Sustainability

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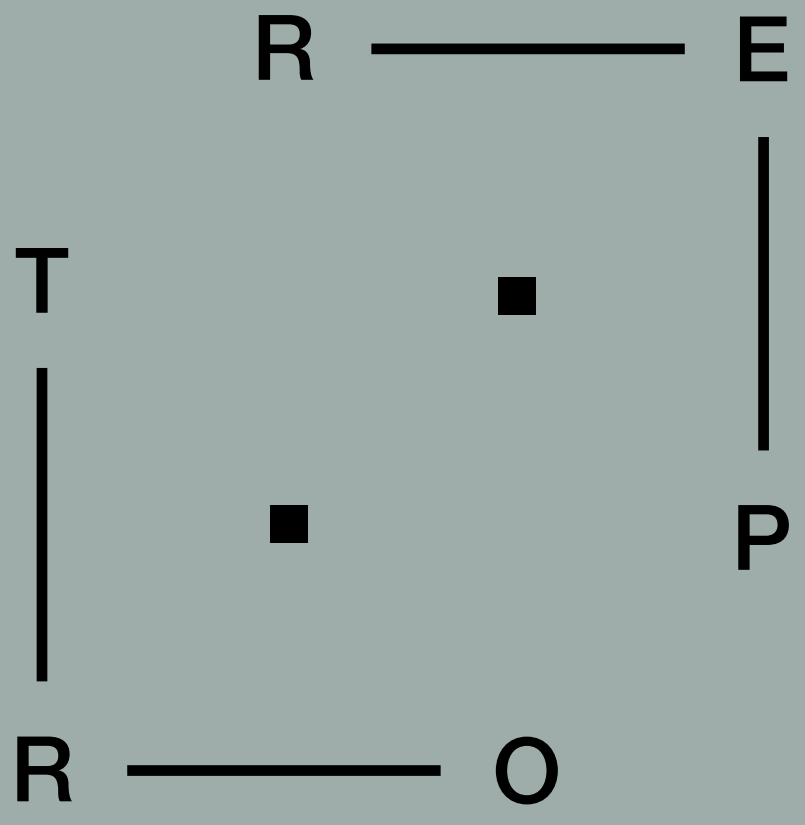

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FLOS

2019

sustainability report

FLOS

Index

A Message To Our Stakeholders

I am proud to present our renewed Sustainability Report that mirrors Flos' renovated commitment to sustainability, reaching deep down inside the Group's strategic approach – a fil-rouge that ties together all our activities. The Sustainability Policy and its pillars, published on our corporate website, are a clear expression of this profound commitment and of the deep engagement of all Flos people. This goes hand in hand with our adherence to the UN Global Compact principles and our support to the broader Sustainable Development Goals.

As my first year as Flos' CEO, I wanted to pour all of my experience and devotion to sustainability matters from the outset, in order to contribute to deepen an established mindset that makes the Group stand out. For this reason, a change management effort has been inaugurated with the aim to tighten the collaboration both between functions and Group companies: along the whole value chain, shoulder-to-shoulder work has been put at the core of Flos' daily life, enabling to liberate breakthrough creativity, confidence and performance in the activities carried out at all levels – in one word, unfolding the Company's full potential.

Talent, and thus the people, are the pivotal enabler of this potential and, as a result, they represented Flos' focus since the beginning, both inside and outside the Group's perimeter. This relationship has been the guiding principle of the Group's way of dealing with the Coronavirus pandemic, which broke out at the beginning of 2020: in moments of serious emergency that threatened our entire societies from the very foundations, Flos took advantage of its flexibility, market position and proactivity, standing still without compromising on the safety of its people.

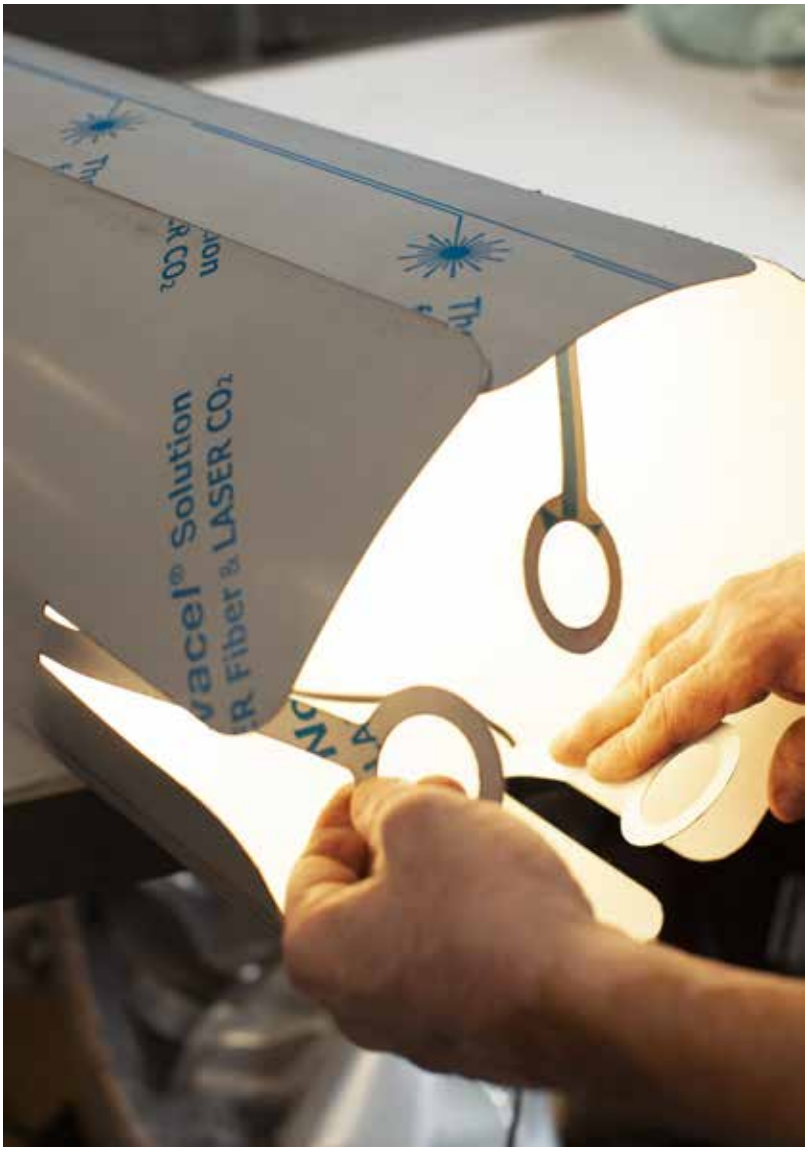
Our wide-ranging sustainability approach embraces environmental aspects as well: in 2019, we dedicated much of our efforts to continue increasing efficiency of operations, with regards to both energy consumption and materials. As for the former, we increased the share of electricity supplied by guaranteed renewable sources, thus further reducing our impact; as for the latter, our R&D department dedicated its time to exploring new solutions that will potentially change the way we conceive and craft new, breakthrough products from the ground up.

Finally, one of Flos' most valuable ingredients is tightly related to its heritage and know-how. The intangible resources the Group can count on are essential to create positive synergies, that is to create value not only from a cost saving perspective. The goal of increasing business resilience and vitality is inextricably tied to talent and culture. To this extent, Design Holding is an important sharing platform that plays a central role in creating value through both financial and social capital.

Knowing that we still have a long and challenging path ahead, this Report reveals how we are passionately striving to consolidate our sustainability mindset. I thus hope you will enjoy the reading.

Roberta Silva, CEO

Electronic department



R&D department

Outdoor production department

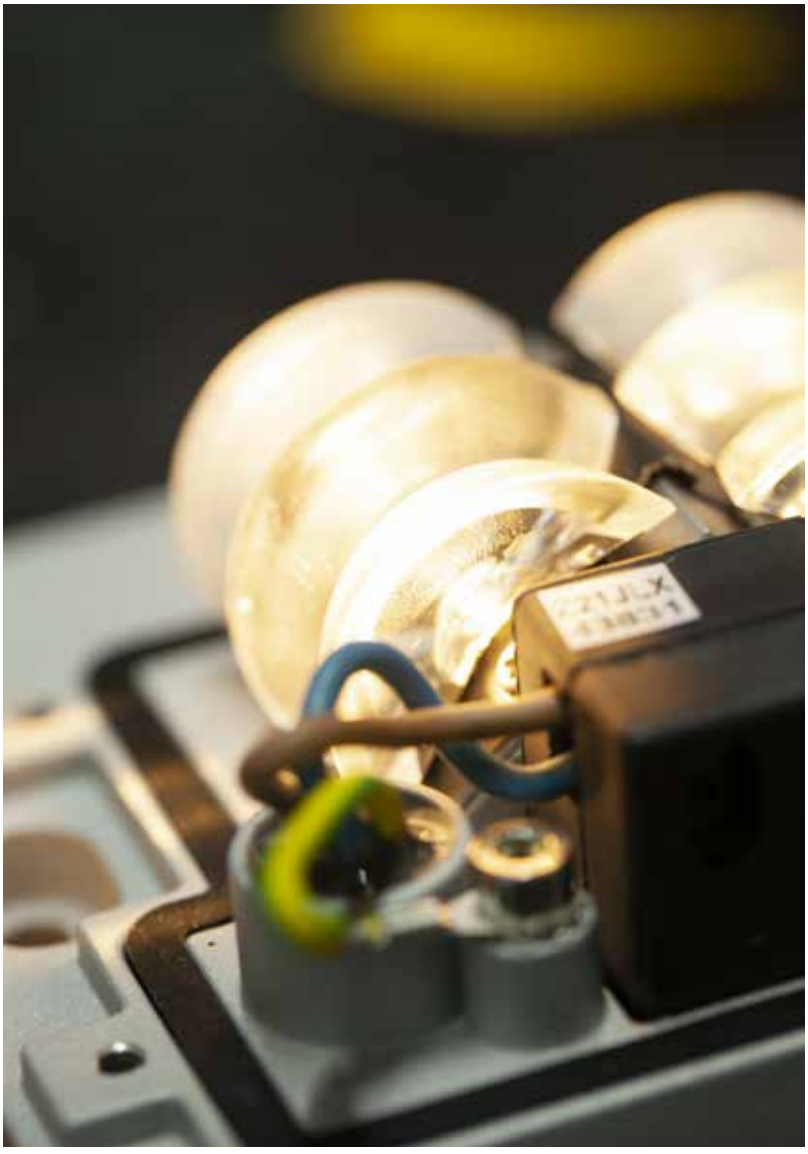
Waterproof test

Painting department

Polishing

Logistic department

Custom product department



Microcomponents automatic warehouse

LED assembly department

Finance department

Quality control department

Sustainability Highlights 2019

The Group

Revenues
232 M€

People
651

Countries
119

Value Chain

Local suppliers in Italy
87 %

Local suppliers in Spain
67 %

People

Employees Flos, Ares, Antares
414

Training hours per employees
8.8 h

Permanent contracts
95 %

Increase of training hours per employee with respect to 2015
42 %

Environment

Tons of CO_2
698

GHG emissions compensated through the subscription to Go Green Program by DHL

Reduction of electricity
13 %

consumption in the Bovezzo plant compared to 2017

Arco by Achille Castiglioni

Flos World

Since it was founded in 1962, Flos (“flower” in Latin) has been an industry leader, a standout company creating revolutionary, category-defining products that enhance any building or setting. From the outset, Flos has immediately gained – and maintained – a reputation for masterfully manufacturing poetic designs and forward-thinking inventions. Counting on solid foundations that are directly drawn from its renowned legacy, for nearly sixty years Flos has pushed the boundaries by making timeless icons that link design and engineering with art and culture to profound effect.

“In Flos you can’t find a uniform design model, but rather a strong desire to make design that can express broader meanings of the ‘sense of our time’, meanings that are often capable of adding cultural values even to expressions of taste.” (Achille Castiglioni)

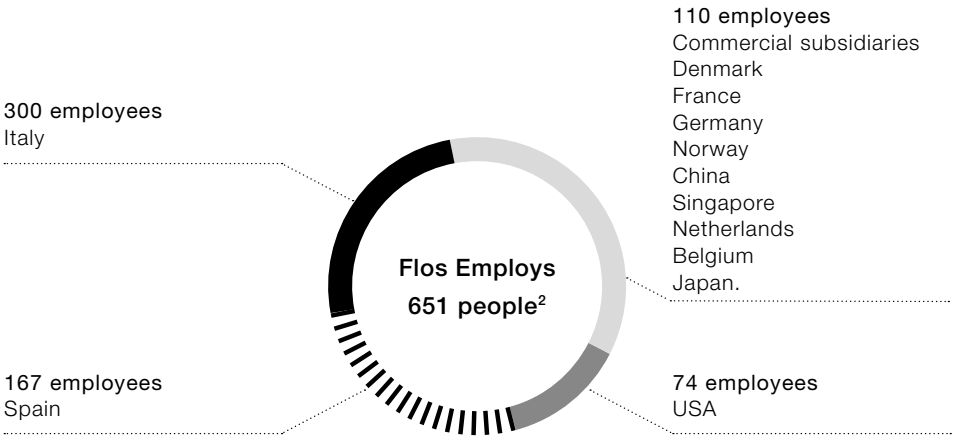
Today, Flos Group is still recognized as an international organization and a world leading manufacturer of innovative lighting solutions in the residential, outdoor and architectural sectors, featuring high quality products and systems merging technology and emotion. Organized into four divisions - Flos Architectural, Flos Decorative, Flos Outdoor, and Flos Bespoke - Flos incorporates a holistic, human-centered philosophy of lighting design.

Flos Shop

Group structure and global presence

Flos is one of the leading players in the Italian lighting industry, with consolidated revenues of more than €232 million in 2019. In 2019, on average, Flos employed 651[1] people, mainly located in the three operating sites of Flos S.p.A. in Italy, for the Decorative segment (headquartered in Bovezzo, Brescia); in Spain with its Antares Iluminacion S.A.U. subsidiary for the Architectural and Soft architectural segment (Valencia); and, again in Italy, with Ares s.r.l. (Bernareggio) for the Outdoor segment. The remaining people were employed in the Group's smaller commercial subsidiaries and the two custom product manufacturing subsidiaries, Flos Bespoke S.r.l. (formerly Light Contract S.r.l., Collebeato, Brescia - Italy) and Flos USA Inc. (Lukas Lighting division, Long Island City, NY-USA).

Employee worldwide distribution



In December 2014, Investindustrial V L.P., one of Europe's leading independent investment groups, became the majority indirect shareholder of Flos S.p.A. Starting from November 2018, Flos S.p.A. is fully controlled by Design Holding S.p.a which is itself jointly (and indirectly) controlled by Investindustrial funds and the Carlyle Group. The new Design Holding Group, the largest global high-end design group with European heritage, brings together three complementary companies with strong individual identities and significant design legacy: B&B Italia Group in furniture, Louis Poulsen and Flos in lighting.

[1] Average number of full-time equivalents (FTE) derived by taking into account employees employed under contracts of service, both permanent and temporary, in each month.
[2] The Graph shows geographical employee distribution by taking into account the Country to which the subsidiaries belong.

Design Holding

FLOS

B&B ITALIA

louis poulsen

B&B Italia

B&B Italia is the leading Italian high-end furniture design brand, globally recognised for its iconic products and technological innovation. The Company has a unique product portfolio, marketed under the B&B Italia, MAXALTO and Azucena brands for furniture and Arclinea for high-end kitchens, and has been awarded many design prizes over the years. B&B Italia has developed longstanding partnerships with world-renowned designers and architects such as Antonio Citterio, Patricia Urquiola, Naoto Fukasawa, Gaetano Pesce and many others which have positioned the Company at the forefront of technological innovation and design. B&B Italia is headquartered in Como (Italy) and has 11 flagship stores worldwide (2 in Milan, 2 in Paris, London, Munich, Hamburg, Washington, Dallas and 2 in New Work) and over 40 monobrands. B&B Italia also signed commercial agreements in 80 Countries, developing a presence in over 800 specialized shops. The Company also operates in the Contract Division with complex "turnkey" realizations of furnishings and finishes in the hospitality, retail, office and nautical areas.

Louis Poulsen

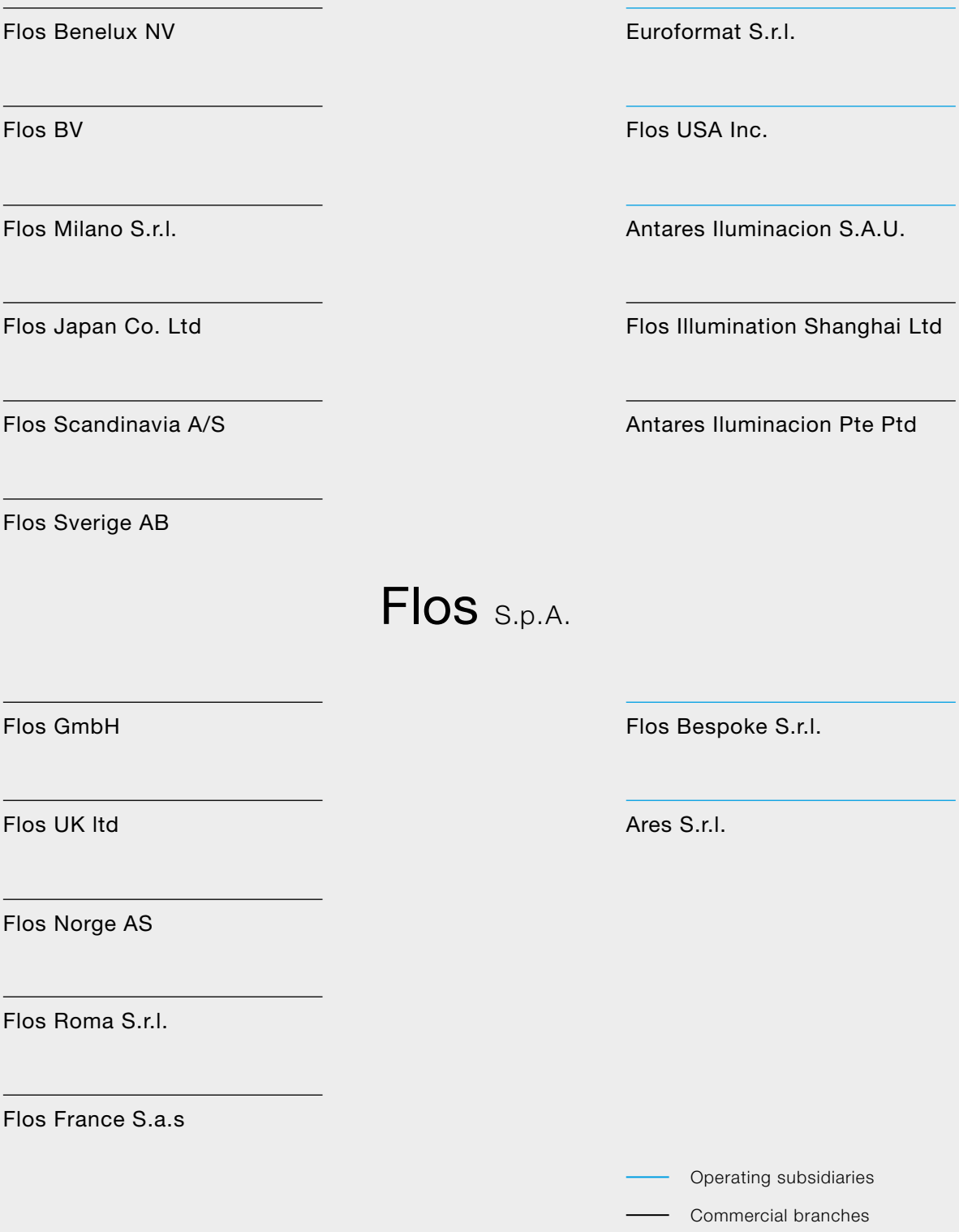
Louis Poulsen is a leading lighting brand with an iconic product portfolio focused on Danish design heritage, with headquarters in Copenhagen and production facilities in Vejen (Denmark), that offers a high-end product range for both indoor and outdoor applications. Louis Poulsen combines iconic designs stemming from the work of golden age Danish designers, such as Poul Henningsen, Arne Jacobsen, Finn Juhl and Verner Panton, and collaborations with leading modern designers such as Christian Flindt, Shoichi Uchiyama and Louise Campbell. The Company has a global distribution network with more than 50 countries served, and dedicated showrooms in Copenhagen, Stockholm, Miami, Helsinki, Vejen, Oslo, Los Angeles, Singapore, Tokyo and Düsseldorf.

