



2020

# CONSOLIDATED NON-FINANCIAL STATEMENT

As per Legislative Decree no. 254/2016

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

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## F.I.L.A.'s Manifesto

Creativity is our challenge, colours and paper are our talents. Proudly Italian, we have crossed the oceans, reaching 150 countries in five continents, and think of ourselves as citizens of the world. We have developed together with you, taking inspiration from diverse cultures, and visiting millions of homes, schools, offices and workshops with over 25 iconic brands.

Our history is built on our passion for art and creativity, taking consistency and transparency as guiding principles that we have never ceased to follow. Excellence is our mission; production is a vocation that takes place in over 20 facilities across the world. We have been at your side for generations, with thousands of products for writing, drawing, colouring, modelling and painting. These irreplaceable tools feed an enormous creative passion and transform your actions into ideas and visions, creating indelible marks of life.

Ours is a love story that has lasted a century, shaped by millions of hands.

A blank page waiting to be written on.

**Colouring the future since 1920.**





## Chairman's letter

In a year marked worldwide by the COVID-19 pandemic health emergency, our Group has further strengthened its commitment to seeking sustainable success by producing the 2021- 2025 Integrated Strategic Plan. This tool makes it possible to outline and plan the Group's identity in the medium to long term, establish its fundamental goals and how to achieve them, all while remaining faithful to the long tradition that has brought us this far.

With enormous professionalism and dedication, and despite the extraordinary commitment required at every level to manage the pandemic, we have methodically addressed the complex challenges involved in integrating social, environmental and governance topics into our way of doing business and our medium- to long-term vision.

We have set out the Group's purpose, and therefore reviewed our vision, mission and reference values, and have updated our Ethics Code. At the end of 2020 the Board of Directors approved the five-year Strategic Plan. This is based on five levers, among which, as testament to our comprehensive ESG vision, is the Sustainability Plan.

We have identified the Sustainable Development Goals from the United Nations 2030 Agenda to ensure that our contribution is both specific and substantial. A managerial Sustainability Committee has been established at the Parent under the leadership of the Executive Director, which will guarantee constant alignment with the Board of Directors. Sustainability Committees have also been created at each subsidiary to ensure that the whole Group is included in the projects and activities set out in the operational plan.

In 2021 we will work on a number of both global and local projects to make our commitments relating to the 15 Sustainable Development Goals into a reality that reflects us a Group, and to find more ways to improve our management of non-financial topics, with the goal of publishing our first Sustainability Report.

**GIOVANNI GORNO TEMPINI**

*Chairman of the Board of Directors of F.I.L.A. 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 “F.I.L.A. S.p.A.”, “the Company” or “the Parent Company”) is a report addressed to stakeholders regarding new developments, projects, associated risks, the approach to sustainability and related policies and results achieved during the year by the F.I.L.A. Group (hereinafter also the “Group”) with regard to economic, environmental and social performance.

The Statement is published annually and includes comparative data from the previous two years. 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) of the Global Reporting Initiative (“GRI”).

Non-Financial Statements describe the most important traits of a business based on a materiality analysis that identifies the material topics in terms of its profile, its strategies and risks, the expectations of its stakeholders, the industry to which the Group belongs and so forth. 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, consumption of energy resources, atmospheric emissions and water consumption), material employment topics (equal opportunities and occupational health and safety), material social topics (product quality and 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 has been integrated with additional information on the Group’s activities (where relevant) in the following chapters, to best address each topic analysed.

The document is broken down into the following chapters:

- **1. Identity and profile:** information on the Company’s purpose, vision, mission and values, as well as the Group’s structure, size, production facilities and a summary of the Group’s development over the years
- **2. Strategy, business model and sustainability** – the Group’s strategy and business, the 2021-2025 Sustainability Plan and the reference UN Sustainable Development Goals (SDGs), the Group’s socio-environmental policies and guidelines, the Organisational Model, corporate governance and risk management and the Organisation, Management and Control Model per Legislative Decree No. 231/01, with a focus on managing the COVID-19 health emergency
- **3. Material 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
- **4. Employment topics** – information on the approach to 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
- **5. 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 the Group’s main activities in the social sphere
- **6. Human rights**– information on the approach to ensure respect for human rights, freedom of association and collective bargaining, and the main risks generated and incurred
- **7. Fight against corruption** – information on the 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 reporting model and process, a Reconciliation table listing topics required by the Decree, and Materiality analysis), a breakdown of *Group companies included in the reporting scope by reporting topic*, *C. GRI Content Index*, *D. Tables listing GRI indicators and information* and *E. Independent Auditors' Report*.

This Statement is separate from the Directors' Report, and was approved by the F.I.L.A. S.p.A. Board of Directors on March 22, 2021.

Requests for clarifications of any information contained in this Statement can be sent to [info.dnf@fila.it](mailto:info.dnf@fila.it).

Concerning the recommendations of ESMA (European Securities and Markets Authority, European Accounting Enforcers To Enhance Transparency On COVID-19 Impact, 28/10/20) and Consob (Clarification No. 1/21 of 16/02/21):

- the impacts on the individual non-financial areas and the mitigation actions taken are addressed in the paragraphs for each topic;
- social issues and employment topics are addressed in Chapter *4. Employment topics* in particular in paragraphs *4.1 Respect of the individual and relevant topics for F.I.L.A.*, *4.3 Occupational health and safety*, *4.1.4 Training*, *4.3 Occupational health and safety*, and in paragraph *2.5 COVID-19 impacts*;
- the business model, value creation and interconnection between financial and non-financial information are addressed in Chapter *2. Strategy, business model and sustainability*;
- risks linked to climate change are analysed in Chapter *2.4.5 Identifying and controlling risks*.



## Group highlights

Year of incorporation: **1920**

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

Presence in over **150** countries

Consolidated revenues: **Euro +605** million

Number of production facilities: **22**

Investors met: over **200**

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

Number of employees at December 31, 2020: **8,070**

Number of iconic brands: **25**

Workforce composed of women: **46%**

Employees under 30: **48%**, rising to **72%** when employees under 40 are included

The workforce comprises **72%** blue-collar workers, **25%** white-collar workers, and **3%** managers.

% of employees at sites with environmental certification: **6.7%**

**50,030** training hours in 2020, of which **23%** focused on operating issues and occupational health and safety

Number of injuries suffered by the workforce is less than **2%**

**99%** of the solid waste produced by the Group is non-hazardous.

The amount of renewable energy recovered from sawdust waste is equal to **146,561,280 MJ**.





# 1. Identity and profile

The F.I.L.A. 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.

## 1.1 PURPOSE, VISION AND MISSION

*Purpose* answers the question “Why does F.I.L.A. exist?”, *vision* explains “what we want to be” and *mission* sets out “how we do it”. After a lengthy and complex period of analysis, which involved every Group company under the coordination of the managerial Sustainability Committee and was approved by the Board of Directors, here are our answers.

### PURPOSE

Inspire and enrich the lives of everyone through creative and artistic thinking.

### VISION

Become the go-to solution for all those seeking to express their creativity, offering the broadest portfolio of brands and products for art and creative education.

### MISSION

Produce and create everything needed to shape ideas, to offer appealing, accessible and safe products, to nourish simple gestures, but also great creative passions, allowing everyone to express themselves at every point in their lives and across the world.

## 1.2 F.I.L.A. GROUP VALUES

The thought devoted to the Group’s purpose, vision and mission involved adopting a consistent and up-to-date approach to reviewing our values, shared by all Group companies under the coordination of the managerial Sustainability Committee and approved by the Board of Directors.





## VALUES

**Legacy** - we have a great tradition and a long history that inspires our future and creates a sense of belonging

**Solidity** - we focus closely on return on investment to ensure the Group's continual growth

**Integrity** - we always act with transparency, fairness, honesty and consistency

**Responsibility** - we operate with respect for the people we deal with and the environment to create sustainable value

**Excellence** - we are committed to high levels of quality, service, safety and performance

F.I.L.A. S.p.A.'s **Ethics Code** is a document that outlines the principles, values and rules of conduct observed by the Group, in addition to the ethical commitments and responsibilities 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. In the first quarter of 2021 F.I.L.A. formalised an important update to the Group's Ethics Code by adding specific values and aspects on Environmental, Social & Governance (ESG) topics, business sustainability and its commitment to stakeholders. The Ethics Code is available on the Company website.

## 1.3 F.I.L.A. GROUP'S STRUCTURE AND SIZE

### 1.3.1 GROUP STRUCTURE: A TRULY GLOBAL PRESENCE

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

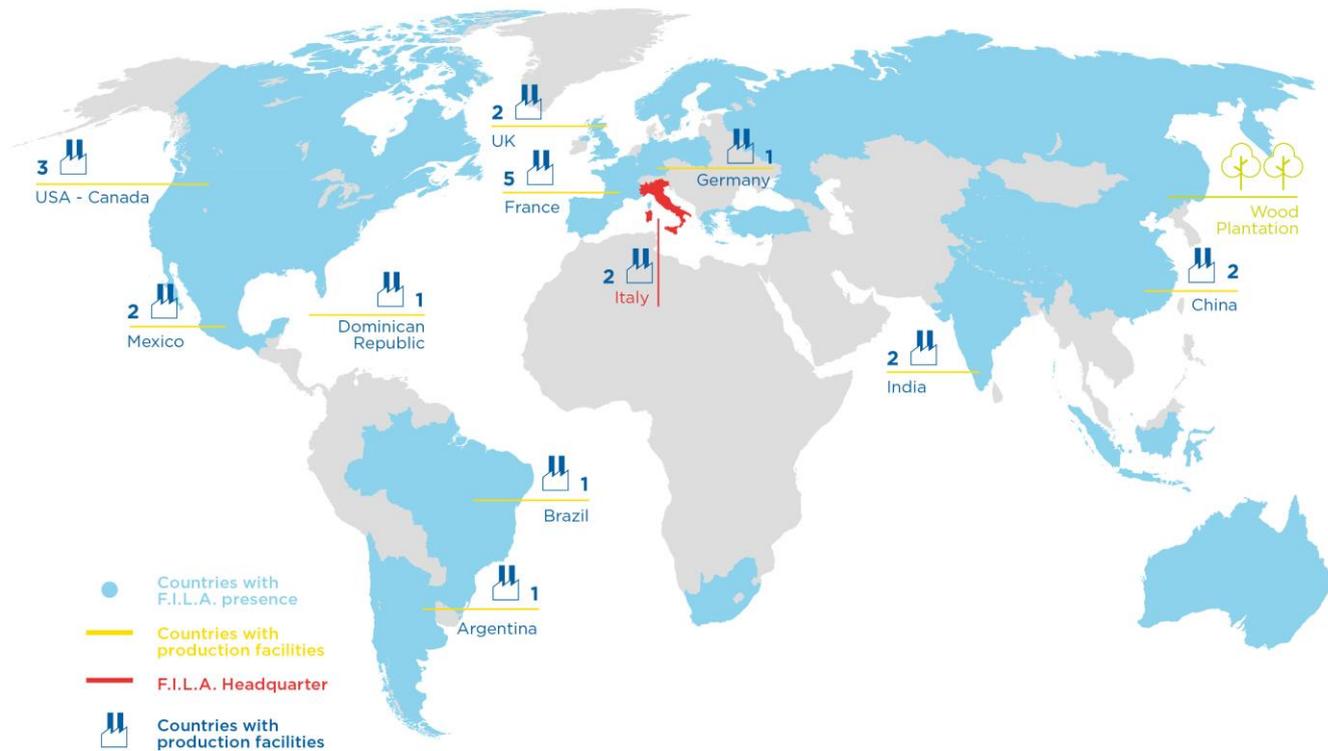
At the end of 2020, the F.I.L.A. Group was present on five continents by way of 35 operating branches and 22 production plants. The most significant Group companies in terms of production volume and turnover are:

- F.I.L.A. S.p.A.
- Dixon Ticonderoga in Canada and the USA
- DOMS in India
- Dixon Ticonderoga in Mexico
- Canson in France
- Daler-Rowney in Great Britain and the Dominican Republic
- Lyra in Germany
- F.I.L.A. Dixon Kunshan in China.

More information about the Group's investments is contained in the 2020 Annual Report. Annex "*B. 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.

### A TRULY GLOBAL PRESENCE





### 1.3.2 GROUP SIZE

At the end of 2020, the F.I.L.A. Group's numbers were the following:

- Total number of employees: 8,070 (10,067 in 2019)
- Total number of subsidiaries: 51, of which 35 operational, on 5 continents, with 22 production facilities (21 in 2019), 2 of which in Italy
- Number of countries in which the Group does business: more than 150 (unchanged on 2019)
- Number of products and services provided: 25 iconic brands (unchanged on 2019) and 50 product categories (50 in 2019).

At the end of 2020, the Group's non-current assets amounted to Euro 607.4 million (December 31, 2019: Euro 616.6 million), net working capital was Euro 276.6 million (December 31, 2019: Euro 294.9 million), and Net Financial Debt was Euro 493.5 million (December 31, 2019: Euro -498.1 million). The Group's turnover amounted to Euro 607.4 million (Euro 682.7 million in 2019), its profit for the year came to Euro 8.1 million (Euro 26.1 million in 2019), and the profit for the year attributable to the owners of the Parent came to Euro 8.6 million (approx. Euro 24.0 million in 2019).

mettere tutti i termini minuscoli, non serve il maiuscolo

For further details, reference should be made to the 2020 Group's Annual Report . Annex *D. Tables listing GRI indicators and information* provides highlights of the F.I.L.A. Group's operating results, financial position and cash flow performance in 2020, 2019 and 2018.

At December 31, 2020 the share capital of F.I.L.A. S.p.A. was composed of ordinary shares and class B shares (with multi-vote rights). For further details, please refer to Annex *D. Tables listing GRI indicators and information*, as well as the Annual Report and the Corporate Governance and Ownership Structure Report, which are both published on the Company website.

## 1.4 PRODUCTION FACILITIES

The following table provides information regarding the F.I.L.A. Group's 22 production facilities:

SUBSIDIARY	Year Founded	Employees at 31.12.2020	PRODUCTION FACILITIES	PRODUCTS
<b>EUROPE</b>				
F.I.L.A.	1920	201	Rufina, Florence	Felt-tip pens Modelling clay Writing tools
INDUSTRIA MAIMERI	1923	51	Bettolino di Mediglia, Milan	Colours for the fine arts
CANSON	1557	340	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
ARCHES	1492	58	Arches, France	Paper for the fine arts
LYRA	1806	91	Nuremberg, Germany	School pencils Fine art pencils
DALER-ROWNEY	1783	241	Bracknell, Great Britain	Fine art colours
ST. CUTHBERTS	1700	52	Wells, Great Britain	High grade fine art paper
<b>THE AMERICAS</b>				
DIXON MEXICO	1953	866	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	512	Appleton, USA	School and hobby paper
			Neenah, USA	Paper for the fine arts
DIXON TICONDEROGA ART ULC		82	Barrie, Canada	School-use paper
DALER-ROWNEY BRIDESHORE	1969	518	La Romana, Dominican Republic	Brushes and canvases
CANSON BRAZIL	2007	50	Indaiatuba SP, Brazil	Paper for the fine arts School-use paper Modelling clay School-use paints
F.I.L.A. ARGENTINA	1996	27	San Isidro, Argentina	Extruded pencils
<b>ASIA</b>				
F.I.L.A. DIXON KUNSHAN	2013	316	Kunshan, China	Graphite and coloured pencils
F.I.L.A. DIXON YIXING ART & CRAFT	2015	56	Yixing, China	School-use paints
DOMS	1974	4,392	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



SUBSIDIARY	Year Founded	Employees at 31.12.2020	PRODUCTION FACILITIES	PRODUCTS
			Jammu, India	Timber slats for the production of pencils

## 1.5 HISTORY OF THE F.I.L.A. GROUP:

### SUCCESSFUL MERGERS AND ACQUISITIONS

The history of the Group, which is over a century old, encompasses growth and expansion through successful mergers and acquisitions that has enabled F.I.L.A. to become one of the leading global enterprises devoted to the research, design, manufacture and sale of tools for creative expression.



**1920**



June 23rd. Fabbrica Italiana di Lapis & Affini is founded in Florence. Count Giuseppe Della Gherardesca is the first chairman of the company. Painter Severo Pozzati, Sepo in art, designs the first logo inspired by the lily, the emblem of Florence.

**1921**

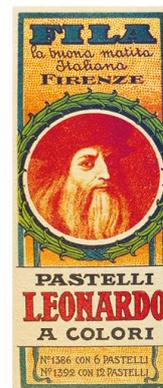
The Tosca and Orion brands are registered for use on graphite pencils.



**1922**

This year, the first price list present in the FILA historic archive appears. The early price lists and catalogues include over 100 products: graphite pencils (the most important lines are Orion and Selecta), copying pencils (3 lines, in order of quality and price: Turandot, Tosca and Fiorenza), steno pencils, coloured crayons and carpenter or purse pencils, and complementary products such as brass and nickel tip protectors.

**1925**



The Giotto pencil range enters the market alongside the existing Tiziano and Raffaello lines; a few years later, the Leonardo line will follow.

**1927**

The first advertisement in a national newspaper is published in Turin's La Stampa.

**1928**

FILA holds the First National School Drawing Competition in colour and in black and white.

**1929**

A warehouse is opened in Milan, in viale Premuda 34.

**1930**

FILA presents its first catalogue of painting colours and supplies, which includes the Tiziano paints for artists.

**1931**

The Giotto range expands with 37 watercolours.



**1933**

The image showing Giotto drawing on a stone before master Cimabue is created (and registered). Since then, it has been present on all Giotto brand products and is an iconic reference and part of the collective imagination.



**1938**

The FILA catalogue is enriched by the offer of pencils and crayons, as well as related products such as mechanical pencils, leads and pencil cases.

**1939**

FILA takes over SIR (Stabilimenti Italiani Riuniti) based in Imola, whose main activity is chalk production.

**1943**

Renato Candela, future FILA Chief Executive Officer, miraculously survives the bombing of the Presbitero factory in Via Farini, Milan, of which he was Chief Executive Officer and shareholder.

**1944**

The drawing by Sepo that depicts a head with a pencil behind one ear, from the early 1930s, is registered as a logo and will be used up until 1974.



**1949**

FILA patents the Pronostico pencil, with the symbols 1, X and 2 at the top, and the Cruciverba pencil.



**1952**

FILA signs an agreement with Lyra Italiana, FIM (Fabbrica Inchiostri e Matite) and Presbitero for the sale of advertising pencils.

FILA patents the Sferon ballpoint pencil.

**1956**

After acquiring Lyra Italiana in 1953, Renato Candela becomes a shareholder of FILA.

**1961**

The Tirone line is a huge success: the perfect pencil for shorthand. For the first time, FILA manufactures the "felt pens" Scrifix and Fibra-Fila, suitable for writing on ceramics.



**1962**

Penfix, FILA's first refillable felt pen, is marketed.

**1964**

Alberto Candela joins his father Renato, who had been leading the company for 8 years.

**1965**

The Giotto range expands with the Giotto Feltro marker in 12 different colours.

**1966**

Lyra Fabbrica Italiana Matite SPA and Fabbrica Italiana Lapis ed Affini SPA are merged, with the former incorporated by the latter. The administrative headquarters move from Florence to Milan, in Via Alberto Mario 65.

**1971**

Production of the Giotto Fibra marker is launched, featuring a synthetic tip and a range of 24 colours.



**1973**

At the new Limbiate factory (Milan), FILA starts the production of cosmetic pencils. In the same year, the administrative headquarters move to Pero (Milan), where another factory from the previous decade is located, dedicated to moulding and the production of ballpoint tips and pens including the famous Lyretta 23 and Sferetta 03.



**1974**

Giorgio Macchi designs the new logo, characterised by the stylised lily.



**1975**

The Tratto Pen is launched on the market. The first marker pen sells 4 million pieces in 4 days.

**1976**

Marketing of the Giotto graphite pencil and the Schema graphite pencil begins.

**1979**

The Tratto line, with the addition of the Tratto Clip in 1977, wins the Compasso d'Oro, the first and most recognised industrial design award in the world, for design and functionality.



**1985**

The Giotto Turbo Color and Giotto Turbo Maxi range of markers enter the market.

**1986**

The Tema line is born. In addition to Tema Sfera, one of the most exemplary products is the Temagraph graphite pencil, defined "the perfect pencil". A product that will change its appearance over the years, still in production today.



**1991**

Massimo Candela becomes FILA Chief Executive Officer, taking over from his father Alberto, Honorary Chairman of the company since.

**1994**

FILA acquires the historical company Adica Pongo from Mondadori, established in 1960 and owner of the Pongo, Didò and DAS brands.

**1998**

The FILA factory in Firenze, operative since 1920, closes its doors. Production is transferred to the new factory in Rufina (FI).

**2000**

In one year, the acquisition of the French company Omyacolor SA, the world's leading manufacturer of chalk for writing and colouring and big player in the field of drawing, colouring and modelling products, and the acquisition of 50% of CLAC Ltda (Compañía de Lapices y Afines Chile), Chilean joint venture specialised in the production of drawing supplies, are concluded.

**2002**

The Spanish company Papeleria Mediterranea SI is acquired, exclusive distributor for the Spanish market since 1996 and the Group's first foreign branch. There are now 35 FILA operating branches worldwide.



**2002**

Giotto be-bè is born, the line of colours dedicated to children aged 2 to 5, revolutionising the market of creative tools for early childhood.



**2005**

The acquisition of the US Dixon Ticonderoga Company takes place, which is also present in Canada, China and Mexico and owns Ticonderoga, an iconic brand of graphite writing and drawing pencils since 1913.



**2008**

FILA acquires the German company LYRA. Established in Nuremberg in 1806, it is one of the oldest colouring pencil brands in the world and an absolute icon in the production of quality



**2010**

Mexican company Lapicera Mexicana, producer of crayons and pencils, Brazilian company Lycin, for modelling and painting products, and a minority share of Indian company Writefine Products Private (now DOMS Industries) are acquired. The latter will be completed with the acquisition of the majority stake in 2015.



**2011**

To celebrate the 150th anniversary of Italian unification, FILA produces Unita, the official pencil of Comitato Italia 150.

**2014**

Industria Maimeri is established, a joint venture by FILA and Maimeri, an Italian company active in the production and marketing of paints and supplies for fine arts since 1923.



**2015**

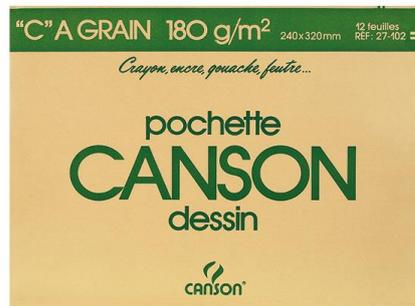
FILA celebrates EXPO Milano 2015 by launching a limited edition collection of its most iconic brands – FILA, Giotto, Tratto and Didò.

**2016**

FILA is listed on the STAR segment of the Milan Stock Exchange. This marks the start of a new strategic and global growth approach.

**2016**

FILA acquires renowned British group Daler-Rowney Lukas, a key global player in fine art & craft, St. Cuthberts Holding Limited, an historic English paper mill located in the south-west that produces high quality drawing paper for artistic purposes, and the French company Canson. Founded by Jacques Montgolfier in 1557, it is the most prestigious company worldwide in the production and distribution of high value paper for fine arts, school and leisure.



**2018**

FILA concludes the acquisition of 100% of the US group Pacon, a leading player in the educational and art & craft markets, which includes the iconic brands Princeton and Strathmore.



**2020**

In March FILA acquires, from the Ahlstrom-Munksjö Group, the company branch specialised in the production of premium papers for artists and operating under the trademark ARCHES®.



**2020**

The Ministry of Economic Development issues a definitive stamp dedicated to FILA, as a part of the "Excellence in the productive and economic system" series.





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 F.I.L.A. (or by a subsidiary wholly-owned by F.I.L.A.), 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.

The graphic below shows how growth has always been in F.I.L.A.’s DNA. Since 1994 it has followed a constant process of internationalisation, thanks above all to a prudent M&A strategy that has led to some key successful acquisitions. The far-reaching geographical expansion has been accompanied by consolidation in mature markets through the expansion of products in the Fine Art & Crafts segment.

	1994	2000	2005	2008	2010	2012	2014	2015	2016	2018	2020
<b>Countries</b>	Italy	France	USA, Canada, Mexico, China	Germany	Mexico	India, Brazil	Italy	Italy	France, UK	USA	France
<b>Main Rationale</b>	Expansion of products for creativity and education	Internationalisation		Entrance in Fine Art segment	Entrance in Key Growing Markets		Increase presence in Fine Art	Admission to listing on the STAR segment of the MTA market	Increase presence in Fine Art	Increase presence in one of the most relevant markets in the world	Consolidate presence in Fine Art



## 2. Strategy, business model and sustainability

Analysing a company's strategies and business model allows for a better understanding of how it decides to create, distribute and gain value, while respecting its social role and environmental issues. 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. Starting with the strategy adopted and formalised in the new 2021-2025 Strategic Plan, this chapter summarises the F.I.L.A. Group's business model and its approach to sustainability. It then addresses organisational aspects with a focus on corporate governance and risk management and provides a summary of the impacts that the COVID-19 health emergency had on the Group.

