

CONSOLIDATED  
NON-FINANCIAL INFORMATION  
STATEMENT

2017

SAFILO  
MADE IN ITALY

Pursuant to Legislative Decree 254/2016

Safilo®

CONSOLIDATED  
NON-FINANCIAL INFORMATION  
STATEMENT **2017**

Pursuant to Legislative Decree 254/2016

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## THE SAFILO WAY: TRADITION & INNOVATION FOR A SUSTAINABLE FUTURE

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

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

In the introduction to this report, we explain the foundations of our Sustainability strategy at Safilo, which is an integral part of our transformation. This includes the foundation of clear company Purpose and Values, and their translation into a Worldwide Business Conduct Manual that spells out our individual accountability to uphold the company's responsibility commitments. As a company, we have made key investments to put our sustainability strategy in action, including the creation of Safilo Product School and its unique 3 year apprenticeship for Eyewear Master qualification, and our longstanding support of Special Olympics to empower sight across boundaries.

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

With these convictions in mind, we are proud to present the first edition of our annual Consolidated Non-Financial Information Statement. With this report, we begin our journey to share our thinking and our actions in a transparent, measurable and consistent way, reporting on our progress for People, Product, and Planet goals. We have chosen to follow GRI reporting standards, and as a first step, we are reporting on 16 topics across 6 areas – Governance Economic and Compliance, Product Craftsmanship and Innovation, Integrity in the Workplace, Responsible Partnerships, Social Responsibility, and Environmental Responsibility.

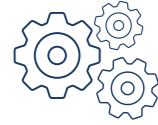
As ever, we look forward to partnering with you to build a more sustainable future together, for us all.

Eugenio Razelli

Chairman of the Board, Safilo Group

# HIGHLIGHTS

## Product Craftsmanship & Innovation



≈ **1,700** NEW MODELS ON THE MARKET IN 2017

## Employee Learning & Development



**3<sup>RD</sup>** EDITION OF SAFILO PRODUCT SCHOOL FOR YOUNG APPRENTICES

**15** MORE THAN YOUNG TALENTS IN THE 2017 SAFILO PRODUCT SCHOOL CLASSES

**151,000** HOURS OF TRAINING IN 2017

**72%** OF WORKFORCE RECEIVING PERFORMANCE AND CAREER DEVELOPMENT IN 2017

## Diversity & Inclusion



**61%** OF WOMEN IN THE TOTAL WORKFORCE

**33%** OF EXECUTIVES ARE WOMEN

**20%** OF THE TOTAL WORKFORCE UNDER 30

**16** NATIONALITIES AT DIRECTOR LEVEL

## Health & Safety<sup>1</sup>



**0.08** LOST DAY RATE IN 2017 VS 0.12 OF 2016

**3.77** WORKPLACE INJURY RATE IN 2017 VS 3.90 OF 2016

## Industrial Relations and Supply Chain Responsibility



**70%** OF THE TOTAL WORKFORCE IS COVERED BY COLLECTIVE BARGAINING AGREEMENTS

**169** SOCIAL AUDITS OF SUPPLIERS IN 2017 (OF ~300 SUPPLIERS OF DIRECT MATERIALS)

## Environmental Responsibility<sup>2</sup>



**>352,000 GJ** ENERGY CONSUMED IN 2017

**>35,000 T** CO<sub>2</sub> EMISSIONS IN 2017

**-3.3%** VS 2016 CONSUMPTION

**-2.4%** VS 2016

## Signature Social Responsibility Partnerships



### KIDS BY SAFILO

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



### BARRAQUER FOUNDATION

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



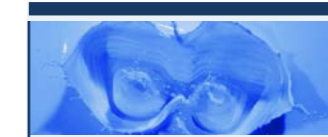
### SPECIAL OLYMPICS

1 MILLION OPTICAL FRAMES AND SUNGLASSES DONATED OVER PAST 12 YEARS



### ASSINDUSTRIA SPORT PADUA

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



### GUGGENHEIM INTRAPRESAÈ

PARTNERSHIP TO SHARE ART & CULTURE THROUGH BUSINESS

## United Nations 2030 Sustainable Development Goals

We at Safilo support the United Nations 2030 Sustainable Development Goals and aim to create shared social, environmental and economic value in the communities in which we operate. Our business strategy and corporate responsibility initiatives have an impact on the 2030 Sustainable Development Agenda and in particular on goals 3 (Good Health and Wellbeing), 4 (Quality Education), 5 (Gender Equality), 9 (Industry Innovation and Infrastructure), 10 (Reduced Inequalities), 12 (Responsible Consumption and Production) and 17 (Partnerships for the Goals).



<sup>1</sup> These KPIs are related to the Italian, Slovenian and Chinese manufacturing plants, and Padua headquarter, and do not include the external collaborators data.  
<sup>2</sup> The reduction in 2017 energy consumption and CO<sub>2</sub> emissions, compare to 2016, includes both volume effect and energy savings generated from specific energy saving projects implemented. For further details please refer to the chapter "8.1 Energy consumption & CO<sub>2</sub> emissions" on pages 52-54.

# 1. SAFILO

## 1.1 OUR ORIGINS AND HERITAGE

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

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

### 1.1.1 OUR ESSENCE

**Our purpose** is the very essence of who we are.

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

Brand led, Design inspired. We are passionate about creating unexpected, innovative eyewear brands firmly rooted in our unmatched savoir-faire of craftsmanship, selling them across the world reflecting each brand's unique identity and inspiring people all over the world to desire and wear them with pride. We cultivate long-term partnerships built on trust to create mutual value and consistently exceed expectations among ourselves as employees and with our customers and stakeholders.

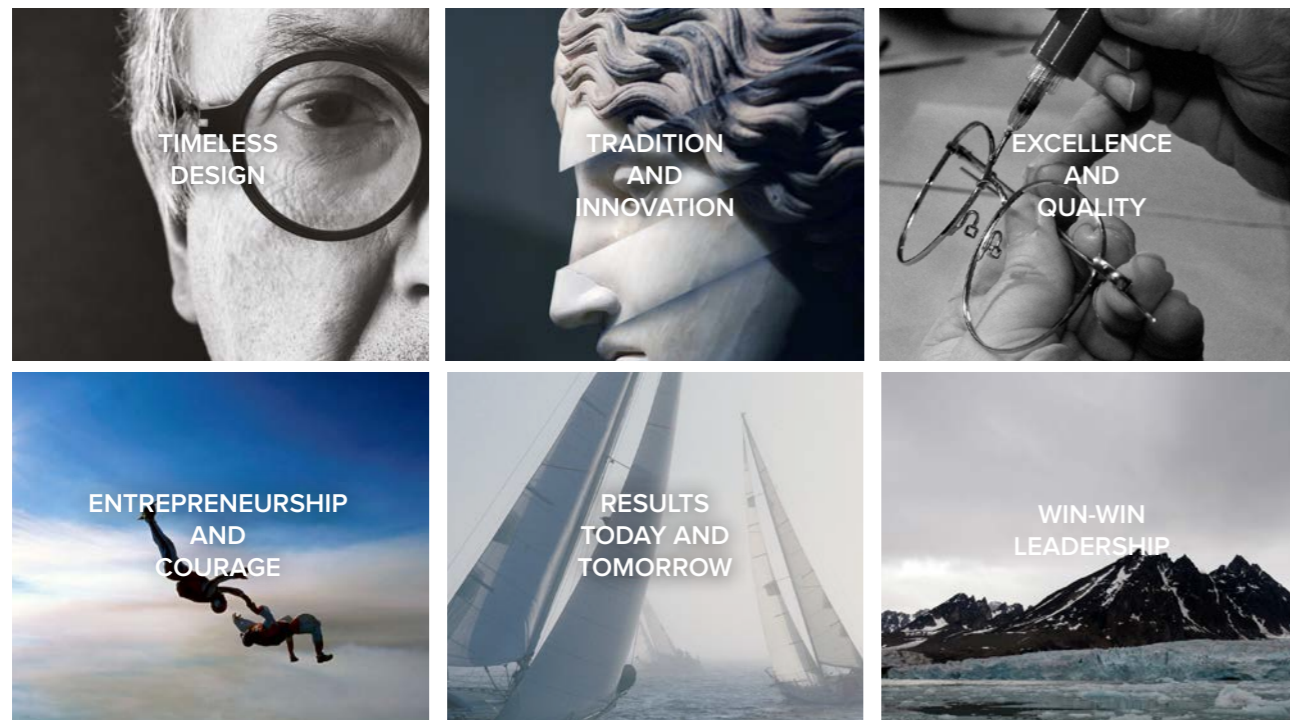
**Our values** are what we believe in as a company (timeless design, tradition and innovation, excellence and quality, entrepreneurship and courage, results today and tomorrow, win-win leadership).

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

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

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

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



## 1.2 THE PRODUCT AT THE HEART OF OUR HISTORY

<p><b>1878</b></p>  <p>First Italian manufacturing site in Calalzo di Cadore for lenses and frames</p>	<p><b>1934</b></p>  <p>Acquisition and incorporation as Safilo</p>	<p><b>1970</b></p>  <p>Safilo opens sales offices in many European countries, patents the Elasta hinge and introduces the successful UFO model of sunglasses</p>	<p><b>1980</b></p>  <p>Acquisition of US eyewear company Starline Optical Corp (then Safilo USA)</p>
<p><b>1987</b></p>  <p>Safilo is the first eyewear company to be listed on the Milan Stock Exchange</p>	<p><b>1989</b></p>  <p>Industrial development with the new production facility in Longarone (Belluno), the largest Italian unit in the Group</p>	<p><b>1994</b></p>  <p>Opening of the first Safilo Far East legal entity</p>	<p><b>1996</b></p>  <p>Acquisition of Carrera and American Smith Sports Optics</p>
<p><b>2012</b></p>  <p>Polaroid Acquisition</p>	<p><b>2015-2016</b></p>  <p>2020 Strategic Business Plan</p>	<p><b>2017</b></p>  <p>Creation of the Atelier Division and SafiloX launch</p>	

### 1.3 WE ARE A KEY LEADER IN THE WHOLESALE EYEWEAR MARKET

The wholesale market for frames and sunglasses, which was about EUR18 billion in 2016, grew about 5% between 2014 and 2016. Safilo expects the markets to continue to grow in the next five years, underpinned by favourable demographics, premiumization, and an increasing level of education regarding vision correction and protection.

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

#### Our Brands

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

#### Own-Core Brands

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



### Licensed Brands

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

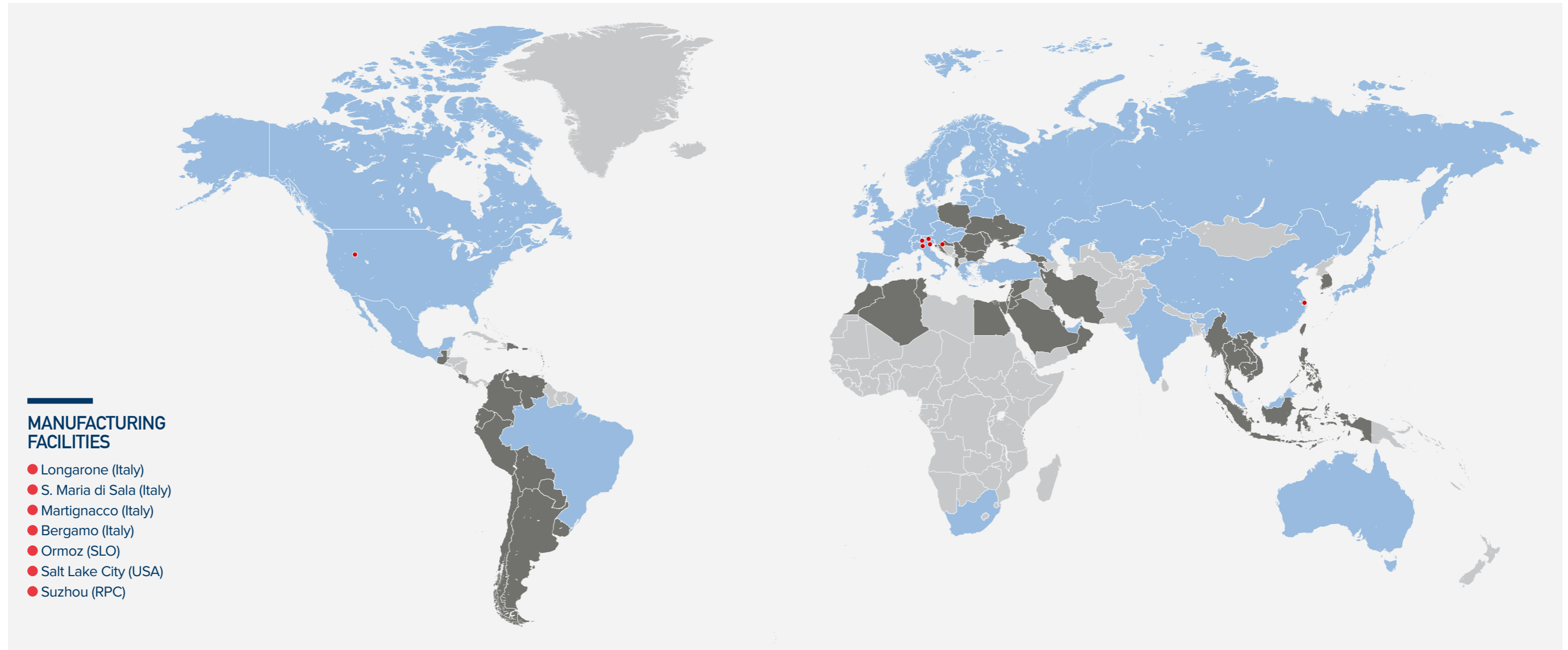


(\*) From 2018 Moschino, Love Moschino, rag & bone and Rebecca Minkoff  
 (\*\*) Swatch the Eyes is a collaboration agreement

### 1.4 GLOBAL REACH IN THE EYEWEAR MARKET

With an extensive subsidiary network in 40 countries – in North and Latin America, Europe, Middle East and Africa, Asia Pacific and China – and a network of more than 50 independent distribution partners covering the other countries, Safilo reaches nearly 100,000 points of sale all over the world, including opticians, optometrists, ophthalmologists, distribution chains, department stores, specialised retailers, licensors' own stores, duty free shops and sports shops.