The Design Holding Group

The following table reports the economic impact that Flos' financial results have on its stakeholders. Direct economic value generated by Flos shows a proportional increase between 2017 and 2019. Finally, as for the payments to the government, the significant increase is mainly related to non-recurring costs recorded in 2018, connected to the extraordinary operation involving the creation of Design Holding.

Direct Value Generated, Distributed and Retained **€ in thousands**	**2017**	**2018**	**2019**
Direct economic value generated	**215,144**	**225,762**	**232,287**
Direct economic value distributed	180,223	201,467	190,141
Operating costs	120,626	143,233	128,877
Employees' wages and benefits	37,687	39,212	42,146
Payments to providers of capital	12,322	13,791	8,866
Payment to government	9,506	5,127	10,173
Community Investment[3]	82	103	78
Economic Value Retained	**34,920**	**24,295**	**42,146**

[3] Value related to Community Investment excludes donations of lamps (e.g. donations to charity auctions)



The Group Structure

Flos S.p.A. has implemented a control and governance system based on:

- A Board of Directors, comprising seven members (4 in 2018)[4], which, together with the Design Holding Board of Directors, is entrusted with the powers to ensure the ordinary and extraordinary management of the Company;
- A Board of Statutory Auditors, comprising three standing statutory auditors and two substitute statutory auditors

Board Member	
Vitaliano Borromeo Arese	Chairman of the Board
Roberta Silva	CEO
Gabriele Del Torchio	Vice president of the Board
Maurizio Bottinelli	Board member
Francesco Malvezzi	Board member
Massimiliano Caraffa	Board member
Davide Ambrogio Pelle	Board member

An independent auditing firm has also been appointed.
To ensure transparency and responsible day-by-day operations, since 2015, Flos has an Organizational, Management and Control Model pursuant to Italian law 231/2001 (hereinafter "Model 231"), approved by the Board of Directors in March 2016. The drafting of the Model 231 has included the analysis of the main risks and the mapping of operating areas potentially subject to those risks.

[4] In 2019 a female component, Roberta Silva, in the role of CEO joined the Board. Age composition varied as well, with no member under 30 years of age (1 in 2018), 3 members over 50 years of age (none in 2018) and the rest in the middle age group.

As foreseen by Model 231 and applicable legislation, Flos has appointed a Supervisory Body (Organismo di Vigilanza) entrusted with the task of controlling internal implementation and corporate compliance with Model 231, as well as updating process.
The Supervisory Board comprises two external members, fulfilling the regulatory requirements in terms of autonomy, independence and continuity and a secretary. Together with Model 231, Flos drafted its Code of Ethics, which describes the Company's missions and ethical principles and governs the relationship between Flos and all its counterparts, i.e. shareholders, employees and partners, suppliers, Public Administration, trade unions, political parties and clients.
The implementation of Model 231 and of the Code of Ethics, together with Flos' certified 9001 Quality Management System, represents the framework to ensure compliance with applicable national and international laws and regulations.
Flos firmly believes that acting in accordance with the principles of Model 231 and of the Code of Ethics is essential to promote responsible business conduct, i.e. enabling it to avoid the occurrence of corruption cases and of unethical business practices. In this regard, in the 2017-2019 period, neither complaints from competitors and public authorities for anti-competitive behavior nor corruption cases were either identified or reported.

Sales by Country

Western Europe
62.0%

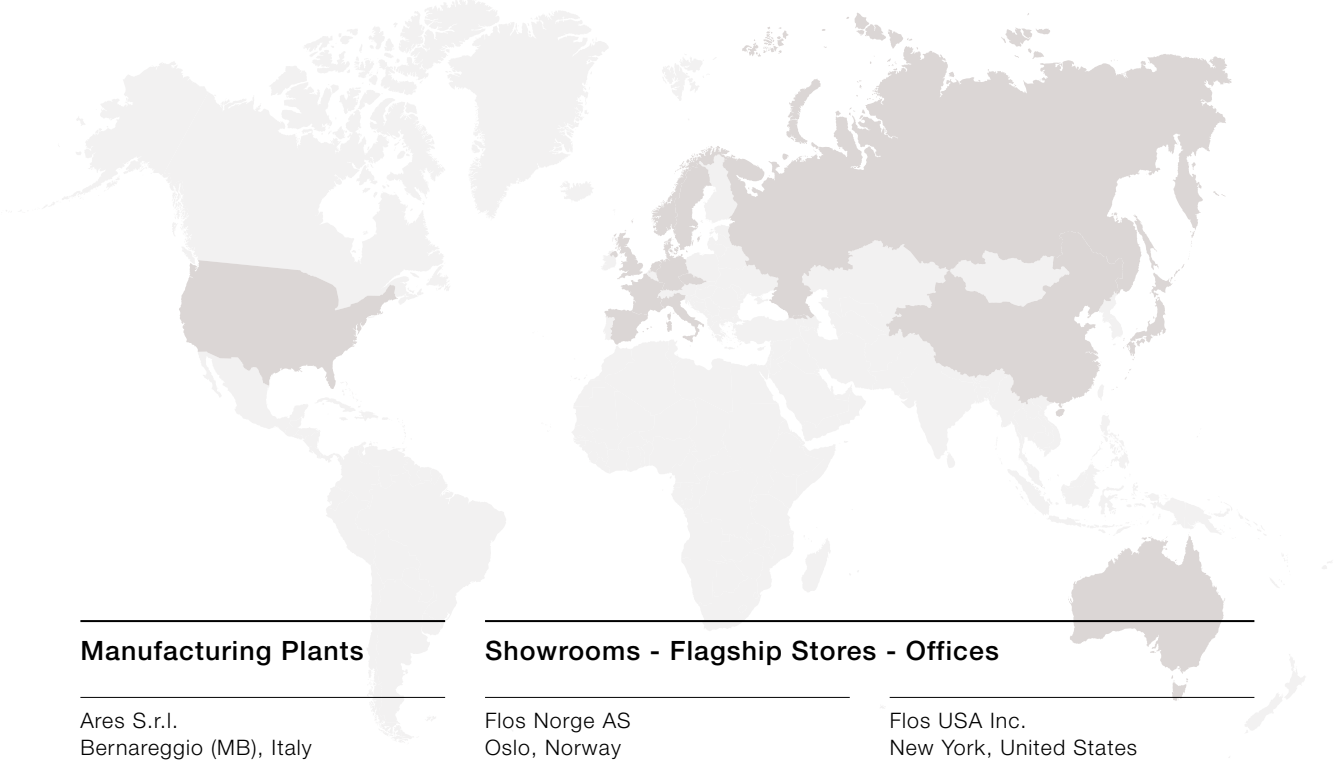
Asia Pacific
11.2%

Eastern Europe
5.2%

Americas
15.8%

Middle East
5.0%

Africa
0.8%



Manufacturing Plants

Ares S.r.l.
Bernareggio (MB), Italy

Flos S.p.A.
Bovezzo (Brescia), Italy

Flos Bespoke S.r.l.
Collebeato (Brescia), Italy

Antares Iluminación S.A.U.
Valencia, Spain

Lukas Lighting (Flos USA Inc.)
New York, United States

Showrooms - Flagship Stores - Offices

Flos Norge AS
Oslo, Norway

Flos Flagship Store
Stockholm, Sweden

Flos Scandinavia A/S
Copenaghen, Denmark

Flos BV
Amsterdam, Netherlands

Flos France Store and Showroom
Paris, France

Flos Flagship Store
Lyon, France

Flos USA Inc.
New York, United States

Flos Co Ltd.
Tokyo, Japan

Flos Flagship Store & Showroom
Milano, Italy

Flos Flagship Store
Roma, Italy

Flos Decorative

Flos' original core business, the Decorative collection merges technical research and innovation with emotional and aesthetic design, thanks to the strong relationships existing between the Company and the designers.

All products belonging to Flos' Decorative collection are designed and developed in the Flos S.p.A. Italian headquarters in Bovezzo and include several product categories, such as table lamps, floor lamps, pendant lamps and wall & ceiling solutions.

Bulbo

Noctambule Floor and Suspension by Konstantin Grcic

Flos Architectural

The Architectural collection includes indoor lighting systems both for domestic/residential use as well as for professional use.

This business segment designs and develops lighting solutions, often in cooperation with engineering and architectural firms, both for big retail networks (mainly fashion retail and hospitality) and for private customers. This business line focuses on professional and residential lighting systems, custom-made solutions and soft architecture products and it is based in Antares Iluminacion S.A.U.'s headquarter in Valencia, Spain.

Zero Track by Flos Architectural

Diversion by Piero Lissoni

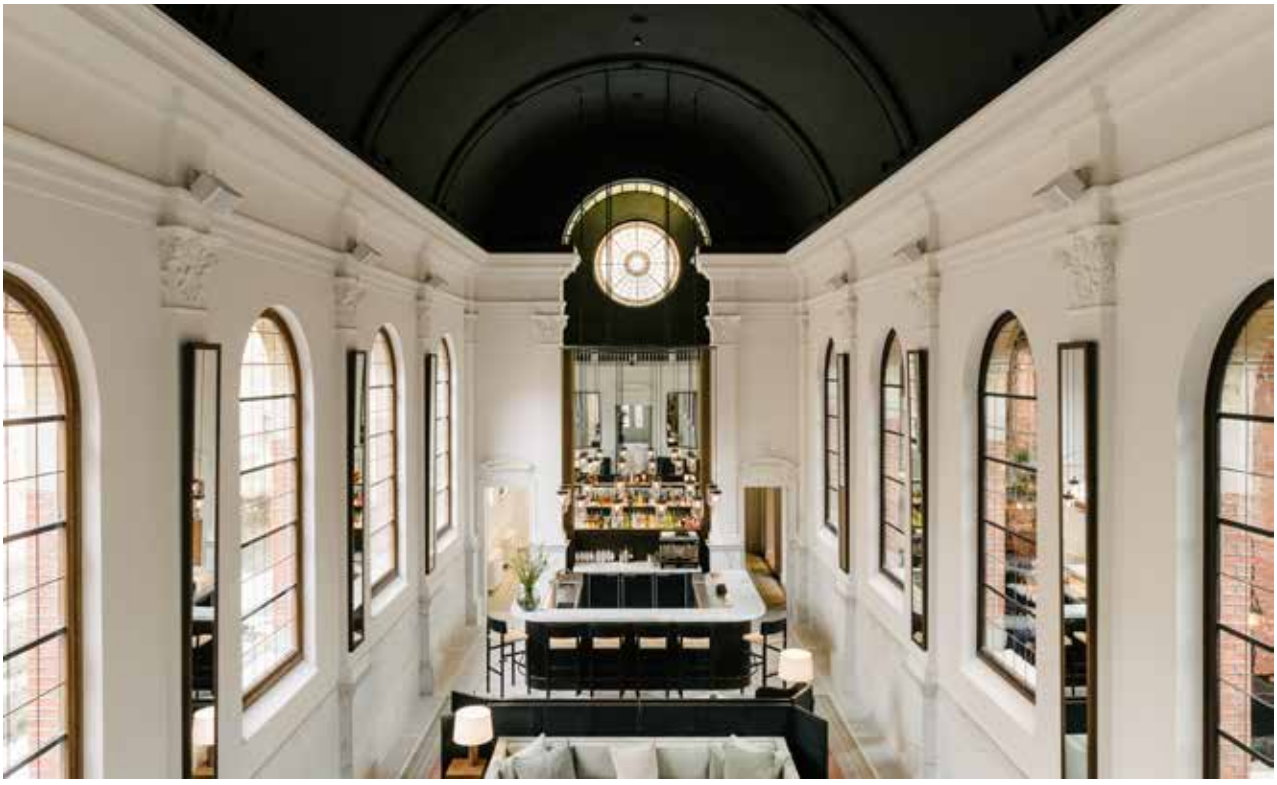
Flos Outdoor

The Flos Outdoor collection has been created to illuminate open spaces through a new design language, finding balance both by hiding in the natural landscape behind discrete objects, and by conversing with the architecture through designs with a unique identity.

At present, Flos Outdoor collection is mainly produced by Ares (Bernareggio, Italy).

Flos Outdoor collection

Flos Outdoor collection



Flos Custom

Born to satisfy customers' specific practical needs and their increasing desire for exclusivity, this collection focuses on the custom-made segment.

The custom-made business segment has been developed for over 20 years by Flos' Italian subsidiary, Flos Bespoke (formerly Light Contract), and it is currently growing following the acquisition of Lukas Lighting, later merged into Flos USA Inc., in December 2015.

Through this period of continuous change and development, the segment is becoming particularly important for Flos, on the one hand to guarantee a corporate identity and strong internal cohesion, and, on the other, to offer its products through a unique brand and image.

Hotel Augustus

Versace Boutique and Sanofi working space in New Jersey

Conference Room XIX, United Nations

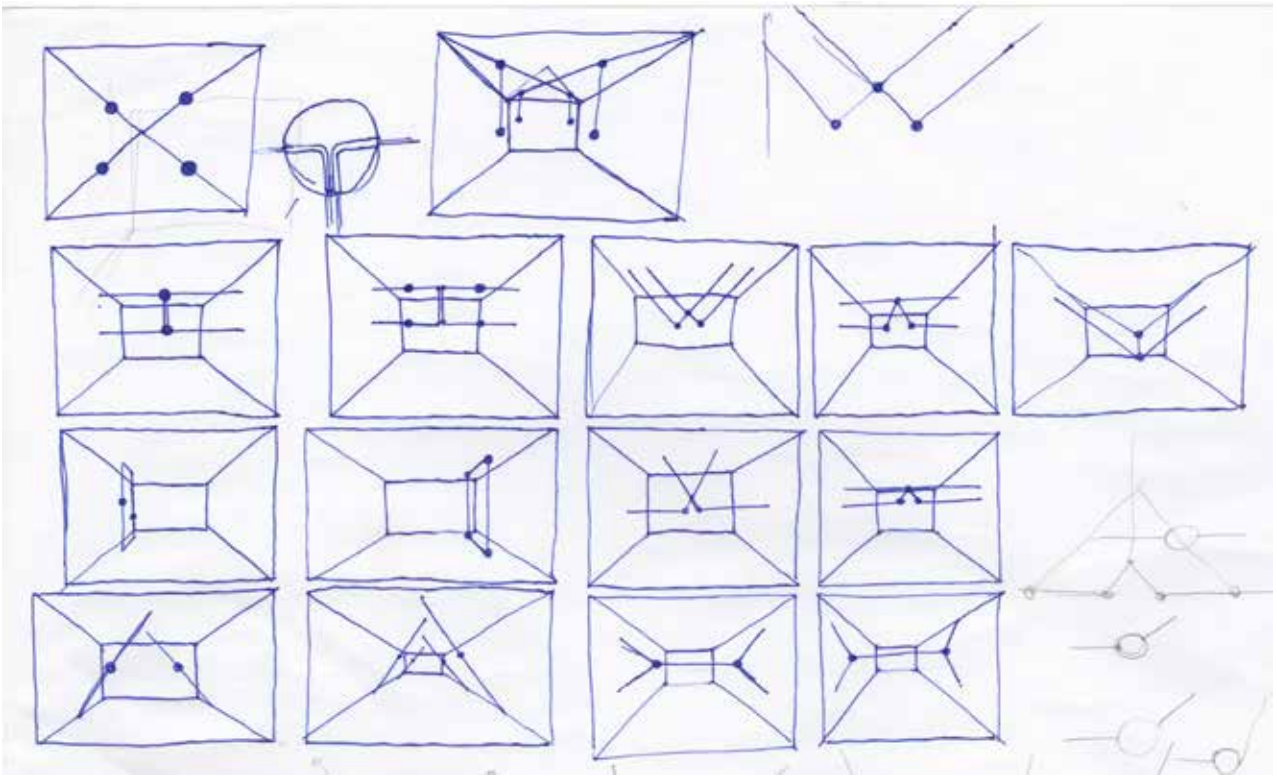
Value creation

Flos' intent of bringing to life inspiring sketches and projects from lighting architects and designers demands an articulated production process involving the R&D department, highly-specialized artisans and an accurate quality control system. Within this process, Flos directly manages, in collaboration with designers, architects and engineers, the conception and design of lighting systems, as well as the monitoring activities and tests carried out to assess product quality and to ensure compliance with safety requirements. Whereas, for the majority of manufacturing, assembly and logistic activities, Flos relies on the expertise of a specialized and trusted network of suppliers. Finally, an integral part of Flos value chain is customer care, directly managed internally with a unique contact for both the Decorative and the Architectural collections. The aim is to build a strong relationship with every customer and to respond effectively and promptly to each and every customer need.

Product Development

The creation of products that become icons and the conception of new languages around light are the result of an articulated process involving Flos' internal R&D department, as well as renowned and emerging designers, architects and engineers.

Painting process



Conception	Designers, architects and/or engineers submit the lighting solution idea along with some preliminary sketches to Flos' R&D Department, and subject them to top management evaluation before starting the production of the prototype series.
Pre-Series Production	Once the product has been accepted, the R&D team, in collaboration with designers, architects and engineers, works for its realization. A pre-series is carried out in order to test the mechanical and electrical design, to select the most appropriate materials, to identify the best available suppliers, the production process and to incorporate any necessary improvement to the luminaires. During these phases, different assessments regarding construction, mechanical and electrical aspects are carried out.

Quality And Compliance	The pre-series is tested to assess its adherence to quality and compliance requirements. Regarding the design collection, the final prototypes issued from the pre-series production process are sent to pilot clients who are asked to fill in a report about the product, giving Flos precious feedback covering product functionality, finishes, packaging as well as the overall product emotion and experience.
Launch Of The Product	If the prototypes simultaneously satisfy the pilot clients' expectations (for the design collection), Flos' internal quality standards and the applicable regulatory requirements, the product is approved for industrialization and the production phase is launched.

The production chain of the Decorative collection is handled in Flos' Italian headquarters in Bovezzo, for the indoor lighting products, and in Bernareggio, for the outdoor products, while the Architectural collection is produced in Antares' Spanish headquarter in Valencia.
The production process begins, once the products have passed the prototype and pre-series phases, with the purchasing of single components, as the large extent of techniques and materials required for Flos' products results in the outsourcing of most of the manufacturing processes.

This phase involves highly specialized techniques, including those necessary for the manufacturing of hand blown glasses and technical fabrics, but also coating processes and plastics and metals processing.
Processed materials composing the lighting systems are then sent to Flos headquarters to ensure that they meet the high quality and safety standards required by the Company and all applicable regulations. Afterwards, the components are assembled as indicated in the design and engineering plans.

The assembly process is predominantly outsourced to a network of selected artisans, mainly based in the Lombardy region and in Valencia.
The production chain ends with a further quality assessment of the final product, carried out in the Group's internal laboratories.

Over the last few years, production processes have been characterized by an increase in Flos' production volumes resulting in a saturation of the external network in charge of product assembly. In order to overcome this issue and to continue responding to market needs, in 2018 Flos started a pilot project for setting up a new assembly line in its facilities in Nave, close to its Bovezzo plant. The project, consolidated in 2019, aims to increase the ownership of the production process, thus enhancing the control over its supply chain as well as the production capacity and flexibility.

