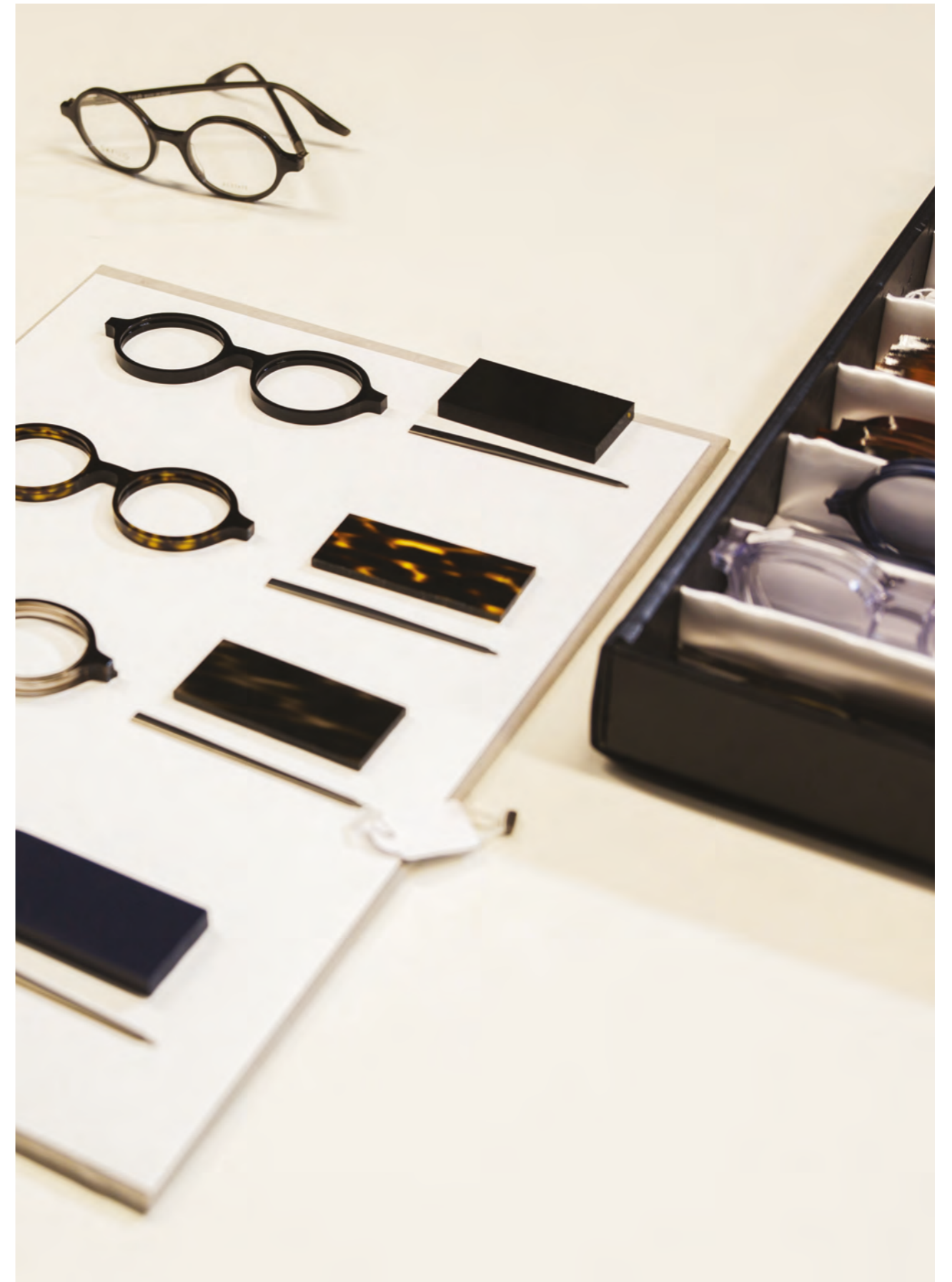
In December 2019, we presented our key strategies, which set the foundation for the Group's sustainable growth journey for the future.

The Group aims to deliver sales growth and margin expansion through a modern customer-centric and consumer-oriented business model, powered by a new digital transformation strategy. These strategies are:

sales growth through a new digital transformation strategy, with focus on core brands, market opportunities, product and channel balance, while we continue leveraging our strongholds such as our leadership in design, product development and innovation, our global commercial footprint, our know-how in brand management, embedding digital and e-commerce into our way of working and selling, and putting the consumer and customer at the heart of what we do;

margin expansion through a new industrial plan and ongoing costs optimization to enable economic and financial solidity and the ongoing recovery of higher margins, realigning the Group's industrial footprint to the new production scenario, and by driving margin improvement from cost of sales savings, and overhead reduction.

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 organised 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.

During 2019 Safilo has performed a second stakeholder engagement process, involving both external and internal stakeholders, in order to update the materiality assessment analysing the related outcomes in terms of key topics and concerns raised. The survey has been done using a google webform with a valuation scale from 1 ("not important") to 5 ("highly important"), and each sustainability topic has been valued from two point of views: the relevance for Safilo and the relevance for stakeholders.

The stakeholder engagement process has been performed in two phases:

- external stakeholders have been involved at MIDO in February 2019 in Milan, collecting feedbacks on sustainability relevant topics from all stakeholder categories, such as customers and consumers, suppliers, licensors, Safilo employees, and shareholders;
- in the second half of 2019 the survey involved several representatives of the Group's management.

Feedback collected has confirmed as material and "highly relevant" all the topics already identified in the previous materiality assessment, while no additional relevant topics have been highlighted.

Also, the materiality matrix positioning for the sustainability topics has been confirmed by the survey, with only few changes in terms of a slight increase of relevance (mainly client satisfaction and licensor's trust) and a slight decrease of relevance (mainly industrial relations, diversity and inclusion, social impacts, governance & risk management).

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, updated with the 2019 stakeholder engagement outcomes.



Safilo's ability to create value is profoundly interconnected with its 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 2019, 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.

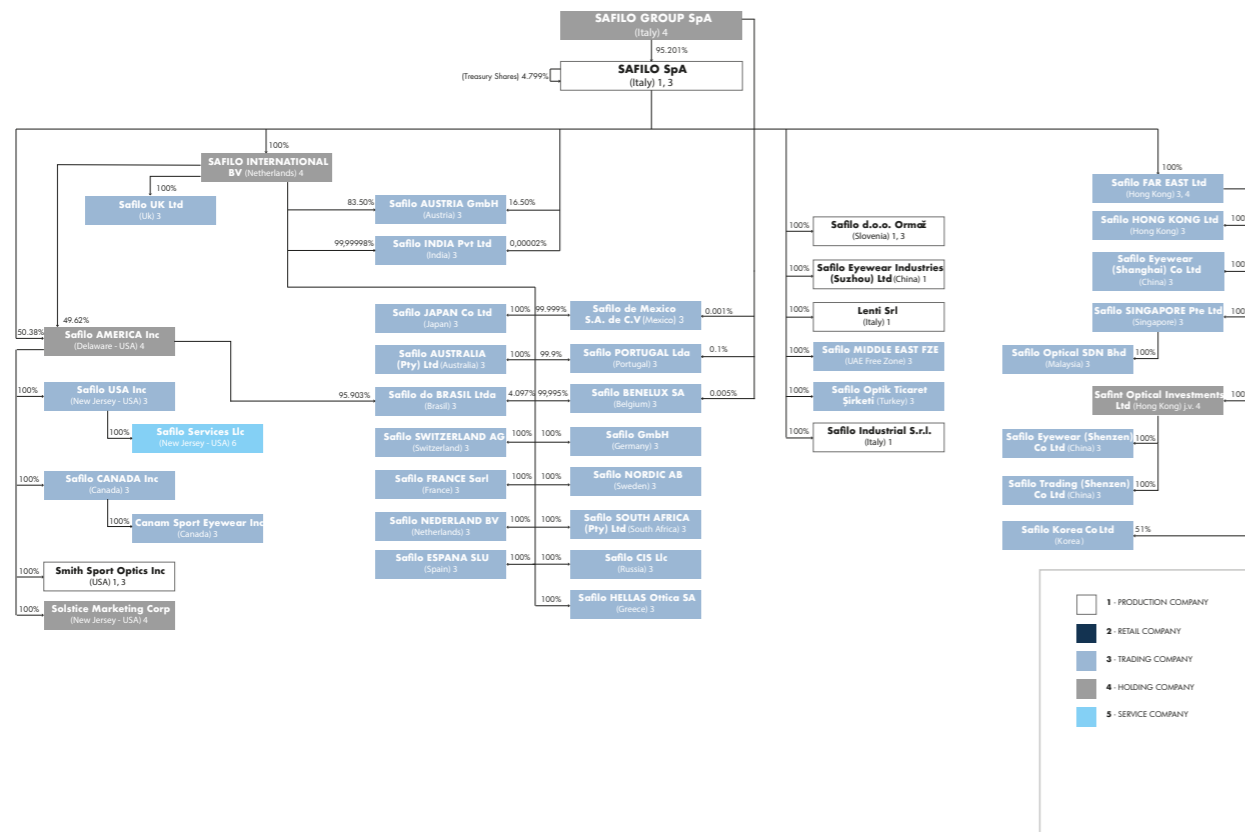


3. SAFILO GOVERNANCE

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 2019 was the following:



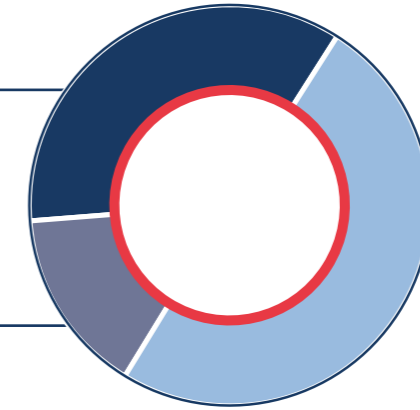
The following chart shows owners of Safilo Group S.p.A. ordinary shares with shareholdings exceeding 5% of share capital as at 31 December 2019.

35.17%

Rest of the market

14.99%

BDL Capital Management



49.84%
HAL Holding N.V.

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 to supervise 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 the 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 also submits proposals or expresses opinions to the Board of Directors on 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**: has a consultative role in favour of the Board of Directors concerning transactions with related parties;
- the **Control Risk and Sustainability Committee**: supports the Board of Directors on the internal control and risk management. Since 2016 it has also been appointed to assist the Board of Directors with proposing and consultative functions, in assessments and decisions relating to sustainability matters.

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 2019, Safilo Corporate Governance included 13 effective members, of which 46% women and 15% in the age group 30-50 years and the remaining 85% in the age group over 50 years.

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. 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 interaction dynamics with all the stakeholders, examines the Consolidated Non-Financial Information Statement, supports the Board of Directors in the definition of the sustainability strategy and the evolution of sustainability matter also in the light of the related international guidelines and standards. The Committee has therefore a functional role 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 2019", 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 semi-annual 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 of its main plants (which is going to be finalized within 2020), and performed a Life Cycle Assessment project in relation to a selected panel of frames and components.