# SAFILO IN THE WORLD



### MANUFACTURING FACILITIES

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

### Commercial network

#### THE AMERICAS

Brasil  
Canada  
Mexico  
USA

#### EUROPE

Austria  
Belarus  
Belgium  
Czech Rep.  
Denmark  
Estonia  
Finland  
France  
Germany

Greece  
Hungary  
Ireland  
Kazakistan  
Italy  
Latvia  
Lithuania  
Netherlands  
Norway

Portugal  
Russia  
Slovenia  
Slovenska Rep.  
Spain  
Sweden  
Switzerland  
Turkey  
UK

#### ASIA PACIFIC

Australia  
China  
Hong Kong  
India  
Japan  
Malaysia  
Singapore

#### REST OF THE WORLD

South Africa  
United Arab Emirates

### Independent distribution partners

#### THE AMERICAS

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

#### EUROPE

Albania  
Armenia  
Bulgaria  
Croatia  
Georgia  
Moldavia  
Poland  
Romania  
Serbia  
Ukraina

#### ASIA PACIFIC

Cambogia  
Indonesia  
Myanmar  
Philippines  
South Korea  
Taiwan  
Thailand  
Vietnam

#### REST OF THE WORLD

Algeria  
Cyprus  
Egypt  
Gulf Cooperation Council  
Iran  
Israel  
Jordan  
Lebanon  
Morocco  
Saudi Arabia  
Syria  
Tunisia  
United Arab Emirates



## 1.5 KEY FIGURES AND ECONOMIC VALUE DISTRIBUTION

### People and management

- **7,109** employees all over the world
- **21** Executives, **12** nationalities
- **116** Directors, **16** nationalities

### Structure and distribution

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

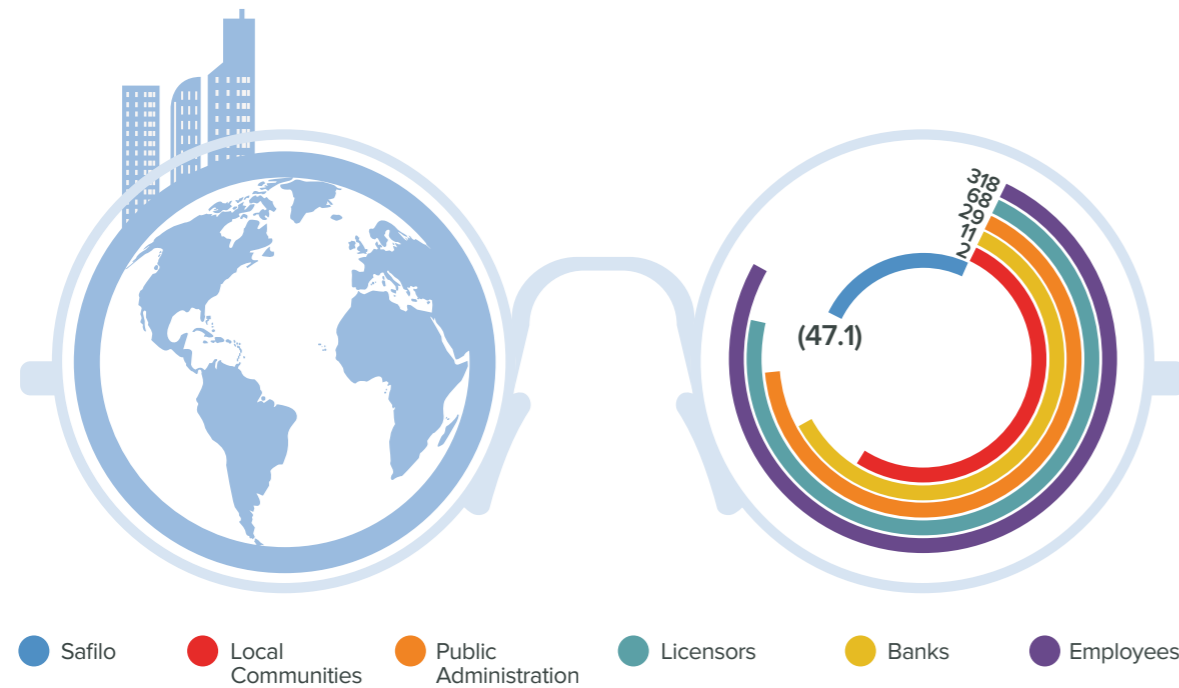
### Financials

- Net sales at Euro **1,047.0** million
- Ebitda pre non-recurring items at Euro **41.1** million
- Profit/(Loss) attributable to the Group pre non-recurring items at Euro **(47.1)** million

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

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

### DISTRIBUTION OF ECONOMIC VALUE



The economic value generation and distribution have been calculated on the basis of the financial and economic results for the year ending in December 31<sup>st</sup>, 2017.



## 2. A SUSTAINABLE BUSINESS

### 2.1 OUR KEY STRATEGIES

In 2015, we presented our key strategies, which set the foundation for the Group's Sustainable Growth journey for the future. These strategies are:

**Balance** across consumer market segments, between our brands and licensed brands, between sunglasses and optical frames, and across geographies and channels to underpin sustainable growth;

**Focus** on best in class brand building, creative design and commercial capabilities, to build long-term competitive advantage;

**Simplification** of product creation, supply chain and logistics, and overhead structure, through IT enabled global work processes modernization, integration and standardization, to save costs and improve control;

**Differentiation** through a market segment based business model, sales and customer service and talent development to boost performance.

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



## 2.2 OUR 3 PS APPROACH - PRODUCT, PEOPLE, PLANET



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

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

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

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

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

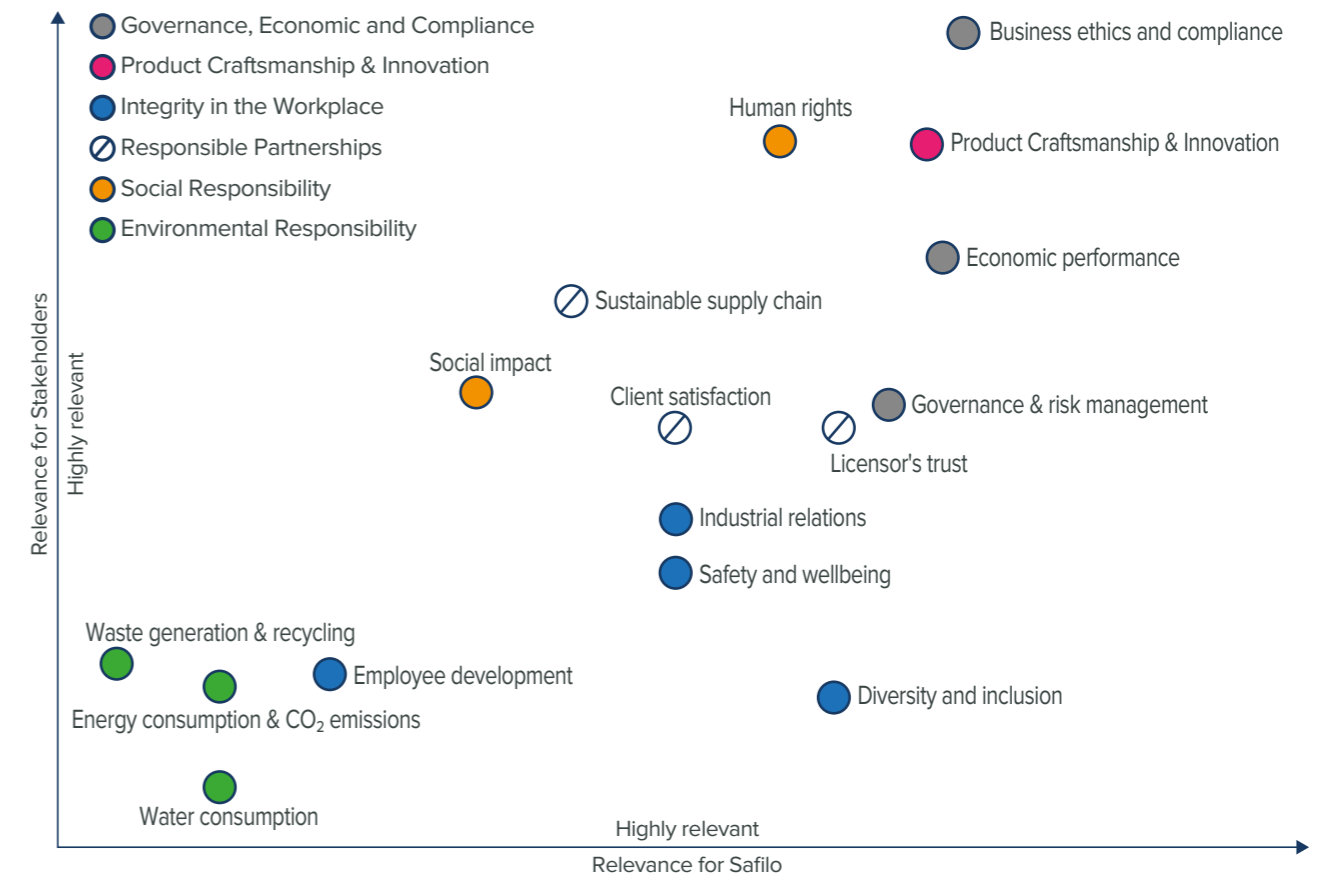
**We act with integrity:** focused on our product excellence, with great attention to details and to changing styles and evolving market dynamics, striving to preserve and enhance our expertise and knowledge, we pass down our precious heritage through valuable apprenticeships. We carefully select our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

## 2.3 MATERIALITY ASSESSMENT

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

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

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



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

Also in 2017, in line with normal practice for a listed company and in compliance with the market rules, Safilo actively interacted with shareholders through conference calls as per the corporate calendar published on the Safilo Group website, various ad hoc one-on-one and group meetings, held at the Group's Headquarters and in some of the core European financial markets, with the purpose of maintaining a continuous dialogue with investors about the company.