To design and manage the new production area, Flos management decided to implement the lean manufacturing principles. The lean thinking is a systematic methodology that focuses on minimizing waste within manufacturing processes while simultaneously maximizing productivity. The key components and foundation is the so called "5 S program" which stands for: Sort, Set in order, Shine, Standardize and Sustain. The 5 S program focuses on having visual order, organization, cleanliness and standardization of each workspace, resulting in improved profitability, efficiency, service and safety. The primary objective of applying such principles for Flos is to obtain a production and logistics flow organized in accordance with the most advanced manufacturing concepts capable of eliminating faultiness as well as time and materials inefficiencies. In 2019, the project was characterized by the introduction of new production stations and by increased efficiency and quality outcomes as a result of the continuous improvement mindset, the basis of lean thinking. Flos, in line with its view of an integrated supply chain, is also starting some collaborations with its key suppliers aiming at supporting them in the integration of the lean principles in their production processes.

In 2019 Ares also carried forward the implementation of the lean principles in its production processes. The lean project, in particular, has been focused on the integration of painting activities and on the consolidation of existing KPIs as well as the identification of new ones.

Quality as a synonym of safety and durability

1. First quality check	on raw materials and components coming from suppliers.
2. Statistical quality check	on single components following the manufacturing/painting phases by suppliers.
3. Routine test quality check	on final products. Carried out in the assembly department to ensure that all electrical items are checked to comply with safety regulations (including tests on the electrical safety of products detailed in the safety standards) and additional statistical tests.

Beyond mere regulatory compliance, Flos' attention to quality is inherent in every phase of the production process. In addition, safety is continuously monitored throughout the product lifetime through the analysis of complaints and communications by consumers. In the rare event of complaints related to safety, Flos has established procedures that allow for timely reaction by reclaiming the products and conducting tests in order to ensure customer safety. For instance, in relation to the malfunction case of the halogen version of the Skygarden 1 and Skygarden 2 lamps and following few complaints received regarding Romeo S2 Moon and Louis (manufactured until March 2006), Flos duly distributed safety kits and collaborated with the local authorities of the countries involved. In 2019, no analogous complaints related to safety aspects were recorded by Flos.

Furthermore, Flos is permitted to use the ENEC Mark logo on many of its products. The ENEC logo is a voluntary mark which complements the mandatory CE marking, being a seal of compliance to all applicable European standards. While CE marking represents a self-declaration by the manufacturer and does not imply that products are approved by the European Commission or any other authority (i.e. Test Houses), the ENEC mark demonstrates compliance with European standards and is granted by an independent third party, which is responsible for inspecting the production process as well. The ENEC mark can be granted only to Companies in which a Quality System is operating, either certified or qualified by a third-party.

Finally, product labels include all the necessary information to ensure the safe use of luminaires, in compliance with the minimum safety requirements

specified in the Low Voltage Directive and other applicable EU Directives. The products are also identified with a batch of production, according to which it is possible to obtain access to the relevant routine test results and to a list of the components used for their production. No incidents of non-compliance with regulations and voluntary codes concerning products have occurred during the last three years.

Suppliers Selection and management

Flos' products are the outcome of a long-lasting collaboration with top-quality Italian and Spanish suppliers, a fusion of craft heritage and experimentation. Besides the electronic components, which are usually imported or purchased from multinational companies, the production of other semi-processed materials and components and the majority of the assembly activities are outsourced to Italian and Spanish suppliers, mainly from northern Italy and Valencia's surrounding areas. This proximity becomes crucial, also in strategic terms, given the intensity and timeliness with which Flos conducts quality control processes on semi-processed materials and on finished products. Promoting local suppliers not only gives the opportunity to rely on a shorter supply chain improving reliability and delivery times but also demonstrates support for the local community. For both the Decorative and the Architectural collections, the percentage of local suppliers is relevant both in terms of the number of suppliers and in terms of spending, showing a regular trend through the years, as reported in the following tables. Regarding the Decorative collection, Flos' preference for local suppliers is not a simple choice of convenience, but it stems from its attention and attachment to the concept of "Made in Italy", considered as a synonym of expertise, artisanship and innovation. Indeed, more than 87% of the Company's suppliers are located in Italy, mainly in the Lombardy region (approximately 70% out of the total number of suppliers, representing 63.4% of the total spent in 2019). In line with previous years, 2019 also recorded an overall increase in the number of suppliers, mainly related to the launch of new products and collections characterized by distinctive materials, thus requiring highly specialized suppliers.

Suppliers' provenance by number and spending – Decorative and Outdoor collection

Suppliers Provenance	**U.M.**	**2017**	*spending*	**2018**	*spending*	**2019**	*spending*
Italy	**suppliers (n.)**	**358**	***84.1%***	**425**	***82.4%***	**497**	***85.4%***
Lombardy region[5]	suppliers (n.)	287	*68.6%*	341	*69.1%*	397	*63.4%*
Italy (except Lombardy region)	suppliers (n.)	71	*15.5%*	84	*13.3%*	100	*22.1%*
Other Countries	**suppliers (n.)**	**49**	***15.9%***	**64**	***17.6%***	**71**	***14.6%***
Total	**n.**	**407**	***100%***	**489**	***100%***	**568**	***100%***

Concerning the Architectural collection, given the quality performance of all suppliers, the selection process is primarily based on their flexibility and capability to promptly react to Flos' requests, which adapt to the fluctuations and demand shifts characterizing this branch of the lighting market. For these reasons, as shown in the table below, more than 67% of the Company suppliers are located in Spain and, more specifically, in Valencia and its surrounding areas (approximately 42% of the total number of suppliers and almost half of the total spent in 2019).

Suppliers' provenance by number and spending – Architectural collection

Suppliers Provenance	**U.M.**	**2017**	*spending*	**2018**	*spending*	**2019**	*spending*
Spain	**suppliers (n.)**	**143**	***70.8%***	**137**	***70.9%***	**129**	***67.8%***
Valencia and surrounding areas	suppliers (n.)	81	*51.4%*	79	*51.3%*	81	*49.6%*
Other areas in Spain	suppliers (n.)	62	*19.4%*	58	*19.6%*	48	*18.2%*
Other Countries	**suppliers (n.)**	**60**	***29.2%***	**67**	***29.1%***	**63**	***32.2%***
Total	**n.**	**203**	***100%***	**204**	***100%***	**192**	***100%***

The sustainable management of the supply chain involves a long-lasting relationship between Flos and its suppliers, built on mutual trust and respect. Considering the important role played by the supply chain in Flos' business, the Company is committed to transfer its modus operandi and its expertise to suppliers, providing technical support in order to guarantee product quality. Flos adopts a strict selection process and conducts audits at the suppliers' sites to evaluate the quality of the materials and services provided, their technical skills and the tools and machineries used. Moreover, great attention is paid to the supplier's quality management system (QMS), preferring those

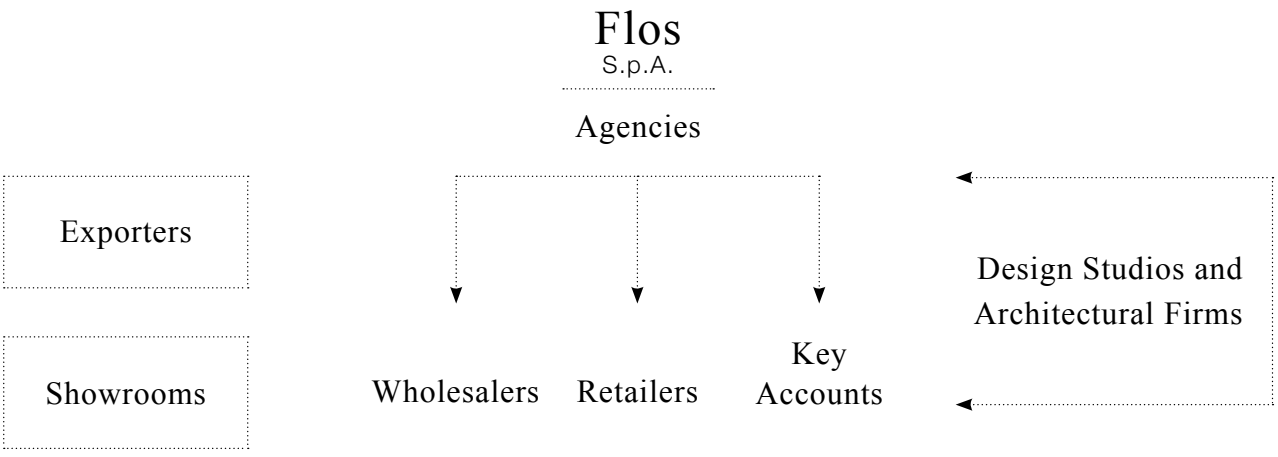
[5] Data includes Verona district. For the definition of "local suppliers" Verona district has been also considered, based on the proximity to Bovezzo HQ.

who have obtained an ISO 9001 QMS certification. Flos' business model, focused on aesthetics and on the functional durability of its products, implies a greater attention devoted to quality and technical aspects during the assessment and selection of suppliers. Nevertheless, in its attempts to monitor and reduce its overall impacts along the supply chain, at the beginning of 2018 Flos released new contractual clauses, based on a series of relevant national and international guidelines and regulations.
The latter cover issues such as, the safety of products and workplaces, the environmental impact of products and production processes and workers' labor conditions. Relevant examples of such norms are provided by the REACH Regulation, focusing on the assessment and management of the risks posed by chemical substances, the Waste Electrical & Electronic Equipment Directive, for the management of electronic waste, or the International Labor Organization's regulation, such as the Equal Remuneration Convention, which fosters work of equal value for men and women. A further reference has been introduced about Conflict Minerals Rules, as regulated by Section 1502 of the Dodd-Frank Act and of Regulation EU 2017/821. Moreover, in order to track their sustainability performance, these additional contractual clauses foresee the possibility of requesting suppliers' specific data related to environmental aspects (such as waste produced, raw materials and energy consumption) or safety information (such as accident statistics). Similarly, these new contractual clauses foresee the opportunity of conducting environmental and social audits on suppliers' facilities and policies, in order to test their compliance with Flos' requests. In 2018, in order to carry forward supplier monitoring, Flos also introduced a new tool for supplier qualification.

In addition, in 2019 Ares completed the implementation of a new vendor rating system that aims at strengthening the relationship with its suppliers, as well as sustaining the supply chain. The new system allows Ares to have in-depth monitoring of a set of KPIs, such as economic solidity, flexibility and quality: in the future it might also turn into a rewarding mechanism.

Although designed for collecting business-related supplier information, both Flos and Ares tools will also allow the introduction of ESG aspects in supplier screening that, together with the new contractual clauses, will help the Company to further understand and minimize social and environmental burdens across its supply chain.

Client Relationship	Flos demonstrates its attention to clients not only by offering exceptionally designed and technologically advanced lighting systems, but also through a close communication with them as well as an efficient repairing/substitution service. Flos's sales channels



As for communication, Flos operates through various sales channels to better adapt its offer to clients' different expectations and technical requirements. The Group mainly relies on its own subsidiaries and sales team located worldwide as well as on agencies, which are intermediaries that sell products of the Architectural and Decorative collection to distributors. Flos' distributors comprise wholesalers of electric equipment and lighting specialists, which sell products to installers, and generalist retailers, that are mostly composed of family-run furniture or lighting shops, which predominantly serve final customers. Key accounts, instead, are B2B clients, which have a direct contact with the Company also through the distribution network, that represents an additional service and a market advantage compared to competitors.
By doing so, Flos operates closely with the key accounts both to meet their

need of having the same lighting concept applied to their different stores and to help them better develop their project and business. Flos also relies on Agencies that operate through active sales, by collaborating with design studios and architectural firms, proposing personalized and unique lighting solutions. In these cases, lighting products can be sold either directly to the final client or via distributors. Furthermore, Flos relies on showrooms for sales of its Architectural and Design collections. These showrooms are corporate shops operating either through B2C or through B2B models. Finally, in those markets where these sales channels are not available, Flos relies on exporters, which allow final customers and intermediaries to be reached in Countries where a direct sales activity is not present.

Client proximity in the digital era

Flos' commitment to combine client needs and technological innovation is directly linked to the continuous improvement of its digital channels. The Group ultimate goal is to offer new experiences to its customers, whether it be in the form of a product, or in the access to Flos' creations. With respect to the latter, 2019 has witnessed the redesign and re-engineering process of its Professional website: thanks to a multi-level and multi-purpose stakeholder survey, the main needs of Flos customers and stakeholders have been identified and translated into a new architecture and wireframing site.

As a fundamental result, the new website will separately address retail customers and professionals so that it can build a user experience and the underlying structure in a way that allows users to find what they are looking for with the suitable level of detail. The ultimate goal of Flos Professional website is to gradually implement new features in order to respond to the incoming needs and requests of a wide and assorted audience, used to interact with advanced services capable to catch their needs in an easy and transparent manner. Furthermore, a series of new analytic instruments has been integrated in the new website structure, so as to continuously respond to the needs of Flos' clients thanks to a constant monitoring of their expressions' flow. Flos believes that the new Professional website will help to both unleash the true potential of its iconic creations to impact the creations of many lighting professionals as well as to strengthen the communication of its wide range of solutions and services.

128k
followers

607k
followers

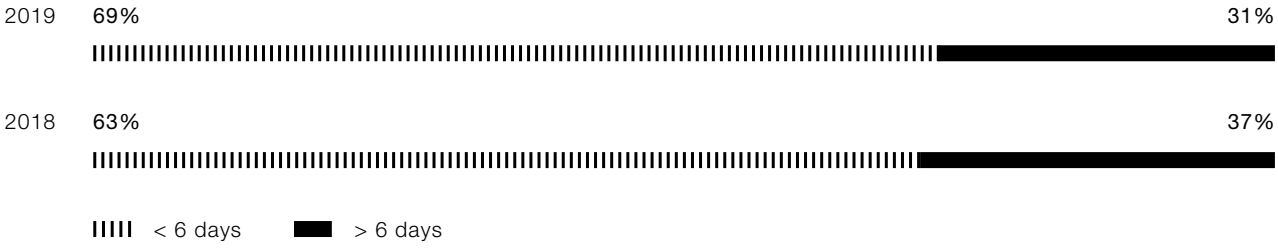
Flos is also strongly focused on monitoring clients' claims regarding product malfunctioning or faultiness, with the aim of improving the overall process, thus enhancing customer satisfaction. In the event of claims, Flos evaluates, on a case-by-case basis, the best solutions in terms of both costs and customer satisfaction. For instance, the Company may either recall the product to analyze the causes of its malfunctioning, substitute it immediately or, in case of widely installed systems, send a Flos technician from the internal quality department to conduct a site visit in order to identify more suitable solutions.

Moreover, since 2018, Flos' front office organizes periodic meetings once every quarter involving specific departments – i.e. quality, production and R&D – to report and analyze the complaints received and evaluate corrective actions. The Group monitors the number of products returned for faultiness reasons and the evolution of the quality indicator, which is calculated as the ratio between the cost of returned products for faultiness reasons and the total costs of goods sold. This indicator, which includes Flos, Ares and Antares collections, and contributes to determining employees' yearly bonus, has significantly decreased in 2019 recording a -30% drop with respect to 2018.

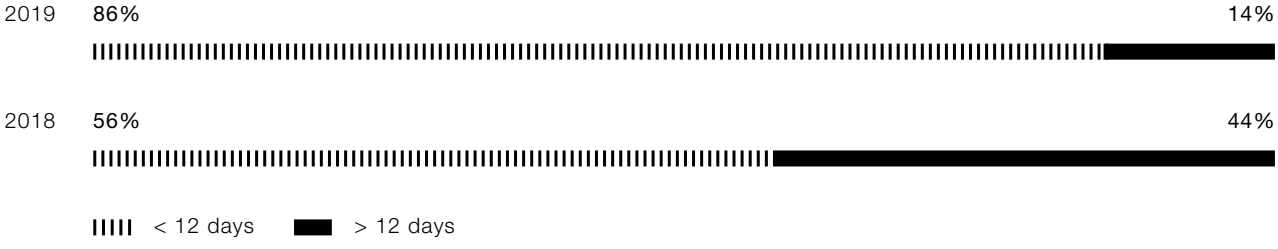
Quality Indicator	**U.M.**	**2017**	**2018**	**2019**
Cost of returned product for faultiness on cost of goods sold	%	1.28	1.51	1.06

An additional relevant aspect, which demonstrates Flos' attention to its customers, is the importance devoted to the timeliness of deliveries. Regarding the Decorative collection, the time lag between orders and deliveries is usually less than 6 days while for the Outdoor collection its variability depends on client requests and needs: in general, due to the higher complexity of crafting outdoor products and to Ares' structural characteristics, lead time split for orders and deliveries is set at 12 days.

Time lag - Decorative Collection



Time lag - Outdoor Collection

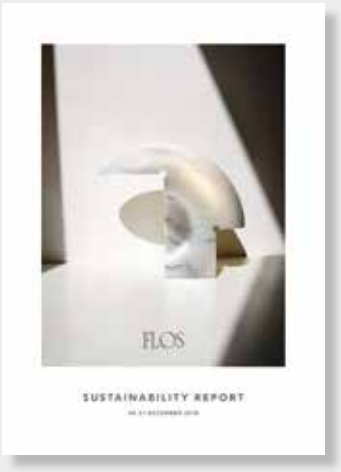


Impact of the Covid-19 pandemic

In the first few months of 2020, Flos value creation has been heavily impacted by the Coronavirus (COVID-19) pandemic in all its dimensions, from product development to client relationship. The spread of the disease is hitting hardest in areas where the Group has important production units, i.e. Lombardy region. Health and safety has always been the Group's absolute priority during these months, and Flos is doing whatever it takes to guarantee business continuity while several teams are determinedly working to help mitigate the risks. As a result, numerous measures have been taken to prevent and combat the possibility of contagion.

Capitalizing on its intrinsic flexibility and agility, Flos has been able to implement drastic measures since day one of the pandemic outburst: more stringent health and safety protocols than the ones required by local law have been timely put in place; a vast mapping of Flos' people vulnerabilities and greater exposure to the possibility of contagion has been carried out with the aim of fostering remote working as a means of protection and direct support, which has been thoroughly provided to suppliers facing both economic and operative challenges, such as the supply of personal protective equipment.

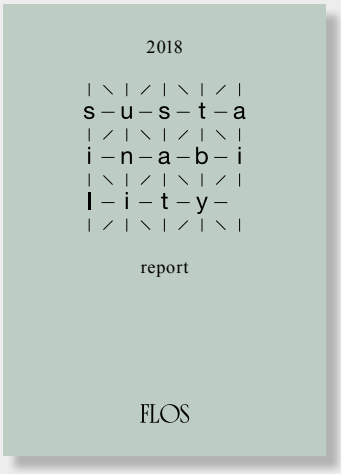
At an operational level, following the prescriptions issued by the government, the plants of Bovezzo, Collebeato and Bernareggio suspended production since March 13th, 2020, before the official suspension by decree on March 22nd. The Prime Minister's Decree of April 10th, 2020 extended the containment measures, including the closure of production activities until May 3rd, 2020 (Flos restarted its activities on April 27th thanks to its qualification as an activity with strategical relevance). Although, following this date, all production sites in Europe have gradually reopened. The overall severity and forecast of the Coronavirus pandemic are currently uncertain, therefore Flos cannot predict how it could impact its downstream markets and production chain.



2015

2016

2017



2018

2019

Sustainability Report cover

Sustainability path

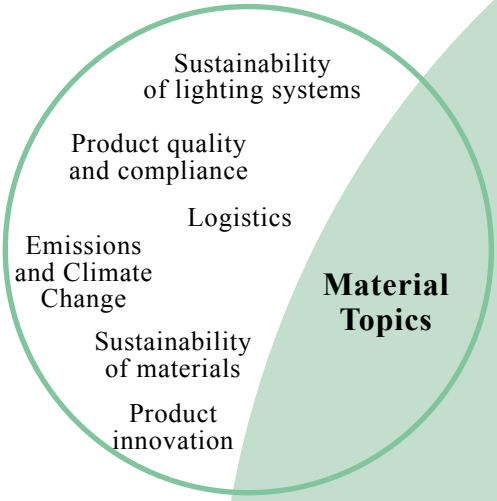
In 2015, Flos strengthened the commitment towards its stakeholders by publishing its first Sustainability Report. Since then, Flos started a process of identification and prioritization of its social and environmental impacts as well as a monitoring process of the most significant key performance indicators with an increasing degree of awareness and knowledge. Furthermore, in November 2015, Flos subscribed to the United Nations Global Compact (UNGC), a global coalition of companies committed to voluntarily aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. Companies participating in the Global Compact initiative are required to communicate annually on progress made by implementing the ten principles in order to inform the Company's stakeholders (e.g., investors, consumers, civil society, governments, etc.). This Sustainability Report represents Flos' Communication on Progress.