### 2.1 F.I.L.A. GROUP STRATEGY AND BUSINESS

#### 2.1.1 INTEGRATED STRATEGIC PLAN

The F.I.L.A. Group is one of the leading global enterprises devoted to the research, design, manufacture and sale of tools for creative expression. It operates in a sector that is increasingly centred around a few global players and in which brand loyalty plays an important role.

In the last five years the main priority has been the integration of the main acquisitions (shown in paragraph [1.5 History of the F.I.L.A. Group: successful mergers and acquisitions](#)), which have "doubled" the Group's size. This has been accompanied by the transformation project launched in 2016 (*Drawing New Attitude – "DNA"*), which has mainly focused on:

- defining the Group's Organisational Model (paragraph [2.3.1 Corporate Governance Model](#) below)
- defining the business blueprint for the adoption of a single Group ERP (SAP) and the 13 roll-outs already performed, as well as the roll-outs of Group infrastructure and tools for integrated business planning, salesforce management and company process optimisation
- 11 company mergers to rationalise organisation
- the construction and implementation of the central European warehouse
- the harmonisation of the product portfolio, commercial policy and reorganisation of the marketing/sales functions.

The Strategic Plan approved at the end of 2020 defines Group management guidelines for 2021-2025 with a view to sustainable growth:

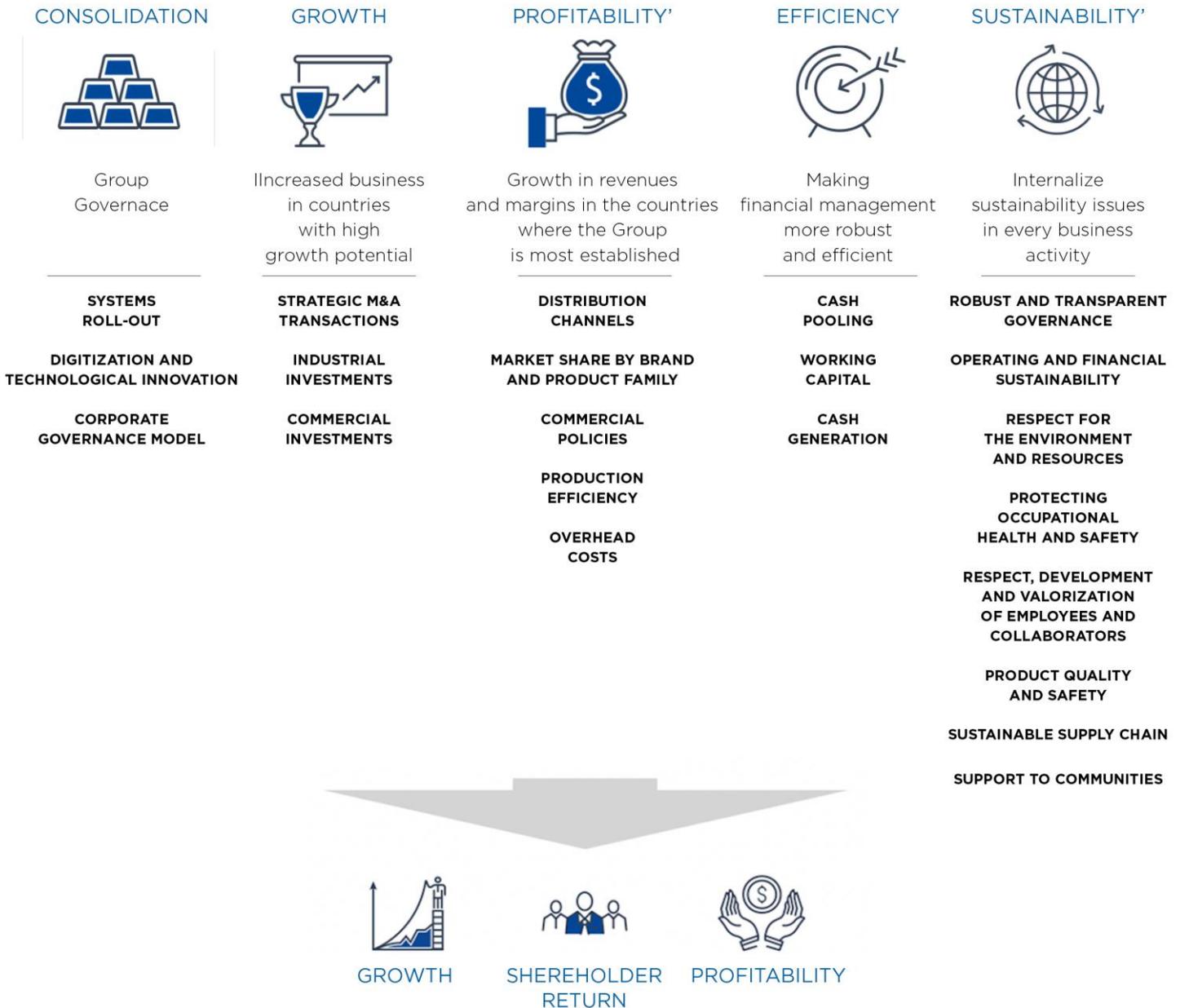
- it is a tool that allows the Group to define and plan its medium-/long-term identity, its core goals, the actions required and the tools to achieve them
- it is an organisational management activity used to establish priorities, focus energy and resources, strengthen operations, ensure that employees and other stakeholders work towards shared goals, establish an agreement on the outcomes planned and assess and adjust the direction of the organisation in response to a changing environment.

Work started with an analysis of the Group's current situation and an assessment of the outlook for GDP, demographic trends, literacy and education rates, market trends and the competitive scenario in order to lay down relevant strategic guidelines, which are divided into detailed projects and activities.

All the Parent's Officers and its Vice President were involved in the creation of the Strategic Plan. Under the coordination of the Chief Executive Officer they defined the strategies, levers and projects/activities for the five-year period, keeping them in line with the Group's purpose, vision, mission and values.

The Strategic Plan was approved by the Parent's Board of Directors on December 10, 2020 and then presented to the major subsidiaries' top management. They will be responsible for its deployment, in appropriate forms and details, at every level of the organisation.

The **2021-2025 Strategic Plan** is organised into five strategic lines and 22 levers:



### 2.1.2 VERTICALLY INTEGRATED BUSINESS MODEL

F.I.L.A. has full control over every process, “from the wood to the pencil”. The F.I.L.A. Group has created a vertically integrated business model, which is rare in the sector, enabling it to have control over every stage in the production and distribution chain.

F.I.L.A.’s global presence gives it considerable flexibility and interchangeability so it can minimise supply risks linked to any contractions in production capacity in specific facilities and the potential impact of variations in customs duties in specific countries. The integrated business model enables F.I.L.A. to produce almost all of the products in its catalogue itself, retaining a strong link with end users using all the distribution channels available.



The business model of the F.I.L.A. Group, organised into its business units (“School and Office” 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 **School and Office** segment 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** segment 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.

In March 2020 F.I.L.A. completed the acquisition from the Ahlstrom-Munksjö Group of 100% of the ARCHES® brand, one of the best-known brands in the global production and distribution of premium paper for Fine Arts, at the cost of Euro 43.6 million. The value of integrating ARCHES® within F.I.L.A.’s portfolio has further strengthened the Group’s position as the recognised leader in the Fine Arts sector and continues the consistent progress within the Fine Arts market that it began more than a decade ago.

School products are sold mainly 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 F.I.L.A. Group guarantee the highest quality standards, whatever their intended use may be.

### 2.1.3 KEY SUCCESS FACTORS AND CHALLENGES FOR THE GROUP

From 2005 to the present the F.I.L.A. Group has rapidly expanded its international presence and increased the number of its manufacturing plants to 22. This permits production of virtually the entire product range at plants owned by the Group.

The F.I.L.A. Group’s 2021-2025 strategies, which are in turn divided into various levers, are:

- consolidation in terms of Group governance
- growth, with increased business in countries with high potential for development
- profitability, with growth in revenues and margins in the countries where the Group is most established
- efficiency, through more robust and efficient financial management
- sustainability, by internalising sustainability topics in all business activities.



The Group's main strengths are:

- recognised leadership in key markets
- global presence
- integrated business model
- diversified production within its core business
- extensive product range and brand identity
- successful acquisition track record
- financial performance
- solid management team
- single Group ERP system
- single logistics hub in Annonay for central Europe.

The main challenges the Group will face are:

- time taken to integrate the most recent companies acquired in tandem with launch of the DNA project
- rollouts of systems and infrastructure
- formalisation of operating practices in line with the new ERP
- business intelligence
- digitalisation and innovation in the management of relations with end consumers.

Investments in 2020 involved new production machinery and industrial equipment, the SAP system and tools related to it, and the Group IT infrastructure system, which were implemented according to a defined roadmap.

## 2.2 F.I.L.A. GROUP AND SUSTAINABILITY

### 2.2.1 SUSTAINABILITY PLAN AND SUSTAINABLE DEVELOPMENT GOALS - SDGs

THE F.I.L.A. GROUP is committed to operating responsibly, integrating sustainability into its business model in an increasingly structured manner.

The drafting of the 2021-2025 Sustainability Plan, part of the Group's Strategic Plan, sets itself the aim of internalising sustainability issues within every corporate activity, on the basis of the following pillars:

- Robust, transparent governance
- Financial sustainability
- Respect for the environment and resources
- Respect, development and recognition of employees and collaborators
- Protecting occupational health and safety
- Product quality and safety
- Sustainable supply chain
- Community support.

The Sustainability Plan drawn up by FILA's top management with the contribution of the major subsidiaries develops the Group's commitment to sustainability issues and is designed to ensure constant improvement. It also clearly defines the Group's strategic guidelines on sustainability to its stakeholders, and shares objectives, principles and values.

On September 25, 2015, the United Nations published a document entitled "Transforming our world. The 2030 Agenda for Sustainable Development." The **2030 Agenda** sets out an action plan for people, the planet and prosperity through 17 Sustainable Development Goals (SDGs) divided into 169 Targets. Implementing this





ambitious Global Agenda requires the full involvement of all countries and stakeholders, including those active in the private sector.

## SUSTAINABLE DEVELOPMENT GOALS



The Plan was prepared through the analysis, integration and development of several elements, including the Group's materiality analysis and the 17 Sustainable Development Goals (SDGs) for 2030 promoted by the United Nations, drawing inspiration from the "Ten Principles" of the United Nations Global Compact (UNGC). The following reference SDGs were identified for the F.I.L.A. Group.





FILA supports the Sustainable Development Goals

### Robust, transparent governance

Implementing sustainability governance in line with best practices and which permeates business processes, decision-making and operations, bringing together environmental, social and governance factors



### Operating and financial sustainability

Creating sustainable value in the medium-/long-term for all stakeholders, protecting and enhancing the Group's reputation



### Respect for the environment and resources

Protecting water-related ecosystems, optimising water efficiency, reducing environmental impacts, increasing energy efficiency and the use of clean technologies in manufacturing operations, combatting climate change



### Protecting occupational health and safety

Protecting health and promoting a safe and secure working environment for all employees





### Respect, development and recognition of employees and collaborators

Valuing people and fostering an inclusive culture of respect and equal treatment in the protection of all differences, not only those of gender



### Product quality and safety

Promoting sustainable policies to maintain and improve the quality and safety of our products



### Sustainable supply chain

Overseeing a supply chain which prioritises operators that guarantee inclusive employment and decent work and which promote the sustainable management of natural resources



### Community support

Promoting inclusive and sustainable industrialisation, training, and cultural and artistic learning with educational and cultural activities in local areas and communities



The Plan is available on the Company's website: <https://www.filagroup.it/piano-di-sostenibilita>.

## 2.2.2 SOCIO-ENVIRONMENTAL POLICIES AND GUIDELINES OF THE GROUP

The F.I.L.A. Group has a system of Policies and broad Guidelines on social and environmental issues based on the Group's Ethics Code and the **Corporate Social Responsibility Policy** (approved by the Board of Directors of F.I.L.A. S.p.A. in 2016 and distributed to the entire Group in 2017).

The Corporate Social Responsibility Policy (CSR) affirms the 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

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- 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 F.I.L.A. Group has made a commitment to respecting the ethical principles and rules on company integrity in the Ethics Code, including in the tax area. Although it has not formally set out a tax strategy policy in a specific document, the Group constantly implements the principles of sound management of tax matters, ensuring that all Group companies comply with the tax legislation applicable in the countries in which it operates. Proper observation of tax obligations is monitored through internal procedures identifying roles and responsibilities, operating and control activities and the necessary information flows. Tax returns and tax payments are checked by external auditors.

The Parent has included in its Organisation, Management and Control Model pursuant to Legislative Decree No. 231/01 the types of tax offences introduced in 2020 by Legislative Decree No. 75 of 2020, implementing the so-called PIF Directive: changes to the criminal code, the penalisation of certain attempted tax offences and the expansion of the list of offences included under the 231 Model. The Sustainability Plan sets out specific actions for raising the awareness of the Group's main companies to the principles of fiscal transparency and the risks of tax offences.

The Group initiated a series of conversations on 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 has been performed regarding how best to 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, initially launched at the Parent level to ensure the best possible consistency with corporate strategies, was shared with Chief Executive Officers at the main Group branches and will be further refined through the oversight of the Parent Company's Managerial Sustainability Committee in collaboration with the local Committees of the key subsidiaries. The drafting and approval of the 2021-2025 Sustainability Plan represents further progress in this direction.

At Group level the other socio-environmental policies are:

- Environmental Policy
- Diversity Policy
- Human Rights Policy
- Health and Safety Policy
- Product Safety Policy
- Anti-bribery and Corruption Policy

The main elements of the social and environmental policies adopted by the Group, divided into topics, are set out below.

### RESPECT FOR THE ENVIRONMENT

F.I.L.A. undertakes to protect the environment, with the involvement of its partners, suppliers and with the contribution of its personnel, adopting general principles concerning the following topics:

- preventive approach
- reduction of environmental impact
- continuous improvement
- compliance with law
- responsible supply chain management





- awareness-raising among personnel.

### RESPECT FOR THE INDIVIDUAL AND HUMAN RIGHTS

F.I.L.A. takes care of its own personnel and collaborators, adopting general principles concerning the following topics:

- diversity and equal opportunity
- non-discrimination
- meritocracy
- respect for human rights
- decent working conditions
- the prohibition of forced labour and human trafficking
- sustainable working hours, minimum pay and benefits
- the prohibition of child labour
- safe, healthy workplaces
- workplace safety
- freedom of association and collective bargaining agreements
- privacy
- community and stakeholder engagement.

### PRODUCT QUALITY AND SAFETY

F.I.L.A. undertakes to produce safe products, adopting general principles concerning the following topics:

- commitment and responsibility on the part of the leadership
- product safety levels
- compliance with applicable laws
- maintenance and improvement of product safety
- consistent approach
- transparent communication of information on product safety.

### COMPLIANCE AND CORRUPTION PREVENTION

F.I.L.A. prohibits any corrupt practices of any kind and undertakes to comply with all local, national and supranational laws applicable.

The documents are inspired by the principles of correctness, transparency, honesty and integrity that underlie the management of the Group's activities, in line with the main international guidelines and standards on responsible business management. The following chapters provide information on the Group's practices and procedures and, where relevant, those of individual countries.

### 2.2.3 F.I.L.A. 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 F.I.L.A. 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 “A.3 Materiality analysis” in the “Methodological Note” found in the Annex. These topics are tackled and developed in the coming chapters and cover matters relating to the environment, society, employment, human rights and combatting corruption.

#### 2.2.4 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 purpose, vision and 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. With the goal of drafting the first Sustainability Report for 2021, the Group will take a more structured and systematic approach to involving stakeholders.

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 main 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
- Sales points
- 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.

F.I.L.A. 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 F.I.L.A. Group, and are managed directly by the Chief Financial Officer, with the support of a specialised consultancy company.

F.I.L.A.'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](http://www.emarketstorage.com)) on the Borsa Italiana S.p.A. website ([www.borsaitaliana.it](http://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 2020, despite the difficulties caused by the COVID-19 health emergency, which involved the implementation of measures to restrict movements and promote social distancing, dialogue with the financial community continued, through participation in many virtual meetings, which replaced the usual face-to-face encounters. The Company participated, for example, in events organised by Borsa Italiana such as the Virtual STAR conference in May and October and in many virtual road shows, virtual group and one-to-one meetings organised by various brokers. In total meetings took place with over 200 investors.

F.I.L.A. has been very willing to provide data and information in addition to the publicly available information to sustainability rating companies asking it to do so.

As part of the activities to implement the provisions of the Corporate Governance Code, the Company is expected to adopt a procedure for dialogue with Shareholders during the 2021 financial year, in light of the Recommendations contained in that Code and the engagement policies adopted by institutional investors and asset managers.

At the Parent, the communication channels provided for by the Organisation, Management and Control Model pursuant to Legislative Decree No. 231/2001 were set up with the Supervisory Board to submit [reports](https://www.fila.it/it/it/contatti/). (<https://www.fila.it/it/it/contatti/>)

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

## 2.3 GROUP ORGANISATIONAL MODEL

### 2.3.1 CORPORATE GOVERNANCE MODEL





In May 2020 the F.I.L.A. Board of Directors adopted the Group's new **Corporate Governance Model**, adding to and replacing the Model approved in November 2016, which sets out to formalise organisational and governance decisions for all Group companies. This document is the Group's Governance Framework, containing details of the organisational structure of the Parent, Dixon US and other Group Entities (except minor subsidiaries).

The document also includes a description of the primary responsibilities of the Corporate Bodies (e.g. Board of Directors and Supervisory Committees/Boards) and the Group and Local Functions.

This Model defines the Group's central functions and the functional reporting lines of the various companies, ensuring greater organisational uniformity within individual subsidiaries.

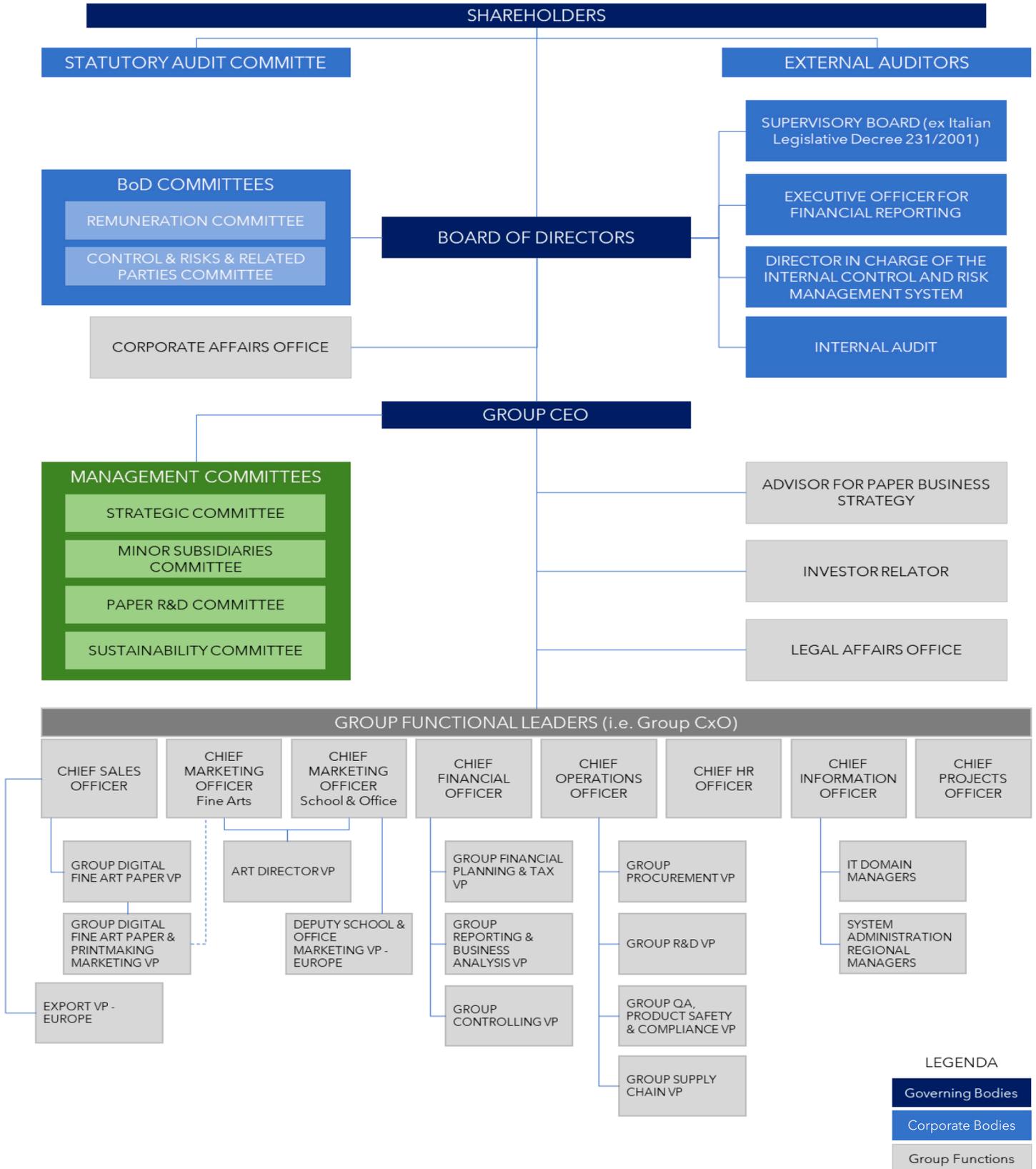
The following Management Committees have been established:

- Strategic Committee: made up of the Group CEO, Group COO and local CEOs
- Minor Subsidiaries Committee: coordinated by a Supervisor, made up of the Group CFO and the Chief Marketing Officers (Fine Art and School & Office)
- Paper R&D Committee
- Sustainability Committee: made up of the Chief Operations Officer, Chief HR Officer, Chief Marketing Officers (Fine Art and School & Office) and Group Procurement Officer
- Paper Committee: made up of the Chief Marketing Officers and heads of Marketing/R&D of Canson, Arches and Saint Cuthberts.

The Group's Corporate Governance Model forms part of its Internal Control and Risk Management System and should be understood as an integral part of the 231 Model and the 262 Model, adopted at Group level for the purposes and effects of Law 262/2005.

The organisational model adopted by the Group is illustrated in the diagram below.







### 2.3.2 GEOGRAPHICAL ORGANISATION

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 22 facilities, with limited use of outsourcing. The F.I.L.A. Group distributes its products through various commercial channels and stores, 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 F.I.L.A. 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.

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 F.I.L.A. Group divides its activities are the following:

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

Annex D. *Tables listing GRI indicators and information* contains a table illustrating the Group companies present in each geographical segment at the end of 2020.

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.

### 2.3.3 THE VALUE CHAIN

The F.I.L.A. Group covers the entire value chain (except sales to end consumers through shops and e-commerce) within its business model, including marketing and communication, research and development, planning, supply, production, and sales and distribution.





Management of the value chain is particularly complex in the F.I.L.A. Group since it is the result of a matrix of numerous production Companies with some specialised production areas and Distribution Companies/Brands/Breadth of range/Vertical Integration.

The Strategic Plan reflects the Group's purpose, vision and mission. It contains projects and activities that are consistent with Group values, and clear timelines and responsibilities, in order to manage this complexity in an ordered way.



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

Department	Activities
Marketing and communications	Setting of guidelines for the long-term marketing and communication strategy and coordination of commercial activities
Research and Development	Product development and research on new materials and new technical solutions
Planning	Meeting production needs on the basis of sales forecasts
Purchases	Selection and procurement of the resources and raw materials needed to produce products
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 F.I.L.A. Group manufactures at 22 facilities on five continents. A summary of the production facilities by geographical segment, start-up and product lines is shown in paragraph "1.4 F.I.L.A. Group production facilities" 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.

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 competitors' 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 woodfree pencils made of polymers.

The **Quality Assurance, Product Safety and Compliance** department is coordinated by the Parent Company 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](#)".

### 2.3.4 BRANDS AND PRODUCTS

The F.I.L.A. 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, 2020, the F.I.L.A. Group owns approximately 600 brands, and has registered over 1,800 trademarks. The following chart shows the **portfolio of main brands owned** by the F.I.L.A. Group divided into reference segments.





PRODUCT CATEGORIES					
 Paper	 	    ST CUTHBERTS MILL		 	Paper for the Fine Art Paper for school Paper for leisure and craft Coloured paper Paper for traditional printmaking Digital fine art paper
 Fine Arts & Craft	 	   			Oil and acrylic colours Watercolours and gouache Canvases and brushes Accessories Basic craft
 Writing	  		  	 	Graphite pencils Ballpoint pens, fineliners and gel ink pens Highlighters and markers
 Drawing and Colouring	     	 			Coloured and graphite pencils Wax and oil crayons Felt-tip pens Paints and watercolours Chalks and glues
 Modelling	 				Plasticine Clay for play Modelling clay
	pre-school primary school secondary school 	 Art School Hobby and Artists	 Office	 Industry	<b>CONSUMER CATEGORIES</b>

## 2.4 CORPORATE GOVERNANCE AND RISK MANAGEMENT

### 2.4.1 GOVERNANCE STRUCTURE

F.I.L.A. adopts a traditional governance model, with the appointment of a Board of Directors and a Board of Statutory Auditors by the Shareholders’ Meeting. The Board of Directors draws up the Group strategy and oversees its implementation. The Chief Executive Officer, assisted by the Executive Director within his/her area of responsibility, is tasked with company management and implementation of the strategic guidelines. The Board of Statutory Auditors carries out a supervisory role.





