

(Translation from the Italian original which remains the definitive version)

CONSOLIDATED NON-FINANCIAL STATEMENT

As per Legislative decree no. 254/2016

Issuer: Fabbrica Italiana Lapis ed Affini S.p.A.

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Contents

Chairman's letter

Introduction

Group highlights

Identity and profile

Vision and Mission

FILA Group values

FILA Group structure and size

Production facilities

History of the FILA group

Business model

Strategy

FILA Group business

Production, R&D, Quality Assurance, Product Safety
and Compliance, brands and products

Corporate Social Responsibility (CSR)

FILA Group stakeholders

Corporate governance and risk management

Organisational, Management and Control Model as per Legislative decree no. 231/01

Environmental topics

Respect for the environment and material topics for FILA

Use of raw materials

Consumption of energy resources

Atmospheric emissions

Water consumption

Other environmental topics

Employment topics

Respect for the individual and material topics for FILA

Equal opportunities

Occupational health and safety

Social topics

FILA's social role and material social topics

Product quality and safety

Supplier relations

Protecting diversity in local communities

Other social topics

Human rights topics

Respect for human rights

Freedom of association and collective bargaining agreements

Anti-corruption topics

Anti-corruption

Measures to combat active and passive corruption

Other topics related to combatting corruption

Annex

Methodological note

Details of the Group companies included in the reporting scope by reporting topic

GRI Content Index

Indicator tables and GRI information

Independent Auditors' Report

Chairman's letter

Our story begins in Florence in 1920. Back then, we produced pencils and school stationery, such as colouring crayons, felt-tip pens, and modelling clay. Our Company, products and brands have coloured the lives and childhoods of many people for a hundred years.

In 2000, we decided to 'grow up,' and started an internationalisation initiative that led to the acquisition of numerous manufacturing companies around the world.

We took another big step in 2014, when we decided to diversify our business, investing in the fine arts sector and thus expanding our product lines to include drawing paper, colouring paper, brushes and art paints.

Today, we sell products that encourage creative expression among consumers of all ages. We're incredibly proud of our products, which are steeped in tradition, promote important social values and stir emotions in many. Our constant push toward technological innovation has allowed FILA to create living, contemporary products with a historical soul.

FILA products encourage constant discovery, and the potential to create something new at every turn.

We are now a multinational group listed on the stock exchange, with 35 branches and 21 factories worldwide, as well as 30,000 trade contacts in 150 countries.

Our Group is a point of reference for the sector thanks to its strong historical roots, which are supported by a robust governance policy built on innovative processes, technology and systems.

At FILA, we are doing our bit to build a sustainable future and create a better world for the children of tomorrow to inherit, so that they may experience the world in colour, just as we have done for the past 100 years.

This document provides a transparent, detailed account of the various aspects of the practices, policies, activities and risks that we faced in 2019 in the environmental realm, in relations with our employees, in the supply chain, in the communities where we operate and with which we do business, with an eye towards respect for human rights and the fight against corruption.

Feel Creative.

GIOVANNI GORNO TEMPINI

Chairman of the Board of Directors of FILA S.p.A.

Introduction

Prepared in accordance with Legislative decree no. 254/2016, the Consolidated Non-Financial Statement (hereinafter also the “Non-Financial Statement” or “Statement”) of Fabbrica Italiana Lapis e Affini S.p.A. (hereinafter also “FILA S.p.A.”) is a report addressed to stakeholders regarding new developments, projects, associated risks, and results achieved during the year by the FILA Group (hereinafter also the “Group”) with regard to economic, environmental and social performance, and its approach to sustainability and related policies.

The Statement is published annually and includes comparative data from the previous year. This year’s Statement been prepared in accordance with the requirements of Articles 3 and 4 of Legislative decree no. 254/2016, and the GRI Standards (“core” option) published by the Global Reporting Initiative (“GRI”), which are the most widespread and internationally recognised standards for non-financial reporting matters to date. The Annex includes a “*GRI Content Index*” and further methodological insights (Annex “*Methodological Note*”) to provide readers with additional information.

Non-financial reports describe the most important traits of a business in terms of its profile, its strategies and risks, the expectations of its stakeholders, the industry to which the Group belongs and so forth. Information for the report was prioritised by means of a materiality analysis that was informed by a Group risk assessment activity and by analyses of the topics listed in the Decree. As such, the information contained herein responds to the principles of materiality and relevance, as required by applicable legislation and the GRI Standards.

Material topics include: material environmental topics (the use of raw materials, energy resource consumption, atmospheric emissions and water consumption), material employment topics (equal opportunities and occupational health and safety), material social topics (quality and product safety, supplier relations, protecting diversity), topics relating to human rights (freedom of association and collective bargaining), and topics relating to the fight against corruption, both active and passive. Reporting on material topics has been integrated with additional information on the Group’s activities (where relevant) in the following chapters.

The document is broken down into the following sections:

- *Identity and profile*: information on the Company’s vision, mission and values, as well as the Group’s structure, size, production facilities and a history
- *Business model* – information on the Group’s business model, including a focus on managing stakeholder relations, the Group’s approach to Corporate Social Responsibility, corporate governance and risk management
- *Environmental topics* – information on the Group’s approach to the environment and related topics, including the main risks generated and incurred due to the use of raw materials, energy resource consumption, atmospheric emissions, water consumption and other environmental issues
- *Employment topics* – information on the Group’s approach to its employees and business partners, along with related topics and the main risks generated and incurred in relation to equal opportunities and occupational health and safety

- *Social topics* – information on the Group's approach to its social role, related topics and the main risks generated and incurred in relation to product quality and safety, supplier relations, protecting diversity within local communities, and other issues
- *Topics concerning human rights* – information on the Group's approach to respecting human rights, freedom of association and collective bargaining, and the main risks generated and incurred
- *Anti-corruption topics* – information on the Group's approach to the fight against corruption, related topics and measures to combat active and passive corruption, and the main risks generated and incurred.

The Annex contains a *Methodological Note* (with details on the Group's reporting approach, a reconciliation table listing topics required by the Decree, and materiality analysis) and a *Breakdown of the Group companies included in the reporting scope by reporting topic* (in order to acknowledge the types of data and information requested from various Group companies in consideration of their characteristics and relevance to non-financial reporting). The Annex also contains a *GRI Content Index* (which links GRI indicators to the sections of this Statement), *Indicator tables and GRI information* (which display a breakdown of reporting areas, in order to supplement the topics described herein), and an *Independent Auditors' Report*.

This Statement is separate from the Directors' Report, and was approved by the FILA S.p.A. Board of Directors on March 25, 2020.

Requests for clarifications of any information contained in this Statement can be sent to info.dnf@fila.it.

Group highlights

Year of incorporation: **1920**

Number of companies operating in the Group: **35** on **5** continents

Presence in over **150** countries

Number of production facilities: **21**

+€700 million invested in acquisitions since **1994**

Number of employees at December 31, 2019: **10,067**, (+5% on 2018)

Number of iconic brands: **25**

Workforce composed of women: **47%**

Employees under 30: **50%**, rising to **74%** when employees under 40 are included

The workforce comprises **76%** blue-collar workers, **22%** white-collar workers, and **2%** managers

58,387 training hours in 2019, of which **10,884** revolved around occupational health and safety

Number of accidents suffered by the workforce is equal to **2%**

99% of the solid waste produced by the Group is non-hazardous, in line with 2018

Amount of renewable energy obtained from sawdust: **158,423,280 MJ**, an increase of **10%** compared to 2018

Identity and profile

The FILA Group is one of the leading global enterprises devoted to the research, design, manufacture and sale of tools for creative expression. The Group designs, makes and packages tools and supports for drawing, colouring and painting, in addition to modelling clays, for use by children, youths and adults. Its product range includes more than 25 well-known brands and thousands of products sold on all continents.

VISION AND MISSION

VISION

FILA firmly believes in the world of colour and individual creative expression. Accordingly, in order to become the international benchmark for its industry, it plans to consistently develop the range and originality of its products and brands by cultivating highly attentive and on-going relations with its stakeholders, ranging from its suppliers to its employees and from its wholesalers to its final customers, since these are fundamental for the Group's future development.

MISSION

In order to make its Vision reality, FILA focuses its attention on developing productive, distributive and commercial solutions, and resultant products and brands, which offer everyone the opportunity and the pleasure to express themselves creatively at any time of their lives with the assurance of quality, safety, ease of use, ready availability and targeted innovation.

FILA GROUP VALUES

FILA S.p.A. has adopted a **Code of Ethics** (available on its website) to clarify its responsibility and the ethical commitments underpinning its means of operation. It consists of a document that outlines the principles, values and rules of conduct observed by the Group, in addition to the ethical commitments and responsibilities and conduct which it undertakes and complies with in the course of business operations and which govern the conduct of all those working within or on behalf of the group.

Compliance with applicable law, company rules and the Code of Ethics is of fundamental importance for the optimal functioning and the good standing of the FILA Group, with regard to its employees, third parties, the Public Administration, the market, and stakeholders in general.

The ethical principles summarised below are a point of reference for all company activities.

Integrity, correctness, good faith and legal compliance

All parties operating within and in the interests of the FILA Group are held to act in compliance with the principles of legality, correctness and integrity in the execution of their duties, internally and externally. This means, for example, working to contribute to environmental protection, respecting people, promoting equal

opportunities and equality, and pursuing truthful, transparent and complete accounting records for the purpose of safeguarding the Company and Group image, as well as the trust established with customers and the market.

In no case may the interest or the advantage of FILA S.p.A. or of the FILA Group induce and/or justify dishonest and/or illegal conduct. The company therefore does not tolerate any type of illegal activity nor the involvement in, collusion with or proximity to, even indirectly, national or international criminal organisations.

Product quality

The FILA Group places a particular focus on the satisfaction of its existing and potential customer base, and on demands and expectations, in order to supply within the sector highly competitive products which ensure maximal professionalism, flexibility and high-quality standards. This equates to providing excellence in terms of quality, safety, health protection and environmental protection standards and therefore, the FILA Group requires all those involved in the creation of the products marketed to commit entirely.

Furthermore, this means that all disclosure or communication to public or private customers – even prospective – concerning FILA products must be true, complete and correct.

Relations with the Public Administration

The relationship between the FILA Group and FILA S.p.A. and public officials, those employed in the public service, public employees and outsourcers providing public services in Italy and abroad, must be held to comply with the principles of legality, transparency, integrity and correctness.

Any person acting in the name of and/or on behalf of the FILA Group is prohibited from aiding and abetting, applying pressure or engaging in other conduct to attain favourable provisions or other decisions in an illegal manner or against the principles of the Code of Ethics.

Relations with the inspecting and supervisory authorities

The FILA Group actively collaborates with the judicial, tax and supervisory authorities, as well as with the police and any public official exercising his or her duties during inspections, checks, investigations and judicial proceedings.

The employees of the FILA Group must refrain from offering donations, money and other benefits, or from exercising undue pressure on the representatives of these authorities, who materially carry out inspections and controls, in addition to those persons called to testify in legal proceedings, with a view to influencing conduct or acting in a manner which seeks to impede the legal process.

External relations

Relations with customers and with third parties operating in the interest of the FILA Group are managed according to the principles of maximum collaboration, availability, professionalism and transparency, ensuring confidentiality and the protection of privacy in order to maintain solid and long-lasting relationships based on mutual trust and satisfaction. Third parties operating in the interests of the FILA Group (agents, suppliers, partners, consultants, collaborators, etc.) are identified and selected according to objective assessment criteria, in line with the pre-established internal procedures and based on the principles of benefit, correctness and transparency and the relative remuneration is established according to the criteria of proportionality and effective provision of service. In relations with customers, the negotiating phase, the acquisition of orders and

the execution of paid services are entirely governed by the principles of transparency, professionalism and good faith. FILA Group operates correctly in the offer of its products and does not undertake any conduct which may negatively influence or improperly alter the competitive structure between operators on the market.

Corporate Communications and Disclosure

The company promotes the broadest possible involvement of shareholders in the company and in the exercise of shareholder rights, offering them, in compliance with the applicable regulation, complete disclosure in order to act in a knowledgeable and informed manner. FILA S.p.A. has the prime objective of developing the value of the investment of shareholders, also in order to enable them to knowledgeably employ their available resources.

Confidential Information and Insider Information

The company, also in compliance with the “market abuse” provisions, governs access to Price Sensitive and Confidential Information in order to also ensure maximum transparency for the direct or indirect sale of FILA S.p.A. shares by its Directors, Statutory Auditors or Executives.

Relations with the Media

Relations with media organisations must be transparent and in line with the company and the FILA Group policy, in order to ensure the full image and brand protection.

Relations with the press, with the communications and information media and, more generally, with external stakeholders must be carried out exclusively by expressly delegated parties and in compliance with the specific procedures and provisions adopted by the company.

FILA GROUP STRUCTURE AND SIZE

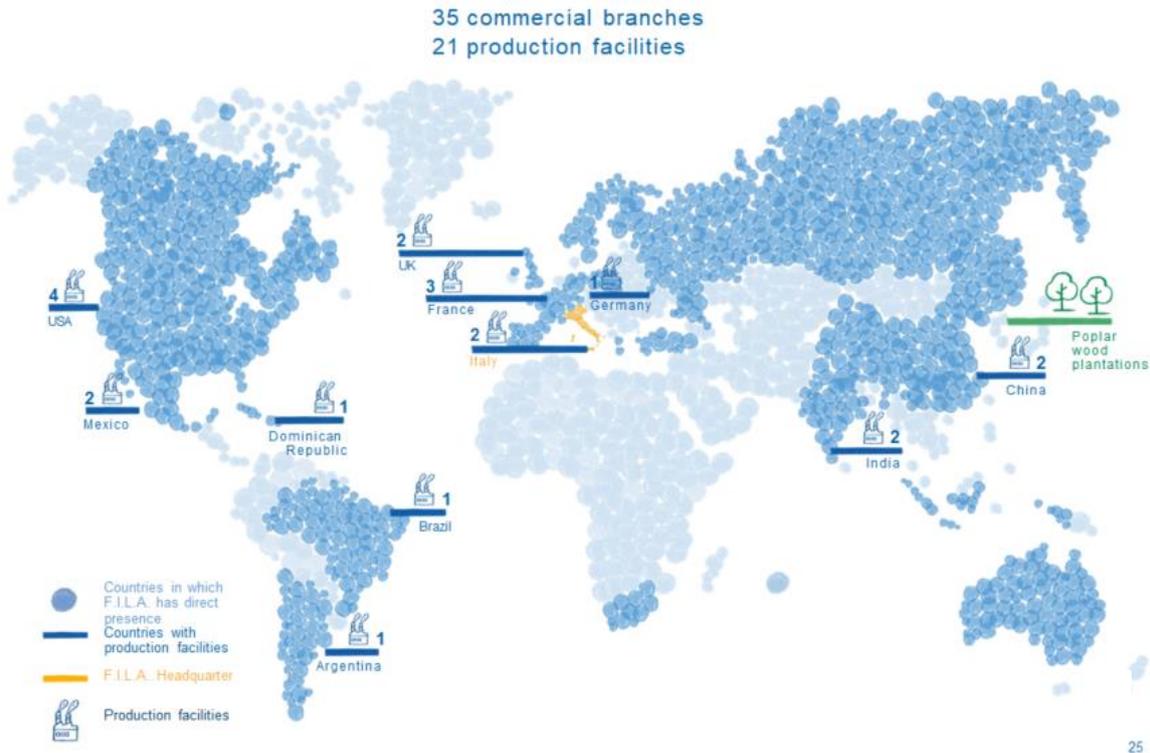
SUMMARY OF THE GROUP’S STRUCTURE

In addition to its Parent FILA S.p.A., the FILA Group includes companies subject to management and coordination, as well as the respective subsidiaries and associates.

At the end of 2019, the FILA Group was present on five continents by way of 35 operating (allineare nel grafico sulla pagina successiva) branches and 21 production facilities. In addition to its Parent, the most significant Group companies in terms of production volume and turnover are:

- Canson in France
- Lyra in Germany
- Daler-Rowney in Great Britain and the Dominican Republic
- Dixon Ticonderoga in Canada and the USA
- Dixon Ticonderoga in Mexico
- DOMS in India
- FILA Dixon Kunshan in China.

More information about the Group's investments is contained in the 2019 Annual Report. Annex - *“Breakdown of Group companies included in the reporting scope by reporting topic”* provides information on the topics dealt with in the Statement with regard to the companies included in the reporting scope.



GROUP SIZE

At the end of 2019, the FILA Group's numbers were the following:

- Total number of employees: 10,067 (9,560 in 2018)
- Total number of branches: 51, of which 35 operational, on five continents, with 21 production facilities (21 in 2018), two of which in Italy
- Number of countries in which the Group does business: more than 150 (unchanged on 2018)
- Number of products and services provided: 25 iconic brands (no change compared to 2018) and 50 product categories (50 in 2018).

At the end of 2019, the Group had Non-current Assets equal to Euro 617 million (31 December 2018: Euro 550 million), Net Working Capital of Euro 295 million (31 December 2018: Euro 311 million), and Net Financial Debt of Euro 498 million (31 December 2018: Euro 453 million). The Group's turnover amounted to Euro 683 million (Euro 589 million in 2018), its Profit for the year came to Euro 26.1 million (Euro 10.5 million in 2018), and the profit for the year attributable to the owners of the parent came to Euro 24 million (approx. Euro 9 million in 2018).

For a full explanation, please refer to the Group's 2019 Annual Report. The Annex contains a document entitled *"Indicator tables and GRI information"*, which provides highlights of the FILA Group's operating results, financial position and cash flow performance in 2019 and 2018.

At 31 December 2019 the share capital of FILA S.p.A. is composed of ordinary shares and class B shares (with multi-vote rights). For further details, please refer to the section entitled *"Indicator tables and GRI information"* in the Annex, as well as the Annual Report and the Corporate Governance and Ownership Structure Report, which are both published on the Company website.

PRODUCTION FACILITIES

The following table provides information regarding the FILA Group's production facilities:

SUBSIDIARY	Year Founded	Employees at 31.12.2019	PRODUCTION FACILITY	PRODUCTS
EUROPE				
FILA	1920	208	Rufina, Florence	Felt-tip pens Modelling clay Writing tools
INDUSTRIA MAIMERI	1923	51	Bettolino di Mediglia, Milan	Colours for the fine arts
CANSON	1557	338	St Germain La Ville, France	Chalk School-use paints Glues
			Baldersheim, France	Industrial tube-type markers
			Grand Mourier, Annonay, France	Paper for the fine arts School-use paper
			Moulin du Roy, France	Paper rolls
LYRA	1806	93	Nuremberg, Germany	School pencils Fine art pencils
DALER-ROWNEY	1783	202	Bracknell, Great Britain	Fine art colours
ST. CUTHBERTS	1700	53	Wells, Great Britain	High grade fine art paper
THE AMERICAS				
DIXON MEXICO	1953	1,312	Tultitlán, Mexico	Graphite and coloured pencils Extruded pencils School-use paints Wax crayons Modelling clay Industrial use crayons Chalk
			Oaxaca, Mexico	Timber slats for the production of pencils
DIXON TICONDEROGA COMPANY.	1975	618	Appleton, USA	School and hobby paper
			Neenah, USA	Paper for the fine arts
DIXON TICONDEROGA ART ULC		99	Barrie, Canada	School-use paper
DALER-ROWNEY BRIDESHORE	1969	473	La Romana, Dominican Republic	Brushes and canvases

SUBSIDIARY	Year Founded	Employees at 31.12.2019	PRODUCTION FACILITY	PRODUCTS
CANSON BRAZIL	2007	61	Indaiatuba SP, Brazil	Paper for the fine arts School-use paper Modelling clay School-use paints
FILA ARGENTINA	1996	26	San Isidro, Argentina	Extruded pencils
ASIA				
FILA DIXON KUNSHAN	2013	357	Kunshan, China	Graphite and coloured pencils
FILA DIXON YIXING ART & CRAFT	2015	59	Yixing, China	School-use paints
DOMS	1974	5,851	Umargan, India	Graphite and coloured pencils Extruded pencils Sharpeners Erasers Felt-tip pens School-use paints Modelling clay Compasses Rulers and set squares Wax crayons Oil crayons Writing tools Glues
			Jammu, India	Timber slats for the production of pencils

HISTORY OF THE FILA GROUP

FILA's story begins in Florence in **1920**. The enterprise originally consisted of a group of industrialists and local executives (belonging to the *Società Toscana per le imprese elettriche*, the *Industria Ceramica Toscana*, and the *Società Mineraria ed Elettrica del Valdarno*), who were initially managed by Count Giuseppe della Gherardesca. Throughout FILA's history spanning nearly a century, its ascent has been driven by a combination of deep insight, passion for creativity and the commitment to become a global leader devoted to creative expression, offering dozens of brands and thousands of items on the markets of every continent. FILA's emblem has always been a lily, which was originally designed by the painter Saverio Pozzati, and is intended to represent both the city of Florence, and a link between art and history.

FILA's first price list was published in 1922 and is still kept in the company archives. The Company's very first catalogues contained over 100 products, including graphite pencils (primarily **Orion** and **Selecta**), copy pencils (the following three brands, in order of quality and price: **Turandot**, **Tosca** e **Fiorenza**), shorthand pencils, coloured crayons, carpenter and purse pens, and related accessories, such as brass and nickel tip protectors.

In **1925** the **Giotto** brand was created, becoming a timeless icon of Italian design and colours. It was the first brand to champion colour and creative expression and is synonymous with immortal art. The immediately recognisable brand features a portrait of the Italian Renaissance painter Giotto and his teacher Cimabue.

In **1956** a group of employees led by Renato Candela took over the company and began to turn it into a sound manufacturing company at a national level. An enterprising and pioneering growth strategy based on technology, product and creative tool innovation led FILA to progressively win market leadership.

In **1964** Alberto Candela joined his father, Renato. Under his guidance, the company embarked on a manufacturing path focused on new products, images and style. The **Giotto Fibra** brand introduced coloured markers, while the **Tiziano** line targeted professional and amateur painters.

In **1975** the **Tratto-Pen**, an early type of marker, was launched. It was rolled out at the Chibi Cart fair in Milan, soon became a market success and in 1979 was awarded the prestigious Golden Compass prize for its originality and its innovative and functional design, thanks to which it was later enshrined in New York City's Museum of Modern Art (MoMA).

In **1991** Massimo Candela, the son of Alberto, took over from his father and became the Chief Executive Officer. He was a man with clear ideas: future success demands breaking out of the narrow confines of Italy and Europe. Accordingly the Group's ambition thereafter was to become international, relying on strong growth and a new policy of strategic acquisitions. Colour and innovation continued to be key concepts of the Group's industrial policy: anyone can use crayons and markers to express their ideas and their talent.

In **1994** the Group commenced a process of growth through acquisitions and internal expansion, a process that continues to this day. The strategic acquisitions completed over the past 20 years have included: the historic Italian company **Adica Pongo** – founded in 1960 and owner of the brands Pongo, Didò and DAS – in 1994; the French company **Omyacolor S.A.**, which merged into Canson SAS (France) in October 2019 – a leading chalk and modelling clay producer – in 2000; the Spanish company **Papeleria Mediterranea S.L.**, an exclusive distributor for Spain since 1996 and the Group's first foreign branch, in 1997; the U.S. **Dixon Ticonderoga Company**, a leading manufacturer and distributor of pencils in the Americas with subsidiaries based in Canada, Mexico, China and Europe, in 2005; the German **LYRA Group** in 2008, allowing the FILA Group to enter the German, Scandinavian and East Asian markets; the business unit operated by **Lapiceria Mexicana**, in 2010, one of the Group's largest local competitors in the budget coloured and graphite pencils segment; the Brazilian company **Licyn** in 2012; the acquisition of the **Maimeri** business unit, a manufacturer and distributor of paints and accessories for fine arts in 2014; the acquisition in 2015 of control of the Indian company **Writefine Products** Private Limited, now **DOMS Industries**, marking the conclusion of the process that began in 2011 with the acquisition of a significant interest.

Since **2015**, FILA has been listed on the STAR segment of the Italian Stock Exchange. The Group's shareholder structure at the end of the year is shown in paragraph 2.2.2 "Group size" below.

In **2016** the FILA Group continued its growth through various strategic acquisitions in the arts and crafts sector to become the market leader. First was the acquisition of control of the **Daler-Rowney Lukas Group**, a classic brand that since 1783 has produced and sold goods and accessories for the fine arts sector. It has a direct presence in the United Kingdom, the Dominican Republic, Germany and the USA. Next came the acquisition of **St. Cuthberts**, a renowned British paper mill founded at the beginning of the 17th century and based in south-west England, where

it manufactures high-quality drawing paper for artistic use. This was followed by the acquisition of the **Canson Group**, founded in 1557 by the Montgolfier family, with headquarters in Annonay, France, production facilities in France and conversion and distribution centres in Italy, France, the USA, China, Australia and Brazil. Canson products are available in over 120 countries and the brand is the most respected globally involved in the production and distribution of high added value paper for the fine arts, design, leisure and schools, but also for artists' editions and technical and digital drawing materials.

In June **2018**, FILA acquired the **Pacon Group** through its subsidiary Dixon. This was a key step in the Group's growth strategy that contributes to its further expansion in the product categories of the strategic business areas School and Office and Fine Arts, in addition to strengthening its presence on the U.S. market. FILA Group and the Pacon Group share a similar history, with a commercial presence in the two strategic business areas in question. In addition, over the last decade the Pacon Group has continued to implement a growth strategy and process that dovetails with that pursued by the FILA Group, which has expanded at the international level, while the Pacon Group has traditionally focused on the U.S. market, maximising its efficiency by reducing its distribution chain and working capital, while also decreasing currency and country risks, through a series of acquisitions undertaken in recent years, the most significant of which are summarised in the following chart.

The reorganisation of entities operating in North America was completed in **2019**, which led to the concentration of operating activities in the Dixon Ticonderoga Company (United States) and Dixon Ticonderoga Art ulc (Canada).

Logistical and distribution reorganisation works were initiated at a centralised distribution hub on the perimeter of Annonay (France) in 2018, and were completed in January **2019**.

In June **2019**, an exclusive worldwide distribution agreement was signed with the Ahlstrom-Munksjö Group for products sold under the brand name **ARCHES®**, a longstanding French company selling premium artist paper. The agreement came into effect in January 2020. In October 2019, a non-binding memorandum of understanding was signed for the acquisition by FILA (or by a subsidiary wholly-owned by FILA), of the business unit specialised in fine art, in which the Ahlstrom-Munksjö Group operates through the ARCHES® brand, producing premium paper used for labels, printing and the fine arts. The transaction was completed on March 2, **2020**.

Over the last few years, the Group has expanded internationally by establishing subsidiaries in various countries, e.g. Greece, Turkey, South Africa, Switzerland and Israel.

	1994	2000	2005	2008	2010	2012	2014	2015	2016	2018
									 	
Markets	Italy	France	USA, Canada, Mexico, China	Germany	Mexico	India, Brazil	Italy	Italy	France, UK	USA
Rationale	Wider range of creative and edutainment products	Internationalisation	Entry into the Fine Arts market	Entry into emerging markets	Entry into emerging markets	Growth in the Fine Arts segment	Growth in the Fine Arts segment	Listing on the Milan Stock Exchange, STAR segment	Reinforce presence in the Fine Arts & Craft segment	Growth in presence on one of the world's largest and most dynamic markets

F.I.L.A. Fabbrica Italiana Lapis ed Affini. 1920 - 2020



Business model

In 2019, the FILA Group produced around 2.5 billion pencils, 600 million chalk sticks, 500 million felt-tip pens, 4 million litres of paint, around 15,000 tonnes of paper, 500 million sharpeners and 500 million erasers. To achieve these results, the Group has rolled out and perfected its business management model over the years.