A big leap was then taken in 2019, when Flos decided to further reinforce its commitment to sustainability by formalizing its first Group Sustainability Policy. The document is the outcome of a cross-functional process that witnessed the active participation of Flos' management and was later made available to the Company's internal and external stakeholders through dedicated communications as well as through the corporate website. The Policy aims at unfolding Flos' engagement and strategy towards the most preeminent sustainability issues and it exemplifies what sustainability means for Flos by defining a high-level of commitment in its introductory part, the pivotal principles and values which constitute the basis for the sustainability path, and, finally, the three strategic pillars around which the Group commits to focus its sustainability-related activities on.

Energy And Materials	Flos aims at improving its overall environmental footprint along the value chain. Aware that global challenges are closely linked to energy and materials, respectively interconnected to climate change and circular economy aspects, Flos strives to mitigate and optimize its direct and indirect consumption of these resources.
Development and Wellbeing	Flos believes that its employees, through their passion and expertise, represent the essence of its brand success worldwide. Flos puts its workforce, regardless of their role, at the center of its strategies aiming at cultivating an inspiring, inclusive and motivating working environment.
Heritage and Know-How	Flos' most valuable asset in the path towards sustainability is strongly related to its heritage of design icons and its technological know-how. Flos is therefore committed to actively exploiting its intangible resources to contribute to addressing the challenges that the lighting industry, both from an artistic and a technological standpoint, is facing.

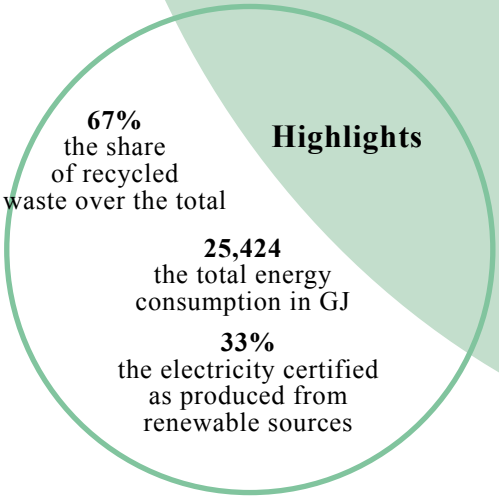
Thus, in line with the Sustainability Policy and with the UNGC commitment to take concrete action in support of the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development, Flos underwent a profound restructuring of its 2019 Sustainability Report by focusing on the sustainability pillars identified. Accordingly, this document is divided into three main chapters, one for each strategic pillar: the chapters open with a new frontispiece made up of the reference pillars' definition and scope, and account for the material topics relevant for the pillars and for the SDGs linked to them. Finally, a highlight section summarizes the Chapter's main findings at a glance. The identification of the areas in which Flos can contribute the most, and their deep and purposeful integration in the present Report, represents the first step towards a more strategic and solid commitment towards sustainability.

1. Energy and Materials



Flos aims at improving its overall environmental footprint along the value chain. Aware that global challenges are closely linked to energy and materials, respectively interconnected to climate change and circular economy aspects, Flos strives to mitigate and optimise its direct and indirect consumption of these resources. In this regard, Flos is committed to:

- continuously monitor its energy and materials consumption as well as the related greenhouse gas emissions generated;
- identify and carry out optimisation activities intended to progressively reduce environmental impacts related to energy and materials;
- balance product's quality, performance and durability with environmental burdens by implementing the best available technologies and solutions.



For Flos, the improvement of its environmental footprint in its broader meaning – thus including both product manufacturing and the product's life – has always been a fundamental part of its sustainability mindset. This commitment is put into actions by Flos on a continuative basis while carrying out its core business activities, from R&D and product conception to the performance monitoring over its entire life cycle. Considering that from a business perspective the demand for lighting products is continuing to increase as a consequence of global population growth and urbanization, the most urgent concern for the industry is not only to decouple demand growth and environmental impacts, but also to foster the incorporation of global challenges within the way in which the whole industry operates.

Sustainability awareness in the lighting sector has gradually increased in the last decades mainly through improvement in energy efficiency regulations and the spread of voluntary certifications, thus stimulating different players through the development and enhancement of more efficient lighting technologies. If some years ago the industry underwent a paradigm shift from conventional lighting to Light Emitting Diodes (LED) – which unleashed less energy consumption together with automated and intelligently controlled system opportunities – attention is now moving towards the so-called "human centric lighting", which considers the impacts of artificial light quality on people's wellbeing and emotions. Furthermore, the lighting industry is joining many other industrial sectors in the growing interest for the transition from a linear to a circular economy model aiming at decoupling economic growth from the consumption of finite resources. This objective can be achieved through a twofold strategy: a so-called regenerative design, which extends the product life cycle, optimizing reuse, refurbishment and recycling techniques in order to increase resource productivity; and modularity, namely facilitating the disassembly or maintainability of products, in order to improve their durability and to reduce their overall environmental impact. Finally, as part of the broader manufacturing sector, the lighting industry is also called upon to progressively reduce its direct and indirect greenhouse gas emissions (GHG), closely linked to energy efficiency, so as to effectively address climate change.

1.1 Balancing Languages of light and environmental challenges

Flos deeply believes that no single company, as innovative and disruptive as it may be, is able to consistently tackle the above-mentioned global challenges. Instead, the transition towards a low carbon and circular economy require joint efforts of all the industry players at a systemic level. Based on this overarching aim, the proactive participation to industry associations has been in Flos' DNA from the outset. Indeed, Flos' contribution aims at shaping the development of new and more effective national and international regulations and standards regarding the lighting sector through tight cooperation with peers. Thanks to its participation in Assoluce and other industry associations' technical departments, Flos is at the forefront of several working groups that aim to discuss new regulations and standards to safeguard both the lighting industry and final customers. Such working groups take place both at a national (e.g. CEI – Italian Electrotechnical Committee) and an international level (e.g. IEC/CENELEC – International Electrotechnical Commission and European Committee for Electrotechnical Standardization).

M/543
The EU Mandate on the development of eco-design requirements related to material efficiency aspects

EU 2019/2020
The eco-design Regulation for Light Sources, also related to circular economy principles, published in 2019

In 2019, Flos' activity continued like the previous year to focus on the new edition of the IEC/EN 60598-1 safety standard, specifically targeting the new LED light sources – the publication of which is foreseen later in 2020. In addition, the Company contributed to the amendment of the IEC/EN 60570 standard about electrical supply track systems for luminaires, published at the end of 2019. Furthermore, Flos worked on the alignment of the two above-mentioned IEC/EN standards, focusing in particular on track systems and magnetic suspensions in luminaires: this aims at ensuring a better coexistence between safety requirements and the evolution of the lighting sector.

Flos has also been tightly collaborating with Lighting Europe for the promotion of regulations embracing a circular economy perspective, mirroring and confirming the trend that sees the lighting industry as the leading actor in the diffusion of energy efficiency solutions. Also, the industry sector has a strong record in prolonging the products lifetime as well as in recycling and in reducing hazardous waste. Finally, in the next few years, Flos will be actively involved in the Electromagnetic Compatibility Directive.

In 2019 a further activity related to material efficiency started in IEC (TC 34 AG 16 Standardization Strategy), with the purpose of providing a strategic plan, liaison coordination and issuing deliverables to the benefit of global electronic industries. The ultimate aim of this entity is to ensure that the actions approved at EU level are duly taken into consideration on a worldwide scale. This aspect is of fundamental and strategic importance to Flos, since the potential inhomogeneity between regulations from one Country to another where the Group is present may entail additional challenges as far as the compliance to different rules and procedures applying to lighting products is concerned.

Flos' participation in industry associations

Assil	Flos is an associate of Assil, the Italian Association of Lighting Manufacturers founded in 1995, which includes about 80 Italian Companies representing over 50% of the Italian market turnover in the lighting segment.
FLA	Flos and Ares are members of Assoluce, the Italian national association comprising more than 150 luminaire manufacturers, part of FederlegnoArredo, the Italian wood and furniture industry association.

Anfalum	Antares is an associate of Anfalum, the Spanish Association of lighting manufacturers that comprises 87 Spanish Companies active in the lighting industry.
Lighting Europe	Assil, Assoluce and Anfalum are part of Lighting Europe, the industry association that represents the lighting industry in Europe. Lighting Europe's mission is to promote efficiency and sustainability of lighting systems, focusing on environmental challenges, human comfort and customers' health and safety. Lighting Europe is made up of 4 Working Groups (WG)[6], in which Flos takes direct action, addressing topics such as products' safety and quality, light impact on human life as well as sustainability issues.

Moving to the legislative changes of 2019, the European Commission has adopted a new Circular Economy Action Plan for sustainable growth. Such Action Plan covers initiatives along the entire life cycle of products, for instance targeting design, promoting circular economy processes, fostering sustainable consumption, and aiming to ensure that the resources used are remaining within the EU economy for as long as possible.

The European Commission has also requested that the European standardization organizations draft new European standards on efficiency aspects for energy-related products in order to support the implementation of Directive 2009/125/EC. Furthermore, it foresaw Mandate M/543 with the aim to develop generic standards which cover eco-design requirements related to material efficiency aspects (such as recyclability, recoverability and reusability, durability, reversible disassembly and end of life extraction time) for any product covered by the aforementioned Directive. Following the Mandate, CEN-CLC TC/10 has drafted generic standards on the different subjects related to material efficiency as required by the Commission.

The Eco-design Regulation for Light Sources, also known as the Single Lighting Regulation (SLR), published in December 2019 and entered into force in the same month, provides a further input to the implementation of circular economy principles. Article 4 (that covers Containing Products, like luminaires with an integrated light source) specifies the requirement to provide information to users regarding the possibility (or impossibility) to replace integrated light sources and separate control gears with the use of common available tools and without permanent damage to the containing product, unless a technical justification is provided and made available by the manufacturer.

[6] WG Better Enforcement: Better Enforcement is key to providing safe and quality products for people, and a level playing field for the industry.
- WG Sound Product Rules: this WG works with regulators to shape good rules that foster quality products and innovation, and works with the industry to help implement these rules.
- WG Value of Lighting: this WG works to spread the concept that light can have important consequences on people's daily life (e.g affecting mood, cognitive performance, sleeping patterns, and so on).
- WG Sustainability: this WG operates to support the lighting industry in taking the lead in sustainability, first and foremost by delivering significant energy savings for lighting products and systems. It also works to prolong the lifetime of products, to recycle and reduce hazardous substances.

As a direct consequence of the Regulation, unless a technical justification concerning the functionality of the containing product is provided in the technical documentation, only products with removable light sources and control gears can be placed on the EU Market. Furthermore, manufacturers are also required to provide information about how light sources and separate control gears can be dismantled.

The new Eco-design Regulation does not only introduce higher energy efficiency limits for the light sources and requirements about “Circularity” but it also provides new “performance” requirements, like for instance those on color rendering, displacement factor, survival factor, color consistency and, flicker. Compliance to these requirements shall be ensured in due time to be ready for September 2021.

Key applicable regulatory requirements for Flos

- Low Voltage Directive (2014/35/EU), on placing electrical equipment designed for use within certain voltage limits on the market with the objective of ensuring the safety of low voltage electrical equipment on the EU market;
- Electromagnetic Compatibility (EMC) Directive (2014/30/EU), that regulates the electromagnetic compatibility of equipment;
- Radio Equipment Directive (2014/53/EU), on the harmonization of the European Member States laws establishing a regulatory framework for placing radio equipment on the market;
- Eco-design Directive (2009/125/EU), adopted in October 2009 by the European Regulatory Committee, established a framework for the adoption of eco-design requirements for energy-related products;
- Eco-design Regulation, (2019/2020/EU), the main requirements of which will enter into force in September 2021, requires an improvement of energy efficiency of light sources and introduces new functionality and information requirements for light sources, control gears and containing products.
- Performance requirements, such as photometric tests, carried out according to international standards, used for lighting design;
- Product labelling, in this respect in 2017 Flos took part in a working group with Lighting Europe and the European Commission with the aim of defining obligations regarding energy labeling (and the relevant energy classes

rescaling). In 2021 new labelling requirements for the lighting products will be in force (2019/2015/EU). Manufacturers of containing products, with integrated light sources (i.e. LED), will be required to provide the energy efficiency class of the light source. In addition, working groups tackled the European Registry for Energy Labelling (EPREL) database (Regulation 2017/1369/EU), which requires the European Commission to establish a product database where all new models, covered by an Energy Labelling regulation, have to be registered before they can be placed on the EU market for the first time;

- Restriction of Hazardous Substances (RoHS) Directive (2011/65/EU and 2015/863/EU), on the restriction of the use of certain hazardous substances in electrical and electronic equipment;
- Product disposal, such as EU WEEE Directive (2012/19/EU), Waste Electrical & Electronic Equipment). In particular, in August 2018 the WEEE Directive changed the product categorization to the so called "Open Scope"; the existing ten product categories were reduced to six and more products are now covered by the Directive, such as heat exchange equipment, monitors and lamps;
- "Safe Drinking Water and Toxic Enforcement Act", a Californian law known as Proposition 65, among other issues, was set out to inform the public with warning labels about the presence of toxic substances that may cause cancer and/or birth defects in consumer products. In order to check Flos products' compliance with the requirements of Proposition 65, during 2018 the Company, with an external qualified laboratory, started a program aimed at testing the possible exposure to toxic substances (e.g. lead, phthalates) with foreseeable use of the product, based on the most restrictive standard methods.

Besides improving energy efficiency, Flos is also undertaking a gradual implementation of circular economy principles in its product design and production, for instance by guaranteeing the possibility of replacing the lighting source. Such possibility is guaranteed to all Flos' indoor lighting products for domestic use – also with the availability of spare parts –, an aspect that goes hand in hand with the products renowned durability. In addition, Flos takes into consideration, throughout the conceptual design process and the selection of materials and suppliers, the durability of the

materials composing the lighting systems. Indeed, in its R&D activities, Flos is outlining a way to reconcile efficiency, sustainability trends and requests with its identity and philosophy, as well as with clients' quality and aesthetics expectations. The continuous effort in researching and developing new solutions to both reinvent iconic products and innovate with brand-new ones can lead to breakthrough outcomes as far as the materials used in crafting and packaging are concerned.

In particular, 2019 has been centered in deepening the quest for innovative materials that will allow Flos to improve the way its products are crafted while also impacting the effect these have on the environment during their life cycle. Indeed, the core of 2019 R&D activity can be summarized by the twofold concept of material and product innovation, thus concentrating on materials as a way of finding new answers that enable to properly respond to the need of reducing products environmental footprint, in some cases also by redesigning Flos' historic icons.

In this direction, during 2019 Flos explored 3D printing techniques as a way of manufacturing innovative bio-based materials such as polylactic acid (PLA). PLA is a compostable thermoplastic polyester made up of renewable natural resources, thus substituting petroleum-based polymers. This bio-based material, that can be produced starting for instance from starch, is particularly interesting from a technical standpoint since its mechanical properties resemble those of traditional plastics such as polyethylene (PE) and polypropylene (PP). Different environmental savings can also arise from filament 3D printing applications thanks to the possibility of significantly reducing scraps. In the computer numerical control (CNC), namely machinery directly controlled by an external computer like 3D printing, up to 70% of the materials used for making parts can end up as waste depending on materials and applications. Instead, since additive manufacturing does not consist in cutting parts off a larger piece of material, but rather in creating the item by printing the material layer after layer, the overall amount of resources used can be reduced, thus unleashing both environmental and cost savings. Finally, the specific 3D printer module currently in use by Flos' R&D department for these research activities does not emit hazardous substances during the printing process, making it perfectly suitable to be installed in offices and labs without

exposing workers to dangerous air emissions.
Besides 3D printing and PLA applications, in 2019 Flos has also started investigating new plastics with reduced environmental impacts by collaborating with key industry players. The final aim of these research activities for Flos is to try to overcome the potential technical limitations, that in some cases characterize these new materials, to guarantee the emotional quality inherent in Flos' designs.

Product quality oversee

For Flos, quality epitomises the perfect blend of aesthetics, compliance and attention to detail. With the aim to improve the production process and to offer clients high-quality products, Flos and Antares implemented ISO 9001 Quality Management Systems, which are certified by independent third parties and cover the design, production and sales activities of luminaires. In 2019, Ares followed through the process of implementing a similar Quality management System and of obtaining the certification, finally achieved later in February 2020.

In order to fulfil all requirements and standards, Flos has its own internal laboratories, which are accredited to verify product safety compliance (few tests are carried out externally). Compliance with the applicable regulations guarantees that all Flos' product categories are assessed with respect to health and safety impacts across their life cycle.

Product development with recycled materials

1.2 Monitoring and optimising resource consumptions

The most relevant environmental impacts from Flos' overall production process come from outsourced activities and, only to a limited extent, from the assembly and packaging activities carried out in Bovezzo and Valencia and from manufacturing processes carried out in Bernareggio. Impacts mainly relate to the following environmental aspects: material consumption, energy consumption, scraps and waste from production and assembly (including disposed process water containing toxic substances employed in the coating and painting processes) and indirect emissions from logistics.

Flos is conscious that, in order to be effective, a forward-looking sustainability strategy must encompass environmental footprint assessments and impact reduction initiatives along the entire value chain. In this sense, starting from the R&D and design phase, Flos focuses on selecting materials and production processes that, in line with the aesthetic profiles and quality requirements of products, ensure environmental respect, with the aim of reducing its overall footprint. To do so, Flos actively monitors the environmental impacts generated by its activities on a continuous basis, progressively integrating those impacts occurring outside its organizational boundaries as well.

Logistics department

Painting department

Ares' environmental impacts

Ares' headquarters, located in Bernareggio (Monza and Brianza province, Italy), covers an area of 12,000 m^2 including R&D department, testing laboratories and a painting and coating system. In addition, the plant also has a specific division fitted with an automatic assembly line for circuit boards and a production department for wiring and assembly activities. Ares manufacturing activities entail both water consumption and air emissions, mainly related to painting processes and the work of the electronic circuit division, which comprises, for instance, welding activities and the use of chemical compounds. In line with current legislation, Ares' facilities are fitted with an air treatment system for the abatement of particulate and other hazardous compounds as well as a water treatment plant authorized for effluent discharging both in the sewage collection system and on the ground. External specialists carry out wastewater and air quality analyses on a regular basis in order to guarantee both compliance with normative limits and the correct functioning of treatment plants. In order to further strengthen its commitment towards environmental protection, in 2019 Ares started a process for aligning its Environmental Management System (EMS) with ISO 14001:2015 guidelines, finally achieved later in July 2020. Ares also aims at obtaining a third-party certification within 2020 so as to step up its efforts for enhancing environmental performances and achieving environmental objectives.

1.2.1
Materials and waste

Flos is addressing its most pressing environmental challenges by focusing on less impactful and more innovative techniques, reinventing, where possible, its iconic products. The Company accurately monitors the amounts of materials and components purchased to produce its lighting systems, as well as the related waste produced, and is committed to reduce the use of non-recyclable or toxic materials.

54%
Decrease of polyurethane foam purchased with respect to 2013

3,230
Tonnes of materials processed within Flos, Ares and Antares facilities

Concerning the procurement and processing of raw materials, all materials showed a moderate decreasing trend in 2019 with respect to previous years', both in absolute terms and in relation to net sales, with the only relevant exception of marble and, less evidently, rubber. In particular, concrete and rubber are materials mainly used in Ares' outdoor collections. With respect to last year's figures, the gypsum category has been introduced for the entire three year-period and the amount of marble for the Decorative collection has been added.

