SUSTAINABILITY REPORT

2017

FLOS

Index

Message to our stakeholders

2017 has been an exciting year for Flos Group, epitomized by a push towards innovation and modernization, characterized by the first implementation phase of our digital transformation. Actually, in late 2017 we have launched our new global website, with a great new design and contents offer, and we have started a gradual centralization and strategic management of the corporate social media. Albeit being just the first step of a long-standing roadmap, this strategy for us represents an opportunity to demonstrate to our stakeholders how a 55-year old company can still adopt a pioneering approach, by combining a solid tradition of quality and a renowned brand with an endlessly young attitude. Digitalization goes hand in hand with our distinctive attention towards product innovation. At Flos, we are deeply convinced that the creation of light through the conception and the design of new lighting solutions is an act of profound responsibility. As a matter of fact, light is a vital element to life, and our solutions should embody the latest technological enhancements in order to ameliorate our customers' quality of living, by offering a customized and reliable answer to their evolving needs. That is why our new models explore some of the most advanced Internet of Things solutions, with the aim of improving the user experience of our increasingly connected customers.

On the same vein, innovation should contribute to the overall sustainability of our products, as witnessed by the progressive diffusion of LED solutions within our portfolio. In our view, LED provides the perfect match between creativity and respect for the environment. Therefore, we will keep experimenting with its applications in the upcoming years, building on the mounting success of recent models like Noctambule, designed by Konstantin Grcic, or Michael Anastassiades' Arrangements lamp. These latter perfectly demonstrate how sustainability can be iconic and how energy efficiency can become a synonym of style and class.

However, since we are aware that our commitment towards sustainability cannot be limited to our products, in 2017 we have also worked in order to improve our overall environmental and social performance along our value chain. In this direction, we have implemented a series of actions intended to progressively reduce our energy consumption and to increase the percentage of recycled waste. Similarly, driven by the willingness to ensure a constant talent development, we have increased the amount of training hours dispensed to our employees, while trying to foster a positive working environment and to enhance their personal welfare. This, our third Sustainability Report will provide you with insights regarding all these topics, and offers you a more nuanced glance of our corporate reality. It will also guarantee an objective vision over our sustainability performance, with an enlarged reporting scope covering also our subsidiaries Antares and Ares. Finally, as a confirmation to our firm commitment to adhere to the Principles of the United Nations Global Compact, which we joined in 2015, it will clearly communicate our efforts to become a reference in the lighting industry also from a sustainability standpoint.

Piero Gandini, CEO

Electronic department, Italy

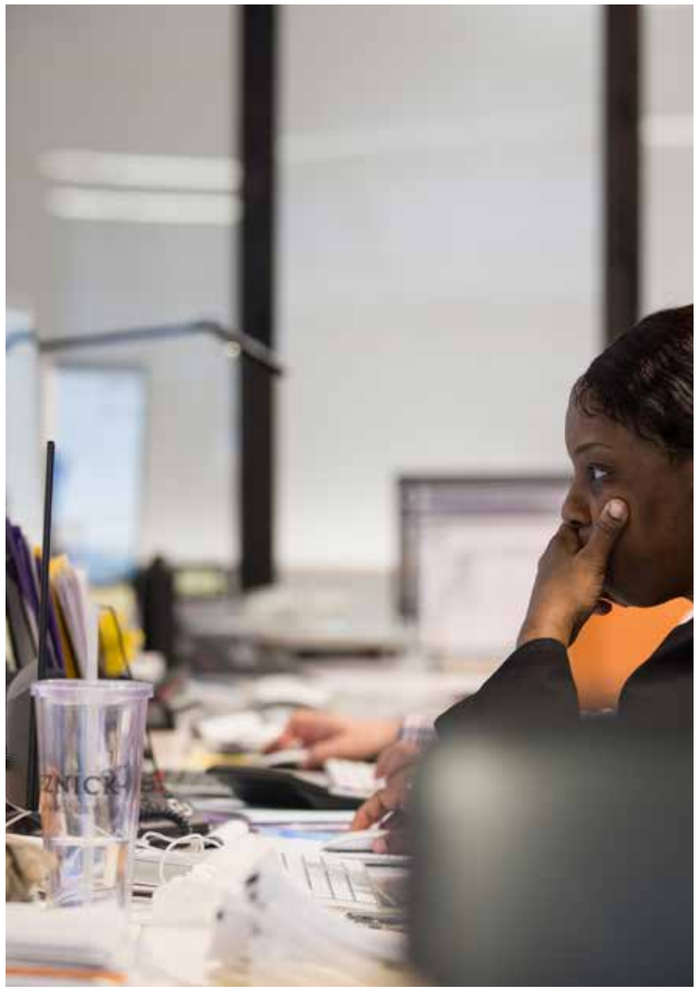
Electronic department, Spain

R&D department, Spain

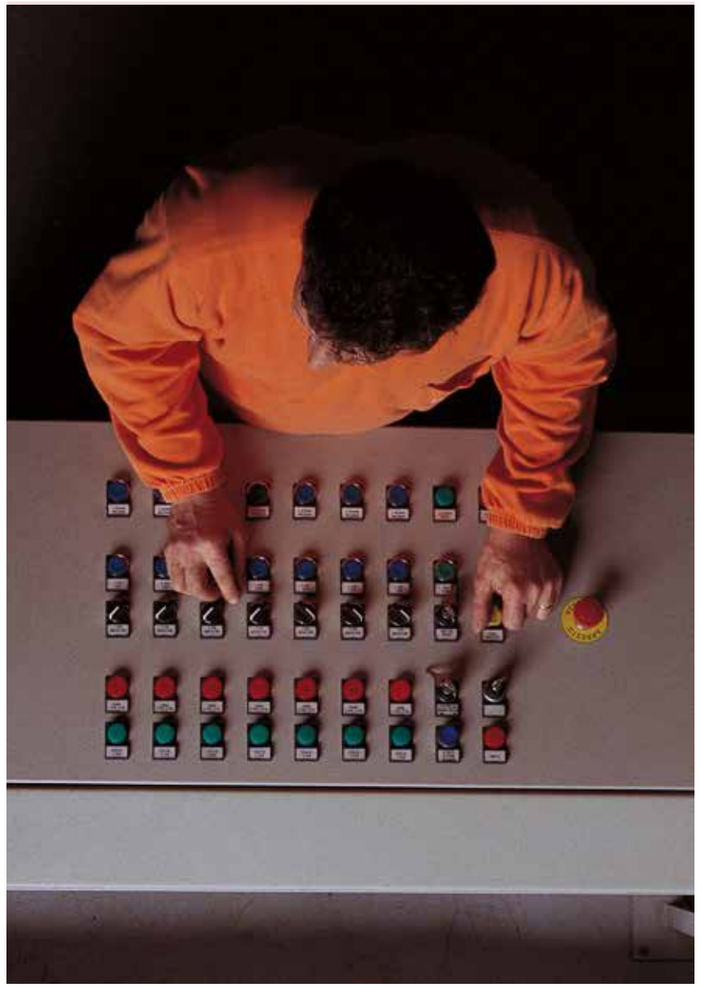
Production department, Spain

Mechanic department, Italy

Mechanic department, USA



Logistics, USA

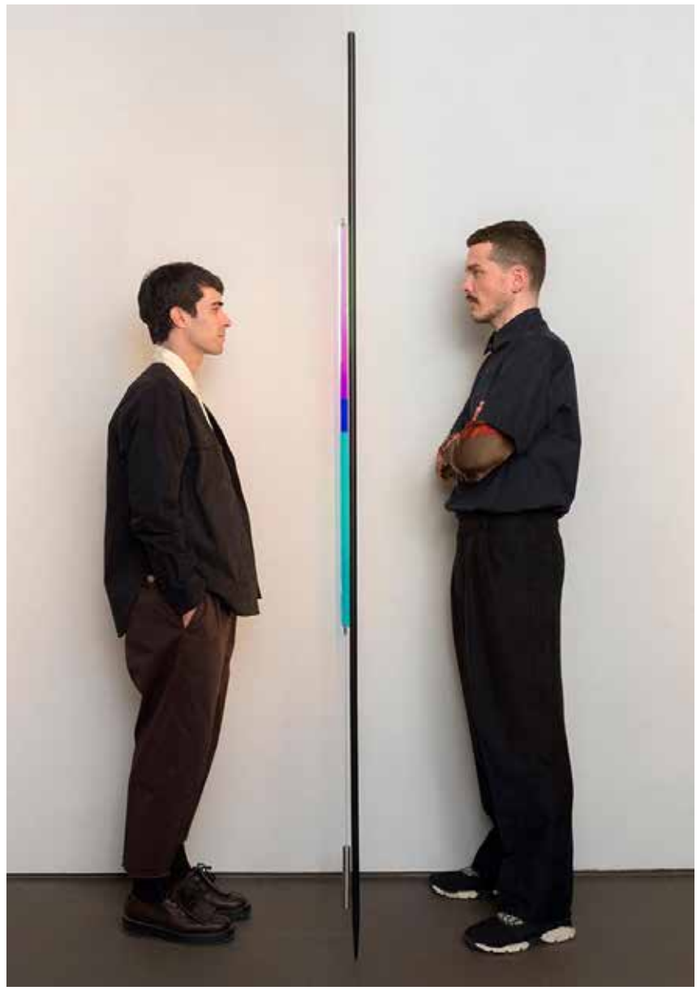


Employee, Italy

Biagio’s craftsman, Italy

Ray’s craftsman, Italy

Michael Anastassiades with the Arrangements lamps



Formafantasma with Blush lamp

Flos Store, Arrangements

Flos' event

Sustainability highlights 2017

The Group

Revenues
215 M€

People
609

Countries
94

Our Suppliers*

Local suppliers in Italy
84 %

Local suppliers in Spain
94 %

Our People*

Employees
397

Training hours per employees
7.9 h

Permanent contracts
84 %

Increase of total training hours with respect to 2015
94 %

Total training dedicated to non-compulsory training activities
86 %

Environment*

Tons of CO2
265
equivalent emissions compensated through the subscription to Go Green Climate Neutral Program by DHL

Waste sent to recycling in 2017
56 %

*Data refer to Flos, Antares and Ares.

Sergio Gandini e Achille Castiglioni, 1974

1. A spotlight on our corporate identity

Established in 1962 in Merano, Italy, by Dino Gavina and Cesare Cassina, Flos Group (hereinafter *Flos*) is recognized as a world leading manufacturer of innovative lighting solutions in the residential and architectural sectors, featuring high quality products and systems characterized by timeless design. The beginnings of Flos, meaning *flower* in Latin, blossomed from a brilliant idea: to create objects, starting with a light bulb, which would change the way of life for both the Italian and the foreign markets.

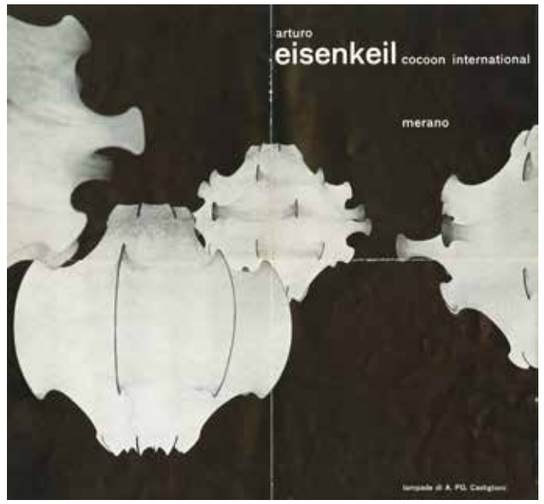
1.1 Our history between heritage and innovation

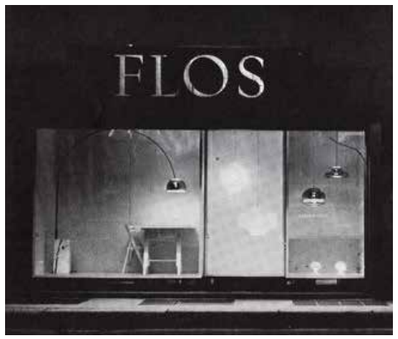
Since the launch of Flos, the founders had the key objective of creating products that would become icons, establishing new typologies and innovative archetypes. This has progressively allowed Flos to become universally renowned for producing design icons, like the Arco lamp, a tangible proof of Flos timeless design and craftsmanship excellence.
The same approach has been inherited and enhanced by the current Chief Executive Officer (CEO) Piero Gandini, whose family has been Flos' main shareholder almost since the beginning. Today Flos is the only company in the lighting industry that is able to offer a complete range of integrated solutions.
It exports to more than 70 countries worldwide and has single-brand stores in Rome, Milan, Paris, Lyon, New York, Stockholm and Hong Kong. The brand's creations have received numerous international awards and many of them are now featured in the permanent collections of leading international art and design museums.Thanks to a know-how acquired after over fifty years of experience, Flos is today an international organization that offers a complete range of residential, commercial and even custom-made lighting products that can be seamlessly integrated in any office, hotel, or store. With a constant commitment to research and technological innovation, but always aiming to reach a poetic quality of light, the company has demonstrated how a historic brand

Sergio Gandini and Snoopy Lamp, 1968

can look at the future without losing sight of its tradition. Following its commitment in technological innovation, in 2017, Flos has also started a process intended to fully harness the potential of digital technologies in order to rethink both its internal processes and its communication activities targeting customers. To achieve this ambitious result the Company has started a cross-divisional process aimed at reskilling its employees and enhancing their digital expertise. Indeed, Flos believes that to effectively achieve a digital transition it is crucial to provide digital skills to employees, as to empower them in order to drive and funnel the corporate technological change. This process is actively coordinated and supported by a new corporate function, the Chief Digital Officer, specifically devoted to the digital transformation. As an initial step of this path, in 2017 Flos has started a series of Digital Lessons, i.e. training sessions dedicated to its employees focusing on digital topics - e.g. design thinking, interaction design, enhanced customer experience, internet of things, the potential of mobile devices - aimed at creating a company culture that nurtures innovation and digital transformation.
In addition, concerning its communication with customers, Flos is also investing in the creation of a new Data Asset Management System, aimed at storing and sharing in a single, centralized

Sergio Gandini and Achille Castiglioni, 1982

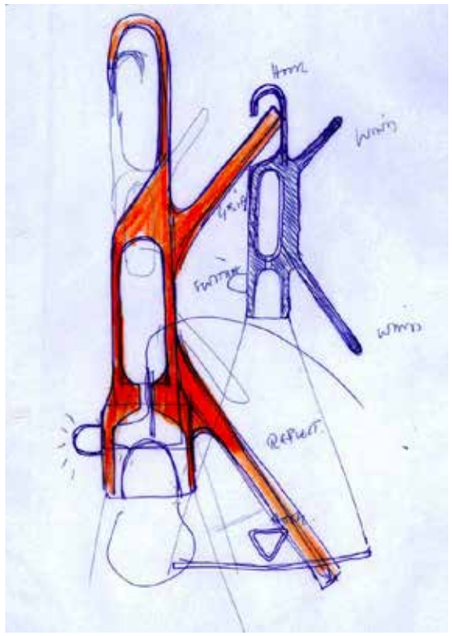


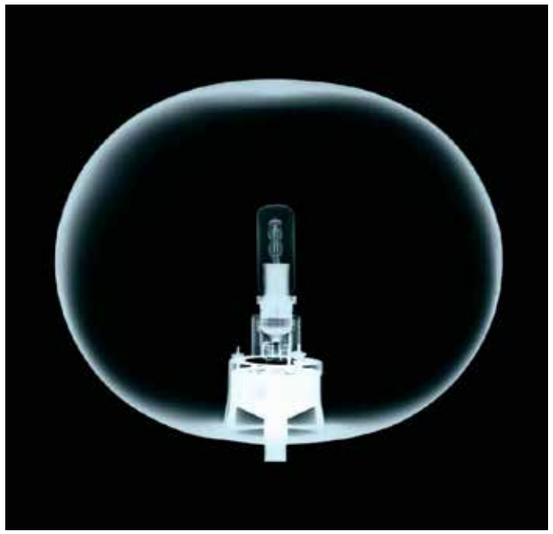


Sketch Taraxacum, 1982 – Coocon Eisenkeil, 1960
Tobia Scarpa, 1960 – MAK Museum Vienna, 1984
Flos Shop Milano, 1969

platform all the product information, ranging from the technical designs to the historical archive. The new product information platform will also allow the collection and monitoring of key indicators related to products through the creation of a single dashboard accessible from different users. Concurrently, Flos is also redesigning the digital customer experience, mapping and monitoring the different touchpoints and interaction channels in order to meet customer expectations. While keeping a strong commitment to integrate the digital transformation in its identity, Flos has also contributed to face the challenges that are reshaping the lighting sector, such as the introduction of the LED lighting source and the advent of the circular economy. In this time of change, Flos ultimate goal is indeed to translate heritage into a meaningful direction aligned to the present situation.

Jenny Holzer Academy event show, 2005





Sketch May Day, 2000 – A. Castiglioni with P. Gandini, 2000
Glo-Ball lamp, 2000 – Jean Baptiste Mondino with P. Starck, 2000
Miss Sissi, 1992

1.2 The Group and the Corporate Governance

Flos is one of the leading players in the Italian lighting industry, with registered revenues of more than €215 million in 2017 at group level. As of 31st December 2017, Flos employs 609 people, mainly located in the three operating sites of Flos S.p.A. in Italy, for the Design segment (headquartered in Bovezzo, Brescia, 147 employees); in Spain with its subsidiaries Antares Iluminacion SAU for the Architectural and Soft architectural segment (Valencia, 165 employees); and, again in Italy, with Ares (Bernareggio, 85 employees) for the Outdoor segment. The remaining people are employed in the smaller commercial subsidiaries of the Group and in the two custom product manufacturing subsidiaries, Light Contract (Collebeato, Brescia - Italy) and Flos USA Inc. (formerly Lukas Lighting, Long Island City, NY-USA). Continuing its path of growth, in May 2017, Flos acquired, through Flos France S.a.s., KKDC France, which is the distributor in France for the Korean KKDC, a leading company in the production of linear LED for luxury architectural lighting. The objective of the new acquisition, renamed Flos Projets, is mainly to reinforce Flos' positioning in the contract segment and to give a strong incentive to the French market, where the corporate brand is already renowned since the end of the seventies.