**Safilo's Stakeholders**



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

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



**Product Craftsmanship & Innovation**

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

**Integrity in the Workplace**

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

## Responsible Partnerships

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

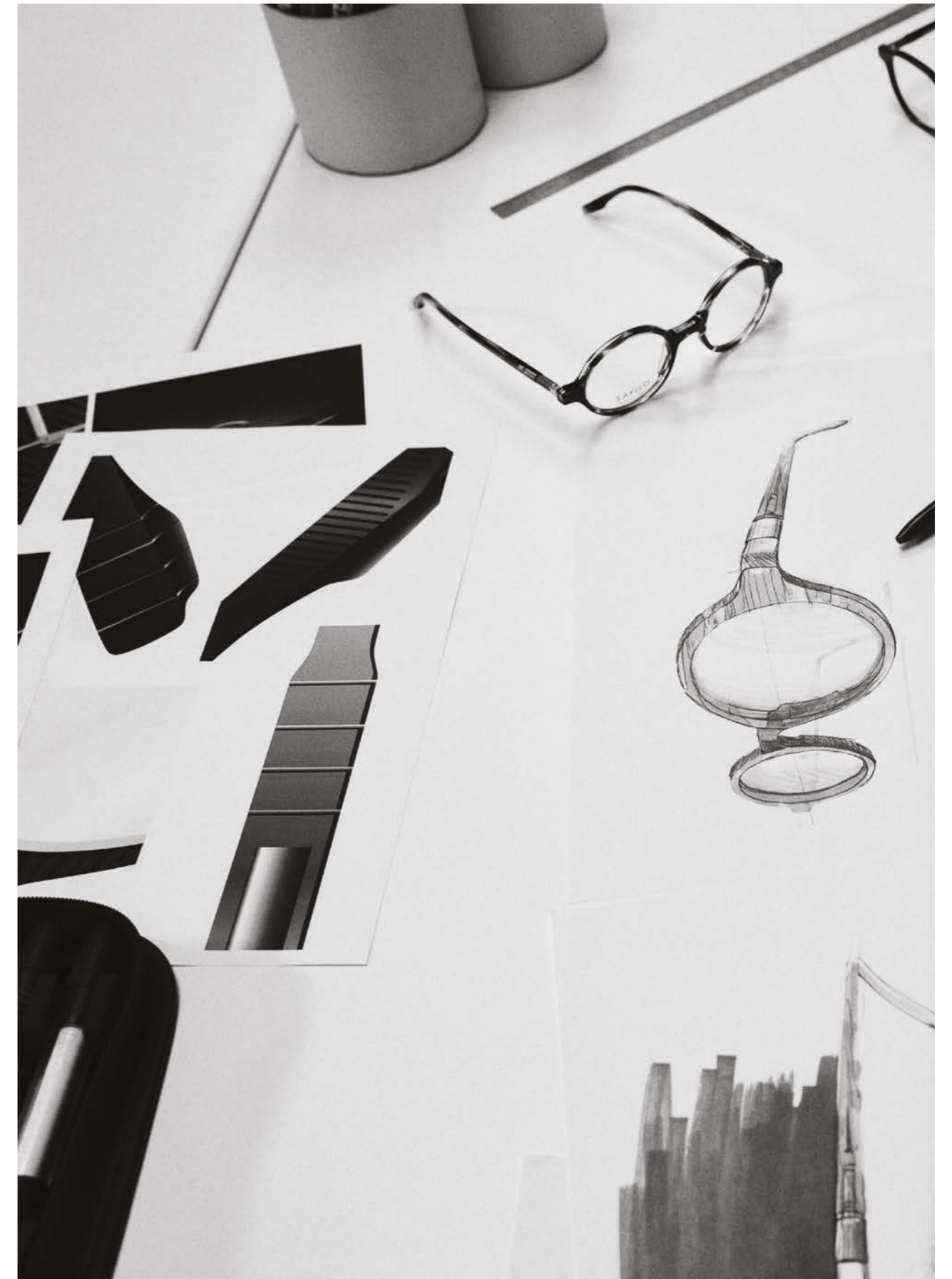
## Social Responsibility

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

## Environmental Responsibility

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

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

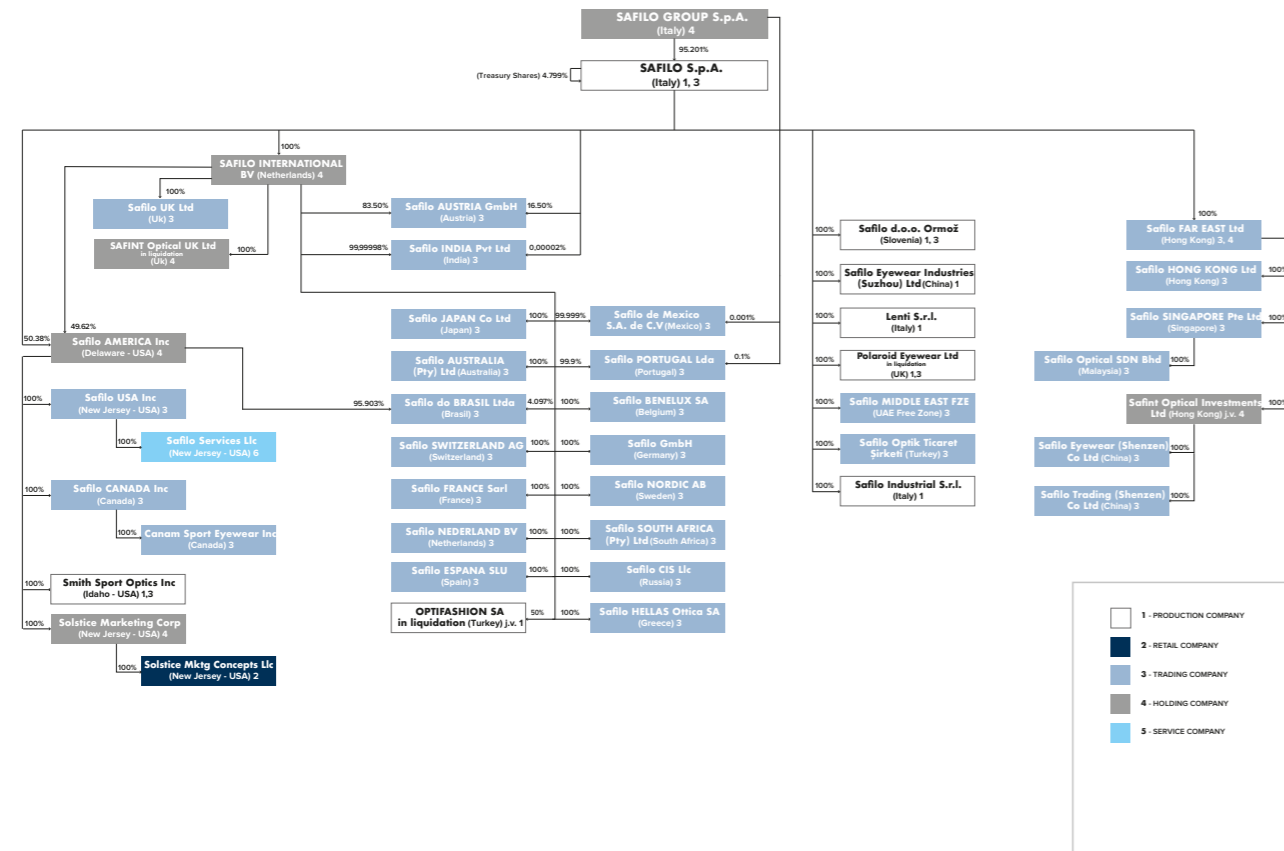


# 3. SAFILO GOVERNANCE

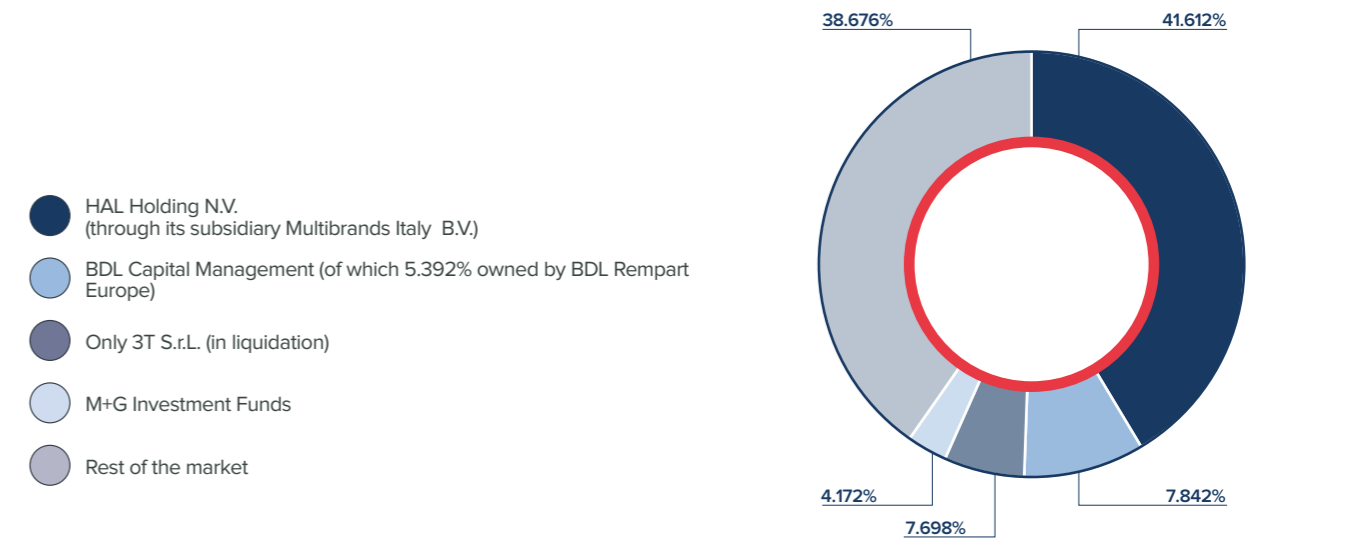
## 3.1 GOVERNANCE AND RISK MANAGEMENT

### Organizational Structure and Ownership

Headquartered in Padua, Safilo Group S.p.A. is listed on Mercato Telematico Azionario (MTA) of the Italian Stock Exchange. The Group structure as at December 31<sup>st</sup> 2017 was the following:



The following chart shows owners of Safilo Group S.p.A. ordinary shares as at December 31<sup>st</sup> 2017 with shareholdings exceeding 3% of share capital.



### Corporate Governance

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

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

- the **Supervisory Committee**: established by Lgs D. 231/01, is responsible for the supervision of the effectiveness, efficiency, maintenance and update of the organizational model under the same Lgs D. 231/01;
- the **Remuneration and Nomination Committee**: expresses opinions to the Board of Directors regarding its size and composition; carries out preliminary activities with regard to succession plans; is also responsible for proposals with regard to remuneration matters and the periodical evaluation of the criteria adopted for the remuneration of directors and managers with strategic responsibilities;
- the **Transactions with Related Parties Committee**: is entrusted by the Board of Directors with a consultative role concerning transactions with related parties;
- the **Control Risk and Sustainability Committee**: reporting to the Board, is responsible for the functionality of the control system. Since 2016 is also responsible for risk management and the supervision of the sustainability matters related to the performance of the Company's business and to the interaction with its stakeholders.

Corporate Governance model includes also:

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

As at December 31<sup>st</sup> 2017, Safilo Corporate Governance included 12 effective members, of which 42% women and 25% under 50 years old.

### Focus on the Control Risk and Sustainability Committee

The Control Risk and Sustainability Committee, further to assisting the Board of Directors in carrying out its duties, having proposing and consultative functions, is in charge of supporting the evaluations and the decisions of the Board of Directors, in relation to the internal control and risk management system, as well as in relation to the approval of the periodical financial statements. Moreover, the Committee supervises and reports to the Board of Directors in relation to any sustainability matter that could be linked to the Group's business and to interaction with its stakeholders. It is the Committee in charge of supervising the Group sustainability strategy, supporting the definition of a corporate sustainability framework and contributing to the definition of a communications strategy on sustainability, in general providing support and assistance to the other Group Corporate Governance bodies for sustainability-specific topics. The Committee is therefore functional to integrate both business and sustainability priorities within the Group strategy and to identify emerging opportunities to gain competitive advantages.

For further information regarding the composition of the Group's committees and corporate governance in general, please refer to Safilo's "Corporate Governance Report 2017", available on the Corporate Website.

### Risk Management

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

Safilo adopted an **Enterprise Risk Management (ERM)** framework, with the aim of identifying and monitoring critical areas of risk (business, operational and compliance).

The Group has started to monitor ESG risks, and is aware of the impacts it has on the environment and society and it strives to reduce negative impacts.

In particular, as for business ethics and compliance Safilo has already adopted the Organization Model 231/01 and these topics are already covered within the Italian context. Furthermore, the Group takes a zero-tolerance approach toward forms of bribery and corruption, and has also adopted a whistleblowing process.

As for human rights, Safilo has already started to address these topics within the Worldwide Business Conduct Manual, and along the supply chain through social audits.

As for environmental topics, the Group aims at protecting the environment and preserving natural resources.

## 3.2 BUSINESS ETHICS AND COMPLIANCE

### Ethics and Integrity

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

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

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

### Anti-corruption and anti-bribery

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

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

### Whistleblowing

As of today, any misconduct reports are managed by the Internal Audit Function together with the Assessment Committee that verify any claimed infringements of the current Worldwide Business Conduct Manual. A dedicated email address is available for reporting possible breaches of the Organizational Management and Control Model.

A new whistleblowing process has been implemented in Italy to provide a dedicated channel for employees or business partners to report potential violations of the Worldwide Business Conduct Manual.

The service is operated by an external service provider and includes a dedicated multilingual telephone hotline service as well as an email and web-based reporting tool.

The process is currently being rolled-out for France and shortly afterwards for UK and USA, and will be gradually extended to other countries. No corruption cases have been reported during 2017.