Analysing a company's business model and the strategies it uses to gain a competitive advantage allow for a better understanding of how it decides to create, distribute and gain value. Each company has its own specific business model, which may undergo significant changes over its lifetime due to both crisis situations and opportunities for innovation.

As such, this chapter touches upon elements that briefly describe the FILA Group's business activities and strategy, its production structure, its Corporate Social Responsibility Policy and the relevant stakeholders. The chapter also tackles the topics of corporate governance and risk management, and concludes with a reference to the Organisational, Management and Control Model, pursuant to Legislative decree no. 231/2001.

STRATEGY

The FILA Group is one of the leading global enterprises devoted to the research, design, manufacture and sale of tools for creative expression. The FILA Group's industry is becoming increasingly concentrated and features significant brand loyalty. Our strategy therefore focuses on combining organic growth and targeted acquisitions.

Organic growth primarily involves developing high-potential markets, and it is by monitoring said markets, forming a close relationship with end consumers and making targeted investments, that it is possible to achieve sound, healthy and sustainable growth over the long term. Organic growth is pursued through cross-sales activities on existing customers across mature markets.

Its acquisitions policy focuses on:

- brands that are present and renowned at continental level
- manufacturing companies
- complementary products and segments
- "value" targets.

The goal of the FILA Group's acquisition-based growth is to achieve significant distribution and production synergies to support improvement in terms of turnover and margins, and to strengthen its presence on and coverage of reference markets.

FILA GROUP BUSINESS

The Group's registered office and headquarters are in Pero (Milan), on Via XXV Aprile, where the offices of the Parent, FILA – Fabbrica Italiana Lapis e Affini S.p.A. are located.

The business model of the FILA Group, organised into its *business units* (School and Fine Arts), is based, on the one hand, on a network of important relationships with key partners and, on the other, on the management of relationships with customers and end consumers. The Group pursues a strategy of producing end products in its own plants through strong vertical integration of production. This allows accurate cost control and guarantees quality for each product. The consistent monitoring of sales channels, implemented through balanced sales policies, allows for better control of the market and favours the consolidation and growth of market shares, while ensuring margins remain in line with expectations. Great attention is paid to the Group's acquisitions-based growth process in order to integrate and strengthen its presence on a global level.

The FILA Group is one of a few players with a global geographical presence specialising in products for use in schools and the fine arts. Only a few key players have a hold on both product families around the globe.

The School and Office sector is characterised by the presence of:

- Large global players, with diversified or multi-business production. The former are distinguished by a portfolio consisting of school and office products, as well as related products, such as educational children's toys, whereas the latter are conglomerates with businesses in a range of sometimes very disparate segments
- Specialist companies with production focused on school and office products and a primarily local presence.

The Fine Arts sector is primarily characterised by operators specialising in two main product families:

- acrylic and oil paints, water colours, canvases, easels and brushes
- paper for watercolour, acrylic and oil paints, sketch pads, and photographic paper.

School products are sold between the second and third quarters, in conjunction with the Group's "school campaign," while fine art products are sold towards the end of the year.

Products sold by the FILA Group guarantee the highest quality standards, whatever their intended use may be. The FILA Group covers the entire value chain within its business model, including marketing and communication, research and development, production, and sales and distribution, as described in the following chart:



The following table lists the main activities performed by the departments responsible for the value chain within the FILA Group's business model, and the associated members of staff:

Department	Activities
Marketing and communications	Setting of guidelines for the long-term strategy and coordination of commercial activities
Research and Development	Product development and research on new materials and new technical solutions
Planning	Production development and product planning in accordance with sales budget
Purchases	Selection and procurement of the resources and raw materials needed to produce products

Department	Activities
Production	Manufacture of products at industrial facilities specialised in producing the various products and located in the various countries
Quality assurance	Monitoring and assurance of compliance with the Group's policy with regard to the quality and safety standards for its products, suppliers and production
Sales and distribution	Planning of sales activities and collecting of sales orders, which are subsequently processed by the Group's distribution centres

Most of the Group's employees around the world are assigned to the production department. As will be seen below, this has an inevitable impact on the composition (in terms of professional qualification) and location of the workforce (which corresponds to the location of the Group's production facilities).

The Group mainly sells consumer goods, and its main products include pencils, crayons, felt-tip pens, pencil sharpeners, erasers, modelling clay, brushes, paints and paper for schools, the fine arts and hobbyists. Its products are manufactured by an integrated production chain that consists of 21 facilities, with limited use of outsourcing.

The FILA Group distributes its products through various stores and commercial channels, to ensure that they are available to consumers and other users, wherever they prefer to purchase them. These channels include supermarkets, e-tailers, discount stores, corner stores/grocers and general stores, specialised vendors, stationery stores and hardware stores, independent retailers and hypermarkets.

The FILA Group's products are sold in over 150 countries, with significant market shares in the USA, Europe, India, Mexico and South America. In countries where the Group has not historically had a direct presence, it has opened branches in collaboration with its main distribution partners, in order to monitor the market, implement its business strategy, promote distribution, and consolidate and increase its share of the market.

At the end of 2019, around 70% of the FILA Group's turnover (more than 60% in 2018) was generated outside Europe. The revenue breakdown by geographical segment at the end of 2019 was essentially unchanged in percentage terms in the areas of Central/South America, Asia and the Rest of the World, whereas there was a slight decline in the weighting of the European area, against a slight increase in the weighting of the North American area, which is a result of the company's increased presence in that segment.

For Group management, geographical location in fact is the principal criterion for analysis and decision-making, and the company's internal reporting is structured accordingly. The geographical segments into which the FILA Group divides its activities are the following:

- Europe
- North America
- Central and South America
- Asia
- Rest of the World (South Africa and Australia).

The Annex (“*Table listing GRI information and indicators*”) contains a table illustrating the Group companies present in each geographical segment at the end of 2019.

Under the Parent’s coordination, each company operating in the five geographical segments offers the market products created at Group facilities under known consumer brands in demand amongst end users and used in schools, homes and workplaces.

KEY SUCCESS FACTORS AND CHALLENGES FOR THE GROUP

From 2005 to the present the FILA Group has rapidly expanded its international presence and increased the number of its manufacturing plants to 21. This permits production of virtually the entire product range at plants owned by the Group.

The FILA Group’s acquisition strategy, as illustrated in the section entitled “*History of the FILA Group*,” is successful because it is based on the following guidelines:

- restructuring and centralisation of corporate functions
- establishing uniform manufacturing processes and quality standards to make factories/plants increasingly interchangeable
- reorganising manufacturing facilities and product warehouses
- analysing synergies of costs and revenue so as to increase profit margins
- restructuring product and brand portfolios
- focusing on proprietary brands, reducing private labels, which will be used only strategically
- expanding successful manufacturing lines
- eliminating exclusive distributors/importers in order to grow closer to the market and to consumers through branches.

Management believes that the Group’s main strengths are:

- recognised leadership in key markets
- global presence
- integrated business model (in terms of coordination of marketing, research and development activities, commercial policies, highly specialised vertical integration of production processes and logistics)
- diversified production within its core business
- extensive product range and brand identity
- acquisition track record
- history of revenue growth, solid profitability and cash generation
- management expertise and experience and a long-term commitment by its main shareholder.

Great attention is paid to the process of integrating the acquired companies, both regarding manufacturing and sales, discontinuing the sale of unprofitable goods and setting balanced pricing policies for each market.

In addition to new plants, production machinery and industrial equipment, investments in 2019 included a SAP and Group IT infrastructure system, implemented according to a defined roadmap.

PRODUCTION, R&D, QUALITY ASSURANCE, PRODUCT SAFETY AND COMPLIANCE,

BRANDS AND PRODUCTS

PRODUCTION STRUCTURE

The FILA Group manufactures at 21 factories on 5 continents. A summary of the manufacturing plants by geographical segment, year founded and product lines is shown in the “*Production facilities*” section in the chapter entitled “*Identity and profile*” above.

Research and Development (R&D), Quality Assurance, and Product Safety and Compliance (QA PS&C) are coordinated by the Parent and performed locally by dedicated teams at the Group's various manufacturing companies. These departments avail of, where necessary, the support of technicians and production staff for the execution and testing of specific projects.

RESEARCH AND DEVELOPMENT

Specifically, R&D is coordinated centrally by the Parent's Research and Development Department, and at a local level through dedicated teams based at the Group's various manufacturing facilities, above all in Europe, Central and South America and Asia. R&D is performed by experts whose skills are honed by frequent training courses in appropriate subjects. The Group's strong commitment to understanding its end consumers and designing products that meet their expectations plays a significant role in the development strategy for the Group's products.

It is conducted centrally by the Group's R&D department, which comprises almost 50 employees and devotes most of its efforts to the following activities:

- study and design of new materials and new technical solutions intended to drive innovation or create new products and/or packaging
- determine product quality based on prompts from the Marketing department
- conduct comparisons with competing products
- innovate manufacturing processes jointly with the production research office, with a view to raising company efficiency.

Over the last few years, the R&D team has developed innovative products, such as new formulas for modelling clays, new types of plastic, the redesign of packaging, new products for industrial customers and wood-free pencils made of polymers.

QUALITY ASSURANCE, PRODUCT SAFETY AND COMPLIANCE

The Quality Assurance, Product Safety and Compliance department is coordinated by the Parent and employs approx. 130 staff. It is responsible for enforcing uniform quality and compliance standards in order to ensure compliance with product quality and safety requirements. In smaller facilities the Quality Assurance department may form part of the R&D department.

In order to comply with the laws governing the physical and chemical traits of products, the department constantly monitors legislative changes (such as those affecting use of preservatives in different formulations) and assists the R&D department in adjusting formulations to comply with applicable or more stringent internal requirements.

Further aspects of activities to guarantee product safety and quality are described below in paragraph 5.2, “Product quality and safety”.

BRANDS AND PRODUCTS

The FILA Group brand portfolio, made up of numerous brands firmly rooted in consumer tastes and preferences, is one of the most significant, comprehensive and diversified brand portfolios in the entire sector, particularly in terms of total number of trademarks and international coverage.

As at December 31, 2019, the FILA Group owns approximately 600 brands, and over 1,800 trademarks. The following chart shows the portfolio of main brands owned by the FILA Group divided into reference segments. As previously mentioned, in June 2019, an exclusive worldwide distribution agreement was signed with the Ahlstrom-Munksjö Group for products sold under the brand name ARCHES®, a longstanding French company selling premium artist paper. The agreement came into effect in January 2020. In October 2019, FILA S.p.A. and Ahlstrom-Munksjö Oyj signed a non-binding memorandum of understanding for the acquisition by FILA (or by a subsidiary wholly-owned by FILA) of the business unit specialised in fine art, in which the Ahlstrom-Munksjö Group operates through the ARCHES® brand, producing premium paper used for labels, printing and the fine arts. The transaction was completed on March 2, 2020.

Main group brands and product categories

Product Categories					
Paper					<ul style="list-style-type: none"> Paper for the fine arts Paper for school Paper for leisure and craft Coloured paper Paper for traditional printmaking Digital fine art paper
Fine Arts&Craft					<ul style="list-style-type: none"> Oil and acrylic colours Watercolours and gouache Canvases and brushes Accessories Basic craft
Writing					<ul style="list-style-type: none"> Graphite pencils Ballpoint pens, fineliners and gel ink pens Highlighters and markers
Drawing and Colouring					<ul style="list-style-type: none"> Coloured and graphite pencils Wax and oil crayons Felt-tip pens Paints and watercolours Chalks and glues
Modelling					<ul style="list-style-type: none"> Plasticine Clay for play Modelling clay
	← Pre-school, primary schools and secondary schools →				
	School	Art School, Hobby and Artists	Office	Industry	Consumer Categories

CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

Corporate Social Responsibility (CSR) involves jointly managing the positive and negative impacts of the Group's business activities in terms of its economic, financial, social and environmental profile by consolidating business value over time. CSR is also about ensuring behaviour remains consistent with the Group's stated values, and that communication with stakeholders remains open and transparent. This constitutes the driving force behind a process of steady, cross-cutting improvement, whose objective is to make earnings sustainable over the long term, improve the handling of business risks, enhance performance and strengthen its brand image and its intangible assets.

CSR issues are rooted in FILA's history and culture. Paying attention to input quality, product and workplace safety and to supporting art and culture are patterns that have marked the history of FILA S.p.A., and have thus allowed the Group to grow and develop.

The Parent issued its **Corporate Social Responsibility Policy** (CSR) in 2016, while preparing its Manual of Processes and Procedures. The document was circulated to all FILA Group staff members in 2017, with specific provisions for each related company. The CSR Policy affirms the Group's commitment to:

- do business while assuring respect for its staff's human rights, adjust its remuneration scale so as to abide by applicable laws, and pay wages that at least suffice to cover basic needs
- refrain from using or encouraging forced or child labour
- refrain from practicing discrimination based on race, gender and religious or political belief
- ensure healthy workplaces that comply with health and safety laws, progressively approaching the strictest international standards
- develop and protect equal opportunities for all employees regardless of job description/title
- comply with best practices for assuring the quality and safety of its products by conforming to international standards and also to rules that have not yet been standardised
- comply with standards for environmental protection, natural resource use, waste disposal and minimising pollution
- persist in seeking and implementing methods of operation aimed at reducing the environmental impact of products throughout their life cycle
- not tolerate corrupt practices in any form or manner
- comply with tax obligations, guarantee transparency, information exchange and fair tax competition
- develop and transfer knowledge and assets for the benefit of its stakeholders and local communities.

The Group initiated a series of investigations into sustainability. The project started with the identification of relevant (material) topics on which to report in 2017. As such, the Group made the decision to map these topics and refine the system used by companies included in the consolidation scope to collect pertinent information over the years. Further analysis will be carried out into how to best structure and strengthen the Group's sustainability governance system in order to make the most of the opportunities offered by this initiative, and to simultaneously strengthen the control system. The initiative will initially be launched at the Parent level to ensure the best possible consistency with corporate strategies. The process will then be shared with Chief Executive Officers at the main Group branches.

FILA GROUP STAKEHOLDERS

Businesses are increasingly aware of the complexity and interconnectivity of the environmental, social and economic issues arising from their actions, and recognise that they cannot act alone to find solutions. It is therefore increasingly important for the Group to consider its stakeholders and to identify suitable mechanisms of involvement, with a view to continuous improvement.

The FILA Group's stakeholders can be divided into the following categories:

- **individuals:** employees, agents and contractors
- **market:** customers, consumers, suppliers, partners in joint projects, competitors and institutional investors
- **environment:** local communities, future generations
- **governance:** shareholders, corporate bodies
- **communities:** society, supervisory authorities, the financial community, public administration, teachers, consumer associations, the media.

The material topics concerning each stakeholder category subject to reporting are listed in the paragraph entitled "*Materiality analysis*" in the "*Methodological Note*" found in the Annex. These topics are tackled and elaborated upon in the coming chapters and cover matters relating to the environment, society, employment, human rights and combatting corruption.

ENGAGING IN DIALOGUE WITH THE GROUP'S STAKEHOLDERS

The Group engages in dialogue with its stakeholders through channels unrelated to its non-financial reporting. They are:

- dialogue with the Chief Executive Officers of the main subsidiaries to agree on material topics relevant to the Group
- dialogue with trade unions
- communication with consumers and customers
- regular meetings with investors
- a channel for submitting anonymous reports.

In order to identify and select stakeholders with whom dialogue should be undertaken, the Group considers the actual and prospective contribution they make to fulfilment of the Group's mission, within the constraints imposed by the principles of transparency and cooperation. The manner of dialogue with the selected stakeholder types varies in terms of communication channel and frequency. These parameters are determined pragmatically on the basis of mutual knowledge and of whichever subject crops up in the discussion.

In particular, dialogue with trade union officials is conducted in accordance with applicable local law and varies greatly from subsidiary to subsidiary, depending on the size and the business activities of each. The main topics dealt with are organisational matters, the Group's strategic vision and how it is adjusted to circumstances at each location, the setting of goals, choosing the right approach, occupational health and safety, its implications for structuring work processes and how achievement of those goals is assessed with a view to continuous improvement.

The principal touch points with consumers – loosely speaking - and with customers can be grouped into the following macro categories:

- School, home and office: this is where the Group interfaces with its consumers both through the product offered and through communication activities and the involvement of these consumers
- Point of sale
- Marketing efforts addressed to the trade (trade fairs, road shows on customers' premises, conventions, etc.) and to end consumers (workshops, fairs, educational initiatives, etc.)
- Web marketing and social media marketing efforts (company blog, newsletters, information catalogues, product websites and corporate website, etc.)
- Media: relations with journalists and with the media department.

FILA believes that maintaining credible relations with its stakeholders and the financial community is particularly important. The Group's **Investor Relations** (IR) department responds to the need to guarantee comprehensive, correct and transparent communication with third parties, with the aim of allowing investors and analysts to assess the correct value of the Group's shares and other equity instruments. The idea is to provide them with support so that they may adequately understand the company's business strategy, while also ensuring the correct positioning and attractiveness of the financial instrument on the market.

The Investor Relations department also provides for the accurate and extensive analysis of external assessments and opinions in order to provide management with a clear and comprehensive overview of the market's expectations of the Company.

Investor Relations are considered extremely important for the FILA Group, and are managed directly by the Chief Financial Officer, with the support of a specialised consultancy company.

FILA's Investor Relations department carries out mandatory and voluntary communication and dialogue activities with three types of stakeholders in particular: shareholders, analysts and banks. It does so primarily through scheduled conference calls and meetings, both in Italy and abroad. In particular, routine meetings with the market are part of the financial communication plan, prepared annually with the aim of meeting as many investors as possible in Italy and in the main international financial markets. The objective is to consolidate the Company's shareholder base and expand it into various additional markets.

Reporting obligations are governed by the timing of measures or price-sensitive company events that may have a potential impact on share price. These events are relayed to third parties via press releases, regular financial reports and investor presentations, which are made available to stakeholders via the authorised "eMarket STORAGE" mechanism (www.emarketstorage.com) on the Borsa Italiana S.p.A. website (www.borsaitaliana.it) and on the Company's website (<http://www.fila.it>), in the "Investors" section. Said activities are primarily concentrated on presenting the Group's quarterly results.

Voluntary reporting activities include financial marketing activities, such as roadshows, conference calls, and conferences, which are organised by the Italian stock exchange or by brokers who monitor the share price. These activities take place on a more regular basis. These sorts of meetings aim to provide further details on previous compulsory disclosures and to allow for greater interaction between investors and the Company.

Stakeholders may also contact Investor Relations via email or telephone whenever they need answers to questions. Contact details are available in the Investors section of the Company website. The main aim of these communication activities is to generate a feeling of transparency among Group investors, while guaranteeing compliance with legislation on listed companies and the reporting of inside information.

Meetings with investors began in 2015, after the Group was listed on Borsa Italiana's STAR segment. These meetings continued on a regular basis in the following years, while contact with foreign investors also increased year on year. In 2019, the Company covered over 180 institutional investors in Italy, UK, France, Germany and Switzerland, thanks to its attendance at roadshows, group meetings and one-to-one sessions. The Group also attended the Borsa Italiana STAR Conference in Milan in March and in London in October, as well as the Borsa Italiana Lifestyle Conference in Milan in September.

At the Parent, the communication channels provided for by the Organisational, Management and Control Model pursuant to Legislative decree no. 231/2001 were set up with the Supervisory Board to submit the relevant reports.

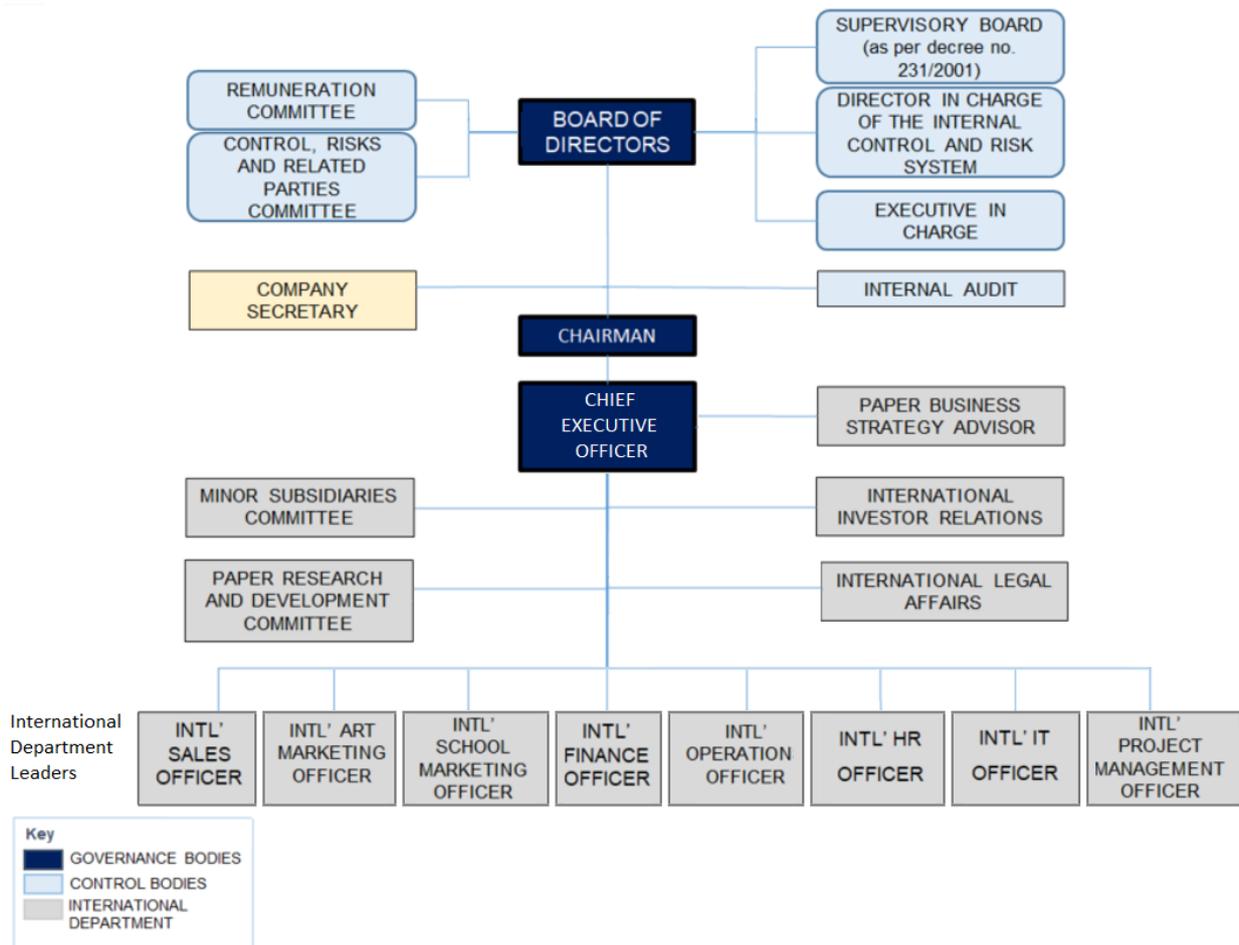
The Parent FILA has a leadership role in two Italian trade associations: Assoscrittura and Federvarie (Confindustria). It is also involved with Toy Industries of Europe (TIE).

CORPORATE GOVERNANCE AND RISK MANAGEMENT

GOVERNANCE STRUCTURE

FILA adopts a traditional governance model, with the appointment of a Board of Directors and a Board of Statutory Auditors by the Shareholders. The Board of Directors draws up the Group strategy and oversees its implementation. The Chief Executive Officer is tasked with company management and implementation of the strategic guidelines. The Board of Statutory Auditors carries out a supervisory role.

The governance model in place at December 31, 2019 is structured as follows:



On March 15, 2016, FILA S.p.A. adopted the “Corporate Governance Code” (formerly the Code of Conduct) and all of the measures and controls to guarantee the effective implementation of the recommendations contained therein. For further details on corporate governance, reference should be made to the “2019 Corporate Governance and Ownership Structure Report as per Article 123-bis of Legislative decree no. 58/1998”, available on the Company’s website: <http://www.FILAgroun.it/governance/>.

The management and corporate bodies of FILA comply with applicable statutory regulations, as set out by the By-Laws and on the basis of the indications contained in the Code of Conduct of Borsa Italiana, also with regards to gender parity.

BOARD OF DIRECTORS

With regards to the Board of Directors, the By-Laws (Article 11) sets out provisions with regards to the composition, appointment, term of office and replacement of the members of the Board of Directors, on the basis of the indications established by law and other applicable provisions, also with regards to gender parity.

The company is governed by a Board of Directors (its number is set by the Shareholders on the basis of the By-Laws), which has been chaired by Giovanni Gorno Tempini since August 6, 2019, after he took over from Gianni

Mion, who left the company for personal reasons. At the approval date of this document, it comprised 9 Directors: 2 Directors are executive and 7 non-executive, of which 5 are independent. All Directors must satisfy the eligibility and good standing requirements established by applicable law and other provisions and the Board of Statutory Auditors oversees compliance. Alberto Candela is Honorary Chairman of the Company.

The appointment of the Board of Directors is made on the basis of slates presented by shareholders, according to the procedure laid down in the By-Laws. The Directors remain in office for a term, established by the Shareholders, of not more than three years from the acceptance of their office and until the date of the Shareholders' Meeting for the approval of the financial statements for the last year of their appointment. They may be reappointed.

The Board of Directors is tasked also with drawing up the Code of Ethics, the Group values, and the preparation and approval of this Consolidated Non-Financial Statement. In-depth studies into sustainability will be pursued in the months following the publication of this report, through the establishment of a dedicated managerial committee, responsible for carrying out detailed analysis and guaranteeing the coordinated management of the Group's sustainability projects.

As part of its activities, also with regards to the voluntary adoption of the Corporate Governance Code (or Code of Conduct) of Borsa Italiana, the Board of Directors carries out a periodic self-assessment, reporting such in the Corporate Governance and Ownership Structure Report.

With regards to gender parity, the Board of Directors of FILA comprises 3 female members of the total 9 members, in full compliance with the applicable legal and regulatory provisions and the Group's **Diversity Policy**. New legislation must be respected with the appointment of the next board. The legislation requires that the under-represented gender must form two fifths of the members of the Board.

The Board of Directors have set up the following committees:

- Control, Risks and Related Parties Committee
- Remuneration

each consisting of four Non-Executive Directors, the majority of whom are independent.

The "*GRI indicators and information*" in the Annex provide more details on the composition of the Board of Directors and Committees of FILA S.p.A. in office at December 31, 2019, as indicated in the Corporate Governance and Ownership Structure Report.

CORPORATE BODIES

THE DIRECTOR IN CHARGE OF THE CREATION AND MAINTENANCE OF AN EFFECTIVE INTERNAL CONTROL SYSTEM

As part of the process of the structuring and strengthening of the Internal Control and Risk Management System, the Board of Directors appointed on April 27, 2018 Luca Pelosin as **Director in charge of the creation and maintenance of an effective Internal Control and Risk Management System** ("Director in Charge").

The activity of the Control, Risks and Related Parties Committee and the internal audit activity in 2019 was undertaken to enable the Director in Charge to maintain a suitable level of updating of the principal risks relating

to the main business processes of the Group, taking into account the activities undertaken by the Group. These risks were brought to the attention of the Board, through the periodic reports prepared by the internal audit department.