In 2019, Safilo adopted and approved a Group Environmental Policy based on five pillars: compliance with applicable environmental laws and regulations, minimisation of the environmental impact, supply chain awareness, encouraging employee participation and individual accountability for environmental actions, and transparency with stakeholders. The policy applies to all Safilo Group companies and employees worldwide, and to those acting on behalf of such companies.

Furthermore, in 2019, Safilo has announced its first adoption of eco-friendly and FSC certified marketing materials, while in February 2020 the Group has announced that to contribute to the reduction of CO₂ emissions into the atmosphere and promote a sustainable mobility, Safilo has started begun to renew its company car fleet in favour of hybrid vehicles.

Safilo's sustainable change towards mobility is part of an energy efficiency plan and a progressive reduction of the ecological footprint of all the Group's activities, which has as its objective lower CO₂ emissions, a reduction in polluting consumption and therefore also greater protection of the environment and health.

Finally, it should be noted that environmental risk is also monitored along the entire supply chain of the Group, through social audit activities of 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.

Information relating to Climate Change are declined by Safilo in the management system and risks identified with respect to environmental topics. In the next years reports, the Group will integrate its analyses and disclosures with respect to the impact generated and suffered by the Company in the context of Climate Change, considering also the evolution of the relevant legislation.



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 S.p.a. obtained certification of the SA8000 Social Accountability Management System Standard (obtained in 2015 also for Safilo D.o.o. Ormoz and Safilo Eyewear Industries Ltd, while Lenti S.r.l. in 2018), which certified that Safilo's business system complies with 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, in 2018 has been renewed the certification of the occupational health and safety management system OHSAS 18001:2007 for the period 2018-2021 for the legal entities Safilo S.p.A., Safilo Industrial S.r.l., Safilo D.o.o. Ormoz, Safilo Eyewear Industries Ltd (while for Lenti S.r.l. the certification has been renewed in 2017 for the period 2017-2020), 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 of the Italian Group's companies participate on a regular basis to training sessions on the Legislative Decree 231/01 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 Legislative Decree 231/01 Organization, Management and Control Model.

No corruption cases have been reported during 2019.

Ethicspoint

Safilo EthicsPoint website represents a comprehensive and confidential reporting tool and supports the Safilo Way, providing a means for employees, customers, suppliers and business partners to communicate possible misconducts. 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 tolerate 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 is active in Italy, France, USA, UK, Spain, Germany and Portugal.

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.

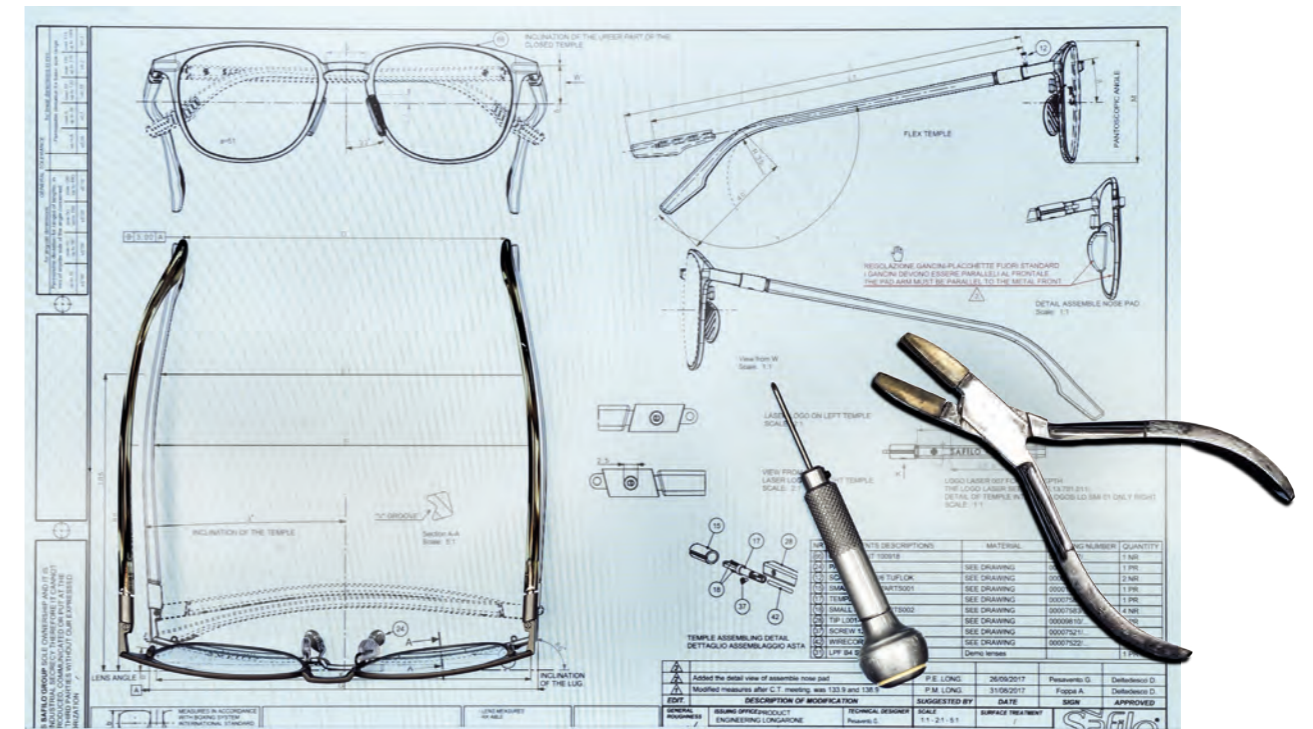
This heritage provides the foundation for each product, providing a legacy of proven ideas, methods and innovations and offering inspiration for how to adapt to the present and anticipate the future.

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.



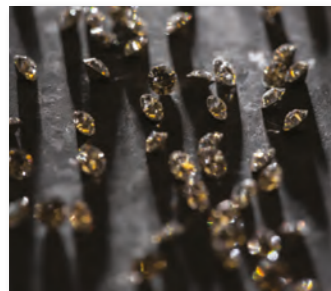
... to hand-made prototypes

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 2019

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 Essential Health and Safety Requirements (EHSRs) set in the EU Regulation 2016/425 (sunglasses) and Directive 93/42/EEC (spectacle frames). Furthermore, Safilo is implementing all the relevant actions in order to comply with the new EU Regulation 2017/745 on medical device. 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. To guarantee the excellence of its eyewear, Safilo has invested in a Corporate Lab, as central point of reference in a quality system that takes advantage from controls both on raw

materials and on finished products referring to the same standards and using the same equipment to ensure uniformity and consistency of data. Every year, more than 40.000 optical, mechanical and chemical tests are carried out to evaluate performance, functionality, comfort and durability of glasses.

The quality system is a service to support all Safilo departments: 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.

To guarantee a safe product, in terms of physiological compatibility and environmental impact, Safilo has developed a Restricted Substance List (RSL) which outlines the acceptable limits of potentially toxic or harmful substances which can be present in finished products.

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. In 2018 the certification has been renewed for the period 2018-2021 for the legal entities Safilo S.p.A., Safilo Industrial S.r.l., Safilo Eyewear Industries Ltd, Smith Sport Optics Inc., while for Safilo D.o.o. Ormoz the certification has been renewed in 2017 for the period 2017-2020.

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.

Innovative materials

With the culmination of activities in 2019, the research for innovative materials has particularly focused on sustainability, to meet the consumers' needs more and more careful and aware of the product life cycle, introducing the following new materials in the January 2020 eyewear collection:

- a unique plastic material, ECONYL®, thanks to a pioneering partnership with Aquafil (a recognized global player with over half a century of expertise in creating synthetic fibres): a regenerated nylon obtained through the regeneration and purification process of plastic waste, such as fishing nets, old carpets, and fabric scraps. ECONYL®, obtained through a process of depolymerization and re-polymerisation, performs exactly the same as brand new nylon and it can be recycled, recreated and remoulded again and again, with no loss of quality. The choice of this material, never before used in the mass production of eyewear, is a tangible sign of Safilo's further progression in its sustainability strategy and its commitment to bring innovation to a consolidated industry. This sustainable material will allow Safilo to make its contribution and creates products without using new resources, with the aim to expand the use of ECONYL® as much as possible in order to decrease the carbon footprint, and progressively introducing this material in all brands' collections;
- bio-based plastic materials: partially deriving from renewable sources, with consequent less dependence on oil. Materials from renewable sources differ by type of processing (numerical control milling, or injection moulding), and touch (rigid or softer);
- a material with a low content of chemicals harmful to the environment, such as Bisphenol A (BPA) and phthalates, to fully comply with the California Proposition 65, the law of safe drinking water.



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 three years, Safilo has invested in R&D and new technology, including 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 over 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

5,754 EMPLOYEES WORLDWIDE IN 2019

12% RATE OF NEW EMPLOYEES HIRED IN 2019

Safilo people

Safilo's people, our 5,754 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

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**.

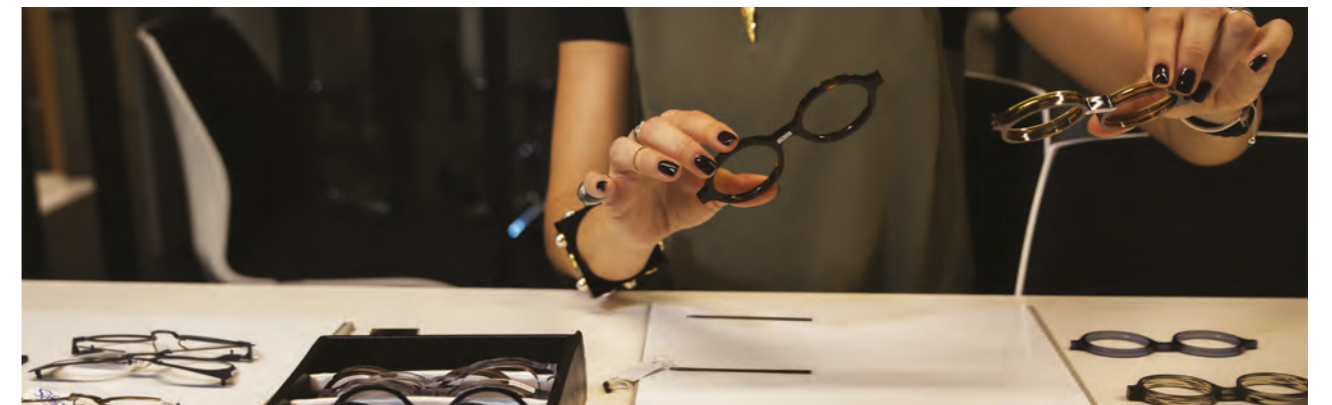
The **Safilo career development** key principles are:

- 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 89,000

HOURS OF TRAINING IN 2019

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 coordinating the monitoring training activities provided globally, and for the end-to-end management of the corporate trainings designed and managed centrally. 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 2019 Safilo delivered more than 89,000 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 following functions: corporate and legal affairs, communication, media and PR, finance and accounting, commercial (including Independent sales force, in this case the course is not mandatory), sourcing, marketing, HR business partners, 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, and
- **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.