### Ethicspoint

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

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

# 4. PRODUCT CRAFTSMANSHIP & INNOVATION

## 4.1 HERITAGE OF OUR PRODUCTS

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



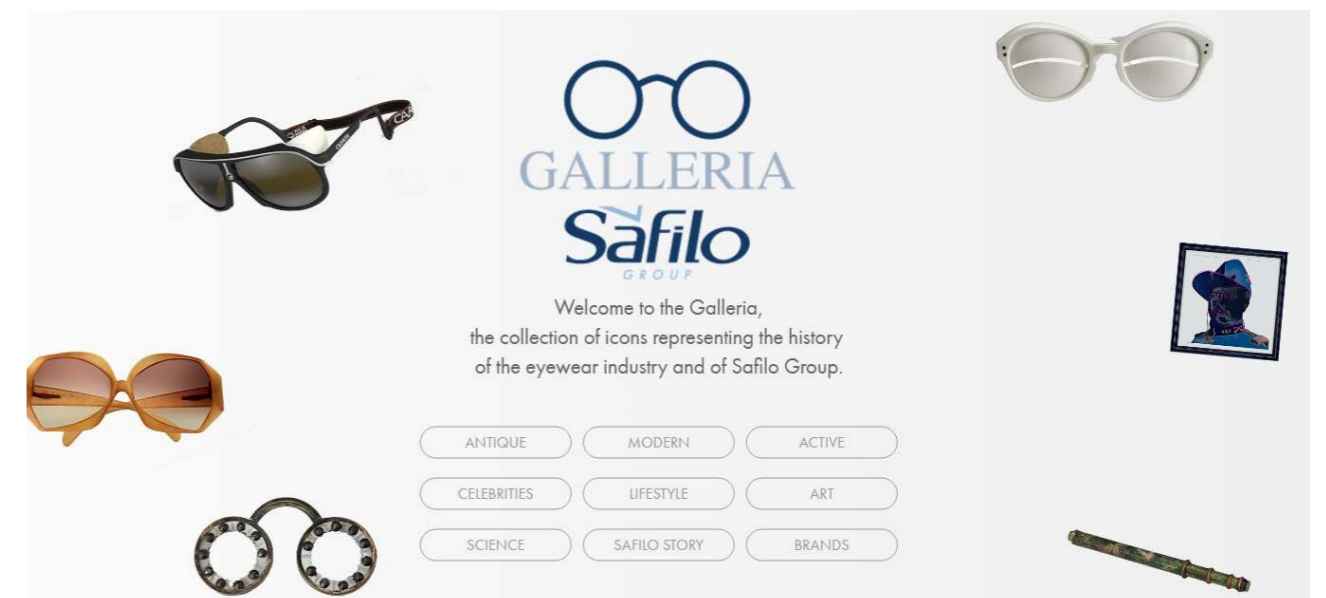
Calalzo di Cadore, in the Belluno District, is an area in the North East of Italy where the Italian eyewear industry was born. There, between 1877 and 1878, Angelo Frescura founded the artisan workshop that later became the first Italian industrial complex producing lenses and frames, making a start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

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

### Safilo Gallery

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

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





## 4.2 MADE IN SAFILO

*“Recovering our cultural identity, celebrating unique style and renewed innovative drive: a return to our origins and homeland”.*



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

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

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

## 4.3 SAFILO CREATION PROCESS: A PRODUCT-MINDED PROCESS

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

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



### From the first drawings...

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



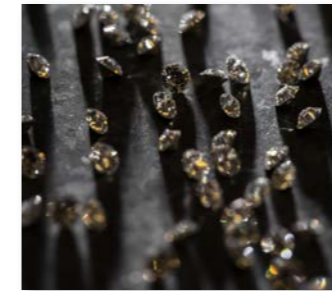
### ... to hand-made prototypes

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



### Towards industrialization

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



### Research for the best materials

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



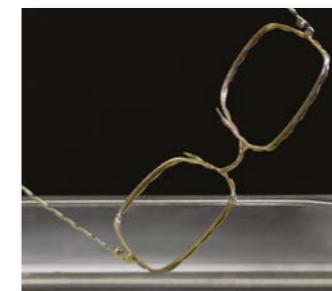
### The supply chain

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



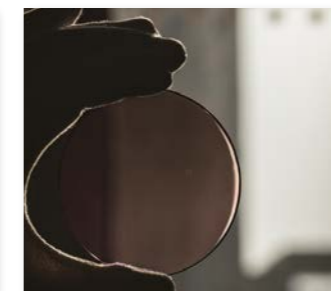
### The first steps of production

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



### Galvanic and coloring process

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



### Shaping the lenses

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



### The final steps

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

≈ 1,700  
NEW MODELS ON THE MARKET IN 2017

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

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

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

#### 4.4 QUALITY OF RAW MATERIALS AND COMPLIANCE WITH BEST STANDARDS



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

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

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

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

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

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

**Safilo's Quality System is ISO 9001:2008 certified.** In 1996, Safilo obtained its first certification UNI EN ISO9001 standard "Quality Management Systems", an independent confirmation of the Group's ability to meet the needs of customers and other stakeholders while meeting statutory and regulatory requirements related to our products.

#### 4.5 THE PAST MEETS THE PRESENT

##### Safilo product school

3<sup>RD</sup>  
EDITION  
OF SAFILO

PRODUCT SCHOOL FOR YOUNG APPRENTICES

15  
YOUNG  
TALENTS

IN THE 2017  
SAFILO PRODUCT SCHOOL CLASSES

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

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

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

## 4.6 FORWARD LOOKING VISION

### Product and process innovation

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

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

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

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



## SafiloX – From a history of innovation and craftsmanship to the future of wearable technology



SafiloX – The Brain Sensing Eyewear – is the first project of Safilo to enter a new category of wearables: Smart Glasses. Developed by our Smith brand and InteraXon, a world leader in consumer brain-sensing technology, the Low-down Focus sunglasses use brainwave-sensing EEG technology from InteraXon similar to the technology used in the company's Muse meditation-enhancing headbands.

During mental training sessions, the technology is designed to measure brain activity and provide users with cues to focus on breathing, helping train their minds to become more calm, relaxed and focused for sport or an active life. The first market-ready output of the collaboration between Smith and Muse has resulted in a uniquely designed and artfully crafted mental performance.

The Muse technology is currently in use by coaches, sports psychologists, athletes, clinicians, hospitals and universities worldwide. Integrating the technology into active lifestyle eyewear will make the technology more accessible to users throughout their day.



# 5. INTEGRITY IN THE WORKPLACE

## 5.1 SAFILO PEOPLE AND THE SAFILO WAY

**7,109** EMPLOYEES  
WORLDWIDE IN 2017

**+21%** NEW EMPLOYEES  
HIRED IN 2017

### Safilo people

Safilo's people, our 7,109 employees, are at the heart of our culture and success.

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



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

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

### Talent acquisition

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

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

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

### Talent management

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

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

- Fair and equitable treatment
- Transparent 360-degree feedback
- Capability to meet the needs of the company and the individual
- Management and employee co-ownership
- Function-based career management.

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

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

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

## Performance management

# 72%

OF WORKFORCE RECEIVING PERFORMANCE AND CAREER DEVELOPMENT IN 2017

Safilo's **performance management process** is based on Safilo PVPC and leadership profile. The Group's Executives and Directors are expected to focus their personal development plan on developing proficiency in the key leadership dimensions. Managers are expected to role model, coach and mentor their people either recognizing their strengths or pointing out where they need to be supported in order to improve. The performance management process involves all Safilo people, except independent sales agents and Italian plant workers<sup>3</sup> (in 2017, 72% of total workforce has been involved in the performance management process).

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

## Learning and development

# more than 151,000

HOURS OF TRAINING IN 2017

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

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

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

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

In 2017 Safilo delivered more than 151,000 hours of training covering a wide range of subjects.

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

The main corporate training activities fall in the following categories:

**Safilo way training:** this initiative, that started in 2014, involving the Group's entire global workforce, is designed to spread awareness of Safilo's Purpose, Values, Principles and Competencies. More recently, the corporate training programs (beginning with the on boarding devoted to each new hire) also include a deep dive on the Safilo leadership profile (in 2016) and the Worldwide Business Conduct Manual (in 2017).

<sup>3</sup> The Italian plant workers have been temporarily excluded since the definition of the new roles classification (as per the collective contract renewal) has been only recently closed.

**Antitrust policy training:** Safilo trains employees on antitrust issues to guarantee alignment of the Group with the national and international competition law principles and with the Safilo antitrust policy. Through this training, employees are guided on how to behave when dealing with internal and external parties, especially when it comes to material issues. The training involves, annually in each of the next 3 years, all Safilo employees who work in the commercial, marketing, finance and accounting, corporate and legal affairs functions, and all Executives and Directors (around 2.200 people each year). The course is delivered by e-learning and is available in 17 languages.

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

**Functional skills,** linguistic and IT training for which specific programs run for different departments;

**Compliance training** as per local law and guidelines. At headquarters, for instance, Safilo trains employees on the administrative liability of companies pursuant to Legislative Decree 231/01 (e-learning), and corporate social responsibility – SA8000 (e-learning), privacy policy and the processing of personal data (e-learning) and other regulations, in line with the agreement between the central government and regional authorities.

## “Safilo through our eyes”

# 65%

OF EMPLOYEES PARTECIPATED IN THE 2016 EMPLOYEES SURVEY

In 2014, the 1st edition of “**Safilo through our eyes**” was launched, a global employee survey. The survey provides valuable information about employee perceptions about the Group's actions and ways the company can be improved. The main objectives of the survey are to listen to, engage, and understand Safilo's people, in order to identify new ways to support and motivate employees. The survey is an important barometer of the Safilo culture and helps leadership understand where employee pride in Safilo stems from and how the Group can adapt to meet evolving employee needs. Therefore, the survey results help the whole Group in defining improvement action plans at global, regional and functional level.

The 2016 employee survey saw a participation rate of 65% and had an overall score of 74 out of 100, with a low decrease compare to the previous survey mainly due to transformation projects in progress.



## 5.2 DIVERSITY AND INCLUSION



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

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

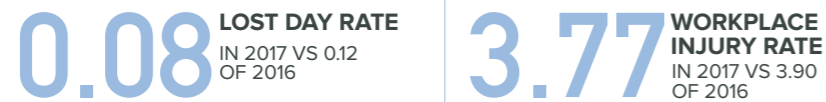
In accordance with our focus on corporate responsibility and respect of human rights, Safilo protects and promotes the value of our human capital and rejects any discrimination on religion, sex, race, political or union opinion, gender, age, national origin, religion, marital status, citizenship, disability,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

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

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

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

## 5.3 ENSURING WORKPLACE HEALTH AND SAFETY<sup>4</sup>



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

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

<sup>4</sup> These KPIs are related to the Italian, Slovenian and Chinese manufacturing plants, and Padua headquarter, and do not include the external collaborators data.

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

## 5.4 INDUSTRIAL RELATIONS



OF THE TOTAL WORKFORCE IS COVERED BY COLLECTIVE BARGAINING AGREEMENTS

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

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

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

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

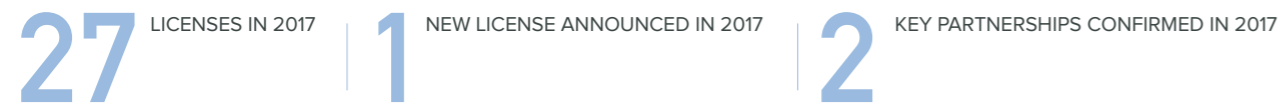
In 2017, 70% of the Group workforce was covered by collective bargaining agreements.



# 6. RESPONSIBLE PARTNERSHIPS

## 6.1 OUR LICENSES

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



Licensors are integral to Safilo's success, as they share our business objectives and contribute to our growth and performance. The Group manages a portfolio of brand names, focusing on long-term brand partnerships as a licensee to leading fashion houses. 2017 was another year in which the Group continued to **sign new strategic agreements** as well as **confirming key partnerships**.

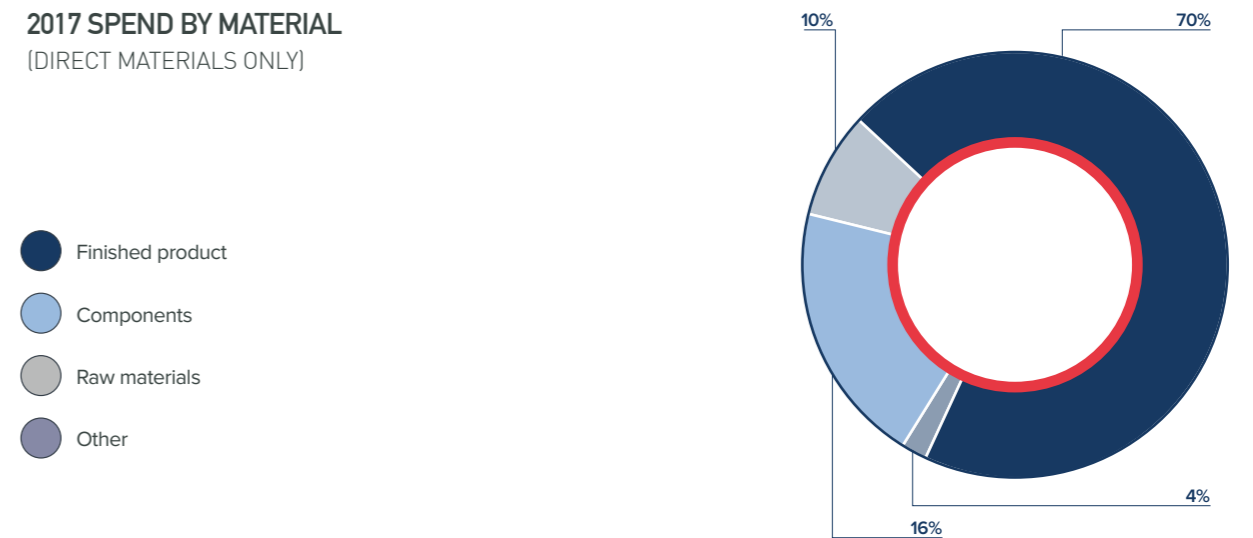
 <p>In April, Safilo renewed until the end of 2022 its agreement for the design, manufacturing and distribution of the Juicy Couture eyewear collections.</p>	 <p>Similarly, in July 2017, the partnership for the Liz Claiborne brand was renewed for further 5 years.</p>	 <p>In October, Safilo also announced a new licensing agreement for the design, manufacturing and distribution of the Rebecca Minkoff collections of sunglasses and optical frames, which will be launched in the fourth quarter of 2018. The agreement will run for seven years through December 31, 2024.</p>
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## 6.2 OUR RESPONSIBLE SUPPLY CHAIN