Flos Benelux NV

Flos BV

Flos Milano S.r.l.

Flos Japan Co. Ltd

Flos Scandinavia AS

Flos Sverige AB

Euroformat S.r.l.

Flos USA Inc.

Antares Iluminacion S.a.u.

Flos Illumination Shanghai Ltd

Antares Iluminacion Pte Ptd

Flos S.p.A.

Flos gmbh

Flos UK ltd

Flos Norge AS

Flos Roma S.r.l.

Flos France S.a.s

Flos Projets S.a.r.l

Light Contract S.r.l.

Ares S.r.l.

Operating subsidiaries

Commercial branches

The group structure

Starting from December 2014, the majority indirect shareholder of Flos S.p.A. is Investindustrial V L.P. The previous shareholders, including the Gandini family (controlling shareholders), still own a significant portion of Flos' shares.

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

- A Board of Directors, comprising nine members, which is entrusted with all the powers to ensure the ordinary and extraordinary management of the Company;
- A Board of Statutory Auditors, comprising three standing statutory auditors and two substitute statutory auditors.

Board Member	
Vitaliano Borromeo Arese	Chairman of the Board (company's representative)
Piero Gandini	Board member - CEO (company's representative)
Manuel Perani	Board member - EVP Operations & Finance (company's representative)
Federico Otto Martinez Weber	Board member – Antares CEO
Maurizio Bottinelli	Board member
Martina Peterlini	Board member
Alessandro Fogo	Board member
Umberto Magnetti	Board member
Davide Ambrogio Pelle	Board member

An independent auditing firm has also been appointed.
In order to ensure transparency and responsible day-by-day operations, in 2015 Flos created its first Organizational, Management and Control Model pursuant to Italian law 231/2001 (hereinafter "Model 231"), approved by the Board of Directors in March 2016.
The drafting of the Model 231 has included the analysis of the main risks and the mapping of operating areas potentially subject to those risks.
As foreseen by the Model 231 and applicable legislation, Flos has appointed a Supervisory Body (Organismo di Vigilanza) entrusted with the task of controlling the internal implementation and the corporate compliance with Model 231, as well as its updating process.

The Supervisory Board comprises two external members, who fulfill the regulatory requirements in terms of autonomy, independence and continuity and a secretary. Together with the Model 231, Flos drafted its Code of Ethics, which describes the Company's missions and ethical principles and governs the relationship between the Flos and all its counterparts, i.e. shareholders, employees and partners, suppliers, Public Administration, trade unions, political parties and clients.
The implementation of the Model 231 and of the Code of Ethics, together with Flos' certified 9001 Quality Management System, also represents the framework to ensure compliance with national and international applicable laws and regulations.
Flos firmly believes that acting in accordance with the principles of Model 231 and of the Code of Ethics is essential to promote a responsible business conduct, i.e. one enabling it to avoid the occurrence of corruption cases and of unethical business practices. In this regard, in the 2015-2017 period, no complaints from competitors and public authorities for anti-competitive behavior nor episodes of corruption were either identified or reported.

1.3 Flos' Global Presence

Milan, Rome, Paris, New York, Tokyo, Amsterdam, Copenaghen, Oslo, Stockholm, Valencia, Prague, London, Singapore, Lyon, Hong Kong, Regensburg, Shanghai.

Flos has a widespread global presence serving 94 countries (among which 34 directly host Flos' personnel), with showrooms and shops located in important cities such as Milan, London, New York, Lyon, Stockholm, Hong Kong, Rome and Paris. The Group is paying growing attention to its expansion in foreign markets, especially in the Middle East region, where sales revenues are four times higher compared to three years ago, and in Latin America. Flos' growth and development is mainly due to its ability of combining tradition and innovation, offering to its clients a large and diversified product portfolio, which includes new innovative lighting solutions next to well-known classic icons.

Sales by Country

Western Europe 64%	**Asia Pacific** 11%	**Eastern Europe** 5%
Americas 13%	**Middle East** 6%	**Africa** 1%

Manufacturing Plants

- Ares srl
  Bernareggio (MB) Italy
- Flos Spa
  Bovezzo (Brescia) Italy
- Light Contract srl
  Collebeato (Brescia) Italy
- Antares Iluminación s.a.u.
  Valencia
- Lukas Lighting (Flos USA Inc.)
  New York

Showrooms - Flagship Stores - Offices

- Flos Norge A/S
  Oslo
- Flos Flagship Store
  Stockholm
- Flos Scandinavia A/S
  Copenaghen
- Flos UK Ltd
  London
- Flos BV
  Amsterdam
- Flos GmbH
  Regensburg
- Flos S.A.R.L.
  Paris
- Flos Projets
  Paris
- Flos Flagship Store
  Lyon
- Flos USA Inc.
  New York
- Flos Illumination Shangai Co Ltd
  Shangai
- Flos Flagship Store
  Hong Kong
- Flos Co Ltd.
  Tokyo
- Flos Representative Office
  Singapore
- Flos Showroom
  Prague
- Flos Flagship Store & Showroom
  Milano
- Flos Flagship Store
  Roma

Flos Decorative

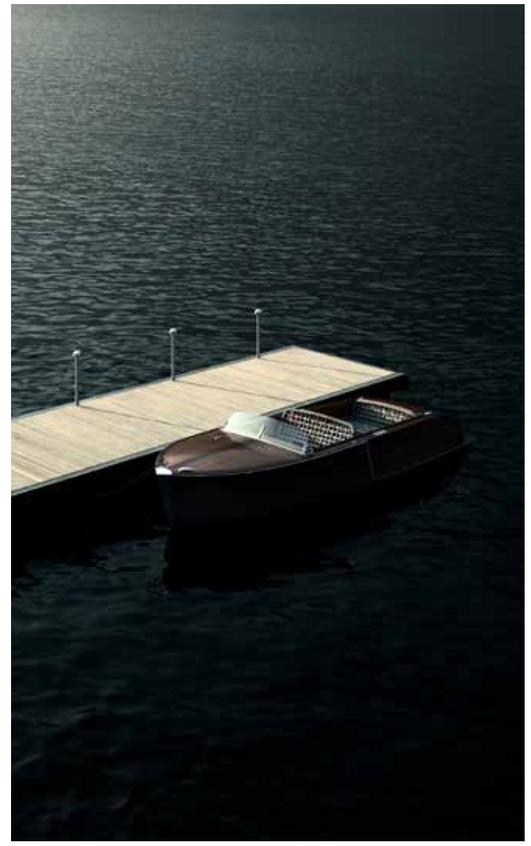
Flos' original core business, the Design collection merges technical research and innovation with emotional and aesthetic design, thanks to the strong relationships existing between the Company and the designers.

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

Flos Architectural

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

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



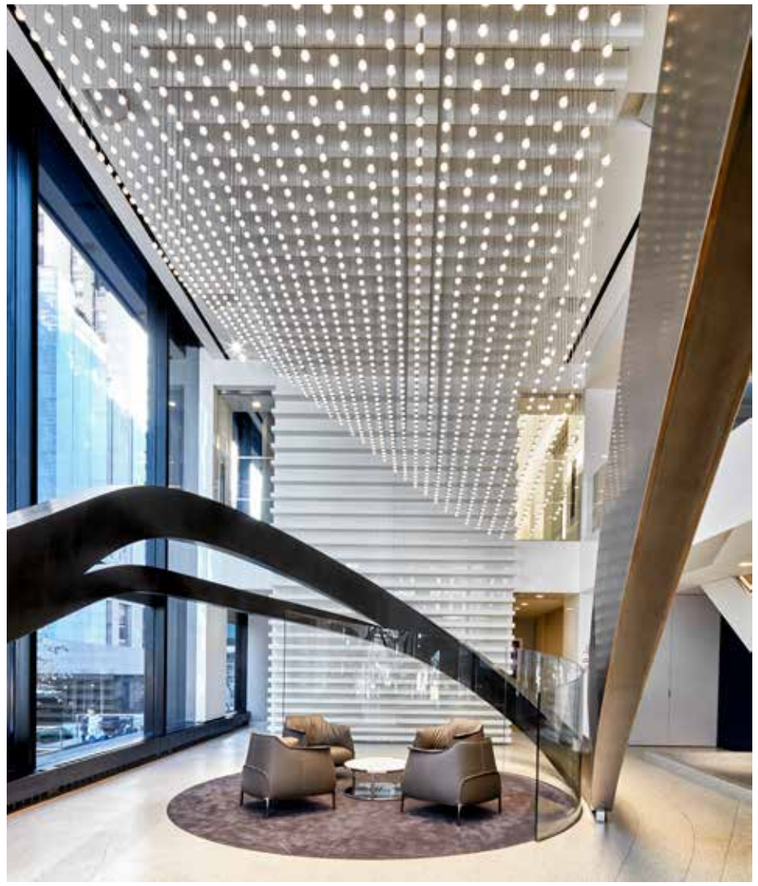
Flos Outdoor

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

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

Flos Custom

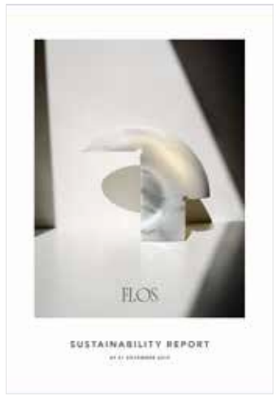
Born to satisfy customers' specific practical needs and their increasing desire for exclusivity, this collection includes the custom-made segment. The custom-made business segment has been developed during the last years by Flos' Italian subsidiary, Light Contract, and it is currently growing following the acquisition of Lukas Lighting, later merged into Flos USA Inc, in December 2015.



Through this period of continuous change and development, on one hand it is becoming particularly important for Flos to guarantee a corporate identity and a strong internal cohesion, and, on the other, to offer its products through a unique brand and image.
At the beginning of 2017, Flos published its first outdoor lighting catalogue with the aim of presenting the new outdoor collection, communicating the same vision and an innovative design spirit that makes the Group leader in the Design and Architectural segments. During the last years, the participation in big projects with the involvement and integration of the Design, Architectural and Outdoor collections, has been a key element and a growing trend in Flos' business strategy.
Thanks to the differentiation of its collections and products and to the presence of its Custom division, Flos is able to design and implement complex lighting solutions, which respond to the specific need and expectations of increasingly demanding clients.
Flos took part in the design and realization of several new buildings, including airports and luxury hotels and structures; for each project, Flos supplies its client with a unique lighting solution for the whole building, guaranteeing the same concepts for indoor and outdoor lighting, from the design to the realization phase.

Tokyo, Launch of Flos Outdoor Catalogue

1.4 Flos' Third Sustainability Report

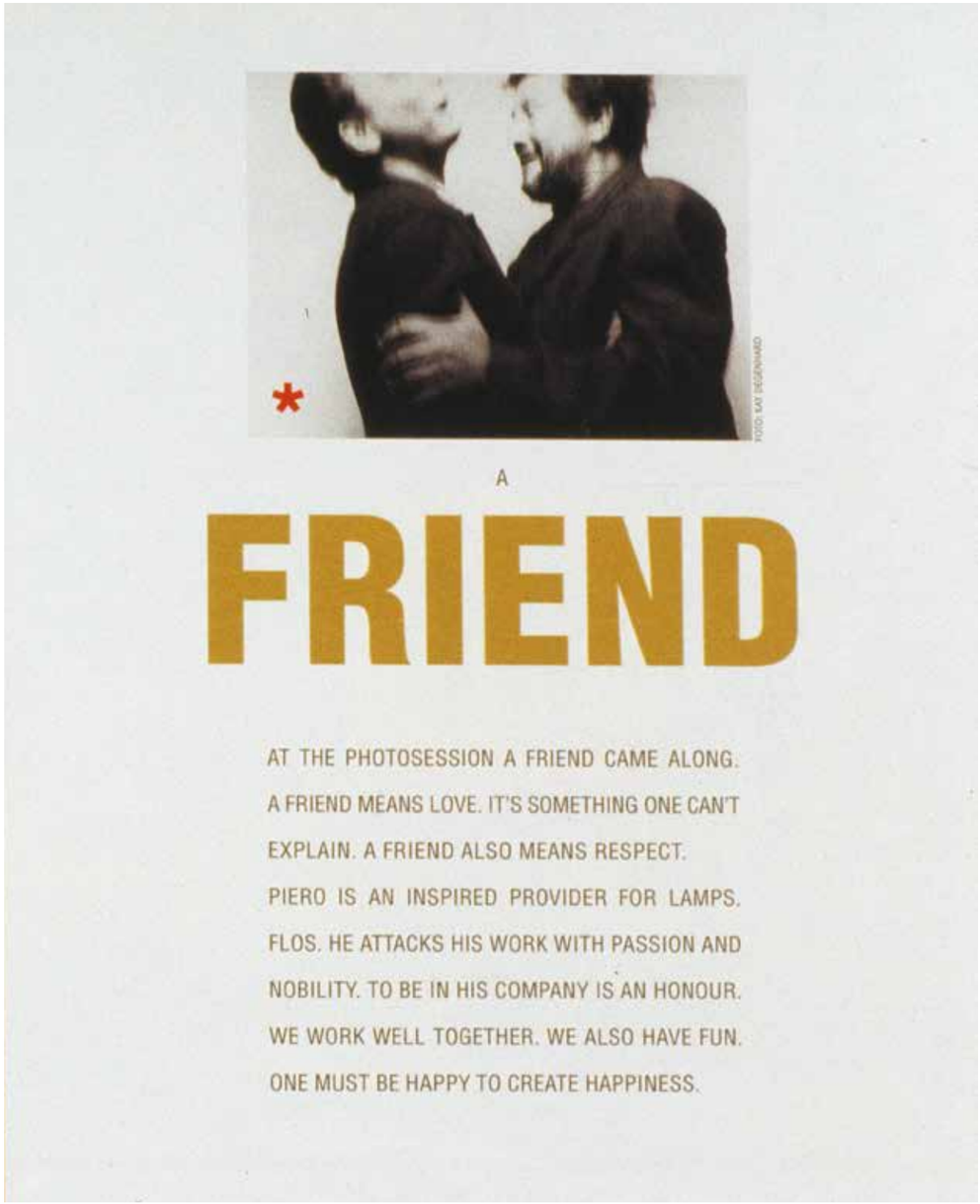


2015

2016

2017

In 2015, Flos strengthened its commitment toward its stakeholders by publishing its first Sustainability Report. Since then, Flos has started a process of identification and prioritization of its social and environmental impacts as well as a monitoring process of its most significant key performance indicators. Thanks to this path, internal comprehension and attention to sustainability issues have raised and have allowed Flos to start several initiatives and to update its materiality analysis for its third Sustainability Report with a higher degree of awareness and knowledge.



Our stakeholders

1.4.1. Our key stakeholders

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

Stakeholder Category	Engagement Tools And Activities
Employees And Trade Unions	Continuous dialogue between HR department and employees/ trade unions, specific initiatives
Board Of Directors Suppliers	Formal meetings Continuous dialogue and periodical meetings
Clients	Website, Fairs, Catalogues Training course organized for clients Preliminary analysis of customer satisfaction on a sample of clients
End-user	Social networks, communication campaigns, fairs and meetings
Competitors	-
Media	Press releases
Architects And Interior Designers	Continuous cooperation on research and development of new products
Providers Of Financial Capital	Formal meetings and periodical management reports
Regulatory And Certification Bodies	Membership in working groups within regulatory bodies and industry associations (E.g. Assoluce, Lighting Europe, Iec)

Flos contributes to the development and wealth of those stakeholders that are influenced by the Group's economic results (employees, Public Administration, local communities, shareholders), as well as those that have commercial relationships with it (providers of loans, suppliers), through the distribution of the value generated by its activity.
The following table reports the economic impact that Flos' financial results have on its stakeholders. Direct economic value generated and distributed by Flos show a proportional increase between 2015 and 2017, while the economic value retained is nearly unvaried.