Since 2016, F.I.L.A. S.p.A. has subscribed to the Self-Governance Code, adopting all the measures and controls to guarantee the effective implementation of the recommendations contained therein. On February 11, 2021, the Company subscribed to the new Corporate Governance Code, in effect from January 1, 2021, replacing the Self-Governance Code. In 2021 the measures required to make the Company compliant with the new provisions applicable will be assessed and adopted. For further details on that tasks and roles of the various bodies and corporate governance in general, reference should be made to the “2021 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.F.I.L.A.group.it/governance/>.

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

## 2.4.2 BOARD OF DIRECTORS

The Company is governed by a Board of Directors chaired by Giovanni Gorno Tempini. At the approval date of this document, it comprised nine Directors: Two Directors are Executives (the Chief Executive Officer and the Executive Director) and seven non-executive, of which five are independent.

The presence of five Independent Directors has the objective of achieving the greatest possible “best governance” through debate and dialogue between all of the Directors. The contribution of the Independent Directors also permits the Board of Directors to verify whether adequate independent opinion exists in cases of potential conflicts of interest of the Company with the controlling shareholder.

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. In addition to the Board of Directors an Honorary Chairman has been appointed, namely Alberto Candela.

The Board of Directors have set up the following committees:

- Control, Risks and Related Parties Committee
- Remuneration Committee

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

On March 16, 2021, the Board of Directors resolved to submit to the Shareholders' Meeting called to approve F.I.L.A. S.p.A.’s separate financial statements for the year ended December 31, 2020, among other matters, the proposal to amend the By-Laws in order to allow the shareholders, *inter alia*, to submit slates with a number of candidates lower than three, to align the By-Laws to the national and international best practices on corporate governance of listed companies, and to provide that, if the application of the gender criterion does not result in a whole number of members of the under-represented gender, this number shall be rounded up to the nearest whole number, except for corporate boards made up of three members, for which such number shall be rounded down to the nearest whole number. The purpose of this amendment is to bring the By-Laws into line with Article 144-undecies.1, paragraph 3, of the Issuers' Regulations concerning gender balance.

	Giovanni Gorno Tempini	Massimo Candela	Luca Pelosin	Annalisa Barbera	Paola Bonini	Gerolamo Caccia Dominioni	Alessandro Potestà	Francesca Prandstraller	Filippo Zabban
	Chairperson	Chief Executive Officer	Executive Director						
Date of birth	1962	1965	1966	1969	1967	1955	1968	1962	1957
Nationality	Italian	Italian	Italian	Italian	Italian	Italian	Italian	Italian	Italian
Professional background	Lecturing Manager	Entrepreneur	Manager	Solicitor	Manager	Manager	Profession.	Teacher	Notary





	Giovanni Gorno Tempini	Massimo Candela	Luca Pelosin	Annalisa Barbera	Paola Bonini	Gerolamo Caccia Dominioni	Alessandro Potestà	Francesca Prandstraller	Filippo Zabban
Board committees				RC	CRRPC RC	CRRPC C	CRRPC	RC C	CRRPC RC
Date of first appoint.	August 6, 2019	June 4, 2015	June 4, 2015	July 22, 2015	April 27, 2018	July 22, 2015	November 13, 2018	July 29, 2014	April 27, 2018
In office until	Approval 2020 FS	Approval 2020 FS	Approval 2020 FS	Approval 2020 FS	Approval 2020 FS	Approval 2020 FS	Approval 2020 FS	Approval 2020 FS	Approval 2020 FS
Independence					x	x	x	x	x
Executive		x	x						

CRRPC: Control, Risks and Related Parties Committee

RC: Remuneration Committee

C: Chairperson

During its meeting of March 16, 2021, the Board of Directors carried out its annual assessment, in accordance with Application Criterion 1.C.1. letter g) of the Self-Governance Code, noting the positive opinion resulting from the self-assessment, the correct functioning of the Board of Directors and of the Committees, and on their size and composition, as well the relevant suggestions, also in relation to the criteria of Article 2 of the Code of Conduct.

This assessment process took place in February and March 2021 and related to 2020; it was undertaken by means of a questionnaire sent to all Directors. The self-assessment questionnaire was prepared by the Company by also taking account of the recommendations contained in the letter dated December 22, 2020 from the Chairperson of the Corporate Governance Committee and allowed for suggestions and comments to be submitted anonymously. It was divided into various sections regarding the topics viewed as most important, and in particular: (i) the size, composition and functioning of the Board of Directors; (ii) the size, composition and functioning of the committees; (iii) communication between the Board of Directors and senior management; and (iv) corporate governance and risk management.

After it had been anonymously completed by all Directors, the Board examined its results in the Board meeting of March 16, 2021. For the assessment of its functioning, the Board of Directors did not consider it necessary to avail of external consultants of the Issuer.

On April 27, 2018, the Board of Directors approved the appointment of Director Gerolamo Caccia Dominioni as **Lead Independent Director**. This choice is essentially based on the acknowledgement of the usefulness of the Lead Independent Director's role in providing the Company with a balanced governance system, which enhances the contribution of Non-Executive and Independent Directors. The Lead Independent Director was tasked with the duties of collecting and coordinating the petitions and contributions of Non-Executive Directors, in particular of the Independent Directors, as well as working with the Chairman of the Board of Directors to ensure that Directors receive adequate and timely information and may call meetings of the Independent Directors to discuss the functioning of the Board of Directors and corporate operations.

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 of the internal audit function undertaken in 2020 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 Company. These risks were brought to the attention of the Board, through the periodic reports prepared by the internal audit department.

Among the in-depth activities carried out during the period, it should be noted that on December 10, 2020, a meeting was held during which extensive information was provided on the changes introduced by the new Corporate Governance Code and the activities necessary for its implementation.

In 2020, at various meetings of the Board of Directors, the Directors and Statutory Auditors were also constantly and promptly updated regarding the main legal and regulatory developments that had occurred, including through specific induction sessions held by the Company's legal advisers and access to related informative documents.

### 2.4.3 BOARD OF STATUTORY AUDITORS

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.

	<b>Gianfranco Consorti</b>	<b>Pietro Michele Villa</b>	<b>Elena Spagnol</b>	<b>Stefano Amoroso</b>	<b>Sonia Ferrero</b>
	Chairperson	Statutory Auditor	Statutory Auditor	Alternate Auditor	Alternate Auditor
Year of birth	1950	1967	1968	1964	1971
Nationality	Italian	Italian	Italian	Italian	Italian
Date of first appointment	April 27, 2018	July 22, 2015	April 27, 2018	July 22, 2015	July 22, 2015
In office until	Approval 2020 FS	Approval 2020 FS	Approval 2020 FS	Approval 2020 FS	Approval 2020 FS

The Chairman of the Board of Directors ensured that the Statutory Auditors received adequate information on the sector in which the Group operates, on the business operations and their performances, of the principles of correct risk management as well as the relative regulatory framework. Specifically, during the Board of Directors meetings, the Statutory Auditors regularly received detailed information on the sector in which F.I.L.A. undertakes its





activities, in order to fully understand the underlying business operations and the relative developments during the period.

In addition, in 2020 the Board of Statutory Auditors participated with the Directors in all the meetings organised by the Company to learn more about the impacts on the Group of the innovations brought in by the new Corporate Governance Code and the main legislative and regulatory changes that had been made.

#### 2.4.4 INTERNAL AUDIT

Following admission of the shares of the Company to trading on the STAR segment, the 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 F.I.L.A.'s internal control structure and functionality of F.I.L.A. 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.

To further strengthen the Group's sustainability commitment, it should be noted that the **Audit Plan** for 2020, approved by the Board of Directors (like the plan for 2021) includes specific activities on ESG topics:

- review of the process of reporting on the KPIs in the Non-Financial Statement
- examination of projects relevant to ESG (e.g. plastics of plant origin or using renewable resources, etc..)
- verification of procedures for adopting Group policies on sustainability.

#### 2.4.5 IDENTIFYING AND CONTROLLING RISKS

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.

In 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 across the whole Group. 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 perspective, identifying risks, contacts and mitigating actions for the various categories.

The F.I.L.A. 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 F.I.L.A. Group has equipped itself with the appropriate tools and procedures, and carries out supervisory activities with the help of technological and organisational resources. F.I.L.A. 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 and sustainability 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 business 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
<b>OPERATING RISKS</b>			
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	<a href="#">2.4 Corporate governance and risk management</a> <a href="#">3. Material environmental topics</a> <a href="#">4. Employment topics</a> <a href="#">5. Social topics</a> <a href="#">6. Human rights</a> <a href="#">7. Fight against corruption</a>
<b>RISK OF NON-COMPLIANCE WITH REGULATIONS</b>			
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 occupational health and safety certification.	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; Compliance with Corporate Governance Code; Group Anti-Corruption Policy; Organisation, Management and Control Model pursuant to Legislative Decree No. 231/01; Monitoring by the Supervisory Board; Monitoring by the Internal Audit department of areas at greatest risk.	Atmospheric emissions Water consumption Equal opportunities Occupational health and safety Product quality and safety Human rights Freedom of association and collective bargaining agreements Anti-corruption measures	<a href="#">2.4 Corporate governance and risk management</a> <a href="#">3. Material environmental topics</a> <a href="#">4. Employment topics</a> <a href="#">5. Social topics</a> <a href="#">6. Human rights</a> <a href="#">8. Fight against corruption</a> <a href="#">2.4.6 Organisation, Management and Control Model as per Legislative Decree. No. 231/01</a>
<b>RISKS RELATING TO OCCUPATIONAL HEALTH AND SAFETY</b>			
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);	Occupational health and safety Product quality and safety Supplier relations Human rights	<a href="#">2.4 Corporate governance and risk management</a> <a href="#">4. Employment topics</a> <a href="#">5. Social topics</a> <a href="#">6. Human rights</a> <a href="#">1.2 F.I.L.A. Group values</a>





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TYPES OF THEORETICAL NON-FINANCIAL RISK	MAIN CONTROLS	MATERIAL TOPIC	FURTHER DETAILS IN THE NFS
	<p>The UNI ISO 45001 certification, held by F.I.L.A. for its occupational health and safety management systems at its Pero offices and Rufina plant;</p> <p>The UNI ISO 45001 certification, at the Group's Canson France plants in the Grand Mourier and Moulin du Roy plants. The certification is also being rolled out at the S-Germain-La-Ville plant and the Yixing plant (Canson China);</p> <p>Organisation, Management and Control Model pursuant to Legislative Decree No. 231/01;</p> <p>Monitoring by the Supervisory Board;</p> <p>Monitoring by the Internal Audit department of areas at greatest risk.</p>		<p><i>2.4.6 Organisation, Management and Control Model as per Legislative Decree. No. 231/01</i></p>
<b>ENVIRONMENTAL RISKS</b>			
<p>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).</p> <p>The Group is currently not subject to specific regulatory requirements regarding greenhouse gases (climate change).</p>	<p>Group Environmental Policy;</p> <p>ISO14001 environmental certification, in place at F.I.L.A. 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 and the Yixing plant (Canson China));</p> <p>Group Corporate Social Responsibility Policy;</p> <p>Ethics Code;</p> <p>Organisation, Management and Control Model pursuant to Legislative Decree No. 231/01;</p> <p>Monitoring by the Supervisory Board;</p> <p>Monitoring by the Internal Audit department of areas at greatest risk.</p>	<p>Use of raw materials</p> <p>Consumption of energy resources</p> <p>Atmospheric emissions</p> <p>Water consumption</p>	<p><i>3. Material environmental topics</i></p> <p><i>2.2.2 Socio-environmental policies and guidelines of the Group</i></p> <p><i>2.4 Corporate governance and risk management</i></p> <p><i>1.2 F.I.L.A. Group values</i></p> <p><i>2.4.6 Organisation, Management and Control Model as per Legislative Decree. No. 231/01</i></p>
<b>RISKS RELATED TO EMPLOYEE MANAGEMENT, DIVERSITY AND DIALOGUE WITH SOCIAL PARTIES</b>			
<p>Risks associated with employee relationships. In some cases, these risks can come about following the incorrect application of labour law regulations. In others cases, these risks are purely managerial in nature, such as organisational effectiveness, the management of key resources, and succession plans.</p>	<p>Group Diversity Policy;</p> <p>Group Corporate Social Responsibility Policy;</p> <p>Group Human Rights Policy;</p> <p>Code of Ethics;</p> <p>Organisation, Management and Control Model pursuant to Legislative Decree No. 231/01;</p> <p>Monitoring by the Supervisory Board;</p> <p>Monitoring by the Internal Audit department of areas at greatest risk;</p> <p>Group Organisational Model</p>	<p>Equal opportunities</p> <p>Occupational health and safety</p> <p>Respect for human rights</p> <p>Freedom of association and collective bargaining</p>	<p><i>2.4 Corporate governance and risk management</i></p> <p><i>1.2 F.I.L.A. Group values</i></p> <p><i>2.4.6 Organisation, Management and Control Model as per Legislative Decree. No. 231/01</i></p> <p><i>2.2.2 Socio-environmental policies and guidelines of the Group</i></p> <p><i>4. Employment topics</i></p> <p><i>5. Social topics</i></p> <p><i>6. Human rights</i></p> <p><i>2.3 Group organisational model</i></p>

TYPES OF THEORETICAL NON-FINANCIAL RISK	MAIN CONTROLS	MATERIAL TOPIC	FURTHER DETAILS IN THE NFS
	Corporate Remuneration Policy adopted in the major branches.		
<b>RISK RELATED TO CORRUPTION CRIMES</b>			
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; Organisation, Management and Control Model pursuant to Legislative Decree No. 231/01; Monitoring by the Supervisory Board; Monitoring by the Internal Audit department of areas at greatest risk.	Anti-corruption measures Supplier relations	<i>7. Fight against corruption</i> <i>1.2 F.I.L.A. Group values</i> <i>2.4.6 Organisation, Management and Control Model as per Leg. Decree. No. 231/01</i> <i>5. Social topics</i>
<b>RISKS RELATED TO SUPPLY CHAIN MANAGEMENT</b>			
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 F.I.L.A. S.P.A.'s main suppliers regarding their commitment to comply with certain values, such as fairness, a respect for the environment, product quality, and the protection of human rights; Code of Ethics; Organisation, Management and Control Model pursuant to Legislative Decree No. 231/01; 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>5. Social topics</i> <i>1.2 F.I.L.A. Group values</i> <i>2.4.6 Organisation, Management and Control Model as per Legislative Decree. No. 231/01</i> <i>2.4 Corporate governance and risk management</i>
<b>REPUTATIONAL RISK</b>			
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 F.I.L.A. or the Group held by customers, counterparties, shareholders, investors, Supervisory Authorities or other stakeholders.	Code of Ethics; Organisation, Management and Control Model pursuant to Legislative Decree No. 231/01; Monitoring by the Internal Audit department of areas at greatest risk; Group Organisational Model	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>1.2 F.I.L.A. Group values</i> <i>2.4.6 Organisation, Management and Control Model as per Legislative Decree. No. 231/01</i> <i>2.4 Corporate governance and risk management</i> <i>2.3 Group organisational model</i>

## 2.4.6 231 MODEL AND SUPERVISORY BOARD

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 Corporate Governance



Code, F.I.L.A. S.p.A.'s Board of Directors adopted its **Organisation, 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:

- 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 F.I.L.A.'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 F.I.L.A. 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 Ethics Code and the Group policies and procedures, the subsidiaries are not direct recipients of the Model adopted by F.I.L.A., 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 **Ethics Code**, 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 F.I.L.A. S.p.A. and of the subsidiaries and all those who undertake contractual relations with the Group.

The Ethics Code of the F.I.L.A. Group, available on the Company website [www.filagroup.it](http://www.filagroup.it), is the touchstone of all Group policies. More details are included in the paragraph [1.2 F.I.L.A. Group values](#) above.

The **Supervisory Board** - appointed by the Board of Directors, to whom it reports periodically - oversees the updating and correct functioning of the 231 Model.

Compliance with the Ethics Code 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.

In the first quarter of 2021, F.I.L.A. formalised an important update to the Group Ethics Code by adding specific values and aspects connected with ESG topics, business sustainability and its commitment to stakeholders.

## 2.5 COVID-19 IMPACTS

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 F.I.L.A. Group monitored the developing situation in order to mitigate 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 of the pandemic the 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, activating the **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 operating sites and at the production facilities.

In this regard, the Coronavirus-related lockdown resulted in the closure of the Yixing facility from February 4 to 21 and that of Kunshan from February 4 to 28, the Indian facilities from March 22 until May 3, the Italian F.I.L.A. S.p.A. facilities from March 23 to April 10 and the facilities of Industria Maimeri from March 16 to April 30, the Dominican Republic facilities from March 23 to April 3 and those in Mexico from April 6 to 17.

At the date of approval of this Statement, the Group's facilities are all up and running, in accordance with the regulations for each country, although not at all full capacity in view of local market demand. With the exception of India, where production and commercial activity ceased entirely for the month of April, and, to a more limited extent, for the Chinese branches and Industria Maimeri, shipments to customers have never stopped, though they were sometimes limited by logistical inefficiencies emerging during the lockdown period.

The majority of the Group companies updated their internal procedures to guarantee a safe workplace so as to minimise any infection risk, alternating, where possible, the physical presence of workers with remote working. All subsidiaries introduced all of the social security and corrective measures available to offset the drop in activity, such as containing all overheads related to activities not strictly necessary in 2020 and deferring to 2021 all those investments not considered strictly strategic in the current year. Public aid has principally taken the form of social security schemes to contain personnel expense (principally in Italy, under the COVID Temporary Lay-Off Scheme, France, Germany and England), while there are no significant outright grants.

The impact on the business has mainly been a decrease in sales on the Chinese market in February and part of March and progressively from the second half of March in the Rest of the World (we indicate the total blockage of the Indian market in April), with the exception of customers selling online and Major Retail, where this impact was however minimal as the sales channels had been operative also during the lockdown.

The partial reopening of schools in Europe and North America from the third quarter onwards, although not always with full physical attendance and amid a slowdown in the fourth quarter due to the worsening of the pandemic, enabled a partial recovery in school-age children consumable product revenue, which was not evident in India and Mexico with schools remaining closed. Currently, schools have reopened in India but have not yet reopened in Mexico. Fine Art business unit revenue however has continued to consistently and significantly grow over the previous year.

With regard to potential financial stress scenarios, management has monitored and continues to monitor both the Group's current and future liquidity.

It may be stated that COVID-19 to date has not halted or changed any of the Group's development plans and strategy, only acting to slow them.

The F.I.L.A. Group continues to monitor the developing situation in order to mitigate 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.



## 3. Material environmental topics

### 3.1 RESPECT FOR THE ENVIRONMENT AND MATERIAL TOPICS FOR F.I.L.A.

The F.I.L.A. Group operates 22 production sites 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 as well as 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 F.I.L.A. Group is not merely complying with the law, but is also applying one of its core conduct values, since its Ethics Code expressly commands the protection of the environment ("[1.2 F.I.L.A. Group values](#)" above).

#### 3.1.1 PROTECTION OF THE ENVIRONMENT

*"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."*

F.I.L.A. 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.

As mentioned in paragraph [2.2.2 Socio-environmental policies and guidelines of the Group](#), F.I.L.A. 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 Ethics Code, 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 F.I.L.A. Group, in addition to those resulting from the materiality analysis (described in detail in Annex "[A.3 Materiality Analysis](#)") are:

- use of raw materials
- consumption of energy resources
- water consumption



- Atmospheric emissions
- waste production

The COVID-19 pandemic has not had significant impacts on the environmental risks faced by the Group.

The **main materials** used to produce many of the F.I.L.A. 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 F.I.L.A. 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.

F.I.L.A.'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. CO<sub>2</sub>). Industrial processes for manufacturing papers, paints, play dough and chalk consume water, and the F.I.L.A. Group is very aware that this raw material must be used responsibly.

The F.I.L.A. 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 F.I.L.A. 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. The Parent Company obtained ISO 14001:2015 certification in 2019, for activities in the Rufina plant (Florence) and the Pero offices. 541 employees currently working at production plants, equal to 6.7% of the Group's entire workforce, work on sites with ISO 14001:2005 certification.

### 3.2 USE OF RAW MATERIALS

Over the years, the F.I.L.A. 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 F.I.L.A. 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 F.I.L.A. 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 F.I.L.A. 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 India and in the Gujarat and Jammu facilities. In addition, wood purchased in North America is also used in production plants in 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 57% of the timber used by the Group in 2020 came in the form of logs (60% in 2019), while 40% came in the form of wooden boards (almost 40% in 2019).

With regard to the wooden boards, of the total 18,985 cubic metres purchased in the period, 29% was FSC certified (5,520 cubic metres), acquired respectively from:

- Brideshore srl (Dominican Republic): 2,790 cubic metres, i.e. 85% of the material acquired;



- Dixon Kunshan (China): 2,730 cubic metres, i.e. 100% of the material acquired.

Acquisition of wooden planks during the period, entirely for the Dixon Kunshan (China) plant, were 100% PEFC certified.

GRI 301-1 TIMBER ACQUIRED AND CERTIFICATIONS table in the Annex “D. Tables listing GRI indicators and information” provides information on the consumption of timber in the form of logs, planks and slats, and the related certifications.

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 F.I.L.A. 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 F.I.L.A. 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 recently plagued the region and the scarcity of available water, which is allocated by the local government mainly to food crops, the growth times of 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 2020, this process allowed us to reuse 54.7 tons of sawdust from the process (77.7 tons in 2019). Also the Oaxaca factory in Mexico uses log bark and saw dust as fuel to generate heat through two proprietary systems. The annual average production of energy from this source is equal to 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 **recycling of plastic materials** is ongoing 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 2020, a total of 59,750 kg of plastic production rejects, for example ground plastic, containers, colour replacement scraps from injection presses, etc. (42,950 kg in 2019). The Parent F.I.L.A. 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.).

Consumption of untreated plastic raw material (PHE/PHEG/ABS/ECC) fell by 30% due to contraction in volumes in India and Mexico as a result of the pandemic.

The consumption of paper rolls in 2020 fell by 12% because of the reduction in production over the period.

In the same period the consumption of calcium carbonate decreased (-11% compared to 2019).

However, consumption of clay increased by 14% following higher purchases by F.I.L.A. S.p.A. Consumption of calcium sulphate nearly doubled and talc also increased, as a result of the rise in volumes of air-hardening modelling clay and crayons resulting from higher sales in the Fine Arts division.

The consumption of cellulose fibre in 2020 was 11,249,828 kg (down 19% compared to 2019) because of lower production at the Annonay plant in France.

The halving of flour purchase volumes in 2020 is due mainly to a reduction in raw material purchases in Brazil due to the fall in production volumes during 2020.

The GRI 301-1 OTHER MATERIALS CONSUMED table in Annex *D. Tables listing GRI indicators and information* summarises purchases of primary raw materials by the F.I.L.A. Group over the past three years.

### 3.3 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 F.I.L.A. 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 F.I.L.A. Group in its production processes are:

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

The Group recognised that the **main risks** associated with its operations were the consumption of energy resources, 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 F.I.L.A. 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 remained nearly unchanged in comparison to 2019, as it is used to heat offices and plants.

The "GRI 302-1 ENERGY CONSUMPTION" table in Annex *D. Tables listing GRI indicators and information* shows the F.I.L.A. Group's purchase of energy by type over the past three years.

As in the previous year, 96% 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.

The "GRI 302-1 ENERGY CONSUMPTION FROM NON-RENEWABLE SOURCES" table in Annex *D. Tables listing GRI indicators and information* summarises the F.I.L.A. Group's purchase of fossil fuel energy over the past three years.

Overall, based on the information presented in the aforementioned tables, in 2020 the F.I.L.A. Group consumed 65,784 MWh of electricity (81,874 MWh in 2019), equal to 236,822,400 MJ, and utilised 232,034,922 MJ of energy from other sources (250,736,470 MJ in 2019), for a total of 468,857,322 MJ energy consumed (545,482,870 MJ in 2019).

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 146,561,280 MJ, a fall compared to 2019 (158,423,280 MJ). This is because of lower production of biomass generated by sawdust combustion at DOMS India resulting from reduced production volumes due to the COVID-19 health emergency.

Although the year has seen a reduction in activity resulting from the COVID health emergency, several Group companies have continued, albeit at a slower pace, energy consumption reduction projects aimed at **improving their energy efficiency**. These include reducing lighting electricity consumption, combustion inefficiencies and compressed air losses.

The main Group energy saving projects in recent years have focused 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.

In 2020 Dixon Ticonderoga Company achieved a 1,917,500 MJ reduction through new measures to save energy in lighting.

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 F.I.L.A. Group's main initiatives in this area over the past three years, please refer to the "GRI 302-4 REDUCTION IN ENERGY CONSUMPTION" table in Annex *D. Tables listing GRI indicators and information*.