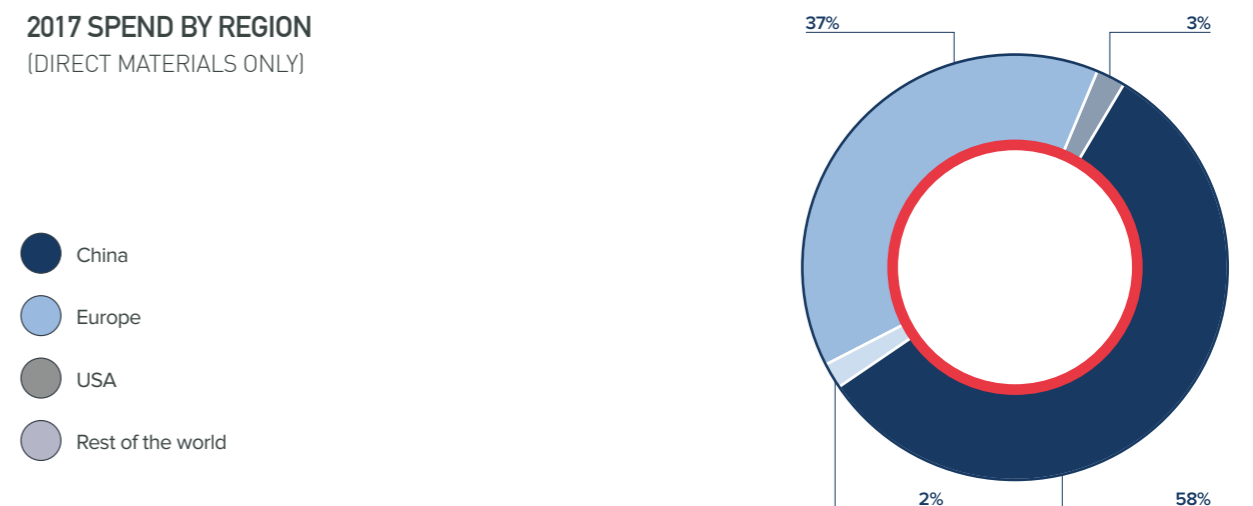


The Group buys finished products, components and raw materials for use in its own production (direct materials). In addition, it buys products and services to support the business in all areas (indirect spend).

2017 SPEND BY MATERIAL (DIRECT MATERIALS ONLY)



2017 SPEND BY REGION (DIRECT MATERIALS ONLY)



Finished products consist of **sunglasses and optical frames, sports helmets and cases**. Components consist mostly of **metal components (hinges, screws, etc.) and lenses**. Raw materials consist of **metal sheets, acetate sheets and plastics for injection mould production**.

Indirect products and services purchased consist mostly of logistics, marketing and general services. Safilo purchases direct materials from about 300 suppliers. These suppliers are primarily located in China and Italy. The Group's largest suppliers are Chinese frame manufacturers.

## Conflict Minerals

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

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

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

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

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

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

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

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

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

In 2017, a total of 169 social audits (72 in EMEA and 97 in Asia) have been carried out, of which 82 conducted by a third-party audit company and 87 by internal auditor staff.

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

Out of 7 direct materials' new suppliers with spending in 2017, 2 have been assessed through social audits (equal to 28%).

On January 17th 2012, Safilo obtained certification of the **SA8000:2008 Social Accountability standard**, which certified that Safilo's business system conforms to the principles of social responsibility (freedom of association, human rights, refusal of forced labor, health and safety in the workplace, transparency).

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

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

Next, Safilo plans to integrate a software program to schedule audits and map the supply chain conformity levels. The software solution will allow the Group to identify issues and best practices worldwide that can help improve the management and performance of the entire supply chain.





## Supplier Assessment and Selection

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

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

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

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

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

## 6.3 OUR CUSTOMERS

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

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

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

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

Safilo follows specific principles for customer relations:

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

## Customer Service

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

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

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

- Answer to 80% of calls within 20 seconds
- Solve technical issues and requests within 5 days.

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

The Customer Service also takes care of:

- The **relationships with end-user consumers**, through different channels, such as email and social media
- **Direct Email Marketing (DEM) activities** to support the business, commercial counterpart, brand management and trade marketing departments. Through dedicated quality monitoring tools, the quality of our Customer Service is then assessed through side-by-side supervision and dedicated tutoring of Customer Service Representatives.

### EMEA - Customer Service new organization

Our EMEA Customer Service team has been redesigned to become a single EMEA hub in Padua as a Centre of Excellence for all customers, 3O's, key accounts and distributors in the region. The goal is to connect the EMEA customer service team even more closely to commercial operations. To do so, we are investing in capability and leadership development to further increase the team's effectiveness and world-class standards. Our EMEA Customer Service team is composed of 164 people, speaking 20 languages and covering more than 20 markets and global channels. In 2017, the EMEA Customer Service team managed 1.4 million contacts - inbound calls, emails and faxes – and answered, on average, 65% of calls within 20 seconds. Considering the unforeseeable increase in inbound calls during 2017, due to delays in shipments after the modernisation of our IT systems, in the last months of the year the average of answered calls within 20 seconds has been over 80%.

### US - Customer Service team

In 2017, in addition to the relocation to a state of the art facility in Secaucus NJ, US Customer Service also integrated a new and more robust telephony system. While tracking call volumes, customer trends were also identified, allowing to anticipate our customer's needs. It strives to create exceptional customer experiences and one-call resolution. US Customer Service team maintains close relations with salesforce and Denver DC that allows for quick action to deliver speedy responses. In 2017, US Customer Service team managed over 600,000 interactions. It is currently working on additional approaches to gather and analyse customer's opinions to take steps to continually be the best in the industry. US Customer Service team understands the uniqueness of the eyewear business and works to strengthen Safilo position in the marketplace.

## 7. SOCIAL RESPONSIBILITY

### 7.1 SHARED VALUE



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

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

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

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

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

### 7.2 SAFILO FOR KIDS



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

### KIDS by SAFILO



Created in 2015, the **KIDS BY SAFILO eyewear collection** is a ground-breaking eyewear project devoted to 0-8 year-olds, and designed through a medical-scientific approach to meet children's specific eye needs. Now in its third iteration, the Green Back to School 2017 product line is engineered with advanced technologies and eco-compatible materials.

The design of KIDS BY SAFILO eyewear was guided by a clear understanding of children's unmet needs. As a matter of fact, the Group found that, on a global scale, one in every six children has visual defects, and that approximately 15% of those refractive errors require prompt correction. For this reason, Safilo decided to develop a unique collection designed to respond to the complex demands of children's eyewear, thereby improving children's quality of vision and their healthy development. As the ideal blend of innovation and comfort, the new eyewear collection perfectly matches children's requirements and, at the same time, their parents' expectations. This unique eyewear line is made of bio-based polymers, derived from natural renewable resources and engineered to replace fossil-oil based polymers. As part of Safilo's focus on sustainability and continuous efforts to protect the environment, Safilo Kids eyewear uses two different bio-polymers, both made with bio-based contents derived from castor oil: a rigid one to give structural performance to the frame and the temples and a soft one to guarantee the best fit on the face, comfort and safety for the user.

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

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

- **Safety:** frames are flexible, safe, and free from sharp surfaces and edges
- **Comfort and Fitting:** frames are lightweight and stable, thanks to the presence of a lower bridge and to the special design of the temples with a horizontal bend. Moreover, thanks to the enhanced design of the front, the lenses cover the children's entire field of vision, ensuring effective correction
- **Resistance:** frames are made with flexible, stable and washable materials to prevent them from becoming deformed or weakened
- **Aesthetics:** frames are discreet on the child's face, almost invisible, especially for the youngest ones.

## Kids Only



The **Kids Only** program, launched in December 2016 in Spain and Portugal, and further developed in the UK, France and Italy in 2017, allows consumers to donate a pair of glasses to a locally-relevant charity project chosen by each country when they buy a pair of eyewear from the Safilo Kids Only range (Carrera, Polaroid, Safilo and Tommy Hilfiger).

**Kids Only** is a program that addresses the world of optical frames from childrens' perspectives, considering their point of view and their specific needs.

Since 2015, Safilo Kids has teamed up with the **Barraquer Foundation**, which was founded in 2003 to provide eye treatment and prescription frames to people in disadvantaged areas of the world. Safilo collaborates with the Foundation on its expeditions to Africa and all around the world.

Though this partnership, Safilo and the Barraquer Foundation have developed an educational programme, drawing on the many learnings of the hundreds of cataract surgeries performed by the Foundation, interventions directly linked to overexposure to the sun. Children's eyes are much more sensitive to light than those of adults: their pupils are wider and their ocular tissues, such as the cornea, lens and fluids, contain less pigment and, as such, are clearer and allow more light rays to enter the retina. Protecting them should be a primary focus of parents (protection of the skin and eyes from UV rays is one of the most important aspects of preventive medicine in this century).

During 2016, Safilo accompanied Dr. Elena Barraquer on her expedition to Mozambique. During the seven days of the humanitarian trip, she and her team performed more than 240 cataract surgeries, and distributes more than 1,000 pairs of glasses and sunglasses, fundamental for the correct care of the post-op period and to help people improve their sight for the long-term.

## 7.3 SOCIAL INITIATIVES

### Special Olympics



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

Over the past 12 years, through this partnership, Safilo has helped provide over 1 million optical frames and sunglasses to Special Olympics athletes all over the world. As part of the Special Olympics global health platform, made possible through the support of the Golisano Foundation and various stakeholders, the Special Olympics-Lions Clubs International Opening Eyes® program is the largest programme in the world dedicated to providing vision care for people with intellectual disabilities. The programme provides Special Olympics athletes in more than 80 countries with vision examinations, prescription eyewear and valuable referrals for follow-up care. In 2016, Safilo announced a new three-year commitment to Special Olympics. Safilo employees also actively contribute to the events organization as volunteers, donating time and knowledge to the athletes with intellectual disabilities.

### Smith and Shared Vision

In 2017, Smith Optics donated over 27,000 frames to Shared Vision, a non-profit organization devoted to the restoration of sight for people with limited access to vision care and corrective eyewear in America and abroad. The frames donation aims to help people without vision care experiencing life more clearly, starting with their eyes.

## Assindustria Sport Padua



For Safilo, **eyesight is a universal value**. Therefore, we aim to support specific initiatives that benefit the local communities in which we operate.

One example of this commitment is our three-year sponsorship agreement with **Assindustria Sport Padua**. Through the partnership, Safilo is able to support access to sport for disadvantaged children and youth in Padua and raise awareness for the importance to undergo eye prevention screening. **Safilo promotes eye screenings and information sessions** during the main events organized by Assindustria.

## Guggenheim Intrapresæ

The Safilo believes in supporting and sharing the cultural and artistic values of our local communities. As such, the Group supports the Peggy Guggenheim Collection, as part of the **Guggenheim Intrapresæ network**, a group of distinguished Italian companies. The network comes together to **foster cultural communication as an experimental and innovative form of business communication**. In this context, Safilo offers to its employees and business partners the possibility of joining local cultural events and initiatives in line with the Group's dedication to art as an expression of aesthetic beauty and creativity. The friendship between Safilo and the Peggy Guggenheim Collection dates back to 1994, when Safilo launched an edition inspired by of the iconic butterfly-shaped sunglasses created for Peggy Guggenheim by artist Edward Melcarth.

## Solidarity for territorially relevant initiatives

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

In 2016, Safilo actively engaged in a fundraising effort following the earthquake that struck Central Italy. Safilo and its employees joined the "Fondo di solidarietà per le popolazioni del centro Italia" to provide much needed relief to people in the affected area.