Based on the results of the risk assessment activities the overall procedural framework was updated and appropriate changes made to the internal control system ensuring overall compliance with legislative and regulatory requirements and an efficient and effective system in line with operating conditions.

At the beginning of 2020, the Group's *risk assessment* was updated with the support of a specialised consultancy company using the most advanced practices. The aim was to identify the risk profile associated with strategic risks and to support the spread of a culture of risk management within the Group. The final risk assessment document was reviewed to assess the material topics and non-financial risks mentioned in the Non-Financial Statement.

Following a review of the underlying methodology (ERM - Enterprise Risk Management) used to assess probability (very unlikely, unlikely, likely and very likely) and impact (on the basis of economic, financial and operational issues, and reputation), the Group's primary risks were identified through interviews with senior and middle management. Said risks were then assessed and prioritised in order to allow for the establishment of mitigating actions relating to the "top risks." The final phase of the process saw the preparation of an updated risk assessment report.

Analysis was also carried out from an ESG (Environmental, Social, Governance) perspective, identifying risks, contacts and mitigating actions for the various categories.

BOARD OF STATUTORY AUDITORS

With regards to the [Board of Statutory Auditors](#) of FILA, the By-Laws (Article 17) sets out provisions with regards to the composition, appointment, term of office and replacement of the members of the Board of Statutory Auditors, on the basis of the indications established by law and other applicable provisions, also with regards to gender parity.

The Board of Statutory Auditors comprises 3 Standing Auditors and 2 Alternate Auditors, appointed on the basis of lists presented by shareholders according to the procedures outlined in the By-Laws. Statutory Auditors shall hold office for three years, may be re-appointed, and their term expires on the date of the Shareholders' meeting for the approval of the financial statements related to the third year of their term of office.

With regards to gender diversity, the Board of Statutory Auditors (considering also the Alternate Auditors), comprises 2 female and 3 male members.

The "*GRI indicators and information*" in the Annex provide more details on the composition of FILA's Board of Statutory Auditors in office at December 31, 2019, as indicated in the Corporate Governance and Ownership Structure Report.

INTERNAL AUDIT

Following admission of the shares of the Company to trading on the STAR segment, the Issuer's Board of Directors, with the favourable opinion of the Control, Risks and Related Parties Committee and the Board of Statutory Auditors, resolved to implement a general inspection of FILA's internal control structure and functionality of FILA

and, therefore, to establish the Internal Audit function, outsourced to Key Advisory S.r.l., represented by Mr. Massimiliano Rigo as the Internal Audit Manager.

IDENTIFYING AND CONTROLLING RISKS

The FILA Group aims to properly monitor the risks associated with its business activities, which is key to maintaining stakeholder trust and ensuring business sustainability over time. To ensure an efficient control system is in place for all current and potential risks, the FILA Group has equipped itself with the appropriate tools and procedures, and carries out supervisory activities with the help of technological and organisational resources. FILA is committed to promoting a culture of risk awareness throughout the Group. As such, the Board of Directors, senior management and branches are all actively involved in ensuring commitments are sustainable from an economic and financial point of view, and are consistent with a balanced risk profile.

In-depth risk analyses and Internal Audit department reports are periodically presented at specific sessions held by the Control, Risks and Related Parties Committee and the Board of Directors in order to shed light on the progress of activities carried out with respect to the Annual Plan.

In addition to the risks described in the Annual Report, in the paragraph “*Information and Management of Financial Risks*”, to which the reader is referred for further information, the Group’s business is exposed to non-financial risks, either generated or incurred.

The table below summarises the main potential non-financial risks applicable to the Group following updates to the risk assessment. The table lists the main controls in place, links with any material topics and where further details can be found in the Non-Financial Statement.

TYPES OF THEORETICAL NON-FINANCIAL RISK	MAIN CONTROLS	MATERIAL TOPIC	FURTHER DETAILS IN THE NFS
OPERATING RISKS			
The risk of loss as a consequence of external events, inadequacy or a lack of functionality of procedures, human resources and internal systems. The risks may result in losses deriving from fraud, human error, operational interruption, unavailability of IT systems, contractual non-compliance and natural disasters. These include issues related to managing projects, production planning, the supply and sub-supply chain, managing sales, logistics and distribution, business continuity, and issues relating to quality, health and safety.	Adoption of a system of policies, procedures, instructions and operating practices with specific characteristics for the companies under the Parent’s coordination; Classroom and on-the-job training to prevent and mitigate operational risks generated by Group activities; Activation of specific mitigation actions for individual risks; Monitoring by the Internal Audit department of areas at greatest risk; Projects aimed at optimising energy consumption that result in the containment of greenhouse gases.	Use of raw materials Consumption of energy resources Atmospheric emissions Water consumption Equal opportunities Occupational health and safety Product quality and safety Supplier relations Protecting diversity Human rights Freedom of association and collective bargaining agreements Anti-corruption measures	<i>Corporate governance and risk management</i> <i>Material environmental topics</i> <i>Material employment topics</i> <i>Material social topics</i> <i>Material topics relating to human rights</i> <i>Material topics relating to combatting active and passive corruption</i>
RISK OF NON-COMPLIANCE WITH REGULATIONS			
Risks of judicial or administrative penalties, related financial losses or reputational damage as a consequence of infringement of mandatory rules (laws, regulations) or self-regulation provisions (e.g., by-laws, codes of conduct, codes of ethics). They may include risks related to quality, environmental, or	The Group has put policies, procedures and operating practices in place to manage the risk of non-compliance with laws and regulations; Group Environmental Policy; Group Diversity Policy; Group Human Rights Policy;	Atmospheric emissions Water consumption Equal opportunities Occupational health and safety Product quality and safety Human rights	<i>Corporate governance and risk management</i> <i>Material environmental topics</i> <i>Material employment topics</i> <i>Material social topics</i> <i>Material topics relating to human rights</i>

TYPES OF THEORETICAL NON-FINANCIAL RISK	MAIN CONTROLS	MATERIAL TOPIC	FURTHER DETAILS IN THE NFS
occupational health and safety certification.	Compliance with Corporate Governance Code; Group Anti-Corruption Policy; Organisational, Management and Control Model pursuant to Legislative decree no. 213/01; Monitoring by the Supervisory Body; Monitoring by the Internal Audit department of areas at greatest risk.	Freedom of association and collective bargaining agreements Anti-corruption measures	<i>Material topics relating to combatting active and passive corruption</i> <i>Organisational, Management and Control Model pursuant to Legs. decree no. 231/01</i>
RISKS RELATING TO OCCUPATIONAL HEALTH AND SAFETY			
Risks that result in workplace accidents or injuries, or situations that may compromise the physical and psychological performance of employees.	The Italian companies of the Group routinely check employee health and safety risks and list them in Risk Assessment Documents, as required by current legislation on protecting occupational health and safety (Legislative decree no. 81/2008 and subsequent amendments); The UNI ISO 45001 certification, held by FILA for its occupational health and safety management systems at its Pero offices and Rufina plant; The OHSAS 18001 certification, which is currently being updated to become UNI ISO 45001, at the Group's Canson France plants and Grand Mourier and Moulin du Roy plants. The certification is also being rolled out at the S-Germain-La-Ville plant; Organisational, Management and Control Model pursuant to Legislative decree no. 213/01; Monitoring by the Supervisory Board; Monitoring by the Internal Audit department of areas at greatest risk.	Occupational health and safety Product quality and safety Supplier relations Human rights	<i>Corporate governance and risk management</i> <i>Material employment topics</i> <i>Material social topics</i> <i>Material topics relating to human rights</i> <i>FILA Group Values</i> <i>Organisational, Management and Control Model pursuant to Legs. decree no. 231/01</i>
ENVIRONMENTAL RISKS			
Group risks linked to the potential to generate or encounter environmental issues, due mainly to the use of raw materials, the consumption of energy resources, atmospheric emissions, water consumption, compliance with environmental laws and regulations, and other minor areas (such as waste management, investments in environmental protection, and compliance with environmental regulations). The Group is currently not subject to specific regulatory requirements regarding greenhouse gases (climate change).	Group Environmental Policy; ISO14001 environmental certification, in place at FILA S.p.A.'s production facilities (Rufina plant and Pero offices) and Canson France (plants in Grand Mourier and Moulin du Roy, in the phase of being rolled out at the S-Germain-La-Ville plant); Group Corporate Social Responsibility Policy; Code of Ethics; Organisational, Management and Control Model pursuant to Legislative decree no. 213/01; Monitoring by the Supervisory Board; Monitoring by the Internal Audit department of areas at greatest risk.	Use of raw materials Consumption of energy resources Atmospheric emissions Water consumption	<i>Material environmental topics</i> <i>Corporate Social Responsibility Policy (CSR);</i> <i>Corporate governance and risk management</i> <i>FILA Group Values</i> <i>Organisational, Management and Control Model pursuant to Legs. decree no. 231/01</i>
RISKS RELATED TO EMPLOYEE MANAGEMENT, DIVERSITY AND DIALOGUE WITH SOCIAL PARTIES			
Risks associated with employee relationships. In some cases, these risks can come about following the incorrect application of labour law	Group Diversity Policy; Group Corporate Social Responsibility Policy; Group Human Rights Policy;	Equal opportunities Occupational health and safety Respect for human rights	<i>Corporate governance and risk management</i> <i>FILA Group Values</i>

TYPES OF THEORETICAL NON-FINANCIAL RISK	MAIN CONTROLS	MATERIAL TOPIC	FURTHER DETAILS IN THE NFS
regulations. In others cases, these risks are purely managerial in nature, such as organisational effectiveness, the management of key resources, and succession plans.	Code of Ethics; Organisational, Management and Control Model pursuant to Legislative decree no. 213/01; Monitoring by the Supervisory Board; Monitoring by the Internal Audit department of areas at greatest risk; Group Organisational Model in progress	Freedom of association and collective bargaining	<i>Organisational, Management and Control Model pursuant to Legs. decree no. 231/01</i> <i>Corporate Social Responsibility Policy (CSR)</i> <i>Material employment topics</i> <i>Material social topics</i> <i>Material topics relating to human rights</i>
RISKS RELATED TO CORRUPTION CRIMES			
The risk of committing corruption crimes against the public sector and private entities, considered in their own right with respect to the wider risk of non-compliance with regulations.	Group Anti-Corruption Policy; Code of Ethics; Organisational, Management and Control Model pursuant to Legislative decree no. 213/01; Monitoring by the Supervisory Board; Monitoring by the Internal Audit department of areas at greatest risk.	Anti-corruption measures Supplier relations	<i>Material topics relating to combatting corruption</i> <i>FILA Group Values</i> <i>Organisational, Management and Control Model pursuant to Legs. decree no. 231/01</i> <i>Material social topics</i>
RISKS RELATED TO SUPPLY CHAIN MANAGEMENT			
The supply chain is one of the areas most vulnerable to risk. Risk factors can be manifold, especially in companies with extensive supply chains. These risks may derive from a lack of the preventive and/or routine ethical, social and environmental screening of suppliers and sub-contractors. Risks may also include the interruption of supplies, an indiscriminate increase in prices, the supply of materials that do not correspond with the Group's defined quality standards, or materials that are non-compliant with applicable legislation.	Activation in 2019 of a request for confirmation from FILA S.p.A.'s main suppliers regarding their commitment to comply with certain values, such as fairness, respect for the environment, product quality, and the protection of human rights; Code of Ethics; Organisational, Management and Control Model pursuant to Legislative decree no. 213/01; Monitoring by the Supervisory Board; Monitoring by the Internal Audit department of areas at greatest risk.	Supplier relations Product quality and safety Respect for human rights	<i>Material social topics</i> <i>FILA Group Values</i> <i>Organisational, Management and Control Model pursuant to Legs. decree no. 231/01</i> <i>Corporate governance and risk management</i>
REPUTATIONAL RISK			
Current or future risk of profit losses due to a lack of commercial expansion or a lack of ability to take advantage of openings in new markets or sales channels; loss of economic value or damage to the Group's institutional role; deterioration of strategic position due to a negative view of FILA or the Group held by customers, counterparties, shareholders, investors, Supervisory Authorities or other stakeholders.	Code of Ethics; Organisational, Management and Control Model pursuant to Legislative decree no. 213/01; Monitoring by the Supervisory Board; Monitoring by the Internal Audit department of areas at greatest risk; Group Organisational Model in progress	Use of raw materials Consumption of energy resources Atmospheric emissions Water consumption Equal opportunities Occupational health and safety Product quality and safety Supplier relations Protecting diversity Respect for human rights Freedom of association and collective bargaining agreements Anti-corruption measures	<i>FILA Group Values</i> <i>Organisational, Management and Control Model pursuant to Legs. decree no. 231/01</i> <i>Corporate governance and risk management</i>

ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL PURSUANT TO LEGISLATIVE DECREE NO. 231/01

In order to prevent the commission of the relevant crimes as per Legislative decree no. 231 of 2001 (“Legislative decree no. 231/2001”) and in compliance with the regulation adopted by Consob and the Code of Conduct, FILA S.p.A.’s Board of Directors adopted its **Organisational, Management and Control Model** (“231 Model”), which is subject to routine updates in relation to regulatory or organisational changes.

The 231 Model was drawn up to respond to the following requirements identified by Legislative decree no. 231/2001:

- identify at risk activities
- set out protocols for the prevention of the relevant crimes
- identify the means for the management of financial resources and the prevention of relevant crimes
- establish disclosure obligations to the body checking the functioning and compliance of the models (Supervisory Board)
- introduce an internal disciplinary system to sanction failure to comply with the measures indicated in the 231 Model.

The criteria for the prevention of the commission of crimes is based on “acceptable risk” i.e. residual “possibility to commit an offence only by fraudulently violating a preventative protocol”. The key objective of the 231 Model is to ensure that all recipients are fully aware that FILA’s operations are based on strict compliance with applicable laws and regulations and that such compliance is undertaken to ensure that the physical persons and the companies of the FILA Group do not run the possibility of committing the cited crimes.

Compliance with the 231 Model is obligatory and any violations constitute non-fulfilment of mandate in terms of the members of the Board of Directors and the Statutory Auditors, and violation of their employment contract obligations for employees, resulting in the application of the penalties established by the disciplinary system.

Except for application of the Code of Ethics and the Group policies and procedures, the subsidiaries are not direct recipients of the Model adopted by FILA, but are required by the Parent to adopt adequate management and control systems to ensure the legal and regulatory compliance and correctness of the respective activities.

A key element of the 231 Model is the **Code of Ethics**, which outlines the general principles on which the conduct of all employees, directors and statutory auditors should be based, in addition to that of the employees of the Parent FILA S.p.A. and of the subsidiaries and all those who undertake contractual relations with the Group.

The Code of Ethics of the FILA Group, available on the company website www.filagroup.it, is the touchstone of all Group policies. Reference should be made to "*FILA Group values*" in the chapter entitled "*Identity and Profile*" for a brief summary of the relevant values.

The Supervisory Board - appointed by the Board of Directors, to whom it reports periodically - oversees the updating and correct functioning of the 231 Model. More details on its composition are provided in the "*GRI Information and Indicators*" section of the Annex.

Compliance with the Code of Ethics and the 231 Model are monitored through a specific procedure for the reporting of potential violations and internal audits on 231 compliance for all company areas, also with regards to environmental and occupational health and safety aspects.

Environmental topics

RESPECT FOR THE ENVIRONMENT AND MATERIAL TOPICS FOR THE FILA GROUP

The FILA Group operates 21 production facilities in a number of geographical areas (Italy, France, Germany, Great Britain, Argentina, Brazil, Canada, Mexico, Dominican Republic, USA, China, and India). Production activities at the sites are bound by environmental protection and occupational health and safety legislation in force in each country. The following paragraphs are devoted to analysing and reporting on various aspects of the Group's business and manufacturing operations.

It is important to first emphasise that by defending the natural environment through its business practices, the FILA Group is not merely complying with the law, but is also applying one of its core conduct values, since its Code of Ethics expressly commands the protection of the environment (see also "*FILA Group values*").

ENVIRONMENTAL PROTECTION

"The Company shall support dissemination and awareness of environmental protection issues and shall operate the business entrusted to it in an eco-compatible manner and comply with applicable domestic law both at its headquarters and wherever else it conducts its business.

For these purposes, the operating management must refer to, in relation to environmental prevention and protection, the most appropriate environmental protection, disposal of waste and energy efficiency criteria.

Managers must exercise the coordination and control functions required to ensure that the companies belonging to the Group comply with domestic and international law concerning the environment, construction, urban planning, pollution, waste disposal, etc."

FILA conducts its business in a manner consistent with the **Precautionary approach** of Principle 15 of the Rio Declaration of the United Nations. This principle states that organisations must apply the precautionary approach whenever they can, and that if serious or irreversible damage threatens the environment, a lack of absolute scientific certainty is no valid reason for delaying action to prevent environmental damage, provided the measures proposed are cost-effective.

FILA has formulated its **Environmental Policy** and distributed it to all consolidated companies. This Policy is based on the principle that the Group's business operations must comply with its Code of Ethics, with particular reference to protection of the environment and compliance with applicable rules. The general principles of the Group's environmental policy are:

- preventive approach to the environmental impact of operations
- containment of environmental impacts
- continuous improvement
- compliance with law
- responsibility in operating the supply chain
- raising awareness among all staff.

The environmental issues relevant to the FILA Group, as well as those resulting from the materiality analysis (described in detail in the “*Methodological Note*” in the Annex), are:

- use of raw materials
- consumption of energy resources
- water consumption
- atmospheric emissions.

The **main materials** used to produce many of the FILA Group’s products are paper, cellulose, wood, plastic, chalk, calcium carbonate, dyes, graphite and, in some cases, semi-finished and finished materials, such as glues.

There can be no doubt that the consumption of **renewable and non-renewable** raw materials as manufacturing inputs is an important factor in terms of the impact of the use of resources: consumption of some materials by the FILA Group may have substantial environmental impact. Among them are for example wood for pencils and crayons, plastic for felt-tip pens, flour for modelling clay and cellulose fibres.

FILA’s facilities need power to operate, so its choice of energy sources significantly affects the environment both in terms of the consumption of fossil fuels (e.g. natural gas) and in terms of greenhouse gas emissions from combustion (e.g. CO₂).

Industrial processes for manufacturing papers, paints, play dough and chalk consume water, and the FILA Group is very aware that this raw material must be used responsibly.

The FILA Group’s manufacturing processes do not involve chemical reactions or processing phases likely to generate significant air pollution. Nonetheless, power consumption involves (principally via indirect routes) combustion processes that generate greenhouse gases.

The following paragraphs discuss in greater detail and furnish examples of the aforesaid material aspects and the indicators chosen from the GRI Standards.

In the countries where they are located, the Group’s facilities are subject to specific environmental legislation on, for example, atmospheric emissions, soil, subsoil and water pollutants concentrations, water discharges and waste disposal. In Italy, such legislation is incorporated in Legislative decree no. 152, of April 3, 2006 (the “Consolidated Environmental Act”), which, regarding industrial activities, includes legislative provisions on waste management, contaminated site reclamation, water and soil protection, protected area management, environmental damage compensation, environmental impact assessments, atmospheric emissions and noise pollution.

The FILA Group launched a programme to obtain environmental certifications for its facilities. At the date of this Report, Canson France had its Environmental Management System certified according to ISO 14001: 2015. In 2018, with the support of consulting experts, the Parent launched an initial environmental assessment process for its Rufina (Florence) and Pero sites aimed at ISO 14001 certification: 2015, which was achieved in early 2019.

USE OF RAW MATERIALS

Over the years, the FILA Group has focused its attention on recycling some of the raw materials used in its production processes where technically feasible.

The production of timber slats from which pencils are made requires re-using primary manufacturing rejects, such as, for example, joining below-standard size slats, or “finger joints”, or low-width timber slats for the production of canvas frames.

The main raw materials used in the production process of the FILA Group are:

- timber, in particular cedar, poplar and pine, in sticks or boards, in order to produce coloured and graphite pencils in Mexico, India and China, in addition to canvas frames.
- plastics for the production of felt-tip pens, highlighters and markers, packaging, and other writing instruments (e.g. sharpeners and rulers), procured mainly in Italy and India.
- calcium carbonate and sulphate for the production of chalks, paints and modelling materials procured mainly from India (calcium carbonate) and France (calcium carbonate and sulphate), where the Group relies on a local supplier, mainly due to its proximity to the Saint Germain La Ville plant.
- flours used in the production of play dough
- graphite used in the production of pencil leads
- wax used in the production of wax crayons and in pencil leads
- paper for the production of paper sheets for school use in the North American market
- cellulose fibres used in high quality paper production in France and the United Kingdom
- clay used in the production of modelling clay
- paraffin for the production of crayons, acquired in Mexico and India.

The Group recognised that the **main risks** associated with its operations were the consumption of raw materials, the uncontrolled use of resources and natural raw materials, an excessive consumption of energy from non-renewable sources and an uncontrolled consumption of water. To mitigate such risks, action was taken to determine the levels of this consumption and to monitor it over time by comparing them to comparable scenarios across the various Companies within the Group.

Timber is the main raw material, after paper, used in the Group’s production processes. It is used in the production of graphite and coloured pencils. Logs, slats and timber planks are purchased to manufacture pencils in the factories located in Mexico, India and China.

In recent years, the FILA Group has moved towards certifying (see “Chain of Custody”) the timbers in conjunction with the Forest Stewardship Council, as well as joining the Programme for Endorsement of Forest Certification schemes for economically sustainable forestry management. These certifications ensure that certified products are realised using timber from suppliers who abide by these certifications based on sustainable forestry management.



The Forest Stewardship Council® (FSC®) certification is an independent and third party international certification specifically for the forestry industry, for timber and non-timber products - sourced from certified forests.



The PEFC programme (Programme for Endorsement of Forest Certification schemes) is based on three fundamental principles:

- compliance with the Criteria and Indicators defined in the Ministerial Conferences for the protection of forests in Europe (Helsinki 1993, Lisbon 1998) which launched the so-called “Pan-European process”
- its application at regional or Group level (individual membership is also possible)
- inspections and the certification process are allocated to an independent and accredited third party.

The FILA Group purchases timber in Central/South America, where it is used in the facilities in Tultitlán and Oaxaca in Mexico, in Asia in the Kunshan factories in China, and in the Gujarat and Jammu facilities in India. In addition, wood purchased in North America is also used in production facilities in Mexico, India and China. As there are only a few and highly concentrated timber producers worldwide, relationships with these companies are particularly important for those working in our sector.

Over 60% of the timber used by the Group in 2019 came in the form of logs (51% in 2018), while almost 40% came in the form of wooden boards (36% in 2018), one fifth of which was made from certified wood. The increase in log consumption is mainly attributable to Mexico, which recorded a 25% increase in log consumption during the period due to an increase in the production of timber bars and boards (+52%, corresponding to +11,708 cubic metres compared to 2018).

Acquisition of wooden planks during the period was marginal. This is because Dixon Kunshan in China made early purchases in 2018 with the intention of stockpiling resources and avoiding duties. As such, it made limited purchases of boards in 2019, thereby recording a significant reduction compared to the previous year (50%).

For more information on the consumption of timber in the form of logs, planks and slats, and the related certifications, please refer to the GRI 301-1 TIMBER ACQUIRED AND CERTIFICATIONS table in the “*Indicator tables and GRI information*” section of the Annex.

To optimise purchases and the synergies between the companies within the Group, a portion of the processed timber from the facilities is sold to other companies with pencil production lines (for example Lyra in Germany for the Nuremberg facility).

Recovering timber is a practice consolidated by the FILA Group, and specifically numerous stages in the production of the timber slats involve the re-use of timber rejects to manufacture products using the “finger joint” technique whereby timber rejects are recovered to produce the eco-friendly pencil product ranges (e.g. The Ticonderoga Envirostik). The timber rejects from the timber board production line in the Oaxaca factory in Mexico are used to manufacture the canvas frames which are then assembled in the Bridesore facility in the Dominican Republic.

As wood is a heavily used raw material and with most environmental impact in terms of Group manufacturing, significant investment has been made in a **plantation** of approximately 250,000 poplar trees in Xianjiang in north-west China, with the aim of ensuring in future at least a partial use of timber from its own renewable forests. The initial plan expected investment to be fully operational, with the usage of the first cycle of trees, from 2021/2022, producing 40% of supplies required for the Chinese factory's production needs, (i.e. 15% of the FILA Group's total supply requirements). The plan also envisaged the progressive harvesting of timber, with the subsequent planting of new trees for at least five cycles. However, as a result of the drought that has plagued the region over the last two years and the scarcity of available water, which the local government mainly allocates to food crops, the growth times of about half the plantation have been set back.

Across all the timber processing factories, dust and woodchips aspiration systems are present to capture sawdust and woodchips which are then put to various uses.

Amongst the recycling techniques of the timber rejects it is worthwhile mentioning the Lyra facility in Nuremberg where wood dust impurities are separated out and once pressed and compacted are sold to third parties for various applications including the production of parquet floors. In 2019, this process allowed us to reuse 77.7 tons of sawdust from the process (89.7 tons in 2018).

The Oaxaca factory in Mexico also uses log bark and sawdust as fuel to generate heat through two proprietary systems. The annual average production of energy from this source is 119 million MJ.

In various factories of the Group, the production process involves, upstream to the various production phases, either the re-entry of the primary production rejects into the production process or their sale for use by third parties. These materials are not considered recyclable materials. It would be highly complex to assess the impact of this recycling process.

Plastics are purchased to produce writing and drawing materials in addition to packaging materials. Focus on the **re-use of plastic materials** is on-going in several recovery processes across several production phases.

In terms of the recovery of plastic materials, the Rufina factory, near Florence, recovers the plastic reject material derived from the production of pens and markers: in 2019, a total of 42,950 kg of plastic production rejects, for example ground plastic, containers, colour replacement scraps from injection presses, etc. (46,768 kg in 2017), as well as 1,300 kg of soft plastics, were recovered (1.740 kg in 2017).

The Parent FILA S.p.A. also recovers production rejects which fail quality standards for re-use and sells them to companies for their use in their production processes in materials with the corresponding characteristics.

In the Group's paper mills, primary production rejects from the paper production process are re-used in the same production process.

The primary **raw materials consumed** by the Group are paper rolls (to produce paper sheets, cardstock, etc.), calcium carbonate (to produce chalk, school paints and erasers), cellulose fibres (to produce paper sheets, cardstock, etc.), untreated plastic raw materials (PHE/PHEG/ABS/ECC) (to produce felt-tips, pens, sharpeners, etc.) and clay (to produce modelling clay, etc.).

The consumption of paper rolls remained substantially unchanged in 2019 (+2%), while the consumption of calcium carbonate increased (+21% compared to 2018) as a consequence of DOMS India stepping up its production of erasers, which include calcium carbonate as their main ingredient. In fact, around 500 million erasers were produced during the year.

The consumption of cellulose fibres decreased slightly in 2019 (-6%, equal to 910,676kg) compared to a slight increase in paper rolls (2%, equal to 1,598,157kg), while the consumption of paper sheets reduced by a third, mainly due to a change in the type of raw materials purchased by FILA Dixon Yixing (China). Paper rolls cost less and were therefore preferred over paper sheets. It should also be noted that Daler-Rowney UK has reduced its production of mountboards, with a consequent decrease in the purchase of raw materials (-39% compared to 2018). What's more, Canson Brazil bought half the number of paper sheets in 2019, due to the discontinuation of some product lines.