### 3.4 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 how 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 (CO<sub>2</sub>) 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 CO<sub>2</sub> 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 (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O) and carbon dioxide (CO<sub>2</sub>). These gases are categorised as a CO<sub>2</sub> equivalent under the specific GWP (global warming potential) value.

In 2017, the F.I.L.A. Group began collecting data and calculating **greenhouse gas emissions** to analyse possible operational areas where future performance could be improved. Specifically, the Parent F.I.L.A. collected and calculated CO<sub>2</sub> 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 CO<sub>2</sub> 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 2020, greenhouse gas emissions (CO<sub>2</sub>) fell by 15% due to the reduction in indirect emissions (-19.7%) and direct emissions (-7.5%) caused mainly by the reductions in energy consumption because of the overall fall in production volumes.

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 F.I.L.A. Group's direct emissions (Scope 1), related biomass share, and indirect emissions (Scope 2) over the past three years, please refer to the "GRI 305-1, 305-2 GREENHOUSE GAS EMISSIONS" table in Annex *D. Tables listing GRI indicators and information*.

The F.I.L.A. 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 Annex *D. Tables listing GRI indicators and information* shows the F.I.L.A. Group's other polluting emissions in 2020, 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 2020 concerned, as in the two previous years, Volatile Organic Compounds (VOCs), Particulate Matters (PMs) and Persistent Organic Pollutants - (POPs).

### 3.5 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 F.I.L.A. Group's production process, water is mainly used in:

- the production of paper at the St Cuthbert's paper mills in Great Britain and at Canson in France
- the production of paints, glues, etc., mainly at the Canson factory in France, F.I.L.A. Dixon Group in Mexico, the Daler-Rowney facility in England, Maimeri in Italy, F.I.L.A. 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 bench-marking comparable scenarios across the different companies within the Group.

In 2020, the Group's **water supply** was mainly from groundwater, which accounted for 53% of the total water withdrawn (59% in 2019), in addition to surface water equal to 41% (35% in 2019), while municipal water supplies remained at 5.5%, in line with 2019. The consumption of recycled water and waste water from other operators remains at very low levels.

All Group water withdrawals and discharges comply with the local legislative requirements and are periodically checked.





The reduction in abstraction of groundwater compared to 2019 is mainly linked to water resources used for activities at the Xinjian site in China, dedicated to growing a poplar plantation, where in 2019 a new underground well was deployed to irrigate the plantation, to address the scarcity of rainwater. The scarcity of water resources in the poplar plantation area may be an effect of global climate change.

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. These withdrawals have decreased slightly compared to 2019. 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.

All the Group's water withdrawals concern freshwater sources.

The "GRI 303-3 WATER RESOURCE CONSUMPTION" table in Annex *D. Tables listing GRI indicators and information* summarises the F.I.L.A. Group's water consumption by source type over the last three years.

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 F.I.L.A. 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 *3.6.2 Investments for environmental protection*.

Water recycled internally at production plants decreased from 420,034 cubic metres in 2019 to 407,489 cubic metres in 2020, mainly due to the decrease in volumes of recycled water at Canson France of 3% because of the drop in the paper mill's production volumes.

In most cases, the Group's **effluents** are discharged into surface waters (92%, in line with 2019) and to external treatment plants (around 3%, compared to 6% in 2019). The remainder is discharged into the aquifer through internal treatment systems.

In Annex *D. Tables listing GRI indicators and information* the "GRI 303-4 WASTEWATERS" sets out the F.I.L.A. Group's final data for 2020, compared with data from the previous two years (in cubic metres) for wastewater by quantity and quality.

## 3.6 OTHER ENVIRONMENTAL TOPICS

Other environmental topics for the Group are:

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

### 3.6.1 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 (93%, 94% in 2019), 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 14% in 2020, mainly due to a drop in non-hazardous solid waste resulting from the fall in production linked to temporary closures of some plants due to the COVID-19 pandemic.

Solid waste products produced by the Group is almost entirely non-hazardous waste (99%, in line with the two previous years). Non-hazardous solid waste represented 92% of the total waste produced during the year (94% in the two previous years).

Although the quantities of hazardous waste are insignificant, accounting for only 1% of the Group's total waste, in 2020 they increased because of one-off demolition and disposal processes in late 2020 in Dixon Ticonderoga Mexico and the Canson France plant in Annonay, as well as a change in formulation of some products by F.I.L.A. Yixing that led to the disposal of obsolete material.

Liquid waste, almost entirely non-hazardous, in 2020 accounted for approx. 7% of total waste produced by the Group (5.5% in 2019).

In this document, this product waste disposal method has not been reported as the project was postponed as a result of operational problems due to the COVID-19 health emergency. The Group undertakes to report such information in 2021.

### 3.6.2 INVESTMENTS FOR ENVIRONMENTAL PROTECTION

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 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 Cuthbert's paper mill a new water treatment plant was built in 2019 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 ongoing reclamation of proprietary lands related to previous production operations carried out on the site before its acquisition by F.I.L.A. S.p.A..





### 3.6.3 COMPLIANCE WITH ENVIRONMENTAL STANDARDS

For the F.I.L.A. Group, compliance with applicable standards, including environmental standards, is paramount.

The 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 facility where the Group operates. No fines were imposed during 2020 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.





## 4 Employment topics

### 4.1 RESPECT FOR THE INDIVIDUAL AND RELEVANT TOPICS FOR F.I.L.A.

At F.I.L.A. we firmly believe that the Group's success is inextricably linked to the people who belong to it. They constitute an important element for F.I.L.A.'s competitiveness and development.

The Group's acquisition-based growth strategy, as well as its organic growth in some geographical segments, resulted in the rapid and constant growth of the workforce until 2018. Today, the F.I.L.A. Group is present on five continents, with 51 branches (of which 35 operative) and with over 8,000 employees. The workforce comprises 72% blue-collar workers, 25% white-collar workers and 3% managers. As will be shown below, in 2020 personnel numbers fell primarily as a result of the COVID-19 pandemic.

The **main potential 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 COVID-19 pandemic has inevitably increased the risk linked to occupational health and safety, and the Group has implemented all the safety protocols and measures and required to reduce risk (as described in more detail in paragraph [2.5 COVID-19 impacts](#)).

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. More details on the socio-environmental policies and guidelines are supplied in paragraph [2.2.2 Socio-environmental policies and guidelines of the Group](#).

The Group's Human Resources Management team provides remuneration policy guidelines and defines how branches are organised with the support of F.I.L.A. officers, in agreement with local CEOs, and in compliance with the Group's organisational model (please refer to paragraph [2.3.1 Corporate Governance Model](#) above). 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 has issued a **Human Rights Policy** (described in more detail in chapter [6. Human rights](#) 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, combatting 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.

From the materiality analysis (set out in Annex [A.3 Materiality Analysis](#)) and from the process of collecting non-financial type data and information, topics of relevance for employees of the F.I.L.A. Group and on which information is provided in this document are the following:

- Equal opportunities
- Occupational health and safety.

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





#### 4.1.1 COMPOSITION OF THE WORKFORCE

The F.I.L.A. Group had 8,070 employees at the end of 2020 (10,067 at end 2019), a fall of nearly 20% on the previous year because of the impacts of the COVID-19 health emergency and the resulting drop in production activities in some countries where the Group operates.

80% of the Group's workforce is in two geographical areas where the impacts on the economy and on the sector in particular have been particularly severe: Asia, with 60% of total employees, located mainly in India in DOMS (4,392 people at end 2020), and Central/South America, with just under 20% of the workforce, operating mainly in Mexico (866 people at end 2020), which is the site of the largest production plants.

Analysing the workforce with reference to employee **gender**, at the end of 2020 46% of the workforce was made up of women, in line with data at the end of 2019. Again with regard to numbers in the largest facilities, the highest share of female workers can be found in the Rest of the World (57%) and Central/South America (56%).

In Europe, where 39% of the workforce consists of female workers, staff levels rose slightly compared to 2019 (1,115 people at end 2020 compared to 1,081 at end 2019). In Asia the numbers of female personnel are higher than elsewhere in the Group, with 2,207 women at the end of the period, compared with 2,906 at end 2019, a drop because of the effects of the health emergency, including the temporary closure of plants and, in particular, a failure to return after the harvest season. This traditionally sees a large number blue-collar workers in the DOMS workforce in India leaving work at the end of spring to go back to their country of origin, returning to the factory at the end of the seasonal work in the fields.

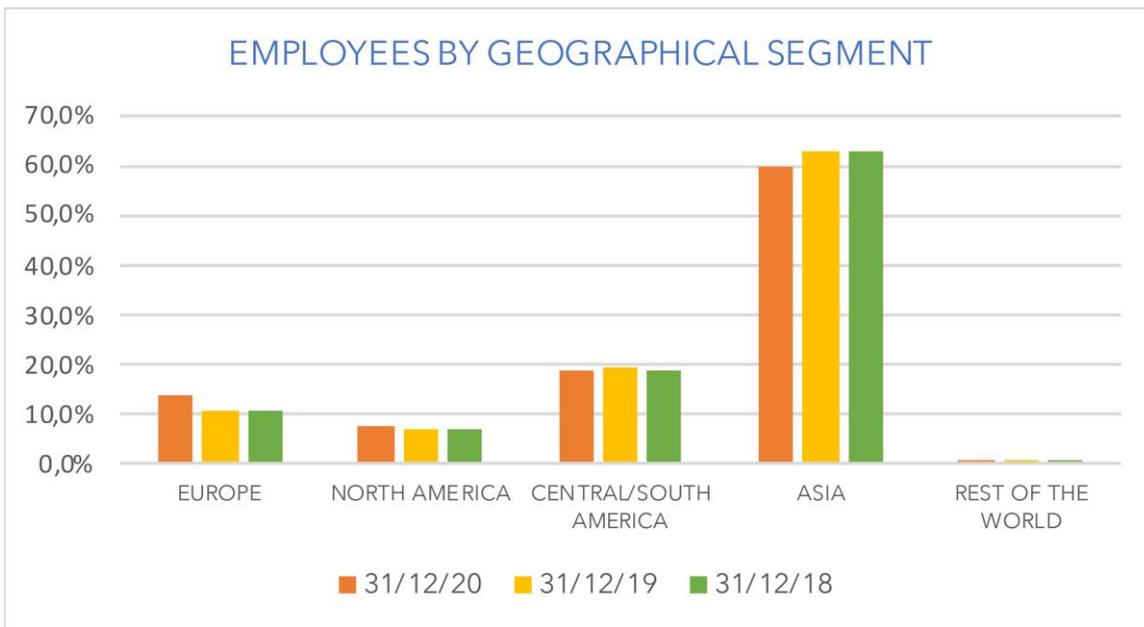
In terms of **contract type**, 99% of the Group's employees have a full-time employment contract. Part-time work contracts are mainly signed by women (67% at the end of 2020), a fall at the end of 2020 compared with the previous year (76%).

For more information on the composition of the workforce by contract type, divided between full-time and part-time, for both men and women in 2020 and the two previous years, refer to the "GRI 102-8 EMPLOYEE BREAKDOWN" table in Annex *D. Tables listing GRI indicators and information*.

In view of the objective difficulties linked to managing the COVID-19 pandemic in 2020 and the resulting extra burden in terms of management for personnel at all levels, the 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) – initially scheduled for 2019, has been postponed.

In terms of **geographical presence**, the majority of the workforce is located in areas where the Group's largest plants are found (India, Mexico and China), as seen in the paragraph entitled *1.4 F.I.L.A. Group production facilities*, above. In fact, 60% of the Group's workforce resides in Asia, followed by 19% in Central and South America, 14% in Europe, 7% in North America, and 0.3% in the Rest of the World. As shown in the following chart, distribution of the Group's workforce in the various geographical areas has remained essentially unchanged over the last three years.

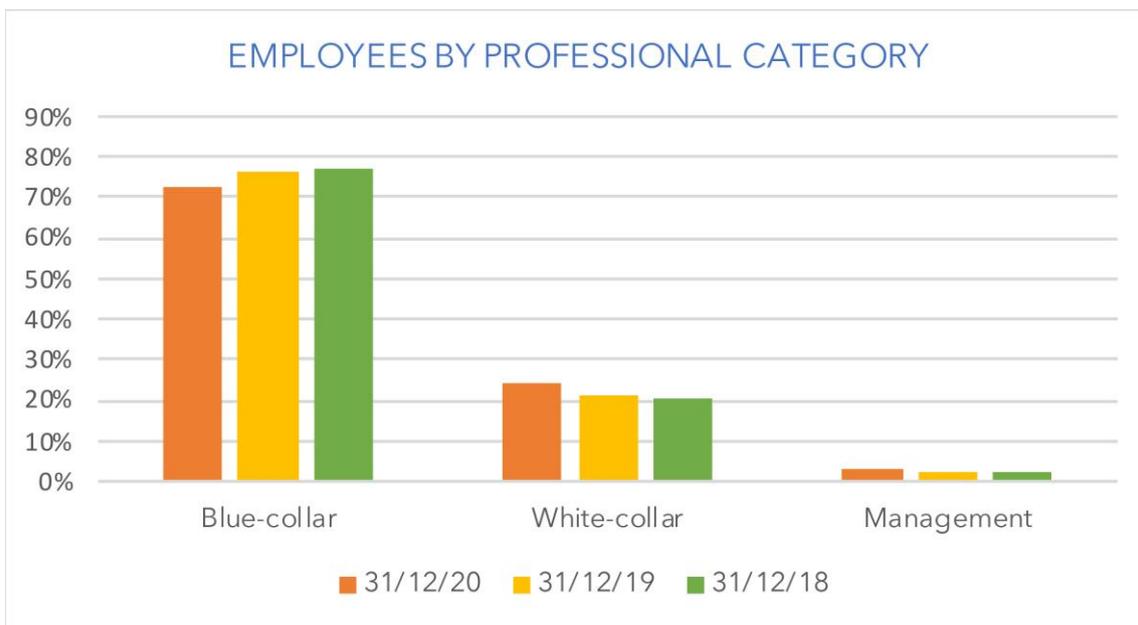




While historically growth in the workforce outside Europe has kept pace with the Group’s acquisitions since 2005 (as described in paragraph *1.5 History of the F.I.L.A. Group: successful mergers and acquisitions*), the reduction of approximately 20% in the workforce in 2020 was due mainly to departures at DOMS India and, to a lesser extent, Dixon Ticonderoga Mexico, given the effects of the COVID-19 pandemic on the temporary closure and/or downsizing of production volumes at these plants in observance of local legislation. The workforce in India was also impacted by employees who had left to return to their countries of origin for the summer harvest and then did not return. This cyclical change in the number and composition of the workforce in India, which has characterised DOMS’ history for years, was different in 2020 due to the COVID-19 health emergency as a result of this lack of a mass return of workers at the end of the summer. Nonetheless, the recent loosening of governmental restrictions and the gradual reopening of in-person schooling has led to a recovery in activities and a consequent increase in the workforce in early 2021.

In terms of **Composition of the workforce by contractual category** at the end of 2020, 72% of employees were blue-collar, 25% white-collar, and with 3% in management. The chart below shows the trend for the last three years.





In terms of geographical distribution, blue-collar workers represent 80% of the workforce in Asia (83% at the end of 2019). Overall, they represent 66% of their category at a Group level (69% at the end of 2019). Blue-collar workers represent 67% of the workforce in Central/South America (72% in 2019), 67% in North America (unchanged from 2019), just over half in Europe (52%, in line with 51% in 2019), and 39% in the Rest of the World (26% in 2019). These data coincide with the location of the Group’s largest production plants, namely Asia, Central/South America and North America.

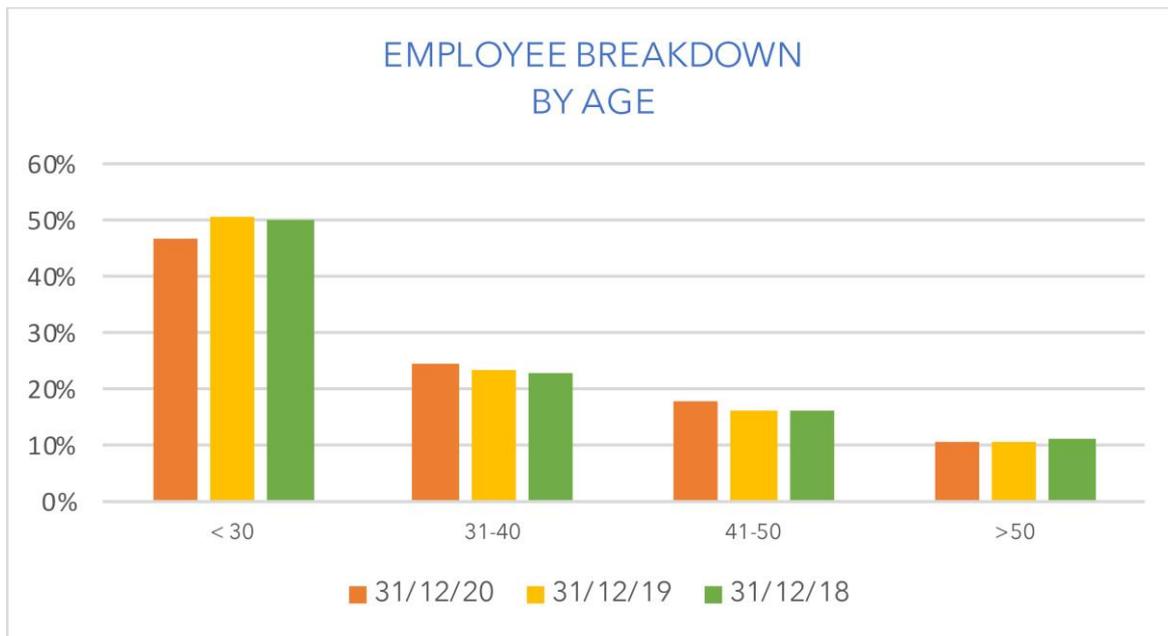
In absolute values, the number of managers was higher in North America and Europe in 2020, as this is where the Parent F.I.L.A. S.p.A.’s headquarters are based.

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 2020 and the two previous years, refer to the table "GRI 405-1 EMPLOYEE BREAKDOWN BY CATEGORY AND GEOGRAPHICAL SEGMENT" in Annex D. [Tables listing GRI indicators and information.](#)

In terms of the composition of the workforce by **age group**, it emerges that at December 31, 2020, just under half (48%) the employees at Group level were under 30 and 24% are aged between 31 and 40. As such, 71% of the total workforce is under 40 years old, which is slightly lower than the previous year.

In terms of geographical segment, Europe and North America exhibit a majority of employees over the age of 40 (70% and 53%, respectively), while a large part of the workforce in Asia and Central/South America is under 40 years old (87% and 62%, respectively), which is essentially in line with the previous year. The Rest of the world saw a more uniform distribution of age groups (50% under 40 and 50% over).





For more information on the composition of the Group’s workforce by age group (i.e. 30 and under, 31 to 40, 41 to 50, and over 50) for the five geographical segments for the period 2018-2020, refer to the table "GRI 405-1 EMPLOYEE BREAKDOWN BY AGE AND GEOGRAPHICAL SEGMENT" in Annex *D. Tables listing GRI indicators and information*.

#### 4.1.2 PERSONNEL TURNOVER

During the year, turnover (i.e. the net effect of new hires and departures) at Group level had an approx. -20% impact on staff numbers at the beginning of the year, a net increase compared to what happened in 2019 (5%) due to the direct and indirect effects of the COVID-19 health crisis globally and, consequently, on Group operations.





Independent from the COVID-19 health crisis, and despite the F.I.L.A. 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 F.I.L.A. 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 the European continent where due to the characteristics of the labour market, company loyalty is more widespread.

Asia saw the most significant reduction in numbers (-1,501 people) compared to the previous year, due mainly to the situation in India, where, in addition to the plant closures in observance of legislative measures to combat the spread of the pandemic, personnel who had returned to their countries of origin for the summer harvest season did not come back to their plants. In addition, in India, where the target market is almost entirely school and office, the schools were closed for most of 2020, so production slowed. The reopening of schools in early 2021 has led to a rapid return to production levels on a par with, if not higher than, pre-pandemic operations.

Turnover at levels higher than historically experienced was also seen in Central/South America, with a reduction of 412 people compared to the end of 2019, due mainly to the departure of personnel in Mexico as a result of the temporary reduction in production.

As was to be expected given the causes, blue-collar workers saw the highest turnover, followed by the white-collar category. Management increased slightly around the world as a result of new hires in Europe and promotions in Central/South America.





Specifically, 75% of the Group's staff turnover for the period occurred at the Indian branch of DOMS India in Asia. A total of 3,290 people were hired in Asia during the period (3,052 blue-collar workers) and 4,791 resignations were recorded (4,477 blue-collar workers). It should be noted that departures in 2019 numbered 4,406 and new hires numbered 4,852, confirming the temporary slowdown in hiring, mainly in India, as a result of the health crisis.

In Central/South America, where total turnover in 2020 was 21%, 664 new hires were made (984 in 2019), 593 of whom were blue-collar workers, while 1,076 resignations were recorded (929 in 2019), 954 of whom were blue-collar workers.

Annex D. *Tables listing GRI indicators and information* includes the following data for 2018, 2019 and 2020:

- "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."

#### 4.1.3 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 payscales 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 H@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 F.I.L.A. established and issued a **Remuneration Policy for Executive Directors**, Senior Executives and Senior Managers.

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

#### 4.1.4 TRAINING

In 2020, training for F.I.L.A. Group personnel was impacted by the COVID-19 health emergency, which temporarily limited their ability to work in person, resulting in an overall reduction of 14% in hours of training throughout the Group. This reduction was, however, more significant in North America.

Employees engaged in **training and upskilling programmes** was concentrated particularly in the area of operations and health and safety, which accounted for 95% of the total training hours delivered Group-wide, up from 86% in 2019. The aim was also to reinforce health and safety measures during the health emergency as well as to maintain high-quality standards in compliance with the relevant training policy.





The **geographical segments** providing the highest number of training hours per employee in 2020 were Central/South America (18 hours per capita, up from 13 in 2019) and Europe (11 hours per capita, down from 13 in 2019). Refer to the tables in the Annex for further details.

Europe saw a 17% decrease in total training hours for the period due mainly to a decrease in training hours for English as a Foreign Language.

In 2020, after an increase in 2019, training in North America decreased by more than 71% due to a general reduction in operational training, mainly as a result of the shift to remote work.

Most of the training in Central/South America (over 60%) was provided to women. The 7% increase in training hours was due mainly to operational training and health and safety training as a result of an increase in employee turnover.

Training hours provided in Asia in 2020 decreased by 12% compared to the previous year. This reduction is mainly attributable to the prolonged, temporary shutdown in India and, in part, in China. However, the decrease was mainly related to operational training given the COVID shutdown and the effect of the extraordinary anti-corruption awareness/training campaign in 2019. This trend was more than offset by an increase in health and safety training (+43%).

Annex *D. Tables listing GRI indicators and information* includes the following data for 2018 and 2019:

- “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”

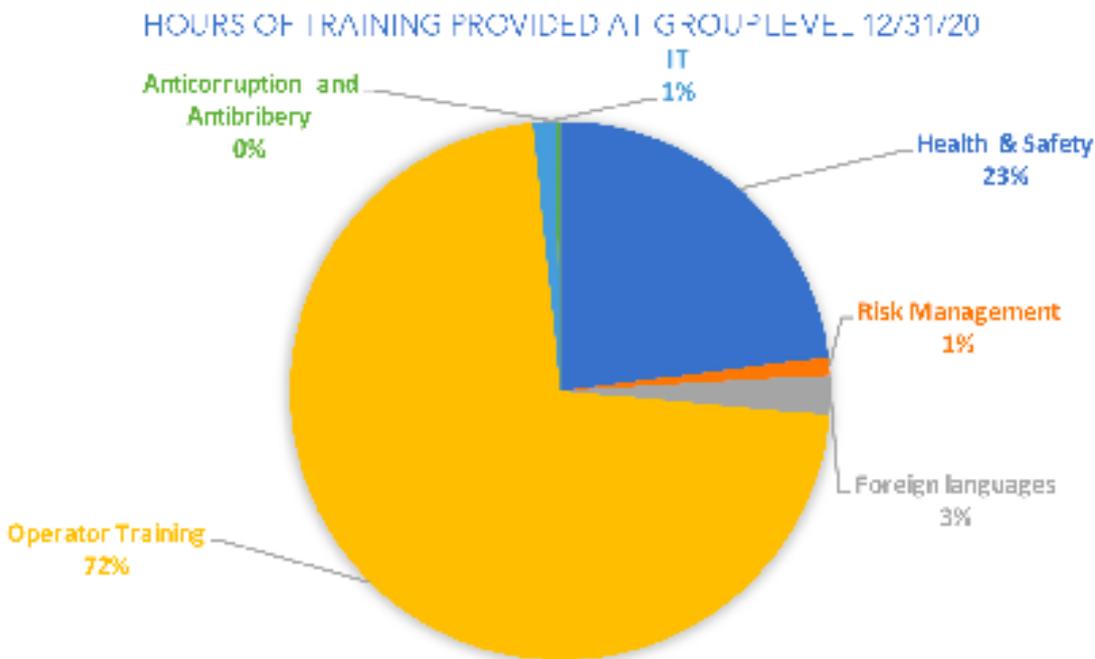
In relation to the **training by professional category**, in 2020, 71% of the total training Group-wide was delivered to blue-collar workers, a significant increase from the previous year (56% in 2019), with 27% to white-collar workers, down on the previous year (38%), and 2% to management (6% in 2019).