Table 1.3 – Direct value generated, distributed and retained

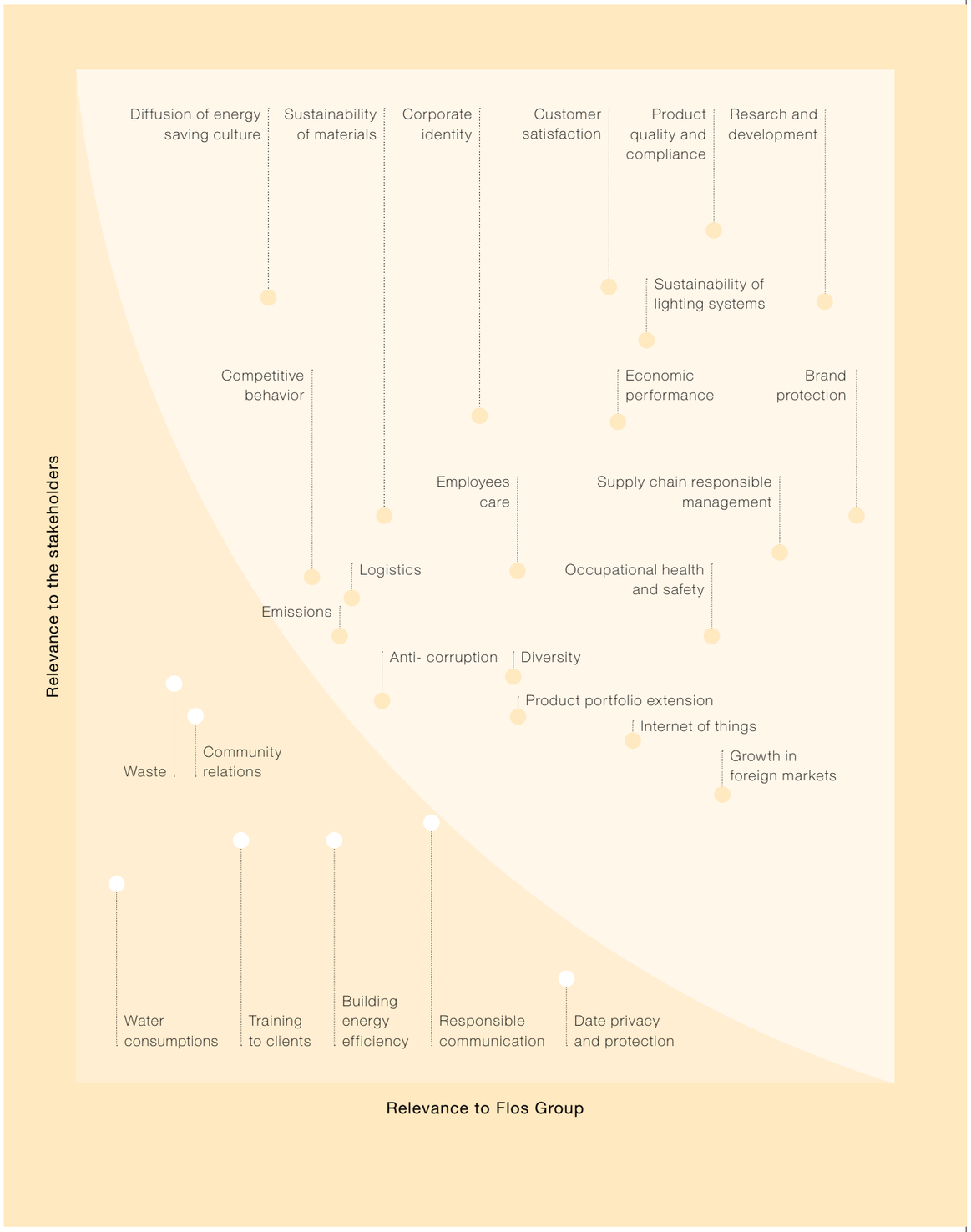
€ in thousands	2015	2016	2017*
Direct economic value generated [k€]	**199,552**	**208,072**	**215,144**
Direct economic value distributed [k€]	165,539	173,355	180,223
Operating costs	114,346	115,777	120,626
Employees' wages and benefits	33,307	35,825	37,687
Payments to providers of capital	12,925	13,927	12,322
Payment to government	4,831	7,649	9,506
Community Investment**	130	176	82
Economic value retained [k€]	**34,013**	**34,717**	**34,920**

* 2017 data includes Flos Projets S.à.r.l., acquired in May 2017.
** Value related to Community Investment exclude donations of lamps (e.g. donations to charity auction).

1.4.2. Our material issues

As part of the process for defining the Sustainability Report contents, the materiality analysis has been updated for the current reporting year in order to map relevant topics, which reflect Flos' economic, environmental and social impacts and/or may influence the decisions of the key stakeholders identified. Starting from last year results, the results of the benchmarking analysis related to the lighting industry and to sustainability reporting best practices have been taken into account. In addition, a meeting with the management was carried out, in order to evaluate possible changes and updates in terms of topics relevance and priority. This has been carried out considering different sources of information:

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



Materiality analysis

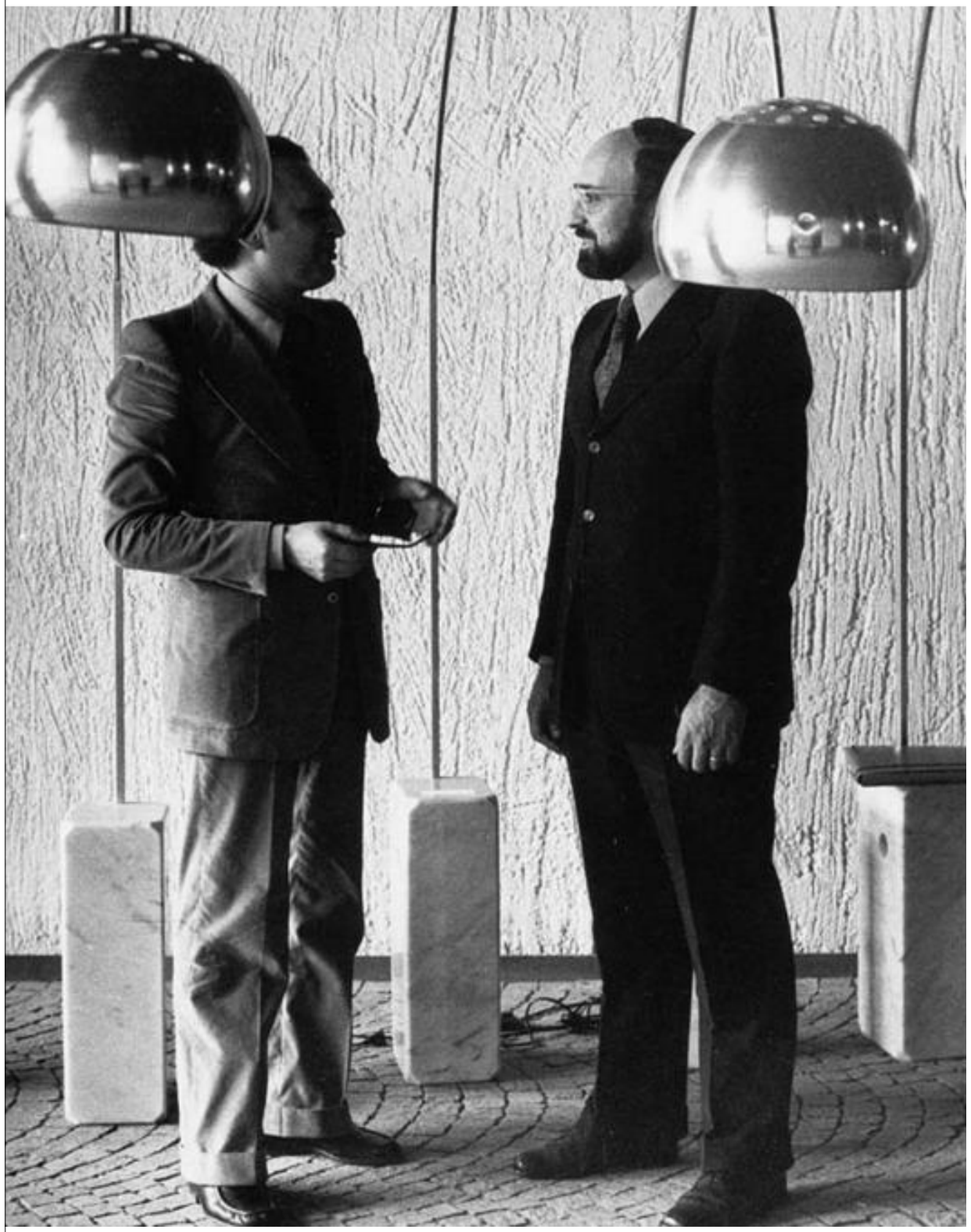
The following highlights the main results obtained through the materiality analysis update:

- The most relevant sustainability issues for both Flos and its stakeholders have remained the same as last year: product quality and compliance, customer satisfaction and research and development. With respect to 2016, the Company attributes a higher relevance to the sustainability of lighting systems, while the perceived internal relevance of the corporate economic performance has slightly declined;
- Four topics, among the ones already present in the 2016 materiality analysis have become material: diversity, internet of things, anti-corruption and competitive behavior. Concerning the anti-corruption and the competitive behavior topics, their relevance does not depend on the occurrence or the risk of accidents but rather on the importance of such topics at a national and international level. Similarly, the relevance stakeholders attribute to diversity has increased, mostly due to centrality of the topic for many international organizations. Finally, the internet of things topic became material as a result of Flos' commitment to introduce the latest technological advancements in the creation and design of its lighting systems aimed at increasing the product efficiency and enhancing customers' experience;

- Other relevant issues are related to the responsible management of the supply chain, to direct and indirect environmental impacts (sustainability of materials, emissions, logistics, diffusion of an energy saving culture), to Flos' business model and strategic priorities (corporate identity, brand protection, product portfolio extension and growth in foreign markets) and to the Group's human capital (employee care and occupational health and safety).

With the aim of enhancing the concept of “Made in Italy” and preserving high quality branded products from counterfeiting, Flos is an active member of INDICAM. It represents nearly 180 companies, industry associations, legal and IP firms, security consultants and other organizations engaged against counterfeiting activities affecting branded products. Its activity is focused on sharing information and spreading counterfeiting awareness, by co-operating with police, courts and all other branches of the Italian Public Administration directly dealing with anti-counterfeiting activities and by lobbying for better legislation and its stricter enforcement.

In November 2015, Flos subscribed to the United Nation Global Compact Initiative, a global coalition of companies committed to voluntarily align their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption, and to take actions in support of UN goals, including the Millennium Development Goals. Companies participating to the Global Compact initiative are required to communicate annually on progresses made in implementing the ten principles in order to inform company stakeholders (e.g., investors, consumers, civil society, governments, etc.). This Sustainability Report represents Flos’ Communication on Progress.



Plagio Arco, Roma

Lamp OK, designed by Konstantin Grcic, Compasso d'Oro

2. The Lighting World: Warranty of Continuity and Drive for Innovation

In the last few years, the furniture and artificial lighting industries have been dealing with relevant changes. First, the need for internationalization, which is increasing export shares, has resulted in a clear increase in M&A (Merger and Acquisition) deals together with the entrance of financial investors as relevant shareholders of small and medium enterprises, in order to improve their competitiveness abroad. At the same time, brand protection and identity represent key strength points to ensure business continuity and sustainability over time, in particular in relation to the concept of *Made in Italy*...

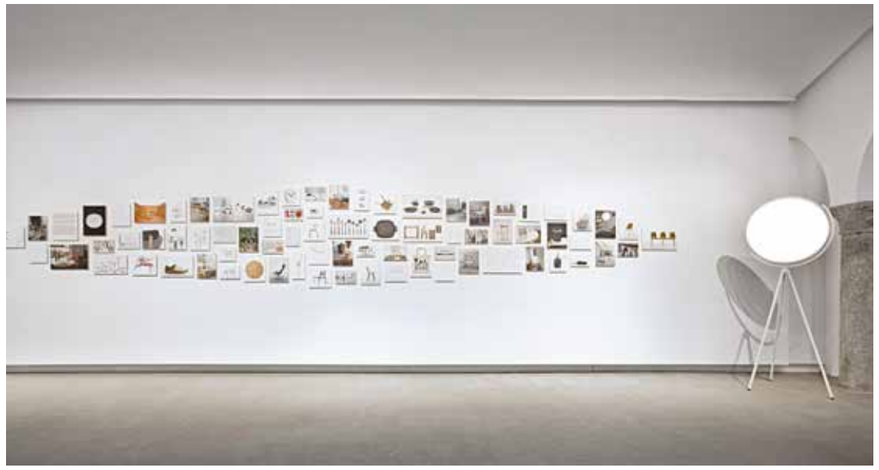
... Thus, companies like Flos are continuously facing risks and threats related to anti-competitive behavior and imitations of their most iconic products.
The analysis of the external pressures Flos carried out in 2017 has revealed no significant variations in relation to environmental and social topics, with respect to the corresponding analysis conducted in 2016. From a business perspective, the demand for lighting products is continuing to increase as a consequence of the global population growth and urbanization. The most urgent priority for the industry is therefore to decouple demand growth and environmental impacts.
Resource scarcity and climate change concerns are resulting in the development of new or updated regulations to promote energy efficiency, while the increasing spread of voluntary certifications (such as the LEED certification for buildings) is driving consumers to ask for more efficient products. The lighting industry has been addressing these issues by pursuing the development and enhancement of more efficient lighting technologies.
Some years ago, the industry underwent a paradigm shift from conventional lighting to Light Emitting Diodes (LED), which represent a most sustainable alternative to incandescent lamps and fluorescent tubes because of their longer life span and ability to consume comparatively less energy. This shift represented only a first step, as the great controllability of LED-generated light has also resulted in growth opportunities in the area of automated and intelligently controlled systems, not only for professional purposes but also for residential ones. Indeed, the next technological step will be the mass adoption of automated LEDs, which guarantee costs and energy savings, for example by adjusting light levels based on the number of people in a room or based on sunlight, or by adjusting light levels based on where a customer is standing in a store. To reach these objectives, within the next years the evolution of the lighting market will most likely be addressed to the integration of advanced data-transmission technologies with intelligent lighting systems.
The attention is also moving towards the so-called “human centric lighting”, which considers the impacts of artificial light quality on people’s wellbeing and emotions. Industry associations, such as Lighting Europe, are currently focusing on this topic, promoting studies to assess how lights can improve concentration, safety, efficiency and health both in the workplace and at home.
Finally, in the lighting industry, like many other industrial sectors, there is a growing interest in the transition from a linear to a circular economy aiming at decoupling economic growth from the consumption of finite resources.
The circular economy concept is founded on the shift from a “take-make-dispose” economic model to one that tries to retain as much value as possible from natural resources, products and waste.

Our led lamps

This objective can be achieved by a so-called regenerative design, which is one based on the extension of product life cycle, on the optimization of reuse, refurbishment and recycling techniques in order to reduce waste and increase resource productivity.
For instance, effective actions in this direction include increasing modularity, as well as facilitating the disassembly or maintainability of products, in order to improve their durability and to reduce their overall environmental impact.
This approach implies the need to design and manufacture products in a way that guarantees both modularity and safety, even in the case of customer's modification or disassembly in the end of life phase of the product. In addition, if from one hand the possibility of reuse or modify part of products can contribute to the reduction of the environmental impact, from the other hand, it is crucial to guarantee the respect of patents and registered copyrights.
In the near future, the legislative framework will introduce regulation regarding these issues through, for instance, the new TC CEN/CLC 10 regarding Ecodesign requirements on material efficiency aspects for energy-related products. In this scenario, Flos focuses its efforts on offering products that are at the same time reliable and characterized by an utmost quality.
The most symbolic example is the shift from traditional lamps to LED alternatives: even when LED solutions started being commercialized, Flos' strategic approach has been that of waiting for the technology to become mature and highly reliable, as to maintain the high quality characterizing the Company's products. Besides improving energy efficiency, Flos is also undertaking a thorough implementation of circular economy principles in its product design and production, for instance by guaranteeing the possibility of replacing the lighting source. Such a possibility is actually guaranteed to all our indoor lighting systems for domestic use, in addition to the product high durability.
Indeed, the evolution of Flos' products, which goes hand in hand with the progressive adoption of the most suitable new technologies, sometimes only requires the replacement of traditional light sources with new ones, while in other cases it involves reinterpretation of classic icons into new revolutionary products and lighting systems. In this constant quest for innovation, the collaboration with international designers and a strong cultural tradition have been the brand's hallmarks right from the outset, making Flos stand out from its sectorial peers.

Our led lamps

2.1 The Creation of Light



The creation of products that become icons and the conception of new languages around light are the result of an articulated process involving Flos' internal R&D department, as well as renowned and emerging designers, architects and engineers. Concerning products belonging to the design collection, from the initial proposal of the new luminaire to the actual sale of the product, the time lapse ranges roughly from one to two years.

On the contrary, with respect to the architectural collection one year is the maximum timeframe to develop a whole product family. In fact, key clients increasingly ask for customized products and special modifications to existing ones, thus it becomes more and more relevant for Flos to respond to customer requests within a compressed timeframe. The key phases of the process leading to the development of new or revisited lighting system is described below.

Superloon, by Jasper Morrison

2.1.1. Conception	Designers, architects and/or engineers submit the lighting solution idea along with some preliminary sketches to Flos' R&D Department, and subject them to top management evaluation before starting the production of the prototype series.
2.1.2. Pre-series Production	Once the product has been accepted, the R&D team, in collaboration with designers, architects and engineers works for its realization. A pre-series is then realized in order to test the mechanical and electrical design, to select the most appropriate materials, to test the production process and to incorporate any necessary improvement to the lighting system. During these phases different assessment regarding construction, mechanical and electrical aspects are carried out. The realization of a product that represents the concreteness of an idea of light and design is conceivable thanks to the close cooperation between the R&D team and the Procurement Department that meticulously selects the best suppliers available.

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

2.2 Product Quality and Compliance

1.

First quality check

on raw materials and components coming from suppliers

2.

Statistical quality check

carried out by Flos' personnel on single components following the manufacturing/ painting phases by suppliers

3.

Routine test quality check

on final products. Carried out in the assembly department as per regulation (including tests on products electrical safety) and additional statistical tests

Quality epitomizes for Flos the perfect blend of aesthetics, compliance and attention to details. With the aim to improve the production process and to offer clients products characterized by high quality, Flos S.p.A. and Antares Iluminaciòn S.A.U. implemented ISO 9001 Quality Management Systems, which are certified by independent third parties and cover the design, production and sale activities of lighting systems. In 2017, Flos S.p.A. has updated its Quality Management System in order to keep improving quality control and assurance systems and their operating procedures.
Flos' quality monitoring process is structured on the steps described above For more details on Flos' production chain, please refer to Chapter 3.

Quality Check

The full and continuous implementation of Flos' Quality Management Systems is a key instrument to guarantee that products meet all applicable standards and regulations, both at national and international level of application. This applies particularly to the following categories of regulatory requirements:

- Product safety requirements;
- Low Voltage Directive (2014/35/EU), on the placement on the market
- of electrical equipment designed for use within certain voltage limits with the objective of ensuring the safety of low voltage electrical equipment
- on the EU market;
- Electromagnetic Compatibility (EMC) Directive (2014/30/EU), on electromagnetic compatibility of all electric devices or installations;
- Ecodesign Directive (2009/125/EU), establishing a framework for the setting of ecodesign requirements for energy-related products;
- Ecodesign Directive (2015/1428/EU), on the eco-design of lighting products, which introduced the need for luminaires to be fully compatible with high efficient lamps of at least the energy efficiency class A+ and the need the for lamps provided with the luminaire – i.e. in the same package to be classified as one of the two classes for which compatibility has been declared (Class A+ or A);
- Performance requirements, such as those related to workplace lighting (photometric tests are carried out according to international standards);
- Product labelling, in this respect in 2017 Flos took part to working tables with Lighting Europe and the European Commission with the aim of defining obligations regarding energy labeling and energy classes rescaling. In addition, working tables tackled the European Registry for Energy Labelling (EPREL) data base (Regulation 2017/1369/EU), which requires the European Commission to establish a product database where all new models, covered by an Energy Labelling regulation, have to be registered before they are placed on the EU market for the first time;
- RoHS Directive (2011/65/EU), on the restriction of the use of certain hazardous substances in electrical and electronic equipment;
- Product disposal, such as EU WEEE Directive (Waste Electrical & Electronic Equipment).