Consumption of untreated plastic raw materials (PHE/PHEG/ABS/ECC) remained in line with 2018, while clay purchases reduced by one third, mainly deriving from the contraction at FILA S.p.A. (where purchases went from 5.2 million kilograms in 2018 to 3.2 million kilograms in 2019). This was a consequence of lower purchase volumes due to the greater use of available stock.

The halving of calcium sulphate purchases is owed to changes in consumption behaviour at FILA S.p.A., where consumption decreased in 2019 and stock from the previous year was used. In particular, purchase volumes went from 1,015,797 kilograms in 2018 to 476,649 kilograms in 2019.

The halving of flour purchase volumes in 2019 is mainly owed to a reduction in raw material purchases in Brazil (-67%, equal to 396,000kg, compared to 1,188,000kg in 2018) due to the discontinuation of some product lines during 2019.

For more information on the purchase of primary raw materials by the FILA Group over the past two years, please refer to the GRI 301-1 OTHER MATERIALS CONSUMED table in the “*Indicator tables and GRI information*” section of the Annex.

CONSUMPTION OF ENERGY RESOURCES

Energy sources are the available energy sources on Earth i.e. natural resources that humans use to generate heat, move industrial systems, and for light and warmth. Energy sources, which can be classified with reference to the available technology and by acquired scientific knowledge, are as follows:

- fossil energy (or non-renewable energy) i.e. crude oil, carbon and natural gas reserves
- renewable energies, i.e. solar energy (photovoltaic), wind energy, (aeolian), hydropower (hydroelectric), geothermal energy and biomass energy (wood, biofuels, etc.)
- nuclear energy which uses the energy produced from either splitting the atom (nuclear fission or) or from fusing atoms (nuclear fusion).

The resources and the natural raw materials used by the FILA Group in the production process include non-renewable and renewable energy sources.

The major differences between fossil and renewable energy sources is mainly based on the length of the time it takes to create them. In the case of fossil energy, the timescales for their natural formation are very long (geological times) and for this reason they are considered “non-renewable resources”. In contrast, renewable energy sources reproduce over short cycles and over very short periods of time (for example the rising of the sun, the tides, the wind, biomasses, etc.). The formation periods for renewable energy sources are lower and for this reason they are called “renewable resources”.

Energy sources can be also classified as primary and secondary energy sources. Primary energy sources are sources where the energy content is used directly in that it is already available naturally, such as fossil fuels (oil, carbon, and natural gas), water, the sun and the wind. Secondary sources are the result of a production process, such as the fuels produced by the refining of crude oil or the electricity produced by power stations using primary energy sources.

The **energy sources used** by the FILA Group in its production processes are:

- electricity
- thermal energy
- system-cooling energy
- steam
- fuel
- diesel
- natural gas
- biomass (sawdust).

The Group recognised that the **main risks** associated with its operations were the consumption of energy sources, the uncontrolled use of natural raw materials (e.g. fuels) and an excessive consumption of energy from non-renewable sources. To mitigate such risks, action was taken to determine and monitor the levels of this consumption, also by comparing them to comparable scenarios across the various companies within the Group.

The FILA Group uses different **sources of energy** to operate its production facilities, from the cooling of production systems, to the heating of its workplace environments. In Europe, in North America and in the rest of the world, the main energy purchased is electricity. The main energy source in China is steam energy.

The main energy source bought by the Group was thermal energy, the purchase of which grew slightly in comparison to 2018, due to the reduced use of steam in China.

For more information on the FILA Group's purchase of energy by type over the past two years, please refer to the "GRI 302-1 ENERGY CONSUMPTION" table in the "*Indicator tables and GRI information*" section of the Annex.

As in the previous year, 95% of the Group's **fossil fuel consumption** is represented by natural gas, which is mainly used for heating and some production processes. Significant deviations occurred in the use of diesel and fuel oil during the period. The Group does not use coal.

For more information on the FILA Group's purchase of fossil fuel energy over the past two years, please refer to the "GRI 302-1 ENERGY CONSUMPTION FROM NON-RENEWABLE SOURCES" table in the "*Indicator tables and GRI information*" section of the Annex.

Overall, based on the information presented in the aforementioned tables, in 2019 the FILA Group consumed 81,874MWh (294,746,400 MJ) of electricity (78,464 MWh in 2018, equal to 282,470,400 MJ) and utilised 250,736,470 MJ of energy from other sources (266,786,997 MJ in 2018), for a total of 545,482,870 MJ energy consumed (549,257,397 MJ in 2018).

In addition to the above, the amount of **biomass** energy produced, which is a renewable source used by the Group's branches in Mexico and India, amounted to 158,423,280 megajoules, an increase of 10% compared to 2018 (equal to 143,396,880 megajoules). This is owed to the increased production of biomass generated by sawdust combustion at DOMS India.

Several Group companies have launched energy consumption reduction projects aimed at **improving their energy efficiency**, for example, by reducing lighting electricity consumption, combustion inefficiencies and compressed air losses.

Many Group energy saving projects are based on replacing "classic" filament bulbs (no longer on the market in some countries) and fluorescent bulbs with LED lighting. This new lighting system provides for significant energy savings (about 90% compared to old bulbs and 70% compared to fluorescent bulbs), while also drastically decreasing the Group's environmental impact. In fact, LED bulbs have a significantly longer lifespan and do not contain harmful gases or toxic substances, such as mercury, thereby making their disposal easier.

The increased energy savings recorded in 2019 compared to the previous year at the Canson plant in Annonay are owed to the decision to replace filament bulbs with LED lighting in the company offices and departments. Replacing old bulbs with LEDs at Dixon USA in 2017, 2018 and 2019 has allowed the company to recover the costs incurred in less than two years, thanks to the energy savings it has recorded. In particular, the American subsidiary has estimated that its new LED lighting produces energy savings of 1.4 million MJ a year.

At DOMS India, the energy savings made by generating heat from burning sawdust increased by 60% in 2019, compared to the previous year.

The Group has also launched a series of additional energy saving initiatives. At Dixon Canada, filament bulbs were replaced with LED lighting, and air curtains were installed. At St Cuthberts, LED lighting was installed, inverters were added to air conditioners, an extraction hood was installed at the paper mill, and old engines were replaced with new energy efficient ones.

In 2016, Lyra launched a long-term project to reduce its electricity consumption, which has entailed various interventions, the first of which involved exhaust ventilation, the second of which involved heating systems in 2017, and the third of which involved the compressor station in 2018. A fourth, more recent initiative involved the replacement of bulbs with LED lighting in offices in 2019.

Daler-Rowney is committed to reducing its ecological footprint and has taken serious steps in this regard, such as the installation of solar panels that now provide 15% of the total electricity needed for its distribution centre. The company has also replaced all bulbs in its factory with LEDs, and has also installed a recycling centre and water recovery system.

As already stated, in order to reuse production rejects to generate energy, Dixon Mexico at its plant in Oaxaca operates a steam generation system which uses the sawdust generated from the production process as its fuel. The average annual self-generated power from this source is approximately 119,118,480 MJ.

For more information on the FILA Group's main initiatives in this area over the past two years, please refer to the "GRI 302-4 REDUCTION IN ENERGY CONSUMPTION" table in the "[Indicator tables and GRI information](#)" section of the Annex.

ATMOSPHERIC EMISSIONS

The phenomenon of climate change is not only a global topic but is a constantly evolving phenomenon that encompasses all aspects of the environment, societies and the economic system, with potentially significant impacts on social dynamics and on future generations and consequently on the Group's overall operations.

The "**greenhouse effect**" is the manner in which the Earth's atmosphere captures and distributes solar energy in all directions, thus heating both the surface of the Earth as well as the lower part of the earth's atmosphere. Without it, life on Earth would be much more difficult. Scientists believe that industrial and agricultural activities increase this natural greenhouse effect: this phenomenon is known as global warming or climate change. The types of greenhouse gases are:

- carbon dioxide (CO₂) from the use of fossil fuels, deforestation, and the decomposition of biomasses, etc.
- methane
- nitrous oxide
- fluorinated gases.

Although there are no significant gas emissions arising from the production processes and there are no internal systems in order to self-generate electricity, in such a global and current context, the Group believes it is important to monitor greenhouse gas emissions and any other emissions to determine positive choices to curb its own carbon footprint. In its activities, the Group has identified as the main risk the use of a fuel mix having a high impact on greenhouse gases and management inefficiencies in the periodic monitoring of purchases and consumption.

The standard expression for greenhouse gas emissions is the CO₂ equivalent, to determine the contribution of the main gases directly responsible for the greenhouse effect as defined by the Kyoto Protocol; gases such as methane (CH₄), nitrous oxide (N₂O) and carbon dioxide (CO₂). These gases are categorised as a CO₂ equivalent under the specific GWP value (global warming potential value). Furthermore, it is emphasised there is a separate calculation of other increasingly significant harmful greenhouse gases in the ozone, such as sulphur dioxide (SO₂) and nitrogen oxide (NO₂).

In 2017, the FILA Group began collecting data and calculating **greenhouse gas emissions** to analyse possible operational areas where future performance could be improved. Specifically, the Parent FILA collected and calculated CO₂ emission data based on the GRI 305-1 indicator for direct emissions (Scope 1), as well as the 305-2 indirect emission indicator (Scope 2) based on the emission factors obtained from the International Energy Agency - ENERGY AND CO₂ EMISSIONS IN THE OECD (2017) and from the Intergovernmental Panel on Climate Change (guidelines for National Greenhouse Gas Inventories).

Direct greenhouse gas emissions (GHG) derived from internal combustion processes from fuels used in production operations are mainly from natural gas. Indirect emissions were calculated based on consumption of electrical energy, steam and heating energy purchased from third-party providers.

In 2019, greenhouse gas (CO₂) emissions remained almost unchanged, with an increase of 0.2% recorded due to

the following factors:

- an increase in direct emissions (+3.8%) generated primarily by the increase in biomass produced (+10.5%), which was partially offset by a slight change in the mix of other fossil fuels;
- a decrease in indirect emissions (-1.9%), mainly due to the updated emissions factors applied in view of new data published in 2019 (International Energy Agency - *CO₂ Emissions from Fuel Combustion*).

The emissions factors used to calculate direct emissions refer to the methodology established by the GHG Protocol, which uses Global Warming Potential values taken from the IPCC's Fifth Assessment Report.

For more information [on the FILA Group's direct emissions](#) (Scope 1), related biomass share, and indirect emissions (Scope 2) over the past two years, please refer to the "GRI 305-1, 305-2 GREENHOUSE GAS EMISSIONS" table in the "[Indicator tables and GRI information](#)" section of the Annex.

The FILA Group does not purchase or use significant quantities of substances which deplete the ozone layer (better known as ozone-depleting substances (ODS)).

In terms of geographical segment, **other significant quantities of air pollutants** occur in regions where the production facilities are located.

The reduction in persistent organic pollutants (POP) recorded in recent years, which are now at modest levels, is the result of water-based paints used at Dixon Kunshan's factories in China.

Volatile Organic Compounds (VOCs) are due to the use of solvent-based varnishes for the production of pencils, particularly in India, South America and North America.

The table found in the annex in the section "[Indicator tables and GRI information](#)" shows the FILA Group's other polluting emissions in 2019 and in 2018, expressed in kilos. The Group's production processes do not generate any hazardous air pollutants (HAPs) nor any other category of air pollutants identified by local applicable regulations. Significant pollutant emissions in 2019 concerned, as in 2018, Volatile Organic Compounds (VOCs), Particulate Matters (PMs) and Persistent Organic Pollutants (POPs).

WATER CONSUMPTION

The term "**water resources**" commonly relates to all available forms of water, an indispensable element for human life and for the life of ecosystems.

In the FILA Group's production process, water is mainly used in:

- the production of paper at the St Cuthberts paper mills in Great Britain and at Canson in France;
- the production of paints, glues, etc., mainly at the Canson factory in France, FILA Dixon Group in Mexico, the Daler-Rowney facility in England, Maimeri in Italy, FILA Yixing in China, Doms in India and at Canson Brazil.
- the production of play dough mainly at the Rufina factory in Italy, at Canson in Brazil and at the Dixon Group in Mexico.

The Group identified the excessive use of water in the production process as one of the **main risks** of water consumption in our operations. To mitigate this risk, actions were taken to improve our estimates of water consumption, monitoring its consumption over time as well as benchmarking comparable scenarios across the different companies within the Group.

In 2019, the Group's **water supply** was mainly from groundwater, which accounted for 59% of the total water withdrawn (52% in 2018), in addition to surface water equal to 35% (40% in 2018), while municipal water supplies dropped to 5.5% (8% in 2018). The consumption of recycled water and waste water from other operators remains at very low levels.

The collection of groundwater increased by 13% compared to 2018. The Xinjian site in China is the primary contributor to water consumption as it is used to harvest trees from the poplar plantation. The site recorded an increase in water consumption in 2019 due to the opening of a new underground well used to irrigate the plantation in order to cope with the scarcity of rainwater.

Surface water is mainly river water withdrawn at the Canson facility, France and used in the Moulin du Roy paper mill for the production process. At the end of the production process, the paper mill carries out an internal purification treatment of the industrial effluents and the water is then discharged into the same water course in compliance with legal values.

The reduction in the amount of water being withdrawn from municipal supplies (from 8% to 5%) is mainly due to a decrease in consumption by Daler-Rowney UK (25,331 m³), due to a drop in production.

For more information on the FILA Group's water consumption by source type over the last two years, please refer to the "GRI 303-1 WATER RESOURCE CONSUMPTION" table in the "*Indicator tables and GRI information*" section of the Annex.

Indeed, considering the importance of managing waste waters in the production processes, numerous initiatives have been taken over time at a local level.

The effluents produced by the FILA Group are constantly monitored on a regular basis, both internally and externally, to ensure compliance with the prescribed limits. In the majority of cases, industrial effluents are

discharged indirectly into local sewage systems and to external treatment plants. Nevertheless, there is no data on rainwater collected, as at present, there is no system to effectively collect data reliably.

In China, in the Kunshan facility, steam is used during processing and discharged into systems located on the factory roofs. There, it is condensed and transformed into water to be used in civilian installations. Currently, there are no methods to measure the quantity of steam and water recovered with this process.

For more details on investments made in various Group companies, refer to the paragraph entitled “*Investments for environmental protection.*”

Water recycled internally at production facilities decreased from 501,604 cubic metres in 2018 to 420,034 cubic metres in 2019, mainly due to the decrease in volumes of recycled water at Canson France.

In most cases, the Group's **effluents** are discharged into surface waters (92%, in line with 2018) and to external treatment plants (around 6%, compared to 5% in 2018). The remainder is discharged into the aquifer through internal treatment systems.

For more information on the FILA Group's final data for 2019, compared with data from the previous year (in cubic metres) for wastewaters by quantity and quality, please refer to the “GRI 306-1 WASTEWATERS” table in the “*Indicator tables and GRI information*” section of the Annex.

OTHER ENVIRONMENTAL TOPICS

Other environmental topics for the Group are:

- waste management
- investments in environmental protection
- compliance with environmental rules.

WASTE MANAGEMENT

A waste product is any solid or liquid material rejected during a process from a domestic, agricultural or industrial source. Waste is classified in accordance with local regulations as hazardous or non-hazardous.

The Group predominantly produces solid waste (94%, 92% in 2018), as well as some liquid waste. Regardless of its type, the waste itself is both non-hazardous and hazardous, and must therefore be managed and treated according to specific regulations.

In terms of categories of **solid wastes** (hazardous/special and non-hazardous wastes) and in terms of geographical segment, these are homogeneous across the various entities worldwide, with the prevalence of non-hazardous wastes.

Overall, the waste produced by the Group decreased by 9% in 2019, mainly due to a drop in non-hazardous solid waste.

Solid waste products produced by the Group is almost entirely non-hazardous waste (99% in line with 2018). Non-hazardous solid waste represented 94% of the total waste produced during the year (94% in 2018).

The increase in hazardous solid waste in 2019 is mainly attributable to non-routine cleaning activities and waste disposal at Dixon Mexico's warehouses (+156% compared to 2018, equal to a total of 16,597kg). Also of note is Canson SAS's non-routine disposal of forklift batteries and damaged products (+288% compared to 2018, equal to a total of 8,467kg)

Liquid waste, almost entirely non-hazardous, in 2019 accounted for approx. 5.5% of total waste produced by the Group (8% in 2018).

For more information on the FILA Group's final data for 2019, compared with the previous year (amounts in kg) for hazardous and non-hazardous solid and liquid waste, please refer to the "GRI 306-1 WASTE PRODUCTS" table in the "*Indicator tables and GRI information*" section of the Annex. In this document, this product waste disposal method has not been reported. The Group undertakes to report such information in 2020.

ENVIRONMENTAL PROTECTION INVESTMENTS

The protection of the environment as well as compliance with environmental standards require a dedicated management approach and ad hoc investments, sometimes of a significant nature.

At the Canson facility in France, in 2017, in Grand Mournier a large rainwater decantation basin was built to separate any potential pollutants (such as hydrocarbons) before their controlled emission into the environment. Again the Canson facility, in Moulin du Roy, in France, uses a water purification system (effluent plant) to treat water before discharging it back into the water course.

The Chalon en Champagne production facility is home to a purification system for industrial waste waters resulting from the production processes.

At the St Cuthberts paper mill a new water treatment plant was built to treat the water (effluent plant) before it is partially re-utilised for production and discharged back into the river.

The Dixon Mexico water purification plant in Oaxaca separates the water from the wax used in the production process.

The environmental protection investments in the USA include on-going reclamation of proprietary lands related to previous production operations carried out on the site before its acquisition by FILA S.p.A..

COMPLIANCE WITH ENVIRONMENTAL RULES.

For the FILA Group, compliance with applicable standards, including environmental standards, is paramount.

The FILA Group believes that the internal control system to ensure environmental compliance must be capable of mitigating any risks of non-compliance as well as the lack of and/or incomplete knowledge of the applicable environmental standards and rules across every site where the Group operates. No fines were imposed during 2019 for non-compliance with applicable environmental legislation.

Rationalisation of production operations ensures compliance with environmental standards as well as seeking to reduce the environmental impact of the Group's operations.

Employment topics

RESPECT FOR THE INDIVIDUAL AND MATERIAL TOPICS FOR FILA

The Group's success is inextricably linked to the people who belong to it. They constitute an important element for FILA's competitiveness and development.

The Group's acquisition-based growth strategy, as well as its organic growth in some geographical segments, has resulted in the rapid and constant growth of the workforce over the years. Today, the FILA Group is present on 5 continents, with 51 branches (of which 35 operative) and with over 10,000 personnel. The workforce comprises 76% blue-collar workers, 22% white-collar workers and 2% managers.

The **main risks** identified in terms of employee management are low productivity and low-quality work (e.g. due to high levels of turnover or absenteeism), as well as little training or professional upskilling. In order to manage these risks, practices and procedures were implemented locally in line with the Group's guidelines to better manage the potential negative impacts and to propose solutions for improvements where required.

The **Corporate Social Responsibility Policy** (issued at Group level in 2017 and extended to the companies joining thereafter) stipulates the importance of the Group's commitment to valuing its own employees, respecting human rights, offering proper working conditions and compliance with the applicable standards as fundamental elements towards continuing to operate successfully.

The Group's *Human Resources* Management team provides remuneration policy guidelines and defines how branches are organised with the support of FILA officers, in agreement with local CEOs, and in compliance with the Group's organisational model. The HR team also provides all the companies with the tools and guidelines they need in terms of recruitment, reviews and employee development, such as training initiatives, in compliance with specific situations and locally-applicable regulations.

The Group issued a **Human Rights Policy** document (detailed in the chapter "*Human rights topics*" below) which describes, also for its own employees, the general behavioural principles in terms of respecting human rights, valuing diversity, ensuring non-discrimination, providing suitable working conditions, combating forced labour and human trafficking, compliance with working times, remuneration and child labour regulations, the provision of safe and secure workplaces, the freedom of association and entitlement to collective bargaining agreements, the respect of integrity, privacy and relations with the local community.

The materiality analysis (summarised in the Annex, under "*Methodological note and reconciliation table with Legislative decree no. 254/2016*", the paragraph entitled "*Materiality Analysis*"), and the collection of non-financial data and information has allowed the FILA Group to highlight the material employment topics, which are as follows:

- Equal opportunities
- Occupational health and safety

Before tackling in detail the employee-related topics, we outline below some data regarding the composition of the FILA workforce in terms of turnover, remuneration and training programmes.

COMPOSITION OF THE WORKFORCE

By the end of 2019, the FILA Group had 10,067 employees, an increase of 5% compared to the previous year (9,560 at the end of 2018). This is owed to the growing workforce in Asia, where DOMS India grew by 10% (from 5,335 people at the end of 2018 to 5,851 at the end of 2019). This increase was partially offset by a contraction at FILA Dixon Kunshan (-64 employees) .

With reference to employee **gender** at the Group, at the end of 2019 47% of the workforce was made up of women, which is a slight increase compared to the previous year. The highest share of female workers can be found in the Rest of the World (65%) and Central/South America (58%), an increase on the previous year.

In Europe and North America, where 39% of the workforce consists of female workers, staff levels remained fairly stable compared to 2018. The percentage of female employees in Asia is higher than within the rest of the Group, with 2,906 women employed at the end of the period, compared with 2,725 at the end of 2018.

In terms of **contract type**, over 99% of the Group's employees possess a full-time employment contract. Part-time work contracts are mainly signed by women (76% at the end of 2019), an increase on the previous year.

For more information on the composition of the workforce by contract type, divided between full-time and part-time contracts, for both men and women in 2019 and the previous year, please refer to the "GRI 102-8 EMPLOYEE BREAKDOWN" table in the "*Indicator tables and GRI information*" section of the Annex.

A project to further improve non-financial disclosure for 2019 – by collecting information on the ratio of permanent to fixed-term contracts, given the lack of uniformity of local regulations (many of which do not contemplate this division at a regulatory level) – was initially scheduled for 2019, but has been postponed until 2020.

In terms of **geographic presence**, the largest workforce is located in areas where the Group's largest plants are found (India, China and Mexico), as seen in the paragraph entitled "*FILA Group production facilities*". In fact, 63% of the Group's workforce resides in Asia (62% at the end of 2018), followed by 19% in Central and South America (19.5% in 2018), 11% in Europe, 7% in North America, and 0.2% in the Rest of the World. These percentages remain unchanged compared to 2018.

Employee by geographic segment at 31/12/2019



Employee by geographic segment at 31/12/2018



As mentioned, the 5% increase in employees compared to 2018 is mainly attributable to the growth of DOMS India’s workforce, which is in turn linked to a growth in business volumes. This represents half the net increase for the period.

Although historically speaking, outside of Europe, the Company’s workforce has grown hand in hand with the Group’s acquisition process, which was initiated in 2005 (see “*Company identity and business model*” in “*From foundation to the present day*”), in the year ended December 31, 2019, the increase in the workforce depended substantially on new hires at production facilities, and there were no new company acquisitions.

Composition of the workforce by contractual category Group-wide: at the end of 2019 a little over three quarters of employees were blue-collar (76%), 22% white-collar, with 2% in management, in line with the previous year.

In terms of geographical distribution, blue-collar workers represent 83% of the workforce in Asia (84% at the end of 2018). Overall, they represent 69% of their category at a Group level. Blue-collar workers represent 72% of the workforce in Central/South America (76% in 2018), 67% in North America (66% in 2018), just over half in Europe (51%, as in 2018), and just over a quarter in the Rest of the World (26%, 32% in 2018). These data coincide with the location of the Group’s largest production facilities, namely Asia, Central/South America and North America.

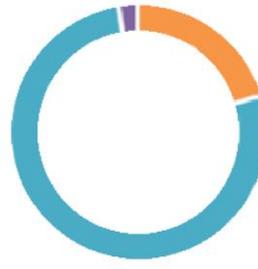
In absolute values, the number of managers was higher in North America and Europe in 2019, as this is where the Parent FILA S.p.A.’s headquarters are based.

Employee by category at 31/12/2019



■ WHITE-COLLAR ■ BLUE-COLLAR ■ MANAGEMENT

Employee by category at 31/12/2018



■ WHITE-COLLAR ■ BLUE-COLLAR ■ MANAGEMENT

For more information on the composition of the workforce divided into blue-collar workers, white-collar workers and managers, for the five geographical segments in 2019 and the previous year, please refer to the "GRI 405-1 EMPLOYEE BREAKDOWN BY CATEGORY AND GEOGRAPHICAL SEGMENT" table in the *"Indicator tables and GRI information"* section of the Annex.

In terms of the composition of the workforce by **age group**, it emerges that at December 31, 2019 half the employees at Group level were under 30 and 23% are aged between 31 and 40. As such, 74% of the total workforce is under 40 years old, in line with the previous year.

In terms of geographical segment, Europe and North America are characterised by a majority of employees over the age of 40 (70% and 56% respectively), while a large part of the workforce in Asia and Central/South America is less than 40 years old (88.5% and 60% respectively), which is in line with the previous year. The Rest of the World sees a more uniform distribution of age groups.

Employees by age at 31/12/2019



■ < 30 ■ 31-40 ■ 41-50 ■ >50

Employees by age at 31/12/2018



■ < 30 ■ 31-40 ■ 41-50 ■ >50

For more information on the composition of the workforce divided into blue-collar workers, white-collar workers and managers for each of the five geographical segments in 2019 and the previous year, please refer to the "GRI 405-1 EMPLOYEE BREAKDOWN BY AGE AND GEOGRAPHICAL SEGMENT" table in the *"Indicator tables and GRI information"* section of the Annex.

PERSONNEL TURNOVER

During the period, turnover (i.e. the net effect of new hires and departures) at Group level had a 5% impact on staff numbers at the beginning of the year (7% in 2018).

Blue-collar workers saw the highest turnover, followed by the white-collar category. Management recorded a slight contraction globally for the period, which is owed to two opposing events. Both Europe and Asia recorded an increase in managers due to new hires (+3 and +4). However, a decrease in managers was recorded in the Rest of the World and in North America, where company mergers took place (-2 and -8 respectively).

Specifically, 88% of the Group's staff turnover for the period occurred at the Indian branch of DOMS India in Asia. A total of 4,852 people were hired in Asia during the period (4,413 blue-collar workers) and 4,406 resignations were recorded (4,078 blue-collar workers). DOMS India hired 4,652 new members of staff, 4,237 of whom were blue-collar workers, while 4,136 resignations were recorded for the period, 3,826 of whom were blue-collar workers.

984 new hires were made in Central/South America (760 of whom were blue-collar workers), while 929 resignations were recorded (798 of whom were blue-collar workers).

Despite the FILA Group's best efforts, the high turnover of blue-collar workers in Asia and in Mexico can be explained by the inherent nature of the labour market in these countries. Here work is considered by employees as something temporary, resulting in low levels of staff loyalty. The Indian facility, which is located in a rural area, shows employees leaving during the harvest period or employees re-locating to industrial areas. It can also be highlighted that a good portion of the blue-collar workers working in the Chinese industrial agglomerations come from rural areas and return there during Chinese New Year celebrations and very often do not necessarily return to the Company.

Employee-retention initiatives implemented by the FILA Group specifically focused on potentially critical roles, whereas the Group does not believe it necessary to take action in relation to roles which have no impact on product quality and safety (for example manual packaging operations).

Testament to this is the increased stability in Europe, where, due to the characteristics of the labour market, company loyalty is more widespread.