In 2020, workers were mainly trained on operational issues (72% of the training hours received in the period, in line with 2019) and occupational health and safety (more than a quarter of the total training hours, in line with 2019).

In 2020, white-collar workers mainly received operational training (73%, up from 67% last year) and training on health and safety (12%), up from 2019 (10%), with a reduction in foreign-language training in favour of issues related to the handling of the COVID-19 pandemic.

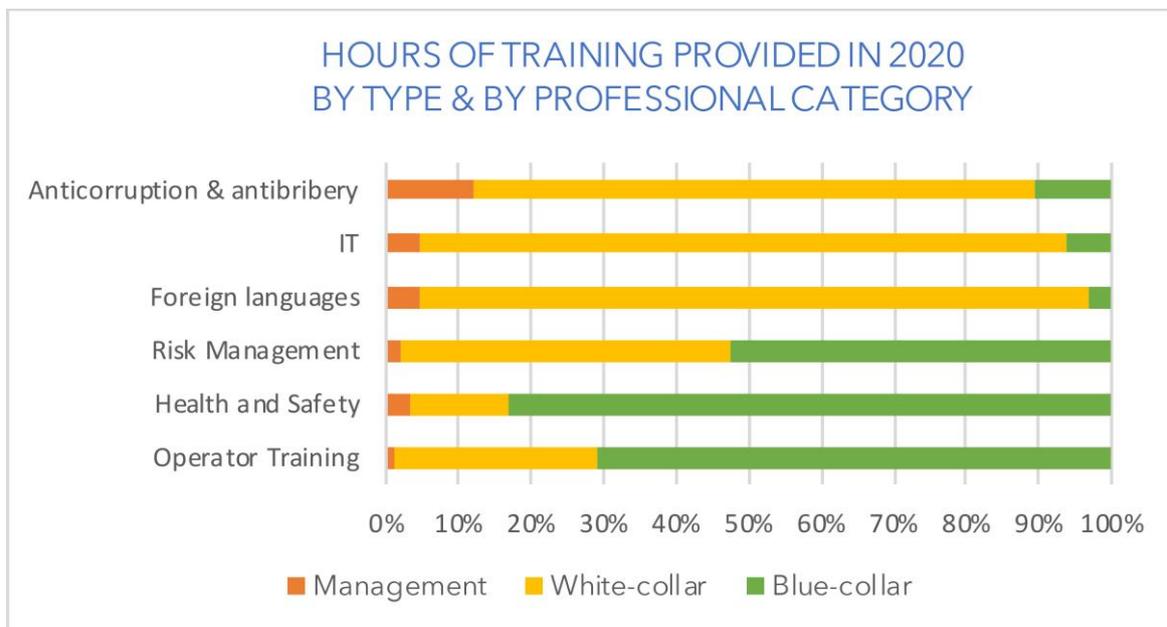
Management, too, mainly received operational training (50% of the total), down on 2019 (56%) and training on health and safety (37%), a significant increase from 2019 (16%), given the need for issues related to the handling of the COVID-19 pandemic, with a reduction in foreign-language training.





Of the total hours of training on health and safety in the workplace, 83% was provided to blue-collar workers, 14% to white-collar workers, and 3% to management.

Blue-collar workers benefited from the majority of operational and health-and-safety training.





In Europe, 60% of training was provided to white-collar workers, primarily on operational (84%) and occupational health and safety issues (7%). Blue-collar workers, who received 35% of total training in 2020, were mainly trained on operational (51%) and occupational health and safety issues (47%). Receiving 5% of all training hours during the year, management was primarily trained on operational (56%) and occupational health and safety issues (32%).

In North America, 91% of training was provided to blue-collar workers, mainly on health and safety issues (57%) and for operational training (43%), while 3% of training was delivered to white-collar workers on operational topics (SAP), and 6% of training was provided to management on health and safety and operating issues.

In Central/South America, 83% of training was provided to blue-collar workers, mainly on operational issues (95%), 17% of training was provided to white-collar workers, again on operational issues, and the remaining hours were provided to management, and focused mainly on operational training.

In Asia, 78% of training was provided to blue-collar workers on health and safety (74%) and operational (22%) issues. 21% of the training was provided to white-collar workers and focused primarily on health and safety (38%) and operational training (33%). The remaining 2% of training was provided to management, mainly concerning health and safety.

#### 4.1.5 INDUSTRIAL RELATIONS AND JOB PROTECTION

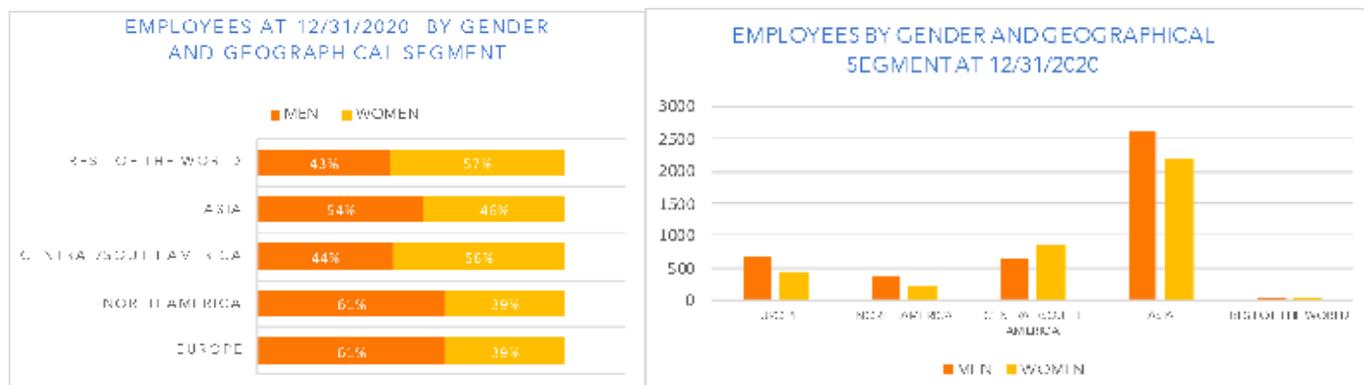
At the F.I.L.A. Group, industrial relationships are based on an effective collaborative relationship respectful of the reciprocal roles of the parties.

F.I.L.A. S.p.A., applies the Italian national collective bargaining agreements (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 2021.

During 2020, no significant changes in foreign company trade union activities were observed.

#### 4.2 EQUAL OPPORTUNITIES

At December 31, 2020, 46% of F.I.L.A Group employees were female and 54 male, in line with the last two years.





By geographical segment, Asia is the area with the greatest number of female employees (2,207 women out of 4,830 employees, or 46%), followed by Central/South America (with 847 women and 56% of the total). In all geographical segments, at least 39% of the workforce is female, with highs of 56% in Central/South America and 57% in the segment Rest of the World.

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. Within the scope of the 2021-2025 Sustainability Plan, there are specific projects aimed at ensuring operational consistency in the application of equal opportunities within the individual companies of the Group in coordination with the overall targets for the period of the plan.

The **main risk** identified by the Group in relation to equal opportunities is eliminating discriminatory practices that conflict with Group policy and with applicable legislation.

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 2019), 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.

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 2020 and the two previous years, refer to the "GRI 102-8 EMPLOYEE BREAKDOWN" table in Annex *D. Tables listing GRI indicators and information*.

As indicated in paragraph *2.4 Corporate governance and risk management*, [corsivo]the composition of F.I.L.A. Group's administrative and corporate bodies are fully compliant with legal requirements regarding gender diversity, with three women on the nine-member Board of Directors, and two women on the Board of Statutory Auditors, which is composed of three Statutory Auditors and two Alternate Auditors. The Board of Directors also approved submitting an update to the By-Laws in response to changes in legislation with regard to gender balance for approval by Shareholders' Meeting held to approve the 2020 financial statements.

In terms of diversity in the educational and professional backgrounds of the Directors, as described in the paragraph *2.4.2 Board of Directors* above, the Board of Directors as a whole covers skills 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.





### 4.3 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 F.I.L.A. 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. Health and safety training increased in 2020 to help respond to the COVID-19 health emergency and mainly, in terms of total hours of training, targeted blue- and white-collar workers.

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 explained further in the Annual Report, since January 2020, on the Chinese market - and gradually from March 2020 across the rest of the world - the operating environment was dominated by the spread of **COVID-19** 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 F.I.L.A. 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 2020, the Parent Company conducted **three COVID-impact surveys** concerning operations and the workforce, which involved every Group company and specific questionnaires designed to systematically gather information on the following aspects:

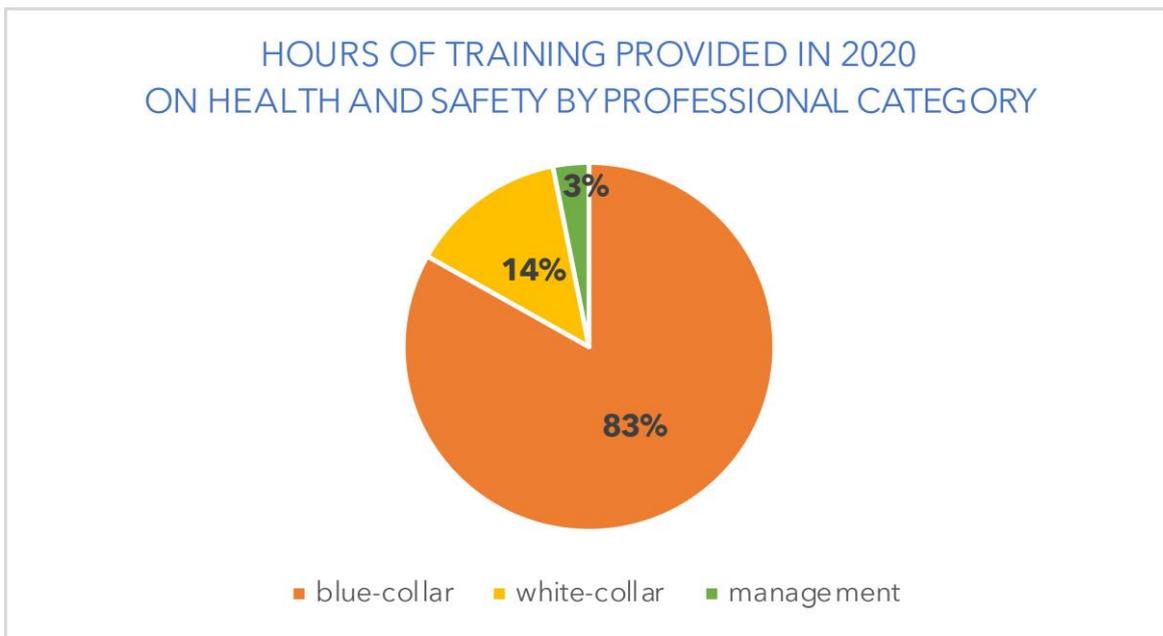
- Impact of governmental restrictions (i.e. lockdowns) on operations and on facilities;
- Impact on earnings and financial standing;
- Biological risk management and measures to mitigate infection risk;
- Organisational impact in terms of infection, remote working, and reduction in labour costs.

In particular, from the beginning the F.I.L.A. 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 rolling out a series of measures at all levels of the organisation - both at headquarters and overseas - at the operating facilities and at the production plants.

As of the date of approval of this Statement, the Group's facilities are operational, in accordance with the regulations for each country, though not all at full capacity, based on production needs. 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.

As stated in paragraph 4.1.4 *Training* above, 23% of total training hours in 2020 were dedicated to occupational health and safety topics (27% in 2019). Occupational health and safety training programmes at Group level in 2020 were mainly delivered to workers and administrative staff (97% of the total training hours on this topic, in line with 2019).





In 2020, there were 166 **incidents** leading to injuries recorded at Group level (192 in 2019, 169 in 2018), none of which were fatal.

The decline in number of incidents may be attributed to the fewer hours worked during the period as a result of the temporary shutdowns in response to the spread of the COVID-19 pandemic and other local restrictions around the world.

Nonetheless, work continued in order to improve the monitoring and recording of events. The majority (87%) related to injuries whose effects lasted no more than 40 days, which is in line with the previous two years. The majority of workplace accidents involved men (62% of the total for the period).

In relation to the average size of the Group’s workforce, the injury rate in 2020 was comparable to 2019, at less than 2%.

In Europe, accidents rose from 65 to 77 in 2020, with an increase in incidents in the workplace, 95% of which had prognoses of less than 40 days. By individual company, the European subsidiaries recording the most injuries were the production companies Daler-Rowney UK (55), Canson France (10), and St. Cuthberts (8).

In 2020 in North America, 19 injuries were recorded, down 5% on 2019, although cases with prognoses of greater than 40 days increased at Dixon Ticonderoga USA.

In Central/South America, there were 37 injuries during the period (64 in 2019), of which 86% had effects lasting less than 40 days, given the reduction in the workforce and in hours worked. By individual company, the subsidiaries recording the most injuries were Bridesshore (23) and Dixon Mexico (13). The decline in the number of injuries is due to the 64% reduction in cases at Dixon Ticonderoga Mexico.

In Asia, 33 injuries were reported in 2020 (up 43% compared with 2019), against a decrease in the workforce and in hours worked during the period. Of the reported cases, 88% were mild cases (lasting less than 40 days), nearly all of which occurred in the Indian company (DOMS), which accounts for most of the workforce in the region.





The ratio of **incidence of accidents in the workplace** over the average workforce in 2020 was 1.81% (1.91% in 2019), with the incidence of accidents with prognoses lasting more than 40 days at 0.3% (as in 2019).

At the Group level, 96% 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 for childbirth 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.

As in past years, no cases of workplace illness were recorded in 2020.

In Annex *D. Tables listing GRI indicators and information*, tables “DAYS OF ABSENTEEISM BY REASON” and “DAYS OF ABSENTEEISM BY REASON AND GEOGRAPHICAL SEGMENT” provide details, for 2020 and the two previous years, on days of absence due to accidents, illness and other reasons by gender and by geographical segment.

In 2017 the Parent F.I.L.A. S.p.A., Omyacolor and Canson France signed **social contract agreements** for the benefit of their employees, agreements still in place. In 2020, within the scope of measures to contain labour costs in response to the COVID health crisis, Dixon Ticonderoga Mexico engaged with the local trade unions.

The Parent F.I.L.A. S.p.A. operates an **occupational health and safety management system** that is certified according to the ISO 45001 (ex OHSAS 18001) Occupational Health and Safety Assessment Series. 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 ISO 45001.





## 5. Social topics

### 5.1 F.I.L.A.'S SOCIAL ROLE AND MATERIAL SOCIAL TOPICS

The F.I.L.A. Group has over 8,000 employees - spanning 5 continents - and manufactures and sells products for children, teenagers and adults. Topics of social relevance for a Group such as F.I.L.A. 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 F.I.L.A. 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.

### 5.2 PRODUCT QUALITY AND SAFETY

The supply of quality products is a fundamental value under the Group's Ethics Code and is one of the pillars of the Sustainability Plan (see [2.2.1 Sustainability Plan and SDGs](#) above), with a view to promoting policies aimed at maintaining and increasing product quality and safety.

#### 5.2.1 PRODUCT QUALITY

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

*"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 F.I.L.A. 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 F.I.L.A. 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. Quality management is the topic of the Group's **Product Safety Policy**, as described in paragraph 2.2.2 *Socio-environmental policies and guidelines of the Group* above).

Given the importance that the F.I.L.A. Group places on this issue, the COVID-19 health emergency did not, despite the inevitable impact on company operations, lead to changes in production processes or in the management of product quality and safety.

F.I.L.A. Group's quality control process, managed by the Quality Assurance department, as described in paragraph 2.3.3 *The value chain*, 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 ongoing 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 F.I.L.A. Group also uses external, and fundamentally accredited laboratories to obtain third-party safety standard compliance certificates. Each of the Group's production site liaises with and continues an ongoing relationship with its own historical reference institute, whilst subsidiaries outside the European Union obtain certificates issued by globally accredited institutes.

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.

## 5.2.2 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 Europe-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 F.I.L.A. 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>).

### 5.2.3 PRODUCTS CLASSIFIED AS “COSMETIC TOYS”

Some of the F.I.L.A. 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 22716:2008 for cosmetic products.

### 5.2.4 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 F.I.L.A. 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.

### 5.2.5 MANAGEMENT OF PRODUCT SAFETY TOPICS

Product safety is a fundamental element for the F.I.L.A. 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 F.I.L.A. 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 2020, 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. 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 2020, as in the previous two years, no significant cases of non-compliance in terms of marketing were reported.

### 5.3 SUPPLIER RELATIONS

The F.I.L.A. 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 F.I.L.A. 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 F.I.L.A. 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 Ethics Code, F.I.L.A. 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 Company, 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.

With regard to the Parent Company, the number of suppliers involved in the process of accepting the Code of Conduct was increased in 2020 and has continued into 2021, reaching nearly all suppliers accepting the code. For the branches, in addition to Maimeri S.r.l., Lyra KG, Dixon Ticonderoga Company USA, and Dixon China, which had begun this process of supplier and partner engagement in 2019 with excellent results, Canson Arts & Crafts, Daler Rowney UK, Dixon Mexico, Bridesshore S.r.l. and Canson France have also taken steps in this direction and will be continuing efforts in 2021. In addition to the various branches, there has been a move to extend the scope of suppliers involved and to see acceptance of the Code of Conduct as a major assessment parameter for acceptance of a new business partner.

In 2020, 20% of new suppliers for the Group were selected based on social parameters.

In the reporting period, just as in 2019, no circumstances were reported to have generated negative impacts on the supply chain, with the exception of limited availability and price increases for materials used to produce COVID-19 personal protective equipment, such as the alcohol used to produce inks or the plexiglass used to produce display cases.





## 5.4 PROTECTING DIVERSITY IN LOCAL COMMUNITIES

The F.I.L.A. 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 Ethics Code. 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 (as described in paragraph [2.2.2 Socio-environmental policies and guidelines of the Group](#)) and annual monitoring is carried out for any incidents.

Finally, we wish to reiterate that the F.I.L.A. 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**.

## 5.5 GROUP'S EFFORT IN SOCIAL RESPONSIBILITY

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 2020 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.

### 5.5.1 F.I.L.A. S.p.A. SOCIAL RESPONSIBILITY IN ITALY

#### Support for public bodies and institutions

The COVID-19 pandemic brought about the suspension of nearly all activities involving the presence of children and which drive the partnerships in edutainment and creative growth that the Company develops each year with prestigious, experienced institutional partners. Despite the challenges of 2020, the Company chose not to suspend support for these partners, which have been a source of mutual satisfaction. Included among these are: MUBA in Milan, Istituto degli Innocenti and MUS.e in Florence, and Città della Scienza in Naples.

In order to create value and support families during this difficult period, the Company has sought to circumvent the inability to hold in-person events by supporting digital projects promoted by its partners, which have been well received by their communities, particularly during the lockdown in spring 2020. In September 2020, with the children's museum MUBA, a number of days dedicated to the successful DidòLab format were organised – adopting rigorous safety protocols – which gave parents with children between the ages of 3 and 5 the chance to have some fun and experience a touch of normalcy.

Generally speaking, work continued in 2020 in harmony with these partners in order to take best advantage of opportunities to further develop partnerships, adjusting support planning based on prevailing circumstances with the shared goal of sending a message of support to families.

Since 2014, F.I.L.A. has supported Gold for Kids, a project of great social impact promoted by the Umberto Veronesi Foundation. Dedicated entirely to the fight against childhood cancer, the project works to finance young patients'





access to the very best care. The Company's support involves funding a research grant and sending creativity kits to children on cancer wards on the occasion of International Childhood Cancer Day, on February 15.

### The F.I.L.A. Centennial

*Cento Anni di F.I.L.A.* is a publishing project executed in collaboration with Corraini Edizioni in order to promote the 100-year anniversary of the Company. The resulting book describes the connections between the Company's activities and the stories of the men, women and children who have been using F.I.L.A. products since 1920 to write and to colour their lives with passion and creativity. It is a collective tale in words and in images of the joys that so fully convey the spirit of the Company. It is not a stereotypical corporate publication, but rather focuses on the people and the shared values brought about through the unstoppable power of self-expression. A bilingual publication (in both Italian and English), *Cento Anni di FILA* is a book in which everyone can find their own stories. It is in this spirit that the work has been shared with all F.I.L.A. stakeholders. It aims to be a vehicle for memories, of gratitude for everything that has been achieved, and of openness to a future to be built together.

### 5.5.2 SOCIAL RESPONSIBILITY IN ITALY OF INDUSTRIA MAIMERI THROUGH THE MAIMERI FOUNDATION

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. The projects of note in 2020 included the following:

- **The call for ideas San Vittore, spazio alla bellezza**, by Triennale Milano and Casa Circondariale Francesco di Cataldo (San Vittore), with the involvement of the Maimeri Foundation and the support of Shifton and the association Amici della Nave. The call seeks to promote a new concept of home by redesigning a number of prison spaces so as to alter perceptions and improve their functionality.
- ***I Sette Messaggeri***, Triennale di Milano, June 23 – September 30, 2020. *The Seven Messengers*, a collection of short stories by Dino Buzzati, is the unifying theme of this series of events that look into a present suspended between two worlds. Seven events, like seven messengers, each of which brings a message from the world we have left behind and a view of the new world we are currently living in
- **Domenico Pellegrino, *Non vogliamo altri eroi***, Santa Severa Castle, Rome, August 1 – September 27, 2020. The art of Domenico Pellegrino rises out of the extraordinary collective consciousness of his town's tradition of craftsmanship to reveal the contradictions of our past to the people of today. To call it pop art would be selling his art short. Through his work, Domenico Pellegrino finds new realms in which our identity and the idea that has come to replace it come together in vibrantly coloured and equally contradictory sculptures of superheroes. The Maimeri Foundation has been following his work for years and has brought this exhibit to a place that itself also embodies both past and present. His works act as a vehicle for understanding this historic moment and the resources that we bring to bear in order to get through it.
- **Maurizio Gabbana, *Dinamiche Infinite***. Triennale di Milano, June 23 – September 30, 2020 *Ritorna l'arte. Ritorno alla vita*. The Maurizio Gabbana exhibit represents a new beginning. Gabbana is a powerful artist whose highly imaginative photography makes use of certain futuristic techniques in which the dynamic interplay of form and





energy is printed in the light and in which architecture becomes shapes that vibrate across time, evoking a dimension that expresses a time we have just left and the time towards which we are headed. With this exhibit, the Maimeri Foundation reiterates a desire to remain present in this world to tell the story of humanity through art. We once believed that art had no other purpose, and even today it would seem not to, as we race headlong into epic change. We must place our trust, without fear, in humanity and our extraordinary resources, in nature and its wonders.

- **Max Papeschi**, Hic Sunt Leones, July 22 – August 30, 2020. There could be no more appropriate place for the weird, cathartic vision of Max Papeschi. His world of paradox and nemeses and the surreal sense of humour of his digital art feel right at home against the white marble of WEGIL in a sort of amniotic short-circuit between his explosive art and the architectural rationalism of Luigi Moretti. A perfect contrast of opposites fills the silence with the screaming digital works of Papeschi, blasts of personal style, original concepts and images that defy categorisation as they echo off the walls of a sort of ethical cavern. It is with great joy, after these dramatic months, that we get the creative juices flowing once again, ideas rushing from Rome out to wherever people have eyes to see.
- **Tarik Berger**, Seven Sisters, MAC Milan, January 24-22, 2020. The work of Tarik Berber experiments with a style that weaves together painting and a radically new approach to the graphic arts. The result is a stunning immersion in colour and symbols, an alternation of calm, meditative waters and stormy seas, waves of impassioned studies of colour followed immediately by a saturation of graphics, as if admirably channelling the energies of both Dürer and Rothko. The Maimeri Foundation, together with Arte.it and Piero Muscarà, made Berber's first great solo exhibition in Italy possible, visitors to which were amazed by the breadth and depth of his work. Berber's art embodies many of the values we seek to protect. Although many today turn to the famous words of Prince Myshkin, who once said, "Beauty will save the world," the opposite is also true. The world, with an endless curiosity for its multifaceted knowledge, an openness to cultures that are not our own and which come together in all new ways, will save beauty.