The most significant training activities performed during 2019 at headquarters, have been:

Acting Digital Working Agile: an organizational development and change management training to boost Safilo's digital development through the training of change agents with a digital mindset and the enhancement of digital skills necessary to carry out concrete business innovation projects considered strategic priorities for Safilo. The project involved around 40 employees from all company areas with more than 2,600 hours of training. The participants, through the agile sprint methodology, working in inter-functional and self-organized teams, have proposed concrete innovative solutions. Coaching and external networking activities were mixed with meetings with witnesses from other sectors to inspire and promote creative contamination on the key issues of Safilo's digital transformation. Further added value of this path consists in the fact that from the beginning it has been accompanied by a communication activity aimed at creating a collective and shared sense even beyond the group of participants through live and remote activities, digital and analogic tools, asynchronous and real time channels to involve the whole organization and share the results of the working groups.

Design Thinking meets Industry 4.0: a training course focused on around 80 employees from Santa Maria di Sala and Longarone plants, with more than 3,200 hours of training, based on the sharing of practical cases and best practices at Italian and European level, and on-the-job training on board machine. The course was aimed at:

- providing a macro view on the changes linked to the VUCA era (volatility, uncertainty, complexity and ambiguity) determined by new technologies;
- understanding the context of Industry 4.0, its different fields of application, acquiring know-how on enabling technologies, and digital opportunities to simplify the daily activities;
- using digital applications.

While the most significant training activity performed in 2019 at local level has been the **Polivalency training** at Safilo D.o.o. Ormoz plant. The project involved around 325 workers including new hires and employees already employed, with more than 49,000 hours of training, and was aimed at improving the people skills to perform various working operations, allowing an increase in productivity and flexibility. This is a training entirely managed with internal production trainers, and through the on-the-job training methodology. The level of polivalency achieved after training has been certified.

5.2 DIVERSITY AND INCLUSION

62%
OF WOMEN
IN THE TOTAL
WORKFORCE IN 2019

38%
OF EXECUTIVES
ARE WOMEN IN 2019

11%
OF THE TOTAL
WORKFORCE
UNDER 30 IN 2019

14
NATIONALITIES
AT DIRECTOR
LEVEL IN 2019

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 SAFETY⁵

0.12 LOST
DAY RATE
IN 2019 VS 0.08
OF 2018

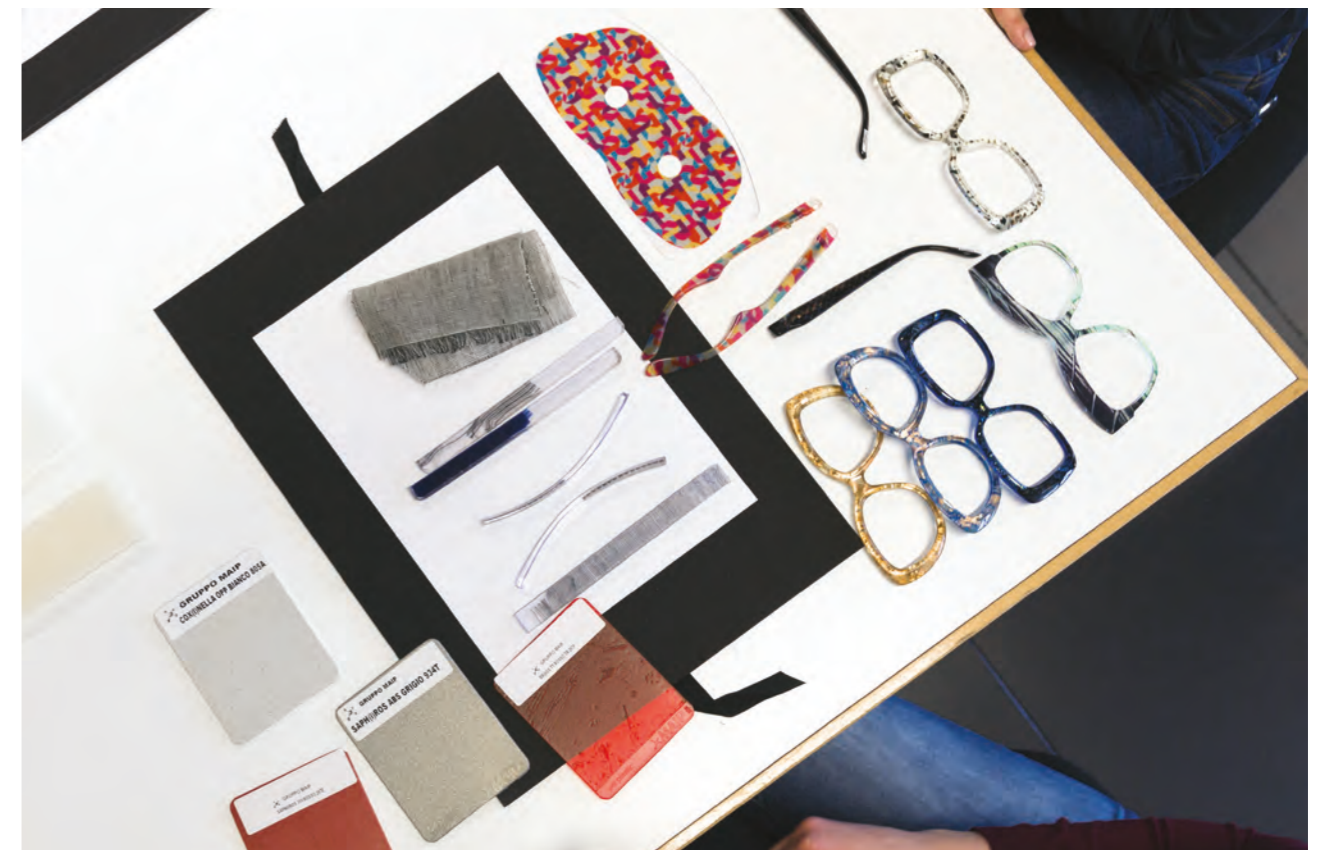
3.27 WORKPLACE
INJURY RATE
IN 2019 VS 3.40 OF 2018

The Group is focused on safeguarding the health and safety of its employees, temporary workers, 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 S.p.a. 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, and in 2018 the company took and passed the renewal of the certification surveillance audit for the period 2018-2021.

The same certification has been renewed in 2018 (for the period 2018-2021) also for the legal entities Safilo Industrial S.r.l., Safilo D.o.o. Ormoz and Safilo Eyewear Industries Ltd, while Lenti S.r.l. has renewed the certification in 2017 for the period 2017-2020.

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 These KPIs are related to the Italian, Slovenian and Chinese manufacturing plants, and Padua headquarter, and do not include the external collaborators data (the Group has no direct control about data from the employers of workers who are not employees), nor in transit injuries.

5.4 INDUSTRIAL RELATIONS

80%

OF THE TOTAL WORKFORCE IS COVERED BY COLLECTIVE BARGAINING AGREEMENTS IN 2019

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

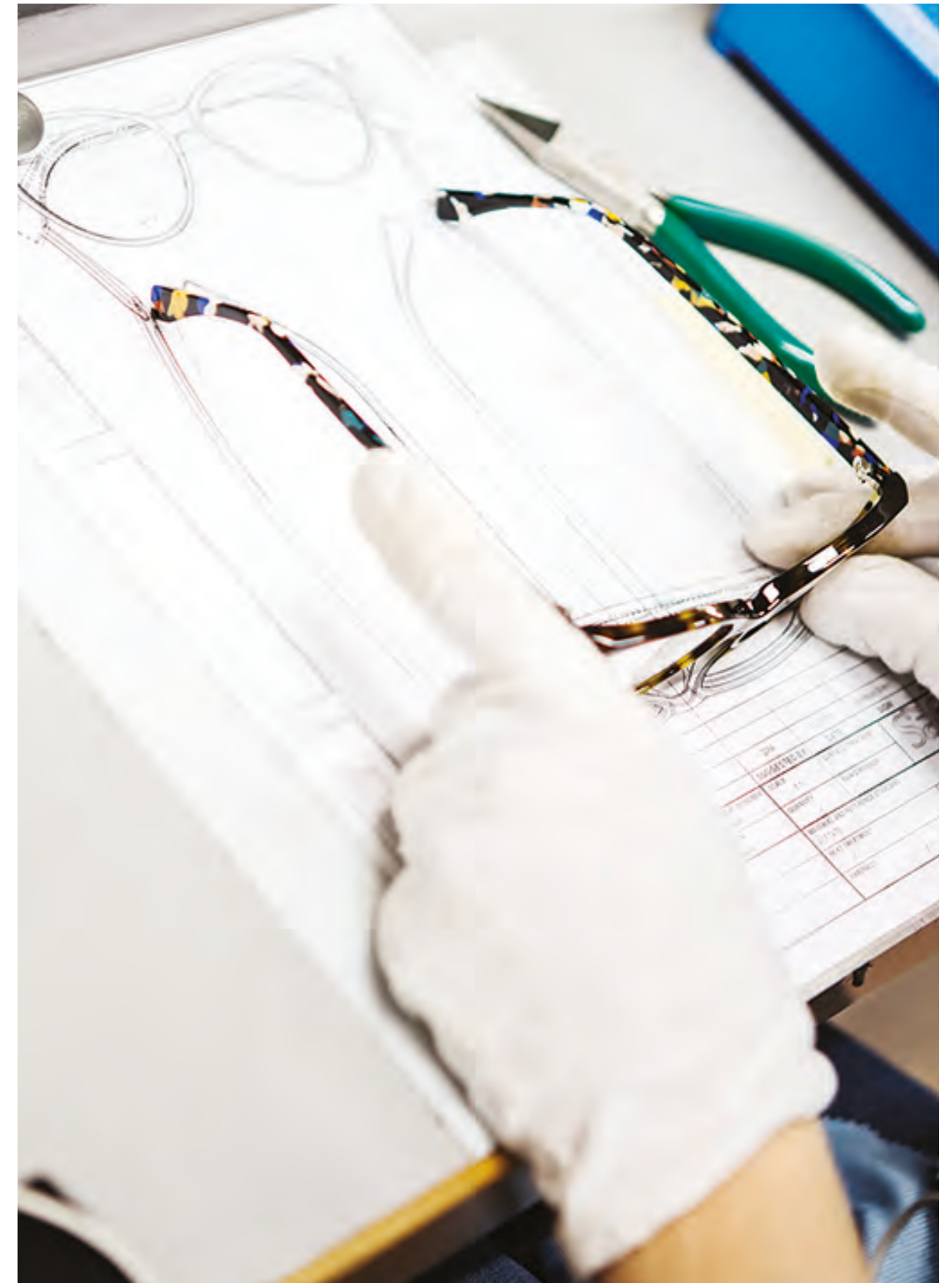
In the Italian market, trade union relationships occur at two levels:

- **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 restructuring projects).

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 2019, 80% of the Group workforce was covered by collective bargaining agreements.

For further information regarding potential issues with employees and the reorganization projects under way, in particular for the Italian companies restructuring plan communicated with the new Group Business Plan 2020-2024, please refer to the "Annual Report 2019".