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

Beyond mere regulatory compliance, safety is continuously monitored throughout the product lifetime through the analysis of complaints and communications by consumers. In the rare event of complaints related to safety reasons, Flos reacts quickly by reclaiming the products and conducting tests in order to ensure customer safety. In relation to the malfunction case of the halogen version of the Skygarden 1 and Skygarden 2 lamps described in the Sustainability Report 2016, Flos has actively continued to monitor the distribution of the safety kit collaborating with the local authorities of the countries involved. In addition, in 2017, following few complaints received regarding Romeo S2 Moon and Louis (manufactured until March 2006), with respect to the break of the suspension system and the consequent fall of the glass diffusers of luminaires, a similar action has been implemented.
In addition to ensuring its regulatory compliance to the applicable EU Directives, Flos is allowed to use the ENEC Mark on many of its products. The ENEC symbol, which is a voluntary mark complementary to the mandatory CE marking, is a seal of compliance to all European standards. While CE marking represents a self-declaration by the manufacturer and does not imply that products have been approved by the European Commission or any other authority (i.e. Test Houses), the ENEC mark demonstrates compliance with European standards and is granted by an independent third party, which is responsible of inspecting also the production process. The ENEC mark can be granted only to Companies in which a Quality System is operating, either certified or qualified by a 3rd party.

Product labels include information necessary to ensure the safe use of luminaires, in compliance with the minimum safety requirements specified in the Low Voltage Directive and other applicable EU Directives. The products are also identified with a batch of production, according to which it is possible to get access to the relevant routine test results and to a list of the components used for their production. In addition, energy labels required by Regulation 874/2012 (and modified by Regulation 518/2015) are supplied to all dealers and they are available for download on Flos' website. No incidents of non-compliance with regulations and voluntary codes concerning products have happened during the last three years.

Participation in industry associations

With the aim of proactively participating in the development of new and more effective national and international regulations and standards and of cooperating with other players in the lighting industry, Flos is engaged in several industry associations.

Thanks to its participation in the technical department of Assoluce and other industry associations, Flos is involved in several working groups aimed at discussing new regulations and standards to safeguard both lighting industry and final customers. Such working groups take place both at national (e.g. CEI – Italian Electrotechnical Committee) and international level (e.g. IEC/CENELEC – International Electrotechnical Commission and European Committee for Electrotechnical Standardization). In 2016, Flos' activity focused on the new edition of the IEC/EN safety standard (60598-1 that covers specifically the new LED light sources, i.e. photo biological safety hazard "Retinal blue light hazard") and all the updates necessary to cover the new products (such as Power over Ethernet, PoE, supplied luminaires, Protective Extra Low Voltage construction, PELV) and the amendment to IEC/EN 60570 (Track systems).

Flos is an associate of Assil, the Italian Association of Lighting Manufacturers founded in 1995, which includes about 80 Italian Companiwes representing over 50% of the Italian market turnover in the lighting segment.

Furthermore, Flos is a member of Assoluce, the Italian national association of luminaries manufacturers belonging to Federlegno (the Italian wood and furniture industry association), of which also Ares is member.

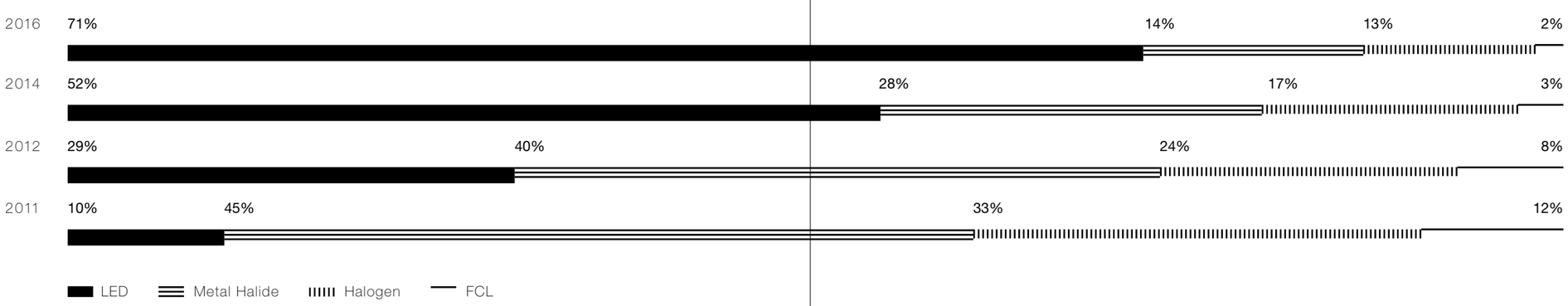
Moreover, Flos has been collaborating with Lighting Europe for the promotion of regulations embracing a circular economy perspective (new Article 4 in the draft new Regulation for lighting sector), as the lighting industry has been the leading in the diffusion of energy efficiency solutions. The industry also has a great record of accomplishment in prolonging the lifetime of products, in collection and recycling and in the reduction of hazardous substances. Finally, in the next future Flos will probably be actively involved in the Low Voltage Directive recasting.
Indeed, additional challenges may arise from the potential recast of the Low Voltage Directive, the Regulation of the European Parliament and of the Council laying down rules and procedures for compliance of products to Regulations and Directives (Market Surveillance).

Antares is an associate of Anfalum, the Spanish Association of lighting manufacturers that comprises 87 Spanish Companies active in the lightning industry.

Assil, Assoluce and Anfalum belong to Lighting Europe, the industry association that represents the lighting industry in Europe. Lighting Europe's main mission is to promote efficiency and sustainability of lighting systems, focusing on environmental challenges, human comfort and customers' health and safety.

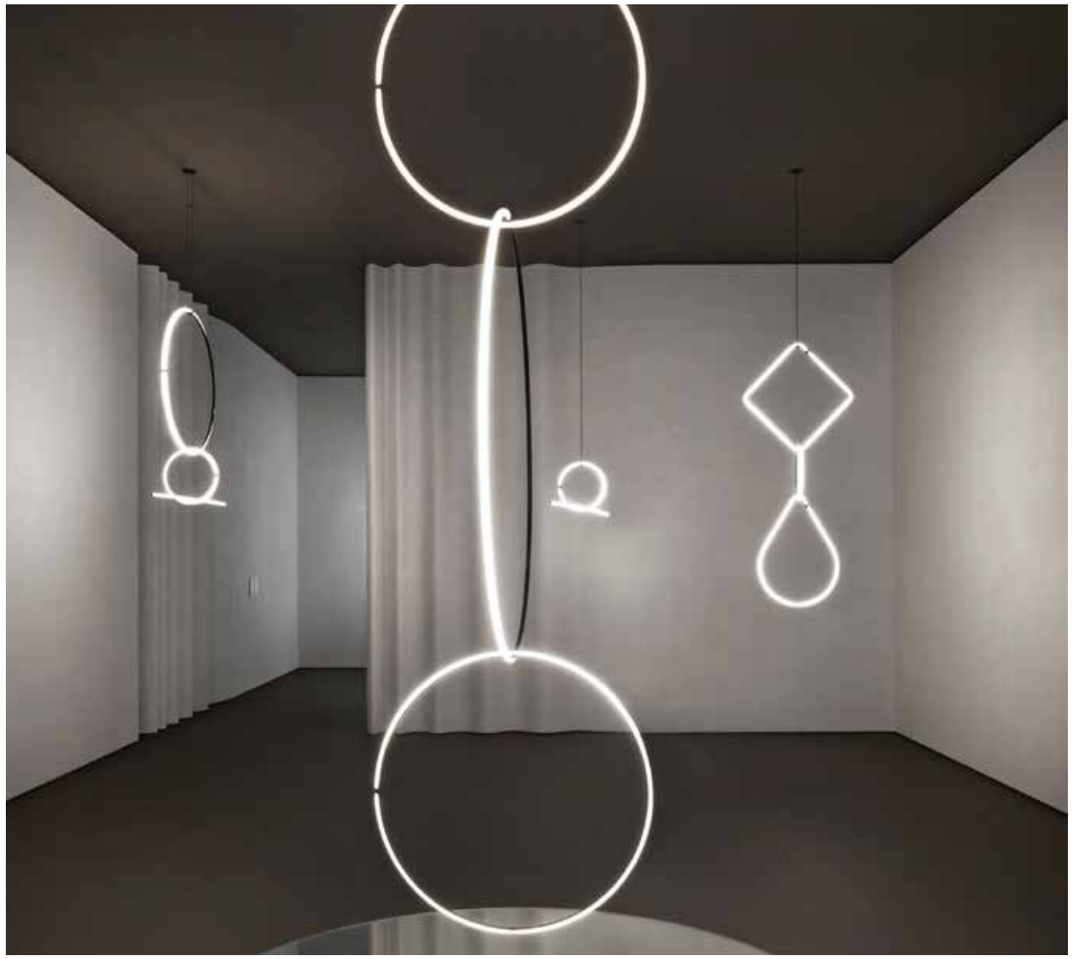
2.3 Energy Efficiency of Lighting Systems

FLOS - Architectural Light Source Evolution



In its research and development activities, Flos is outlining a way to reconcile efficiency and sustainability trends and requests with its identity and philosophy, as well as with clients' quality and aesthetics expectations.
Over the last few years, in its attempt to reduce the energy impact of its products, Flos has created modern LED lighting solutions that have now become renowned icons. This is the result of a selection of top-level LED solutions, delivering visual comfort together with energy efficiency.
Flos has also worked to improve the dimming performance of its lighting systems and products.

For the architectural segment, the use of LED is, by now, given as granted, as a result of the mounting pressures coming from competitors and final consumers. Each new Flos product is designed to be LED-powered even if, in case of specific client requests, products can keep using traditional sources such as halogen or fluorescent lamps.
In 2016, 71% of the architectural collection was realized with LED solutions. Within this business sector, Flos has addressed its efforts towards the conception of lighting systems, by creating light sources intended to maximize energy efficiency.
Moreover, Flos has carried out studies on the natural lighting of buildings in order to create dimmable artificial lighting concepts that optimize the use of daylight. On the other hand, for the design collection, the Company is still conducting dedicated R&D activities. Within this business segment, Flos' primary objective is that of matching energy efficiency requirements with clients' aesthetic and quality expectations. Accordingly, researchers of the design collection work with designers to produce new families of lamps directly conceived to be powered by LED sources and to review and remake iconic models, in order to shift to the LED technology. The next boxes show successful examples of reinterpretation of classic icons into new versions powered with LED, and new solutions, which include the possibility to adjust light to the surrounding conditions.
Besides its efforts to maximize the energy efficiency of its lighting solutions, Flos is continuously working for improving the overall performance of its lamps.
A concrete example of this approach is the choice of a new class of power supply units that meet the Level IV efficiency standard, translating into lower consumption levels and higher conversion efficiency.



Arrangements

The new Arrangements lamp, designed by Michael Anastassiades, is a concrete example of fusion between design and technology. The lamp is composed by primary geometrical shapes that, connected to each other, create charming figures capable of adapting to any space. Each unit can be easily connected to the previous one as a part of a glowing chain. Thanks to the LED technology, the lamp is able to achieve higher energy efficiency levels and is characterized by luminous fluxes as well as by a high color rendering which translates in a higher visual comfort.

Noctambule

The lamp, designed by Konstantin Grcic, is mostly invisible during the day thanks to its structure in transparent blown glass modules. During the night, Noctambule reveals its glamorous features. The lamp is comprised by a series of modular elements, stacked on top of each other, which can create charming structures such as a light column or a suspended chandelier inside a stairwell.

2.4 Investing in Research and Innovation

Research and development is an integral part of Flos operations that seeks to materialize ideas by investigating the feasibility of creation. The Company's ability to always offer innovative and iconic lighting products and systems is due to the paramount importance paid by the Group to research. In 2017, investments in R&D activities amounted to more than 3.3 million euros, an increase of nearly 10% with respect to 2016, mainly attributable to the cost of personnel (both employees and external consultants) and expenses related to materials for prototypes and molds. The result of Flos' commitment to innovate has taken shape with one of the first applications in Italy of a pioneering color 3D printing solution. This technology allows the reproduction of 10 million colors starting from digital 3D models, allowing realizing colored maps. This enables Flos to produce prototypes with high precision in terms of colors and details, a feature actually impossible to achieve with a different technology in a short timeframe and at a reasonable cost. Flos strives continuously to implement the latest technologies both in the research and development process as well as in the production process. In 2017, for instance, a rotational molding mechanism has been introduced to produce hollow plastic products in a more versatile way. The rotational molding process is based on an aluminum cast that is loaded with

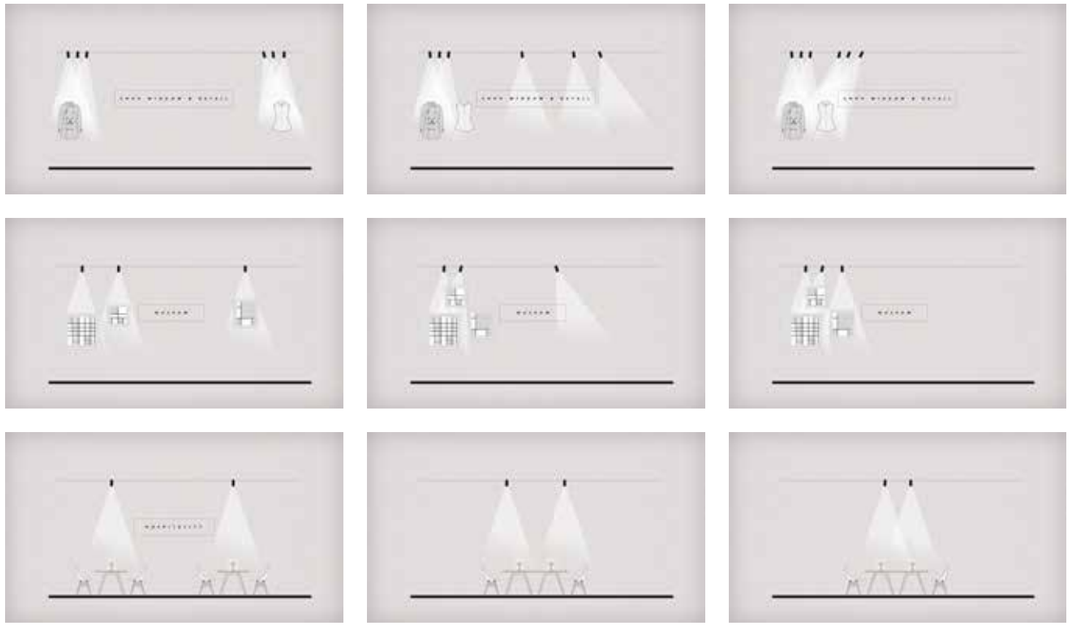
Flos R&D

a powdered polymer that is then gradually heated until it is fused to create the finished product. This technology allows designers not only to create extremely durable products with minimum design constrains, but also to produce them at comparatively low cost with a reduced environmental footprint with respect to other technologies.
Technological innovation also involves the connectivity of lighting solutions. Internet of Things (IoT) applications enable to combine and control different devices connected through internet. As such, via the use of embedded sensors it is possible to gather information from the surrounding environment, to analyze it and to elaborate effective responses. IoT applications in lighting systems enable, for instance, to improve the energy efficiency with daylight sensing that can control all the lights of the house, via a network of extremely sensible detectors. In addition, such system maps the usage patterns of customers, enabling them to further optimize energy savings and visual comfort in buildings. In the past few years, Flos has progressively integrated IoT solutions within its existing products, as well as it has designed a series of new ones specifically intended to profit for the potential of these solutions. For instance, currently Flos' lamps allow for different communication protocols that suits for both centralized systems, in which all lighting devices are controlled by a central interface, and single systems, that can be remotely controlled by a simple control switch or a light dimmer.

Intensity

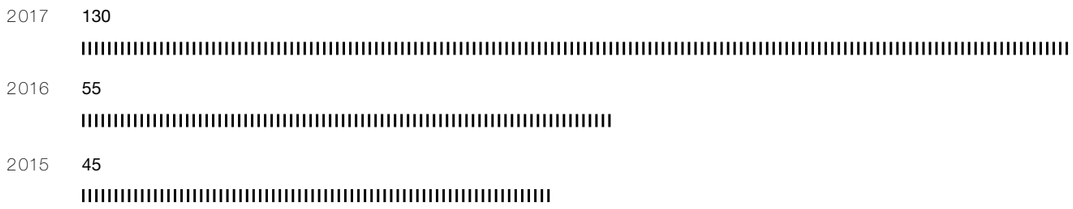
Movement

Smart Control



2.5 Protecting Flos' Ideas

Total of Design and Invention deposited by year



In order to protect brands and innovations in the global competitive environment in which the Company is active, in the past few years Flos S.p.A. (for the Design collection), Antares (for the Architectural collection) and Ares (for the Outdoor collection) have filed several patents. For each new product category, Flos, with the support of an international consulting firm, evaluates the best approach and solutions to protect its creations across geographies.
Among others, design registrations, patent applications for invention or utility models and registered copyrights are some of the methods currently applied. All patents are filed before the presentation of new prototypes during international fairs. Given the nature of Flos' core business, the majority of patents belongs to the design registration category, while a minimum part are represented by patent applications for invention. These latter refer mainly to the architectural and soft architectural business and, in the attempt to provide a broader protection of right, take into account the original design, but also any significant aesthetic variation that the product might undergo in the future. Flos also actively combats online infringements and frauds, such as the sale of counterfeit products or the illicit use of images and texts from Flos' website and social media. This latter kind of violations is actually among the most spread, due to the rapid growth of online shopping.