### 5.5.3 SOCIAL RESPONSIBILITY AROUND THE WORLD

#### 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 the organisation GAIN by providing school and art supplies. GAIN ([www.gainworldwide.org](http://www.gainworldwide.org) Global Aid Network) is a worldwide humanitarian relief and development network that helps to reveal hope and restore life through relief and development initiatives for people living in crisis and injustice.
- 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;

#### 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 & Design Foundation, and the Colinton Tunnel project;
- sponsors various creative events and workshops, including the Patchings Art Festival Digital Version, Raver Tots Digital Events, the WOM collective, and many others;
- has launched numerous recent projects in support of artistic talent, such as the #paintloud programme, and is producing a great many tutorials created by artists and other emerging talents;
- provides support to more than 50 artists worldwide, with open access, together with 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](http://www.vinadomi.com));
- is a partner of the Certified Sustainable initiative ([www.certified-sustainable.co.uk](http://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](http://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](http://www.cepe.org)), of the International Art Materials Association, NAMTA ([www.namta.org](http://www.namta.org)), and of the Fine Art Trade Guild ([www.fineart.co.uk](http://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 in the United States:

Supports projects to aid education, environmental sustainability, and local communities;

- funds the Junior Achievement project and is involved in preparing students in managing their educational and career choices. In 2020, it served nearly 3 million students in over 125,000 classes for schools and other organisations;
- strengthened its partnership with the Kids in Need Foundation and laid the groundwork to sponsor the 42nd KINF Teacher Resource Center nationally. These resource centres have provided materials worth more than USD 100 million and have served over five million students and 200,000 teachers;
- 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. Terracycle is active in more than 20 nations around the world;
- financially supports United Way ([www.unitedway.org](http://www.unitedway.org)), an international network of more than 1,800 local non-





profit fundraising affiliates whose mission is to improve lives by mobilising the caring power of communities around the world to advance the common good and promote education, income and health;

- supports Feeding America Eastern Wisconsin: In Eastern Wisconsin, one out of every seven people is food insecure. Nearly 700,000 people in Wisconsin are not sure where their next meal will come from. Volunteers from Dixon Ticonderoga Company participated in projects of packaging, labelling, sorting, or cleaning: from the labelling of canned goods to be sent to food banks or the sorting of meat-based products to provide protein-rich diets, to the packaging of fresh produce to be sent to homeless shelters or the packaging of bulk goods in proportions that are suited to families.

#### Dixon Ticonderoga 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: *Museo de la Acuarela* and the Mexico City Department of Culture
- Sponsors the Fundación Azteca Juguetón initiative, which annually distributes over 18 million toys and educational tools to the poorest communities.



## 6. Human rights

### 6.1 RESPECT FOR HUMAN RIGHTS

In operations and in everything the organisation does, F.I.L.A. is committed to respecting human rights as 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.

F.I.L.A.'s commitment to protecting human rights can be seen in the management of human resources and of the supply chain.

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

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

Paragraph [2.2.3 F.I.L.A. Group Stakeholders](#) discusses topics related to discrimination, protecting and valuing diversity in relations with the Group's external stakeholders, while paragraph [2.4 Corporate governance and risk management](#) deals with the corporate boards, paragraph [4.2 Equal opportunities](#) of chapter [6. Employment topics](#) with employees, and paragraph [5.3 Supplier relations](#) with relationships 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 F.I.L.A. Group's success. This is why F.I.L.A. 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. F.I.L.A. 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. In order to detect and manage violations, potential risks, and negative impacts on human rights in a timely manner, the Group has qualified mechanisms of anonymous reporting.



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, 2020, no areas at risk of human rights violations were identified, and there were no reports of alleged cases of discrimination or violation of such rights. In 2020, the Group did not operate in areas of business or have relations with suppliers that present a 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 2020, 16 cases (2 in 2019 and 13 in 2018) of alleged discrimination or harassment were handled, both in North America, and specifically at Dixon Ticonderoga Company (USA), where complaints and reports from staff have been handled formally for a number of years. No case has had any legal consequences for the Company. 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 paragraph [5.3 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 Ethics Code, F.I.L.A. 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.

In March 2020, F.I.L.A. completed the acquisition of the ARCHES® trademark from the Ahlstrom-Munksjö Group. This business combination was subject to due diligence, which did not call for information on the respect for human rights given the standing of the selling party.

All orders issued to suppliers and any purchase agreements include a statement by the supplier that they have read and agree to the Ethics Code available on the F.I.L.A. website.

## 6.2 FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

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 F.I.L.A.'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 paragraph [5.3 Supplier relations](#).





## 7. Fight against corruption

### 7.1 FIGHT AGAINST 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.

F.I.L.A. Group promotes a responsible business model according to the principles enshrined in its Ethics Code on the assumption that “doing business” cannot be separated from business ethics. F.I.L.A. 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 Ethics Code.

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 Annex *A. Methodological note*) and feedback from Group companies, the material topic relating to the prevention of corruption for the F.I.L.A. Group concerns measures to combat active and passive corruption.

### 7.2 MEASURES TO COMBAT ACTIVE AND PASSIVE CORRUPTION

Compliance with the rules and principles enshrined in the Group's Ethics Code (described in paragraph *1.2 F.I.L.A. Group values*), including fairness in business relations and combatting corruption, are fundamental elements of the Group's modus operandi.

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

More specifically, the Ethics Code reads as follows:

#### 7.2.1 RELATIONS WITH THE PUBLIC ADMINISTRATION (P.A.)

*The relations of the Company and of the F.I.L.A. 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 F.I.L.A. 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.*

## 7.2.2 RELATIONS WITH THE 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 F.I.L.A.'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 prohibitory 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, F.I.L.A. has defined a system of clear rules and of information flows between corporate governance and corporate bodies and internal structures.

## 7.3 OTHER TOPICS ON FIGHT AGAINST CORRUPTION

The Ethics Code 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 Organisation, Management and Control Model pursuant to Legislative Decree no. 231/01 delivered ad hoc training programmes.

In 2020, 116 Group personnel (228 in 2019), including members of the corporate bodies, as described in the Annex, received training on active and passive anti-corruption topics and related procedures. Of these, 84% were white-collar workers, and the remainder were either management (13%) or members of the corporate bodies (3%).

At Group level, 141 hours of training on areas related to both active and passive anti-corruption were delivered in 2020, as discussed in paragraph **4.1.4 Training** and detailed in the table “GRI 404-1 TRAINING BY PROFESSIONAL CATEGORY AND TOPIC” in Annex **D. Tables listing GRI indicators and 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 2020, anti-corruption training activities mainly targeted white-collar workers (109 hours of the training provided).

In 2020, there were no recorded incidents of active or passive corruption.





# Annex

## A. METHODOLOGICAL NOTE

### A.1 REPORTING MODEL

The Consolidated Non-Financial Statement of the F.I.L.A. Group is a report addressed to the stakeholders regarding the new developments, projects and results achieved in 2020 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.

F.I.L.A. 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 (the "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 F.I.L.A. 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 [Annex C GRI Content Index](#).

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.

### A.2 REPORTING AND CONSOLIDATION PROCESS

This Statement was drafted in coordination with the managerial Sustainability Committee ([2.3.1 Corporate governance model](#)), which involved the local sustainability committees of the main Group companies as well as the Executive Officer for Financial Disclosure and the Group Reporting Manager, in order to identify the material aspects, the principal risks, the method for their management, the projects implemented and the performance indicators used. The Internal Audit team 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 [Annex A.3 Materiality analysis](#). The Consolidated Non-Financial Statement of the F.I.L.A. Group includes comparative figures for the previous two years, where available.





Paragraph [5.3 Supplier relations](#) provides a qualitative description of the supply chain. In fact, the Statement does not include quantitative considerations, since the Group does not have reporting projects in this regard. However, the Company will, over the course of the Sustainability Plan, 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 F.I.L.A. 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 F.I.L.A. 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 details by geographical segment, see Annex [D. Tables listing GRI indicators and information](#), which contains a table illustrating the Group companies present in each geographical segment at the end of 2020.

As mentioned above, this Statement has been prepared by a special working team at the Parent, which is coordinated by the managerial Sustainability Committee. 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 declaration must explain how the Statement was compiled.

### A.3 MATERIALITY ANALYSIS

F.I.L.A. has selected **materiality**, as defined by the Global Reporting Initiative (GRI) in standard series GRI 101, as an underlying principle for the reporting of non-financial information and the determination of which topics are material enough that they need to be reported. Not all material topics are of the same priority. The material topics that could be worthy of inclusion in the Statement are those that could reasonably be deemed of relevance in explaining the economic, environmental, or social impact of F.I.L.A. or in the decision-making processes of stakeholders.

In this context, the term "impact" refers to the (positive or negative) effect that an organisation has on the economy, the environment and/or society. A topic may be relevant and, therefore, potentially material based on just one of these aspects. A combination of internal and external factors may be considered when assessing whether a topic is material. This includes the general mission of the organisation and the competitive strategy, as well as concerns expressed directly by the stakeholders.

The Non-Financial Statement must cover topics that reflect the significant economic, environmental and social impacts of the organisation and which may substantially influence the assessments and decisions of the stakeholders.

In 2020, in order to identify the relevant economic, social and environmental topics that (could) significantly influence the assessments, actions and decisions of the stakeholders, the F.I.L.A. Group updated its materiality analysis. This analysis pointed to the most relevant issues that can generate significant economic, environmental and social impacts of the organisation and which may substantially influence the assessments and decisions of the stakeholders.

Determination of the material topics of the F.I.L.A. Group was done with the involvement of internal stakeholders, and specifically by way of interviews with the management of the main subsidiaries, and took account of the following factors:





- reasonably estimable economic, environmental and/or social impacts (e.g. climate change, poverty) identified by way of studies by people with recognised expertise or by expert bodies with recognised credentials;
- the interests and expectations of F.I.L.A. stakeholders specifically invested in the organisation, such as employees and shareholders;
- broader economic, social and/or environmental interests and issues raised by stakeholders such as non-employee workers, suppliers, local communities, at-risk groups, and civil society;
- the main issues and future challenges of a given sector, as identified by peers and competitors;
- laws, regulations, international agreements, or voluntary agreements of strategic significance to F.I.L.A. or its stakeholders;
- key organisational values, policies, strategies, operational management systems, goals, and targets;
- the core competencies of the organisation and the manner in which they can contribute to sustainable development;
- consequences for the organisation which are related to its impacts on the economy, the environment and/or society (e.g. risks to its business model or reputation).

The following paragraph includes a table of the material topics identified in relation to the business model of the F.I.L.A. Group, the assessment of risks, and questionnaires based on a specific panel of subsidiaries. A topic may be considered material if it is important to internal or external stakeholders even if the relative materiality of the economic, environmental, or social impacts is less than that of other topics. Collectively, the topics covered in the NFS should be sufficient to reflect the material economic, environmental and/or social impacts of F.I.L.A. and to enable stakeholders to assess the F.I.L.A. Group. In determining whether the information contained in the report is sufficient, F.I.L.A. has considered both the results of the processes of engaging stakeholders and the expectations of the Company more broadly that are not identified directly by way of stakeholder engagement. This process did not result in the inclusion of any additional topics beyond those identified in 2018.

#### A.4 RECONCILIATION TABLE WITH LEGISLATIVE DECREE NO. 254/16

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:



	MATERIAL TOPIC	GRI STANDARDS	NFS PARAGRAPH / OTHER REFERENCE DOCUMENTS	LEGISLATIVE DECREE NO. 254/2016 SCOPE	IMPACTS ON INTERNAL PROCESSES	IMPACTS ON STAKEHOLDERS
1	Use of raw materials	Materials (301-1)	3.2 Use of raw materials	Environment	Production Purchases	Environment Community
2	Consumption of energy resources	Energy consumption (302-1)	3.3 Consumption of energy resources	Environment	Production Purchases	Environment Community
3	Atmospheric emissions	Emissions (305-1; 305-2)	3.4 Atmospheric emissions	Environment	Production	The Environment Community
4	Water consumption	Water (303-3)	3.5 Water consumption	The Environment	Production	The Environment Community
5	Equal opportunities	Diversity and equal opportunity (405-1)	2.4 Corporate governance and risk management 4.2 Equal opportunities "Corporate Governance and Ownership Structure Report"	Diversity	Personnel Governance	Individuals Trade unions
6	Occupational health and safety	Occupational Health and Safety (403-9)	4.3 Occupational health and safety	Personnel	Personnel	Individuals Suppliers
7	Product quality and safety	Customer Health and Safety (416-2)	5.2 Product quality and safety	Social Local communities	Marketing Production Purchases	Clients Consumers Community
8	Supplier relations	Supplier social assessment (414-1)	5.3 Supplier relations	Supply chain	Purchases Production	Suppliers Community
9	Protecting diversity	Non discrimination (406-1)	5.4 Protecting diversity in local communities	Social Local communities	Commercial relations Trade Union Relations	Community
10	Respect for human rights	Human rights assessment (412-3)	6.1 Respect for human rights	Human rights Local communities	Personnel Purchases	Community
11	Freedom of association and collective bargaining	Freedom of association and collective bargaining (407-1)	6.2 Freedom of Association and collective bargaining	Social Local communities	Personnel	Trade unions
12	Combating active and passive corruption	Anti-corruption (205-3)	7.1 Anti-corruption topics 7.2 Measures to combat active and passive corruption	Corruption	Personnel Purchases Sales and distribution	Community Entities, institutions and the public administration Suppliers Clients

In addition to the risks described in the Annual Report, the paragraph "Information and Management of Financial Risks", which should be referred to for further information, the Group's business is exposed to the **non-financial risks** described in paragraph [2.4.5 Identifying and controlling risks](#).

## A.5 REPORTING SCOPE

The **scope of non-financial reporting** matches that of the Consolidated Financial Statements at December 31, 2020, 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 F.I.L.A. 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 Annex *B. 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	●	●	●	●	●
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.

## A.6 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). This certification is contained in an Annex to this Statement (*E. Independent Auditors' Report*).



## B. GROUP COMPANIES INCLUDED IN THE REPORTING SCOPE BY REPORTING TOPIC

FILA Group Company	Country	Environment	Social	Personnel	Human Rights	Anti-corruption
FILA Argentina S.A.	Argentina	NO	YES	YES	YES	YES
Canson Australia PTY LTD	Australia	NO	YES	YES	NO	YES
FILA Benelux SA	Belgium	NO	YES	YES	NO	YES
Canson Brasil I.P.E. LTDA	Brazil	YES	YES	YES	YES	YES
Canadian Holding	Canada	NO	NO	YES	NO	NO
Dixon Ticonderoga Art	Canada	YES	YES	YES	YES	NO
F.I.L.A. Chile Ltda	Chile	NO	YES	YES	YES	YES
Canson Qingdao Ltd	China	NO	NO	YES	NO	YES
Beijing F.I.L.A.-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 F.I.L.A.-Dixon Plantation Company Ltd.	China	YES	YES	YES	YES	YES
Brideshore srl	Dominican Republic	YES	YES	YES	YES	YES
Canson SAS	France	YES	YES	YES	NO	YES
Lodi 12 SAS	France	NO	NO	NO	NO	NO
FILA Arches	France	NO	YES	YES	YES	YES
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
Princeton Hong Kong	Hong Kong	NO	YES	NO	NO	YES
DOMS Industries PVT LTD	India	YES	YES	YES	YES	YES
PT. Lyra Akrelux	Indonesia	NO	YES	YES	YES	YES
FILA Art and Craft Ltd.	Israel	NO	YES	NO	NO	YES
Canson Italy	Italy	NO	YES	NO	NO	YES
FILA S.p.A.	Italy	YES	YES	YES	NO	YES





FILA Group Company	Country	Environment	Social	Personnel	Human Rights	Anti-corruption
Industria Maimeri S.p.A.	Italy	YES	YES	YES	NO	YES
Grupo F.I.L.A.-Dixon, S.A. de C.V.	Mexico	YES	YES	YES	YES	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 SA PTY LTD	South Africa	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 Art Products AG	Switzerland	NO	YES	NO	NO	YES
FILA Stationary and Office Equipment Industry Ltd. Co.	Turkey	NO	YES	YES	YES	YES
Daler-Rowney Ltd	UK	YES	YES	YES	NO	YES
St.Cuthberts Mill Limited Paper	UK	YES	YES	YES	NO	YES
St.Cuthberts Holding Limited	UK	NO	NO	NO	NO	NO
Renoir Topco Ltd	UK	NO	NO	NO	NO	NO
Renoir Midco Ltd	UK	NO	NO	NO	NO	NO
Renoir Bidco Ltd	UK	NO	NO	NO	NO	NO
Dixon Ticonderoga Company	USA	YES	YES	YES	YES	NO
FILA SPECIALTY PAPERS LLC	USA	YES	YES	NO	YES	YES





## C. GRI CONTENT INDEX

NFS Consolidated Non-Financial Statement  
 AR 2020 Annual Report  
 CGR 2021 Corporate Governance Report (2020 Financial Year)

GRI Standards			
DISCLOSURE	Document	Reference to paragraph/ /Note	Omissions
<b>ORGANISATIONAL PROFILE</b>			
102-1	Name of the organization	Fabbrica Italiana Lapis e Affini SpA – F.I.L.A. S.p.A.	
102-2	Activities, brands, products, and services	NFS 2.1.2 Vertically integrated business model; 4.2.3 Brands and products	
102-3	Location of headquarters	NFS The Group's registered office and headquarters are in Pero (Milan), on Via XXV Aprile, where the offices of the Parent, F.I.L.A. – Fabbrica Italiana Lapis e Affini S.p.A. are located.	
102-4	Location of operations	NFS 1.4 Production facilities	
102-5	Ownership and legal form	NFS 2.4 Corporate governance and risk management; D. Tables listing GRI indicators and information	
102-6	Markets served	NFS 2.1.2 Vertically integrated business model	
102-7	Scale of the organization	NFS 1.3.1 Group size	
102-8	Information on employees and other workers	NFS 4.1 Respect for the individual and material topics for F.I.L.A.; 4.1.1 Composition of the workforce; D. Tables listing GRI indicators and information	The information on the number of employees broken down into fixed-term and permanent contracts, in consideration of the lack of homogeneity in the various local regulations (many of which do not take this breakdown into account). For 2021, the 2021-2025 Sustainability Plan approved by the Group includes a project for the improvement of non-financial indicators.
102-9	Supply chain	NFS 5.3 Supplier relations	
102-10	Significant changes to the organization and supply chain	NFS 1.5 History of the F.I.L.A. Group: successful mergers and acquisitions	
		AR Significant events in the year	
102-11	Precautionary Principle or approach	NFS 2.2.2 Socio-environmental policies and guidelines of the Group; 3.1 Respect for the environment and material topics for F.I.L.A.	
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 2.2.4 Engaging in dialogue with the Group's stakeholders; 4.1.5 Industrial relations and job protection: figures referring to Italy only For 2021, the 2021-2025 Sustainability Plan approved by the Group includes a project for the improvement of non-financial indicators.	
<b>STRATEGY</b>			
102-14	Statement from senior decision-maker	NFS Chairman's letter	
102-15	Key impacts, risks, and opportunities	NFS 2.1 F.I.L.A. Group strategy and business; 2.2.1 Sustainability Plan and SDGs; 2.4 Corporate governance and risk management; 2.5 COVID-19 impacts; 3.2 Use of raw materials; 3.3 Consumption of energy resources; 3.4 Atmospheric emissions; 3.5 Water consumption; 4.2 Equal opportunities; 4.3 Occupational health and safety; 5.2 Product quality and safety; 5.3 Supplier relations; 5.4 Protecting diversity in local communities; 6.1 Respect for human rights; 6.2 Freedom of association and collective bargaining; 7.2 Measures to combat active and passive corruption	





GRI Standards			
DISCLOSURE	Document	Reference to paragraph/ /Note	Omissions
<b>ETHICS AND INTEGRITY</b>			
102-16	Values, principles, standards, and norms of behavior	NFS	1.2 F.I.L.A. Group values
102-17	Mechanisms for advice and concerns about ethics	NFS	2.4.6 231 Model and Supervisory Board
<b>GOVERNANCE</b>			
		NFS	2.4 Corporate governance and risk management
102-18	Governance structure	CGR	4. Board of Directors, 6. Internal Committees to the Board of Directors, 7. Remuneration Committee, 9. Control, Risks and Related Parties Committee, 12. Composition and functioning of the Board of Statutory Auditors
102-21	Consulting stakeholders on economic, environmental and social topics	NFS	A.3 Materiality Analysis
		NFS	2.4 Corporate governance and risk management
102-22	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	2.4 Corporate governance and risk management
102-24	Nominating and selecting the highest governance body	NFS CGR	2.4 Corporate governance and risk management 2. Information on shareholders
102-26	Role of the highest governance body in setting purpose, values and strategy	NFS	2.1 F.I.L.A. Group Strategy and Business; 2.4 Corporate governance and risk management
102-32	Highest governance body's role in sustainability reporting	NFS	A.2 Reporting and consolidation process
102-37	Stakeholders' involvement in remuneration		As set out by the applicable regulation, the Shareholders' Meeting of F.I.L.A. is called to express a consultative vote on the Remuneration Report and a binding vote for section I containing the remuneration policy
<b>STAKEHOLDER ENGAGEMENT</b>			
102-40	List of stakeholder groups	NFS	2.2.3 F.I.L.A. Group stakeholders
			2.2.3 F.I.L.A. Group stakeholders; 4.1 Respect for the individual and material topics for F.I.L.A.; 4.1.5 Industrial relations and job protection
102-41	Collective bargaining agreement	NFS	The collection of data on the number of employees covered by collective employment contracts refers solely to Italy. For 2021, the 2021-2025 Sustainability Plan approved by the Group includes a project for the improvement of non-financial indicators.
102-42	Identifying and selecting stakeholders	NFS	2.2.3 F.I.L.A. Group stakeholders
102-43	Approach to stakeholder engagement	NFS	2.2.2 Socio-environmental policies and guidelines of the Group; 2.2.3 F.I.L.A. Group stakeholders
102-44	Key topics and concerns raised	NFS	2.2.3 FILA Group stakeholders
<b>REPORTING PROCESS</b>			
		NFS	B. Group companies included in the reporting scope by reporting topic
102-45	Entities included in the consolidation financial statements	AR	Consolidation scope
102-46	Defining report contents and topic Boundaries	NFS	A.5 Reporting scope
102-47	List of material topics	NFS	A.3 Materiality Analysis
102-48	Restatements of information	NFS	N/A
102-49	Changes in reporting	NFS	A.2 Reporting and consolidation process
102-50	Reporting period	NFS	2020
102-51	Date of most recent reports	NFS	2019 Consolidated Non-Financial Statement
102-52	Reporting cycle	NFS	Annual
102-53	Contact point for questions regarding the reports	NFS	Introduction



GRI Standards			
DISCLOSURE	Document	Reference to paragraph/ /Note	Omissions
102-54	Claims of reporting in accordance with GRI standards	NFS	Introduction; A. Methodological note
102-55	GRI content index	NFS	C. GRI Index
102-56	External assurance	NFS	E. Independent Auditors' Report
<b>GRI 205 ANTI-CORRUPTION (GRI 2016)</b>			
103-1	Scope of the material topic	NFS	A. Methodological note
103-2/3	Management Approach	NFS	2.2.2 Socio-environmental policies and guidelines of the Group; A.3 Materiality analysis; 7. Fight against corruption
205-2	Communication and training about anti-corruption policies and procedures	NFS	7.3 Other topics of relevance in combating corruption; D. Tables listing GRI indicators and information
205-3	Confirmed incidents of corruption and actions taken	NFS	7.3 Other topics of relevance in combatting corruption
<b>GRI 207 TAX (GRI 2020)</b>			
103-1	Scope of the material topic	NFS	A. Methodological note
103-2/3	Management Approach	NFS	2.2.2 Socio-environmental policies and guidelines of the Group; D. Tables listing GRI indicators and information
207-1	Approach to tax	NFS	2.2.2 Socio-environmental policies and guidelines of the Group; D. Tables listing GRI indicators and information
207-2	Tax governance, control and risk management	NFS	D. Tables listing GRI indicators and information
207-3	Stakeholder engagement and management of concerns related to tax	NFS	D. Tables listing GRI indicators and information
207-4	Country-by-country reporting	NFS	B. Group companies included in the reporting scope by reporting topic; D. Tables listing GRI indicators and information
			The activities reported are grouped by geographical segment and have not been reported on tangible assets other than cash and cash equivalents. F.I.L.A. will evaluate ways to present information relating to this indicator in 2021.
<b>GRI 301 MATERIALS (GRI 2016)</b>			
103-1	Scope of the material topic	NFS	A. Methodological note
103-2/3	Management Approach	NFS	2.2.2 Socio-environmental policies and guidelines of the Group; A. Methodological note; A.3 Materiality analysis; 3.1 Respect for the environment and material topics for F.I.L.A.; 3.2 Use of raw materials
301-1	Materials used by weight or volume	NFS	3.2 Use of raw materials; D. Tables listing GRI indicators and information
			The NFS does not report the division of used materials in terms of renewable and non-renewable sources. For 2021, the 2021-2025 Sustainability Plan approved by the Group includes a project for the improvement of non-financial indicators.
<b>GRI 302 ENERGY (GRI 2016)</b>			
103-1	Scope of the material topic	NFS	A. Methodological note
103-2/3	Management Approach	NFS	2.2.2 Socio-environmental policies and guidelines of the Group; A.3 Materiality analysis; 3.1 Respect for the environment and material topics for F.I.L.A.; 3.3 Consumption of energy resources
302-1	Energy consumption within the organization	NFS	3.3 Consumption of energy resources; D. Tables listing GRI indicators and information
302-4	Reduction of energy consumption	NFS	3.3 Consumption of energy resources; D. Tables listing GRI indicators and information
<b>GRI 303 WATER (GRI 2018)</b>			
103-1	Scope of the material topic	NFS	A. Methodological note
103-2/3	Management Approach	NFS	2.2.2 Socio-environmental policies and guidelines of the Group; A.3 Materiality analysis; 3.1 Respect for the