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.



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.

2019 was another year in which the Group continued to **sign new strategic agreements** as well as **confirming key partnerships**.



In January, Safilo 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.



In May, Safilo announced a new licensing agreement for the design, manufacturing and distribution of the David Beckham eyewear collections, which will be launched in January 2020. The agreement will run for ten years.



In December, Safilo announced a new licensing agreement for the design, manufacturing and distribution of the Under Armour eyewear collections, which will be launched in 2021.



In March, Safilo announced the anticipated renewal until June 2026 of its agreement for the design, manufacturing and distribution of the Kate Spade eyewear collections.



In August, Safilo renewed until December 2025 its agreement for the design, manufacturing and distribution of the Boss and Hugo eyewear collections.



In December, Safilo announced the early renewal until December 2026 of its agreement for the design, manufacturing and distribution of the Marc Jacobs eyewear collections, extending the positioning of the brand in the luxury segment with the launch of the Marc Jacob's Runway eyewear collection, which will hit the market in January 2021.

In October, Safilo announced also the renewal of the agreement with Kering Eyewear for the manufacturing and supply of Gucci branded products. The three-year partnership will come into effect starting January 2021, providing continuity to the previous contract expiring December 2020.

The decision follows a three-year collaboration during which the two Groups have formed an effective partnership, leveraging Safilo's top-tier service, unparalleled product quality and unique craftsmanship capabilities.

The long-term partnership builds on Safilo's product expertise, confirms both companies' commitment to the territory and to Made in Italy production.

6.2 OUR RESPONSIBLE SUPPLY CHAIN



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 2019, a total of 104 social audits (14 in EMEA and 90 in Asia) have been carried out, of which 70 initial audits and 34 follow up, and of these 104 social audits 38 have been conducted by a third-party audit company whilst 66 by an internal dedicated team. Each audit included the investigations of social and environmental aspects.

Since Safilo S.p.a. 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 at the global level with the social responsibility principles adopted by the Group.

The SA8000 Certification has been obtained also for the productions plants of Safilo D.o.o. Ormoz and Safilo Eyewear Industries Ltd in 2015, while for Lenti S.r.l. in 2018.

Out of 5 direct materials’ new suppliers with spending in 2019, 5 out of 5 have been assessed through social audits (equal to 100%).

All the production plants of the Group, except the one located in Clearfield, have a system in line with the **SA8000 Social Accountability Management System Standard**, which certifies that Safilo’s business system complies with the principles of social responsibility (freedom of association, human rights, ban on forced labor, health and safety in the workplace, transparency). During 2018 all the sites started a new certification cycle valid until 2021, with the planning of periodic surveillance audits as required by the standard.

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 Care

Safilo Customer Care 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 Care 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 Care is then assessed through side-by-side supervision and dedicated tutoring of Customer Care Representatives.

Customer Satisfaction Survey

At the end of 2019, Safilo launched the second Customer Satisfaction Survey with the aim of understanding Customers' 360° perspective on Safilo main areas and services: Product, Commercial team, Customer Care, 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, UK, and for the first time Greece, Hungary, Czech Republic and Slovakia) and North America (US and Canada). Main KPIs investigated were:

- **NPS** (Net Promoter Score): on a scale from 0 to 10.
- **CSAT** (Customer overall Satisfaction): on a scale from 1 to 5.

Europe overall results have been:

- NPS: **81%** of Customers responded with a ranking between 7 and 10 (+140% vs 2018 on average score).
- Overall satisfaction: **87%** are at least satisfied; of these **74%** are more than satisfied (+41% vs 2018 on average score).

North America overall results have been:

- NPS: **68%** of Customers responded with a ranking between 7 and 10 (-10% vs 2018).
- CSAT: **86%** are at least satisfied; of these **67%** are more than satisfied (+6% vs 2018 average score).

EMEA Customer Care Team

Our EMEA Customer Care team is composed of 140 people, speaking 22 languages and covering more than 20 markets and global channels. In 2019, the EMEA Customer Care team managed around 1 million contacts - inbound calls, emails and faxes – and answered, on average, 84% of calls within 20 seconds.

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

- **Overall: 88%** of Customers are at least satisfied; of these **80%** are more than satisfied (+35.5% vs 2018 on average score).
- Competence: **90%** are at least satisfied; of these **85%** are more than satisfied (+47% vs 2018 on average score).
- Politeness, kindness: **93%** are at least satisfied; of these **89%** are more than satisfied (+29% vs 2018 on average score).
- Proactivity and problem solving: **91%** are at least satisfied; of these **85%** are more than satisfied (+52% vs 2018 on average score).
- Average handling time to manage Customers' requests: **90%** are at least satisfied; of these **84%** are more than satisfied (data not available in 2018).
- Average reply time (on the phone): **90%** are at least satisfied; of these **85%** are more than satisfied (data not available in 2018).

North America Customer Care Team

In 2019, our US Customer Care team supported 11 Markets, including 3'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 Care 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 2019, the team managed nearly 535,000 interactions, a combination of calls, emails, and electronic transmissions.

US Customer Care team answered 205,000 calls within 20 seconds and resolved 10,500 research tickets within 24 hours, maintaining close relations with salespeople and our Denver DC that allows for quick action to deliver speedy responses.

US Customer Care team understands the uniqueness of the eyewear business and works to strengthen Safilo position in the marketplace.

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

- **Overall: 93%** of Customers are at least satisfied; of these **84%** are more than satisfied (+16% vs 2018 average score).
- Competence: **93%** are at least satisfied; of these **84%** are more than satisfied (+16% vs 2018 average score).
- Politeness, kindness: **94%** are at least satisfied; of these **86%** are more than satisfied (+16% vs 2018 average score).
- Proactivity and problem solving: **91%** are at least satisfied; of these **80%** are more than satisfied (+17% vs 2018 average score).
- Average handling time to manage Customers' requests: **93%** are at least satisfied; of these **82%** are more than satisfied (data not available in 2018).
- Ease of reaching someone that can help: **92%** are at least satisfied; of these **81%** are more than satisfied (data not available in 2018).

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 all 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 glasses, goggles and 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. Healthy eyesight is an essential part of our wellness and can contribute to a higher 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 through 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 emerged also thanks to some workers in our Italian plants, which lead to the creation of the KIDS BY SAFILO line.

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, Safilo 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 wearer.

Elena Barraquer Foundation & Polaroid Kids Initiative

Since 2015, Safilo has teamed up with the **Elena Barraquer Foundation**, 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 years of collaboration, Safilo has accompanied doctor Elena Barraquer on her expeditions around the world. With a special focus on Mozambique, where Safilo was 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.

With regards to prescription frames, in 2018 Safilo 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 parents don't even know. Also Safilo's Iberian ambassador, Sara Carbonero, as well as journalist and mother, and doctor Elena Barraquer helped Safilo to raise awareness on the growing rate of myopia in the world and on the importance of prevention, doing vision examinations and screenings also to children.

7.3 SOCIAL INITIATIVES

Special Olympics



Since 2003, Safilo has been actively supporting Special Olympics, a global non-profit organization, with the aim of transforming the life of people with intellectual disabilities.

Over the past 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 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.

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 acknowledges that respect for the environment is key both to protecting and preserving the areas in which it operates and for medium-long term business sustainability.

Safilo's long term aim is to create an **environmentally sustainable business model**, achieved by incorporating environmental considerations into its products, processes and operational decisions.

Safilo is committed to **continuously improving** its environmental performance by progressively **reducing the environmental impact** of its plants and facilities (offices, warehouses, showrooms), as well as that of its activities, services, products, and logistics.

Confirming the commitment to environmental risk prevention, in 2019 Safilo adopted and approved a **Group Environmental Policy** based on five pillars:

- compliance with applicable environmental laws and regulations;
- minimisation of the environmental impact;
- supply chain awareness;
- encouraging employee participation and individual accountability for environmental actions;
- transparency with stakeholders.

The policy applies to all Safilo Group companies and employees worldwide, and to those acting on behalf of such companies.

The Group is committed to taking all measures to meet the 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 aims to minimize its environmental impact and address climate change by reducing:

- energy and water consumption;
- the use of raw materials and potentially hazardous substances;
- waste generation;
- the emissions of greenhouse gases and other pollutants

through the implementation of technical innovations, the adoption of more efficient solutions, the promotion of the use of renewable energy sources, and the use of eco-friendly materials.

Environmental responsibility is a goal that permeates many aspects of Safilo's daily operations. The Group expects the same from its business partners, in order to source products that were manufactured in an environmentally responsible way, while maintaining our commitment to quality.

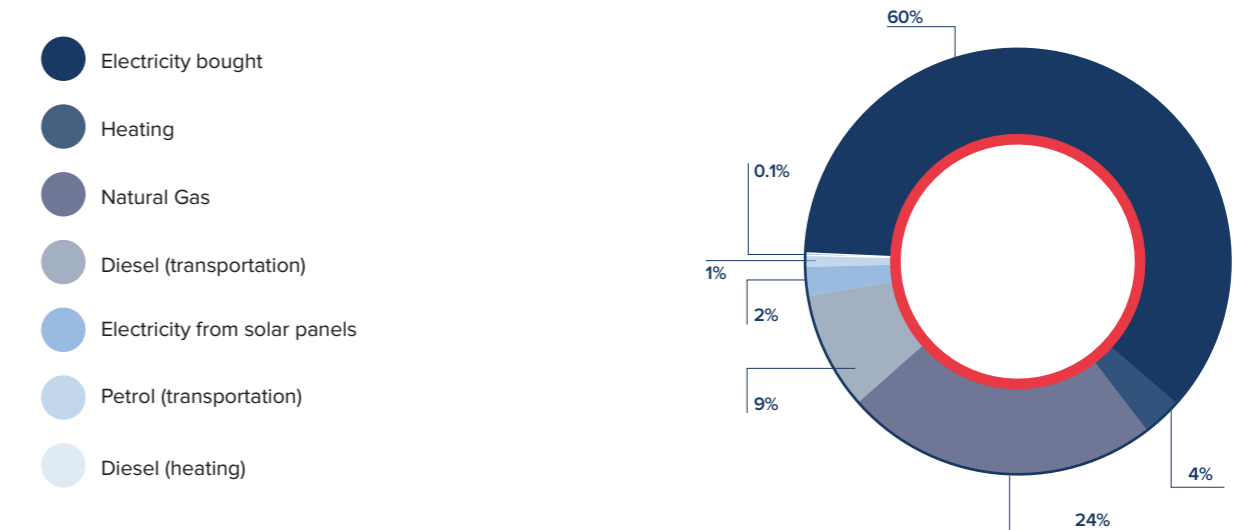
To this end, Safilo monitors environmental risks also along the entire supply chain, through social audit activities on suppliers aimed at investigating numerous characteristics, including their ability to reduce environmental impacts, and related certifications. When evaluating business relationships with potential strategic partners, Safilo takes environmental issues into account.

Furthermore, the Group believes that encouraging employee participation and individual accountability for environmental actions is crucial to its success. Therefore, Safilo aims to encourage employees to take an active part in the process by providing training and sharing information on sustainability and environmental matters. The Worldwide Business Conduct Manual includes a section dedicated to respecting the environment and current regulations.