# 8. ENVIRONMENTAL RESPONSIBILITY

## 8.1 ENERGY CONSUMPTION & CO<sub>2</sub> EMISSIONS

>352,000 GJ  
ENERGY CONSUMED IN 2017

>35,000 T  
CO<sub>2</sub> EMISSIONS IN 2017

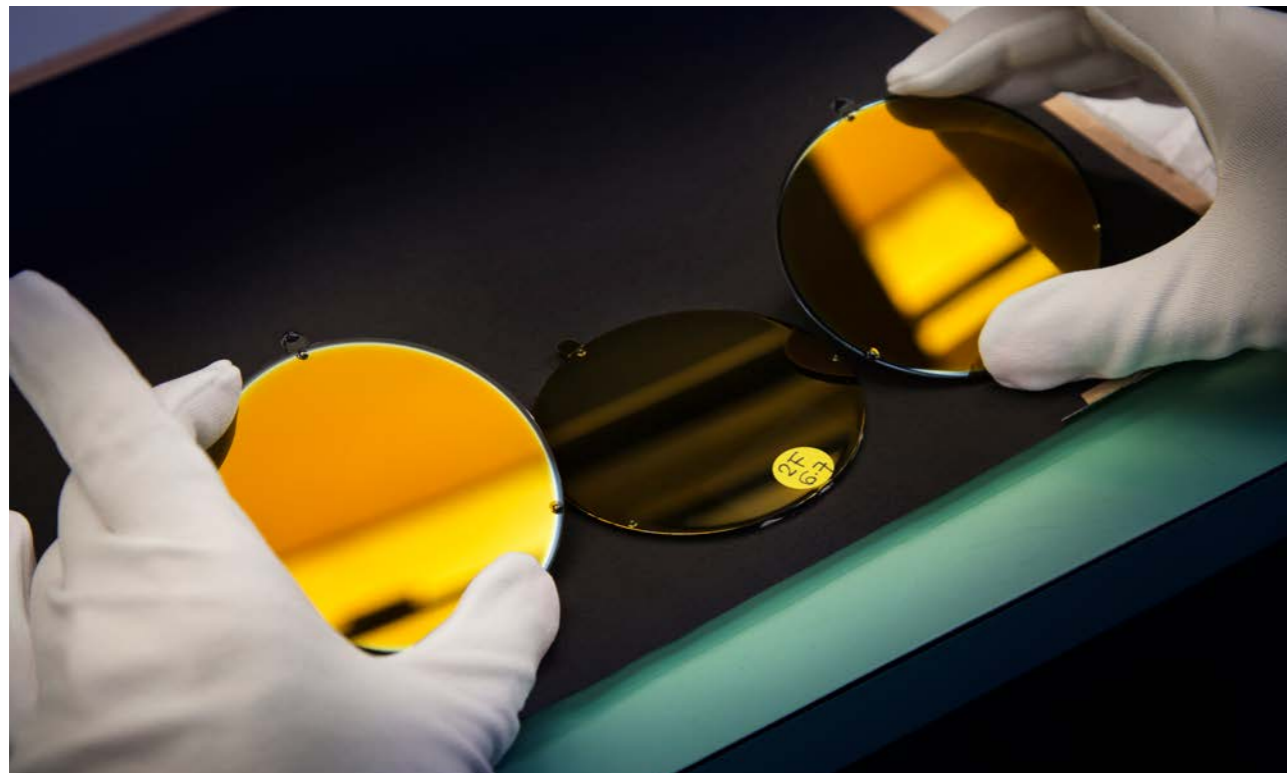
-3.3%  
VS 2016 CONSUMPTION

-2.4%  
VS 2016

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

Safilo adopted an integrated environmental practise aimed at:

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

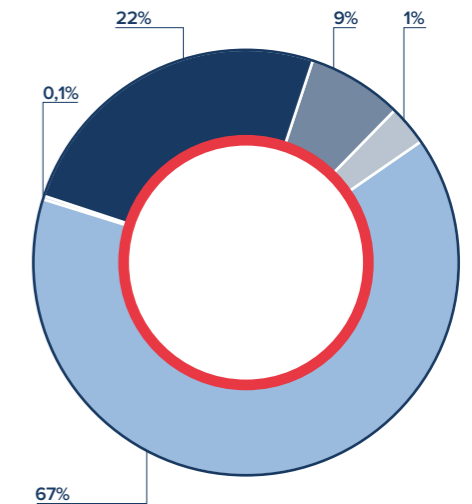


The Group expects the same from our business partners, through the adoption and sharing of Safilo's sustainability vision and standards.

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

2017 ENERGY CONSUMPTION BY TYPE OF FUEL

- Natural Gas
- Electricity bought
- Diesel (trasportation)
- Petrol (trasportation)
- Diesel (heating)



TOTAL 352,258 GJ

Starting from 2015, Safilo has implemented several energy saving projects in order to decrease energy consumption and CO<sub>2</sub> emissions<sup>5</sup>. These projects led to **electricity energy savings of 13,390 GJ** in 2017 (-5.4% compared to 2016 electricity consumption) with a **saving in CO<sub>2</sub> emissions of 1,610 tonnes**, mainly related to LED lighting systems implementation in the Italian, Slovenian and Chinese plants.

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

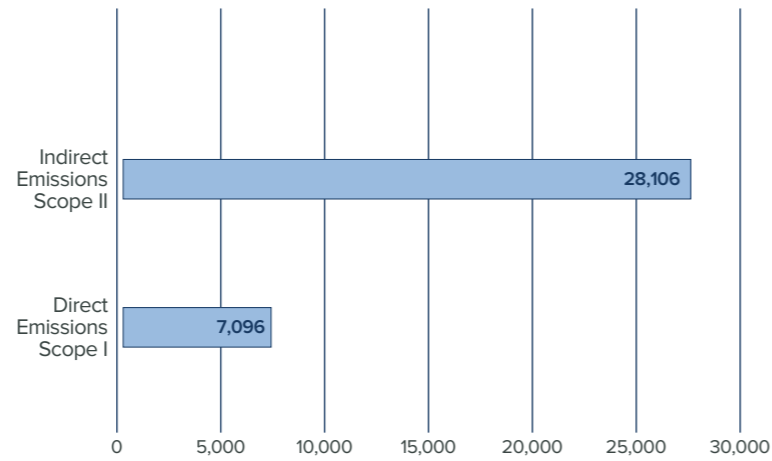
- Light system revamping thanks to the implementation of LED instead of neon
- Gradual replacement of obsolete compressors with new and more efficient ones, variable-speed drive air compressors with lower energy consumption
- Ongoing replacement of the current heating systems and DHW (Domestic Hot Water)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

In addition, in order to reduce CO<sub>2</sub> emissions in transportation, Safilo invested in initiatives such as the introduction of the **first electric car** (NISSAN LEAF) during 2016, in the Padua headquarter company's fleet, and the creation of **a car pooling** programme during 2017 to encourage more sustainable commuting by employees from home to work. These initiatives led to a **saving in CO<sub>2</sub> emissions of 1.5 tonne**.

<sup>5</sup> These projects have been implemented in the context of the EU 20-20-20 climate and energy package aiming at reducing by 20% emissions, at increasing by 20% the use of renewable energy sources and at improving by 20% the energy efficiency by 2020.

Also thanks to these energy efficiency practises and investments, in 2017 **Safilo has reduced its total energy consumption for 3.3%** compare to 2016, with a **saving in CO<sub>2</sub> emissions of 2.4%** compare to 2016<sup>6</sup>.

2017 CO<sub>2</sub> EMISSIONS



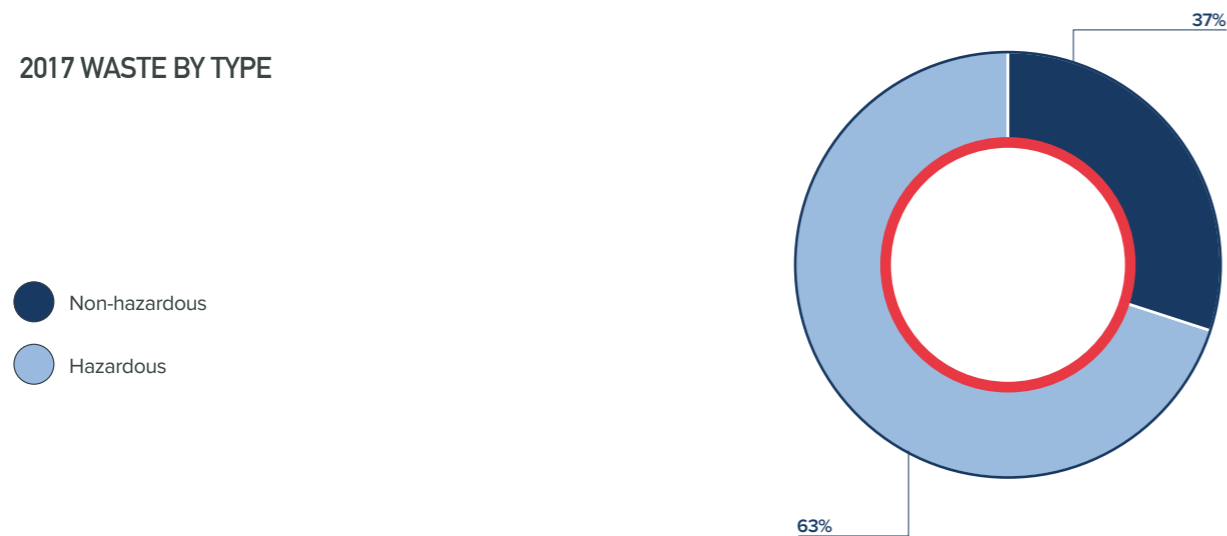
TOTAL 35,202 T CO<sub>2</sub>

8.2 WASTE GENERATION & RECYCLING, AND WATER CONSUMPTION

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

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

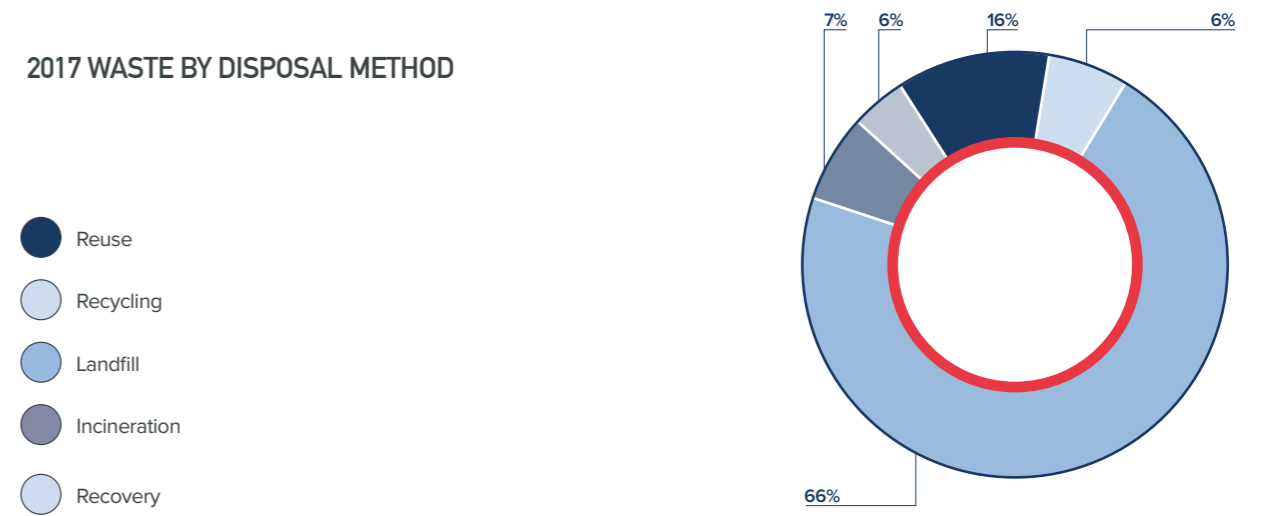
2017 WASTE BY TYPE



TOTAL 9,416 T

<sup>6</sup> The reduction in 2017 energy consumption and CO<sub>2</sub> emissions, compare to 2016, includes both volume effect and energy savings generated from specific energy saving projects implemented.

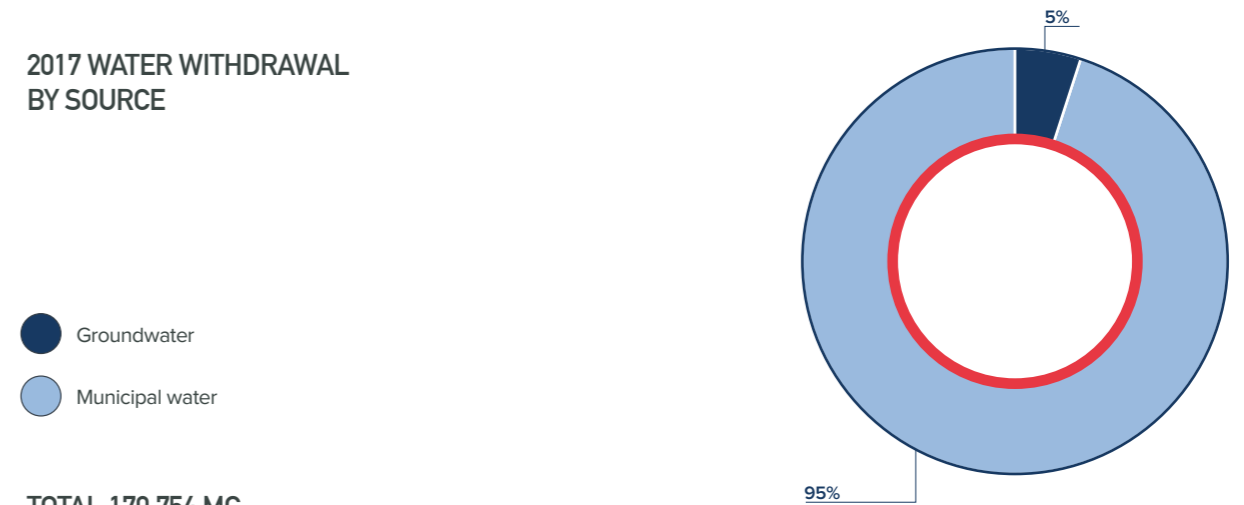
2017 WASTE BY DISPOSAL METHOD



TOTAL 9,416 T

Safilo promotes a sensible and responsible use of water for production facilities and hygiene-sanitary purposes. During 2017, water consumption has been equal to 170,754 mc (of which 95% from municipal water and 5% from groundwater) **with a reduction of 9.1%** compare to 2016 consumption.