The "*Indicator tables and GRI information*" section of the Annex includes the following data for 2019 and 2018:

- "GRI 401-1 EMPLOYEE TURNOVER BY CATEGORY"
- "GRI 401-1 EMPLOYEE TURNOVER BY GENDER"
- "GRI 401-1 EMPLOYEE TURNOVER BY GENDER AND GEOGRAPHICAL SEGMENT"
- "GRI 401-1 EMPLOYEE TURNOVER BY AGE"
- "GRI 401-1 EMPLOYEE TURNOVER BY AGE AND GEOGRAPHICAL SEGMENT."

REMUNERATION

Remuneration in each contractual category is established in compliance with the local legislative standards in force, where existing, and according to national collective contracts and private contracts according to the features of the labour market in individual countries.

The remuneration policy seeks to recognise equally, and in a tangible manner, the employees' commitment and contribution to the company's success. Salary scales are based on employee roles and responsibilities and must reflect their experience and the requisite skills for the role, as well as a demonstrable level of excellence and overall contribution to the business, and shall not discriminate.

The variable elements in some of the Group company pay scales relate to performance-based bonuses across the board for white-collar, blue-collar and management, and are governed by "second level contracts" and individual bonuses linked to performance reviews for positions of responsibility.

For countries where there is no "second level contract" for employees with positions of responsibility, there are however individual bonuses linked to achieving qualitative and quantitative objectives in line with the Parent's remuneration policy. In fact, in 2016, the Parent FILA established and issued a **Remuneration policy for key management personnel**, senior executives and managers.

There were no cases of remuneration below the minimum local wage for the reference category of new employee hires.

TRAINING

In 2019, as in the previous years, FILA Group employees engaged in **training and upskilling programmes**, particularly in the area of operations and health and safety, which accounted for 86% (in line with 2018) of the total training hours delivered Group-wide. The aim was also to maintain high-quality standards in compliance with the relevant training policy. Of particular relevance, considering the international nature of the Group, was foreign language training.

The **geographical segments** providing the highest number of training hours per employee in 2019 were Europe (13.2 hours per capita), Central/South America (13 hours per capita) and North America (12.8 hours per capita). Refer to the tables in the Annex for further details.

Europe saw a 13% decrease in total training hours for the period, which was the result of an increase in training hours at Canson France (+110%) and a decrease at Lyra KG (-14%) and St. Cuthberts (-84%). The reduction recorded at St. Cuthberts is owed to the fact that a special intensive machinery training program was launched in 2018.

There was a 26% increase in the number of training hours provided in North America in 2019, due to an increase in training hours at Dixon Ticonderoga Company USA and a decrease at Dixon Ticonderoga Art.

The training hours provided in Central/South America fall mainly into the “operating training” category. The increase in training hours is mainly due to activities carried out at Dixon Ticonderoga Mexico (+13%), Canson Brazil (+215%), and Bridesshore (+49%).

Fewer training hours were provided in Asia in 2019 compared to the previous year (-12%). This drop is mainly owed to the sharp decrease in training hours at the Chinese company FILA Dixon Kunshan (-21% compared to 2018), which was partially offset by an increase in training at DOMS India (+ 11%) and FILA Dixon Yixing Art & Craft (+ 31%).

The “*Indicator tables and GRI information*” section of the Annex includes the following data for 2019 and 2018:

- “GRI 404-1 TRAINING BY GENDER AND TOPIC”
- “GRI 404-1 TRAINING BY GENDER AND GEOGRAPHICAL SEGMENT”
- “GRI 404-1 TRAINING BY PROFESSIONAL CATEGORY AND TOPIC”

In relation to the **training by professional category**, in 2019, 56% of the total training Group-wide was delivered to blue-collar workers (63% in 2018), with 38% to white-collar employees, and the rest to management.

In 2019, workers received 9% less training than in the previous period, and were mainly trained on operational issues (70% of the training hours received in the period compared to 64% in 2018) and occupational health and safety (a quarter of the total training hours, compared to 34% in 2018).

During 2019, 23% more training was provided to employees compared to the previous period. Said training mainly focused on operational topics (67% of the total for the period) and foreign languages (16%).

Management was also provided with training in 2019. Said training mainly focused on operational issues (56% of the year's total) and foreign languages. Management team training increased by more than 20% globally compared to the previous period.

Blue-collar workers benefited from the majority of health and safety training (equal to 75% of the hours provided at a Group level) and training on operational topics (equal to 58% of the total hours provided for the period). Employees mainly received training on operations (67% of which was provided to their category in 2019), and in foreign languages (16%). White-collar workers received the majority of IT training provided (69% of the total delivered at a Group level) and foreign language training (81% of the total courses in 2019).

In Europe, 54% of training was provided to white-collar workers (54%) on operational topics and foreign languages. 37% of training was provided to blue-collar workers, primarily on occupational health and safety issues. 9% of training was provided to management and mainly concerned foreign languages, health and safety and IT.

In North America, 42% of training was provided to blue-collar workers on health, safety and operational issues, while 37% of training was delivered to white-collar workers on operational topics (SAP), and 21% of training was provided to management on operating issues.

In Central/South America, 63% of training was provided to blue-collar workers, mainly on operational issues, 36% of training was provided to white-collar workers, again on operational issues, and the remaining hours were provided to management, and focused mainly on foreign language learning.

In Asia, 78% of training was provided to blue-collar workers (equal to 7,886 hours) on operational (41%), health and safety (41%) issues. 20% of the training was provided to white-collar workers (equal to 1,992 hours), and focused primarily on health and safety (44%) and information technology (25%). The remaining 2% of training, equivalent to 175 hours, was provided to management, mainly concerning operational issues.

INDUSTRIAL RELATIONS AND JOB PROTECTION

At the FILA Group, industrial relationships are based on an effective collaborative relationship respectful of the reciprocal roles of the parties.

FILA S.p.A. applies the national collective employment contract (CCNL) for employees of companies manufacturing pens, pencils, detachable parts of pens and pencils and associated articles and for employees of companies manufacturing brushes, paintbrushes, sweeping brushes and raw material preparations, as well for employees of the other Italian Chemical Industry subsidiary, thus by extension to all Italian companies. Thus, 100% of these employees are covered by the CCNL. In terms of the pre-notification limits for organisational change, the contracts of the Italian Companies' employees are in line with the collective contracts outlined above. In order to continue to improve reporting, the collection of data on the number of employees covered by collective employment contracts, initially scheduled for the reporting period, will be extended to foreign companies, where applicable, from 2020.

During 2019, no significant changes in foreign company trade union activities were observed.

EQUAL OPPORTUNITIES

At December 31, 2019, FILA Group personnel were 47% female (in line with 2018) and 53% male (as in 2018). In terms of geographical segment, the workforce in Central/South America had the greatest number of women in absolute terms at 58% (57% in 2018), followed by the Rest of the World at 65% (44% in 2018), Asia at 46% (46% in 2018), Europe at 38% (39% in 2018) and North America at 39% (38% in 2018).

As stated in the Group's **Corporate Social Responsibility Policy**, valuing employees is a fundamental requirement for our continued operational success. In this context, gender diversity and diversity of opinion are considered elements that need to be taken into account as these are sources of cultural and professional enrichment.

The **main risk** identified by the Group in relation to equal opportunities is eliminating discriminatory practices that conflict with the provisions of this policy.

In 2017, the Group issued a **Diversity Policy** in which it announced the general principles of equal opportunity, non-discrimination and meritocracy.

Personnel are managed mainly via full-time employment contracts (part-time contracts account for 1% of the workforce, in line with 2018), complemented by various contract options, including flexitime, seasonal work (for concentrated periods less than 12 months a year), short working weeks (reduced hours spread over less days) and working time accounts.

The Group offers part-time contracts in all geographical regions. Regarding flexible employment arrangements, European personnel are offered all contract options, including flexitime, seasonal work, short working weeks and working time accounts, North American personnel are offered seasonal work and short working weeks, and Central and South American personnel are offered working time accounts. Seasonal work in Asia and short working weeks in the rest of the world are envisaged.

In the Annex, in the chapter entitled "*Indicator tables and GRI information*", table "GRI 102-8 INFORMATION ON EMPLOYEES AND OTHER WORKERS" provides further details on workforce composition by **contract type**, in terms of full-time and part-time contracts, and gender, for 2019 and the previous year.

As indicated in the chapter on "*Company identity and business model*", in the paragraph entitled "*Governance structure*", the composition of FILA Group's administrative and corporate bodies are fully compliant with legal requirements regarding gender diversity, with 3 women on the 9-member Board of Directors, and 2 women on the Board of Statutory Auditors, which is composed of 3 Standing Auditor and 2 Alternate Auditors. The educational and professional backgrounds of the Board of Directors covers experience at managerial level, operational, financial, tax, legal, and human resource expertise, as well as academic teaching.

In addition to the implementation of the internal disciplinary system on gender discrimination, the Parent introduced improved standards regarding women's occupational safety, for example, by placing more stringent limits than current legislation on the handling of heavy objects.

OCCUPATIONAL HEALTH AND SAFETY

The protection of the health and safety and the well-being of employees in the workplace is an important value by which the FILA Group conducts and develops its operations.

The **main risks** identified in relation to occupational health and safety are workplace injuries and risks of non-compliance with applicable legislative standards. To manage this risk, the Group has implemented risk management activities, training for all those concerned and periodic monitoring of reference legislation.

Indeed, by their very nature, occupational health and safety risks are transversal to practically all areas/departments of the company, and specifically concern production areas where machines and systems are operated, or external warehouses where logistics are managed.

As stated in the paragraph *“Respect for the individual and material topics for FILA”*, 19% of total training hours in 2019 were dedicated to occupational health and safety topics (27% in 2018). Occupational health and safety training programmes at Group level in 2019 were mainly delivered to workers and administrative staff (95% of the total training hours on this topic, in line with 2018).

In 2019, there were 192 **incidents** leading to injuries recorded at Group level (169 in 2018), none of which were fatal. As in the previous period, the increase in accidents is partly attributable to improvements in the monitoring and recording of events. The majority (89%) caused illness lasting no more than 40 days. The majority of workplace accidents involved men (86% of the total for the period).

In relation to the average size of the Group’s workforce, the incidence of accidents in 2019 was comparable to 2018, at approximately 2%.

In Europe, accidents fell by 10% in 2019, down 7 from 72 to 65, of which 4 in the workplace. During the period there was also an improvement in the length of associated illness, with all lasting less than 40 days. At individual company level, there was a net decrease in accidents at the St. Cuthberts facility (-10), at Canson France (-5) and at FILA S.p.A. (-2). However, Daler-Rowney saw an increase in accidents (+11).

In North America, 20 accidents were reported in 2019, the same number as in 2018, with an improvement in terms of the length of illness, with almost all cases (95%) lasting less than 40 days.

In Central and South America, there were 64 accidents during the period (36 in 2018), of which 70% with illness lasting less than 40 days, for substantially the same workforce at year end. 56% of the cases in 2019 related to Dixon Ticonderoga Mexico, which accounts for 68.5% of the corporate population in that region. Dixon Ticonderoga Mexico had 13 incidents of illness lasting more than 40 days, accounting for 68% of the total region.

In Asia, 43 accidents were reported in 2019 (up 13% compared with 2018), against a workforce increase of 7.5% during the period. 95% of the reported cases related to mild illness (lasting less than 40 days), 39 of which occurred in the Indian company DOMS, which accounts for 92% of the Group population in the region.

The **incidence of accidents** over the average personnel number in 2019 was 1.91% (1.53% in 2018), with the incidence of accidents with illness lasting more than 40 days at 0.2% (0.1% in 2018).

At the Group level, 94% of work absences related to reasons other than accident or illness. In addition to the fact that work absences for other reasons included 535 days of maternity leave and 30 days for breastfeeding, it should be noted that this item has historically included an estimate of absences of DOMS India workers who, according to local habit and custom, tend not to notify the employer of their resignation and simply do not turn up to work. The full tally of these days is only really complete when it is ascertained that the employee has definitively left the company.

In the Annex, in the chapter entitled “*Indicator tables and GRI information*”, tables “GRI 403-2 DAYS OF ABSENTEEISM BY REASON” and “GRI 403-2 DAYS OF ABSENTEEISM BY REASON AND GEOGRAPHICAL SEGMENT” provide details, for 2019 and the previous year, on days of absence due to accidents, illness and other reasons by gender and by geographical segment.

In 2017 the Parent FILA S.p.A., Omyacolor and Canson France signed social contract agreements for the benefit of their employees, agreements still in place.

The Parent FILA S.p.A. operates an occupational health and safety management system that is certified according to the ISO 45001 (ex OHSAS 18001) Standard - “Occupational Health and Safety Assessment Series” on occupational health and safety. During the process of managing and improving its own Occupational Health and Safety Management System, the Parent identified and defined the following processes which it monitors regularly:

- definition of health and safety policies
- risk factors and legislative compliance
- assessment and significance of the implications of the risk factors
- definitions of targets and objectives
- review of the governance and the Occupational Safety Programme

The occupational health and safety system in place at the Canson France facility is also certified to BS Standard OHAS 18001:2007.

As explained further in the Annual Report (in the section “*Subsequent events*”), since January 2020, on the Chinese market - and gradually from March 2020 across the rest of the world - the operating environment has been dominated by the spread of **COVID-19** (“Coronavirus”) and the resulting restrictive containment measures implemented by the public authorities of the countries affected.

The current health emergency, in addition to the enormous social impacts, is having direct and indirect repercussions on the general economy and on the propensity to consume and invest, resulting in a generally uncertain environment.

The FILA Group is monitoring the developing situation in order to minimise its social and occupational health and safety impacts, in addition to the operating, equity and financial situation, by drawing up and rolling out flexible and timely action plans.

In particular, from the beginning the FILA Group has worked tirelessly to ensure maximum health and safety levels for its employees, customers and suppliers. The Group promptly introduced a series of protective measures for personnel and activated its Crisis Response Protocol, developing a specific crisis response plan and immediately rolled out a series of measures at all levels of the organisation - both at headquarters and overseas - at the operational sites and at the production facilities.

As of the date of approval of this Statement, the Group's facilities are operational, in accordance with the regulations for each country, although not at full capacity in order to protect worker safety. Each subsidiary has already verified and, where extraordinary instruments are already available, has activated all the shock absorbers that can be used to deal with the decline in business.

Social topics

FILA'S SOCIAL ROLE AND MATERIAL SOCIAL TOPICS

The FILA Group has over 10,000 employees - spanning 5 continents - and manufactures and sells products for children, teenagers and adults. Topics of social relevance for a Group such as FILA range from relationships with stakeholders, to the integrity and the rigour of the Group's conduct, from supplying quality and safe products, to the management of quality relationships with its supply chain as well as with the communities wherein it operates.

From the analyses of the content and from the process of collecting non-financial data and information, material social topics for the FILA Group are the following:

- product safety
- integrity of the supply chain
- diversity.

The section below presents an analysis of the following aspects:

- product quality and safety
- relationships with the supplier chain
- support for culture and the local communities
- protecting diversity.

PRODUCT QUALITY AND SAFETY

The marketing of quality products is a fundamental principle which is enshrined in the Group's Code of Ethics, as stated in the paragraph "*FILA Group values*" above.

PRODUCT QUALITY

Product quality is an integral part of the Group's business ethics, as enshrined in its Code of Ethics.

"The company places a particular focus on the satisfaction of its customer base, both existing and potential, and on their demands and expectations, in order to supply within the sector highly competitive products which ensure maximal professionalism, flexibility and high-quality standards. The company pursues excellence in terms of quality, safety, health protection and environmental protection standards and therefore requires all those involved in the creation of the products marketed by the company to commit entirely to the achievement of these additional values. All disclosure or communication to public or private customers – even prospective – concerning FILA products must be true, complete and correct."

It is essential that in the conduct of its business operations there is complete and timely knowledge of the standards applicable to product safety overall, and more specifically to the safety of toys/cosmetic toys, both in terms of their production and their sale.

Given that the majority of the FILA Group's products' end-consumers are school-age children, the risks associated with product non-compliance are closely monitored and managed.

The **main risk** related to the quality and safety of the products launched on the market are failed compliance with all of the product safety standards. To mitigate this risk, the products manufactured by the Group are extensively assessed for safety and compliance before their market launch and periodically monitored, in addition to cases of non-compliance or flagging.

FILA Group's quality control process, managed by the Quality Assurance department, as described in the paragraph entitled "*Production, R&D, Quality Assurance, Product Safety*

and Compliance, brands and products", consists of two distinct phases:

- statistical control, consisting of various tests performed at its internal laboratories for the analysis of materials and finished products. Its internal laboratories are also used to test its products in the research and development phase with the aim, inter alia, of assessing industrial product feasibility.
- the "control" process, which consists of various tests conducted on an on-going and/or random basis throughout the stages of the production process by its production personnel. Visual and instrumental controls are performed directly at its facilities by machine technicians (for example, the fixing of labels on products, correspondence of colours to the prototype, the range and combination of colours in each packet). Such tests are performed in addition to the technical tests required by national and international standards and/or the customer's specifications.

In addition to internal tests to verify product safety, the FILA Group also uses external, and fundamentally accredited laboratories to obtain third-party safety standard compliance certificates. Each of the Group's production facilities liaises with and continues an on-going relationship with its own historical reference institute, whilst subsidiaries outside the European Union obtain certificates issued by globally accredited institutes.

Furthermore, in 2017, the Group issued a specific **Product Safety Policy**.

The management of product safety takes product category into account, i.e. products classified as toys, products classified as "cosmetic toys" and products classified neither as toys nor as cosmetics, as briefly illustrated in the following paragraphs.

PRODUCTS CLASSIFIED AS TOYS

Launching any generic product on the market and launching products that come under the standards required for toys, requires, specifically, that they are designed and manufactured to avoid:

- exposure to hazards due to physical/mechanical properties. (e.g. pointed and sharp edges for all toys; small parts and dangerous conditions as above after misuse testing procedures, which are applicable to toys for children under 36 months) or
- chemical risks due to restricted substances that might cause adverse health effects in the consumer, such as heavy metal, phthalates and allergens.

The main factors taken into account to ensure product quality and safety are the production processes, the products’ physical and mechanical characteristics, their packaging and labelling, non-flammability, as well as their chemical and hygiene specifications.

Toy safety is standardised European-wide to comply with essential requirements required to be implemented during the manufacturing process prior to the products’ market launch. The EU directive 2009/48/EC on toy safety requires that the manufacturer, prior to the market-launch of a toy, applies specific procedures to assess its safety. Moreover, the manufacturer must provide a technical sheet for each toy detailing all the information required to demonstrate the toy's compliance with regulatory standards. The toy or similar product compliant with these requirements will bear the CE conformity marking.

All products classified as toys by the FILA Group and sold on the European market are compliant in relation to the relevant standards and bear the “CE” conformity marking.

Products launched on the US market are also required to be CPSA-compliant (Consumer Product safety Act), specifically in terms of their total lead content (under 100 ppm), as well as for the presence of phthalates.

The AP-seal can only be applied once a Toxicological Risk Assessment complemented by a formula review, as well as documentation on the components and specific analyses based on the CPSA requirements have been carried out by Duke University.

For all other markets, reference is generally made to any potential specific requirements by local distributors, in addition to the European standards. A useful reference tool is the International Council of Toy Industries website detailing, nation by nation, the toy industry standards in effect as well as the accreditation Entities (for further details, see <http://www.toy-icti.org/info/toysafetystandards.html>).

PRODUCTS CLASSIFIED AS “COSMETIC TOYS”

Some of the FILA Group’s products are classified as cosmetic toys, thus, in addition to regulatory standards previously mentioned applicable to toys, these toys are also subject to regulation 1223/2009/EC (Cosmetics Directive).

This Directive requires a toxicological assessment of the product's safety, as well as compliance with good manufacturing practices (GMP), established under UNI EN ISO 22716:20084 for cosmetic products.

OTHER ASPECTS RELATING TO PRODUCT SAFETY

The safety of Group products not classified as toys or cosmetics is guaranteed by compliance with the general standards applicable to products or miscellaneous products launched on the market (i.e. REACH Regulation (EC) No. 1907/2006, CLP Regulation (EC) No. 1272/2008 and BPR Regulation (EU) 528/2012).

Production and design measures also guarantee product safety by mitigating risks to consumers in products where no specific standards apply, in addition to the product safety assured by Parent FILA and the Group itself through its application of British Standard 7272, a non-harmonised, and therefore, non-binding standard.

Finally, product safety is also covered by the correct and timely identification of hazards, both by complying with applicable standards as well as providing correct consumer information.

MANAGEMENT OF PRODUCT SAFETY TOPICS

Product safety is a fundamental element for the FILA Group and continuous assessments are therefore carried out in order to identify any shortcomings or areas for improvement. Analyses are carried out not only of applicable laws and regulations, but also of voluntary product safety codes, and incidents related to product safety issues are monitored.

There are numerous aspects that concern the labelling requirements of the FILA Group's products, including component supply, composition, specifically in terms of substances potentially harmful to the environment and/or to the local communities, the safe use of the product, as well as product disposal requirements once the product has been used.

In 2019, the Group saw a limited number of cases of non-compliance with laws and regulations, partly of a voluntary nature, concerning product safety and labelling, all of which had modest impacts, and were fully resolved within the year. Several required more detailed labelling and packaging descriptions concerning product origin, composition and specific indications.

An increasing number of Group companies have drawn up specific internal procedures for the management of health and safety topics, product information, labelling and marketing, in compliance with applicable regulations.

In 2019, as in the previous year, no significant cases of non-compliance in terms of marketing were reported.

SUPPLIER RELATIONS

The FILA Group procures its raw and semi-finished materials from a limited number of selected suppliers, monitored constantly in terms of production capacity, average delivery times, solvency and quality standards. More specifically, the Group generally concentrates its purchases of raw and semi-finished materials with a single primary supplier, while also identifying at least one or two alternative suppliers, with some exceptions such as calcium carbonate (used to produce chalk) and paraffin (used to produce wax crayons), which it currently procures from a single supplier. The main materials used to produce many of the FILA Group's products are paper, cellulose, wood, plastic, chalk, calcium carbonate, dyes, graphite, packaging and, in some cases, semi-finished and finished materials, such as glues. The Group has a central purchasing department that supervises and monitors the costs of its supply chain, primarily for international suppliers.

Even though the business model entails the verticalisation of production operations involving a high degree of inter-company exchanges, the Group undertakes relations with various outside suppliers, always based on fairness, correctness, transparency and equal treatment.

With regard to its own operations, the **main risks** identified by the Group in its relations with its own suppliers, are the risks of disruption to the supply chain, indiscriminate price increases or material supplies not complying with pre-defined qualitative standards or with regulatory standards, supplier non-compliance with ethical and social standards (e.g. for direct material suppliers, risks related to soil and water pollution due to the incorrect disposal of water and liquids for the cooling and maintenance of machinery, in addition to atmospheric pollution from fumes caused by plastic material processing).

In order to maintain high product quality standards, supplier screening is based on the technical, qualitative and quantitative requirements of the purchased products as ordered, the reputation and the reliability of the third-party company (including an ability to comply with the supply plan so as to avoid delays in production schedules), as well as finding the best quality/price ratio and avoiding any form of favouritism or discrimination. Selected suppliers are subject to constant monitoring of their production capacities, average delivery time, financial solvency and compliance with quality standards.

In order to manage the risk of any interruption in the production chain, the Group has adopted a practice of supplier diversification, according to which the main production raw materials are sourced from one main supplier and at least one or two alternatives, except for calcium carbonate (used in chalk production) and paraffin (used in wax crayon production), to date sourced from only one supplier.

Although FILA Group has long-standing business relations with its suppliers, they are generally not governed by fixed-term contracts. Raw materials and semi-finished products are therefore mainly procured via individual purchase orders, and any issues concerning their quality, quantity or specifications are raised on delivery.

In order to establish an increasingly well-structured and pervasive system for responsible governance, commercial relationships centred on transparency and good business ethics can contribute to growth in business process efficiency and competitiveness, in addition to complying with Corporate Social Responsibility (CSR) requirements. The Group therefore wishes to establish and maintain relationships with its suppliers and business partners centred

on transparency, correctness and good business ethics. Therefore the Parent's management in 2019 developed an initiative to engage its main suppliers in confirming their commitment to principles such as fairness, respect for the environment, product quality and the protection of human rights.

In order to guarantee that interactions with suppliers and business partners are consistent with its own value system, in addition to its Code of Ethics, FILA Group has established a "**Code of Conduct for Suppliers and Business Partners**" (hereafter "Supplier's Code of Conduct"), instructing the main companies to:

1. translate the Suppliers' Code of Conduct into the local language where necessary, or use the English version provided by the Parent;
2. identify the most relevant suppliers and business partners quantitatively, in terms of business volume and turnover, and strategically, for example, in terms of whether they are involved in critical production or marketing phases;
3. transmit the Suppliers' Code of Conduct to suppliers and business partners as identified in point 2, and request its signing, even in the case of existing commercial relationships;
4. confirm the completion of the process to the Parent, indicating the number of requests sent and confirmations received;
5. subsequently, send of the Suppliers' Code of Conduct to any new suppliers or business partners deemed relevant as per point 2 above;
6. schedule a periodic (yearly or two-yearly) update of the suppliers and business partners identified via point 2 above, making sure the Suppliers' Code of Conduct has been signed;
7. report any critical issues emerging from the feedback collection process to the Parent.

The Code of Conduct for Suppliers and Business Partners, after an introduction summarising its purpose, describes its scope of application and recipients, and sets out the general supply chain management principles that the Group expects to be respected by all recipients at any level. Indications are given on working conditions, health and safety, the environment and relations with the public administration. Business principles are articulated in terms of legal compliance, anti-corruption, financial data transparency, intellectual property, conflicts of interest and operational management and conduct. The process envisages the acceptance of the Suppliers' Code of Conduct by all suppliers and business partners.

In 2019, at the Parent level, more than 20 strategic suppliers were involved in the process, with a response rate of over 80%. At the subsidiary level, the process of involving suppliers and business partners has so far been initiated by Industria Maimeri S.r.l., Lyra KG, Dixon Ticonderoga Company USA and Dixon China, with other subsidiaries also expected to participate in the future.

In the reporting period, just as in 2018, no circumstances were reported to have generated negative impacts on the supply chain.

PROTECTING DIVERSITY IN LOCAL COMMUNITIES

The FILA Group's approach in relation to its own stakeholders is based on the respect of the dignity of every individual, the respect of cultural, ethnic and gender diversity, and correctness and fairness as established under the Group's Code of Ethics. Given its presence across the various continents, the Group's operations interact with, and impact on local communities, including ethnic and cultural minorities.

The Group has identified discrimination of minorities to be the main risk within its own operations. In order to mitigate this risk, the Group issued a **Diversity Policy** on the issue, which is distributed on a Group-wide basis and annual monitoring is carried out for any incidents.

Finally, we wish to reiterate that the FILA Group has always believed in the importance of developing relationships with its stakeholders and local communities, opposing discrimination based on race, gender, sexual orientation, and on religious, personal or political persuasions, and has now formalised this in the Group's **Corporate Social Responsibility Policy**.

OTHER SOCIAL TOPICS

As the Group operates in many countries, it seeks, within the scope of its own operations, to promote relationships with the local communities and to contribute to local development.

As reported through the non-financial reporting system, Group operations in 2019 did not have any significant negative impacts on local communities in terms of environmental or employment impact.

Below are summarised some of the cultural activities and support of the local communities where the Group operates.

FILA S.p.A. in Italy:

Support for other bodies and institutions

The company has long-standing collaborations with some of the most important institutions that, throughout Italy, promote activities dedicated to children, young people, families and schools. With a view to encouraging colourful creativity and development, FILA, as an educational partner, supports workshops at the MUBA Children's Museum of Milan, the Venice Biennale (education section), the Istituto degli Innocenti in Florence, which celebrated its 600th anniversary in 2019, and MUS.e, the association for the promotion of Florentine Civic Museums.