Finally, the Group monitors and reports its overall environmental performance to all Stakeholders in a transparent way, through the annual publication of this Consolidated Non-Financial Information Statement in which it discloses environmental measures implemented and results achieved.

Safilo's energy drivers are electricity, natural gas, petrol and diesel fuel, heating. The main energy source used within the Group is electricity, which accounts for 62% of its total energy consumption.

2019 ENERGY CONSUMPTION BY TYPE OF FUEL



TOTAL 334,225 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 in 2019 led to **electricity energy savings of 7,218 GJ** (around 3.5% of total 2019 electricity consumption) with a **saving in CO₂ emissions of 1,267 tonnes**.

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.

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.

While in 2019, other **energy saving projects** have been implemented **in the Padua headquarter**, such as:

- general relamping progress;
- revamping, chiller replacement, and new air condition system in specific areas;
- other management interventions (daily absorptions' control through a monitoring software platform, punctual management of the mechanical systems' software with related optimization and monitoring of operating hours, implementation of procedures for daily preventive control of temperatures in relevant areas, and introduction of a register for the control of mechanical systems in the main technological areas),

that led to **electricity energy savings of 2,042 GJ** (compare to 2018 headquarter electricity consumption) with a **saving in CO₂ emissions of 209 tonnes**.

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) since 2016, in the Padua headquarter company's fleet, and the creation of a **car pooling** programme, since 2017, to encourage more sustainable commuting by employees from home to work.

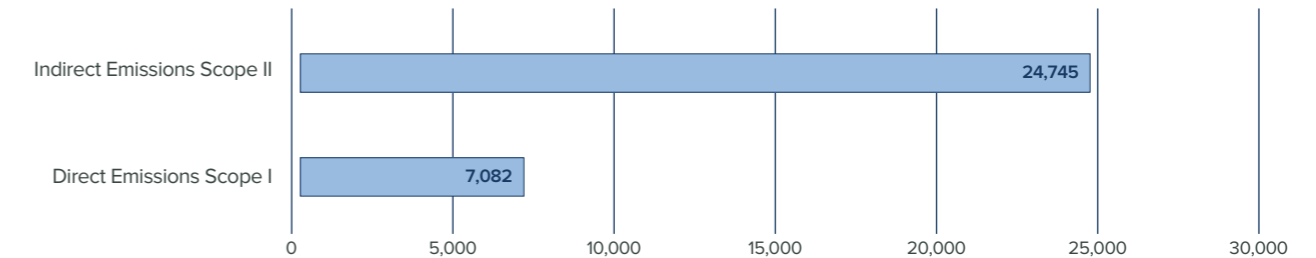
Furthermore, in February 2020, the Group has announced that to contribute to the reduction of CO₂ emissions into the atmosphere and promote a sustainable mobility, Safilo has started begun to **renew its company car fleet in favour of Toyota and Lexus hybrid vehicles**. The entry of the first cars with Full Hybrid technology is part of a more extensive program for the total conversion of Safilo's vehicle fleet towards sustainable mobility: already in 2020, the Company plans to include around 100 new cars equipped with the most advanced Full Hybrid technology, gradually replacing the rest of the fleet in Italy and abroad.

Safilo's sustainable change towards mobility is part of an energy efficiency plan and a progressive reduction of the ecological footprint of all the Group's activities, which has as its objective lower CO₂ emissions, a reduction in polluting consumption and therefore also greater protection of the environment and health. Issues that have always played a central role in Safilo's social responsibility programs, which put sustainability at the heart, not only as a safeguard of environmental resources but also as a guarantee of long-term social and economic growth.

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 some of its main plants, which is currently underway and is going to be finalized within 2020.

Thanks in particular to these energy efficiency initiatives, in 2019 Safilo energy consumption and CO₂ emissions have been substantially in line with 2018.⁷

2019 CO₂ EMISSIONS



TOTAL 31,827 tCO₂

RECYCLABLE, RECYCLED AND FSC CERTIFIED MARKETING MATERIALS

Safilo has announced, in July 2019, that starting with the Fall 2019 selling season, almost all POP (point of purchase) **marketing materials**, namely counter cards or show cards, are **FSC** (Forest Stewardship Council) **certified**, representing another significant step towards environmental sustainability. To this end, any new printed point of purchase materials produced globally or locally in individual countries, will follow the same global directive.

FSC certification sustainability is becoming increasingly relevant at a global level and with consumers who are sensitive to products that are produced by eco-friendly brands. FSC certification ensures that items come from responsibly managed forests that provide environmental, social and economic benefits. The FSC, an acronym for Forest Stewardship Council, is an independent, non-profit organization that protects forests for future generations.

Safilo continues to work with its vendor partners to evaluate additional opportunities to support a circular economy aimed at minimizing waste and making the most of resources.

Furthermore, in the context of the new partnership with M MISSONI, Safilo has launched in January 2020 a "Welcome Kit" institutional display and seasonal optical/sunglasses showcard-display, that is respecting the fashion house willing and sensitiveness on environmental sustainability by using recyclable and recycled materials, such as FSC cardboard, biodegradable plastic, MDF and Greencast plexiglass, while showcards-display are developed with FSC certified cardboard.

⁷ 2019 energy consumption and CO₂ emissions included volume effects and energy savings generated from specific energy saving projects implemented. For Scope II CO₂ emissions the KPI includes location-based emissions.

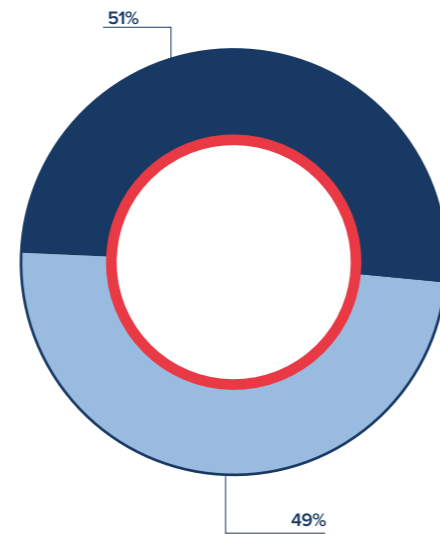
8.2 WASTE GENERATION & RECYCLING, AND WATER CONSUMPTION

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.

2019 WASTE BY TYPE

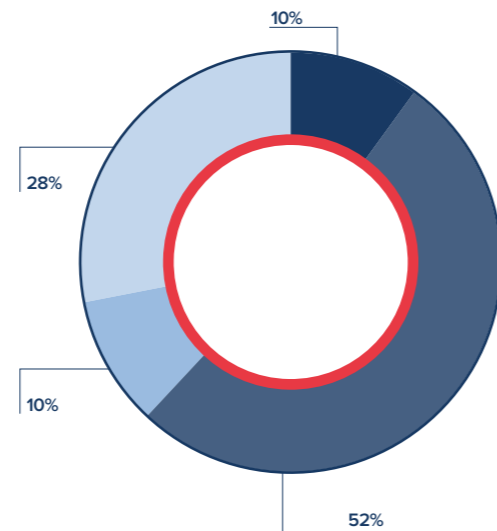
- Non Hazardous
- Hazardous



TOTAL 6,428 t

2019 WASTE BY DISPOSAL METHOD

- Recycling
- Landfill
- Incineration
- Recovery



TOTAL 6,428 t

In 2019, waste has been equal to 6,428 tonnes, compared to 5,981 tonnes in 2018.

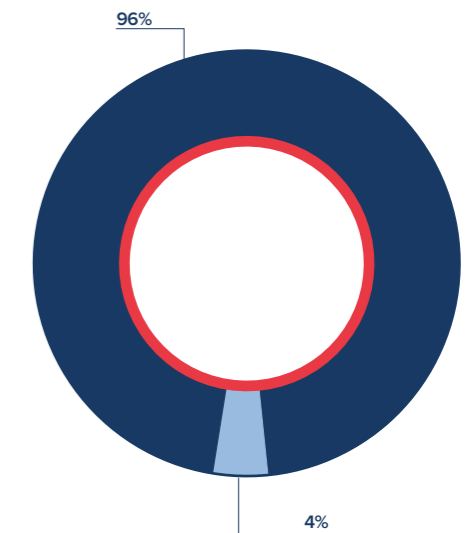
Safilo promotes a sensible and responsible use of water for production facilities and hygiene-sanitary purposes. During 2019, water consumption has been equal to 136,544 mc (of which 96% from municipal water and 4% from groundwater) with a reduction of 15.5% compared to 2018 (161,501 mc).

In 2018 the implementation of a **new water purification system by the Italian plant in Longarone** has been completed, which already in 2018 led to a strong reduction of both water usage and wastewater production of the plant, thanks to over 90% of recycling and reuse water.

In 2019 a maintenance project on expulsion wells in the Longarone plant has been completed, that led to a reduction of water usage (saving over 16,000 mc, equal to -43% of 2018 water consumption of Longarone facility), while in Santa Maria di Sala and Lenti S.r.l. plants, monitoring and control activities have been performed with specific interventions in some production phases aimed at optimizing and making water withdrawal more efficient⁸.

2019 WATER WITHDRAWAL BY SOURCE

- Municipal Water
- Groundwater



TOTAL 136,544 mc

⁸ 2019 water withdrawal and waste generation, compared to 2018, include both volume effects and benefits linked to specific projects implemented.

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 third “Consolidated Non-Financial Information Statement” of the Safilo Group (hereinafter “NFS” or “Sustainability Report”), and refers to the period January 1 - December 31, 2019.

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 at December 31, 2019 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:

- the Group has reported in the “2019 Annual Report” the Solstice retail business as discontinued operations, and its disposal has been completed on July 1, 2019. Consequently, the consolidated data on employees, energy consumption and emissions at December 31, 2019 presented in this document do not include the information of this company. Considering the significance of Solstice Mktg Concept Llc figures, and to guarantee the comparability of data with the previous year and a greater clarity in representing them, the consolidated data at December 31, 2018 for employees, energy consumption and emissions, have been restated with Solstice Mktg Concept Llc information separately disclosed;
- 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 first materiality assessment conducted in 2017 and the outcomes of the stakeholder engagement process performed in 2019 and approved by the Control Risk and Sustainability Committee on December 9, 2019, 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: “2019 Annual Report”, “2019 Report on Corporate Governance”, “2019 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 2018 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 11, 2020.

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

During 2019, 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 2019, the Group continued with the analysis of the main risks generated or suffered deriving from the business, and continued the process to obtain the ISO 50001 certification for some of its main plants (started in 2018 and which is going to be finalized within 2020), and performed, in 2018, a Life Cycle Assessment project in relation to a selected panel of frames and components.

In 2019, Safilo adopted and approved a Group Environmental Policy based on five pillars: compliance with applicable environmental laws and regulations, minimisation of the environmental impact, supply chain awareness, encouraging employee participation and individual accountability for environmental actions, and transparency with stakeholders. The policy applies to all Safilo Group companies and employees worldwide, and to those acting on behalf of such companies.