Depositary	Type	2015	2016	2017
Flos S.p.A	Design	42	4	85
	Invention	-	-	1
Antares	Design	2	33	35
	Invention	1	1	0
Ares	Design	-	17	9
	Invention	-	-	0

Concerning the design collection, patents are first filed in Italy and then extended to the European Community and to other foreign countries, representing strategic regions in terms of business and sales volumes. Conversely, concerning the architectural collection, patents are filed at a European level. The following table reports the total number of patents filed by Flos S.p.A., Antares and Ares during the last three years, including the first filing phase only and excluding following extensions. The significant decrease of filings in 2016 is mainly related to the biennial periodicity of Euroluce, which is where new lamps belonging to the Design collection are presented to the public. On the contrary, in 2017, Flos has issued 130 patents for its designs and inventions, extending its brand protection activities to the Outdoor collection.
Design registrations have a limited duration; in Italy, for example, they last 25 years. Therefore, in order to guarantee, safeguard and protect some iconic lamps, Flos also filed applications for copyright registration in Italy and in other strategic countries. In Italy, this kind of copyrights, released by the Ministry of Cultural Heritage and Activities and Tourism, are directly linked to the designer and protect its legacy up to 70 years after the author's death.

Flos’ Craftman

3. A Journey in our Value Chain

Flos’ intent of bringing to life inspired sketches and projects from lighting architects and designers demands an articulated production process involving the R&D department, high-specialized artisans and an accurate quality control system. Within this process, Flos directly manages, in collaboration with designers, architects and engineers, the conception and design of lighting systems, as well as the monitoring activities and tests carried out in order to assess product quality and to ensure compliance with safety requirements. Whereas, for the majority of manufacturing, assembly and logistic activities, Flos relies on the expertise of a specialized and trusted network of suppliers.

3.1 The Production Process

The production chain of the design collection is handled in Flos' Italian headquarters in Bovezzo, for the indoor lighting products, and in Bernareggio, for the outdoor products, while the architectural collection is realized in Antares' Spanish headquarter in Valencia.
In particular, the Bernareggio plant hosts a minor part of the manufacturing processes, such as painting activities and LED electronic components production.
The production process begins, once the products have passed the prototype and pre-series phases, with the purchasing of single components, as the large extent of techniques and materials required for Flos' products implies the externalization of the majority of manufacturing processes. This phase includes highly specialized techniques as those necessary for the manufacturing of hand blown glasses and technical fabrics, but also coating processes and plastics and metals processing. The processed materials composing the lighting systems are then sent to the Flos headquarters to ensure that they meet the high quality and safety standards required by the Company and by applicable regulations. Afterwards, the components are assembled as indicated in the design and engineering plans. The assembly process is predominantly outsourced to a network of selected artisans, mainly based in the Lombardy region and in Valencia (for further details, please refer to § 3.1.1).
The production chain ends with a further quality assessment on the final product, carried out in the Group's internal laboratories.

Production, Spain

3.1.1 Supplier Selection and Management

Flos' products are the outcome of a long-lasting collaboration with top-quality Italian and Spanish suppliers, a fusion of craft heritage and experimentation. Besides the electronic components, which are usually imported or purchased from multinational companies, the production of other semi-processed materials and components and the majority of the assembly activities are outsourced to Italian and Spanish suppliers, mainly from northern Italy and Valencia surrounding areas. This proximity becomes crucial, also in strategic terms, given the intensity and timeliness with which Flos conducts quality control process on semi-processed materials and on finished products. Promoting local suppliers not only gives the opportunity to rely on a shorter supply chain improving reliability and delivery times but also demonstrates support for the local community.
In absolute terms, the increase in the number of suppliers for the design collection between 2016 and 2017 is due to the inclusion of Ares in the reporting scope. Despite this extension, for both the design and the architectural collections, the percentage of local suppliers is still relevant both in terms of number of suppliers and in terms of spending and shows a regular trend through the years, as reported in the following tables.
Regarding the design collection, Flos' preference for local suppliers is not a simple choice of convenience, but it stems from its attention and attachment to the concept of "Made in Italy", considered as a synonym of high expertise, artisanship and innovation. Indeed, more than 88% of the Company's suppliers are located in Italy, mainly in the Lombardy region (approximately 71% out of the total number of suppliers and 68.6% out of the total spending in 2017).

Table 3.1 - Suppliers provenance by number and spending - Design collection

Suppliers Provenance[1]	U.M.	2015	2016	2017
Italy	**suppliers (n.)**	**243**	**231**	**358**
	spending (%)	*81.9*	*83.7*	*84.1*
Lombardy region[2]	suppliers (n.)	192	182	287
	spending (%)	*66.5*	*67.6*	*68.6*
Italy (except Lombardy region)	suppliers (n.)	51	49	71
	spending (%)	*15.4*	*16.0*	*15.5*
Other countries	**suppliers (n.)**	**39**	**37**	**49**
	spending (%)	*18.1*	*16.3*	*15.9*
TOTAL	**n.**	**282**	**268**	**407**

[1] For 2015 and 2016, data are related to Flos and Antares only, while in 2017 include also Ares.
[2] Data include Verona district. For the definition of "local suppliers" Verona district has been also considered, based on the proximity to Bovezzo headquarter.

Concerning the Architectural collection, instead, given the quality performance of all suppliers, the selection process is primarily based on their flexibility and capability to promptly react to Flos' requests, which adapt to the fluctuations and demand shifts characterizing this branch of the lighting market. For these reasons, as shown in Table 3.2, more than 70% of the corporate suppliers are located in Spain and, more specifically, in Valencia and its surrounding areas.

Table 3.2 - Suppliers provenance by number and spending - Architectural collection

Suppliers Provenance[1]	U.M.	2015	2016	2017
Spain	**suppliers (n.)**	**141**	**145**	**143**
	spending (%)	*71.6*	*70.7*	*70.8*
Valencia and its surrounding areas	suppliers (n.)	80	73	81
	spending (%)	*47.6*	*47.4*	*51.4*
Other areas in Spain	suppliers (n.)	61	72	62
	spending (%)	*24.0*	*23.3*	*19.4*
Other countries	**suppliers (n.)**	**61**	**62**	**60**
	spending (%)	*28.4*	*29.3*	*29.2*
TOTAL	**n.**	**202**	**207**	**203**

Sustainable management of the supply chain involves a long-lasting relationship between Flos and its suppliers, built on mutual trust and respect. Considering the important role played by the supply chain in Flos' business, the Company is committed to transfer its modus operandi and its expertise to suppliers, providing technical support in order to assure product quality. Flos adopts a strict selection process and conducts audits at the suppliers' sites to evaluate the quality of the materials and services they provide, their technical skills and the tools and machineries they use. Moreover, great attention is paid to the supplier's quality management system (QMS), preferring those who have obtained an ISO 9001 QMS certification.
Flos' business model, focused on the aesthetics and on the functional durability of its products, implies a greater attention devoted to quality and technical aspects during the assessment and selection of suppliers. Nevertheless, in its attempts to monitor and reduce its overall impacts along

the supply chain, Flos has worked towards the establishment of new contractual clauses, based on a series of relevant national and international guidelines and regulations. These latter cover issues like the safety of products and workplaces, the environmental impact of products and production processes and workers' labor conditions. Relevant examples of such norms are provided by the REACH Regulation, focusing on the assessment and management of the risks posed by chemical substances, the Waste Electrical & Electronic Equipment Directive, for the management of electronic waste, or the International Labor Organization's regulation, such as the Equal Remuneration Convention, which foster work of equal value for men and women.
Moreover, in order to track their sustainability performance, these additional contractual clauses foresee the possibility of requesting suppliers specific data related to environmental aspects (such as waste produced, raw materials consumption and energy consumption) or safety issues (such as accident indexes). Similarly, these new contractual clauses foresee the opportunity of conducting environmental and social audits on suppliers' facilities and policies, as to test their compliance with Flos' requests.
The new contractual clauses, updated at the beginning of 2018, will come into effect within 2018.

3.1.2 Logistics

The efficiency and flexibility of logistics are essential to ensure that all products are delivered to the right place at the right time, enabling Flos to timely respond to market requests, while reducing costs and environmental impacts.
Due to its strict quality control system, which implies the monitoring and the quality assessment at each production phase, the Company has to cope with a frequent and substantial cargo handling from suppliers' facilities to Flos' plants, and conversely.
In particular, concerning the Bovezzo and Bernareggio sites, all inbound transport services are provided by external carriers and strictly vary depending on the area where the transport is effected:

- Bovezzo and surrounding areas: transport operations are conducted by local truck companies, which deliver only Flos products, under exclusive use. Such an on-demand transport service allows the flexibility, reliability and timeliness required by clients, also considering that Flos' supplier network is mainly composed of small-scale companies, which do not have the possibility to stock products for a long time following the manufacturing and assembly phases;
- Italy: transport activities are operated by truck. Conveyances are not under exclusive use; this allows the optimization of the use of the payload capacity, as trucks can also pick up goods from other customers;
- Other Countries: most of overseas transportation regards raw materials and components supplied from China. These are transported by ship and, only in exceptional cases, by air, while truck carriers operate the transportation from arrival harbors to Flos' headquarters.

Regarding the Antares headquarters in Valencia, part of the suppliers are situated in the same industrial complex as the Company. For the remaining part, Antares relies on owned trucks for the suppliers located in Spain and on an outsourced aircraft service for goods purchased abroad. Finally, concerning Ares' headquarters in Bernareggio, transport operations from local suppliers are mainly shared with other Companies in order to increase the efficiency and reduce costs.

Transportation of sold products is entirely outsourced. Depending on the distances, on the time of delivery and on the volumes, the transport is operated either by truck, by ship or by aircraft. In 2017, Flos has undertaken a process of reorganization of its outbound logistic suppliers based on parcel dimensions, in order to increase both its efficiency and to reduce the overall environmental impact thanks to the possibility of offsetting the greenhouse gas emissions generated by logistics through climate protection projects (for further details please refer to § 3.2.3).

3.2 Environmental Impacts along the Production Process

The most relevant environmental impacts deriving from Flos' overall production process come from outsourced activities and, only to a limited extent, from the assembly and packaging activities carried out in Bovezzo and Valencia and from manufacturing processes carried out in Bernareggio. The impacts mainly relate to the following environmental aspects: material consumption, scraps and waste from production and assembly, discharge of process water containing toxic substances employed in the coating and painting processes, energy consumption and related indirect emissions from logistics.
Flos is conscious that, in order to be effective, a forward-looking corporate responsibility strategy must encompass environmental footprint assessments and impact reduction initiatives along the entire value chain. In this sense Flos, starting from the R&D and design phase, focuses on selecting materials and production processes that, in line with the aesthetic profiles of products, ensure the utmost environmental respect, with the aim of reducing scraps from the overall production process.
Furthermore, Flos is continuing to monitor the environmental impacts generated by its activities outside its organizational boundaries. Flos' carbon footprint, including indirect Greenhouse Gases (GHG) emissions related to employees' business travels and the logistics of products and materials (Scope 3

Flos' Employee, USA

emissions), has been updated for the three-years period 2015-2017 in order to include Ares and quantify the impact at Group level (see § 3.2.3). Concerning direct impacts coming from manufacturing, assembly and packaging activities carried out in Bovezzo, Bernareggio and Valencia, Flos monitors its energy consumption and waste production, taking actions to reduce the environmental burden resulting from them.
Compared to last year's reporting perimeter, Flos' effort in 2017 has been that of focusing on the extension of the reporting scope to Ares, located in Bernareggio, which produces almost the entirety of the Group's outdoor collection, including, where available, all the environmental key performance indicators both for 2017 and for previous reporting years.

Ares' Environmental Impacts

Ares' headquarters, located in Bernareggio (Monza and Brianza province, Italy), covers an area of 12,000 m2 including the research and development department, testing laboratories and a painting and coating system. In addition, the plant has also a specific division equipped with an automatic assembly line for circuit boards and a production department for wiring and assembly activities. Ares manufacturing activities entail both water consumption and air emissions, mainly related to painting processes and the work of the electronic circuit division, which comprises, for instance, welding activities and the use of chemical compounds. Following Flos' commitment to minimize the environmental impact of its operations, and in accordance with current legislations, Ares' facilities are equipped with an air treatment system for the abatement of particulate and other hazardous compounds as well as a water treatment plant authorized for effluent discharging both in the sewage collection system and on the soil. External specialists carry out wastewater and air quality analyses on a regular basis, in order to guarantee both the compliance with the normative limits and the correct functioning of treatment plants. Regarding waste management, Ares has also implemented the separated collection of production residues for wood, metals and dry waste fraction, allowing the company to send to recycling and reuse around the 80% of the waste produced.

3.2.1
Materials and Energy Consumption

Flos is addressing its most pressing environmental challenges by focusing on less impactful and more innovative techniques, reinventing, whereas possible, its iconic products. The Company accurately monitors the amounts of materials and components purchased for the production of its lightening systems and is committed to reduce the use of non-recyclable or toxic materials. In this direction, Flos replaced the inside packaging of the new lamp collections with Expanded Polystyrene (EPS), a material which is fully recyclable. Additionally, conscious that functional longevity is essential for the sustainability of its products, Flos takes into high consideration, throughout the conceptual design process and the selection of materials and suppliers, the durability of the materials composing the lighting systems. In this sense, the selection of materials in the design phase is made in order to ensure the replaceability of components.

Table 3.3 - Processed materials (intensity ratios refer to net sales of Flos, Ares and Antares)

Materials[3]	U.M.	2015	2016	2017
Glass	t	180	196	191
	kg/k€	*1.06*	*1.08*	*1.17*
Plastics	t	297	326	346
	kg/k€	*1.75*	*1.80*	*2.11*
Aluminium & Zamak[4]	t	2,174	2,053	2,194
	kg/k€	*12.83*	*11.32*	*13.39*
Iron	t	239	299	442
	kg/k€	*1.41*	*1.65*	*2.70*
Brass	t	29	33	37
	kg/k€	*0.17*	*0.18*	*0.23*
Rubber	t	-	-	5
	kg/k€	*-*	*-*	*0.03*
Marble/Concrete	t	-	-	2
	kg/k€	*-*	*-*	*0.01*

[3] For 2015 and 2016, data are related to Flos and Antares only.
[4] Zamak is a family of alloys with a base of zinc and alloying elements of aluminium, magnesium and copper.

Concerning the procurement and processing of raw materials (Table 3.3), all materials show a stable consumption trend over the years, both in absolute terms and in relation to net sales. The increase of categories such as iron and the addition of new categories refer to the inclusion of Ares for 2017 data.
In particular, marble, concrete and rubber are materials mainly used in Ares' outdoor collections. In addition, the relative increase of the brass category with respect to previous years is due to the launch of a new product family - IC Lights Floor, designed by Michael Anastassiades - made of this metal.
In addition to the above mentioned raw materials, the Bernareggio plant also purchases chemical components for painting and coating activities. In 2017, these compounds, that include paints, artificial resins and silicones, amounted to 10.4 tons.
The trend in electronic components purchases, illustrated in table 3.4, is representative of the industry switchover from conventional light sources to LED solutions, due to the spread of this less energy intensive lighting technology. In particular, the significant increase of LED components purchased in 2017 is due to the inclusion of the outdoor collection, which mainly relies on such solutions for its products. Nevertheless, even without taking into account the outdoor collection produced by Ares, LED components purchases show an increase of 20% with respect to 2016 and of 143% with respect to 2014 (847,864 units).
For the architectural segment the transition to LED sources is almost complete, also as a consequence of market and of competitors' and final customers' requests.
For the design collection, the decreasing trend of traditional lamps purchases is also attributable to the Directive 2015/1428/EU, requiring companies not to sell lamps together with traditional light bulbs, thus allowing the customer to buy the solution he or she prefers between LED and traditional sources.

Table 3.4 - Electronic components employed (intensity ratios refer to net sales of Flos, Ares and Antares)

Electronic Components[5]	**U.M.**	**2015**	**2016**	**2017**
Transformers & power supply	units	387,094	439,094	436,511
	units/ k€	*2.28*	*2.42*	*2.66*
Electrical components	units	5,711,284	5,717,871	6,820,962
	units/ k€	*33.69*	*31.53*	*41.63*
LED and LED components	units	1,118,777	1,712,845	5,826,083
	units/ k€	*6.60*	*9.45*	*35.56*
Traditional lamps	units	143,778	77,777	22,630
	units/ k€	*0.85*	*0.43*	*0.14*

[5] For 2015 and 2016, data are related to Flos and Antares only.

In addition to the use of raw materials and components for the production of lighting systems, another relevant impact arising from Flos' business derives from packaging consumption. Flos objective is, on one hand, to reduce the amount of packaging used and to improve its recyclability and, on the other, to ensure an adequate protective barrier during transport.

Table 3.5 - Packaging materials (intensity ratios refer to net sales of Flos, Ares and Antares)

Packaging Materials[6]	**U.M.**	**2015**	**2016**	**2017**
Paper and cardboard	t	913	1,065	1,047
	kg/k€	*5.4*	*6.8*	*6.4*
Plastics	t	57	75	79
	kg/k€	*0.3*	*0.5*	*0.5*
Wood	t	176	264	302
	kg/k€	*1.0*	*1.7*	*1.8*

[6] For 2015, data are relative to Flos and Antares only.

Polyurethane Foam

Concerning packaging materials consumption, Flos has decided to reduce the usage of materials based on polyurethane foam, by substituting them with less toxic and more recyclable alternatives for the packaging of all new collections. As a result, with regards to the design collection, the purchases of polyurethane foams shows a further 22% decrease in 2017 as compared to 2016, in terms of kilograms/number of products.

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

In 2017, Flos has also implemented a sophisticated real time monitoring system of its energy consumption levels in the Bovezzo plant. The system, that will be fully operational in January 2018, allows to monitor the energy demand of the different production processes within the plant, in order to identify the most energy-intensive ones as well as potential inefficiencies. The final goal is to implement mitigation or remediation activities as to reduce the energy demand and increase the overall efficiency of the plant.

Concerning lighting systems, the Company has already converted the lighting system in its Valencia headquarters to LED. In addition, in September 2017 Flos has completed the LED conversion of all the production divisions of its Bovezzo headquarters. The first results show that there is a reduction trend of the ratio between energy consumption and parcels of products with respect to 2016. Similarly, also the Bernareggio plant is investing in the substitution of the lighting systems with LED lighting.