GRI Standards			
DISCLOSURE	Document	Reference to paragraph/ /Note	Omissions
		environment and material topics for F.I.L.A.; 3.5 Water consumption	
303-1	Interactions with water as a shared resource	NFS	3.5 Water consumption
303-2	Management of water discharge-related impacts	NFS	3.5 Water consumption
303-3	Water withdrawal	NFS	D. Tables listing GRI indicators and information
303-4	Water discharge	NFS	3.5 Water consumption; D. Tables listing GRI indicators and information
<b>GRI 305 EMISSIONS (GRI 2016)</b>			
103-1	Scope of the material topic	NFS	A. Methodological note
103-2/3	Management Approach	NFS	2.2.2 Socio-environmental policies and guidelines of the Group; A.3 Materiality analysis; 3.1 Respect for the environment and material topics for F.I.L.A.; 3.4 Atmospheric emissions
305-1	Direct (Scope 1) GHG emissions	NFS	3.4 Atmospheric emissions; D. Tables listing GRI indicators and information;
305-2	Energy indirect. (Scope 2) GHG emissions	NFS	3.4 Atmospheric emissions; D. Tables listing GRI indicators and information;
305-6	Emissions of Ozone-Depleting Substances (ODS)	NFS	3.4 Atmospheric emissions
305-7	NOX, SOX and other significant air emissions	NFS	3.4 Atmospheric emissions; D. Tables listing GRI indicators and information;
<b>GRI 306 EFFLUENTS AND WASTE (GRI 2016)</b>			
103-1	Scope of the material topic	NFS	A. Methodological note
103-2/3	Management Approach	NFS	2.2.2 Socio-environmental policies and guidelines of the Group; 3.5 Water consumption; 3.6.1 Waste management
306-2	Waste by type and disposal method	NFS	3.6.1 Waste management; D. Tables listing GRI indicators and information
			In the 2020 NFS, this product waste disposal method was not reported. For 2021, the 2021-2025 Sustainability Plan approved by the Group includes a project for the improvement of non-financial indicators.
<b>GRI 307 ENVIRONMENTAL COMPLIANCE (GRI 2016)</b>			
103-1	Scope of the material topic	NFS	A. Methodological note
103-2/3	Management Approach	NFS	2.2.2 Socio-environmental policies and guidelines of the Group; 3.6.3 Compliance with environmental standards
307-1	Non-compliance with environmental laws and regulations (Scope 2)	NFS	3.6.3 Compliance with environmental standards
<b>GRI 401 EMPLOYMENT (GRI 2016)</b>			
103-1	Scope of the material topic	NFS	A. Methodological note
103-2/3	Management Approach	NFS	2.2.2 Socio-environmental policies and guidelines of the Group; 4.1 Respect for the individual and material topics for F.I.L.A.; 4.1.1 Composition of the workforce; 4.1.2 Personnel turnover
401-1	New employee hires and employee turnover	NFS	4.1.1 Composition of the workforce; 4.1.2 Personnel turnover; D. Tables listing GRI indicators and information
<b>GRI 403 OCCUPATIONAL HEALTH AND SAFETY (GRI 2018)</b>			
103-1	Scope of the material topic	NFS	A. Methodological note
103-2/3	Management Approach	NFS	2.2.2 Socio-environmental policies and guidelines of the Group; A.3 Materiality analysis; 4.3 Occupational health and safety
403-1	Health and Safety Management System	NFS	4.3 Occupational health and safety



GRI Standards			
DISCLOSURE	Document	Reference to paragraph/ /Note	Omissions
403-2	Hazard identification, risk assessment, and incident investigation	NFS	4.3 Occupational health and safety
403-3	Occupational health services	NFS	
403-4	Worker participation, consultation, and communication on occupational health and safety	NFS	
403-5	Worker training on occupational health and safety	NFS	4.3 Occupational health and safety
403-6	Promotion of worker health	NFS	2.5 COVID-19 impacts
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	NFS	2.5 COVID-19 impacts; 4.3 Occupational health and safety
403-9	Work-related injuries	NFS	4.3 Occupational health and safety
<p>This indicator is not reported in the NFS due to the difficulty of gathering data following the COVID-19 health emergency. For 2021, the 2021-2025 Sustainability Plan approved by the Group includes a project for the improvement of non-financial indicators.</p> <p>This indicator is not reported in the NFS due to the difficulty of gathering data following the COVID-19 health emergency. For 2021, the 2021-2025 Sustainability Plan approved by the Group includes a project for the improvement of non-financial indicators.</p> <p>The NFS does not report the injury rates for employees and non-contracted workers. In the sustainability plan, the Group has planned a project of indicator improvement for 2021.</p>			
<b>GRI 404 TRAINING AND EDUCATION (GRI 2016)</b>			
103-1	Scope of the material topic	NFS	A. Methodological note
103-2/3	Management Approach	NFS	2.2.2 Socio-environmental policies and guidelines of the Group; 4.1 Respect for the individual and material topics for F.I.L.A.; 4.1.4 Training
404-1	Average hours of training per year per employee	NFS	4.1 Respect for the individual and material topics for F.I.L.A.; 4.1.4 Training; D. Tables listing GRI indicators and information Average training hours per employee by gender in 2020 are: male 5.7 (5.3 in 2019, 5.7 in 2018) and female 6.8 (6.3 in 2019, in line with 2018). Average training hours per employee by category are the following: blue-collar 6 (4.3 in 2019, 4.9 in 2018), white-collar 6 (10.3 in 2019, 9.2 in 2018), and management 3.9 (14.8 in 2019, 12.1 in 2018). The decrease is mainly attributable to the challenges brought about by the COVID-19 health emergency.
<b>GRI 405 DIVERSITY AND EQUAL OPPORTUNITY (GRI 2016)</b>			
103-1	Scope of the material topic	NFS	A. Methodological note
103-2/3	Management Approach	NFS	2.2.2 Socio-environmental policies and guidelines of the Group; A.3 Materiality analysis; 2.4.1 Governance structure; 4.1 Respect for the individual and material topics for F.I.L.A.; 4.2 Equal opportunities
405-1	Diversity of governance bodies and employees	NFS	2.4.1 Governance structure; 4.1 Respect for the individual and material topics for F.I.L.A.; 4.2 Equal opportunities; D. Tables listing GRI indicators and information
<b>GRI 406 NON-DISCRIMINATION (GRI 2016)</b>			





GRI Standards			
DISCLOSURE	Document	Reference to paragraph/ /Note	Omissions
103-1	Scope of the material topic	NFS	A. Methodological note
103-2/3	Management Approach	NFS	2.2.2 Socio-environmental policies and guidelines of the Group; A.3 Materiality analysis; 5.4 Protecting diversity in local communities; 6.1 Respect for human rights
406-1	Incidents of discrimination and corrective action taken	NFS	5.4 Protecting diversity in local communities; 6.1 Respect for human rights
<b>GRI 407 FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING (GRI 2016)</b>			
103-1	Scope of the material topic	NFS	A. Methodological note
103-2/3	Management Approach	NFS	2.2.2 Socio-environmental policies and guidelines of the Group; A.3 Materiality analysis; 6.1 Respect for human rights; 6.2 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	6.2 Freedom of Association and collective bargaining
<b>GRI 409 FORCED OR COMPULSORY LABOR (GRI 2016)</b>			
103-1	Scope of the material topic	NFS	A. Methodological note
103-2/3	Management Approach	NFS	2.2.2 Socio-environmental policies and guidelines of the Group; 6.1 Respect for human rights; 6.2 Freedom of association and collective bargaining
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	NFS	6.1 Respect for human rights
<b>GRI 412 HUMAN RIGHTS ASSESSMENT (GRI 2016)</b>			
103-1	Scope of the material topic	NFS	A. Methodological note
103-2/3	Management Approach	NFS	2.2.2 Socio-environmental policies and guidelines of the Group; A.3 Materiality analysis; 6.1 Respect for human rights
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	NFS	6.1 Respect for human rights
The NFS does not report the percentage and total number of investment agreements and significant contracts including clauses on human rights or subject to relative screening. For 2021, the 2021-2025 Sustainability Plan approved by the Group includes a project for the improvement of non-financial indicators.			
<b>GRI 413 LOCAL COMMUNITIES (GRI 2016)</b>			
103-1	Scope of the material topic	NFS	A. Methodological note
103-2/3	Management Approach	NFS	2.2.2 Socio-environmental policies and guidelines of the Group; 5.5 Group social responsibility efforts
413-2	Operations with significant actual and potential negative impacts on local communities	NFS	5.5 Group social responsibility efforts
<b>GRI 414 SUPPLIER SOCIAL ASSESSMENT (GRI 2016)</b>			
103-1	Scope of the material topic	NFS	A. Methodological note
103-2/3	Management Approach	NFS	2.2.2 Socio-environmental policies and guidelines of the Group; Protecting diversity in local communities; Supplier relations
414-1	New suppliers that were screened using social criteria	NFS	5.3 Supplier relations
<b>GRI 416 CUSTOMER HEALTH AND SAFETY (GRI 2016)</b>			
103-1	Scope of the material topic	NFS	A. Methodological note





<b>GRI Standards</b>			
DISCLOSURE	Document	Reference to paragraph/ /Note	Omissions
103-2/3	Management Approach	NFS	2.2.2 Socio-environmental policies and guidelines of the Group; A.3 Materiality Analysis; 5.2 Product quality and safety
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	NFS	5.2 Product quality and safety
<b>GRI 417 MARKETING AND LABELING (GRI 2016)</b>			
103-1	Scope of the material topic	NFS	A. Methodological note
103-2/3	Management Approach	NFS	2.2.2 Socio-environmental policies and guidelines of the Group; 5.2 Product quality and safety
417-1	Requirements for product and service information and labeling	NFS	5.2 Product quality and safety
417-2	Incidents of non-compliance concerning product and service information and labeling	NFS	5.2 Product quality and safety
417-3	Incidents of non-compliance concerning marketing communications	NFS	5.2 Product quality and safety



## D. TABLES LISTING GRI INDICATORS AND 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.

### 1. IDENTITY AND PROFILE

#### 1.3 GROUP STRUCTURE AND SIZE

GRI 102-7							
DECEMBER 31, 2020							
<i>Euro thousands</i>	Europe	North America	Central & South America	Asia	Rest of the world	Consolidation	F.I.L.A. Group
Intangible assets	140,829	211,481	1,032	20,751	-	61,897	435,990
Property, plant and equipment	65,009	48,403	21,558	36,030	489	-	171,489
<b>Total PPE and intangible assets</b>	<b>205,838</b>	<b>259,884</b>	<b>22,590</b>	<b>56,781</b>	<b>489</b>	<b>61,897</b>	<b>607,479</b>
<i>of which Intragroup</i>	<i>(76)</i>						
Inventories	84,282	110,946	36,790	27,194	1,965	(4,889)	256,288
Trade receivables and other assets	80,689	30,280	36,411	13,845	1,331	(46,627)	115,929
Trade payables and other liabilities	(73,702)	(36,657)	(14,494)	(16,751)	(3,685)	44,747	(100,542)
Other current assets and other liabilities	2,151	2,299	382	76	-	-	4,908
<b>Net Working Capital</b>	<b>92,041</b>	<b>106,868</b>	<b>59,089</b>	<b>24,364</b>	<b>(389)</b>	<b>(5,390)</b>	<b>276,583</b>
<i>of which Intragroup</i>	<i>(11,660)</i>	<i>1,915</i>	<i>2,676</i>	<i>(1,425)</i>	<i>3,104</i>		
<b>Net Financial Debt</b>	<b>(208,813)</b>	<b>(231,068)</b>	<b>(41,077)</b>	<b>(8,777)</b>	<b>(2,481)</b>	<b>(1,240)</b>	<b>(493,456)</b>
<i>of which Intragroup</i>	<i>(1,240)</i>						

GRI 102-7							
DECEMBER 31, 2019							
<i>Euro thousands</i>	Europe	North America	Central & South America	Asia	Rest of the world	Consolidation	F.I.L.A. 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
<b>Total PPE and intangible current assets</b>	<b>173,668</b>	<b>286,287</b>	<b>27,545</b>	<b>67,743</b>	<b>242</b>	<b>61,137</b>	<b>616,622</b>
<i>of which Intragroup</i>	<i>(76)</i>						
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 other liabilities	1,465	2,700	153	(518)	-	-	3,800
<b>Net Working Capital</b>	<b>93,506</b>	<b>113,524</b>	<b>68,396</b>	<b>23,282</b>	<b>832</b>	<b>(4,662)</b>	<b>294,878</b>
<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>		
<b>Net Financial Debt</b>	<b>(189,531)</b>	<b>(256,843)</b>	<b>(42,913)</b>	<b>(7,599)</b>	<b>(2,185)</b>	<b>921</b>	<b>(498,150)</b>
<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							
<i>Euro thousands</i>	Europe	North America	Central & South America	Asia	Rest of the world	Consolidation	F.I.L.A. Group
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
<b>Total PPE and intangible assets</b>	<b>158,663</b>	<b>184,100</b>	<b>8,813</b>	<b>53,767</b>	<b>157</b>	<b>144,896</b>	<b>550,396</b>
<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 other liabilities	2,457	780	(490)	(676)			2,071
<b>Net Working Capital</b>	<b>91,739</b>	<b>137,194</b>	<b>64,714</b>	<b>21,448</b>	<b>1,045</b>	<b>(5,558)</b>	<b>310,582</b>
<i>of which Intragroup</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>		
<b>Net Financial Debt</b>	<b>(165,337)</b>	<b>(257,996)</b>	<b>(25,932)</b>	<b>1,117</b>	<b>(4,822)</b>	<b>199</b>	<b>(452,770)</b>
<i>of which Intragroup</i>	<i>200</i>						



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GRI 102 -7							
2020							
	Europe	North America	Central & South America	Asia	Rest of the world	Consolidation	F.I.L.A. Group
<i>Euro thousands</i>							
Revenue from sales and services	297,426	322,177	61,105	85,927	3,369	(162,622)	607,382
<i>of which Intragroup</i>	<i>(84,940)</i>	<i>(12,546)</i>	<i>(30,762)</i>	<i>(34,217)</i>	<i>(158)</i>		
Gross operating profit (loss)	36,426	45,704	4,423	10,445	(368)	(1,579)	95,501
Operating Result	18,525	29,632	946	2,721	(1,076)	(1,230)	49,518
Net Financial Income (Expense)	(11,077)	(13,188)	(7,127)	1,673	116	(5,628)	(35,231)
<i>of which Intragroup</i>	<i>1,953</i>	<i>(5,372)</i>	<i>156</i>	<i>(2,464)</i>	<i>99</i>		
<b>Profit/(loss) for the year</b>	<b>7,757</b>	<b>9,838</b>	<b>(5,898)</b>	<b>3,941</b>	<b>(1,035)</b>	<b>(6,481)</b>	<b>8,122</b>
Non-controlling interests	314	248	-	(1,044)	(3)	-	(485)
<b>Profit (loss) for the year attributable to the owners of the Parent</b>	<b>7,445</b>	<b>9,590</b>	<b>(5,898)</b>	<b>4,985</b>	<b>(1,032)</b>	<b>(6,481)</b>	<b>8,607</b>

GRI 102 -7							
2019							
	Europe	North America	Central & South America	Asia	Rest of the world	Consolidation	F.I.L.A. 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>		
<b>Profit/(loss) for the year</b>	<b>21,134</b>	<b>20,048</b>	<b>(990)</b>	<b>8,807</b>	<b>(1,165)</b>	<b>(21,729)</b>	<b>26,105</b>
Non-controlling interests	81	-	-	2,025	(1)	-	2,105
<b>Profit (loss) for the year attributable to the owners of the Parent</b>	<b>21,053</b>	<b>20,048</b>	<b>(990)</b>	<b>6,782</b>	<b>(1,164)</b>	<b>(21,729)</b>	<b>24,000</b>

GRI 102-7							
2018							
	Europe	North America	Central & South America	Asia	Rest of the world	Consolidation	F.I.L.A. 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 Income (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>		
<b>Profit/(loss) for the year</b>	<b>(38,227)</b>	<b>11,542</b>	<b>523</b>	<b>5,738</b>	<b>(1,109)</b>	<b>31,994</b>	<b>10,461</b>
Non-controlling interests	318	-	-	1,442	(46)		1,714
<b>Profit (loss) for the year attributable to the owners of the Parent</b>	<b>(38,545)</b>	<b>11,542</b>	<b>523</b>	<b>4,296</b>	<b>(1,063)</b>	<b>31,994</b>	<b>8,747</b>





GRI 102-5							
DECEMBER 31, 2020							
Shareholders	Ordinary shares	Shares Class B	Total Capital		Total votes = Voting capital		Ordinary capital
Pencil	13,694,564	8,081,856	21,776,420	42.67%	37,940,132	56.455%	31.879%
Market	29,263,628	0	29,263,628	57.33%	29,263,628	43.545%	68.121%
<b>Total</b>	<b>42,958,192</b>	<b>8,081,856</b>	<b>51,040,048</b>	<b>100.00%</b>	<b>67,1203,760</b>	<b>100.00%</b>	<b>100.00%</b>
	84.16%	15.834%					
<b>Total €</b>	<b>39,530,525.10</b>	<b>7,435,843</b>	<b>46,967523,68</b>			43.545%	68.121%

GRI 102-5							
DECEMBER 31, 2019							
Shareholders	Ordinary shares	Shares Class B	Total Capital		Total votes = Voting capital		Ordinary capital
Pencil	13,694,564	8,081,856	21,776,420	42.74%	37,940,132	56.5321%	31.947%
Market	29,192,376	0	29,172,376	48.86%	29,172,376	37.08%	68.0533%
<b>Total</b>	<b>42,866,940</b>	<b>8,081,856</b>	<b>50,948,796</b>	<b>100.00%</b>	<b>67,112,508</b>	<b>100.00%</b>	<b>100.00%</b>
	84.137%	15.863%					
<b>Total €</b>	<b>39,440,428</b>	<b>7,435,843</b>	<b>46,876,271</b>				

GRI 102-5							
DECEMBER 31, 2018							
Shareholders	Ordinary shares	Shares Class B	Total Capital		Total votes = Voting capital		Ordinary capital
Pencil	13,694,564	8,081,856	21,776,420	42.81%	37,940,132	56.60%	32.00%
VEI	3,875,832		3,875,832	7.62%	3,875,832	5.78%	9.06%
Sponsor	361,291		361,291	0.71%	361,291	0.54%	0.85%
Market	24,857,197		24,857,197	48.86%	24,857,197	37.08%	58.09%
<b>Total</b>	<b>42,788,884</b>	<b>8,081,856</b>	<b>50,870,740</b>	<b>100.00%</b>	<b>67,034,452</b>	<b>100.00%</b>	<b>100.00%</b>
	84.113%	15.887%					
<b>Total €</b>	<b>39,364,364.56</b>	<b>7,435,041.44</b>	<b>46,799,406</b>				





## 2. STRATEGY, BUSINESS MODEL & SUSTAINABILITY

### 2.3.2 GEOGRAPHIC ORGANISATION

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 (DE)	-Daler-Rowney (DE)	- Fila Specialty Papers, LLC (USA)	-Fila Chile (RCH)	-Xinjiang Fila-Dixon Plantation Company (RC)	-Canson Australia PTY (AUS)
-Lyra Bleistift-Fabrik Verwaltungs (DE)	-Lukas-Nerchau (DE)	-Dixon Canadian Holding Inc. (CA)	- Fila Argentina (RA)	- PT. Lyra Akrelux (RI)	
-Fila Nordic (SUE)	-Nerchauer Malfarben (DE)	- Dixon Ticonderoga ART ULC (CAN)	- Canson 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)			-Pioneer Stationery (IND)	
-Fila Polska (PL)	-Fila Arches (FR)			-Uniwrite Pens and Plastics Pvt (IND)	
-Renoir Topco (UK)	-Lodi 12 (FR)			-Princeton HK Co (HK)	
-Renoir Midco (UK)	-Canson Italy (IT)			-Fila Art and Craft (IL)	
-Renoir Bidco (UK)	-Fila Art Products (CH)				
-Daler-Rowney (UK)	-Castle Hill Crafts (UK)				
	-Creativity Intl (UK)				

#### GRI 207 TAX

##### GRI 103-2/3

The F.I.L.A. Group has made a commitment to respecting the ethical principles and rules on company integrity in the Ethics Code, including in the tax area. Although it has not formally set out a tax policy in a specific document, the Group constantly implements the principles of sound management of tax matters, ensuring that all Group companies comply with the tax legislation applicable in the countries in which it operates. Proper observation of tax obligations is monitored through the Group's organisation model, which identifies roles and responsibilities, operating and control activities and the necessary information flows.

##### GRI 207-1 Approach to tax

The Group promotes awareness among Directors and employees with regard to tax risk with the support of the Executive Officer for Financial Reporting/Chief Financial Officer (CEO) and external consultants. For the individual companies of the Group, responsibility goes to the Chief Executive Officer (CEO) supported by the finance manager and external tax consultants.

At the Group level, tax risks are monitored and analysed by the CFO/Executive Officer for Financial Reporting, supported by a tax consultant and related finance managers (for tax issues related to foreign subsidiaries). The most complex tax issues are directed to the CEO for assessment.

The mechanisms for reporting tax issues are the same as those adopted by the Group for other unethical or illicit conduct (i.e. by e-mail to the Supervisory Board using the address given to all those covered by the Model: [odv@fila.it](mailto:odv@fila.it) .....

For the Parent Company and the subsidiaries subject to auditing, the calculation of taxes, done with the support of the tax consultant, is subject to review by the related finance manager and to auditing by the independent audit firm. For subsidiaries not subject to audits, this verification is done by the finance manager.





## GRI 207-2 Tax governance, control and risk management

The CEO and the CFO/Executive Officer for Financial Reporting are involved in strategic and operational decisions of a fiscal nature. They are responsible for monitoring the management of tax risk, the performance of the Finance function, and the resources allocated in order to reduce tax risk.

By way of the financial reporting system and tool, the Parent Company acquires (direct and indirect) tax data from the subsidiaries. This information is analysed by the Parent Company in order to prepare the consolidated financial statements and to assess the Group's fiscal strategy.