In 2019, FILA began a new partnership with the Neapolitan City of Science, a leading recreational and scientific reference point in central and southern Italy that organises themed parties and workshops in which creativity and science come together in a perfect combination of knowledge and artistic expertise.

The company continues to support the “Great Shows for Children” project of the La Scala opera house, which aims to help young children approach the works of the greatest Italian and foreign composers through specially-adapted language and means. It also supports the didactic and laboratory activities organised by the Teatro alla Scala Museum.

Another important socially relevant project which FILA has supported since 2014 is “Gold For Kids”, an initiative of the Umberto Veronesi Foundation for child cancer, which promotes and finances young patients’ access to the very best care. The project is supported through a research grant and by sending creativity kits to children on cancer wards on the occasion of International Childhood Cancer Day, on February 15. In 2019, on November 15 and 16, the company supported the eleventh edition of the World Conference on Science for Peace, an event strongly endorsed by Professor Umberto Veronesi, founder of the eponymous foundation.

Some highlights:

- Schools engaged throughout Italy in dedicated workshop activities: +1600
- Pupils participating in activities: +68,000
- Teachers engaged in workshop projects: +9,000
- Children engaged in family activities: +10,000.

Industria Maimeri, through the Maimeri Foundation in Italy:

Since 2018, Fondazione Maimeri has pursued an ambitious project in collaboration with Milan’s Triennale and divided into several sub-projects. The San Vittore prison project aims to change perceptions of the prison environment by finding value in its spaces and promoting a culture of positivity and modernity. The project envisages the redesign of certain spaces in ways that can exalt all the beautiful aspects of the old prison. The idea is to rethink the functionality of spaces and the services they can provide in order to respond not only to the basic needs of those who live and work there, but also the contemporary needs of the prison and of the citizens at large, whether they are prisoners or not.

The spaces thus become positive spaces for citizens to discover, dialogue and interact with, live in and make their own, offering them an opportunity to share the capacity for growth and the value of beauty.

“Come visit the prison with me” - January 16, 2019

The constructive value of beauty in the Hall of Honour at Milan’s Triennale, an audience including the Minister of Justice Alfonso Bonafede were treated to a chorus of one hundred prisoners and volunteers singing the songs of Ornella Vanoni live from the rotunda of San Vittore prison.

Ruba Bandiera (“Capture the Flag”) - June 19, 2019

The Bros Ruba Bandiera installation was inaugurated in Milan, on June 19, 2019, followed by a concert given by Young Rame, and a buffet dinner prepared by prisoners participating in the “Free Cooking School” programme. The

aim of this project is to change perceptions of the prison and to promote the importance of the complex pathways to rehabilitation, of the challenging work of prison personnel, of the role of the city as a whole, and of the need for the prison's integration in the city context. The immersive, emotional and relational exhibition both addresses the prisoners of the San Vittore prison, and is also partly the fruit of their collaboration.

The Giancarlo Vitali exhibition at the reopening of the La Scala opera house on December 7, 2019

The Municipality of Milan once again offered a screening of the first night at the La Scala opera house to the prisoners of the historic Milanese prison. A performance of Giacomo Puccini's *Tosca* was shown live in the prison's rotunda. In addition to the opera, and in continuity with last year's "Painted Music" exhibition dedicated to Gianni Maimeri, the Maimeri Foundation put on a show of works by the famous Bellano artist Giancarlo Vitali (1929-2018), in celebration of the 90th anniversary of his birth. The paintings could be admired along the main corridor leading up to the prison's rotunda, and several were on show for the very first time.

EX-VOTO \ for art received - in support of the Marino Marini Museum, Florence

Active support for young debuting artists continued via the immense project "EX-VOTO \ for art received": 200 artists were invited to produce a small (less than 13x18 cm) work of art of any shape, material and genre, in order to best represent their talent at an exhibition on October 3 at the GrandArt Modern and Contemporary Fine Art Fair in Milan.

The event is part of the Mondadori Store's "Start-Art for All" project in support of the Marino Marini Museum of Florence. The 200 *ex-votos* were displayed from December 7 to 16 at the Marino Marini Museum in Florence and first presented at a charity evening with proceeds going to the museum education department's "Kinder Art" project to create an art space entirely dedicated to children.

EXHIBITIONS AND EVENTS 2019

- MONICA SILVA, artist and photographer
- LUNA BERLUSCONI, artist
- LIVING EARTH, PINTO-ART - 25 Filipino artists on show in Milan
- CADUTA LIBERA ("FREE FALL") - 25 works of art by Gianni Maimeri. The special exhibition was created from the discovery of twenty-five works of art that Gianni Maimeri (1884-1951) painted between 1906 and 1910 and depicting ravines. It was the first time the works of art had been brought together and put on public display. They are the testimony of a youthful, romantic spirit, with a dazzling expressionistic matrix of colours emerging from the darkness.
- DOMENICO PELLEGRINO's *Star Wars* lights: The Milanese première of the last chapter of the *Star Wars* Skywalker saga was illuminated by a specially-themed light installation. *Heroes of Light and Dark* was created for the occasion by artist Domenico Pellegrino. The gallery leading to the Odeon Cinema in central Milan, a stone's throw from its famous cathedral, was lit by an immersive series of arches decorated in a *Star Wars* theme. Passionate about themes of epic adventure and fantasy, the master of illumination hand-crafted each piece of the installation, decorating the centre of each of the eight arches with portraits of the most iconic characters of the saga.

Canson in France:

- since 2006, sponsor of the Louvre Museum in Paris, with whom it has also collaborated on the restoration of works of art. The sponsorship of goods in kind (artist notebooks with high quality paper) are part of the educational and social support programmes for artistic learning;
- since 2010 it has supported the Department of Graphic Arts in the restoration of works of art, as well as supporting scientific projects, to help in the conservation and dissemination of works of art;
- donates paper and drawing products to the Musée en Herbe for educational programmes for schools and individuals;
- provides paper products to the Picasso Museum to support activities for schools and families.

Lyra in Germany:

- supports young Italian talent by using their work on the some of its products' packaging;
- supports local institutions through donations; mainly to nurseries, kindergartens, day care centres and to the Nuremberg family centre;
- supports the "Gift with Heart project", through the donation of materials, a project promoted by Humedica, an NGO founded in Kaufbeuren (Bavaria) in 1979 which provides humanitarian assistance across 90 countries worldwide. The mission of the Humedica projects is assisting people in crisis due to natural disasters or structural poverty;
- provides technical material to the student art studio at the University of Nuremberg's Faculty of Design.

Daler-Rowney, United Kingdom:

- supports various charities and community initiatives, including Rethink Mental Illness, the 7 Bridges Project, BIN2BODY in cooperation with VIN+OMI, the London College of Fashion and Oxford Brookes Art and Design Foundation, and the Colinton Tunnel project;
- sponsors various creative events and workshops, including the Patchings Art Festival, Art Battle UK, Raver Tots, the Warbeck Art Festival, the WOM collective, and many others;
- has launched numerous recent projects in support of artistic talent. For example, the #paintcloud programme provides support to more than 50 artists worldwide, in addition to providing artists with open access to Daler-Rowney's Bracknell Studios;
- supports the STEM TO STEAM initiative to promote the symbiosis of science and art and art education in the curricula of UK schools and universities;
- collaborates, in the fashion sector, with eco-pioneers VIN+OMI to raise awareness on sustainability issues and explore new ways of using art materials to reduce waste and recycle used art materials in the fashion industry. The VIN+OMI project won the 2019 Peta Fashion Innovation Award for Research, Development and Design (www.vinadomi.com);
- is a partner of the Certified Sustainable initiative (www.certified-sustainable.co.uk);
- has obtained Forest Stewardship Council® Chain of Custody Certification. The Forest Stewardship Council (FSC) is a global non-profit organisation dedicated to promoting responsible forest management from an environmental, social and economic perspective (www.fsc-uk.org);
- is an active member of the European Council of the Paint, Printing Ink and Artists' Colours Industry CEPE (www.cepe.org), of the International Art Materials Association Namta (www.namta.org) and of the Fine Art

Trade Guild (www.fineart.co.uk), with a view to promoting the exchange of ideas, standards and best practices in the art materials industry.

Dixon Ticonderoga Company (including Pacon US) in the United States:

- funds the Junior Achievement project and is involved in preparing students in managing their educational and career choices. In 2019, it reached out to almost 10 million students in over 200,000 classes;
- supports “Feed the Children”, a 40-year-old organisation, which, in 2019, helped over 6.5 million children and their families across the US and in 10 countries around the world; in 2019, it donated school supplies through the Feed the Children initiative, which has provided 890,000 students with USD 6.3 million in school supplies and USD 7.6 million in books;
- for years, it has supported a project of monthly donations to art programmes and schools in the United States that do not have the resources to provide quality materials to their students;
- supports, every year, a local art project through the “Create More, Share More” initiative, which donates thousands of dollars’ worth of materials to children, students, universities and artists, and helps raise the profile of Dixon Ticonderoga Company in the community;
- donates a portion of its pencil sales - Ticonderoga Breast Cancer Awareness Pencils - to support breast cancer research;
- supports the Terracycle Recycle Program allowing consumers to take part in recycling programmes for used writing materials which are collected at recycling centres in the school districts;
- produces pencils (Ticonderoga Renew Pencils) from timber production rejects (finger joints).

Dixon Ticonderoga Mexico in Mexico:

- sponsors the Papalote Children’s Museum, which stimulates children’s interest in science, nature, technology and ecology and receives 613,000 visitors a year;
- sponsors the *Somos el Cambio* (“We are the Change”) foundation through the *Dibujando un Mañana* (“A Morning of Drawing”) foundation. The *Somos el Cambio* project supports social entrepreneurship initiatives to positively transform communities. 44,000 teachers and 220,000 students took part in such transformative community initiatives in Mexico that have had an impact on as many as 10 million people;
- sponsors the Sanando Heridas Foundation, which contributes to health care and health education in poor communities in the State of Chiapas;
- organises workshops and sponsors events in the following museums and public institutions:
 - The National Watercolour Museum “Museo de la Acuarela”
 - The Franz Mayer Museum
 - Mexico City Department of Culture
 - The National School of Fine Arts “Escuela Nacional de Artes Plásticas”
 - The School of Architecture “Escuela Superior de Arquitectos”
 - Universidad Autónoma Metropolitana
 - The National Centre of the Arts “Centro Nacional de las Artes”
 - The San Carlo Museum “Museo Nacional de San Carlos”
 - Consejo Nacional de Población.
- sponsors events of the *Fundacion de Cancer de Mama* (FUCAM) foundation for the prevention and treatment

of breast cancer. FUCAM performs over 77,000 medical visits, 53,000 mammographies, 16,000 chemotherapy treatments, 9,000 radiotherapy treatments and 1,700 surgical procedures every year;

- Sponsors the Fundación Azteca Juguetón initiative, which annually distributes over 18 million toys and educational tools to the poorest communities.

Human rights topics

RESPECT FOR HUMAN RIGHTS

Respecting human rights is essential for the Group's long-term sustainability, just as it is for the communities where it operates. Our operations are founded on the respect for human rights as non-negotiable and fundamental values.

From the materiality analyses and from the process of collecting non-financial data and information, material topics regarding human rights for the FILA Group are the following:

- respect for human rights
- freedom of association and collective bargaining agreements.

Topics of non-discrimination and diversity are discussed in paragraph “*FILA Group stakeholders*” regarding relations with stakeholders external to the Group, in the paragraph “*Corporate governance and risk management*” regarding corporate governance bodies in the paragraph “*Equal opportunities*” of the “*Employment topics*” chapter regarding personnel, and in the “*Supplier relations*” paragraph regarding relations with suppliers.

In its **Policy on Human Rights and Work Practices**, issued in 2017, the Group reiterates the importance of human rights and the commitment towards treating everyone with dignity and respect. The main principles stated therein are the respect of human rights, valuing diversity, ensuring non-discrimination, providing suitable working conditions, combating forced labour and human trafficking, compliance with working times, salaries and child labour regulations, the provision of safe and secure workplaces, the freedom of association and entitlement to collective bargaining agreements, the respect of integrity, privacy, and the correctness of relations with local communities and stakeholders.

Furthermore, the **Corporate Social Responsibility Policy** underlines the prevention and banning of forced labour or child labour, as well as re-iterating compliance with working conditions and salaries, and prohibiting discriminatory behaviours.

Employees make an indispensable contribution to FILA Group’s success. This is why FILA protects its human resources and promotes their satisfaction in the workplace by ensuring responsibilities and management are exercised with equality and fairness, and by penalising any conduct that may in any way harm the personal or professional dignity of subordinate workers. FILA confirms its commitment to guaranteeing relations between colleagues built on the principles of loyalty, fairness, collaboration, honesty, respect and mutual trust, as well as the physical and moral integrity of individuals, working conditions that respect individual dignity, and safe and healthy work environments.

The **main risks** identified by the Group within this scope are risks of forced labour, child labour (pursuant to local and applicable legislative regulations), the presence of discriminatory behaviours (based on gender, sexual orientation, religious and political beliefs) or sexual harassment. The Group is also committed to preventing acts of violence or psychological or physical coercion, as well as any attitude or behaviour that may damage individual dignity.

Finally, aware of the direct and indirect influences its activities may have on the communities in which it operates, the Group conducts its activities in compliance with universal human rights and respect for local and national communities.

According to the information available at the Group’s headquarters, as of December 31, 2019, no areas at risk of human rights violations were identified. As explained more in detail below, reports of alleged cases of discrimination or violation of such rights were promptly managed in compliance with applicable regulations. In 2019, there were no Group operations or relations with suppliers with an identified high risk of forced labour. The monitoring tools adopted to detect any risks of forced labour are the reporting mechanism for the Group’s activities and the introduction of the *"Code of Conduct for Suppliers and Business Partners"*.

During 2019, 2 cases (13 in 2018) of alleged discrimination or harassment were handled, both in North America, and specifically at Dixon Ticonderoga Art & Craft. No case has had any legal consequences. Both cases received prompt attention from managers, who initiated internal investigation procedures to evaluate the individual situations and, where appropriate, take disciplinary action (such as verbal warnings, suspension from work, or dismissal) on the basis of the seriousness of each case.

In developing its increasingly structured and widespread corporate responsibility management system, the Group has always been committed to maintaining commercial relations with its suppliers and business partners based on transparency, fairness and ethical negotiation. During 2019, as described in the paragraph *"Supplier relations"*, the Parent developed a structured programme to engage main suppliers in confirming their commitment to principles of fairness, respect for the environment, product quality and the protection of human rights. In this regard, in addition to its Code of Ethics, FILA Group has established a *"Code of Conduct for Suppliers and Business Partners"* addressing the most important suppliers and business partners of the Group’s main companies.

Business combinations in 2019 only concerned companies already part of FILA Group, and therefore preventive due diligence activities were not carried out on issues of human rights.

The significant investments in 2019 concerning the deployment of the Group’s new ERP system and the completion of the expansion of the Annonay distribution warehouse in France did not include specific human rights clauses in contractual relations with counter-parties.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING AGREEMENTS

The **Policy on Human Rights and Work Practices** reiterates the importance of disseminating and promoting the Group's core ethical values which also relates to the employees' choice to join collective bargaining associations or trade unions without fear of intimidation or reprisal.

The **main risk** identified in relation to this aspect was of a lack of freedom of association and collective bargaining in compliance with applicable regulations. In order to manage this risk, in addition to issuing the above policy, the Group regularly monitors for any incidences of non-compliance in this regard.

Based on all available information to date, and in consideration of the project, involving the Parent and the Group's main companies, launched in 2019, to commit main suppliers and business partners to complying with the principles of FILA's "*Code of Conduct for Suppliers and Business Partners*", it is believed that the Group does not operate or interact with suppliers or partners that limit freedom of association. Further details are given in the paragraph "*Supplier relations*" above.

Anti-corruption topics

ANTI-CORRUPTION

Corruption is a widespread phenomenon, to a greater or lesser extent, in many countries of the world. This is a major obstacle to development and can have severe impacts on both private and public sector economic growth. Active corruption is an offence whereby another party is persuaded, through promises, money or other benefits to act in breach of their duties. Passive corruption is an offence whereby an individual accepts promises, money or other benefits not due to them to carry out or not carry out their duties.

FILA Group promotes a responsible business model according to the principles enshrined in its Code of Ethics on the assumption that “doing business” cannot be separated from business ethics. FILA acts with integrity, transparency, respect for rules and regulations and zero tolerance for any form of corruption, considering these essential elements for establishing relationships of trust and collaboration with employees, customers, suppliers and all other counter-parties, who are also requested to accept and apply the principles of the Code of Ethics.

Combatting active and passive corruption is essential for the Group's long-term sustainability as it is for the communities wherein it operates, also considering that our operations are based on the respect for human rights, considered a non-negotiable and fundamental value.

From the materiality analysis (detailed in the Annex “*Methodological note*”) and feedback from Group companies, the material topic relating to the prevention of corruption for FILA Group concerns measures to combat active and passive corruption.

MEASURES TO COMBAT ACTIVE AND PASSIVE CORRUPTION

Compliance with the rules and principles enshrined in the Group's Code of Ethics (described in the above paragraph “*FILA Group values*”), including fairness in business relations and combating corruption, are fundamental elements of the Group's *modus operandi*.

In particular, the Code of Ethics explicitly refers to relations with the public administration and with the Supervisory Authorities.

Specifically:

RELATIONS WITH THE PUBLIC ADMINISTRATION (P.A.)

“The relations of the company and of the FILA Group, in Italy or in other countries, with public officials, those employed in the public service, public employees and outsourcers providing public services, are held to comply with the principles of legality, transparency, integrity and correctness. The management of relations, of any type, with the P.A. and/or of a public nature are reserved exclusively for the competent and authorised company departments.

In the management of relations with the P.A., any person acting in the name of and/or on behalf of the Group, is prohibited from aiding and abetting, applying pressure or engaging in other conduct to attain favourable provisions or other decisions for the Group, in an illegal manner or against the principles of the present Code.

The recipients of the Code are not authorised to offer, accept or promise to any party (public or private), on their own behalf or on behalf of others, any form of donation, compensation, benefit or service, of any nature, also of a non-financial nature, provided to influence, or, in any case, to gain favourable treatment in the course of their duties. Acts of commercial courtesy are permitted, as long as the relevant gifts are of a moderate value and which may not be interpreted as provided to obtain improper or illegitimate advantage.

In the course of operations, the company and the FILA Group – where fulfilling the necessary requirements – may request and employ loans, subsidies and grants, of any type, issued by national or EU public bodies, restricted to the specific use for which they were granted and/or requested. For these purposes, in each case transparent and correct documentation on the company and on the project and/or service subject to the disbursement must be provided.”

RELATIONS WITH INSPECTING AND SUPERVISORY AUTHORITIES

“The Group actively works with the judicial, tax and supervisory authorities, the police departments and public officials in the exercise of their duties in terms of inspections, controls, investigations or legal proceedings and its members must refrain from offering donations, money and other benefits, or from exercising undue pressure on the representatives of these authorities, who materially carry out inspections and controls, in addition to those persons called to testify in legal proceedings, with a view to influencing conduct or acting in a manner which seeks to impede the legal proceedings.”

Furthermore, the **Group's Anti-Corruption Policy** issued in 2017 establishes the general principles of behaviour in the conduct of the Group's operations particularly in areas at high risk of corruption, gifts and entertainment expenses for external parties, gifts and entertainment expenses for employees or Management, events and sponsorships, donations, consultancies, brokerage, business relations with business partners and suppliers, joint ventures and other miscellaneous elements, including facilitation payments.

In this area, the **main risks** identified are of a reputational nature (in terms of damage to FILA's image as a result of penalties and/or the interruption of commercial relations with important Group partners), the imposition of penalties, including those of a prohibitive nature, for offences falling within the scope of Legislative Decree no. 231 of 2001, product safety, etc. To manage these risks, monitoring is carried out at Group level, analysing any reports that may have been made, and an annual plan of checks is carried out by the Supervisory Board, with the support of the Internal Audit department and according to a work plan agreed with the Parent's Board of Directors.

In order to guarantee consistent and mindful conduct, FILA has defined a system of clear rules and of information flows between corporate governance and corporate bodies and internal structures.

OTHER TOPICS OF RELEVANCE IN COMBATting CORRUPTION

The Code of Ethics which outlines the Group's key principles and its values was distributed to all employees and was included in training programmes in accordance with each individual company's procedures. Specifically, at Parent level, all employees based at the headquarters and in the facilities received classroom training on Legislative decree no. 231/01.

The Italian companies who adopted the Organisational, Management and Control Model pursuant to Legislative decree no. 231/1 delivered ad hoc training programmes.

In 2019, 228 Group personnel - including members of the corporate bodies, as detailed in the Annex - received training on active and passive anti-corruption topics and related procedures, an increase on 2018 (131). Of these, 25% were blue-collar workers (44% in 2018), 68% were white-collar employees (43% in 2018), and the remainder were either management or members of the corporate bodies.

At Group level, 1,476 hours of training on areas related to both active and passive anti-corruption were delivered in 2019, a significant increase on 2018's 159 hours, as discussed in the paragraph "Training" of the chapter "Employment topics", and detailed in the table "GRI 404-1 TRAINING BY PROFESSIONAL CATEGORY AND TOPIC" in the Annex "*Indicator tables and GRI information*").

The aforementioned Annex also includes the table "GRI 205-2 COMMUNICATION AND TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES", concerning people at corporate body, management, white collar and blue collar levels.

Of note is that, in 2019, anti-corruption training activities for:

- blue-collar workers were carried out mainly by FILA Yixing (China), representing 96% of the total number of workers trained on the topic in the Group;
- white-collar workers were carried out by 7 Group companies, including: Lyra KG (Germany) - representing more than a third of those trained on the topic during the period - Dixon Ticonderoga Mexico, Industria Maimeri (Italy), FILA Hiberia (Spain), Canson Quingdao (China), FILA Yixing (China) and Creativity International (UK);
- anti-corruption training activities addressed to members of corporate bodies and management involved the following Group companies: Lyra KG (Germany), FILA Hiberia (Spain), Industria Maimeri (Italy), Canson Quingdao (China) and Creativity International (UK).

LYRA KG (Germany) provided anti-corruption training addressed primarily at marketing, procurement, sales and administration personnel. During the period, it also updated its anti-corruption instructions sent to all employees with the aim of implementing its so-called "4-eyes" authorisation system, associated with a specific approval flow in its PO Release Strategies SAP management system and specific supplier process instructions. Lastly, LYRA is preparing an internal guideline to supplement the Group Anti-corruption Policy.

In 2019, Industria Maimeri delivered special training concerning Legislative decree no. 231/01 to a total of 23 employees.

In 2019 (as in 2018), there were no recorded incidents of active or passive corruption.

Annex

METHODOLOGICAL NOTE

REPORTING MODEL

The Consolidated Non-Financial Statement of the FILA Group is a report addressed to the stakeholders regarding the new developments, projects and results achieved in 2019 with regard to economic, social and environmental performance, the Group's approach to sustainability and policies, together with data and information helpful in representing the Group's activities.

FILA S.p.A., as a public interest company (pursuant to Article 16, paragraph 1, of Legislative decree No. 39 of January 27, 2010), with ceilings on the number of its employees, its statement of financial position assets and revenues above the threshold provided for in article 2 paragraph 1 of Legislative decree no. 254/2016, is subject to application of Legislative decree No. 254 of December 30, 2016, "Implementation of Directive 2014/95/EU of the European Parliament and the Council of October 22, 2014, amending Directive 2013/34/EU regarding the disclosure of non-financial information and information on diversity by certain companies and certain large groups" as amended.

The consolidated non-financial statement, drawn up in accordance with Articles 3 and 4 of the Decree, provides information regarding environmental, social, personnel, human rights and anti-corruption topics and of the related risks, helping the reader to understand the FILA Group's activities, its performance and results and the related impacts.

This Statement is prepared on an annual basis in accordance with the **GRI Standards**, published by the Global Reporting Initiative ("GRI"), according to the "core" option. The Group has identified the GRI Standards – currently the most widespread and commonly accepted non-financial reporting standards at the international level – as the "standards of reference" for discharging its obligations under the Decree. The **GRI Content Index** is reported in the dedicated Annex.

The reporting principles concerning content set forth in the GRI Standards selected for the preparation of this Statement are stakeholder inclusiveness, sustainability context, materiality and completeness. The Reporting principles for defining report quality are accuracy, balance, clarity, reliability and timeliness.

As required by the Decree, information is furnished in accordance with the 'comply or explain principle' as per Article 3 of the Decree. Accordingly, if no policy exists for any material topic, the Statement must explain this gap.

REPORTING AND CONSOLIDATION PROCESS

This Statement was drafted with the assistance of the heads of various departments of the Group, plus the Chief Executive Officers and the Chief Financial Officers of the subsidiaries, in order to identify the material aspects, the principal risks, the method for their management, the projects implemented and the performance indicators used. A dedicated team made up of the Executive Director, the Manager in Charge of Financial Reporting and the Group Reporting Manager coordinated the work. The Internal Audit team participated in the working team and carried out monitoring of the data collection process.

The reporting process started with an analysis of the Decree's requirements and of the indicators deemed applicable and relevant according to the GRI Standards. Details are provided in the paragraph "[Materiality analysis](#)" below. FILA Group's Consolidated Non-Financial Statement refers only to comparative data at December 31, 2018, since comparison with 2017 data is affected by the change in the Group's reporting scope in 2018 on the entry of Pacon Group.

The paragraph "[Supplier relations](#)", of the chapter "[Social topics](#)", provides a qualitative description of the supply chain. In fact, the Statement does not include quantitative considerations relating to the supply chain, since the Group does not have reporting projects in this regard. The Company will, however, undertake a process of continuous improvement with respect to reporting on the supply chain, in order to present to its stakeholders an increasingly complete representation of the FILA Group.

The reporting process is mainly structured on an information gathering system based on a template developed using Tagetik software, which the Group uses for financial reporting among other matters. This process was integrated with the findings of the risk assessment carried out on all Group companies to assess their significance with regard to social and environmental issues, the results of which were used to identify the scope of reporting for each non-financial issue.

Specific guidelines and instructions, regularly updated and circulated to all Group companies as part of the reporting process, help make the gathering process more accurate, consistent and uniform. Any information that Tagetik does not handle comes from the FILA Group's stakeholders and was obtained through interviews and questionnaires whenever suitable.

The information is broken down, where significant, by geographical segment, as is customary in financial reporting. For further details on the entities in various geographical segments, refer to the paragraph "[FILA Group business](#)" in the chapter "[Business model](#)".

As mentioned above, this Statement has been prepared by a special working team at the Parent. Information on subsidiaries was usually supplied by their CEOs or their respective deputies, who must certify the accuracy of the reporting package in Tagetik. The statement must explain how the report was compiled.

During the process to define the 2019 indicators, some comparative data relating to 2018 was restated in accordance with the Group's general refinement of reporting processes and methods. The restated data for 2018 is indicated in italics in the tables of the following sections.

MATERIALITY ANALYSIS

Non-financial reports describe the most important traits of a business in terms of its materiality ([material topics](#)), its strategies and risks, the expectations of its stakeholders, the industry to which the Group belongs and so forth. Information for the report was prioritised by means of a materiality analysis that was informed by a Group risk assessment activity and by analyses of the topics listed in the Decree.