Processed Materials[7]	**U.M.**	**2017**	**2018**	**2019**
Glass	t	191	209	208
	kg/k€	*1.17*	*1.24*	*1.21*
Plastics	t	346	380	355
	kg/k€	*2.11*	*2.24*	*2.07*
Aluminum & Zamak[8]	t	2,194	2,029	2,025
	kg/k€	*13.39*	*11.97*	*11.81*
Iron	t	442	626	585
	kg/k€	*2.70*	*3.69*	*3.41*
Gypsum	t	60	52	49
	kg/k€	0.36	0.31	0.29
Brass	t	37	51	38
	kg/k€	*0.23*	*0.30*	*0.22*
Rubber	t	5	4	10
	kg/k€	*0.03*	*0.02*	*0.06*
Marble/Concrete	t	405	371	424
	kg/k€	*2.47*	*2.19*	*2.47*

In addition to the abovementioned raw materials, the Bernareggio plant also purchases chemical components for painting and coating activities. In 2019, these compounds, that include paints, artificial resins and silicones, amounted to 13.1 tons, showing a decrease amounting to 12.9% with respect to 2018.

The trend in electronic components purchased continues to mirror the industry

[7] Intensity ratios refer to net sales of Flos, Ares and Antares.
[8] Zamak is a family of alloys with a base of zinc and alloying elements of aluminum, magnesium and copper.

switchover from conventional light sources to LED solutions, due to the spread of this less energy intensive lighting technology. Indeed, 2019 confirmed the steady increase in LED and LED components purchased, even though there was a much more stable variation with respect to the two prior years. For the architectural segment the transition to LED sources is almost complete, also as a consequence of the market and of competitors' and final customers' requests. For the Decorative collection, the downward trend of traditional lamps purchased is also attributable to Directive 2015/1428/EU, that requires companies not to sell lamps together with traditional light bulbs, thus allowing the customer to buy the preferred solution among LED and traditional sources.

Electronic Components	**U.M.**	**2017**	**2018**	**2019**
Transformers & power supply	units	436,511	706,722	646,025
	units/ k€	*2.66*	*4.17*	*3.77*
Electrical components	units	6,820,962	6,658,154	5,674,954
	units/ k€	*41.63*	*39.28*	*33.08*
LED and LED components	units	5,826,083	6,843,040	6,888,141
	units/ k€	*35.56*	*40.37*	*40.15*
Traditional lamps	units	22,630	11,931	5,545
	units/ k€	*0.14*	*0.07*	*0.03*

In addition to the use of raw materials and components to produce lighting systems, another relevant impact arising from Flos' business derives from packaging. Flos' objective is to reduce the amount of packaging materials used and to improve their recyclability while ensuring an adequate protective barrier during transportation. In this direction, Flos continued the work started in 2018 concerning the progressive replacement of non-recyclable polyurethane foams with cardboard boxes, specifically studied and developed to deliver the same packaging protection standards during the transportation for all the new collections from the Bovezzo plant, with a much lower environmental impact. The project allowed Flos to record a significant 54% decrease in the purchase of polyurethane foams in 2019 compared to 2013, the year the project was launched. Finally, Flos is continuously striving to find new, innovative solutions regarding the substitution of current packaging

materials with alternatives that can either be recycled or guarantee a smaller environmental impact.

Packaging Materials	U.M.	2017	2018	2019
Paper and cardboard	t	1,047	1,133	1,049
	kg/k€	*6.4*	*6.7*	*6.1*
Plastics	t	79	78	70
	kg/k€	*0.5*	*0.5*	*0.4*
Wood	t	302	371	309
	kg/k€	*1.8*	*2.2*	*1.8*

Moving to the downstream of materials lifecycle, Flos' waste production is mainly related to faulty components that do not meet product aesthetics and quality requirements and that are thus sent back to suppliers. Whenever possible, in the event of faulty products, undamaged components are separated and reused to minimize waste volumes and maximize resource recycling.

67%
the share of recycled waste over the total

475
the total tonnes of waste produced

Moreover, in the belief that prevention is the most effective approach for eliminating waste, Flos is engaged in the training of its suppliers, in order to reduce cases of non-compliance of input materials. In particular, Flos inspects and monitors the percentage of defective components coming from different suppliers and the reasons for their return, in order to identify the suppliers experiencing more difficulties, to discuss with them the implementation of potential corrective actions and to provide them with the necessary tools and training to put them into practice. This aspect is made directly possible due to the close relationship that ties Flos and its supply chain, and it is what gives this business model an inherent added value.

Furthermore, Flos offers its employees the opportunity of buying non-saleable,

defective products at a discounted price, thus further reducing its total waste volumes.

Waste produced during the assembly phase occurring in Flos' headquarters is collected and separated according to its composition to optimize recycling.

Finally, in 2019 Flos continued improving its waste management and recycling activities. Along with the fostering of a circular way of thinking and behaving among its employees through, for instance, the improvement of the recycling process in coffee areas, Flos further increased the separation of waste material in Bovezzo and Bernareggio plants. In particular, in Bovezzo a container divided in three parts to separately collect iron, brass and aluminum wastes was installed. In addition, Flos reviewed its suppliers list to select the best providers to ensuring the correct disposal and/or recycling of waste produced.

Thanks to this approach, in 2019 the percentage of recycled waste over the total waste produced rose from 55%, to 67% in 2018. The separated collection of polyethylene in the Bovezzo plant, introduced in 2017, continues to deliver results: in 2019, this choice allowed for the addition of a further 5.6% reduction of unsorted waste production with respect to 2018, allowing for continuation on previous years' steady decrease trend. The Group's overall reduction of non-recycled waste amounted to almost 37% on a yearly basis, peaking at an all-time low of 159 tonnes since 2015. The hazardous waste is mainly related to the Bernareggio plant: the plant hosts manufacturing phases, such as painting and coating, which require the use of chemical compounds.

Waste produced (tonnes)

Waste Produced	**U.M.**	**2017**	**2018**	**2019**
Non-hazardous waste	t	523	533	445
Hazardous waste	t	32	28	30
Total	**t**	**555**	**561**	**475**

Waste produced by disposal method (tonnes)

Waste, by disposal method	U.M.	2017	2018	2019
Recycled	t	311	311	316
Not recycled	t	244	250	159
Total	**t**	**555**	**561**	**475**

1.2.2 Energy and GHG emissions

In addition to material consumption, Flos monitors its energy consumption and the related GHG emissions, which are mainly related to heating and cooling purposes and to fossil fuel consumption for the corporate fleet. In particular, the production site in Bovezzo is supplied from the district-heating network of Brescia, an integrated system providing energy to the city from waste incineration. Natural gas consumption, instead, derives from the Bernareggio plant, where it is used for heating purposes and for painting activities.

25,424
the total energy consumption in GJ

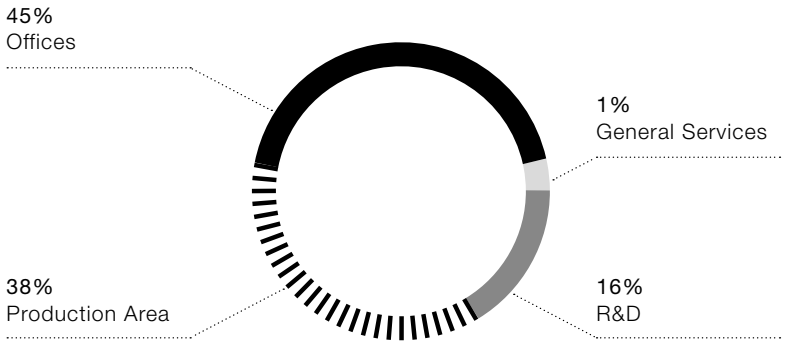
33%
the electricity certified as produced from renewable sources

In line with the aim of progressively optimizing resources consumption, Flos has implemented a sophisticated real-time monitoring system of its energy consumption levels in the Bovezzo plant. The system, in operation since January 2018, allows to monitor the energy demand of the different production processes within the plant, in order to identify the most energy-intensive ones as well as potential inefficiencies. The final goal is to start from consumption patterns to progressively implement mitigation or remediation activities in order to reduce the energy demand and increase the overall efficiency of the site.

The first result of this initiative, reached in 2018, was a 13% reduction of Bovezzo electricity consumption compared with 2017, a pattern that has very much stabilized in 2019. In terms of energy mix, this year's record confirms the

2018 trend, thus showing that as much as 45% of energy consumption is linked to offices, while production absorbs 38%.

Bovezzo plant's energy consumption



Furthermore, as already carried out in the Valencia facilities over the last few years, in 2019 the Bernareggio plant completed the replacement of the lighting systems with more than 300 LED lamps in the warehouse and manufacturing areas, thus contributing to decouple production volumes and energy demand: the energy saving is expected to amount to around 15% at plant level.

Energy consumption (GJ)

Energy Consumption	U.M.	2017	2018	2019
Energy consumption - for buildings	**GJ**	**22,009**	**22,950**	**21,999**
-of which: electricity purchased from national grid	GJ	9,247	9,168	8,352
-of which: district heating purchased from external waste-to-energy plant	GJ	5,014	5,892	6,277
-of which: natural gas for heating and production processes	GJ	7,748	7,890	7,370
Energy consumption - for fleet	**GJ**	**2,711**	**3,593**	**3,425**
-of which: for Company car fleet	GJ	2,217	3,342	3,143
-of which: for Company truck fleet	GJ	494	356	282
Total	**GJ**	**24,720**	**26,648**	**25,424**

Flos' commitment to reduce its overall environmental footprint also encompasses the monitoring of its GHG along the value chain for reduction and compensation purposes. The majority of Flos' GHG emissions is located in the final end of the value chain, i.e. concerning logistics activities. All inbound and outbound transport services are provided by external carriers and strictly vary depending on the area where the transport is performed. Depending on the distances, on the time of delivery and on the volumes, transport is operated either by truck, by ship or by aircraft. Indeed, the emissions related to the production process are quite limited in absolute terms: as it has already been noticed, this is mainly due to the fact that, out of the plants falling within the scope of the reporting perimeter, only Bernareggio has production processes. Nonetheless, in the past few years, Flos started putting in place a series of energy efficiency activities aimed at reducing its overall footprint.

As shown in the table below, in accordance to the GHG Protocol Corporate Accounting and Reporting Standard and in line with last year, Flos has identified and monitored all relevant direct GHG emissions (Scope 1) and those resulting from energy purchases (Scope 2). Moreover, where data are available and reliable, Flos is monitoring and reporting indirect emissions occurring outside of the Company in order to extend the analysis to its entire value chain (Scope 3).

The GHG emissions resulting from the electricity purchased from the national grid have been calculated both by adopting the location-based and the market-based method. The first one reflects the average emissions intensity of grids from which energy consumption occurs while the second reflects emissions from electricity that the Company has purposefully chosen. In relation to the latter, starting from August 2018, the electricity purchased by Flos' Bovezzo is covered by Guarantees of Origin (GO), thus certifying that it is produced from renewable sources, resulting in zero direct carbon emissions according to the market-based method. Moreover, from 2021, Bernareggio's electricity demand will also be covered by GO certificates.

Regarding logistic-related GHG emissions resulting from the transportation of purchased goods and sold products (when customers do not manage

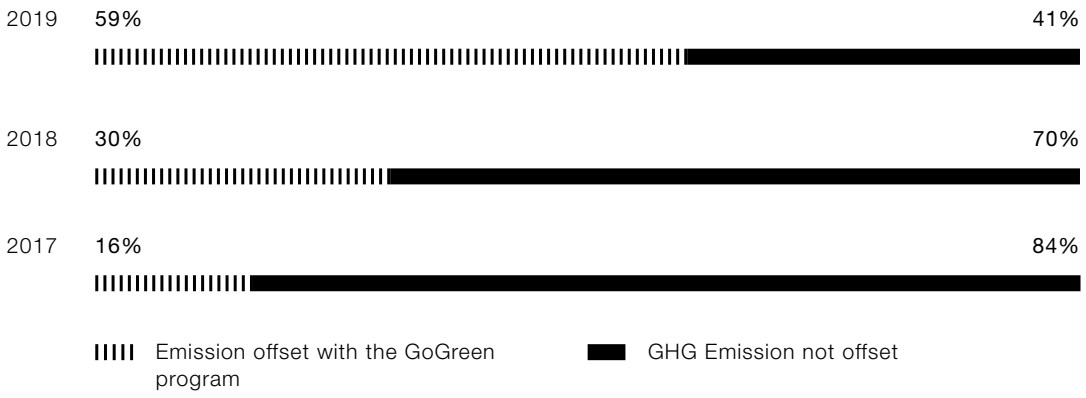
transportation on their own) as well as from business travels, 2019 data show an overall significant decrease, mainly due to Ares' outbound logistics, which recorded a downward trend with respect to 2018. The trend is indeed a direct consequence of the optimization process its production and shipping underwent.

GHG Emissions	U.M.	2017	2018	2019
Direct Emissions (Scope 1)	**$tCO_{2\ eq}$**	**751**	**858**	**783**
-Natural gas burning used for Company's heating and production processes	$tCO_{2\ eq}$	438	448	418
-Fuel (diesel) used for Company's truck fleet	$tCO_{2\ eq}$	37	27	21
-Fuel (diesel) used for Company's car fleet	$tCO_{2\ eq}$	225	306	275
-Fuel (gasoline) used for Company's car fleet	$tCO_{2\ eq}$	0.86	15	12
-Refrigerant gases resulting from leakages of air-conditioning systems	$tCO_{2\ eq}$	51	63	57
Indirect Emissions (Scope 2) – Location Based	**$tCO_{2\ eq}$**	**1,172**	**1,123**	**1,090**
-Electricity purchased from national grid	tCO_2	897	816	783
-District heating purchased from the waste-to-energy plant	$tCO_{2\ eq}$	275	307	307
Indirect Emissions (Scope 2) – Market Based	**$tCO_{2\ eq}$**	**1,411**	**1,342**	**1,029**
-Electricity purchased from national grid	$tCO_{2\ eq}$	1,136	1,035	722
-Distric heating purchased from the waste-to-energy plant	$tCO_{2\ eq}$	275	307	307
Other Indirect Emissions (Scope 3)	**$tCO_{2\ eq}$**	**2,423**	**3,590**	**2,021**
-Transportation of purchased goods[9]	$tCO_{2\ eq}$	454	1,017	613
-Transportation of sold products[10]	$tCO_{2\ eq}$	1,685	2,261	1,181
-Business travels	$tCO_{2\ eq}$	284	312	228
Total Location-based	**$tCO_{2\ eq}$**	**4,346**	**5,571**	**3,894**
Total Market-based	**$tCO_{2\ eq}$**	**4,585**	**5,790**	**3,837**

[9] 2017 data are related to Flos and Antares (for the latter, only finished products from Bovezzo and Bernareggio and returns from consumers are included). 2018 data also include Ares outbound logistics.

Carbon offsetting

In order to compensate for the environmental impacts of its outbound logistics activities, since 2017 Flos has adhered to the Go Green – Climate Neutral program organized by DHL[11], which allows customers to offset their emissions resulting from the transportation of goods. The methods used for calculating and offsetting greenhouse gas emissions are based on the Greenhouse Gas Protocol's Product Life Cycle Accounting and Reporting Standard. The calculation methodology includes carbon dioxide (CO_2) and further GHG emissions such as methane (CH_4) and nitrous oxide (N_2O) from transportation and logistics as well as upstream emissions from fuel and energy production.



On behalf of Flos and proportionally with the emissions resulting from the transportation service purchased, DHL invests in climate protection projects complying with the Clean Development Mechanism[12] (CDM) criteria set out in the Kyoto Protocol. Flos and Ares' offset for 2019 amounted to 698 tCO_{2eq}, thus compensating 59% of the GHG emissions resulting from the transportation of sold products. The increase with respect to 2018 is mainly related to the abovementioned decrease of the total amount of Scope 3 emissions. In total, in 2019 both Flos and Ares contributed to carbon savings equal to the CO_{2eq} emitted by around 394 passenger cars, which traveled for 10,000 km.

[10] Emissions data from transportation of sold products show, by nature, a fluctuating trend mainly due to the Architectural collection, as a consequence of fluctuating demands from key accounts and other clients, different weights of products and distances covered.
[11] DHL is an international company providing express deliveries worldwide and logistics services including freight transportation, warehousing and supply chain solutions.
[12] The Clean Development Mechanism certifies emissions reduction projects in developing countries as well as trading and selling certificates arising from projects in order to meet emissions reduction targets through compensation under the Kyoto Protocol.

2. Development and Wellbeing

Material Topics

- Employee care
- Diversity
- Occupational health & safety

United Nations SDGs

Highlights

446
Flos, Ares and Antares workforce

3,644
Training hours

0.8
Injury rate

Flos believes that its employees, through their passion and expertise, represent the essence of its brand success worldwide. Flos puts its workforce, regardless of their role, at the center of its strategies aiming at cultivating an inspiring, inclusive and motivating working environment. To this extent, Flos undertakes to:

- invest in training activities and development programs dedicated to employee personal and professional improvement;
- promote a rewarding and inclusive working environment in order to recognise and empower employee talent, in line with everyone's potential and aspiration.

Flos has always strongly believed that the role its people have in shaping strategies and business decisions is key to the brand's history and today's achievements. This commitment is built on the Group's daily operations by understanding its employees' personal and professional needs and by fulfilling them through both cross-cutting initiatives and tailor-made activities.

2019 has marked a fundamental year as far as Flos' people are concerned. In fact, a change in the management effort was inaugurated with the aim to strengthen the collaboration between both functions and the Group's companies: from the top of the chain to the bottom, teamwork has been put at the core of Flos' daily life, enabling it to liberate breakthrough creativity, confidence and performance in the activities carried out at all levels. This way of reasoning as an unicum rather than as different, segregated pieces unfolds the Company's internal talent, both essential for the single employee as for the Group. An integral part of this process is the spread of the multi-faceted concept of sustainability as a competitive advantage, thus requiring an increasingly strategic and pivotal role.

2.1 Employees as the essence of brand success

In 2019 Flos Group's workforce, including Flos USA Inc. and Flos' commercial branches, totaled on average 651 persons[13], showing an increase with regard to the previous year (619). Flos, Ares and Antares' workforce amounted to 446 people, showing an overall increase with respect to 2018, and included 24 supervised workers and 8 interns. The steady growth recorded in the last few years, the high percentage of permanent contracts and the relatively low turnover rate witness Flos' long-lasting attention towards its people.

446
Flos, Ares and Antares workforce

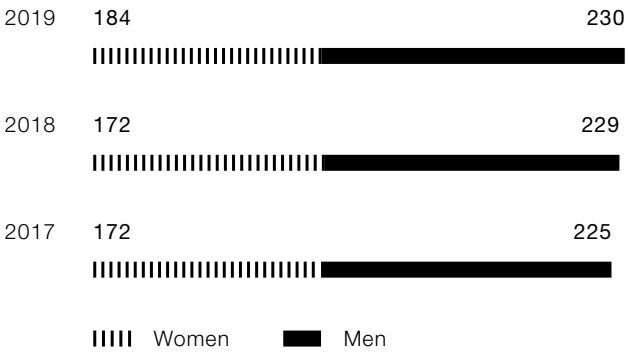
93%
Percentage of employees over the total workforce

69% of the employed personnel is located in the Italian plants of Bovezzo (160 employees) and Bernareggio (84 employees) and they mainly comprise office workers (61% of the total, in 2019). Women and men are proportionally balanced as far as the employee population is concerned (44% and 56% respectively), with a slight increase in female presence with respect to 2018 (+7%). Also, the predominance of employees between 30 and 50 years old (67%) has been confirmed.