Furthermore, in 2019, Safilo has announced its first adoption of eco-friendly and FSC certified marketing materials, while in February 2020 the Group has announced that to contribute to the reduction of CO₂ emissions into the atmosphere and promote a sustainable mobility, Safilo has started begun to renew its company car fleet in favour of hybrid vehicles. Safilo’s sustainable change towards mobility is part of an energy efficiency plan and a progressive reduction of the ecological footprint of all the Group’s activities, which has as its objective lower CO₂ emissions, a reduction in polluting consumption and therefore also greater protection of the environment and health.

Information relating to Climate Change are declined by Safilo in the management system and risks identified with respect to environmental topics. In the next years reports, the Group will integrate its analyses and disclosures with respect to the impact generated and suffered by the Company in the context of Climate Change, considering also the evolution of the relevant legislation.

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 18001:2007 management system certification, that has been renewed in 2018 for the period 2018-2021 for the legal entities Safilo S.p.A., Safilo Industrial S.r.l., Safilo D.o.o. Ormoz, Safilo Eyewear Industries Ltd (while for Lenti S.r.l. the certification has been renewed in 2017 for the period 2017-2020), 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.

For further information regarding potential issues with employees and the reorganization projects under way, in particular for the Italian companies restructuring plan communicated with the new Group Business Plan 2020-2024, please refer to the “Annual Report 2019”.

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 S.p.a. obtained certification of the SA8000 Social Accountability Management System Standard (obtained in 2015 also for Safilo D.o.o. Ormoz and Safilo Eyewear Industries Ltd, while Lenti S.r.l. in 2018), which certified that Safilo’s business system complies with the principles of social responsibility (freedom of association, human rights, refusal of forced labor, health and safety in the workplace, transparency).

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.

As is known, from the beginning of January 2020, the national and international context has been characterized by the spread of Covid-19 (Coronavirus) and the subsequent measures to contain it put in place by the public authorities in the affected countries.

In particular, Italy and some European countries have disposed, with variable level of severity, restrictions to people’s mobility and decided to close all the commercial activities which are not of primary necessity for the populations. It is not possible to forecast what the developments will be in the other countries, both in terms of contagion and of the actions taken by each government.

As of today, Safilo Group was not significantly impacted on the supply side: sufficient stock levels at the end of 2019 granted the Group the flexibility to face the temporary shutdown of its Chinese plant in Suzhou and the difficulties encountered by some Chinese suppliers. As of today the Chinese plant reopened and it is working at almost full capacity, while most of the key Chinese suppliers have also picked up at their activity at a normal level.

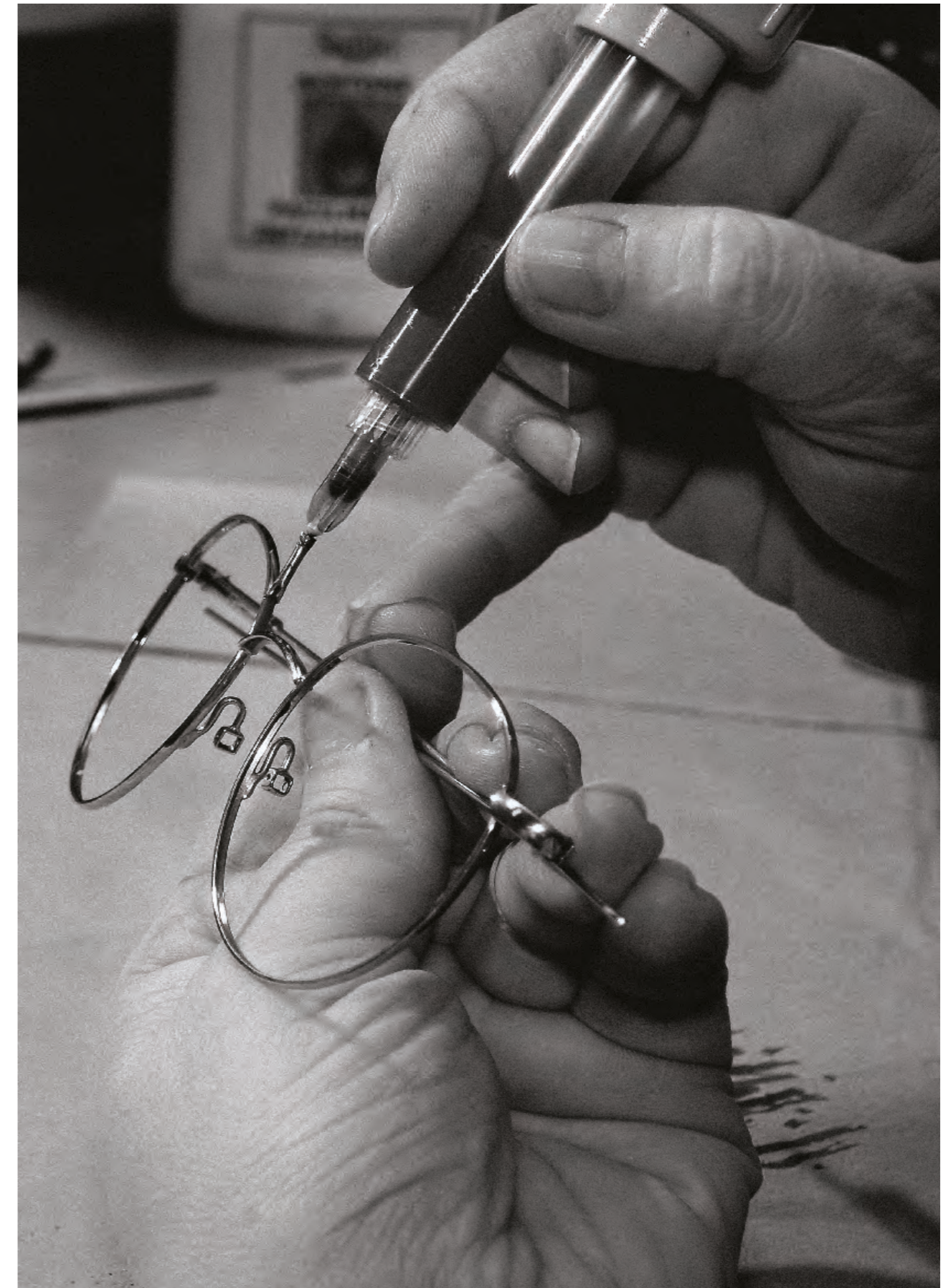
On the demand side, the available information on the first two months of 2020 shows an increase in sales. Nevertheless, the outbreak of Covid-19 caused, in the beginning of 2020, a significant downfall of the sellout in China, while the Group is recently experiencing a severe drop in the orders intake in Italy which may worsen significantly in the second half of March. Initial slowdowns are experienced also in Europe and USA.

These extraordinary circumstances have direct and indirect repercussions on ESG matters and have created a general environment of uncertainty, the evolution and impact of which is not predictable. The potential effects of this phenomenon on the Consolidated Non-Financial Information Statement are as of today not determinable and they will be subject to constant monitoring going forward.

Group Management has designed a mitigating action plan, focusing on minimizing discretionary expenditure, adjusting marketing plans to the new consumption scenario and an effective working capital management.

Even in the uncertain scenario described above, Management remains committed to continue pursuing the strategic plan approved on 10 December 2019, and keeps looking for new business opportunities.

The company has adopted measures to protect staff health and business continuity in this situation, including measures related to hygiene in all its facilities, remote working solutions for office staff and is actively working on continuity of supply chain operations.



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	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 people⁹

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

Employees by gender and employee category	December 31, 2019						December 31, 2018					
	Men	%	Women	%	Total	% on total	Men	%	Women	%	Total	% on total
Executives	10	63%	6	38%	16	0.3%	11	65%	6	35%	17	0.3%
Directors	65	71%	27	29%	92	2%	72	73%	26	27%	98	2%
Management	217	55%	180	45%	397	7%	238	56%	184	44%	422	7%
Employees	833	43%	1,084	57%	1,917	33%	874	43%	1,168	57%	2,042	34%
Workers	1,078	32%	2,254	68%	3,332	58%	1,068	31%	2,352	69%	3,420	57%
Total	2,203	38%	3,551	62%	5,754	100%	2,263	38%	3,736	62%	5,999	100%
Solstice Mktg Concepts LLC	–		–		–		224		371		595	
Total Group workforce	2,203		3,551		5,754		2,487		4,107		6,594	

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

Employees by age group and employee category	December 31, 2019							
	< 30	%	30-50	%	> 50	%	Total	% on total
Executives	–	–	8	50%	8	50%	16	0.3%
Directors	–	–	76	83%	16	17%	92	2%
Management	10	3%	305	77%	82	21%	397	7%
Employees	220	11%	1,311	68%	386	20%	1,917	33%
Workers	413	12%	2,126	64%	793	24%	3,332	58%
Total	643	11%	3,826	66%	1,285	22%	5,754	100%

Employees by age group and employee category	December 31, 2018							
	< 30	%	30-50	%	> 50	%	Total	% on total
Executives	–	–	8	47%	9	53%	17	0.3%
Directors	–	–	85	87%	13	13%	98	2%
Management	12	3%	324	77%	86	20%	422	7%
Employees	279	14%	1,397	68%	366	18%	2,042	34%
Workers	453	13%	2,203	64%	764	22%	3,420	57%
Total	744	12%	4,017	67%	1,238	21%	5,999	100%
Solstice Mktg Concepts LLC	378		181		36		595	
Total Group workforce	1,122		4,198		1,274		6,594	

⁹ The Group has reported in the "2019 Annual Report" the Solstice retail business as discontinued operations, and its disposal has been completed on July 1, 2019. Consequently, the consolidated data at December 31, 2019 do not include the information of this company. Considering the significance of Solstice Mktg Concept Lic figures, and to guarantee the comparability of data with the previous year and a greater clarity in representing them, the consolidated data at December 31, 2018 have been restated with Solstice Mktg Concept Lic information separately disclosed. Refer to the 2018 Consolidated Non-Financial Information Statement for the previously reported data, available on the Safilo Group website (<http://www.safilogroup.com>).