Accordingly, the level of risk, in terms of the completeness and quality of information, was determined for each company included in the scope of consolidation at December 31, 2019 and for each indicator specified by the reporting methodology adopted, with the aim, *inter alia*, of assessing the risk associated with the various topics

discussed in the report (such as environmental pollution, non-compliance with product safety requirements, disparity of treatment amongst personnel, etc.).

The methodology for gathering the data was defined depending on the nature of each company belonging to the Group and its core business (e.g. manufacturing, wholesale, holding company, etc.). The materiality of every topic set forth in the Decree was assessed by analysing each company’s key parameters and its business (staff number, region, processing steps performed, etc.). Indicators were then selected from such standards to best measure the topics listed in the Decree.

In 2019 the Chief Executive Officers of the main Group companies were involved during the update of risk assessment, in verifying the contents of the material topics identified in the previous Statement, with the aim of confirming and/or expanding upon the topics initially identified by the working team, where appropriate. This process did not result in the inclusion of any additional topics beyond those identified in 2018.

The following table provides a summary, for each of the material topics, of the relevant indicators from the GRI Standards, the paragraphs of the Statement or other corporate documents in which the topic is discussed, the areas of the Decree and impacts on internal processes and external stakeholders:

In addition to the risks described in the Annual Report, the paragraph “Information and Management of Corporate Financial Risks”, which should be referred to for further information, the Group’s business is exposed to the **non-financial risks** described in the paragraph “*Corporate governance and risk management*” of the chapter “*Business model*”.

REPORTING SCOPE

The **scope of non-financial reporting** matches that of the Consolidated Financial Statements at December 31, 2019, and refers to all the fully consolidated companies. This is so as to gather relevant, useful data that is comparable enough to illustrate the Group's performance, its results, its current situation and the impact of its operations. Changes from the prior year are marked.

Unless otherwise indicated, the information refers to the FILA Group. However, the scope of reporting for each indicator was adjusted in accordance with the materiality analysis of the relevant aspects required by the legislation in question. The table below summarises the materiality of each category of indicators by reporting topic (environment, social, personnel, human rights and corruption) and by type of company (manufacturing, distribution, holding): further details are provided in the Annex “*Details of the Group companies included in the reporting scope by reporting topic*”.

Finally, to determine materiality, an additional aspect was considered, namely the importance of subsidiaries in terms of their turnover, workforce, etc.

Indicators					
Type of company	ENVIRONMENT	SOCIAL	PERSONNEL	HUMAN RIGHTS	CORRUPTION
PRODUCTION	●	●	●	●	●

	MATERIAL TOPIC	GRI STANDARDS	NFS PARAGRAPH / OTHER REFERENCE DOCUMENTS	AREA OF LEGISLATIVE DECREE NO. 254/2016	IMPACTS ON INTERNAL PROCESSES	IMPACTS ON STAKEHOLDERS
1	Use of raw materials	Materials used (301-1)	<i>Use of raw materials</i>	Environment	Production Purchases	Environment Community
2	Consumption of energy resources	Energy consumption (302-1)	<i>Consumption of energy resources</i>	Environment	Production Purchases	Environment Community
3	Atmospheric emissions	Emissions (305-1; 305-2)	<i>Atmospheric emissions</i>	Environment	Production	Environment Community
4	Water consumption	Water (303-1)	<i>Water consumption</i>	Environment	Production	Environment Community
5	Equal opportunities	Diversity and equal opportunity (405-1)	<i>Corporate governance - Corporate bodies Equal opportunities "Report on Corporate Governance and Ownership Structures"</i>	Diversity	Personnel Governance	Individuals Trade Unions
6	Occupational health and safety	Occupational Health and Safety (403-2)	<i>Occupational health and safety</i>	Personnel	Personnel	Individuals Suppliers
7	Product quality and safety	Customer Health and Safety (416-2)	<i>Product quality and safety</i>	Social Local communities	Marketing Production Purchases	Customers Consumers Community
8	Supplier relations	General disclosures (102-9)	<i>Supplier relations</i>	Supply chain	Purchases Production	Suppliers Community
9	Protecting diversity	Non-discrimination (406-1)	<i>Protecting diversity</i>	Social Local communities	Commercial relations Trade Union Relations	Community
10	Respect for human rights	Human rights assessment (412-3)	<i>Respect for Human Rights</i>	Human rights Local communities	Personnel Purchases	Community
11	Freedom of association and collective bargaining	Freedom of association and collective bargaining (407-1)	<i>Freedom of association and collective bargaining agreements</i>	Social Local communities	Personnel	Community Trade unions
12	Combating active and passive corruption	Anti-corruption (205-3)	<i>Anti-corruption topics Measures to combat active and passive corruption</i>	Corruption	Personnel Purchases Sales and distribution	Community Entities, institutions and the public administration Suppliers Customers

Indicators					
	ENVIRONMENT	SOCIAL	PERSONNEL	HUMAN RIGHTS	CORRUPTION
Type of company					
DISTRIBUTION		●	●	●	●
HOLDING			●		●

- Indicators are fully material
- Indicators are partially material

In the interest of providing an accurate account of the sustainability performance achieved, the use of directly measurable indicators has been privileged, while avoiding the use of estimates insofar as possible. Where necessary, estimates are based on the best available methods or sampling and their use is reported for each indicator.

INTERNAL CONTROL AND INDEPENDENT AUDIT

As required by the Decree, in this Consolidated Non-Financial Statement two forms of control exist: internal control, which is conducted by the company's Board of Statutory Auditors, and the independent audit, which is performed by an independent auditor.

As part of its duties required by law, the **Board of Statutory Auditors** monitors compliance with the Decree's provisions and reports thereon in its annual report to the shareholders' meeting.

The **independent auditor**, KPMG S.p.A., verifies that the Statement has been prepared and certifies that the information provided is compliant with the relevant provisions and the reporting standards adopted (the International Standard on Assurance Engagements 3000 Revised – Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board). The **Independent Auditors' report** is contained in the Annex to this Statement.

DETAIL OF THE GROUP COMPANIES INCLUDED IN THE REPORTING SCOPE BY REPORTING TOPIC

FILA GROUP COMPANIES	Country	Environment	Social	Personnel	Human Rights	Anti-corruption
FILA Benelux SA	Belgium	NO	YES	YES	NO	YES
Canson SAS	France	YES	YES	YES	NO	YES
Lodi 12 SAS	France	NO	NO	NO	NO	NO
Daler-Rowney GmbH	Germany	NO	NO	NO	NO	NO
Johann Froescheis Lyra Bleistift-Fabrik GmbH & Co. KG	Germany	YES	YES	YES	NO	YES
Lyra Bleistift-Fabrik Verwaltungs GmbH	Germany	NO	NO	NO	NO	NO
Lukas-Nerchau GmbH	Germany	NO	NO	NO	NO	NO
Nerchauer Malfarben GmbH	Germany	NO	NO	NO	NO	NO
FILA Hellas SA	Greece	NO	YES	YES	NO	YES
Canson Italy	Italy	NO	YES	NO	NO	YES
FILA S.p.A.	Italy	YES	YES	YES	NO	YES
Industria Maimeri S.p.A.	Italy	YES	YES	YES	NO	YES
FILA Polska Sp.z.o.o	Poland	NO	YES	YES	NO	YES
Fila Stationary O.O.O.	Russia	NO	YES	YES	YES	YES
FILA Hiberia S.L.	Spain	NO	YES	YES	NO	YES
Fila Nordic AB	Sweden	NO	YES	YES	NO	NO
FILA Stationary and Office Equipment Industry Ltd. Co.	Turkey	NO	YES	YES	YES	YES
Daler-Rowney Ltd	United Kingdom	YES	YES	YES	NO	YES
St. Cuthberts Mill Limited Paper	United Kingdom	YES	YES	YES	NO	YES
St. Cuthberts Holding Limited	United Kingdom	NO	NO	NO	NO	NO
Renoir Topco Ltd	United Kingdom	NO	NO	NO	NO	NO
Renoir Midco Ltd	United Kingdom	NO	NO	NO	NO	NO

FILA GROUP COMPANIES	Country	Environment	Social	Personnel	Human Rights	Anti-corruption
Renoir Bidco Ltd	United Kingdom	NO	NO	NO	NO	NO
Castle Hill Crafts	United Kingdom	NO	NO	NO	NO	NO
Crativity International	United Kingdom	NO	YES	YES	NO	YES
FILA Art Products AG	Switzerland	NO	YES	NO	NO	YES
Canadian Holding	Canada	NO	NO	YES	NO	NO
Grupo FILA-Dixon, S.A. de C.V.	Mexico	YES	YES	YES	YES	YES
Brideshore srl	Dominican Republic	YES	YES	YES	YES	YES
Dixon Ticonderoga Art	Canada	YES	YES	YES	YES	NO
Dixon Ticonderoga Company	USA	YES	YES	YES	YES	NO
FILA Argentina S.A.	Argentina	NO	YES	YES	YES	YES
Canson Brasil I.P.E. LTDA	Brazil	YES	YES	YES	YES	YES
FILA Chile Ltda	Chile	NO	YES	YES	YES	YES
Canson Qingdao Ltd	China	NO	NO	YES	NO	YES
Beijing FILA-Dixon Stationery Company Ltd.	China	NO	NO	YES	NO	YES
FILA Dixon Stationery (Kunshan) Co., Ltd.	China	YES	YES	YES	YES	YES
FILA Dixon Art & Craft Yixing Co. Ltd	China	YES	YES	YES	YES	YES
Xinjiang FILA-Dixon Plantation Company Ltd.	China	YES	YES	YES	YES	YES
DOMS Industries Pvt Ltd	India	YES	YES	YES	YES	YES
PT. Lyra Akrelux	Indonesia	NO	YES	YES	YES	YES
Princeton Hong Kong	Hong Kong	NO	YES	NO	NO	YES
FILA Art and Craft Ltd.	Israel	NO	YES	NO	NO	YES
FILA SA PTY LTD	South Africa	NO	YES	YES	YES	YES
Canson Australia PTY LTD	Australia	NO	YES	YES	NO	YES

GRI CONTENT INDEX

NFS Consolidated Non-Financial Statement
 AR 2019 Annual Report
 CGR 2020 Corporate Governance Report (2019 Financial Year)

General disclosure – GRI Standards

DISCLOSURE	Document	Reference to paragraph/ /Notes
ORGANIZATIONAL PROFILE		
102-1	Name of the organization	Fabbrica Italiana Lapis e Affini S.p.A. – FILA S.p.A.
102-2	Activities, brands, products, and services	NFS FILA Group business
102-3	Location of headquarters	NFS FILA Group business
102-4	Location of operations	NFS Production facilities
102-5	Ownership and legal form	NFS Corporate governance and risk management
102-6	Markets served	NFS FILA Group business
102-7	Scale of the organization	NFS FILA Group structure and size
102-8	Information on employees and other workers	NFS Respect for the individual and material topics for FILA; Composition of the workforce; Indicator tables and GRI information The project to further improve non-financial reporting quality, through the collection of information on the number of employees broken down into fixed-term and permanent contracts, initially planned for 2019, has been postponed to 2020 in consideration of the lack of homogeneity in the various local regulations, many of which do not take this breakdown into account.
102-9	Supply chain	NFS Supplier relations
102-10	Significant changes to the organization and supply chain	NFS From foundation to the present day AR Significant events in the year
102-11	Precautionary Principle or approach	NFS Respect for the environment and material topics for FILA
102-12	External initiatives	NFS The Group does not adhere to external Codes of Conduct, initiatives or principles on economic, social or environmental matters.
102-13	Membership of associations	NFS Dialogue initiatives with Group stakeholders; Industrial relations and job protection: figures referring to Italy only
STRATEGY		
102-14	Statement from senior decision-maker	NFS Chairman's letter
102-15	Key impacts, risks and opportunities	NFS Corporate governance and risk management; Use of raw materials; Consumption of energy resources; Atmospheric emissions; Water consumption; Equal opportunities; Occupational health and safety; Product quality and safety; Supplier relations; Protecting diversity in local communities; Respect for human rights; Freedom of association and collective bargaining; Measures to combat active and passive corruption
ETHICS AND INTEGRITY		
102-16	Values, principles, standards and norms of behaviour	NFS FILA Group values Code of Ethics
102-17	Mechanisms for advice and concerns about ethics	NFS Organisational, Management and Control model as per Legislative decree no. 231/01
GOVERNANCE		
102-18	Governance structure	NFS Corporate governance and risk management CGR "4. Board of Directors", "6. Internal Committees to the Board of Directors", "7. Remuneration Committee", "9. Control, Risks and Related Parties Committee", "13. Composition and functioning of the Board of Statutory Auditors
102-21	Consulting stakeholders on economic, environmental and social topics	NFS Annex - Methodological note: Materiality Analysis
102-22		NFS Corporate governance and risk management

General disclosure – GRI Standards

DISCLOSURE		Document	Reference to paragraph/ /Notes
	Composition of the highest governance body and its committees	CGR	"4. Board of Directors", "6. Internal Committees to the Board of Directors", "7. Remuneration Committee", "9. Control, Risks and Related Parties Committee",
102-23	Chair of the highest governance body	NFS	Corporate governance and risk management
102-24	Nominating and selecting the highest governance body	NFS CGR	Corporate governance and risk management "2. Information on ownership structure"
102-26	Role of the highest governance body in setting purpose, values and strategy	NFS	Corporate governance and risk management
102-32	Highest governance body's role in sustainability reporting	NFS	Annex - Methodological note: Reporting and consolidation process
102-37	Stakeholders' involvement in remuneration		As set out by the applicable regulation, the Shareholders' Meeting of FILA is called to express a consultative vote on the Remuneration Report
STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholder groups	NFS	FILA Group stakeholders
102-41	Collective bargaining agreement	NFS	FILA Group stakeholders; Respect for the individual and material topics for FILA; Industrial relations and job protection The collection of data on the number of employees covered by collective employment contracts, initially scheduled for the reporting period, will be extended to foreign companies, where applicable, from 2020.
102-42	Identifying and selecting stakeholders	NFS	FILA Group stakeholders
102-43	Approach to stakeholder engagement	NFS	FILA Group stakeholders
102-44	Key topics and concerns raised	NFS	FILA Group stakeholders
REPORTING PRACTICE			
102-45	Entities included in the consolidation financial statements	NFS AFR	Annex - Detail of group companies included in the reporting scope by reporting topic "Consolidation scope"
102-46	Defining report contents and topic Boundaries	NFS	Annex - Methodological note: Reporting scope
102-47	List of material topics	NFS	Annex - Methodological note: Materiality Analysis
102-48	Restatements of information	NFS	Annex - Methodological note: Reporting scope; Respect for the environment and material topics for FILA
102-49	Changes in reporting	NFS	Annex - Methodological note: Reporting and consolidation process
102-50	Reporting period	NFS	2019
102-51	Date of the most recent reports	NFS	2018 Consolidated non-financial statement
102-52	Reporting cycle	NFS	Annual
102-53	Contact point for questions regarding the reports	NFS	Introduction
102-54	Claims of reporting in accordance with GRI Standards	NFS	Introduction; Annex - Methodological note
102-55	GRI content index	NFS	Annex - GRI Content Index
102-56	External assurance	NFS	Annex - Independent Auditors' Report
GRI 205 ANTI-CORRUPTION (GRI 2016)			
103-1	Scope of the material topic	NFS	Annex - Methodological note
103-2/3	Management Approach	NFS	Annex - Methodological note: Materiality analysis; Material topics in combatting corruption
205-2	Communication and training about anti-corruption policies and procedures	NFS	Other topics related to combatting corruption; Indicator tables and GRI information
205-3	Confirmed incidents of corruption and actions taken	NFS	Other topics related to combatting corruption
GRI 301 MATERIALS (GRI 2016)			
103-1	Scope of the material topic	NFS	Annex - Methodological note
103-2/3	Management Approach	NFS	Annex - Methodological note, Materiality analysis; Respect for the environment and material topics for FILA; Use of raw materials
301-1	Materials used by weight or volume	NFS	Use of raw materials; Indicator tables and GRI information

General disclosure – GRI Standards

DISCLOSURE	Document	Reference to paragraph/ /Notes	
		The NFS does not report the division of used materials in terms of renewable and non-renewable sources. The Group undertakes to report this information for 2020	
GRI 302 ENERGY (GRI 2016)			
103-1	Scope of the material topic	NFS	Annex - Methodological note
103-2/3	Management Approach	NFS	Annex - Methodological note: Materiality analysis; Respect for the environment and material topics for FILA; Energy consumption
302-1	Energy consumption within the organization	NFS	Consumption of energy resources; Indicator tables and GRI information
302-4	Reduction of energy consumption	NFS	Consumption of energy resources; Indicator tables and GRI information
GRI 303 WATER (GRI 2016)			
103-1	Scope of the material topic	NFS	Annex - Methodological note
103-2/3	Management Approach	NFS	Annex - Methodological note: Materiality analysis; Respect for the environment and material topics for FILA; Water consumption
303-1	Interactions with water as a shared resource	NFS	Water consumption; Indicator tables and GRI information
GRI 305 EMISSIONS (GRI 2016)			
103-1	Scope of the material topic	NFS	Annex - Methodological note
103-2/3	Management Approach	NFS	Annex - Methodological note: Materiality analysis; Respect for the environment and material topics for FILA; Atmospheric emissions
305-1	Direct (Scope 1) GHG emissions	NFS	Atmospheric emissions; Indicator tables and GRI information
305-2	Energy indirect (Scope 2) GHG emissions	NFS	Atmospheric emissions; Indicator tables and GRI information
305-6	Emissions of Ozone-Depleting Substances (ODS)	NFS	Atmospheric emissions
305-7	NOX, SOX and other significant air emissions	NFS	Atmospheric emissions; Indicator tables and GRI information
GRI 306 EFFLUENTS AND WASTE (GRI 2016)			
103-1	Scope of the material topic	NFS	Annex - Methodological note
103-2/3	Management Approach	NFS	Water consumption; Other environmental topics: waste management
306-1	Water discharge by quality and destination	NFS	Water consumption; Indicator tables and GRI information
306-2	Waste by type and disposal method	NFS	Other environmental topics: waste management; Indicator tables and GRI information In the 2019 NFS, the product waste disposal method was not reported. The Group undertakes to report such information in 2020.
GRI 307 ENVIRONMENTAL COMPLIANCE (GRI 2016)			
103-1	Scope of the material topic	NFS	Annex - Methodological note
103-2/3	Management Approach	NFS	Other environmental topics: compliance with environmental regulations
307-1	Non-compliance with environmental laws and regulations (Scope 2)	NFS	Other environmental topics: compliance with environmental regulations
GRI 308 SUPPLIER ENVIRONMENTAL ASSESSMENT (GRI 2016)			
103-1	Scope of the material topic	NFS	Annex - Methodological note
103-2/3	Management Approach	NFS	Protecting diversity in local communities; Supplier relations.
308-1	New suppliers that were screened using environmental criteria	NFS	Protecting diversity in local communities; Supplier relations. The NFS does not report the percentage of new suppliers assessed on environmental criteria: the Group undertakes to report this data in 2020. In 2019 a Code of Conduct for suppliers and business partners was issued.
GRI 401 EMPLOYMENT (GRI 2016)			
103-1	Scope of the material topic	NFS	Annex - Methodological note
103-2/3	Management Approach	NFS	Respect for the individual and material topics for FILA; Composition of the workforce; Personnel turnover
401-1	New employee hires and employee turnover	NFS	Composition of the workforce; Personnel turnover; Indicator tables and GRI information
GRI 403 OCCUPATIONAL HEALTH AND SAFETY (GRI 2016)			

General disclosure – GRI Standards

DISCLOSURE		Document	Reference to paragraph/ /Notes
103-1	Scope of the material topic	NFS	Annex - Methodological note
103-2/3	Management Approach	NFS	Annex - Methodological note: Materiality analysis; Occupational health and safety
403-2	Hazard identification, risk assessment, and incident investigation	NFS	Occupational health and safety; Indicator tables and GRI information The NFS does not report the injury and illness rates for employees and non-contracted workers. The Group undertakes to report the indicators required by the new GRI Standard 403 (2018) in 2020.
GRI 404 TRAINING AND EDUCATION (GRI 2016)			
103-1	Scope of the material topic	NFS	Annex - Methodological note
103-2/3	Management Approach	NFS	Respect for the individual and material topics for FILA; Training Respect for the individual and material topics for FILA; Training; Indicator tables and GRI information
404-1	Average hours of training per year per employee	NFS	Average training hours per employee by gender are the following: male 5.3 (5.7 in 2018), female 6.3 (in line with 2018). Average training hours per employee by category are the following: blue-collar 4.3 (4.9 in 2018), white-collar 10.3 (9.2 in 2018), management 14.8 (12.1 in 2018).
GRI 405 DIVERSITY AND EQUAL OPPORTUNITY (GRI 2016)			
103-1	Scope of the material topic	NFS	Annex - Methodological note
103-2/3	Management Approach	NFS	Annex - Methodological note: Materiality analysis; Corporate governance and risk management: Governance structure; Respect for the individual and material topics for FILA ; Equal opportunities
405-1	Diversity of governance bodies and employees	NFS	Corporate governance and risk management: Governance structure Respect for the individual and material topics for FILA; Equal opportunities; Indicator tables and GRI information
GRI 406 NON-DISCRIMINATION (GRI 2016)			
103-1	Scope of the material topic	NFS	Annex - Methodological note
103-2/3	Management Approach	NFS	Annex - Methodological Note: Materiality analysis; Protecting diversity in local communities; Respect for human rights
406-1	Incidents of discrimination and corrective actions taken	NFS	Protecting diversity in local communities; Respect for human rights
GRI 407 FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING (GRI 2016)			
103-1	Scope of the material topic	NFS	Annex - Methodological note
103-2/3	Management Approach	NFS	Annex - Methodological note: Materiality analysis; Respect for human rights; Freedom of association and collective bargaining
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	NFS	Freedom of association and collective bargaining agreements
GRI 409 FORCED OR COMPULSORY LABOR (GRI 2016)			
103-1	Scope of the material topic	NFS	Annex - Methodological note
103-2/3	Management Approach	NFS	Respect for human rights; Freedom of association and collective bargaining
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	NFS	Respect for human rights
GRI 412 HUMAN RIGHTS ASSESSMENT (GRI 2016)			
103-1	Scope of the material topic	NFS	Annex - Methodological note
103-2/3	Management Approach	NFS	Annex - Methodological Note: Materiality Analysis, Respect for human rights
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	NFS	Respect for human rights The Group undertakes to report the percentage and total number of investment agreements and significant contracts including clauses on human rights or subject to relative screening for the financial year 2020
GRI 413 LOCAL COMMUNITIES (GRI 2016)			
103-1	Scope of the material topic	NFS	Annex - Methodological note

General disclosure – GRI Standards

DISCLOSURE	Document	Reference to paragraph/ /Notes
103-2/3 Management Approach	NFS	Other social topics
413-2 Operations with significant actual and potential negative impacts on local communities	NFS	Other social topics
GRI 414 SUPPLIER SOCIAL ASSESSMENT (GRI 2016)		
103-1 Scope of the material topic	NFS	Annex - Methodological note
103-2/3 Management Approach	NFS	Protecting diversity in local communities; Supplier relations
414-1 New suppliers that were screened using social criteria	NFS	Protecting diversity in local communities; Supplier relations; The NFS does not report the percentage of new suppliers assessed on social criteria: the Group undertakes to report this data in 2020. In 2019 a Code of Conduct for suppliers and business partners was issued.
GRI 416 CUSTOMER HEALTH AND SAFETY (GRI 2016)		
103-1 Scope of the material topic	NFS	Annex - Methodological note
103-2/3 Management Approach	NFS	Annex - Methodological note: Materiality Analysis; Product quality and safety
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	NFS	Product quality and safety
GRI 417 MARKETING AND LABELING (GRI 2016)		
103-1 Scope of the material topic	NFS	Annex - Methodological note
103-2/3 Management Approach	NFS	Product quality and safety
417-1 Requirements for product and service information and labeling	NFS	Product quality and safety
417-2 Incidents of non-compliance concerning product and service information and labeling	NFS	Product quality and safety
417-3 Incidents of non-compliance concerning marketing communications	NFS	Product quality and safety

INDICATOR TABLES AND GRI INFORMATION

This document contains the tables and detailed information summarised in the various chapters of the Consolidated Non-Financial Statement, in order to provide further insights of interest.