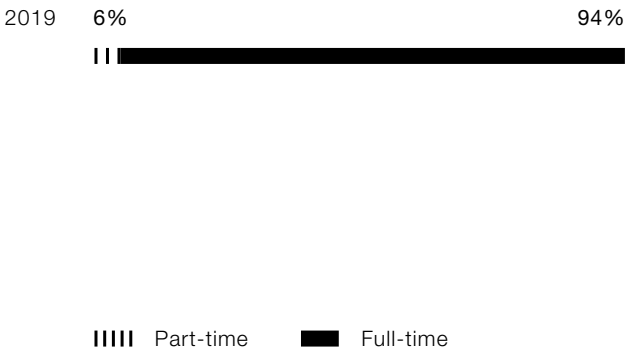
Workforce By Category And Gender[14]	**U.M.**	**2017**	**2018**	**2019**
Total workforce	**n.**	**444**	**438**	**446**
Employees	n.	397	401	414
Supervised workers	n.	33	28	24
Interns	n.	14	9	8
Workforce by gender				
Women	%	44%	43%	43%
Men	%	56%	57%	57%

[13] Average number of full-time equivalents (FTE) derived by taking into account employees employed under both permanent and temporary contracts of service, in each month.
[14] Data does not include Flos USA Inc. and Flos' commercial branches.

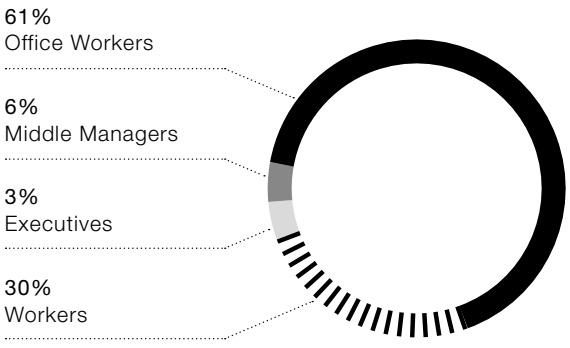
Employees, by Gender



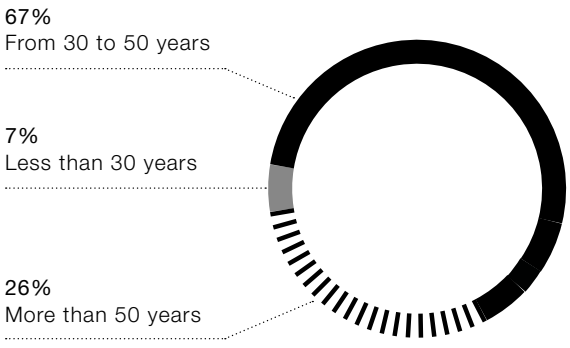
Full-time vs Part-time Employees



Employees, by Category



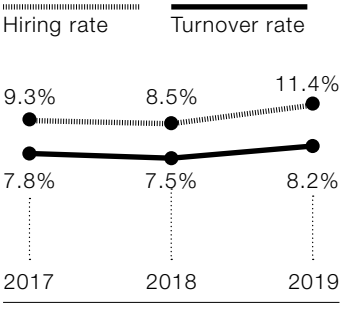
Employees, by Age



Employees by Gender and Contract Type	U.M.	2017	2018	2019
Permanent	**n.**	**365**	**375**	**395**
Women	n.	160	165	174
Men	n.	205	210	221
Temporary	**n.**	**32**	**26**	**19**
Women	n.	12	7	10
Men	n.	20	19	9
Total	**n.**	**397**	**401**	**414**

In 2019, Flos confirmed its strong commitment to retain its talents and to enhance their sense of belonging also by guaranteeing permanent contracts, increased by 5.3% on a yearly basis and covering a 95% share of all contracts. In 2019 the percentage of part-time employees slightly increased (reaching 6%), demonstrating Flos' attention to its people and the need of a personal and professional life balance. Furthermore, all Flos employees are covered by collective bargaining agreements, as required by Italian and Spanish national laws.
Regarding hires and terminations, the graph shows a moderate opposite trend for both metrics compared to 2018. In particular, the hiring rate – the ratio between the number of hires and the total number of employees at the end of the reporting year – peaked to an all-time high of 11.4% (with an increase amounting to 38.2% on a yearly basis). On the other hand, the turnover rate – the ratio between the number of job terminations and the number of employees – followed the constant trend of the last two years, slightly increasing to 8.2% (+13.3% on a yearly basis).

Employee Hiring And Turnover Rates



Hires, by Gender and Age	U.M.	2017	2018	2019
Women	**n.**	**13**	**19**	**24**
Men	**n.**	**24**	**15**	**23**
Less than 30 years old	n.	12	11	16
From 30 to 50 years old	n.	24	22	29
More than 50 years old	n.	1	1	2
Total Hires	**n.**	**37**	**34**	**47**

Terminations by Gender and Age	U.M.	2017	2018	2019
Women	**n.**	**15**	**19**	**13**
Men	**n.**	**16**	**11**	**21**
Less than 30 years old	n.	4	6	9
From 30 to 50 years old	n.	21	16	19
More than 50 years old	n.	6	8	6
Total Terminations	**n.**	**31**	**30**	**34**

2.2 Training for personal and professional improvement

In the last five years, Flos has embarked on a journey of important investments both in terms of financial and time resources aiming at the development of its people. In 2019 only, for instance, the headquarters in Bovezzo recorded a +94% in the training expenditure with respect to 2015. Even though training hours have decreased compared to 2018, 2019 can indeed be framed as a consolidation year considering the low turnover rate and the subsequent decrease of training needs due to last years' investment trend. In the coming years, Flos undertakes to deliver on the commitment of continuous investment on its own people by maintaining the steady level of training activities and by continuing to monitor both the market and peoples' needs.

3,644

Flos, Ares and Antares total training hours

+94%

Flos' increase in training expediture compared to 2015

To continuously funnel personal and organizational improvements, in recent years Flos has designed and implemented a dynamic and personalized training program, aligned to the different employees' expectations and corporate responsibilities. The program was conceived to help employees realize their full potential, both in terms of soft and technical skills necessary to meet the Group's evolving requirements and to adapt to the technological national and international legislative changes. When designing this program, Flos considered employees' training needs and identified a set of minimum training requirements for every cluster of functions. The training program involves both ad hoc courses (e.g. e-commerce) and non-technical training ranging from legislative requirements (e.g. RoHS, Eco-design, import and export) to public speaking and English, French and German lessons.

In addition, during 2019, Ares underwent a profound restructuring of its own training projects, thus embarking on a process that led to a significant increase in its capacity to track and monitor employees' school and professional training background. This pathway, integral part of ISO 9001:2015 certification process – successfully concluded in February 2020 – aimed at identifying the people of Ares' strengths and improvement areas with the objective of structuring ad hoc training opportunities: this continuous flow of

information and training needs deep mapping and allows Ares to better take advantage of its employees expertise while continuing to duly invest in their skill development.

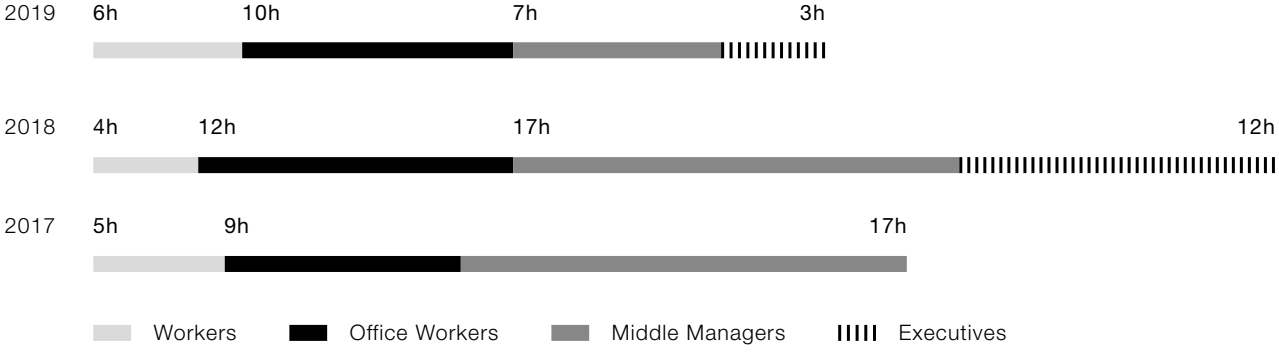
Technical training for leveraging innovation

Along with the continuation of the courses on lean manufacturing, in 2019 a set of new technical courses were carried out, responding to the need of broadening and sharpening Flos' people and light designers' vertical competences. Thus, with the aim of ever enlarging its capacity to respond to the most specific commercial requests and to follow through with its Heritage and Know-how commitment, these courses included, for example: the lighting techniques and the legislative requirements for residential areas, hospitality and wellness areas; school areas; workplaces; museums and churches. Furthermore, the Industrial Engineering department participated in a course on 3D printing: the course was aimed at exploring the functioning of a Fused Deposition Modeling (FDM) filament fusion printer, particularly suitable for molding innovative materials, such as PLA. The latter course is wholly consistent with Flos' effort to continuously explore new solutions and applications for both rediscovering iconic creations and launching brand-new products.

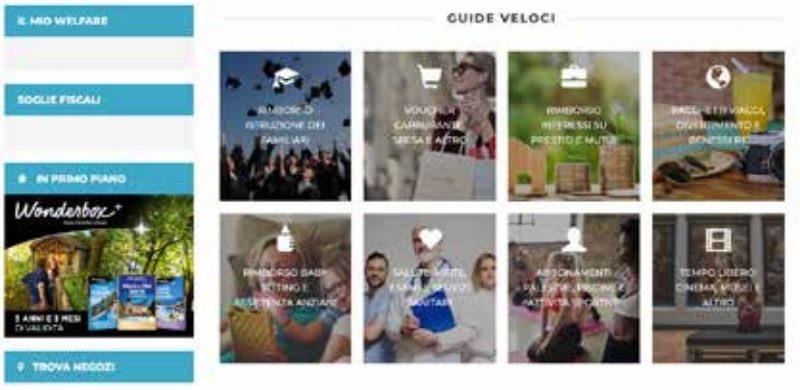
In 2019, Flos provided a total of 3,644 training hours to its employees, corresponding to an average of 8.8 hours per employee, showing a 9% contraction on a yearly basis. In addition, looking at the non-compulsory training (i.e. excluding training activities required by national regulations, such as health and safety training), the average training hours per employee amounted to 6.1 in 2019, covering 70% share of the total number of training hours provided. In contrast with last year's trend, training courses were mainly provided to office workers (10 hours per employee in 2019), while middle managers' training hours amounted to 7 each and executives' to 3 each. With regard to workers, the average training hours provided continued to rise, confirming the upward trend highlighted in the last few years and reaching 6 hours per employee in 2019. Flos also provided training to supervised workers and interns, which amounted to a total of almost 70 hours in 2019. In line with last year, Flos is committed to provide all its employees with adequate training in the upcoming years, regardless of employee category and contract types.

Training	U.M.	2017	2018	2019
Total hours	**h**	**3,124**	**3,885**	**3,644**
Men	h	2,048	2,280	2,263
Women	h	1,076	1,606	1,381
Average hours	**h/employee**	**7.9**	**9.7**	**8.8**
Men	h/employee	9.1	10.0	9.8
Women	h/employee	6.3	9.3	7.5
Non-Compulsory Training				
Percentage on total training	%	86	96	70
Compulsory Training				
Percentage on total training	%	14	4	30

Average Training Hours, By Employee Category



2.3 An inclusive and safe working environment



Employee welfare

The work-welfare relation is one of the ways through which Flos aims not only at rewarding the talent and passion of its employees but also at creating an inclusive working environment as a way of looking after everybody's personal wellbeing. Flos has indeed translated this commitment into the provision of a benefit package that meets employees' needs beyond mere basic compensation.

In 2019, Flos continued to guarantee benefits such as meal vouchers, health insurance, invalidity coverage, fuel vouchers and canteen services. In addition, Flos continued to promote pay for performance to recognize everyone's contribution by offering performance bonuses related to both product quality and business profitability. In general, Flos' approach is to provide the same benefits to all full-time and part-time employees and, as far as possible, to temporary workers. Of the abovementioned benefits, fuel vouchers are also extended to fixed-term employees.

Additionally, to provide a wider set of benefits to its employees, in 2019 Flos implemented an online platform developed to manage workers' benefits and performance bonuses: the web-platform went online in September 2019, allowing an integrated and simplified way of discovering and accessing all the different benefits for both white and blue collars. In order to help its people become familiar with the platform – which has been confirmed for 2020 as well –, the Company offered dedicated training and one-to-one support sessions to all employees that needed it. Flos' objective to extend the benefit package to all the Group's companies was put into practice in 2019 through the introduction of the new second level contract[15] in Ares.

[15] The second level contract, as provided by the Italian regulatory framework, is a collective agreement signed between the employer and trade unions that allows derogations from national collective bargaining agreements.

Ares' second level contract

In 2019, Ares inaugurated its first, three-year long second level contract integrating the collective bargaining agreement already in force. It covers various vertical aspects, starting from working hours, good corporate practices and the promotion of work-related ethics, to the introduction of a bonus tied to financial, quality and personal KPIs. In addition, it integrates KPIs related to suppliers' quality in the variable remuneration in the perspective of an integrated supply chain. All the performance indicators to which the remuneration has been linked are also based on objective parameters and inspired to lean transformation so as to promote both transparency and the continuous improvement philosophy. Finally, the new contract will introduce additional welfare measures such as work permits to take care of relatives in need and paid leave for medical visits provided by the National Healthcare Service.

Besides the attention to the employees' welfare, Flos continuously pays the utmost attention to health and safety aspects by continuously monitoring the key indicators as well as by fostering a safety culture across all roles and responsibilities within the Group. In line with these objectives, the Group carries out, on an ongoing basis, several activities to improve occupational health and safety and raise people's awareness on these topics.

At the core of the Group's commitment to guaranteeing high safety standards are training and education activities. In 2019, a total of 1,111 hours of health and safety training was provided, amounting to seven times the hours of H&S training provided in 2018. This growth is mainly due to the frequency of the activities that are carried out on a two or five-year basis depending both on training levels and local health and safety regulation requirements. In particular in 2019, Flos provided training on health and safety topics both in terms of general and specific training, first-time and continuing education.

Flos' attention to the prevention and mitigation of work-related health and safety impacts extends also to supply chain management. Indeed, the Company takes advantage of the close relationship with its suppliers – above all, the smallest and nearest ones – by monitoring their performance and work conditions through frequent, commercial site visits. This aspect allows for a deep integration in the scope of a long-lasting relationship based on trust, quality and safety.

In 2019, Flos updated its risk assessments concerning noise and vibrations, while adding a new document on chemical risks – as required by law. Along with the continuous safeguard of its blue collar workers with the purchase of shoes, gloves, glasses and all other necessary personal protection accessories, an automatic external defibrillator (AED) was bought in Bovezzo and at the end of 2019 a stabilization and consolidation intervention was carried out after a static analysis made by a third party highlighted some minor structural flaws affecting Bovezzo's warehouse.

During 2019, Flos registered 3 injuries with relatively lower severity (i.e. minor finger trauma, cuts or contractures) compared with 2018; in 2019, the average number of lost days related to the 3 injuries equated to almost 10 days per injury, in line with the 2018 trend. During the 2018-2019 biennium, neither high-consequence work-related injuries, nor fatalities as a result of work-related injuries were recorded. Ares' monitoring of workers whose workplace is under the Company's either complete or partial control showed a situation that perfectly fits the overall employees' health and safety trend.

1,111
The number of training hours on Health and Safety topics

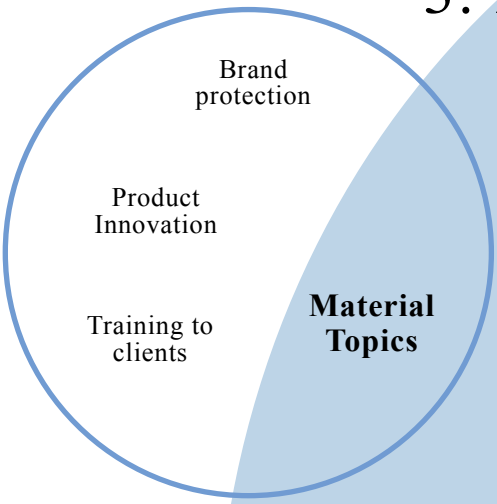
0.8
The injury rate

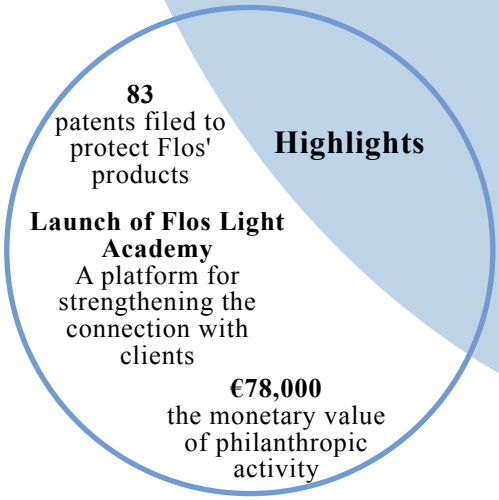
Health and safety[16]	U.M.	2017	2018	2019
Total number of worked hours	h	677,470	686,009	714,284
Total number of recordable work-related injuries	n	1	5	3
Rate of recordable work-related injuries[17]	n	0.3	1.5	0.8
Lost time injury rate[18]	n	73.2	109.7	73.6

[16] All data reported in the table refer to Flos, Ares and Antares' employees.
[17] Calculated by the total number of injuries multiplied by 200,000 and divided by overall number of hours worked in the reporting period.
[18] Calculated by the total number of hours lost due to injuries multiplied by 200,000 and divided by overall number of hours worked in the reporting period.

Health and safety management	Occupational health and safety aspects are directly managed at plant level: both Flos, Ares and Antares implemented policies and management systems in accordance with local legislative requirements. Health and safety monitoring and oversight are focused on the involvement of functions at different levels of the organizational chart with specific responsibilities for the application of safety procedures. Risk assessment procedures, for instance, are managed by health and safety managers, or equivalent, that, in compliance with local applicable regulations, hold inspections and consult the employees in order to timely detect risks, duly assess them and propose mitigation efforts to prevent future accidents. The same procedure applies to work-related injuries, depending on the severity of the event. As required by law, a risk assessment is carried out, with the aim of identifying the major risks for the health and safety of the Company's employees. The most significant risks outlined are, internal transit areas, fixed and portable ladders, object storage, means of transportation, fire and explosion risks, physical workload and load handling, vibrations, noise and chemical risks. Furthermore, Flos and its subsidiaries have implemented an internal monitoring system aimed at safeguarding their own people from any health and safety whistleblowing-related repercussion. In accordance with legislative obligations, a doctor is an integral part of all H&S management practices and procedures.

3. Heritage and Know-How





Flos' most valuable asset in the path towards sustainability is strongly related to its heritage of design icons and its technological know-how. Flos is therefore committed to actively exploiting its intangible resources to contribute to addressing the challenges that the lighting industry, both from an artistic and a technological standpoint, is facing. In doing so, Flos aims to:

- play an active role in the development of new innovative solutions that are able to enhance people's physical and emotional wellbeing through investing in research and technological innovation;
- promote and disseminate the art and design culture amongst the community as an integral part of its sustainability strategy.

Flos' outer reach, and thus the relationship that ties the brand with its community, is the third essential element of the Company's Sustainability Policy. In this sense, the safeguard of Flos' know-how on the one hand, and the dissemination of the Group's heritage on the other represent the twofold strategy with which it interacts with the public. This allows to deliver an ever-ascending level of quality by guaranteeing fresh initiatives and continuing to build a lasting relationship with the Group's stakeholders. Indeed, with its sustainability commitment, Flos is dedicated to contributing to the creation of social value tied to the industry's national and international artistic heritage through a continuously renovated legacy that enables the brand to be recognized as a market icon in the lighting design world.

3.1 Promoting the art and design culture

Contributing to the dissemination of the art and design culture amongst the community is one of Flos' key commitments in terms of social responsibility since it allows to deepen the relationship between the brand and its key stakeholders. In line with this objective, the Group offers its support to cultural events, exhibitions and design festivals through donations, loans, light installations and co-organization efforts. For over 60 years, Flos has collaborated with the most prestigious art, architecture and design museums across the world. A variety of products has been donated or lent to such institutions and actually feature in the permanent collections of iconic museums, such as the MOMA (Museum of Modern Art) in New York, the Triennale in Milan, and the Centre National d'Art et de Culture Georges Pompidou in Paris.