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

Employees by gender and employment contract	December 31, 2019						December 31, 2018					
	Men	%	Women	%	Total	%	Men	%	Women	%	Total	%
Permanent	2,180	99%	3,488	98%	5,668	99%	2,232	99%	3,619	97%	5,851	98%
Temporary	23	1%	63	2%	86	1%	31	1%	117	3%	148	2%
Total	2,203	100%	3,551	100%	5,754	100%	2,263	100%	3,736	100%	5,999	100%
Solstice Mktg Concepts LLC	–		–		–		224		371		595	
Total Group workforce	2,203		3,551		5,754		2,487		4,107		6,594	

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

Employees by employment contract and region	December 31, 2019				
	Europe	North America	Asia Pacific	Rest of the world	Total
Permanent	3,604	596	1,289	179	5,668
Temporary	60	2	23	1	86
Total	3,664	598	1,312	180	5,754

Employees by employment contract and region	December 31, 2018				
	Europe	North America	Asia Pacific	Rest of the world	Total
Permanent	3,874	677	1,130	170	5,851
Temporary	123	3	20	2	148
Total	3,997	680	1,150	172	5,999
Solstice Mktg Concepts LLC	–	595	–	–	595
Total Group workforce	3,997	1,275	1,150	172	6,594

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

Employees by gender and employment type	December 31, 2019						December 31, 2018					
	Men	%	Women	%	Total	%	Men	%	Women	%	Total	%
Full time	2,177	99%	3,010	85%	5,187	90%	2,236	99%	3,182	85%	5,418	90%
Part time	26	1%	541	15%	567	10%	27	1%	554	15%	581	10%
Total	2,203	100%	3,551	100%	5,754	100%	2,263	100%	3,736	100%	5,999	100%
Solstice Mktg Concepts LLC	–		–		–		224		371		595	
Total Group workforce	2,203		3,551		5,754		2,487		4,107		6,594	

New employee hires & employee turnover [GRI 401-1] ^{10 11}

Incoming employees by age group and gender	December 31, 2019						December 31, 2018					
	Men	%	Women	%	Total	%	Men	%	Women	%	Total	%
< 30	–	41%	141	43%	271	42%	109	32%	128	32%	237	32%
30 - 50	138	10%	209	9%	347	9%	106	7%	146	6%	252	6%
> 50	19	4%	30	4%	49	4%	13	3%	34	4%	47	4%
Total	287	13%	380	11%	667	12%	228	10%	308	8%	536	9%
Solstice Mktg Concepts LLC	–		–		–		190		307		497	
Total Group workforce	287		380		667		418		615		1,033	

Incoming employees by gender and region	December 31, 2019					
	Europe	North America	Asia Pacific	Rest of the world	Total	
Men	42	45	159	41	287	
	%	4%	23%	22%	33%	13%
Women	135	76	153	16	380	
	%	5%	19%	26%	29%	11%
Total	177	121	312	57	667	
	%	5%	20%	24%	32%	12%

Incoming employees by gender and region	December 31, 2018					
	Europe	North America	Asia Pacific	Rest of the world	Total	
Men	61	45	89	33	228	
	%	5%	20%	14%	28%	10%
Women	144	83	72	9	308	
	%	5%	18%	14%	16%	8%
Total	205	128	161	42	536	
	%	5%	19%	14%	24%	9%
Solstice Mktg Concepts LLC	–	497	–	–	497	
Total Group workforce	205	625	161	42	1,033	

Outgoing employees by age and gender	December 31, 2019						December 31, 2018					
	Men	%	Women	%	Total	%	Men	%	Women	%	Total	%
< 30	98	31%	138	42%	236	37%	145	42%	129	32%	274	37%
30 - 50	181	13%	294	12%	475	12%	259	17%	266	10%	525	13%
> 50	68	15%	133	16%	201	16%	54	12%	60	8%	114	9%
Total	347	16%	565	16%	912	16%	458	20%	455	12%	913	15%
Solstice Mktg Concepts LLC	–		–		–		251		384		635	
Total Group workforce	347		565		912		709		839		1,548	

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.

Outgoing employees by gender and region	December 31, 2019				
	Europe	North America	Asia Pacific	Rest of the world	Total
Men	170	80	63	34	347
%	15%	41%	9%	27%	16%
Women	338	128	84	15	565
%	14%	32%	14%	27%	16%
Total	508	208	147	49	912
%	14%	35%	11%	27%	16%

Outgoing employees by gender and region	December 31, 2018				
	Europe	North America	Asia Pacific	Rest of the world	Total
Men	185	81	159	33	458
%	14%	36%	25%	28%	20%
Women	218	92	127	18	455
%	8%	20%	24%	33%	12%
Total	403	173	286	51	913
%	10%	25%	25%	30%	15%
Solstice Mktg Concepts LLC	–	635	–	–	635
Total Group workforce	403	808	286	51	1,548

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

	December 31, 2019	December 31, 2018
Employees covered by collective bargaining agreements	4,583	4,713
Total workforce	5,754	5,999
%	80%	79%
Solstice Mktg Concepts LLC	–	595
Total Group workforce	5,754	6,594

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

Health & Safety Rates	December 31, 2019			December 31, 2018		
	Men	Women	Total	Men	Women	Total
Lost day rate (* 1,000)	0.07	0.16	0.12	0.04	0.11	0.08
Workplace injury rate (* 1,000,000)	2.24	4.02	3.27	2.63	3.95	3.40
Occupational disease rate (* 1,000,000)	–	–	–	–	–	–
Absentee rate (% on total days worked)	2.6%	6.3%	4.7%	2.7%	5.6%	4.4%

Health & Safety Injuries						
Workplace injuries	8	20	28	9	19	28
Fatal injuries	–	–	–	–	–	–
Occupational diseases	–	–	–	–	–	–
Lost days	238	816	1,054	149	533	682
Absences days	11,418	38,962	50,380	11,675	33,555	45,230

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 (the Group has no direct control about data from the employers of workers who are not employees), nor in transit injuries.

Europe Health & Safety Rates	December 31, 2019			December 31, 2018		
	Men	Women	Total	Men	Women	Total
Lost day rate (* 1,000)	0.14	0.22	0.20	0.08	0.15	0.13
Workplace injury rate (* 1,000,000)	4.65	5.34	5.11	5.14	5.37	5.29
Occupational disease rate (* 1,000,000)	–	–	–	–	–	–
Absentee rate (% on total days worked)	4.4%	8.0%	6.8%	4.4%	7.1%	6.2%

Europe Health & Safety Injuries						
Workplace injuries	8	19	27	9	19	28
Fatal injuries	–	–	–	–	–	–
Occupational diseases	–	–	–	–	–	–
Lost days	238	800	1,038	149	533	682
Absences days	9,411	35,807	45,218	9,546	31,614	41,160

Asia Pacific Health & Safety Rates	December 31, 2019			December 31, 2018		
	Men	Women	Total	Men	Women	Total
Lost day rate (* 1,000)	–	0.01	0.00	–	–	–
Workplace injury rate (* 1,000,000)	–	0.71	0.31	–	–	–
Occupational disease rate (* 1,000,000)	–	–	–	–	–	–
Absentee rate (% on total days worked)	0.9%	1.8%	1.3%	1.0%	1.2%	1.1%

Asia Pacific Health & Safety Injuries						
Workplace injuries	–	1	1	–	–	–
Fatal injuries	–	–	–	–	–	–
Occupational diseases	–	–	–	–	–	–
Lost days	–	16	16	–	–	–
Absences days	2,007	3,155	5,162	2,129	1,941	4,070

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

Average hours of training by gender and employee category	December 31, 2019					
	Men	Average hours of training	Women	Average hours of training	Total	Average hours of training
Executives	141	14	187	31	328	20
Directors	1,409	22	484	18	1,893	21
Management	4,468	21	2,346	13	6,813	17
Employees	7,755	9	12,419	11	20,174	11
Workers	13,203	12	46,680	21	59,883	18
Total	26,976	12	62,115	17	89,091	15

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	198	8	1,192	12
Management	3,176	13	1,288	7	4,464	11
Employees	6,075	7	6,879	6	12,954	6
Workers	11,086	10	48,227	21	59,313	17
Total	21,413	9	56,602	15	78,015	13
Solstice Mktg Concepts LLC	1,724	8	3,898	11	5,622	9
Total Group workforce	23,137	9	60,500	15	83,637	13

Training hours provided by type of training	December 31, 2019	December 31, 2018
Health & Safety	9,647	9,356
Compliance	2,120	1,713
Professional	64,021	57,557
ICT	789	476
PVPC	4,150	2,839
Managerial	5,301	3,444
Linguistic	3,064	2,631
Total	89,091	78,015
Solstice Mktg Concepts LLC	–	5,622
Total Group workforce	89,091	83,637

Environment¹³

Energy Consumption [GRI 302-1]¹⁴

Energy Consumption (GJ)	December 31, 2019	%	December 31, 2018	%	change %
From non-renewable sources	327,007	98%	324,696	98%	0.7%
Electricity bought	199,463	60%	197,354	59%	1.1%
Heating	11,980	4%	13,648	4%	–12.2%
Natural Gas	80,532	24%	75,847	23%	6.2%
Diesel (Transportation)	30,647	9%	33,694	10%	–9.0%
Petrol (Transportation)	4,057	1%	3,793	1%	7.0%
Diesel (Heating)	328	0.1%	360	0.1%	–9.0%
From renewable sources	7,218	2%	7,365	2%	–2.0%
Electricity from solar panels	7,218	2%	7,365	2%	–2.0%
Total	334,225	100%	332,061	100%	0.7%
Solstice Mktg Concepts LLC - Electricity bought	–		10,612		
Total Group	334,225		342,673		

Emissions¹⁵ [GRI 305-1 and GRI 305-2]

Total Emissions (t CO ₂)	December 31, 2019	%	December 31, 2018	%	change %
Direct Emissions - Scope I	7,082	22%	7,023	22%	0.8%
– Natural Gas	4,506	14%	4,240	14%	6.3%
– Diesel (Transportation)	2,255	7%	2,479	8%	–9.0%
– Petrol (Transportation)	297	1%	277	1%	7.0%
– Diesel (Heating)	24	0.1%	27	0.1%	–9.0%
Indirect Emissions - Scope II¹⁶	24,745	78%	24,290	78%	1.9%
– Electricity bought	23,776	75%	23,168	74%	2.6%
– Heating	968	3%	1,122	4%	–13.7%
Total	31,827	100%	31,313	100%	1.6%
Solstice Mktg Concepts LLC - Electricity bought	–		1,241		
Total Group	31,827		32,554		

¹³ The Group has reported in the “2019 Annual Report” the Solstice retail business as discontinued operations, and its disposal has been completed on July 1, 2019. Consequently, the consolidated data of energy consumption and emissions at December 31, 2019 do not include the information of this company. Considering the significance of Solstice Mktg Concept Llc figures, and to guarantee the comparability of data with the previous year and a greater clarity in representing them, the consolidated data at December 31, 2018 have been restated with Solstice Mktg Concept Llc information separately disclosed. Refer to the 2018 Consolidated Non-Financial Information Statement for the previously reported data, available on the Safilo Group website (<http://www.safilogroup.com>).

¹⁴ For electricity and heating consumption 1 kWh = 0.0036 GJ; for natural gas consumption 1 mc = 0.035303 GJ; for diesel (transportation and heating) consumption 1 litre = 0.03601668 GJ; for petrol (transportation) consumption 1 litre = 0.03082824 GJ.

¹⁵ These figures have been calculated using TERNA 2017 and Minambiente 2019 emissions factors, according to the GHG Protocol methodology. The consolidation approach for the Group's emissions is the operational control. Figures refer to CO₂ equivalent when available.

¹⁶ 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-2019 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 2019, CO₂ equivalent emissions with market-based method accounted for 30,815 t (compare to 29,637 t of 2018). Some data may have been estimated or calculated.