Table 3.6 - Energy consumption

Energy Consumption	U.M.	2015	2016	2017
Energy consumption - for buildings	**GJ**	**20,024**	**19,757**	**22,009**
-of which: electricity purchased from national grid	GJ	8,970	8,750	9,247
-of which: district heating purchased from external waste-to-energy plant	GJ	5,229	4,108	5,014
-of which: natural gas for heating and production processes	GJ	5,825	6,899	7,748
Energy consumption - for fleet	**GJ**	**3,470**	**3,223**	**2,711**
-of which: for company car fleet	GJ	2,695	2,459	2,217
-of which: for company truck fleet	GJ	775	764	494
Total	**GJ**	**23,495**	**22,980**	**24,720**

3.2.2
Waste Production

Flos' waste production is mainly related to faulty components that do not meet the Company's aesthetics and quality requirements and that are sent back to suppliers. Whenever possible, in the event of faulty products, undamaged components are separated and reused in order to minimize waste volumes. Moreover, in the belief that prevention is the most effective approach for managing waste, Flos is engaged in the training of its suppliers, in order to reduce cases of non-compliance of input materials with respect to the Company's aesthetics and quality requirements.

In particular, Flos inspects and monitors the percentage of defective components coming from the different suppliers and the reasons for their return, in order to identify the suppliers experiencing more difficulties, to discuss with them the implementation of potential corrective actions and to provide them with the necessary tools and training to put them in practice.

Finally, Flos offers its employees the opportunity of buying non-saleable, defected products at a discounted price, thus further reducing its total waste volumes.

Waste produced during the assembly phase occurring in Flos' headquarters is collected and separated according to its composition in order to optimize recycling. Moreover, the Company relies on an external provider for waste management and recycling activities.

Table 3.7 and Table 3.8 illustrate Flos' waste production in the reporting period. The total amount of waste produced is increased mainly due to the

increase of the production, while the percentage of recycled waste shifted from 40% in 2015 to 56% in 2017.
In 2017, with the aim of continuously increasing the percentage of recycled waste, Flos has introduced the separated collection of polyethylene in the Bovezzo plant. The choice allowed to achieve a 14% reduction of the unsorted waste production of the plant with respect to 2016. In addition, Flos has also improved the separated collection of unsorted waste in the offices by identifying the areas where most waste is produced and implementing a new dedicated collection system that will be operational in 2018.
The increase in the volume of hazardous waste is mainly related to the introduction of the Bernareggio plant in the reporting scope. In fact, the plant hosts manufacturing phases, such as painting and coating, which require the use of chemical compounds.

Table 3.7 - Waste production by category

Waste Produced[7]	**U.M.**	**2015**	**2016**	**2017**
Non-hazardous waste	t	370	489	523
Hazardous waste	t	0.5	31.6	31.4
Total	**t**	**370**	**521**	**555**

[7] For 2015, data are related to Flos and Antares only.

Table 3.8 - Waste production by disposal method

Waste, by disposal method[8]	**U.M.**	**2015**	**2016**	**2017**
Recycled	t	147	277	311
Not recycled	t	223	244	244
Total	**t**	**370**	**521**	**555**

[8] For 2015, data are related to Flos and Antares only.

Material Recycled

3.2.3 GHG emissions

Flos' commitment to reduce its overall environmental footprint encompasses also the monitoring of its greenhouse gas emissions for reduction and compensation purposes. The most part of Flos' GHG emissions are located in the final end of the value chain, i.e. concerns logistics activities. Indeed, the emissions related to the production process are quite limited, in absolute terms. Nonetheless, in the past few years, Flos started putting in place a series of energy efficiency activities aimed at reducing our overall footprint.
As shown in the table below, in accordance to the GHG Protocol Corporate Accounting and Reporting Standard, Flos has identified and monitored all relevant direct GHG emissions (Scope 1) and those resulting from energy purchases (Scope 2). Moreover, in case data are available and reliable, Flos is monitoring and reporting indirect emissions occurring outside of the Company, in order to extend the analysis to its entire value chain (Scope 3). More specifically, GHG emissions resulting from the transportation of purchased goods and sold products (when customer do not manage transportation on their own) and from business travels have been calculated.
The GHG emissions resulting from the electricity purchased from the national grid have been calculated both by adopting the location-based and the market-based method. The first one reflects the average emissions intensity of grids on which energy consumption occurs while the second reflects emissions from electricity that the company have purposefully chosen.

Table 3.9 - GHG emissions

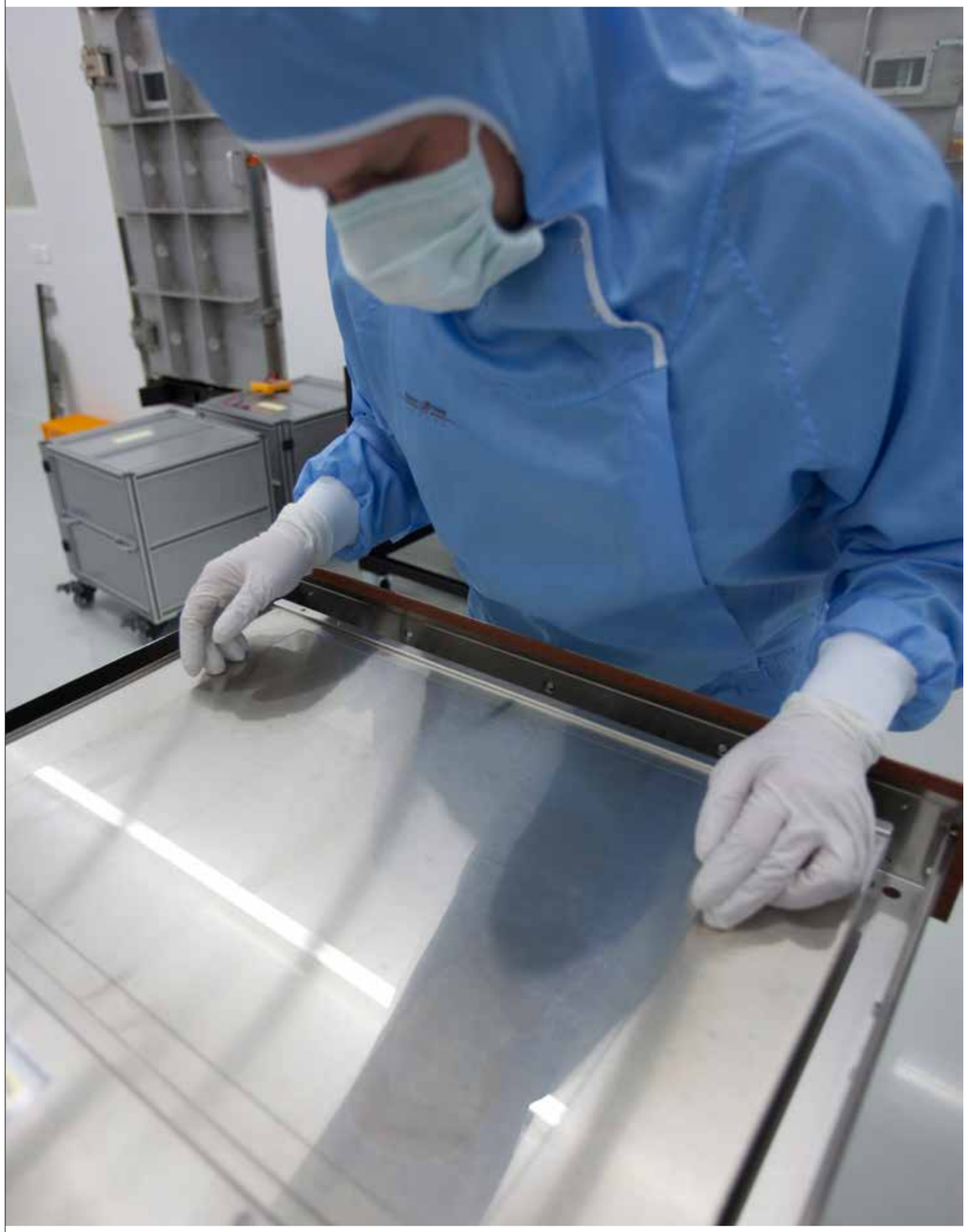
GHG Emissions	U.M.	2015	2016	2017
Direct Emissions (Scope 1)	**tCO2 eq**	**604**	**688**	**751**
-emissions resulting from natural gas used for heating and production processes	tCO2 eq	289	377	438
-emissions resulting from fuel (diesel) used for the corporate truck fleet	tCO2 eq	58	57	37
-emissions resulting from fuel (diesel) used for the corporate car fleet	tCO2 eq	253	246	225
-emissions resulting from fuel (gasoline) used for the corporate car fleet	tCO2 eq	0	0.38	0.86
-emissions of refrigerant gases resulting from leakages of air-conditioning systems	tCO2 eq	5	8	51
Indirect Emissions (Scope 2) – Location Based	**tCO2 eq**	**1,122**	**1,019**	**1,172**
-emissions resulting from electricity purchased from the national grid	tCO2	797	785	897
-emissions resulting from district heating	tCO2 eq	325	233	275
Indirect Emissions (Scope 2) – Market Based	**tCO2 eq**	**1,412**	**1,309**	**1,411**
-emissions resulting from electricity purchased from the national grid	tCO2	1,087	1,076	1,136
-emissions resulting from district heating	tCO2 eq	325	233	275
Other Indirect Emissions (Scope 3)	**tCO2 eq**	**1,662**	**2,134**	**2,423**
-emissions resulting from the transportation of purchased goods[9]	tCO2 eq	502	375	454
-emissions resulting from the transportation of sold products[10]	tCO2 eq	982	1486	1685
-emissions resulting from business travels	tCO2 eq	178	273	284
Total (Location Based)	**tCO2 eq**	**3,388**	**3,840**	**4,346**

[9] Data related to Flos and the Antares (for the last, only finished products from Bovezzo and Bernareggio and returns from consumers are included).
[10] Emissions data from transportation of sold product show, by nature, a fluctuating trend mainly due to the architectural collection, as a consequence of fluctuating demands from key accounts and other clients, different weights of products and distances covered

Carbon offsetting

In order to compensate the environmental impacts of its logistics activities, Flos has adhered to the Go Green – Climate Neutral program organized by DHL[11], which allows customers to offset their emissions resulting from the transportation of goods. The methods used for calculating and offsetting greenhouse gas emissions are based on the Greenhouse Gas Protocol's Product Lifecycle Accounting and Reporting Standard. The calculation methodology includes carbon dioxide (CO2) and further GHG emissions such as methane (CH4) and nitrous oxide (N2O) from transport and logistics as well as upstream emissions from fuel and energy production.
On behalf of Flos and proportionally with the emissions resulting from the transportation service purchased, DHL invests in climate protection projects complying with the Clean Development Mechanism[12] (CDM) criteria set down in the Kyoto Protocol. Flos' offset for 2017 amounted to 264.58 t CO2e. Thanks to it, in 2017 Flos have contributed to CO2 savings equal to the CO2 emitted by around 167 passenger cars, which travel for 10,000 km in one year.

[11] DHL is an international company providing express delivers worldwide and logistics services including freight transportation, warehousing and supply chain solutions.
[12] The Clean Development Mechanism allows to certificate emission-reduction projects in developing countries as well as to trade and sell certificates arising from such projects in order to meet emission reduction targets through compensation under the Kyoto Protocol.



Flos production process

Flos event with clients

4. The Relationships

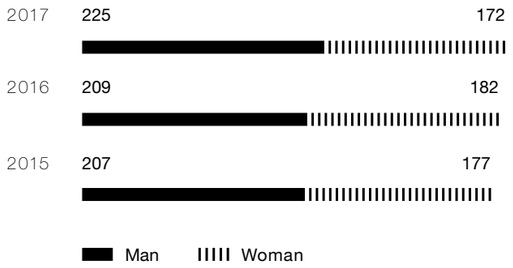
4.1 With Employees

Flos' success can largely be attributed to the passion and the expertise of people who are and have been part of the Group. Being conscious of how important it is to be able to always count on qualified and committed employees, ever since its foundation, Flos has put its workforce at the center of its strategies and it always takes into account its people's instances when taking important business decisions. In recent years, Flos has taken the first steps of a path aimed at further strengthening its attention towards its employees, by adopting a more structured approach, featuring training activities and employee development programs.

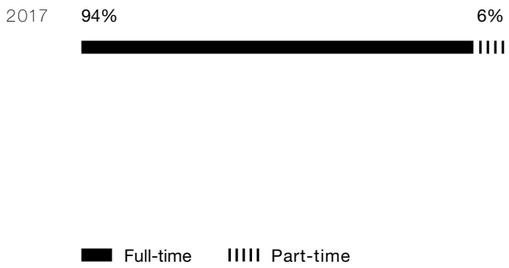
4.1.1
Employment

As of the 31st December 2017, Flos Group's workforce, including Lukas Lighting and Flos's commercial branches, amounted to 609 persons, showing an increase with respect to the prior year (586); Flos, Ares and Antares workforce, instead, as shown in table 4.1, amounted to 444 people and included 33 supervised workers and 14 interns. In the reporting period, also the Board of Directors shows an increase in the components number. In 2017 in particular, with the entrance of Martina Peterlini, a female representation has been introduced in the Board of Directors.

Employees, by gender



Full-time vs Part-time



Employees, by category

Employees, by age

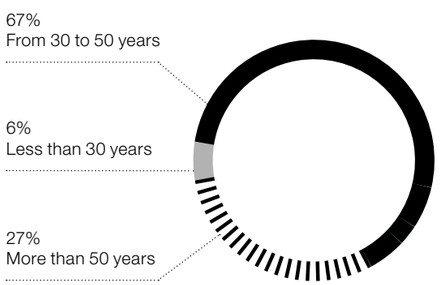


Table 4.1 – Flos' workforce (Data do not include Lukas Lighting and Flos' commercial branches):

Workforce	U.M.	2015	2016	2017
Total workforce	**N.**	**406**	**422**	**444**
Employees	N.	384	391	397
Supervised workers	N.	16	22	33
Interns	N.	6	9	14
Workforce by gender	**N.**	**406**	**422**	**444**
Women	%	45%	47%	44%
Men	%	55%	53%	56%

Table 4.2 – Flos' board composition:

Board Composition By Gender And Age Group	U.M.	2015	2016	2017
Men	**N.**	**7**	**8**	**8**
Women	**N.**	**0**	**0**	**1**
Less than 30 years	N.	0	0	0
From 30 to 50 years	N.	4	4	4
More than 50 years	N.	3	4	5
TOTAL	**N.**	**7**	**8**	**9**

Employees By Contract Type	U.M.	2015	2016	2017
Permanent	**N.**	**361**	**363**	**365**
Women	N.	164	167	160
Men	N.	197	196	205
Temporary	**N.**	**23**	**28**	**32**
Women	N.	13	15	12
Men	N.	10	13	20
TOTAL	**N.**	**384**	**391**	**397**

Employees, whose number has remained almost unchanged over the years (384, in 2015; 391, in 2016; 397, in 2017), represent the majority of Flos' workforce. The employed personnel is mainly located in Italy in the Bovezzo (147 employees) and Bernareggio (85 employees) plants and is mainly composed by office workers (60% of the total, in 2017). The employees' composition shows a balanced proportion between women (43%) and men (57%) employed during the years and a predominance of employees between 30 and 50 years old. Flos is indeed committed to enhance the corporate diversity as to create an inclusive working environment where all employees, regardless of gender or other individual differences, could be enabled to express their full potential.

Flos prefers permanent contracts (92%, in 2017) to temporary ones as a means of promoting human resources retention and development, while enhancing, at the same time, employees' sense of awareness.

In 2017, only 6% of employees worked part-time, a percentage almost unchanged with respect to the previous two years. All Flos employees are covered by collective bargaining agreements, as required by national laws.

The graph below depicts the steady rise of the hiring rate, calculated as the number of hirings over the total number of employees in the reporting period. Similarly, the turnover rate, calculated as the number of resignations over the number of employees, slightly increased in comparison to 2016. Even with this increase, which was mainly due to voluntary resignations, the turnover rate remains low, and represents a physiological staff renewal.

Figure 4.1 - Employee hiring and turnover rates

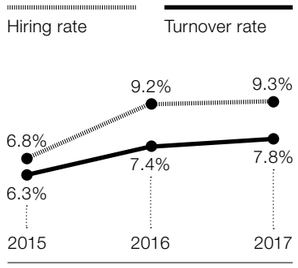


Table 4.3 - Hirings

HIRINGS	2015	2016	2017
Men	**16**	**20**	**24**
Women	**10**	**16**	**13**
Less than 30 years old	7	8	12
From 30 to 50 years old	19	26	24
More than 50 years old	0	2	1
TOTAL HIRINGS	**26**	**36**	**37**

Table 4.4 - Terminations

Terminations	2015	2016	2017
Men	**11**	**19**	**16**
Women	**13**	**10**	**15**
Less than 30 years old	4	3	4
From 30 to 50 years old	18	20	21
More than 50 years old	2	6	6
Total Terminations	**24**	**29**	**31**

4.1.2 People Empowerment and Welfare

In order to continuously funnel personal and organizational improvements, Flos has designed and developed a dynamic and personalized training program, aligned to the different employees' expectations and corporate responsibilities. The program has been conceived to help employees realize their full potential, both in terms of soft and technical skills necessary to meet the Group's evolving requirements and to adapt to the technological and legislative changes taking place in the business world. For the design of this program, Flos has considered employees' training needs and has identified a set of minimum training requirements for every cluster of functions. In this sense, the training program involves both technical ad hoc courses and non-technical training courses, ranging from software (e.g. AutoCAD) and EN ISO requirements lessons to public speaking and English courses. For instance, for Ares employees in Bernareggio plant in 2017 the majority of office workers' training activities have been dedicated to digitalization and Industry 4.0[1]. As illustrated in table 4.5, in 2017 Flos provided a total amount of 3,124 training hours to its employees, corresponding to 7.9 hours per employee, showing a significant increase with respect to the previous reporting period. In addition, looking at the non-compulsory training (i.e. excluding training activities required by national regulations, such as health and safety training), the average training hours per employee amounted to 6.8 in 2017, more than double with respect to 2015. This increase reflects Flos' determination to provide its employees with a training program conceived to be a response to their needs and not only a compliance requirement. As shown in figure 4.2, the non-compulsory training is mainly provided to middle managers (17 hours by employee in 2017) and office workers (9 hours by employee in 2017). Flos' objective for 2018 is to increase training activities dedicated to the workers

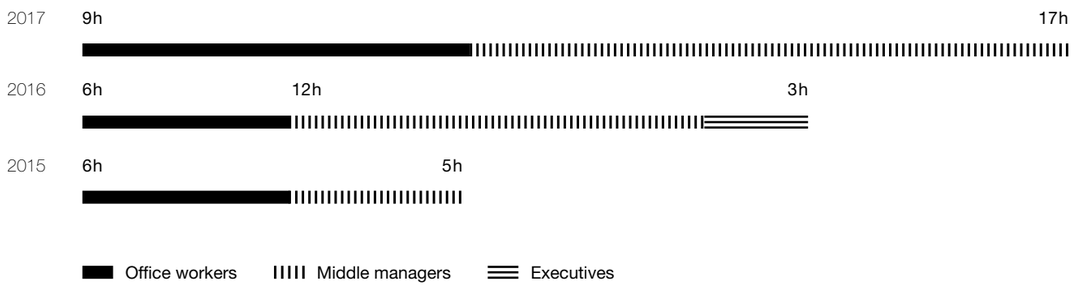
category to go ahead with creating a more stimulating working environment. In 2017, Flos has also provided training to supervised workers and interns, for a total of 158 hours.