## GRI 207-3 Stakeholder engagement and management of concerns related to tax

The F.I.L.A. Group maintains proper, collaborative and transparent relations with the tax authorities in the various countries in which the Group operates and replies to requests received as quickly and transparently as possible. In order to consolidate transparency in its dealings with the tax authorities, F.I.L.A. voluntarily adheres to the provisions regarding transfer pricing documentation, in compliance with the OECD Transfer Pricing Guidelines. FIN QUI

GRI 207-4							
COUNTRY-BY-COUNTRY REPORTING FOR 2020							
	Europe	North America	Central & South America	Asia	Rest of the world	Consolidation	F.I.L.A. Group
<i>Euro thousands</i>							
Revenue from sales and services	297,426	322,177	61,105	85,927	3,369	(162,622)	607,382
<i>of which Intragroup</i>	<i>(84,940)</i>	<i>(12,546)</i>	<i>(30,762)</i>	<i>(34,217)</i>	<i>(158)</i>		
Gross operating profit (loss)	36,426	45,704	4,423	10,445	(368)	(1,579)	95,501
Operating Result	18,525	29,632	946	2,721	(1,076)	(1,230)	49,518
Net financial income (expense)	(11,077)	(13,188)	(7,127)	1,673	116	(5,628)	(35,231)
<i>of which Intragroup</i>	<i>1,611</i>	<i>(5,372)</i>	<i>156</i>	<i>(2,464)</i>	<i>99</i>		
<b>Current and deferred taxes</b>	<b>311</b>	<b>(6,606)</b>	<b>283</b>	<b>(454)</b>	<b>(76)</b>	<b>376</b>	<b>(6,165)</b>
<b>Profit/(loss) for the year</b>	<b>7,757</b>	<b>9,838</b>	<b>(5,898)</b>	<b>3,941</b>	<b>(1,035)</b>	<b>(6,481)</b>	<b>8,122</b>

## 3. MATERIAL ENVIRONMENTAL TOPICS

### 3.2 USE OF RAW MATERIALS

GRI 301-1									
TIMBER ACQUIRED AND CERTIFICATIONS	2020			2019			2018		
	Amount	of which certified	Type of certificate	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>		<i>cubic meters</i>	<i>%</i>	
Logs	26,810	0%	FSC	42,228	8%	FSC	33,603	0%	FSC
Slats	18,985	29%	FSC	27,276	40%	FSC	23,930	20%	FSC
Planks	1,080	100%	PEFC	289	0%	PEFC	8,245	100%	PEFC
<b>Total</b>	<b>46,875</b>			<b>69,793</b>			<b>65,778</b>		





GRI 301-1			
OTHER MATERIALS ACQUIRED	2020	2019	2018
Unit	kg	kg	kg
Untreated plastic raw material (PHE/PHEG/ABS/ECC)	5,598,360	8,009,576	8,105,896
Calcium carbonate	12,537,061	14,131,844	11,701,708
Calcium sulphate	906,862	494,169	1,038,817
Clay	4,905,418	4,313,378	6,280,135
Kaolin	584,558	421,210	457,561
Graphite dusts	1,013,102	1,281,078	1,416,716
Cellulose fibre	11,249,828	13,928,063	14,838,739
Paper rolls	61,363,206	70,012,570	68,414,413
Paper sheets	821,994	1,238,264	1,766,191
Pre-dispersed acrylic resins	600,881	647,333	646,467
Purchased Semi-processed inks	541,121	514,719	487,693
Talc	1,483,083	1,421,025	1,993,352
Corn starch	692,311	731,739	786,415
Flour	421,905	775,379	1,572,985
Pigments	836,998	1,169,106	1,049,673
<b>Total</b>	<b>103,556,687</b>	<b>119,089,453</b>	<b>120,556,761</b>

### 3.3 CONSUMPTION OF ENERGY RESOURCES

GRI 302-1				
ENERGY CONSUMPTION	Unit	2020	2019	2018
Electricity	MWh	65,784	81,874	78,464
Thermal energy	Mega Joules	36,637,784	36,779,784	36,928,143
Steam	Mega Joules	28,249,050	33,764,718	37,745,208

GRI 302-1			
CONSUMPTION OF ENERGY FROM NON-RENEWABLE SOURCES			
Mega Joules	2020	2019	2018
Fuel oil	3,948,825	3,843,454	3,045,393
Diesel	2,975,051	4,809,136	5,515,357
Coal	0	0	0
Natural gas	160,224,212	171,539,378	183,552,896
<b>Total</b>	<b>167,148,088</b>	<b>180,191,968</b>	<b>192,113,646</b>

GRI 302-4				
REDUCTION OF ENERGY CONSUMPTION	Companies concerned	2020	2019	2018
Unit		Mega Joules	Mega Joules	Mega Joules
Savings on lighting	Canson France	.	10,875,372	518,400
Savings on lighting	Dixon Ticonderoga Company	1,917,500	288,000	N/A
Reduction of compressed air losses and use of LED lighting	Dixon Ticonderoga Company	-	-	500,000





GRI 302-4				
REDUCTION OF ENERGY CONSUMPTION	Companies concerned	2020	2019	2018
<i>Unit</i>		Mega Joules	Mega Joules	Mega Joules
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

### 3.4 ATMOSPHERIC EMISSIONS

GRI 305-1 305-2				
GREENHOUSE EFFECT GAS EMISSIONS				
<i>Tons of CO2</i>		2020	2019	2018
Direct (Scope 1) GHG emissions		25,917	28,008	26,992
	Of which Biomass	16,415	17,743	16,060
Energy indirect (Scope 2) GHG emissions		36,173	45,072	45,934
<b>Total CO2 emissions</b>		<b>62,090</b>	<b>73,080</b>	<b>72,926</b>

GRI 305-7				
OTHER SIGNIFICANT EMISSIONS				
<i>kg</i>		2020	2019	2018
Persistent organic pollutants (POP)		0	69	71
Volatile Organic Compounds (VOC)		5,634	33,080	34,139
Hazardous air pollutants (HAP)		0	0	0
Particulate matters (PM)		20,560	5,524	5,518
<b>Total other significant emissions</b>		<b>26,194</b>	<b>38,673</b>	<b>39,728</b>

### 3.5 WATER CONSUMPTION

GRI 303-3				
WATER WITHDRAWAL				
<i>Cubic meters</i>		2020	2019	2018
Surface waters		652,943	678,141	767,306
Groundwater (from aquifers)		830,426	1,130,429	996,048
Rainwater - collected directly and stored		1,298	1,274	1,132
Municipal water supplies or water supplies from other public/private suppliers		86,856	105,315	153,863
Waste waters from other organisations or companies		0	0	0
<b>Total withdrawn</b>		<b>1,571,523</b>	<b>1,915,159</b>	<b>1,918,349</b>



GRI 303-3				
WATER WITHDRAWAL BY WATER-STRESS AREA				
	PRODUCTION SITE	COMPANY	COUNTRY	OVERALL RISK LEVEL BY COUNTRY
1	San Isidro	FILA ARGENTINA	ARGENTINA	MEDIUM-LOW
2	Domingos Giomi	CANSON BRAZIL	BRAZIL	HIGH
3	Barrie	DIXON TICONDEROGA ART CANADA	CANADA	LOW
4	Kunshan	DIXON KUNSHAN	CHINA	HIGH
5	Xinjiang	DIXON PLANTATION	CHINA	VERY HIGH
6	Yixing	DIXON ART & CRAFT	CHINA	HIGH
7	Annonay	CANSON SAS	FRANCE	LOW
8	Saint-germain La Ville	CANSON SAS	FRANCE	MEDIUM-LOW
9	Baldershime	CANSON SAS	FRANCE	LOW
10	Arches	FILA ARCHES	FRANCE	MEDIUM-LOW
11	Nuremberg	LYRA KG	GERMANY	MEDIUM-LOW
12	Umbergaom	DOMS INDIA	INDIA	VERY HIGH
13	Jammu	DOMS INDIA	INDIA	VERY HIGH
14	Rufina	FILA SPA	ITALY	HIGH
15	Mediglia	INDUSTRIA MAIMERI	ITALY	LOW
16	Mexico City	DIXON MEXICO	MEXICO	HIGH
17	Oaxaca	DIXON MEXICO	MEXICO	MEDIUM-LOW
18	La Romana	BRIDESHORE	DOMINICAN REPUBLIC	HIGH
19	Brecknell	DALER ROWNEY	UK	MEDIUM-LOW
20	St. Cuthberts Mill	ST. CUTHBERTS	UK	LOW
21	Appleton	DIXON USA	USA	LOW
22	Neenah	DIXON USA	USA	LOW

SOURCE: <https://www.wri.org/applications/aqueduct/water-risk-atlas>

GRI 303-3		
WATER WITHDRAWAL - HIGH WATER-RISK AREAS		
<i>Cubic meters</i>	2020	2019
Surface waters	0	0
Groundwater (from aquifers)	820,779	1,115,685
Rainwater - collected directly and stored	1,298	1,274
Municipal water supplies or water supplies from other public/private suppliers	6,889	11,522
Waste waters from other organisations or companies	0	0
<b>Total withdrawn</b>	<b>828,966</b>	<b>1,128,481</b>

GRI 303-4			
WATER DISCHARGE			
<i>Cubic meters</i>	2020	2019	2018
Sub surface waters (excluding groundwater)	18,583	0	0
Surface waters	629,197	664,031	762,293
Waste water discharged into treatment plants	17,087	44,315	34,295
Groundwater aquifer waters	17,030	15,355	18,425
<b>Total waste waters</b>	<b>681,897</b>	<b>723,701</b>	<b>815,013</b>

GRI 303-4		
WATER DISCHARGE - HIGH WATER-RISK AREAS		
<i>Cubic meters</i>	2020	2019
Sub surface waters (excluding groundwater)	0	0
Surface waters	0	0
Waste water discharged into treatment plants	0	0
Groundwater aquifer waters	0	0
<b>Total waste waters</b>	<b>0</b>	<b>0</b>



## 3.6 OTHER ENVIRONMENTAL TOPICS

### 3.6.1 WASTE MANAGEMENT

GRI 306-2									
WASTE PRODUCED									
kg	2020			2019			2018		
	hazardous	non-hazardous	total	hazardous	non-hazardous	total	hazardous	non-hazardous	total
Solid waste	60,581	9,739,383	9,799,964	48,724	11,483,356	11,532,080	32,847	12,606,570	12,639,417
Liquid waste	46,178	687,325	733,503	45,446	626,752	672,198	43,234	698,077	741,311
<b>Total waste</b>	<b>106,759</b>	<b>10,426,708</b>	<b>10,533,467</b>	<b>94,170</b>	<b>12,110,108</b>	<b>12,204,278</b>	<b>76,081</b>	<b>13,304,647</b>	<b>13,380,728</b>

## 4. EMPLOYMENT TOPICS

### 4.1 RESPECT FOR THE INDIVIDUAL AND MATERIAL TOPICS FOR F.I.L.A.

#### 4.1.1 COMPOSITION OF THE WORKFORCE

GRI 102-8									
EMPLOYEE BREAKDOWN									
Number of employees	2020			2019			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Full-time employees	4,300	3,669	7,969	5,315	4,658	9,973	5,038	4,408	9,446
Part-time employees	33	68	101	23	71	94	34	80	114
<b>Total</b>	<b>4,333</b>	<b>3,737</b>	<b>8,070</b>	<b>5,338</b>	<b>4,729</b>	<b>10,067</b>	<b>5,072</b>	<b>4,488</b>	<b>9,560</b>
% of total	54%	46%	100%	53%	47%	100%	53.1%	46.9%	100%

GRI 102-8									
EMPLOYEE BREAKDOWN BY GEOGRAPHICAL SEGMENT, GENDER AND CONTRACT TYPE									
Number of employees	2020								
	Full-time			Part time			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Europe	666	377	1,043	15	57	72	681	434	1,115
North America	346	227	573	15	6	21	361	233	594
Central/South America	656	846	1,502	0	1	1	656	857	1,503
Asia	2,623	2,206	4,829	0	1	1	2,623	2,207	4,830
Rest of the World	9	13	22	3	3	6	12	16	28
<b>Total</b>	<b>4,300</b>	<b>3,669</b>	<b>7,969</b>	<b>33</b>	<b>68</b>	<b>101</b>	<b>4,333</b>	<b>3,737</b>	<b>8,070</b>





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
<b>Total</b>	<b>5,315</b>	<b>4,658</b>	<b>9,973</b>	<b>23</b>	<b>71</b>	<b>94</b>	<b>5,338</b>	<b>4,729</b>	<b>10,067</b>

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	18	11	29	1	4	5	19	15	34
<b>Total</b>	<b>5,038</b>	<b>4,408</b>	<b>9,446</b>	<b>34</b>	<b>80</b>	<b>114</b>	<b>5,072</b>	<b>4,488</b>	<b>9,560</b>

GRI 405-1												
EMPLOYEE BREAKDOWN BY CATEGORY AND GEOGRAPHICAL SEGMENT												
Number of employees	2020				2019				2018			
	White-collar	Blue-collar	Manager	Total	White-collar	Blue-collar	Manager	Total	White-collar	Blue-collar	Manager	Total
Europe	414	584	117	1,115	420	551	110	1,081	419	550	107	1,076
North America	118	399	77	594	159	479	79	717	153	465	87	705
Central/ South America	472	1,009	22	1,503	526	1,375	14	1,915	433	1,413	14	1,860
Asia	957	3,841	32	4,830	1,033	5,266	32	6,331	926	4,932	28	5,886
Rest of the world	13	11	4	28	13	6	4	23	17	10	6	33
<b>Total</b>	<b>1,974</b>	<b>5,844</b>	<b>252</b>	<b>8,070</b>	<b>2,151</b>	<b>7,677</b>	<b>239</b>	<b>10,067</b>	<b>1,948</b>	<b>7,370</b>	<b>242</b>	<b>9,560</b>

*Including changes in categorisation during the period*



GRI 405-1															
EMPLOYEE BREAKDOWN BY AGE AND GEOGRAPHICAL SEGMENT															
Number of employees	2020					2019					2018				
	< 30	31-40	41-50	>50	Total	< 30	31-40	41-50	>50	Total	< 30	31-40	41-50	>50	Total
Europe	140	196	379	400	1,115	128	192	373	388	1,081	121	202	369	384	1,076
North America	144	138	131	181	594	147	172	160	238	717	121	162	157	265	705
Central/South America	550	389	387	177	1,503	672	485	455	303	1,915	631	440	467	322	1,860
Asia	3,043	1,177	505	105	4,830	4,128	1,474	612	117	6,331	3,879	1,354	540	113	5,886
Rest of the	7	7	11	3	28	4	7	7	5	23	8	12	10	3	33
<b>Total</b>	<b>3,884</b>	<b>1,907</b>	<b>1,413</b>	<b>866</b>	<b>8,070</b>	<b>5,079</b>	<b>2,330</b>	<b>1,607</b>	<b>1,051</b>	<b>10,067</b>	<b>4,760</b>	<b>2,170</b>	<b>1,543</b>	<b>1,087</b>	<b>9,560</b>

*Including changes in the data during the period*

#### 4.1.2 PERSONNEL TURNOVER

GRI 401-1												
TURNOVER BY CATEGORY												
Number of employees	2020				2019				2018			
	White-collar	Blue-collar	Manager	Total	White-collar	Blue-collar	Manager	Total	White-collar	Blue-collar	Manager	Total
Total number of employees at the beginning of the year	2,151	7,677	239	10,067	1,948	7,370	242	9,560	1,819	6,439	181	8,439
Hires in the year**	387	3,923	24	4,334	760	5,364	27	6,151	672*	5,534*	89*	6,295*
Departures in the year	(559)	(5,752)	(20)	(6,331)	(557)	(5,056)	(31)	(5,644)	(536)	(4,603)	(35)	(5,174)
Career advancement	(5)	(4)	9	0	0	(1)	1	0	(7)	0	7	0
<b>Total</b>	<b>1,974</b>	<b>5,844</b>	<b>252</b>	<b>8,070</b>	<b>2,151</b>	<b>7,677</b>	<b>239</b>	<b>10,067</b>	<b>1,948</b>	<b>7,370</b>	<b>242</b>	<b>9,560</b>

*In italics and with \* figures restated*

*\*\* figures include hires at companies acquired during the reporting period*

GRI 401-1									
TURNOVER BY GENDER									
Number of employees	2020			2019			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Total number of employees at the beginning of the year	5,338	4,729	10,067	5,072	4,488	9,560	4,436	4,003	8,439
Hires in the year**	2,474	1,860	4,334	3,863	2,288	6,151	3,756*	2,539*	6,295*
Departures in the year	(3,479)	(2,852)	(6,331)	(3,597)	(2,047)	(5,644)	(3,120)	(2,054)	(5,174)
<b>Total employees at year-end</b>	<b>4,333</b>	<b>3,737</b>	<b>8,090</b>	<b>5,338</b>	<b>4,729</b>	<b>10,067</b>	<b>5,072</b>	<b>4,488</b>	<b>9,560</b>

*In italics and with \* figures restated*

*\*\* figures include hires at companies acquired during the reporting period*



GRI 401-1									
TRAINING BY GENDER AND GEOGRAPHICAL SEGMENT									
Number of employees	2020								
	Male			Female			Total		
	Hires	Departures	Total	Hires	Departures	Total	Hires	Departures	Total
Europe	134	(118)	16	87	(69)	18	221	(187)	34
North America	103	(180)	(77)	47	(93)	(46)	150	(273)	(123)
Central/South America	263	(408)	(145)	401	(668)	(267)	664	(1,076)	(412)
Asia	1,967	(2,769)	(802)	1,323	(2,022)	(699)	3,290	(4,791)	(1,501)
Rest of the	7	(3)	4	2	(1)	1	9	(4)	5
<b>Total</b>	<b>2,474</b>	<b>(3,478)</b>	<b>(1,004)</b>	<b>1,860</b>	<b>(2,853)</b>	<b>(993)</b>	<b>4,334</b>	<b>(6,331)</b>	<b>(1,977)</b>

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	1	(15)	(14)	7	(4)	3	8	(19)	(11)
<b>Total</b>	<b>3,863</b>	<b>(3,597)</b>	<b>266</b>	<b>2,288</b>	<b>(2,047)</b>	<b>241</b>	<b>6,151</b>	<b>(5,644)</b>	<b>507</b>

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	6	(5)	1	5	(8)	(3)	11	(12)	(1)
<b>Total</b>	<b>3,328</b>	<b>(3,055)</b>	<b>273</b>	<b>2,279</b>	<b>(1,999)</b>	<b>280</b>	<b>5,607</b>	<b>(5,053)</b>	<b>554</b>

GRI 401-1															
TURNOVER BY AGE															
Number of employees	2020					2019					2018				
	< 30	31-40	41-50	>50	Total	< 30	31-40	41-50	>50	Total	< 30	31-40	41-50	>50	Total
Total number of employees at the beginning of the year	5,079	2,330	1,607	1,051	10,067	4,760	2,170	1,543	1,087	9,560	4,046	2,053	1,405	935	8,439
Hires in the year**	2,837	956	414	127	4,334	4,324	1,211	479	137	6,151	4,156*	1,238*	556*	345*	6,295*





GRI 401-1															
TURNOVER BY AGE															
Number of employees	2020					2019					2018				
	< 30	31-40	41-50	>50	Total	< 30	31-40	41-50	>50	Total	< 30	31-40	41-50	>50	Total
Departures in the year	(3,891)	(1,449)	(632)	(359)	(6,331)	(3,992)	(1,055)	(406)	(191)	(5,644)	(3,372)	(1,146)	(439)	(217)	(5,174)
Change in age group	(141)	70	24	47	0	(13)	4	(9)			(70)	25	21	24	0
<b>Total</b>	<b>3,884</b>	<b>1,907</b>	<b>1,413</b>	<b>866</b>	<b>8,070</b>	<b>5,079</b>	<b>2,330</b>	<b>1,607</b>	<b>1,051</b>	<b>10,067</b>	<b>4,760</b>	<b>2,170</b>	<b>1,543</b>	<b>1,087</b>	<b>9,560</b>

*In italics and with \* figures restated*

*\*\* figures include hires at companies acquired during the reporting period*

GRI 401-1															
TURNOVER BY AGE AND GEOGRAPHICAL SEGMENT															
Number of employees	2020					2019					2018				
	< 30	31-40	41-50	>50	Total	< 30	31-40	41-50	>50	Total	< 30	31-40	41-50	>50	Total
Europe	11	3	11	9	34	7	(10)	4	4	5	(4)	(5)	(22)	(39)	(70)
North America	(3)	(34)	(29)	(57)	(123)	26	10	3	(27)	12	22	(9)	4	(5)	12
Central/South America	(122)	(96)	(68)	(126)	(412)	41	45	(12)	(19)	55	(41)	62	28	(25)	24
Asia	(1,085)	(297)	(107)	(12)	(1,501)	249	121	72	4	446	661	(72)	13	20	622
Rest of the world	3	0	4	(2)	5	(4)	(6)	(3)	2	(11)	0	2	2	(5)	(1)
<b>Total</b>	<b>(1,196)</b>	<b>(424)</b>	<b>(189)</b>	<b>(188)</b>	<b>(1,997)</b>	<b>319</b>	<b>160</b>	<b>64</b>	<b>(36)</b>	<b>507</b>	<b>638</b>	<b>(22)</b>	<b>25</b>	<b>(54)</b>	<b>587</b>

## 4.13 TRAINING

GRI 404-1									
TRAINING BY GENDER AND TOPIC									
Hours	2020			2019			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Operator training	16,460	19,515	35,975	17,165	22,435	39,600	15,828	17,003	32,831
Health and Safety	6,732	4,772	11,504	7,242	3,642	10,884	9,065	6,315	15,380
Foreign languages	461	724	1,185	2,132	2,109	4,241	1,560	2,469	4,029
Other training courses	0	0	0	0	0	0	543	1,009	1,552
IT	497	187	684	989	442	1,431	1,188	953	2,141
Risk Management	294	248	542	320	435	755	485	416	901
Anticorruption and Antibribery	68	73	141	706	770	1,476	72	87	159
<b>Total</b>	<b>24,512</b>	<b>25,518</b>	<b>50,030</b>	<b>28,554</b>	<b>29,833</b>	<b>58,387</b>	<b>28,741</b>	<b>28,252</b>	<b>56,993</b>

GRI 404-1									
TRAINING BY GENDER AND GEOGRAPHICAL SEGMENT									
Hours	2020			2019			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Europe	7,446	4,379	11,825	8,653	5,593	14,246	10,555	5,821	16,376
North America	2,021	654	2,675	4,340	4,849	9,189	4,133	3,158	7,291
Central/South America	10,406	16,263	26,669	10,300	14,599	24,899	8,036	13,876	21,912
Asia	4,639	4,214	8,853	5,261	4,792	10,053	5,994	5,377	11,371
Rest of the world	0	8	8	0	0	0	23	20	43
<b>Total</b>	<b>24,512</b>	<b>25,518</b>	<b>50,030</b>	<b>28,554</b>	<b>29,833</b>	<b>58,387</b>	<b>28,741</b>	<b>28,252</b>	<b>56,993</b>





GRI 404-1												
TRAINING BY PROFESSIONAL CATEGORY AND TOPIC												
Hours	2020				2019				2018			
	White-collar	Blue-collar	Management	Total	White-collar	Blue-collar	Management	Total	White-collar	Blue-collar	Management	Total
Operator training	9,927	25,562	486	35,975	14,845	22,785	1,971	39,600	8,092	23,080	1,659	32,831
Health and Safety	1,575	9,569	360	11,504	2,134	8,165	585	10,884	2,693	12,098	589	15,380
Foreign languages	1,090	40	55	1,185	3,442	252	548	4,242	3,500	224	305	4,029
Other topics	0	0	0	0	0	0	0	0	1,552	0	0	1,552
IT	609	42	33	684	992	94	345	1,431	1,431	458	252	2,141
Risk Management	247	284	11	542	193	495	67	755	597	222	82	901
Anticorruption and Antibribery	109	15	17	141	523	930	24	1,476	104	25	30	159
<b>Total</b>	<b>13,557</b>	<b>35,512</b>	<b>961</b>	<b>50,030</b>	<b>22,128</b>	<b>32,720</b>	<b>3,539</b>	<b>58,387</b>	<b>17,969</b>	<b>36,107</b>	<b>2,917</b>	<b>56,993</b>

### 4.3 OCCUPATIONAL HEALTH AND SAFETY

DAYS OF EXCUSED ABSENCE									
Days	2020			2019			2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Accident	1,081	754	1,835	3,933	1,456	5,389	1,651	525	2,176
Illness	8,908	9,812	18,720	8,219	8,674	16,893	8,393	8,844	17,237
Other reasons	245,159	292,589	537,749	174,224	156,097	330,321	156,147	142,008	298,155
<b>Total</b>	<b>255,148</b>	<b>303,156</b>	<b>558,304</b>	<b>186,376</b>	<b>166,227</b>	<b>352,603</b>	<b>166,191</b>	<b>151,377</b>	<b>317,568</b>

REASONS FOR ABSENT DAYS BY GEOGRAPHICAL SEGMENT												
Days	2020				2019				2018			
	accident	illness	other reasons	total	accident	illness	other reasons	total	accident	illness	other reasons	total
Europe	391	11,933	6,235	18,559	160	10,315	2,030	12,505	449	10,332	2,044	12,825
North America	18	0	11,608	11,626	10	27	3,529	3,566	50	682	2,496	3,228
Central/South America	820	6,112	16,187	23,119	4,312	5,282	7,459	17,053	1,013	3,873	17,280	22,166
Asia	606	675	503,719	505,000	907	1,200	317,210	319,317	664	2,205	276,326	279,195
Rest of the world	0	0	0	0	0	69	93	162	0	145	9	154
<b>Total</b>	<b>1,835</b>	<b>18,720</b>	<b>537,749</b>	<b>558,304</b>	<b>5,389</b>	<b>16,893</b>	<b>330,321</b>	<b>352,603</b>	<b>2,176</b>	<b>17,237</b>	<b>298,155</b>	<b>317,568</b>

## 7. FIGHT AGAINST CORRUPTION

### 7.1 ANTI-CORRUPTION

GRI 205-2			
COMMUNICATION AND TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES			
Number of employees	2020	2019	2018
Corporate bodies	4	2	3
Management	15	15	15
White-collar	97	155	56



GRI 205-2

## COMMUNICATION AND TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES

<i>Number of employees</i>	2020	2019	2018
Blue-collar	0	56	57
<b>Total</b>	<b>116</b>	<b>228</b>	<b>131</b>



## INDEPENDENT AUDITORS' REPORT



KPMG S.p.A.  
Revisione e organizzazione contabile  
Via Vittor Pisani, 25  
20124 MILANO MI  
Telefono +39 02 6763.1  
Email [it-fmauditaly@kpmg.it](mailto:it-fmauditaly@kpmg.it)  
PEC [kpmgspa@pec.kpmg.it](mailto:kpmgspa@pec.kpmg.it)

(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 2020 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 22 March 2021 (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 by GRI - Global Reporting Initiative (the "GRI Standards"), which they have identified as the reporting 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.

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e Codice Fiscale N. 00709600150  
R.E.A. Milano N. 512865  
Partita IVA 00709600150  
VAT number IT00709600150  
Sede legale: Via Vittor Pisani, 25  
20124 Milano MI ITALIA





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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 International Code of Ethics for Professional Accountants (including International Independence Standards, the IESBA Code) 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.



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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;
- through remote communication tools, we held discussions with personnel of Dixon Ticonderoga Company and Canson SAS, which we have selected on the basis of their business, contribution to the key performance indicators at consolidated level and location, to obtain documentary evidence supporting the correct application of the procedures and methods used to calculate the indicators.



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### **Conclusion**

Based on the procedures performed, nothing has come to our attention that causes us to believe that the 2020 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 2021

KPMG S.p.A.

(signed on the original)

Angelo Pascali  
Director of Audit