Water withdrawal by source¹⁷ [GRI 303-1]

Water withdrawal by source (mc)	December 31, 2019	%	December 31, 2018	%	change %
Municipal Water	131,441	96%	154,976	96%	-15.2%
Groundwater	5,103	4%	6,525	4%	-21.8%
Total	136,544	100%	161,501	100%	-15.5%

Waste by type and disposal method¹⁸ [GRI 306-2]

Waste by type and disposal method (t)	December 31, 2019					
	Reuse	Recycling	Landfill	Incineration	Recovery	Total
Non-Hazardous	–	465	973	573	1,289	3,300
Hazardous	–	158	2,362	100	508	3,128
Total	–	623	3,335	673	1,797	6,428
%	–	10%	52%	10%	28%	100%

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%

¹⁷ 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.

¹⁸ 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 INDEX¹⁹

Safilo 2019 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 62-64
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 38 68
102-9	Supply chain of the organization	Responsible Partnerships – 6.2 47-49
102-10	Significant changes to the organization and its supply chain	About this Report 62-64
102-11	Precautionary principle or approach	Safilo Governance – 3.1 and 3.2 Environmental Responsibility 8.1 and 8.2 24-29 56-61
102-12	External Initiatives	Product Craftmanship & Innovation 4.4 Responsible Partnerships – 6.2 33-34 47-49
102-13	Membership of Association	Product Craftmanship & Innovation 4.4 Social Responsibility – 7.2 and 7.3 33-34 52-54
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 24-28
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 38 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 24-28

¹⁹ Management approach and topic-specific Standards used, are those issued by GRI in 2016.

GRI Standards		Chapters - Paragraphs	Pages
Stakeholder engagement			
102-40	List of stakeholder groups engaged	A Sustainable Business – 2.3	18-22
102-41	Collective bargaining agreements	Integrity in the Workplace – 5.4 Annexes	44 70
102-42	Basis for identifying and selecting stakeholders	A Sustainable Business – 2.3	18-22
102-43	Approach to stakeholder engagement	A Sustainable Business – 2.3	18-22
102-44	Key topics and concerns that have been raised through stakeholder engagement	A Sustainable Business – 2.3	18-22
Reporting Practice			
102-45	Entities included in the consolidated financial statement	Safilo Governance – 3.1 About this Report	24 62-64
102-46	Defining report content and topics boundaries	A Sustainable Business – 2.3 Annexes	18-22 66
102-47	List of material topics	A Sustainable Business – 2.3	18-22
102-48	Restatement of information	About this Report	62-64
102-49	Significant changes in the list of material topics and topics boundaries	A Sustainable Business – 2.3 About this Report and Annexes	18-22 62-66
102-50	Reporting period	About this Report	62-64
102-51	Date of most recent previous report	About this Report	62-64
102-52	Reporting cycle	About this Report	62-64
102-53	Contact point for questions regarding the report	Contacts	81
102-54	Claims of reporting in accordance with the GRI Standards	About this Report	62-64
102-55	GRI content index	GRI Content Index	75-80
102-56	External assurance	About this Report Independent Auditors' Report	62-64 82-84
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	18-22 66
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 2019, direct economic value generated was equal to 601.3 million euro, the economic value distributed was equal to 929.6 million euro, and the economic value retained was negative for 328.3 million euro.	14 76

GRI Standards		Chapters - Paragraphs	Pages
Anti-corruption			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	18-22 66
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 2019 and 2018, no incidents of corruption have been registered	77
CATEGORY: ENVIRONMENTAL			
Energy			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	18-22 66
103-2	The management approach and its components	Environmental Responsibility – 8.1	56-59
103-3	Evaluation of the management approach		
GRI 302: Energy			
302-1	Energy consumption within the organization	Environmental Responsibility – 8.1 Annexes	56-59 73
Water			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	18-22 66
103-2	The management approach and its components	Environmental Responsibility – 8.2	60-61
103-3	Evaluation of the management approach		
GRI 303: Water			
303-1	Total water withdrawal by source	Environmental Responsibility – 8.2 Annexes	60-61 74
Emissions			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	18-22 66
103-2	The management approach and its components	Environmental Responsibility – 8.1	56-59
103-3	Evaluation of the management approach		
GRI 305: Emissions			
305-1	Direct greenhouse gas emissions (scope 1)	Environmental Responsibility – 8.1 Annexes	56-59 73
305-2	Energy indirect greenhouse gas emissions (scope 2)		

GRI Standards		Chapters - Paragraphs	Pages
Effluents and Waste			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	18-22 66
103-2	The management approach and its components	Environmental Responsibility – 8.2	60-61
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	60-61 74
CATEGORY: SOCIAL			
Employment			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	18-22 66
103-2	The management approach and its components	Integrity in the Workplace – 5.1	38-41
103-3	Evaluation of the management approach		
GRI 401: Employment			
401-1	New employee hires and employee turnover	Annexes	69-70
Labour and industrial relations			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	18-22 66
103-2	The management approach and its components	Integrity in the Workplace – 5.4	44
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	78
Occupational Health and Safety			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	18-22 66
103-2	The management approach and its components	Integrity in the Workplace – 5.3	43
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 ²⁰	43 70-71

²⁰ These figures do not include external collaborators (the Group has no direct control about data from the employers of workers who are not employees).

GRI Standards		Chapters - Paragraphs	Pages
Training and Education			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	18-22 66
103-2	The management approach and its components	Integrity in the Workplace – 5.1	38-41
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	38-41 71-72
Diversity and Equal Opportunity			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	18-22 66
103-2	The management approach and its components	Safilo Governance – 3.1	24-28
103-3	Evaluation of the management approach	Integrity in the Workplace – 5.2	42
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	24-28 42 67
Human Rights Assessment			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	18-22 66
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	18-22 66
103-2	The management approach and its components	Social Responsibility – 7.1, 7.2 and 7.3	52-54
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 2019 and 2018 no significant actual or potential negative impacts on local communities have been registered	79
Supplier Social Assessment			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	18-22 66
103-2	The management approach and its components	Responsible Partnerships – 6.2	47-49
103-3	Evaluation of the management approach		

GRI Standards		Chapters - Paragraphs	Pages
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	18-22 66
103-2	The management approach and its components	Product Craftsmanship & Innovation – 4.4	33-34
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 2019 and 2018, no incidents of non-compliance have been registered	80
Socioeconomic Compliance			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	18-22 66
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 2019 and 2018, no significant fines or sanctions were reported	80
Product Craftsmanship & Innovation			
GRI 103: Management approach			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	18-22 66
103-2	The management approach and its components	Product Craftsmanship & Innovation	30-37
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	18-22 66
103-2	The management approach and its components	Responsible Partnerships – 6.1	46-47
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	18-22 66
103-2	The management approach and its components	Responsible Partnerships – 6.3	49-51
103-3	Evaluation of the management approach		

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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, 2019 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 11, 2020 (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 Udine Verona

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2

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 a limited assurance engagement are less than those performed in a reasonable assurance engagement 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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3

In particular, we carried out interviews and discussions with the management of Safilo S.p.A. and with the employees of Safilo Eyewear Industries Ltd, Safilo Far East Ltd, Safilo d.o.o. Ormož, 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 Eyewear Industries Ltd, Safilo d.o.o. Ormož, 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

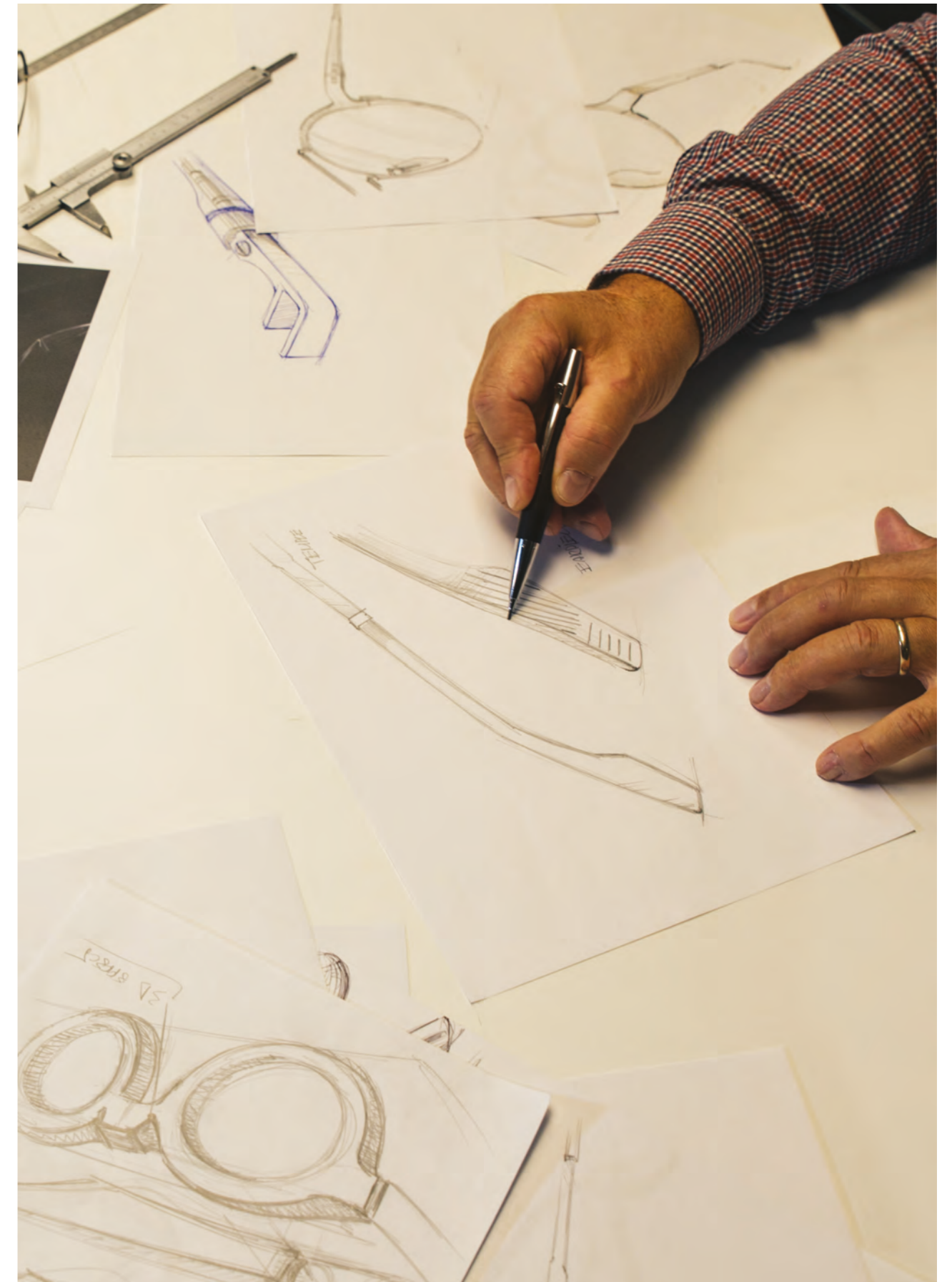
Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Safilo Group as of December 31, 2019 is not prepared, in all material aspects, in accordance with article 3 and 4 of the Decree and the GRI Standards.

DELOITTE & TOUCHE S.p.A.

Signed by
Giorgio Moretto
Partner

Padua, Italy
March 18, 2020

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



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