[1] Industry 4.0 is the process of automation and digitalization at an industrial level.

Table 4.5 – Training

Training	U.M.	2015	2016	2017
Total hours	**h**	**2,385**	**2,005**	**3,124**
men	h	1,387	1,262	2,048
women	h	998	743	1,076
Average hours	**h/employee**	**6.2**	**5.1**	**7.9**
men	h/employee	6.7	6.0	9.1
women	h/employee	5.6	4.1	6.3
Non-Compulsory training				
Total hours	h	1,027	1,499	2,696
Percentage on total training	%	43	75	86
Average hours	h/employee	2.7	3.8	6.8

Figure 4.2 - Average training hours, by employee category[2]



[2] Data related to Antares' only include non-compulsory training (data on health and safety training by employee category are not available).

Benefits and welfare

Flos believes that employees' welfare is key to create a motivating working environment encouraging people to give their best efforts.
To stimulate employees' growth, advancement and personal well-being Flos has translated its commitment into the provision of a benefit package aimed at delivering the value in order to meet employees' needs beyond just base compensation. Among employees' benefits, Flos offers health insurance and invalidity coverage, fuel vouchers and canteen services. Benefits are provided to all full-time and part-time employees, while fuel vouchers are extended also to temporary workers.
Flos also promotes pay for performance to recognize everyone's contribution through offering performance bonuses related both to product quality and to business profitability.
Flos' objective for the near future is to extend the benefit package to all the companies of the Group, such as Antares, located in Valencia, and Ares, in Bernareggio, and to provide additional benefit categories to meet everyone needs and priorities. Finally, Flos aims by 2018 to implement an online platform for the management of workers category benefits, which will not only introduce a more differentiated set of benefits but also will offer an integrated and simplified way of discovering and access to all the different benefits.

4.1.3 Occupational health and safety

Guaranteeing a healthy and safe workplace to all employees and supervised workers and preventing accidents is an essential point of care for Flos. For this purpose, the Group carries out, on an ongoing basis, several activities to improve occupational safety and people awareness on these topics. At a company level, Flos provides continuous training and education on health and safety topics. In 2017, the total hours provided were 428, including a fire safety course. The decrease in the health and safety training hours is due to the frequency of the activities that are carried out on a two or three-year basis.

Table 4.6 - Training on health and safety topics

Training On Health And Safety Topics	U.M.	2015	2016	2017
Total hours	h	1,358	506	428

Executives and managers are asked to act in order to reduce injuries and to ensure a safety working place. Therefore, in 2017 Flos in the Bovezzo plant has carried out a project aimed at improving the structural stability and at reducing the seismic vulnerability of warehouses. In addition, in the prototype division, a new closed-circuit washing system has been introduced in order to reduce potential leakages and workers' exposure to chemical substances.

In relation to Antares headquarters in Valencia, the Company provides annual check-ups to employees, on a free and personal basis, and every year an audit is conducted by a third party to assess Antares' compliance with health and safety regulations. The audit results in recommendations for the workplace safety improvement that the Company integrates and communicates to its suppliers located in its premises.
Finally, the Bernareggio plant has started an optimization process of the production lines in order to improve both the quality of the final product and the safety of all the workers. Besides the redesign of the layout of the production lines, the introduction of new ergonomically designed workstations have been planned in 2017, and will be implemented in 2018, to encourage a healthy and comfortable working environment.
All these initiatives have led to a reduction in the number of injuries, shifting from 4, in 2015 to 1, in 2017. The severity of the injuries decreased as well, as demonstrated by the lost day rate (-83% in 2017, compared to 2015).

Table 4.7 – Health and safety*

Health And Safety	U.M.	2015	2016	2017
Number of injuries	**n.**	**4**	**3**	**1**
women	n.	2	2	0
men	n.	2	1	1
Lost days**	**n.**	**180**	**30**	**31**
women	n.	100	17	0
men	n.	80	13	31
Injury rate [number of injuries/hours worked x 1,000,000]	**n.**	**6.1**	**4.5**	**1.5**
women	n.	6.7	6.6	0.0
men	n.	5.6	2.7	2.6
Lost day rate [number of lost days for injuries/hours worked x 1,000,000]	**n.**	**274.1**	**45.0**	**45.8**
women	n.	337.2	56.3	0
men	n.	222.1	35.6	80.06
Absentee rate [number of lost days for illness/ workable days x 1,000]	**n.**	**3.4**	**3.3**	**4.0**
women	n.	4.3	4.1	4.7
men	n.	2.7	2.7	3.5
Number of occupational diseases	**n.**	**0**	**0**	**0**

*All data reported in the table are referred to Flos' employees (excluding contractors). Commuting injuries and first-aids are not included.
** Lost days and absentee days are calculated as working days. For injuries, lost days are calculated starting from the day of the injury.

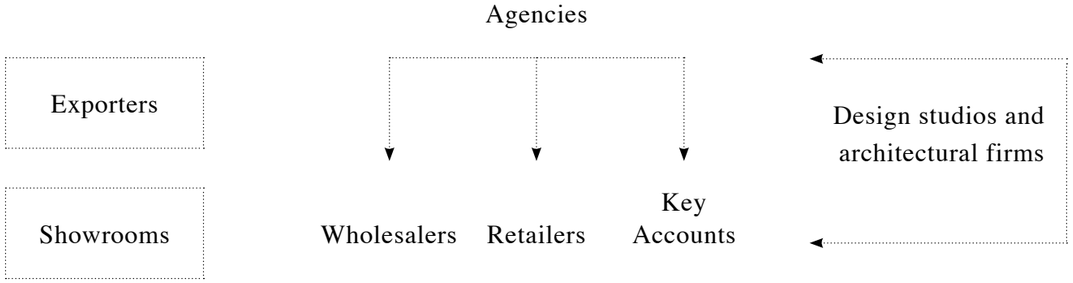
4.2 With Clients

4.2.1 Sales Channels and Communication activities

Flos operates through various sales channels to better adapt its offer to clients' different expectations and technical requirements. The Group mainly relies on its own subsidiaries and sales team located worldwide as well as on agencies, which are intermediaries that sell products of the architectural and design collection to distributors. Our distributors comprise wholesalers of electric equipment, lighting specialists and generalist retailers. The first ones sell products to installers, while the latter are mostly composed by family-run furniture or lighting shops, which predominantly serve final customers.
Key accounts, instead, are B2B clients, which have a direct contact with the Company also through the distribution network, that represents an additional service and a market advantage compared to competitors. By doing so, Flos operates in close relationship with the key accounts both to meet their need of having the same lighting concept applied to their different stores and to help them in better develop their project and business.
Flos also relies on Agencies that operate through active sales, by collaborating

with design studios and architectural firms, proposing personalized and unique lighting solutions. In these cases, lighting products can be sold either directly to the final client or via distributors.
Furthermore, Flos relies on showrooms for the sales of its architectural and design collections. These showrooms are corporate shops operating either through B2C or through B2B models. Finally, in those markets where these sales channels are not available, Flos relies on exporters, which allow Flos to reach final customers and intermediaries in those Countries where a direct sales activity is not present.

Figure 4.3 - Flos' sales channels



Flos uses its products catalogues as the main media to interact with its customers. The three catalogues, each dedicated to a specific collection, are not only a list of products and corresponding technical specifications, but they represent a way for Flos to express and communicate its identity, its philosophy and its history.
Flos has also developed a mobile app that offers clients the opportunity to access the Company's catalogues directly from their cell phones and tablets. The digitalization of catalogues, together with the corporate website, allows the Company to inform clients in real time about new products launches and the periodic update of technical information. In its effort to support clients, the Company has published on its website a series of web videos, containing instructions on how to install the lighting systems.

Moreover, Flos has made available to download the app “String Lights – Remote dimmer and more”, which allows clients to control the light intensity of their “String Lights” lamps designed by Michael Anastassiades. In this app, it is also possible to find additional contents such as the biography of the designer, interviews, ideas and instructions for the installation, image galleries, and more. Other means of communication are press releases and, importantly, social networks (such as Facebook, Pinterest and Instagram). In 2017, Flos created a new organizational function dedicated to Social Media management, in an effort to focus on digital channels of communication in order to be closer to the younger clients.

80k followers

216k followers

4.2.2 Customer Care and Satisfaction

Customer satisfaction is essential to Flos’ business. The Group demonstrates its attention to clients by offering exceptionally designed and technologically advanced lighting systems, high quality standards and an efficient repairing/substitution service. Flos continuously monitors the clients’ claims regarding product malfunctioning or faultiness, with the purpose of improving the overall process, thus enhancing customer satisfaction. In the event of claims, Flos evaluates, on a case-by-case basis, the best solutions in terms of both costs and customer satisfaction. For instance, the Company may either recall the product to analyze the causes of its malfunctioning, substitute it immediately or, in case of widely installed systems, to send a Flos technician from the internal quality department to conduct a site visit as to identify more suitable solutions.
In 2017, Flos has invested in reorganizing its customer care services to offer a unique contact for both the design and the architectural collections.
With a new structure based on those countries where Flos is present, the Company is able to build a strong relationship with every customer and to respond effectively and promptly to all customer needs allowing them to interface with a single customer care services.
As illustrated in table 4.8, the Group monitors the number of products returned for faultiness reasons and the evolution of the quality indicator, which is calculated as the incidence of returned products for faultiness reasons on the total costs of goods sold. This indicator, which contributes to determining employees’ yearly bonus, showed an almost stable trend over the last three years.

Table 4.8 - Quality indicator

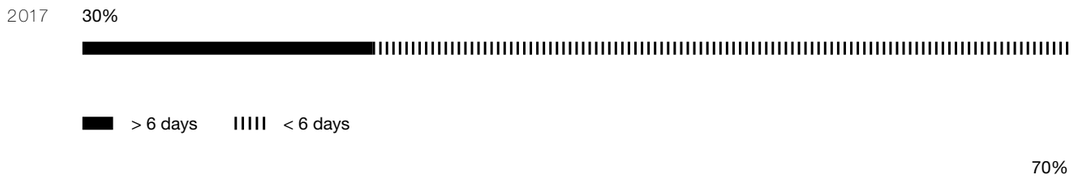
Quality Indicator	U.M.	2015	2016	2017
Cost of returned products for faultiness on costs of goods sold	%	1.29	1.36	1.28[3]

[3] 2017 data also includes Ares.

Concerning the architectural collection, the Company has carried out an analysis on return causes (design, transportation, suppliers etc.) and product types (electric, mechanical, aesthetic). The results of this analysis have shown that product returns are mainly due to suppliers’ production process and to the design phase of the products. This has served as the basis for defining strategies and actions aimed at reducing the problems leading to client claims. A deeper analysis has been carried out as to identify faultiness reasons related to top products (in terms of sales). Following the analysis, for each specific cause identified, whereas possible, corrective actions have been implemented. Otherwise, dedicated initiatives have been planned for the next years.

An additional relevant aspect, which demonstrates Flos’ attention to its customers, is the importance devoted to the timeliness of deliveries. As shown in figure 4.4 for the design collection, the time lag between orders and deliveries is usually less than 6 days.

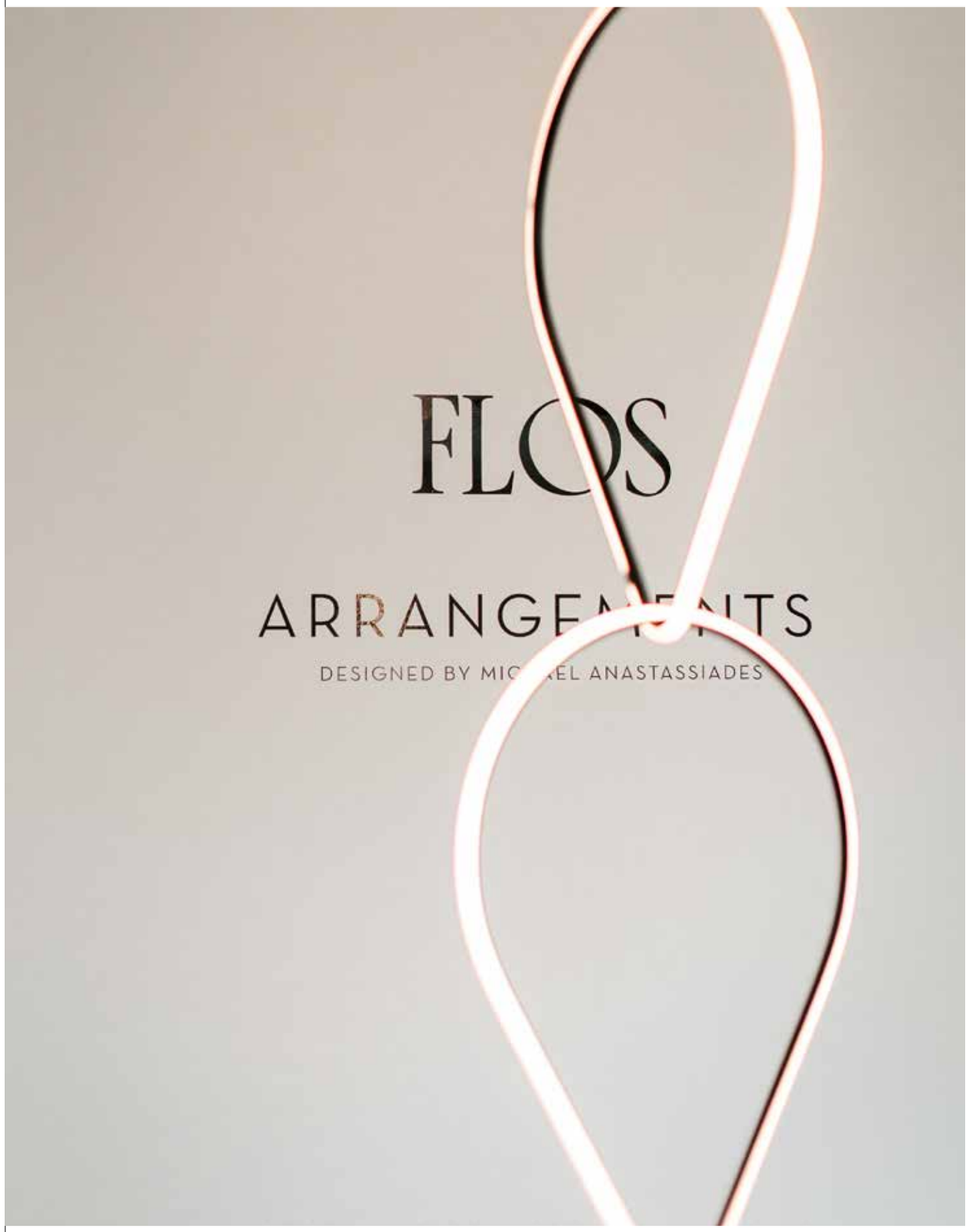
Time lag between orders and deliveries



In order to provide customers with a deep understanding of Flos' products, both in technological and aesthetic terms, the Group offers a series of training programs specifically designed to cover the needs of the different interlocutors (agents, distributors, lighting designers etc.). Concerning the architectural collection products, Flos has been offering a series of courses aimed at explaining their technical features and at clarifying how to install them.
Through the training program "Progettazione della luce negli interni" (Interior light design), Flos offers to furniture retailers an opportunity to understand how to present and sell a lighting concept. For the next years, a training program has been designed for lighting retailers on how to communicate the value of design and the importance of the iconicity of Flos' lamps. The courses, which are carried out at Flos' showrooms in Valencia and Milan or directly at the client place, provide an opportunity for collecting feedback from clients on products. In addition, taking the opportunity of the restructuring activities of its facilities in Bernareggio, Ares has built its own training room mainly dedicated to its customers, lighting designers and architects.
Since 2016, in its attempt to gather customers' opinions Flos has also carried out an analysis on customer satisfaction, which has involved direct interviews, held at retailers' places. The aim was to test retailers' opinion on the following aspects:

- Product innovation;
- Product quality;
- Response and processing time to/for clients' requests;
- Management of product-related problems;
- Response to customization requests.

This qualitative analysis, which continued in 2017, has shown a great satisfaction among Flos' retailer clients on all aspects and has served as the basis for implementing specific corrective actions following the suggestions collected from interviewed personnel, in particular regarding the response time lag to product related problems and the satisfaction of customization requests. Flos' objective for 2018 is to extend the customer satisfaction survey to 100 retailers and to assess whether and to which extent to involve the architectural collection in the survey.