2017 WATER WITHDRAWAL BY SOURCE



TOTAL 170,754 MC

# ABOUT THIS REPORT

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

This Consolidated Non-Financial Information Statement of the Safilo Group as at December 31, 2017 (hereinafter "NFS" or "Sustainability Report") is therefore prepared in accordance with the Decree 254 and is a separate document from the Directors' Operation Report, but an integral part of the 2017 Annual Report.

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

However, it should be noted that:

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

This report has been prepared in accordance with the GRI Standards: Core option as for the detection of fundamental key performance indicators and it has featured the support of a dedicated information system in order to be able to collect and consolidate quantitative and qualitative data and all the results that will be achieved thanks to the policies adopted in the various areas of sustainability.

A GRI Content Index is provided at the end of the Report, to provide an overview of indicators disclosed and pages references.

Information and data reported in this first Consolidated Non-Financial Information Statement refers to the fiscal year 2017 (January 1st - December 31st) and, when available, data and information related to the fiscal year 2016 are provided for comparison purposes. If present, the use of estimation is properly highlighted.

The Consolidated Non-Financial Information Statement will be issued on an annual basis, in compliance with the requirements of the Decree 254.

The document has been approved by the Board of Directors of Safilo Group S.p.A. on March 13, 2018.

The Independent Auditor appointed for the limited assurance engagement of the present NFS is Deloitte & Touche S.p.A.. The Group's economic and financial aspects and the Group's Corporate Governance are described more in depth in the Group documents: "2017 Annual Report", "2017 Report on Corporate Governance", "2017 Report on the Remuneration", all available on the Safilo Group website along with the present NFS (<http://www.safilogroup.com>).

The key performance indicators used are those required by the reporting standard adopted and are representative of the various areas, as well as consistent with the business and the impacts from the same produced. The choice of the key performance indicators has been made taking into consideration, where appropriate, the EC guidelines.

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

In this regard, the outgoing Board of Directors will propose to the incoming CEO and to be elected Board of Directors to develop an action plan to address key sustainability topics.

## ENVIRONMENT

Considering the materiality matrix applied and the nature of the eyewear industry, the environmental topic has not resulted as highly relevant for the Group.

Safilo has worked to structure a reporting system on the environmental KPIs, according to the GRI Standards.

Safilo will continue with the analysis of the main risks generated or suffered deriving from the Group's business and identify actions to mitigate them, also evaluating the possible adoption of an environmental policy.

## SOCIAL AND PEOPLE ASPECTS

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

Safilo will continue to define initiatives on social topics consistent with the Group's principles and values.

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

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

## HUMAN RIGHTS RESPECT

This topic has already started to be addressed by Safilo, both within the Worldwide Business Conduct Manual and along the supply chain through social audits.

## ACTIVE AND PASSIVE CORRUPTION

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

# ANNEXES

## Safilo impact boundaries and types

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

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

## Safilo People<sup>7</sup>

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

Employees by gender and employee category	December 31, 2017						December 31, 2016					
	Men	%	Women	%	Total	% on total	Men	%	Women	%	Total	% on total
Executives	14	67%	7	33%	21	0.3%	13	62%	8	38%	21	0.3%
Directors	85	73%	31	27%	116	2%	82	73%	30	27%	112	2%
Management	257	55%	210	45%	467	7%	244	56%	189	44%	433	6%
Employees	1,243	42%	1,683	58%	2,926	41%	1,093	38%	1,775	62%	2,868	40%
Workers	1,179	33%	2,400	67%	3,579	50%	1,247	34%	2,447	66%	3,694	52%
<b>Total</b>	<b>2,778</b>	<b>39%</b>	<b>4,331</b>	<b>61%</b>	<b>7,109</b>	<b>100%</b>	<b>2,679</b>	<b>38%</b>	<b>4,449</b>	<b>62%</b>	<b>7,128</b>	<b>100%</b>

<sup>7</sup> Following the implementation of a new headcount IT system in 2017, the Group has started to include in its workforce count also the sales agents managed contractually as employees. This has caused an increase in the Group workforce figures as at December 2017 equal to 312 people in the "employees" category, of which 202 men and 110 women (as at December 31, 2016 the equivalent number of people not included in the workforce count was equal to 274). On a like for like basis, excluding these sales agents, the Group's employees therefore decreased by 331 in 2017.

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

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

Employees by age group and employee category	December 31, 2016						Total	% on total
	< 30	%	30-50	%	> 50	%		
Executives	-	0%	15	71%	6	29%	21	0.3%
Directors	-	0%	97	87%	15	13%	112	2%
Management	12	3%	338	78%	83	19%	433	6%
Employees	889	31%	1,637	57%	342	12%	2,868	40%
Workers	610	17%	2,412	65%	672	18%	3,694	52%
<b>Total</b>	<b>1,511</b>	<b>21%</b>	<b>4,499</b>	<b>63%</b>	<b>1,118</b>	<b>16%</b>	<b>7,128</b>	<b>100%</b>

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

Employees by gender and employment contract	December 31, 2017						December 31, 2016					
	Men	%	Women	%	Total	%	Men	%	Women	%	Total	%
Permanent	2,710	98%	4,220	97%	6,930	97%	2,602	97%	4,294	97%	6,896	97%
Temporary	68	2%	111	3%	179	3%	77	3%	155	3%	232	3%
<b>Total</b>	<b>2,778</b>	<b>100%</b>	<b>4,331</b>	<b>100%</b>	<b>7,109</b>	<b>100%</b>	<b>2,679</b>	<b>100%</b>	<b>4,449</b>	<b>100%</b>	<b>7,128</b>	<b>100%</b>

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

Employees by employment contract and region	December 31, 2017					December 31, 2016				
	Europe	North America	Asia Pacific	Rest of the world	Total	Europe	North America	Asia Pacific	Rest of the world	Total
Permanent	4,057	1,453	1,239	181	6,930	4,075	1,453	1,245	123	6,896
Temporary	141	6	32	-	179	192	11	29	-	232
<b>Total</b>	<b>4,198</b>	<b>1,459</b>	<b>1,271</b>	<b>181</b>	<b>7,109</b>	<b>4,267</b>	<b>1,464</b>	<b>1,274</b>	<b>123</b>	<b>7,128</b>

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

Employees by gender and employment type	December 31, 2017						December 31, 2016					
	Men	%	Women	%	Total	%	Men	%	Women	%	Total	%
	Full time	2,524	91%	3,443	79%	5,967	84%	2,415	90%	3,519	79%	5,934
Part time	254	9%	888	21%	1,142	16%	264	10%	930	21%	1,194	17%
<b>Total</b>	<b>2,778</b>	<b>100%</b>	<b>4,331</b>	<b>100%</b>	<b>7,109</b>	<b>100%</b>	<b>2,679</b>	<b>100%</b>	<b>4,449</b>	<b>100%</b>	<b>7,128</b>	<b>100%</b>

**New employee hires & employee turnover [GRI 401-1]<sup>8-9</sup>**

Incoming employees by age group and gender	December 31, 2017						December 31, 2016					
	Men	%	Women	%	Total	%	Men	%	Women	%	Total	%
	< 30	357	54%	500	63%	857	59%	226	34%	351	41%	577
30 - 50	238	14%	302	11%	540	12%	150	9%	198	7%	348	8%
> 50	17	4%	47	6%	64	6%	12	3%	28	4%	40	4%
<b>Total</b>	<b>612</b>	<b>22%</b>	<b>849</b>	<b>20%</b>	<b>1,461</b>	<b>21%</b>	<b>388</b>	<b>14%</b>	<b>577</b>	<b>13%</b>	<b>965</b>	<b>14%</b>

Incoming employees by gender and region	December 31, 2017					December 31, 2016				
	Europe	North America	Asia Pacific	Rest of the world	Total	Europe	North America	Asia Pacific	Rest of the world	Total
	Men	164	315	106	27	612	110	198	70	10
%	12%	57%	15%	23%	22%	8%	36%	10%	15%	14%
Women	189	552	93	15	849	147	352	70	8	577
%	7%	61%	16%	23%	20%	5%	39%	12%	14%	13%
<b>Total</b>	<b>353</b>	<b>867</b>	<b>199</b>	<b>42</b>	<b>1,461</b>	<b>257</b>	<b>550</b>	<b>140</b>	<b>18</b>	<b>965</b>
%	<b>8%</b>	<b>59%</b>	<b>16%</b>	<b>23%</b>	<b>21%</b>	<b>6%</b>	<b>38%</b>	<b>11%</b>	<b>15%</b>	<b>14%</b>

Outgoing employees by age and gender	December 31, 2017						December 31, 2016					
	Men	%	Women	%	Total	%	Men	%	Women	%	Total	%
	< 30	285	43%	444	56%	729	50%	238	36%	379	45%	617
30 - 50	330	20%	471	17%	801	18%	192	12%	248	9%	440	10%
> 50	99	23%	125	17%	224	19%	38	9%	68	10%	106	9%
<b>Total</b>	<b>714</b>	<b>26%</b>	<b>1,040</b>	<b>24%</b>	<b>1,754</b>	<b>25%</b>	<b>468</b>	<b>17%</b>	<b>695</b>	<b>16%</b>	<b>1,163</b>	<b>16%</b>

8 Percentage of new employee hires and employee turnover have been calculated on the respective number of employee (by age group, gender and region) at the end of the year.  
9 The significant turnover figures are mainly due to the seasonality effect, characteristic of the Group's industry, in particular for the workforce of our retail chain, Solstice.

Outgoing employees by gender and region	December 31, 2017					December 31, 2016				
	Europe	North America	Asia Pacific	Rest of the world	Total	Europe	North America	Asia Pacific	Rest of the world	Total
	Men	227	284	181	22	714	203	167	60	38
%	16%	52%	26%	19%	26%	15%	30%	9%	57%	17%
Women	369	508	145	18	1,040	274	326	72	23	695
%	13%	56%	25%	28%	24%	9%	36%	12%	41%	16%
<b>Total</b>	<b>596</b>	<b>792</b>	<b>326</b>	<b>40</b>	<b>1,754</b>	<b>477</b>	<b>493</b>	<b>132</b>	<b>61</b>	<b>1,163</b>
%	<b>14%</b>	<b>54%</b>	<b>26%</b>	<b>22%</b>	<b>25%</b>	<b>11%</b>	<b>34%</b>	<b>10%</b>	<b>50%</b>	<b>16%</b>

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

	December 31, 2017	December 31, 2016
Employees covered by collective bargaining agreements	5,006	5,157
Total workforce	7,109	7,128
%	<b>70%</b>	<b>72%</b>

**Health & Safety rates and injuries<sup>10</sup> [GRI 403-2]**

Health & Safety Rates	December 31, 2017			December 31, 2016		
	Men	Women	Total	Men	Women	Total
Lost day rate (* 1.000)	0.04	0.11	0.08	0.09	0.14	0.12
Workplace injury rate (* 1.000.000)	2.92	4.38	3.77	3.33	4.25	3.90
Occupational disease rate (* 1.000.000)	-	0.63	0.36	-	0.20	0.13
Absentee rate (% on total days worked)	2.9%	6.5%	5.0%	2.8%	6.0%	4.8%
<b>Health &amp; Safety Injuries</b>						
Workplace injuries	10	21	31	10	21	31
Fatal injuries	-	-	-	-	-	-
Occupational diseases	-	3	3	-	1	1
Lost days	146	504	650	278	696	974
Absences days	12,560	39,181	51,741	10,583	36,956	47,538

10 "Lost day rate" is calculated as the number of lost days divided by the number of hours worked, multiplied per 1.000.  
"Injury rate" is calculated as number of workplace injuries divided by the number of hours worked, multiplied per 1.000.000.  
"Occupational disease rate" is calculated as the total occupational disease divided by the number of hours worked, multiplied per 1.000.000.  
"Absentee rate" is calculated as total absences (in days) divided by the number of days worked.  
These KPIs are related to the Italian, Slovenian and Chinese manufacturing plants, and Padua headquarter, and do not include the external collaborators data.