"Il design dei Castiglioni" Exhibition comprising the entire creative activity of the three Castiglioni brothers for the first time

"Design Holding Wall" Installation where Flos, B&B and Louis Poulsen iconic products and design masters were depicted and animated

2019 stood out as a confirmation year for all of these activities: Flos' commitment has been renewed with established initiatives and with the inauguration of many new ones. The constant presence through sponsorships, featured exhibitions and installations in events all around the world allows the Group to further develop its dedication to fostering design know-how and heritage. In fact, Flos deeply believes that the concepts of art and design are tightly intertwined and among the highest disciplines, united by the common goal of delivering a true social value to the benefit of the wider community. As a consequence, Flos is constantly willing to be the enabler for the unfolding of the talent of the most refined artists, able to combine outstanding materials with innovative ideas by creating something unique. The following represent a selection of art and cultural events that Flos participated in during 2019.

Salone del Mobile Milano 2019

Flos' participation and support to art and cultural events

"il design dei Castiglioni" exhibition	Jan - Mar 2019	Flos partnered with Pordenone's Harry Bertoja Gallery for "Il design dei Castiglioni" exhibition, held in the occasion of the 100th anniversary of Achille Castiglioni's birth. The exhibition comprised the entire creative activity of the three Castiglioni brothers, Livio, Pier Giacomo and Achille for the first time.
Ro Plastic Prize - Guiltless Plastic	Mar - Apr 2019	Flos sponsored the project Guiltlessplastic with the Ro Plastic Prize 2019, an international and intergenerational challenge for the Design Community to stimulate a conscious use of recycled and recyclable plastic. The best projects were presented as finalists at Rossana Orlandi Gallery during 2019 Milan Design Week's Fuorisalone.
"Things that go together" exhibition	Mar - Jul 2019	Flos was the main sponsor of the first survey exhibition of designer Michael Anastassiades. Organized and presented by NiMAC (The Nicosia Municipal Arts Centre, Associated with the Pierides Foundation) and the Cultural Services of the Ministry of Education and Culture of Cyprus, the exhibition reflected on the designer's twelve-year practice to date.
Miart	Apr 2019	After the great success of the 2018 edition, Flos renewed the collaboration with Miart with a site-specific lighting installation in the exhibition's VIP Lounge and restaurant area. The installation design has been entrusted to Formafantasma and focused on the new suspension lamp Wireline, an object that can be positioned halfway between art and industrial design.
"Design Holding Wall" interactive installation	Apr 2019	Flos, B&B Italia and Louis Poulsen disclosed their heritage in a playful interactive wall during the Salone Internazionale del Mobile exhibition in Milan, Italy, where their iconic products and design masters were depicted and animated, to reveal stories and secrets of the design process.
Salone Internazionale del Mobile	Apr 2019	Flos has launched the re-edition of one of its cult designs from the Sixties, the lamp Chiara by Mario Bellini, on the occasion of its 50th anniversary, and has also released the first edition of 1957 Achille and Pier Giacomo Castiglioni's Bulbo lamp: the lamp was designed for an installation at the 11th Triennale in Milan. As it was originally conceived, connecting one lamp in series to another, which drastically reduced its potential and the internal filament turned a dazzling reddish colour that gave off a low-intensity, warm, ambiance light. The 2019 edition by Flos reproduces this filament in tungsten with an LED source, preserving the same warm, comfortable temperature of the light as the original. Flos has also presented innovative designs and original lighting systems created by Michael Anastassiades, Ronan and Erwan Bouroullec, Antonio Citterio, Formafantasma, Piero Lissoni, Nendo, Philippe Starck and Patricia Urquiola, to enrich its Decorative, Architectural and Outdoor lighting catalogues.

Goshka Macuga exhibitions

Fuorisalone - Milan Design Week	Apr 2019	On the occasion of Fuorisalone – Milan Design Week 2019, Flos presented a site-specific installation for the launch of the new collection of blown glass lamps Noctambule, designed by world-renowned German designer Konstantin Grcic.
"A piece of sky" Sri Lanka Pavillion	Apr 2019	The Sri Lankan Pavilion presented at XXII Triennale di Milano its own interpretation of the exhibition theme inspired by the UN Habitat program. A “Piece of Sky” offered a minimalist environment conducive to starting productive activities and settlements protected from meteorological variables. Flos designed the lighting of the Pavilion.
Pezo von Ellrichshausen studio "Echo" installation	Apr 2019	Flos was technical partner of MoscaPartners for lighting Echo, the work created by Pezo von Ellrichshausen studio which is the key feature of the collective exhibition The Litta Variations / Opus 5 during Milano Design Week. The installation was hosted in the Courtyard of Honour of Palazzo Litta, an historical mansion in the center of Milan.
Goshka Macuga exhibition	May - Aug 2019	On the occasion of the 100th anniversary of the Bauhaus, Hanover’s Kestner Gesellschaft presented a solo exhibition by the Polish-British artist Goshka Macuga. In her work, Macuga questions historiography, especially key ideas of modernism such as a belief in progress, authorship, and utopia. This exhibition focused on the Bauhaus, the influential school of art, architecture, and design, and its connection to the Kestner Gesellschaft.
Anastassiades Latin America Tour	Nov 2019	Following the successful Asian-Australian tour held in 2018, Flos and designer Michael Anastassiades partnered again in a new exclusive travelling activity, this time covering key Latin American cities with a focus on Brazil and Mexico. The tour featured site-specific lighting installations and academic talks, hosted at leading local Art, Architecture and Design universities.

Flos' relationship with the community

Besides supporting cultural events, Flos' relationship with the local territory involves contributing to charity and fundraising events. In line with last year, in 2019 Flos participated to the auction organized at Fondazione Prada by donating a total of seven of its iconic products. This year’s beneficiary was identified in Istituto Nazionale dei Tumori (National Cancer Institute) Pediatric Oncology Department, aiming at raising funds to promote scientific studies and medical treatments in the field of pediatric oncology. Furthermore, Flos donated products to AIRC, the Italian Foundation for the Research on Cancer,

through the Love Design fundraising initiative to help fund the organization's activities. In 2019, Flos also supported an auctioned in-kind donation Il Volo ONLUS, a cooperative that deals with young people who suffer from serious personality disorders in a therapeutic community.
An integral part of Flos' commitment towards the community is the long-lasting support to Fratelli dell'Uomo , a non-governmental organization for international cooperation working for local communities in developing countries. According to this partnership, started in 2015, 20% of the gross sales from the Gun Collection by Philippe Starck (Bedside Gun, Lounge Gun, and Table Gun lamps) is donated each year to Fratelli dell'Uomo[19]. During the past few years, thanks to Flos' contributions, several projects have been supported. For instance, since 2016, Flos has allocated its entire contribution to the project "Healthy childhood in the Totonicapán Maya Kiché community in Guatemala" carried out by the organization "Asociación CDRO", with the purpose of reducing communicable diseases and complications arising from common pathologies spreading among child populations. The project involves four local communities belonging to the Santa Lucia la Reforma Municipality (which supersedes the villages of Pamaria, Pabaquit, San Luis Sibilia and Arroyo San Juan) with the primary focus of improving the availability, accessibility and overall quality of childhood health services. The project moved forward in 2019, during which more than 3,300 consultations were carried out between clinical and home medical visits, as well as by delivering medicines and food supplements according to the pathologies identified. The project progress witnesses an ongoing improvement of all the main monitored KPIs, including: access to specialized pediatric care, immunization and malnutrition. Finally, in 2019 Flos renovated the sponsorship for Milan's Politecnico's Lighting Design and LED Technology Master by way of confirming its effort towards academic education.

amref health africa

[19] Fratelli dell'Uomo, which is acknowledged by the Italian Foreign Ministry, was launched in Italy in 1969 and it is part of the Frères des hommes Group.The organization supports projects and initiatives, mainly located in Latin America and Africa, concerning access to food, environmental protection and protection of common goods, responsible economy, community health, as well as migration and co-development. From 2019, Fratelli dell'Uomo no longer exists as an independent entity, but instead it has been integrated into Amref.

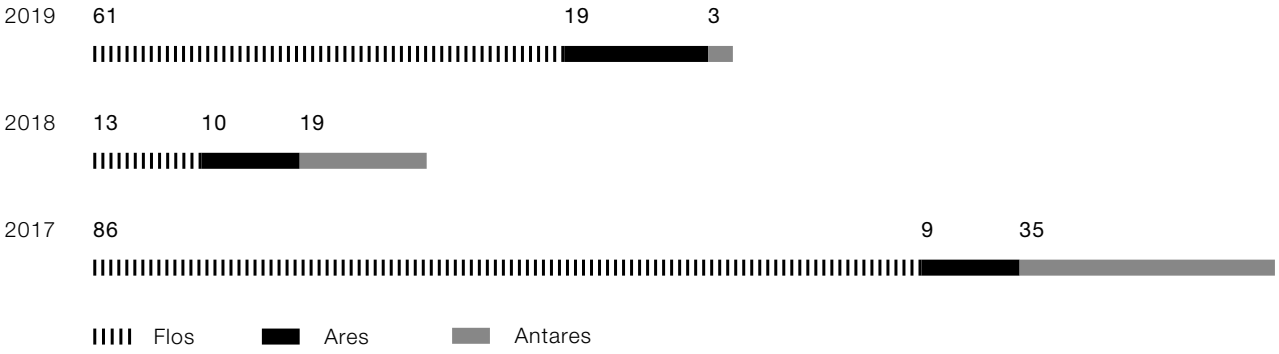
3.2 Fostering Design Know-How

In order to further disseminate the Company’s know-how by providing the opportunity of deeply understanding Flos' products, both in technological and aesthetic terms, the Group offers several training programs specifically designed to cover the needs of the different customers (e.g. agents, distributors, lighting designers). Flos delivers a number of courses concerning Architectural collection products, aimed at explaining their technical features and how to install them.

Through the training program "Progettazione della luce negli interni" (Interior light design), Flos offers furniture retailers an opportunity to understand how to present and sell a lighting concept. Training programs are designed for lighting retailers and focus on how to communicate the value of design and the history of the iconicity of Flos lamps. The courses, which are carried out at Flos' showrooms in Valencia and Milan or directly at the client's site, provide an opportunity to collect feedback from clients on products. In addition, taking advantage of the restructuring activities of its facilities in Bernareggio, Ares has built its own training room mainly dedicated to its customers, lighting designers and architects.

As a way of sharing Flos’ know-how and brand heritage with all design professionals and clients, in 2019 a new instrument was launched with around 400 one-to-one training sessions: Flos Light Academy. The Academy – that will go progressively on-line in 2020 – is a storytelling internal platform that supports all activities around sales moments with the main goal of improving and strengthening the connection between Flos and its clients. Targeting the sales force together with retailers, professionals and key accounts, Flos will invest in training prior to the inauguration of new products, engage with buyers, support all information and key specifics concerning products and applications, as well as fostering the spread of lighting design culture and Flos’ breakthrough products. The topics addressed through the platform vary depending both on the client target and on the intended applications: it is a way of meeting clients’ needs by fostering the Group’s know-how not only in terms of product specifics but also as a way of valorizing the product history and heritage.

Total Number Of Patents Filed By Year[20]



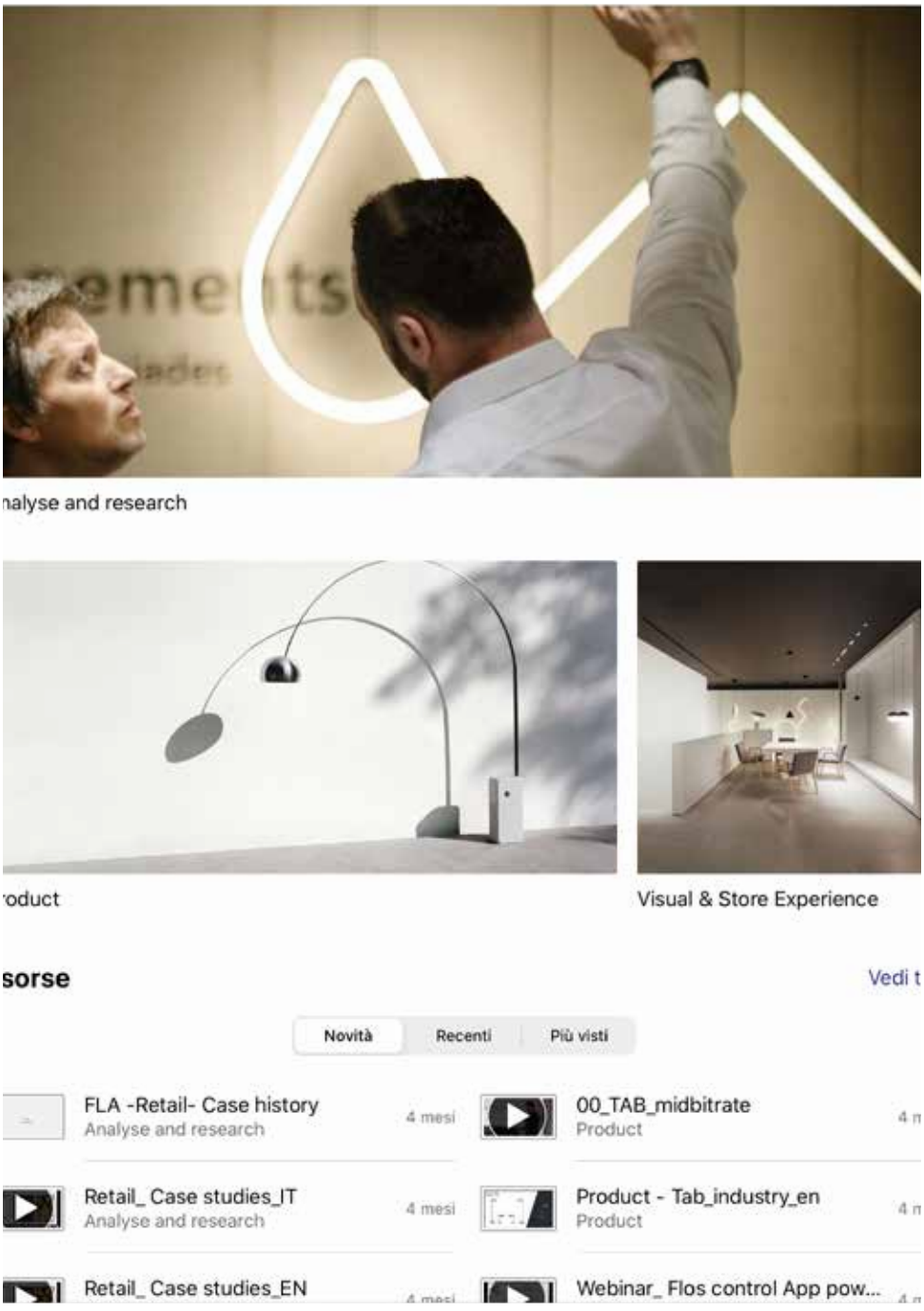
In order to face the global and competitive environment in which the Company operates, in the past few years Flos (for the Decorative collection), Antares (for the Architectural collection) and Ares (for the Outdoor collection) have filed several patents in order to protect brands and innovations. For each new product category Flos evaluates the best approach and solutions to protect its creations across geographies. Among others, design registrations, patent applications for invention or utility models and registered copyrights are some of the methods currently applied. All patents are filed before the presentation of new prototypes during international exhibitions. Given the nature of Flos' core business, the majority of patents belong to the design registration category, while the smallest share is represented by patent applications for inventions.

The latter mainly refer to the architectural and soft architectural business and, in an attempt to provide a broader protection of rights, take into account the original design, but also any significant aesthetic variation that the product may undergo in the future. Concerning the Decorative collection, patents are first filed in Italy and then extended to the European Union and to other foreign countries that represent strategic regions in terms of business and sales volumes. Conversely, with regard to the architectural collection, patents are filed directly at EU level. Since 2017, Flos has extended its brand protection activities to the Outdoor collection as well. The wavy trend of filings during the years is mainly due to the biennial periodicity of Euroluce, which is where

[20] Total number of patents filed by Flos S.p.A., Antares and Ares during the last three years, including the first filing phase only and excluding following extensions.

new lamps belonging to the Decorative collection are presented to the public. Consequently, 2017 and 2019 record a natural, higher number of patents filed with respect to 2018. Moreover, due to the fact that Flos' products are innovative both from materials and design viewpoints, additional challenges arise when approaching the topic of protecting the Group's ideas: this is the case, for instance with Michael Anastassiades' Coordinates, a modular lighting solution launched during 2019 Milan Salone del Mobile that required more than 40 different patents to cover not only the single piece, but also the main possible product combinations.

Design registrations have a limited duration: in Italy, for example, they last 25 years only. Therefore, in order to guarantee, safeguard and protect some of the Group's iconic products, Flos also filed applications for copyright registration in Italy and in other strategic countries. Moreover, Flos actively combats online infringements and frauds, such as the sale of counterfeit products or the illicit use of images and texts from Flos' website and social media. This latter kind of violation is among the most widespread, due to the rapid growth of online shopping. Since 2017, an external specialiszed company has supported Flos in the continuous process of identification and suppression of worldwide e-commerce platforms, marketplaces and social networks selling counterfeit products. To strengthen its fight against counterfeiting – carried out with the essential support of retailers – during 2019 Flos continued to register its most iconic products' trademarks in several countries. With the aim of enhancing the concept of "Made in Italy" and preserving high quality branded products from counterfeiting, Flos is also an active member of INDICAM. It represents nearly 180 companies, industry associations, legal and IP firms, security consultants and other organizations committed to the stand against counterfeiting activities affecting branded products.



Flos webinars

Reporting Principles And Criteria

The 2019 Sustainability Report, in line with Flos' established practice, has been prepared in accordance with the GRI Standards: Core option. The contents of this report reflect the materiality analysis as carried out according to the approach described in the following paragraph "Materiality analysis", in accordance with the GRI Standards. As a signatory to the United Nations Global Compact (UNGC) initiative since 2015, through the present report Flos is also fulfilling its commitment to producing an annual Communication on Progress – a public disclosure outlining its progress in implementing the Ten Principles of the UNGC. The UNGC Principles are clearly mapped against the GRI indicators in the GRI Content Index. At present, Flos' 2019 Sustainability Report does not directly address the UNGC issues and principles related to Human Rights, since the majority of the Group's direct activities and suppliers are located in Europe, where Human Rights are regulated by laws. To avoid any possible risk of complicity and as proof of its commitment, Flos introduced clauses on labor conditions and on the respect for human rights in its contracts. In addition, some of the most important human rights issues related to Flos' activity, such as the protection of workers' occupational health and safety, are already included among the "Labor" principles and issues the Group reports on.

Scope of Reporting

This document includes a description of initiatives and activities carried out during the 2019 calendar year as well as the related key performance indicators, presented for the entire 2017-2019 period, where available. The data collection process and the report publication activities are structured on an annual basis. The information included in the Sustainability Report refers to Flos S.p.A. and the fully controlled operating subsidiaries Antares Iluminacion S.A.U. and Ares S.r.l. All commercial branches and the other operating subsidiaries as of December, 31st 2019 are not included. Any exceptions to this reporting scope are explicitly indicated in the text. Flos S.p.A. has its registered headquarters in:

- Bovezzo (Brescia - Italy), Via Angelo Faini, 2;
- Antares Illuminacion S.A.U, Carrer Mallorca, Polígono Industrial Reva, Calle Turia, Ribarroja de Turia (Valencia - Spain);
- Ares S.r.l., V.le dell'Artigianato, 24 (Bernareggio, Italy).