IDENTITY AND PROFILE

GROUP SIZE

GRI 102-7							
DECEMBER 31, 2019							
<i>Euro thousands</i>	Europe	North America	Central and South America	Asia	Rest of the World	Consolidation	FILA Group
Intangible Assets	106,092	236,959	1,517	24,904	-	61,137	430,609
Property, plant and equipment	67,576	49,328	26,028	42,839	242	-	186,013
Total PPE and Intangible Assets	173,668	286,287	27,545	67,743	242	61,137	616,622
<i>of which Intragroup</i>	<i>(76)</i>						

GRI 102-7

DECEMBER 31, 2019

<i>Euro thousands</i>	Europe	North America	Central and South America	Asia	Rest of the World	Consolidation	FILA Group
Inventories	88,746	104,253	36,068	29,814	2,548	(3,020)	258,409
Trade receivables and Other Assets	74,995	40,992	55,098	15,420	1,463	(46,628)	141,339
Trade payables and Other Liabilities	(71,699)	(34,421)	(22,923)	(21,434)	(3,179)	44,986	(108,670)
Other Current Assets and Liabilities	1,465	2,700	153	(518)	-	-	3,800
Net Working Capital	93,506	113,524	68,396	23,282	832	(4,662)	294,878
<i>of which Intragroup</i>	<i>(10,153)</i>	<i>1,906</i>	<i>3,169</i>	<i>(2,340)</i>	<i>2,756</i>		
Net Financial Debt	(189,531)	(256,843)	(42,913)	(7,599)	(2,185)	921	(498,150)
<i>of which Intragroup</i>	<i>6,208</i>	<i>(1,507)</i>	<i>(7,733)</i>	<i>1,426</i>	<i>2,527</i>		

GRI 102-7							
DECEMBER 31, 2018							
	Europe	North America	Central and South America	Asia	Rest of the World	Consolidation	FILA Group
<i>Euro thousands</i>							
Intangible Assets	106,085	166,608	1,610	26,719	6	144,896	445,924
Property, plant and equipment	52,578	17,492	7,203	27,048	151		104,472
Total property, plant and equipment and Intangible Assets	158,663	184,100	8,813	53,767	157	144,896	550,396
<i>of which Intragroup</i>	<i>(76)</i>						
Inventories	87,247	112,390	35,752	28,744	2,768	(4,469)	262,432
Trade receivables and Other Assets	89,013	57,144	51,881	15,179	1,259	(62,860)	151,616
Trade payables and Other Liabilities	(86,978)	(33,120)	(22,429)	(21,799)	(2,982)	61,771	(105,537)
Other Current Assets and Liabilities	2,457	780	(490)	(676)			2,071
Net Working Capital	91,739	137,194	64,714	21,448	1,045	(5,558)	310,582
<i>of which Intragroup</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>		
Net Financial Debt	(165,337)	(257,996)	(25,932)	1,117	(4,822)	199	(452,770)
<i>of which Intragroup</i>	<i>200</i>						

GRI 102 -7							
2019							
	Europe	North America	Central and South America	Asia	Rest of the World	Consolidation	FILA Group
<i>Euro thousands</i>							
Revenue from sales and services	288,622	323,217	96,868	124,616	3,166	(153,803)	682,686
<i>of which Intragroup</i>	<i>(75,740)</i>	<i>(12,695)</i>	<i>(29,265)</i>	<i>(35,931)</i>	<i>(172)</i>		
Gross operating profit (loss)	33,586	40,246	12,526	19,658	(947)	854	105,923
Net Financial income (Expense)	8,951	(10,274)	(8,486)	(845)	(92)	(19,533)	(30,279)
<i>of which Intragroup</i>	<i>(16,788)</i>	<i>(2,928)</i>	<i>53</i>	<i>17</i>	<i>113</i>		
Profit/(Loss) for the year	21,134	20,048	(990)	8,807	(1,165)	(21,729)	26,105
Non-controlling interests	81	-	-	2,025	(1)	-	2,105
Profit/(Loss) for the year attributable to the owners of the Parent	21,053	20,048	(990)	6,782	(1,164)	(21,729)	24,000

GRI 102-7

2018

	Europe	North America	Central and South America	Asia	Rest of the World	Consolidation	FILA Group
<i>Euro thousands</i>							
Revenue from sales and services	284,379	256,181	96,481	108,972	3,951	(161,217)	588,747
<i>of which Intragroup</i>	<i>(71,488)</i>	<i>(21,471)</i>	<i>(30,086)</i>	<i>(38,086)</i>	<i>(86)</i>		
Gross operating profit (loss)	29,259	24,201	8,760	13,679	(347)	(2,042)	73,510
Net Financial Expense	(51,979)	(2,479)	(5,892)	(428)	(670)	35,030	(26,418)
<i>of which Intragroup</i>	<i>40,267</i>	<i>(5,719)</i>	<i>303</i>	<i>-</i>	<i>179</i>		
Profit/(Loss) for the year	(38,227)	11,542	523	5,738	(1,109)	31,994	10,461
Non-controlling interests	318	-	-	1,442	(46)		1,714
Profit (loss) for the year attributable to the owners of the Parent	(38,545)	11,542	523	4,296	(1,063)	31,994	8,747

GRI 102-5

DECEMBER 31, 2019

Shareholders	Ordinary shares	Shares Class B	Total share Capital	Total votes = Voting capital	Ordinary capital
Pencil	13,694,564	8,081,856	21,776,420	42.74%	31.947%
Market	29,192,376	0	29,172,376	48.86%	68.0533%
Total	42,866,940	8,081,856	50,948,796	100.00%	100.00%
	84.137%	15.863%			
Total €	39,440,428	7,435,843	46,876,271		

GRI 102-5

DECEMBER 31, 2018

Shareholders	Ordinary shares	Shares Class B	Total share capital	Total votes = Voting capital	Ordinary capital
Pencil	13,694,564	8,081,856	21,776,420	42.81%	32.00%
VEI	3,875,832		3,875,832	7.62%	9.06%
Sponsors	361,291		361,291	0.71%	0.85%
Market	24,857,197		24,857,197	48.86%	58.09%
Total	42,788,884	8,081,856	50,870,740	100.00%	100.00%
	84.113%	15.887%			
Total €	39,364,364.56	7,435,041.44	46,799,406		

BUSINESS MODEL

THE BUSINESS OF FILA GROUP

GRI 102-6

GROUP COMPANIES BY GEOGRAPHICAL SEGMENT

Europe		North America	Central/South America	Asia	Rest of the World
-Fila (IT)	-Fila Benelux (BE)	-Dixon Ticonderoga Company (USA)	-Grupo Fila-Dixon, (MEX)	-Beijing Fila-Dixon Stationery Company Ltd. (RC)	-Fila SA (ZA)
-Johann Froescheis Lyra Bleistift - Fabrik GmbH & Co. KG (GER)	-Daler-Rowney (DE)	-Dixon Canadian Holding Inc. (CAN)	-Fila Chile (RCH)	-Xinjiang Fila-Dixon Plantation Company (RC)	-Cansons Australia PTY LTD (AUS)
-Lyra Bleistift-Fabrik Verwaltungs (DE)	-Lukas-Nerchau (DE)	- Dixon Ticonderoga ART ULC (CAN)	- Fila Argentina (RA)	- PT. Lyra Akrelux (RI)	
-Fila Nordic (SUE)	-Nerchauer Malfarben (DE)		- Cansons Brasil (BR)	-Fila Dixon Stationery (Kunshan) Co. (RC)	
-Fila Stationary and Office Equipment Industry (TR)	-St. Cuthberts Holding (UK)		- Bridesshore (DOM)	-Canson Art & Craft Yixing Co. (RC)	
-Fila Stationary (RUS)	-St. Cuthberts Mill (UK)			-DOMS Industries (IND)	
-Industria Maimeri (IT)	-Fila Iberia (ES)			-Canson Qingdao (RC)	
-Fila Hellas (GR)	Canson (FR)			-Princeton HK Co (HK)	
-Fila Polska (PL)	-Lodi 12 (FR)			-Fila Art and Craft (IL)	
-Renoir Topco (UK)	-Canson Italy (IT)				
-Renoir Midco (UK)	Fila Art Products (CH)				
-Renoir Bidco (UK)	Castle Hill Crafts (UK)				
-Daler-Rowney (UK)	-Creativity Intl (UK)				

CORPORATE GOVERNANCE AND RISK MANAGEMENT

GOVERNANCE STRUCTURE

BOARD OF DIRECTORS IN OFFICE AT 31/12/2019								
Office	Director	First Appointment Date	Date of birth	Executive	Non-Executive	Independent	Committee	
							Control, Risks and Related Parties	Remuneration
Chairman	Giovanni Gorno Tempini	6/8/2019	1962		X			
Chief Executive Officer	Massimo Candela	4/6/2015	1965	X				
Executive Director	Luca Pelosin	4/6/2015	1966	X				
Director	Annalisa Barbera	22/7/2015	1969		X			Member
Director	Francesca Prandstraller	29/7/2014	1962		X	X		Chairman
Director	Filippo Zabban	27/4/2018	1957		X	X	Member	Member
Director	Alessandro Potestà	13/11/2018	1968		X	X	Member	
Director	Paola Bonini	27/4/2018	1967		X	X	Member	Member
Director	Gerolamo Caccia Dominioni	22/7/2015	1955		X	X	Chairman	

ORGANISATIONAL, MANAGEMENT AND CONTROL MODEL AS PER LEGISLATIVE DECREE NO. 231/01

BOARD OF STATUTORY AUDITORS IN OFFICE AT 31/12/2019			
Office	Name	Appointment Date	Year of Birth
Chairman	Gianfranco Consorti	27/4/2018	1950
Standing Auditor	Pietro Michele Villa	27/4/2018	1967
Standing Auditor	Elena Spagnol	27/4/2018	1968
Alternate Auditor	Stefano Amoroso	27/4/2018	1964
Alternate Auditor	Sonia Ferrero	27/4/2018	1971

SUPERVISORY BOARD IN OFFICE AT 31/12/2019		
Office	Name	Date of appoint.
Chairman	Giorgo Perroni	27/4/2018
Member	Patrizio La Rocca	27/4/2018
Member	Massimiliano Rigo	27/4/2018

ENVIRONMENTAL TOPICS

RAW MATERIALS USE

GRI 301-1						
TIMBER ACQUIRED AND CERTIFICATIONS	2019			2018		
	Amount	of which certified	Type of certificate	Amount	of which certified	Type of certificate
<i>Unit</i>	<i>cubic meters</i>	<i>%</i>		<i>cubic meters</i>	<i>%</i>	
Logs	42,228	8%	FSC	33,603	0%	FSC
Slats	27,276	40%	FSC	23,930	20%	FSC
Planks	289	0%	PEFC	8,245	100%	PEFC
Total	69,793			65,778		

GRI 301-1		
OTHER MATERIALS ACQUIRED	2019	2018
Measurement unit	kg	kg
Untreated plastic raw material (PHE/PHEG/ABS/ECC)	8,009,576	8,105,896
Calcium carbonate	14,131,844	11,701,708
Calcium sulphate	494,169	1,038,817
Clay	4,313,378	6,280,135
Kaolin	421,210	457,561
Graphite dusts	1,281,078	1,416,716
Cellulose fibre	13,928,063	14,838,739
Paper rolls	70,012,570	68,414,413
Paper sheets	1,238,264	1,766,191
Pre-dispersed acrylic resins	647,333	646,467
Purchased Semi-processed inks	514,719	487,693
Talc	1,421,025	1,993,352*
Corn starch	731,739	786,415*
Flour	775,379	1,572,985
Pigments	1,169,106	1,049,673*
Total	119,089,453	120,556,761

*In italics and with * figures restated*

CONSUMPTION OF ENERGY RESOURCES

GRI 302-1			
ENERGY	Measurement unit	2019	2018
Electricity	MWh	81,874	78,464*
Thermal energy	Mega Joules	36,779,784	36,928,143*
Steam	Mega Joules	33,764,718	37,745,208

*In italics and with * figures restated*

GRI 302-1		
CONSUMPTION OF ENERGY FROM NON-RENEWABLE SOURCES		
<i>Mega Joules</i>	2019	2018
Fuel oil	3,843,454	3,045,393
Diesel	4,809,136	5,515,357
Coal	0	0

GRI 302-1		
CONSUMPTION OF ENERGY FROM NON-RENEWABLE SOURCES		
Mega Joules	2019	2018
Natural gas	171,539,378	183,552,896*
Total	180,191,968	192,113,646

*In italics and with * figures restated*

GRI 302-4			
REDUCTION OF ENERGY CONSUMPTION	Companies concerned	2019	2018
Unit		Mega Joules	Mega Joules
Savings on lighting	Canson France	10,875,372	518,400
Savings on lighting	Dixon Ticonderoga Company	288,000	N.A.
Reduction of compressed air losses and use of LED lighting	Dixon Ticonderoga Company	-	500,000
Heat produced by sawdust combustion	Doms India	39,304,800	24,278,400*
Improvement in combustion sources in the lead department	Dixon Mexico	-	6,747,808

*In italics and with * figures restated*

ATMOSPHERIC EMISSIONS

GRI 3025-1 305-2		
GREENHOUSE EFFECT GAS EMISSIONS		
Tons of CO ₂	2019	2018
Direct emissions (scope 1)	28,008	26,992*
Of which Biomass	17,743	16,060*
Indirect emissions (scope 2)	45,072	45,934*
Total CO₂ emissions	73,080	72,926

*In italics and with * figures restated*

GRI 305-7		
OTHER SIGNIFICANT EMISSIONS		
kg	2019	2018
Persistent organic pollutants (POP)	69	71
Volatile Organic Compounds (VOC)	33,080	34,139*
Hazardous air pollutants (HAP)	0	0
Particulate matters (PM)	5,524	5,518*
Total other significant emissions	38,673	39,728

*In italics and with * figures restated*

WATER CONSUMPTION

GRI 303-1		
WATER WITHDRAWAL		
Cubic meters	2019	2018
Surface waters	678,141	767,306
Groundwater (from aquifers)	1,130,429	996,048
Rainwater - collected directly and stored	1,274	1,132
Municipal water supplies or water supplies from other public/private suppliers	105,315	153,863
Waste waters from other organisations or companies	0	0
Total withdrawn	1,915,159	1,918,349

GRI 306-1		
WATER DISCHARGES		
Cubic meters	2019	2018
Sub surface waters (excluding groundwater)	0	0
Surface waters	664,031	762,293
Waste water discharged into treatment plants	44,315	34,295*
Groundwater aquifer waters	15,355	18,425
Total waste waters	723,701	815,013*

*In italics and with * figures restated*

OTHER ENVIRONMENTAL TOPICS

WASTE MANAGEMENT

GRI 306-2						
WASTE PRODUCED						
kg	2019			2018		
	hazardous	non-hazardous	total	hazardous	non-hazardous	total
Solid wastes	48,724	11,483,356	11,532,080	32,847	12,606,570	12,639,417
Liquid wastes	45,446	626,752	672,198	43,234*	698,077*	741,311*
Total waste	94,170	12,110,108	12,204,278	76,081	13,304,647*	13,380,728

In italics and with * figures restated

EMPLOYMENT TOPICS

RESPECT FOR THE INDIVIDUAL AND RELATED MATERIAL TOPICS

COMPOSITION OF THE WORKFORCE

GRI 102-8						
EMPLOYEE BREAKDOWN						
Number of employees	2019			2018		
	Male	Female	Total	Male	Female	Total
Full-time employees	5,315	4,658	9,973	5,038	4,408	9,446
Part-time employees	23	71	94	34	80	114
Total	5,338	4,729	10,067	5,072	4,488	9,560
% of total	53%	47%	100%	53.1%	46.9%	100%

GRI 102-8									
EMPLOYEE BREAKDOWN BY GEOGRAPHICAL SEGMENT, GENDER AND CONTRACT TYPE									
Number of employees	2019								
	Full-time			Part time			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Europe	648	358	1,006	18	57	75	666	415	1,081
North America	433	273	706	5	6	11	438	279	717
Central/South America	801	1,111	1,912	0	3	3	801	1,114	1,915
Asia	3,425	2,904	6,329	0	2	2	3,425	2,906	6,331
Rest of the World	8	12	20	0	3	3	8	15	23
Total	5,315	4,658	9,973	23	71	94	5,338	4,729	10,067

GRI 102-8									
EMPLOYEE BREAKDOWN BY GEOGRAPHICAL SEGMENT, GENDER AND CONTRACT TYPE									
Number of employees	2018								
	Full-time			Part time			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Europe	645	355	1,000	13	63	76	658	418	1,076
North America	418	260	678	20	7	27	438	267	705
Central/South America	803	1,053	1,856	0	4	4	803	1,057	1,860
Asia	3,154	2,729	5,883	0	2	2	3,154	2,731	5,885
Rest of the World	18	11	29	1	4	5	19	15	34
Total	5,038	4,408	9,446	34	80	114	5,072	4,488	9,560

GRI 405-1								
EMPLOYEE BREAKDOWN BY CATEGORY AND GEOGRAPHICAL SEGMENT								
Number of employees	2019				2018			
	White-collar	Blue-collar	Manager	Total	White-collar	Blue-collar	Manager	Total
Europe	420	551	110	1,081	419	550	107	1,076
North America	159	479	79	717	153	465	87	705
Central/South America	526	1,375	14	1,915	433	1,413	14	1,860
Asia	1,033	5,266	32	6,331	926	4,932	28	5,886
Rest of the World	13	6	4	23	17	10	6	33
Total	2,151	7,677	239	10,067	1,948	7,370	242	9,560

Including changes in categorisation during the period

GRI 405-1										
EMPLOYEE BREAKDOWN BY AGE AND GEOGRAPHICAL SEGMENT										
Number of employees	2019					2018				
	< 30	31-40	41-50	>50	Total	< 30	31-40	41-50	>50	Total
Europe	128	192	373	388	1,081	121	202	369	384	1,076
North America	147	172	160	238	717	121	162	157	265	705
Central/South America	672	485	455	303	1,915	631	440	467	322	1,860
Asia	4,128	1,474	612	117	6,331	3,879	1,354	540	113	5,886
Rest of the World	4	7	7	5	23	8	12	10	3	33
Total	5,079	2,330	1,607	1,051	10,067	4,760	2,170	1,543	1,087	9,560

Including changes in the data during the period

PERSONNEL TURNOVER

GRI 401-1								
TURNOVER BY CATEGORY								
Number of employees	2019				2018			
	White-collar	Blue-collar	Manager	Total	White-collar	Blue-collar	Manager	Total
Total number of employees at the beginning of the year	1,948	7,370	242	9,560	1,819	6,439	181	8,439
Hires in the year	760	5,364	27	6,151	586	5,152	23	5,761
Departures in the year	(557)	(5,056)	(31)	(5,644)	(536)	(4,603)	(35)	(5,174)
Career advancement	0	(1)	1	0	(7)	0	7	0
Change in consolidation scope	0	0	0	0	86	382	66	534
Total	2,151	7,677	239	10,067	1,948	7,370	242	9,560

GRI 401-1						
TURNOVER BY GENDER						
Number of employees	2019			2018		
	Male	Female	Total	Male	Female	Total
Total number of employees at the beginning of the year	5,072	4,488	9,560	4,436	4,003	8,439
Hires in the year	3,863	2,288	6,151	3,425	2,336	5,761
Departures in the year	(3,597)	(2,047)	(5,644)	(3,120)	(2,054)	(5,174)
Change in consolidation scope (Pacon)	0	0	0	331	203	534
Total employees at year-end	5,338	4,729	10,067	5,072	4,488	9,560

GRI 401-1									
TRAINING BY GENDER AND GEOGRAPHICAL SEGMENT									
Number of employees	2019								
	Male			Female			Total		
	Hires	Departures	Total	Hires	Departures	Total	Hires	Departures	Total
Europe	91	(79)	12	51	(58)	(7)	142	(137)	5
North America	100	(100)	0	65	(53)	12	165	(153)	12
Central/South America	469	(465)	4	515	(464)	51	984	(929)	55
Asia	3,202	(2,938)	264	1,650	(1,468)	182	4,852	(4,406)	446
Rest of the World	1	(15)	(14)	7	(4)	3	8	(19)	(11)
Total	3,863	(3,597)	266	2,288	(2,047)	241	6,151	(5,644)	507

GRI 401-1										
TURNOVER BY GEOGRAPHICAL SEGMENT										
Number of employees	2018									
	Male			Female			Total			
	Hires	Departures	Total	Hires	Departures	Total	Hires	Departures	Total	
Europe	83	(115)	(32)	48	(87)	(39)	131	(202)	(71)	
North America	27	(38)	(11)	20	(29)	(9)	47	(67)	(20)	
Central/South America	414	(431)	(17)	600	(559)	41	1,014	(990)	24	
Asia	2,798	(2,466)	332	1,606	(1,316)	290	4,404	(3,782)	622	
Rest of the World	6	(5)	1	5	(8)	(3)	11	(12)	(1)	
Total	3,328	(3,055)	273	2,279	(1,999)	280	5,607	(5,053)	554	

GRI 401-1										
TURNOVER BY AGE										
Number of employees	2019					2018				
	< 30	31-40	41-50	>50	Total	< 30	31-40	41-50	>50	Total
Total number of employees at the beginning of the year	4,760	2,170	1,543	1,087	9,560	4,046	2,053	1,405	935	8,439
Hires in the year	4,324	1,211	479	137	6,151	4,079	1,100	443	139	5,761
Departures in the year	(3,992)	(1,055)	(406)	(191)	(5,644)	(3,372)	(1,146)	(439)	(217)	(5,174)
Career advancement	(13)	4	(9)	18	0	(70)	25	21	24	0
New hires	0	0	0	0	0	77	138	113	206	534
Total	5,079	2,330	1,607	1,051	10,067	4,760	2,170	1,543	1,087	9,560

GRI 401-1										
TURNOVER BY AGE AND GEOGRAPHICAL SEGMENT										
Number of employees	2019					2018				
	< 30	31-40	41-50	>50	Total	< 30	31-40	41-50	>50	Total
Europe	7	(10)	4	4	5	(4)	(5)	(22)	39	(70)
North America	26	10	3	(27)	12	22	(9)	4	(5)	12
Central/South America	41	45	(12)	(19)	55	(41)	62	28	(25)	24
Asia	249	121	72	4	446	661	(72)	13	20	622
Rest of the world	(4)	(6)	(3)	2	(11)	0	2	2	(5)	(1)
Total	319	160	64	(36)	507	638	(22)	25	(54)	587

TRAINING

GRI 404-1						
TRAINING BY GENDER AND TOPIC						
Hours	2019			2018		
	Male	Female	Total	Male	Female	Total
Operator training	17,165	22,435	39,600	15,828	17,003	32,831
Health and Safety	7,242	3,642	10,884	9,065	6,315	15,380
Foreign languages	2,132	2,109	4,241	1,560	2,469	4,029
Other training courses	0	0	0	543	1,009	1,552
IT	989	442	1,431	1,188	953	2,141
Risk Management	320	435	755	485	416	901
Anti-corruption and Anti-bribery	706	770	1,476	72	87	159
Total	28,554	29,833	58,387	28,741	28,252	56,993

GRI 404-1						
TRAINING BY GENDER AND GEOGRAPHICAL SEGMENT						
Hours	2019			2018		
	Male	Female	Total	Male	Female	Total
Europe	8,653	5,593	14,246	10,555	5,821	16,376
North America	4,340	4,849	9,189	4,133	3,158	7,291
Central/South America	10,300	14,599	24,899	8,036	13,876	21,912
Asia	5,261	4,792	10,053	5,994	5,377	11,371
Rest of the World	0	0	0	23	20	43
Total	28,554	29,833	58,387	28,741	28,252	56,993

GRI 404-1								
TRAINING BY PROFESSIONAL CATEGORY AND TOPIC								
Hours	2019				2018			
	White-collar	Blue-collar	Management	Total	White-collar	Blue-collar	Management	Total
Operator training	14,845	22,785	1,971	39,600	8,092	23,080	1,659	32,831
Health and Safety	2,134	8,165	585	10,884	2,693	12,098	589	15,380
Foreign languages	3,442	252	548	4,242	3,500	224	305	4,029
Other topics	0	0	0	0	1,552	0	0	1,552
IT	992	94	345	1,431	1,431	458	252	2,141
Risk Management	193	495	67	755	597	222	82	901
Anti-corruption and Anti-bribery	523	930	24	1,476	104	25	30	159
Total	22,128	32,720	3,539	58,387	17,969	36,107	2,917	56,993

OCCUPATIONAL HEALTH AND SAFETY

GRI 403-2						
DAYS OF EXCUSED ABSENCE						
Days	2019			2018		
	Male	Female	Total	Male	Female	Total
Incidents	3,933	1,456	5,389	1,651	525	2,176
Illness	8,219	8,674	16,893	8,393	8,844	17,237
Other reasons	174,224	156,097	330,321	156,147	142,008	298,155
Total	186,376	166,227	352,603	166,191	151,377	317,568

GRI 403-2								
REASONS FOR ABSENT DAYS BY GEOGRAPHICAL SEGMENT								
Days	2019				2018			
	Accidents	illness	for other reasons	total	accidents	illness	for other reasons	total
Europe	160	10,315	2,030	12,505	449	10,332	2,044	12,825
North America	10	27	3,529	3,566	50	682	2,496	3,228
Central/South America	4,312	5,282	7,459	17,053	1,013	3,873	17,280	22,166
Asia	907	1,200	317,210	319,317	664	2,205	276,326	279,195
Rest of the world	0	69	93	162	0	145	9	154
Total	5,389	16,893	330,321	352,603	2,176	17,237	298,155	317,568

ANTI-CORRUPTION TOPICS

ANTI-CORRUPTION

GRI 205-2		
COMMUNICATION AND TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES		
Number of employees	2019	2018
Corporate bodies	2	3
Management	15	15
White-collar	155	56
Blue-collar	56	57
Total	228	131

INDEPENDENT AUDITORS' REPORT



KPMG S.p.A.
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(Translation from the Italian original which remains the definitive version)

Independent auditors' report on the consolidated non-financial statement pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 and article 5 of the Consob Regulation adopted with Resolution no. 20267 of 18 January 2018

To the board of directors of
F.I.L.A. S.p.A.

Pursuant to article 3.10 of Legislative decree no. 254 of 30 December 2016 (the "decree") and article 5 of the Consob (the Italian Commission for listed companies and the stock exchange) Regulation adopted with Resolution no. 20267 of 18 January 2018, we have been engaged to perform a limited assurance engagement on the 2019 consolidated non-financial statement of the F.I.L.A. Group (the "group") prepared in accordance with article 4 of the decree and approved by the board of directors on 25 March 2020 (the "NFS").

Responsibilities of the directors and board of statutory auditors ("Collegio Sindacale") of F.I.L.A. S.p.A. (the "parent") for the NFS

The directors are responsible for the preparation of an NFS in accordance with articles 3 and 4 of the decree and the "Global Reporting Initiative Sustainability Reporting Standards" issued in 2016 by GRI - Global Reporting Initiative (the "GRI Standards").

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

Moreover, the directors are responsible for the identification of the content of the NFS, considering the aspects indicated in article 3.1 of the decree and the group's business and characteristics, to the extent necessary to enable an understanding of the group's business, performance, results and the impacts it generates.

KPMG S.p.A. è una società per azioni di diritto italiano e fa parte del network KPMG di entità indipendenti affiliate a KPMG International Cooperative ("KPMG International"), entità di diritto svizzero.

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F.I.L.A. Group
Independent auditors' report
31 December 2019

The directors' responsibility also includes the design of an internal model for the management and organisation of the group's activities, as well as, with reference to the aspects identified and disclosed in the NFS, the group's policies and the identification and management of the risks generated or borne.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, compliance with the decree's provisions.

Auditors' independence and quality control

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

Auditors' responsibility

Our responsibility is to express a conclusion, based on the procedures performed, about the compliance of the NFS with the requirements of the decree and the GRI Standards. We carried out our work in accordance with the criteria established by "International Standard on Assurance Engagements 3000 (revised) - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000 revised"), issued by the International Auditing and Assurance Standards Board applicable to limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance about whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE 3000 revised, and consequently does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures we performed on the NFS are based on our professional judgement and include inquiries, primarily of the parent's personnel responsible for the preparation of the information presented in the NFS, documental analyses, recalculations and other evidence gathering procedures, as appropriate.

Specifically, we carried out the following procedures:

1. Analysing the material aspects based on the group's business and characteristics disclosed in the NFS, in order to assess the reasonableness of the identification process adopted on the basis of the provisions of article 3 of the decree and taking into account the reporting standards applied.
2. Analysing and assessing the identification criteria for the reporting scope, in order to check their compliance with the decree.

3. Comparing the financial disclosures presented in the NFS with those included in the group's consolidated financial statements.
4. Gaining an understanding of the following:
 - the group's business management and organisational model, with reference to the management of the aspects set out in article 3 of the decree;
 - the entity's policies in connection with the aspects set out in article 3 of the decree, the achieved results and the related key performance indicators;
 - the main risks generated or borne in connection with the aspects set out in article 3 of the decree.

Moreover, we checked the above against the disclosures presented in the NFS and carried out the procedures described in point 5.a).

5. Understanding the processes underlying the generation, recording and management of the significant qualitative and quantitative information disclosed in the NFS.

Specifically, we held interviews and discussions with the parent's management personnel. We also performed selected procedures on documentation to gather information on the processes and procedures used to gather, combine, process and transmit non-financial data and information to the office that prepares the NFS.

Furthermore, with respect to significant information, considering the group's business and characteristics:

- at parent level
 - a) we held interviews and obtained supporting documentation to check the qualitative information presented in the NFS and, specifically, the business model, the policies applied and main risks for consistency with available evidence,
 - b) we carried out analytical and limited procedures to check, on a sample basis, the correct aggregation of data in the quantitative information;
- we visited Grupo F.I.L.A. - Dixon, S.A. de C.V. (Mexico), including its Tultitlán (Mexico) site, which we have selected on the basis of its business, contribution to the key performance indicators at consolidated level and location, to meet its management and obtain documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators. With reference to the subsidiaries Daler Rowney Ltd (United Kingdom) and St. Cuthberts Mill (United Kingdom), we performed the same procedures through inquiries over the telephone.



F.I.L.A. Group
Independent auditors' report
31 December 2019

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2019 consolidated non-financial statement of the F.I.L.A. Group has not been prepared, in all material respects, in accordance with the requirements of articles 3 and 4 of the decree and the GRI Standards.

Milan, 30 March 2020

KPMG S.p.A.

(signed on the original)

Angelo Pascali
Director of Audit