Europe Health & Safety Rates	December 31, 2017			December 31, 2016		
	Men	Women	Total	Men	Women	Total
Lost day rate (* 1.000)	0.08	0.14	0.12	0.12	0.15	0.14
Workplace injury rate (* 1.000.000)	5.24	5.65	5.51	4.00	4.71	4.48
Occupational disease rate (* 1.000.000)	-	0.81	0.53	-	0.24	0.16
Absentee rate (% on total days worked)	4.4%	8.0%	6.8%	3.5%	6.6%	5.6%
<b>Europe Health &amp; Safety Injuries</b>						
Workplace injuries	10	21	31	8	20	28
Fatal injuries	-	-	-	-	-	-
Occupational diseases	-	3	3	-	1	1
Lost days	146	504	650	234	642	876
Absences days	10,542	37,227	47,769	8,848	35,135	43,982

Asia Pacific Health & Safety Rates	December 31, 2017			December 31, 2016		
	Men	Women	Total	Men	Women	Total
Lost day rate (* 1.000)	-	-	-	0.04	0.08	0.06
Workplace injury rate (* 1.000.000)	-	-	-	2.00	1.44	1.77
Occupational disease rate (* 1.000.000)	-	-	-	-	-	-
Absentee rate (% on total days worked)	1.1%	1.5%	1.2%	1.4%	2.1%	1.7%
<b>Asia Pacific Health &amp; Safety Injuries</b>						
Workplace injuries	-	-	-	2	1	3
Fatal injuries	-	-	-	-	-	-
Occupational diseases	-	-	-	-	-	-
Lost days	-	-	-	44	54	98
Absences days	2,018	1,954	3,972	1,735	1,821	3,556

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

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

Average hours of training by gender and employee category	December 31, 2016					
	Men	Average hours of training	Women	Average hours of training	Total	Average hours of training
Executives	-	-	-	-	-	-
Directors	749	10	454	15	1,203	11
Management	5,591	22	4,078	22	9,669	22
Employees	14,234	13	17,946	10	32,180	11
Workers	27,224	22	105,185	43	132,409	36
<b>Total</b>	<b>47,798</b>	<b>18</b>	<b>127,663</b>	<b>29</b>	<b>175,461</b>	<b>25</b>

Training hours provided by type of training	December 31, 2017	December 31, 2016
Health & Safety	11,882	16,032
Compliance	8,511	13,672
Professional	106,392	127,921
ICT	1,834	2,805
PVPC	7,641	1,791
Managerial	6,470	5,949
Linguistic	9,052	7,293
<b>Total</b>	<b>151,782</b>	<b>175,461</b>

**Percentage of employees receiving regular performance and career development reviews [GRI 404-3]**

Percentage of employees receiving regular performance and career development reviews by gender and employee category	December 31, 2017			December 31, 2016		
	Men	Women	Total	Men	Women	Total
Executives	100%	100%	100%	100%	100%	100%
Directors	100%	100%	100%	100%	100%	100%
Management	100%	100%	100%	100%	100%	100%
Employees	100%	100%	100%	99%	100%	100%
Workers	57%	38%	44%	62%	41%	48%
<b>Total</b>	<b>82%</b>	<b>65%</b>	<b>72%</b>	<b>82%</b>	<b>68%</b>	<b>73%</b>

## Environment

### Energy Consumption [GRI 302-1]

Energy Consumption (GJ)	December 31, 2017	%	December 31, 2016	%	change %
Electricity bought	237,115	67%	247,214	68%	-4.1%
Natural Gas	77,487	22%	80,034	22%	-3.2%
Diesel (Transportation)	33,196	9%	32,907	9%	0.9%
Petrol (Transportation)	4,100	1%	3,898	1%	5.2%
Diesel (Heating)	360	0.1%	360	0.1%	0.0%
<b>Total</b>	<b>352,258</b>	<b>100%</b>	<b>364,414</b>	<b>100%</b>	<b>-3.3%</b>

### Emissions<sup>11</sup> [GRI 305-1 and GRI 305-2]

Total Emissions (t CO <sub>2</sub> )	December 31, 2017	%	December 31, 2016	%	change %
<b>Direct Emissions - Scope I</b>	<b>7,096</b>	<b>20%</b>	<b>7,202</b>	<b>20%</b>	<b>-1.5%</b>
- Natural Gas	4,327	12%	4,469	12%	-3.2%
- Diesel (Transportation)	2,442	7%	2,421	7%	0.9%
- Petrol (Transportation)	300	1%	285	1%	5.2%
- Diesel (Heating)	27	0%	27	0%	0.0%
<b>Indirect Emissions - Scope II<sup>12</sup></b>	<b>28,106</b>	<b>80%</b>	<b>28,860</b>	<b>80%</b>	<b>-2.6%</b>
- Electricity bought	28,106	80%	28,860	80%	-2.6%
<b>Total</b>	<b>35,202</b>	<b>100%</b>	<b>36,061</b>	<b>100%</b>	<b>-2.4%</b>

### Water withdrawal by source<sup>13</sup> [GRI 303-1]

Water withdrawal by source (mc)	December 31, 2017	%	December 31, 2016	%	change %
Municipal Water	161,984	95%	177,338	94%	-8.7%
Groundwater	8,770	5%	10,574	6%	-17.1%
<b>Total</b>	<b>170,754</b>	<b>100%</b>	<b>187,912</b>	<b>100%</b>	<b>-9.1%</b>

11 These figures have been calculated using TERNA 2015 and Miniambiente 2016 emissions factors, according to the GHG Protocol methodology. The consolidation approach for the Group's emissions is the operational control. Figures refer to CO<sub>2</sub> emissions only.  
 12 Scope II CO<sub>2</sub> emissions reported in the table have been calculated with the location-based method. However, they have also been calculated with the market-based method, using the emission factors related to the "residual mix" (AIB-2016 European Residual Mix), where available. Otherwise, the same emissions factors used for the location-based method have been used also for the market-based method. In 2017, CO<sub>2</sub> emissions with market-based method accounted for 34,110 t CO<sub>2</sub>. Some data may have been estimated or calculated.  
 13 These figures are related to the Italian, Slovenian, Chinese and USA manufacturing plants, and Padua headquarter. These figures have been consolidated starting from the information of the resource providers.

### Waste by type and disposal method<sup>14</sup> [GRI 306-2]

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

Waste by type and disposal method (t)	December 31, 2016					
	Reuse	Recycling	Landfill	Incineration	Recovery	Total
Non-Hazardous	1,465	539	631	724	-	3,358
Hazardous	90	112	7,619	13	183	8,017
<b>Total</b>	<b>1,555</b>	<b>650</b>	<b>8,250</b>	<b>737</b>	<b>183</b>	<b>11,375</b>
<b>%</b>	<b>14%</b>	<b>6%</b>	<b>73%</b>	<b>6%</b>	<b>2%</b>	<b>100%</b>

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



# GRI CONTENT INDEX

Safilo 2017 Consolidated Non-Financial Information Statement has been prepared in accordance with the GRI Standards: Core Option. The following index provides the qualitative and quantitative information disclosed during the materiality assessment, with related references to the document's chapters.

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103-2	The management approach and its components	Integrity in the Workplace – 5.1	36-39
103-3	Evaluation of the management approach		
<b>GRI 401: EMPLOYMENT</b>			
401-1	New employee hires and employee turnover	Integrity in the Workplace – 5.1 Annexes	36-39 60-61
<b>Labour and Industrial relations</b>			
<b>GRI 103: MANAGEMENT APPROACH</b>			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 58
103-2	The management approach and its components	Integrity in the Workplace – 5.4	41
103-3	Evaluation of the management approach		
<b>GRI 402: LABOUR AND INDUSTRIAL RELATIONS</b>			
402-1	Minimum notice period regarding operational changes	Regulatory issued and salary consideration vary based on national collective labor agreements and law in force in the countries where the Group operates	41
<b>Occupational Health and Safety</b>			
<b>GRI 103: MANAGEMENT APPROACH</b>			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 58
103-2	The management approach and its components	Integrity in the Workplace – 5.3	40-41
103-3	Evaluation of the management approach		
<b>GRI 403: OCCUPATIONAL HEALTH AND SAFETY</b>			
403-2	Type of injury and rates of injury, occupational diseases, lost day rate, absentee rate, and work-related fatalities	Highlights Integrity in the Workplace – 5.3 Annexes <sup>15</sup>	6 40-41 61-62

<sup>15</sup> These figures do not include external collaborators.

GRI-Standards		Chapters - Paragraphs	Pages
<b>Training and Education</b>			
<b>GRI 103: MANAGEMENT APPROACH</b>			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 58
103-2	The management approach and its components	Integrity in the Workplace – 5.1	36-39
103-3	Evaluation of the management approach		
<b>GRI 404: TRAINING AND EDUCATION</b>			
404-3	Percentage of employees receiving regular performance and career development reviews	Highlights Integrity in the Workplace – 5.1 Annexes	6 36-39 62-63
<b>Diversity and Equal Opportunity</b>			
<b>GRI 103: MANAGEMENT APPROACH</b>			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 58
103-2	The management approach and its components	Integrity in the Workplace – 5.2	40
103-3	Evaluation of the management approach		
<b>GRI 405: DIVERSITY AND EQUAL OPPORTUNITY</b>			
405-1	Diversity of governance body and employees	Safilo Governance – 3.1 Integrity in the Workplace – 5.2 Annexes	24-26 40 58-59
<b>Human Rights Assessment</b>			
<b>GRI 103: MANAGEMENT APPROACH</b>			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 58
103-2	The management approach and its components	Responsible Partnerships – 6.2	43-46
103-3	Evaluation of the management approach		
<b>GRI 412: HUMAN RIGHTS ASSESSMENT</b>			
412-1	Operations that have been subject to human rights reviews or human rights impact assessments	Responsible Partnerships – 6.2	43-46
<b>Local Communities</b>			
<b>GRI 103: MANAGEMENT APPROACH</b>			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 58
103-2	The management approach and its components	Social Responsibility – 7.2 and 7.3	48-51
103-3	Evaluation of the management approach		

GRI-Standards		Chapters - Paragraphs	Pages
<b>GRI 413: LOCAL COMMUNITIES</b>			
413-1	Local community engagement, impact assessments, and development programs	Social Responsibility – 7.2 and 7.3	48-51
<b>Supplier Social Assessment</b>			
<b>GRI 103: MANAGEMENT APPROACH</b>			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 58
103-2	The management approach and its components	Responsible Partnerships – 6.2	43-46
103-3	Evaluation of the management approach		
<b>GRI 414: SUPPLIER SOCIAL ASSESSMENT</b>			
414-1	New suppliers screened using social criteria	Responsible Partnerships – 6.2	43-46
<b>Customer Health and Safety</b>			
<b>GRI 103: MANAGEMENT APPROACH</b>			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 58
103-2	The management approach and its components	Product Craftsmanship & Innovation – 4.4	32-33
103-3	Evaluation of the management approach		
<b>GRI 416: CUSTOMER HEALTH AND SAFETY</b>			
416-2	Incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services	In 2017 and 2016, no incidents of non-compliance have been registered	-
<b>Socioeconomic Compliance</b>			
<b>GRI 103: MANAGEMENT APPROACH</b>			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 58
103-2	The management approach and its components	Safilo Governance – 3.2	26-27
103-3	Evaluation of the management approach		
<b>GRI 419: SOCIOECONOMIC COMPLIANCE</b>			
419-1	Non-compliance with laws and/or regulations in the social and economic area	In 2017 and 2016, no significant fines or sanctions were reported	-
<b>Product Craftsmanship &amp; Innovation</b>			
<b>GRI 103: MANAGEMENT APPROACH</b>			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business – 2.3 Annexes	19-22 58
103-2	The management approach and its components	Product Craftsmanship & Innovation	28-35
103-3	Evaluation of the management approach		

GRI-Standards		Chapters - Paragraphs	Pages
<b>Licensors' Trust</b>			
<b>GRI 103: MANAGEMENT APPROACH</b>			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business - 2.3 Annexes	19-22 58
103-2	The management approach and its components	Responsible Partnerships - 6.1	42
103-3	Evaluation of the management approach		
<b>Client Satisfaction</b>			
<b>GRI 103: MANAGEMENT APPROACH</b>			
103-1	Explanation of material aspects and its boundaries	A Sustainable Business - 2.3 Annexes	19-22 58
103-2	The management approach and its components	Responsible Partnerships - 6.3	46-47
103-3	Evaluation of the management approach		

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# INDEPENDENT AUDITORS' REPORT



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

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

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter the "Decree") and to article 5 of the CONSOB Regulation n. 20267, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Safilo Group S.p.A. and its subsidiaries (hereinafter the "Safilo Group" or the "Group") as of December 31, 2017 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 13, 2018 (hereinafter the "NFS").

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

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

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

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

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

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

**Auditor's Independence and quality control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care,

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confidentiality and professional behaviour. Our auditing firm applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Auditor's responsibility**

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board* (IAASB) for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with *ISAE 3000 Revised*, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

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

Specifically we carried out the following procedures:

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

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

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

In particular, we carried out interviews and discussions with the management of Safilo S.p.A. with the employees of Safilo Eyewear Industries (Suzhou) Ltd., Safilo Far East Ltd., Safilo Hong Kong Ltd., Safilo USA Inc., Smith Sport Optics Inc., and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

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

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

**Conclusion**

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Safilo Group as of December 31, 2017 is not prepared, in all material aspects, in accordance with article 3 and 4 of the Decree and the GRI Standards.

**Other Matter**

The data for the year ended December 31, 2016 presented for comparative purposes in the NFS have not been subject to a limited or to a reasonable assurance engagement.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Giorgio Moretto**  
Partner

Padova, Italy  
March 23, 2018

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

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**Safilo**