Materiality analysis

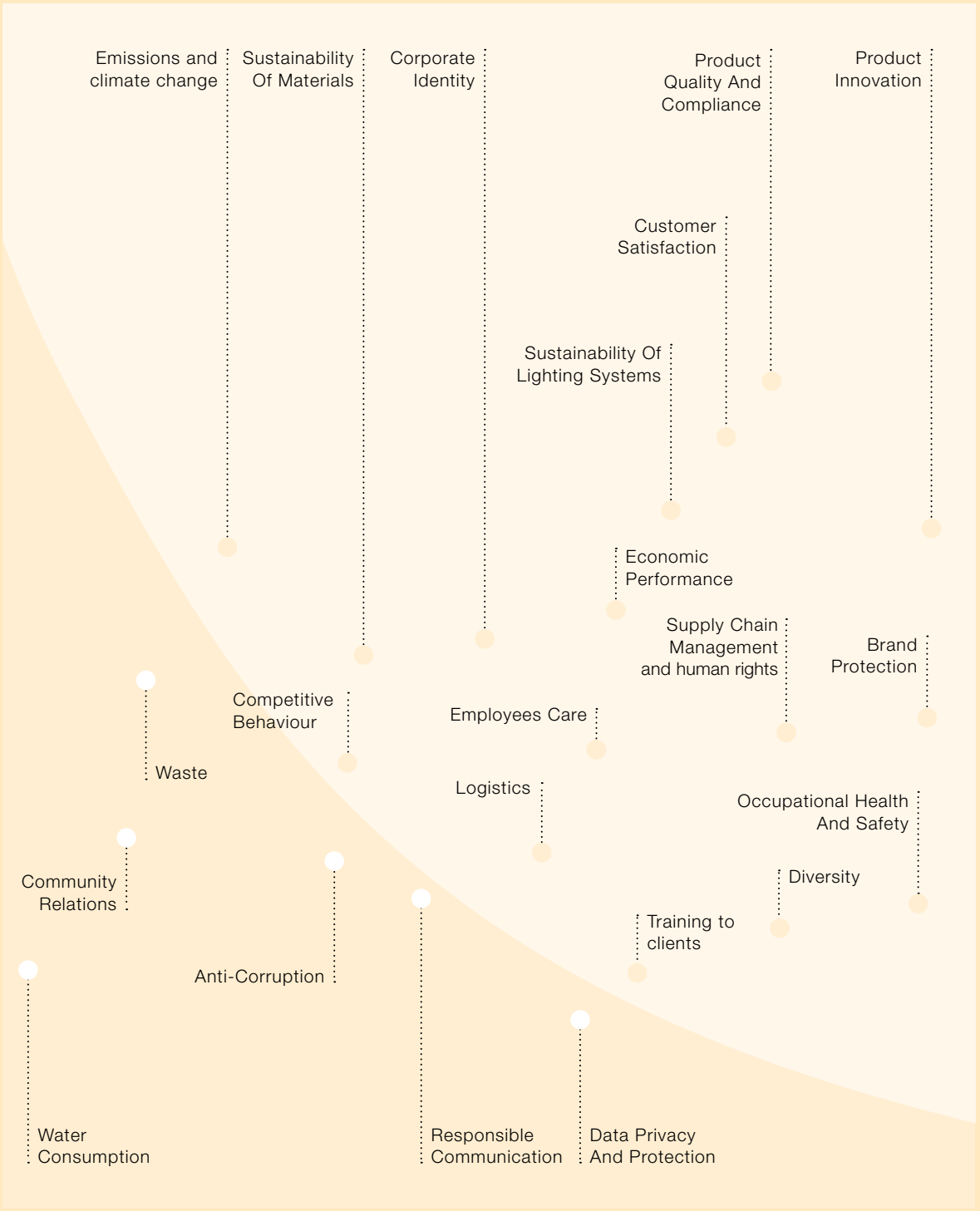
As part of the process for defining the Sustainability Report contents, the materiality analysis has been updated for the current reporting year in order to map relevant topics, which reflect Flos' economic, environmental and social impacts and/or may influence the decisions of the key stakeholders

identified. In line with the materiality review practice, a meeting with Flos' top management was carried out with the aim of evaluating possible changes and updates in terms of topics' relevance and priority.
This has been carried out considering different sources of information:

- The GRI Sustainability Reporting Standards;
- The ten principles of the UN Global Compact to which Flos adheres;
- Actual or potential requests coming from clients;
- Results of a sector specific media analysis that covered news regarding Flos;
- The Regulatory framework;
- Reports from industry associations;
- Flos' ESGs targets and priorities.

The 2019 materiality analysis has undergone a rationalization process that allowed to better align the topics with Flos' Sustainability Policy and its pillars. In this regard, and in line with the whole Sustainability Report, the new materiality matrix is the expression of this new pathway that aims at reconciling the Group's actions with its commitments in order to deliver the highest results. Besides this fundamental change of approach, which is mirrored by the clustering of Flos' material topics according to the Policy's three pillars, the following highlights the main results obtained through the analysis update:

- "Growth in foreign markets" and "Product portfolio extension" have been removed from the material topics as they are related to the business-running side rather than to the sustainability sphere.
- While "Supply chain management" has been joined by human rights issues and has become "Supply chain management & human rights" as a way of deepening Flos' commitment towards its chain of value and the correlated socio-economic impacts, "Building energy efficiency" and "Diffusion of energy saving culture" now falls under "Sustainability of lighting systems". Moreover, "Internet of things" and "Research and development" merged into "Product innovation".
- The "Emissions" topic has been relabeled "Emissions and climate change" to broaden its scope and better reflect the importance Flos' stakeholders and the wider community attribute to it: as a result, the increasing centrality of climate change-related issues is reflected by the topic's substantial upward move.
- The "Training to clients" topic, which was considered as non-material, has become material in this year's update. Consequently, it is reported in the 2019 Sustainability Report as required by the GRI Standards.


Emissions and climate change
Sustainability Of Materials
Corporate Identity
Product Quality And Compliance
Product Innovation
Customer Satisfaction
Sustainability Of Lighting Systems
Economic Performance
Supply Chain Management and human rights
Brand Protection
Competitive Behaviour
Employees Care
Waste
Logistics
Occupational Health And Safety
Diversity
Community Relations
Training to clients
Anti-Corruption
Water Consumption
Responsible Communication
Data Privacy And Protection
Relevance To Flos' Stakeholders
Relevance To Flos Group

The following table provides the link between Flos' material issues and the corresponding GRI Standards topics (Topic-specific Disclosures), together with their scope and any eventual limitations on the reporting boundary, due to the unavailability of data and information on the external perimeter. In the coming years, Flos is committed to identifying and implementing specific actions aimed at gradually extending the scope of data collection and reporting for material aspects.

Flos' Material Topics	**GRI Material Aspects**	**Aspect Boundary**		**Limitations Of Reporting On Boundary**	
		Within The Organization	Outside The Organization	Within The Organization	Outside The Organization
Brand Protection	-	Group	-	-	-
Competitive Behavior	Anti-competitive behavior	Group	-	-	-
Corporate Identity	-	Group	-	-	-
Customer Satisfaction	Marketing and labeling	Group	-	-	-
Diversity	Diversity and equal opportunities	Group	-	-	-
Economic Performance	Economic performance	Group	-	-	-
Emissions and climate change	Emissions	Group	Suppliers	-	Reporting scope partially extended to suppliers
Employee Care	Employment	Group	-	-	-
	Training and education	Group	-	-	-
Logistics	Emissions	Group	Suppliers	-	Reporting scope partially extended to suppliers
	Energy	Group	Suppliers	-	Reporting scope partially extended to suppliers
Occupational Health And Safety	Occupational health and safety	Group	Suppliers	-	Reporting scope partially extended to suppliers
Product Innovation	-	Group	-	-	-
Product Quality And Compliance	Customer health and safety	Group	-	-	-
	Marketing and labeling	Group	-	-	-
Supply Chain Management and Human Rights	Procurement practices	Group	-	-	-
	Supplier environmental assessment	Group	-	-	-
	Supplier social assessment	Group	-	-	-

Sustainability Of Lighting Systems	Energy	Group	Suppliers, clients	-	Reporting scope not extended to suppliers
Sustainability Of Materials	Materials	Group	Suppliers	-	Reporting scope not extended to suppliers
Training To Clients	Training and education	Group	Clients	-	-

Key Stakeholders

The following table reports an overview of Flos' key stakeholders, based on their influence and on the dependence on the Company; for each stakeholder category, a description of existing engagement activities is provided.

Category	**Engagement tools and activities**
Employees and trade unions	Continuous dialogue between HR department and employees/trade unions, specific initiatives
Board of Directors	Formal meetings
Suppliers	Continuous dialogue and periodic meetings
Clients	Website, fairs, catalogues Training course organised for clients Preliminary analysis of customer satisfaction on a sample of clients
End-users	Social networks, communication campaigns, fairs and meetings
Competitors	-
Media	Press releases
Architects and interior designers	Continuous cooperation on research and development of new products
Providers of financial capital	Formal meetings and periodic management reports
Regulatory and certification bodies	Membership of working groups within regulatory bodies and industry associations (e.g.Assoluce, Lighting Europe, etc.)

Quality Reporting Principles

Flos' Sustainability Report is drafted in accordance with the principles of balance, comparability, accuracy, timeliness, clarity and reliability, as defined by the GRI Standards. The document highlights both strengths and weaknesses, as well as possible areas of improvements for the Group. The data collection and reporting processes are structured in a way to ensure information comparability over the years and to guarantee an accurate interpretation by the key stakeholders interested in Flos' performance evolution. Flos' 2019 Sustainability Report is not subject to external assurance.

Calculation Methodologies

The methodologies and assumptions used to calculate the performance indicators included in the Report are described below:

- Research & Development costs are calculated taking into account capital expenses and operating costs (e.g. personnel involved, costs for materials, etc.).
- All data related to injuries refer to the Group employees, thus excluding contractors. Commuting injuries and first-aid cases are not included.
- Where environmental data are not available, conservative estimations have been used, resulting in the underestimation of the Group's environmental performance;
- Energy consumption from the Group's fleet has been calculated starting from the following available data:
  a) Flos' car fleet: kilometers covered;
  b) Ares and Antares' fleet: fuel consumption.

Concerning the Scope 2 emissions resulting from the consumption of electricity purchased from the national grid, two calculation methodologies have been implemented: the location-based and the market-based approaches. The first one reflects the average emission intensity of grids taking into account both renewable and non-renewable productions, while the second one reflects emissions from the electricity source that the company has purposefully chosen through, for instance, contractual instruments. The following table shows the conversion factors that have been used:

Average fuel consumption car [l fuel/100km]	UK Department for Transport, Fuel Consumption 2017
Fuel density [l/t]	UK Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors - Full set, 2017, 2018, 2019
LCV (Lower Calorific Value) [GJ/t]	Italian Ministry for Environment, Tabella parametri standard nazionali, 2017, 2018, 2019

Greenhouse gases emissions calculations have been carried out based on the principles included in the GHG Protocol Corporate Accounting and Reporting Standard.

Emissions have been calculated as follows:

GHG Emissions Scope 1

Source	Activity Data	Emission Factor	GWP
Flos' Car Fleet	Kilometers covered	UK Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors - Full set, 2017, 2018, 2019	CO_2 equivalent, considering the following gases: CO_2 (GWP = 1), CH_4 (GWP = 25) and N_2O (GWP = 298). Global Warming Potentials (GWPs) are taken from IPCC Fourth Assessment Report (AR4).
Ares And Antares' Fleet	Fuel consumption (gasoline and diesel)	UK Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors - Full set, 2017, 2018, 2019	CO_2 equivalent, considering the following gases: CO_2 (GWP = 1), CH_4 (GWP = 25) and N_2O (GWP = 298). Global Warming Potentials (GWPs) are taken from IPCC Fourth Assessment Report (AR4).
Leakages From Air-Conditioning Systems Of Refrigerant Gases	Leakages (kg)	-	Global Warming Potentials (GWPs) are taken from IPCC Fifth Assessment Report (AR5).

GHG Emissions Scope 2

Source	Activity Data	Emission Factor	GWP
Electricity Purchased From The National Grid (Location-based Approach)	Electricity consumption	Terna international comparisons on Enerdata figures – 2016, 2017, 2018	Only CO_2 emissions have been considered
District-Heating Purchased From The Waste To Energy Plant	Heat consumption	UK Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors - Full set, 2017, 2018, 2019	CO_2 equivalent, considering the following gases: CO_2 (GWP = 1), CH_4 (GWP = 25) and N_2O (GWP = 298). Global Warming Potentials (GWPs) are taken from IPCC Fourth Assessment Report (AR4).
Electricity Purchased From The National Grid (Market-based Approach)	Electricity consumption	AIB, European Residual Mixes 2016, 2017, 2018	Only CO_2 emissions have been considered

GHG Emissions Scope 3

Source	Activity Data	Emission Factor	GWP
-Business travels by plane; -Logistics	Kilometers	UK Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors - Full set, 2017, 2018, 2019	CO2 equivalent, considering the following gases: CO_2 (GWP = 1), CH_4 (GWP = 25) and N_2O (GWP = 298). Global Warming Potentials (GWPs) are taken from IPCC Fourth Assessment Report (AR4).
Business travels by train	Kilometers	Ferrovie dello Stato, "Rapporto di Sostenibilità ", 2016, 2017, 2018.	Only CO_2 emissions have been considered

GRI Content Index

GRI Standard	Disclosure		Page number(s)
GRI 101: Foundation 2016			
General Disclosures			
GRI 102: General Disclosures 2016	**Organizational Profile**		
	102-1 Name of the organization		107
	102-2 Activities, brands, products, and services		32-39
	102-3 Location of headquarters		107
	102-4 Location of operations		107
	102-5 Ownership and legal form		26-31
	102-6 Markets served		32
	102-7 Scale of the organization		26-32; 84-85
	102-8 Information on employees and other workers	UNGC	84-85
	102-9 Supply chain		49-51
	102-10 Significant changes to the organization and its supply chain		107
	102-11 Precautionary Principle or approach		*
	102-12 External initiatives		58-59; 107
	102-13 Membership of associations		63-64
	Strategy		
	102-14 Statement from senior decision-maker	UNGC	7
	Ethics And Integrity		
	102-16 Values, principles, standards, and norms of behavior		26-31
	Governance		
	102-18 Governance structure		26-31
	Stakeholder Engagement		
	102-40 List of stakeholder groups		111
	102-41 Collective bargaining agreements	UNGC	86
	102-42 Identifying and selecting stakeholders		111
	102-43 Approach to stakeholder engagement		111; 96-104
	102-44 Key topics and concerns raised		111; 62-65; 96-104
	Reporting Practice		
	102-45 Entities included in the consolidated financial statements		29
	102-46 Defining report content and topic Boundaries		107-111
	102-47 List of material topics		107-111
	102-48 Restatements of information		73; 111-112
	102-49 Changes in reporting		107-113
	102-50 Reporting period		107
	102-51 Date of most recent report		107
	102-52 Reporting cycle		107
	102-53 Contact point for questions regarding the report		109
	102-54 Claims of reporting in accordance with the GRI Standards		107
	102-55 GRI content index		115-119
	102-56 External assurance		111

* Flos adapts its decision-making approach by taking into account the social and environmental issues according to the precautionary approach.

GRI Standard	Disclosure	Page number(s)
Material Topics		
GRI 200 Economic Standard Series		
Economic Performance		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	28; 107-111
	103-2 The management approach and its components	28; 107-111
	103-3 Evaluation of the management approach	28; 107-111
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	28
Procurement Practices		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	49-51; 107-111
	103-2 The management approach and its components	49-51
	103-3 Evaluation of the management approach	49-51
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	49-51
Anti-corruption	UNGC	
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	30-31; 107-111
	103-2 The management approach and its components	30-31
	103-3 Evaluation of the management approach	30-31
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	30-31
Anti-competitive Behavior		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	30-31; 107-111
	103-2 The management approach and its components	30-31
	103-3 Evaluation of the management approach	30-31
GRI 206: Anti- competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	30-31

GRI Standard	Disclosure		Page number(s)
Material Topics			
GRI 300 Environmental Standards Series			
Materials		UNGC	
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary		72-75; 107-111
	103-2 The management approach and its components		72-75
	103-3 Evaluation of the management approach		72-75
GRI 301: Materials 2016	301-1 Materials used by weight or volume		72-75
Energy		UNGC	
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary		77-78; 107-111
	103-2 The management approach and its components		77-78
	103-3 Evaluation of the management approach		77-78
GRI 302: Energy 2016	302-1 Energy consumption within the organization		77-78
Emissions		UNGC	
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary		79-81; 107-111
	103-2 The management approach and its components		79-81
	103-3 Evaluation of the management approach		79-81
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions		80
	305-2 Energy indirect (Scope 2) GHG emissions		80
	305-3 Other indirect (Scope 3) GHG emissions		80
Supplier Environmental Assessment		UNGC	
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary		49-51; 107-111
	103-2 The management approach and its components		49-51
	103-3 Evaluation of the management approach		49-51
GRI 308: Supplier Environmental Assessment 2016	308-2 Negative environmental impacts in the supply chain and actions taken**		(**)

'**No suppliers were assessed for environmental impacts. In 2017, Flos analyzed the potential negative impacts in its supply chain and new contractual clauses including environmental aspects are currently under implementation

GRI Standard	Disclosure		Page number(s)
Material Topics			
GRI 400 Social Standards Series			
Employment		UNGC	
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary		84-86; 107-111
	103-2 The management approach and its components		84-86
	103-3 Evaluation of the management approach		84-86
GRI 401: Employment 2016	401-1 New employee hires and employee turnover		86
Occupational Health And Safety		UNGC	
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary		91-93; 107-111;
	103-2 The management approach and its components		91-93
	103-3 Evaluation of the management approach		91-93
GRI 403: Management Approach 2018	403-1 Occupational Health and safety management system		91-93
	403-2 Hazard identification, risk assessment, and incident investigation		91-93
	403-3 Occupational health services		91-93
	403-4 Worker participation, consultation, and communication on occupational health and safety		91-93
	403-5 Worker training on occupational health and safety		92
	403-6 Promotion of worker health		91-93
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		91-93
GRI 403: Occupational Health And Safety 2018	403-9 Work-related injuries		92
Training And Education		UNGC	
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary		87-89; 102; 107-111
	103-2 The management approach and its components		87-89; 102
	103-3 Evaluation of the management approach		87-89; 102
GRI 404: Training And Education 2016	404-1 Average hours of training per year per employee		89
Diversity And Equal Opportunity		UNGC	
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary		84-86; 107-111
	103-2 The management approach and its components		84-86
	103-3 Evaluation of the management approach		84-86
GRI 405: Diversity And Equal Opportunity 2016	405-1 Diversity of governance bodies and employees		85
Supplier Social Assessment		UNGC	
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary		49-51; 107-111
	103-2 The management approach and its components		49-51
	103-3 Evaluation of the management approach		49-51
GRI 414: Supplier Social Assessment 2016	414-2 Negative social impacts in the supply chain and actions taken		***

'***No suppliers were assessed for environmental impacts. In 2017, Flos analyzed the potential negative impacts in its supply chain and new contractual clauses including environmental aspects are currently under implementation

GRI Standard	Disclosure	Page number(s)
Material Topics		
GRI 400 Social Standards Series		
Customer Health And Safety		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	42-49; 62-68; 107-111
	103-2 The management approach and its components	47-49; 62-68
	103-3 Evaluation of the management approach	47-49; 62-68
GRI 416: Customer Health And Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	49
Marketing And Labeling		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	42-49; 62-68; 107-111
	103-2 The management approach and its components	47-49; 62-68
	103-3 Evaluation of the management approach	47-49; 62-68
GRI 417: Marketing And Labeling 2016	417-1 Requirements for product and service information and labeling	62-68
Brand Protection		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	102-104; 107-111
	103-2 The management approach and its components	102-104
	103-3 Evaluation of the management approach	102-104
Product innovation		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	62-68; 107-111
	103-2 The management approach and its components	62-68
	103-3 Evaluation of the management approach	62-68
Corporate Identity		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	33-41; 94-101; 107-111
	103-2 The management approach and its components	23-24; 33-41
	103-3 Evaluation of the management approach	23-24; 33-41

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