Arrangements, designed by M. Anastassiades

4.3 …With the Community

Contributing to the dissemination of the art and design culture amongst the community is one of Flos' key commitments in terms of social responsibility. In line with this objective, the Group offers its support to cultural events, exhibitions and festivals through donations and co-organization efforts. For over 50 years, Flos has collaborated with the most prestigious art, architecture and design museums across the world. A variety of products have been donated or lent to such institutions and actually feature in the permanent collections of iconic museums, such as the MOMA (Museum of Modern Art) in New York, the Triennale di Milano in Milan and the Centre National d'Art et de Culture Georges Pompidou in Paris. In continuity with its commitment towards art, in 2017 Flos provided a technical sponsorship to the exhibition "Dentro Caravaggio", held in Milan at Palazzo Reale from September 2017 to January 2018. Through the collaboration with Barbara Balestreri Lighting Design, Flos' architectural collection has been chosen to define the best lighting systems and fixtures for the exhibition, with the aim of ensuring the maximum respect for the works of art and the best visitor experience.

The exhibition "Dentro Caravaggio"

To mark the Milano Design Week 2017, Flos has collaborated with Elle Decor presenting the “Elle Decor Concept Store”. The project imagines the retail space as a place where analogical and digital elements meet up, i.e. where the physicality of the objects dialogues with the digital experience and where the consumer is a main player in the space. Thanks to lights, the store becomes a privileged place for information and experimentation, an occasion for meeting and socializing, suggesting a unique customer experience to visitors.
Besides its support to cultural events, Flos’ relationships with the territory involves the contribution to charity and fundraising events. As an example, in 2017, Flos donated lamps to the charity event “TIMETOLOVE”, which aims to raise funds for children suffering from heart complaints and to the auction “Love Design”, organized by the Italian Cancer Research Association (AIRC) and the Industrial Design Association (ADI), with the aim to help raising money for funding cancer research.
In addition, in 2017 Flos also donated its products to help “Mama Marocco”, a project launched to support “Bambini Cardiopatici nel Mondo A.I.C.I. Onlus”, an Italian association that treats children with cardiac illnesses. In particular, Mama Marocco’s objective is to contribute to the construction of the first dedicated cardiology and heart surgery center in Casablanca, capable of performing more than 300 surgeries per year.
As part of its social commitment towards the community, since 2005 Flos actively supports Fratelli dell’uomo, a non-governmental organization for international cooperation working for the growth of local communities in developing countries. According to this partnership, 20% of the gross sales from the Gun Collection by Philippe Starck (Bedside Gun, Lounge Gun, and Table Gun lamps) is donated each year to Fratelli dell’uomo. During the past few years, thanks to Flos’ contributions, several projects have been supported.
For instance, since 2016, Flos has decided to allocate its entire contribution to Fratelli dell’uomo to the project “Healthy childhood in the Totonicapán Maya Kiché community in Guatemala” carried out by the organization “Asociación CDRO ”, with the purpose of reducing communicable diseases and complications arising from common pathologies spreading among the child populations. The project involves four local communities belonging to the Santa Lucia la Reforma Municipality (which supersedes the villages of Pamaria, Pabaquit, San Luis Sibilia and Arroyo San Juan) with the primary focus of improving the availability, accessibility and overall quality of childhood health services. With this aim, in 2017, more than 2,500 children received pediatric care and approximately 700 parents received information and training on basic health and hygiene practices. In addition the project contributed to strengthen the vaccination campaign, started up already in the previous years, and to provide pediatric medical visits for special cases treatment.

fratelli dell’uomo

Fratelli dell’uomo, which is acknowledged by the Italian Foreign Ministry, was launched in Italy in 1969 and it is part of the Frères des hommes Group. The organization supports projects and initiatives, mainly in Latin America and Africa, related to access to food, environment and common goods protection, responsible economy, community health, migration and co-development.
For more details, please visit www.fratellidelluomo.org

Reporting Principles and Criteria

For the third consecutive year, Flos is publishing its annual Sustainability Report, 2017. The document has been prepared in accordance with the GRI Sustainability Reporting Standards: Core option, published in 2016 by the Global Reporting Initiative (GRI). The contents of this report reflect the materiality analysis carried out according to the approach described in the paragraph “Flos’ Third Sustainability Report”, in accordance with the GRI Standards. As a signatory to the United Nations Global Compact (UNGC) Initiative since 2015, through this report Flos is also fulfilling its commitment to producing its annual Communication on Progress – a public disclosure outlining its progress in implementing the 10 principles of the UNGC. In this sense, the UNGC principles are clearly mapped versus the GRI indicators in the GRI Content Index. At present, Flos’ 2017 Sustainability Report does not directly address the UNGC issues and principles related to Human Rights, since the majority of the Group’s direct activities and suppliers are located in Europe, where Human Rights are regulated by laws. To avoid any possible risk of complicity and as a proof of its commitment, Flos is starting to introduce clauses on labor conditions and on the respect of human rights in its contracts. In addition, some of the most important human rights issues related to Flos’ activity, such as the protection of workers’ occupational health and safety, are already included among the “Labor” principles and issues the Group reports on.

Scope of Reporting

This document includes a description of initiatives and activities carried out during the 2017 calendar year as well as the related key performance indicators, presented for the entire 2015-2017 period, where available. The data collection process and the report publication activities are structured on an annual basis. The information included in the Sustainability Report refer to Flos S.p.A. and the fully controlled operating subsidiaries Antares Iluminacion S.A.U. and Ares S.r.l. All commercial branches and the other operating subsidiaries as of 31st December 2017 are not included. Any exception to this reporting scope are explicitly indicated in the text. Flos S.p.A. has its registered headquarters in Bovezzo (Brescia - Italy), Via Angelo Faini, 2; Antares Illuminacion S.A.U, Carrer Mallorca, Polígono Industrial Reva, Calle Turia, Ribarroja de Turia (Valencia - Spain); Ares S.r.l., V.le dell’Artigianato, 24 (Bernareggio, Italy).

Material Issues

The following table provides the link between Flos’ material issues (as described in Chapter 1) and the corresponding GRI Standards topics (Topic-specific Disclosures), together with their scope and any eventual limitations on the reporting boundary, due to the unavailability of data and information on the external perimeter. In the coming years, Flos is committed to identify and implement specific actions aimed at gradually extending the scope of data collection and reporting for material aspects.

Flos' Material Aspects	GRI Material Aspects	Aspect Boundary		Limitations Of Reporting On Boundary	
		Within The Organization	Outside The Organization	Within The Organization	Outside The Organization
Economic performance	Economic performance	Group	-	-	-
Supply chain responsible management	Procurement practices	Group	-	-	-
	Supplier environmental assessment	Group	-	-	-
	Supplier social assessment	Group	-	-	-
Sustainability of materials	Materials	Group	Suppliers	-	Reporting scope not extended to suppliers
Sustainability of lighting systems	Energy	Group	Suppliers, clients	-	Reporting scope not extended to suppliers
Emissions	Emissions	Group	Suppliers	-	Reporting scope partially extended to suppliers
Logistics	Emissions	Group	Suppliers	-	Reporting scope partially extended to suppliers
	Energy	Group	Suppliers	-	Reporting scope partially extended to suppliers
Employee care	Employment	Group	-	-	-
	Training and education	Group	-	-	-
Occupational health and safety	Occupational health and safety	Group	Suppliers	-	Reporting scope not extended to suppliers
Product quality and compliance	Customer health and safety	Group	-	-	-
	Marketing and labeling	Group	-	-	-
Customer satisfaction	Marketing and labeling	Group	-	-	-
Diversity	Diversity and equal opportunities	Group	-	-	-
Anti-corruption	Anti-corruption	Group	-	-	-
Competitive behavior	Anti-competitive behavior	Group	-	-	-
Brand protection	-	Group	-	-	-
Research & Development	-	Group	-	-	-
Product portfolio extension	-	Group	-	-	-
Growth in foreign markets	-	Group	-	-	-
Corporate identity	-	Group	-	-	-
Diffusion of energy saving culture	-	Group	-	-	-
Internet of things	-	Group	-	-	-

Quality Reporting Principles

Flos' Sustainability Report is drafted in accordance with the principles of balance, comparability, accuracy, timeliness, clarity and reliability, as defined by the GRI Standards. The document highlights both strengths and weaknesses, as well as possible areas of improvements for the Group. The data collection and reporting processes are structured in a way as to ensure information comparability over the years and to guarantee an accurate interpretation by the key stakeholders interested in Flos' performance evolution. Flos' Sustainability Report, 2017, is not subject to external assurance.

Calculation Methodologies

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

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

Concerning the Scope 2 emissions resulting from the consumption of electricity purchased from the national grid, two calculation methodologies have been implemented: the location-based and the market-based approaches. The first one reflects the average emission intensity of grids taking into account both renewable and non-renewable productions, while the second one reflects emissions from the electricity source that the company has purposefully chosen through, for instance, contractual instruments. Therefore, since Flos does not have any type of contract for the purchase of energy bundled with attributes about the energy generation and emissions, for the market-based method, a residual mix emission factor has been used. The following table shows the conversion factors that have been used:

Average fuel consumption car [l fuel/100km]	ADEME (Agence de l'environnement et de la maitrise de l'énergie), Évolution du marché, caractéristiques environnementales et techniques - Véhicules particuliers neufs vendus en France, 2016
Fuel density [l/t]	DEFRA (Department of Environment, Food & Rural Affairs), Conversion factors 2017 - Full set, 2017
LCV (Lower Calorific Value) [GJ/t]	MATTM (Ministero dell'Ambiente e della Tutela del Territorio e del Mare), Tabella parametri standard nazionali, 2017

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

Emissions have been calculated as follows:

GHG Emissions Scope 1

Source	**Activity Data**	**Emission Factor**	**Gwp**
Flos' car fleet	Kilometers covered	DEFRA (Department of Environment, Food & Rural Affairs), Conversion factors 2017- Full set, 2017, 2016, 2015	CO2 equivalent, considering the following gases: CO2 (GWP = 1), CH4 (GWP = 25) and N2O (GWP = 298). Global Warming Potentials (GWPs) are taken from IPCC Fourth Assessment Report (AR4).
Ares and Antares' fleet	Fuel consumption (gasoline and diesel)	DEFRA (Department of Environment, Food & Rural Affairs), Conversion factors 2017- Full set, 2017, 2016, 2015	CO2 equivalent, considering the following gases: CO2 (GWP = 1), CH4 (GWP = 25) and N2O (GWP = 298). Global Warming Potentials (GWPs) are taken from IPCC Fourth Assessment Report (AR4).
Leakages from air-conditioning systems of refrigerant gases	Leakages (kg)	-	Global Warming Potentials (GWPs) are taken from IPCC Fifth Assessment Report (AR5).

GHG Emissions Scope 2 – Location Based Approach

Source	Activity Data	Emission Factor	Gwp
Electricity purchased from the national grid	Electricity consumption	Terna, Confronti Internazionali, 2017	Only CO2 emissions have been considered
District-heating purchased from the waste to energy plant	Heat consumption	DEFRA (Department of Environment, Food & Rural Affairs), Conversion factors 2017- Full set, 2017, 2016, 2015	CO2 equivalent, considering the following gases: CO2 (GWP = 1), CH4 (GWP = 25) and N2O (GWP = 298). Global Warming Potentials (GWPs) are taken from IPCC Fourth Assessment Report (AR4).

GHG Emissions Scope 2 – Market Based Approach

Source	Activity Data	Emission Factor	Gwp
Electricity purchased from the national grid	Electricity consumption	AIB, European Residual Mixes 2016	Only CO2 emissions have been considered
District-heating purchased from the waste to energy plant	Heat consumption	DEFRA (Department of Environment, Food & Rural Affairs), Conversion factors 2017- Full set, 2017, 2016, 2015	CO2 equivalent, considering the following gases: CO2 (GWP = 1), CH4 (GWP = 25) and N2O (GWP = 298). Global Warming Potentials (GWPs) are taken from IPCC Fourth Assessment Report (AR4).

GHG Emissions Scope 3

Source	Activity Data	Emission Factor	Gwp
-Business travels by plane; -Logistics	Kilometers	DEFRA (Department of Environment, Food & Rural Affairs), Conversion factors 2017- Full set, 2017, 2016, 2015	CO2 equivalent, considering the following gases: CO2 (GWP = 1), CH4 (GWP = 25) and N2O (GWP = 298). Global Warming Potentials (GWPs) are taken from IPCC Fourth Assessment Report (AR4).
Business travels by train	Kilometers	Ferrovie dello Stato Italiane, "Rapporto di Sostenibilità 2016", 2016.	Only CO2 emissions have been considered

Some data regarding employees and environmental performance have been restated with respect to those included within the 2016 Sustainability Report, given the inclusion of Ares S.r.l. under the reporting scope.

GRI Content Index

GRI Standard	Disclosure		Page number(s)
GRI 101: Foundation 2016			
General Disclosures			
GRI 102: General Disclosures 2016	**Organizational profile**		
	102-1 Name of the organization		119
	102-2 Activities, brands, products, and services		30-40
	102-3 Location of headquarters		26
	102-4 Location of operations		26; 30-31
	102-5 Ownership and legal form		27
	102-6 Markets served		30-31
	102-7 Scale of the organization		17; 26-31; 101-102
	102-8 Information on employees and other workers	UNGC	101-102
	102-9 Supply chain		80-83
	102-10 Significant changes to the organization and its supply chain		42-25
	102-11 Precautionary Principle or approach		(*)
	102-12 External initiatives		48
	102-13 Membership of associations		64-65
	Strategy		
	102-14 Statement from senior decision-maker	UNGC	1
	Ethics and integrity		
	102-16 Values, principles, standards, and norms of behavior		1; 19-24; 56-57
	Governance		
	102-18 Governance structure		26-29
	Stakeholder engagement		
	102-40 List of stakeholder groups		44
	102-41 Collective bargaining agreements	UNGC	103
	102-42 Identifying and selecting stakeholders		44
	102-43 Approach to stakeholder engagement		44; 64-65; 114-116
	102-44 Key topics and concerns raised		64-65; 114-116
	Reporting practice		
	102-45 Entities included in the consolidated financial statements		27
	102-46 Defining report content and topic Boundaries		119
	102-47 List of material topics		120
	102-48 Restatements of information		119
	102-49 Changes in reporting		119
	102-50 Reporting period		119
	102-51 Date of most recent report		119
	102-52 Reporting cycle		119
	102-53 Contact point for questions regarding the report		119
	102-54 Claims of reporting in accordance with the GRI Standards		119
	102-55 GRI content index		124-129
	102-56 External assurance		121

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

GRI Standard	Disclosure	Page number(s)
Material Topics		
GRI 200 Economic Standard Series		
Economic Performance		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	44 - 45; 120
	103-2 The management approach and its components	44 - 45
	103-3 Evaluation of the management approach	44 - 45
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	45
Procurement Practices		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	80 - 82; 120
	103-2 The management approach and its components	80 - 82
	103-3 Evaluation of the management approach	80 - 82
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	80 - 82
Anti-corruption		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	29; 120
	103-2 The management approach and its components	29
	103-3 Evaluation of the management approach	29
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	29
Anti - competitive behavior		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	29; 120
	103-2 The management approach and its components	29; 52
	103-3 Evaluation of the management approach	29; 52
GRI 206: 1 legal actions for anti-competitive behavior; anti-trust and monopoly practices	205-3 Confirmed incidents of corruption and actions taken	29

GRI Standard	Disclosure	Page number(s)
Material Topics		
GRI 300 Environmental Standards Series		
Materials		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	87 - 89; 120
	103-2 The management approach and its components	87 - 89
	103-3 Evaluation of the management approach	87 - 89
GRI 301: Materials 2016	301-1 Materials used by weight or volume	87 - 89
Energy		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	90; 120
	103-2 The management approach and its components	87 - 91
	103-3 Evaluation of the management approach	87 - 91
6GRI 302: Energy 2016	302-1 Energy consumption within the organization	90 - 91
Emissions		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	94 - 96; 120
	103-2 The management approach and its components	94 - 96
	103-3 Evaluation of the management approach	94 - 96
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	95
	305-2 Energy indirect (Scope 2) GHG emissions	95
	305-3 Other indirect (Scope 3) GHG emissions	95
Supplier Environmental Assessment		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	78 - 82; 120
	103-2 The management approach and its components	78 - 82
	103-3 Evaluation of the management approach	78 - 82
GRI 308: Supplier Environmental Assessment 2016	308-2 Negative environmental impacts in the supply chain and actions taken	(**)

** No suppliers were assessed for environmental impact. In 2017, Flos analyzed the potential negative impact in its supply chain and new contractural clauses including environmental aspects are foreseen.

GRI Standard	Disclosure	Page number(s)
Material Topics		
GRI 400 Social Standards Series		
Employment		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	103-104; 120
	103-2 The management approach and its components	103-104
	103-3 Evaluation of the management approach	103-104
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	103-104
Occupational Health and Safety		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	106-107; 120
	103-2 The management approach and its components	106-107
	103-3 Evaluation of the management approach	106-107
GRI 403: Occupational Health and Safety 2016	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	107
Training and Education		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	104-105; 120
	103-2 The management approach and its components	104-105
	103-3 Evaluation of the management approach	104-105
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	105
Diversity and Equal Opportunity		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	101-103; 120
	103-2 The management approach and its components	101-103
	103-3 Evaluation of the management approach	101-103
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	102
Supplier Social Assessment		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	78-82; 120
	103-2 The management approach and its components	78-82
	103-3 Evaluation of the management approach	78-82
GRI 414: Supplier Social Assessment 2016	414-2 Negative social impacts in the supply chain and actions taken	77-78 (**)
Customer Health and Safety		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	60-63; 120
	103-2 The management approach and its components	60-63
	103-3 Evaluation of the management approach	60-63
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	63

** No suppliers were assessed for environmental impact. In 2017, Flos analyzed the potential negative impact in its supply chain and new contractural clauses including environmental aspects are foreseen.

GRI Standard	Disclosure	Page number(s)
Material Topics		
GRI 400 Social Standards Series		
Marketing and Labeling		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	60-63; 120
	103-2 The management approach and its components	60-63
	103-3 Evaluation of the management approach	60-63
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	60-63
Brand protection		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	74-75; 120
	103-2 The management approach and its components	74-75
	103-3 Evaluation of the management approach	74-75
Research & Development		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	36-39; 70-73; 120
	103-2 The management approach and its components	36-39; 70-73
	103-3 Evaluation of the management approach	36-39; 70-73
Product portfolio extension		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	31-40; 120
	103-2 The management approach and its components	31-40
	103-3 Evaluation of the management approach	31-40
Growth in foreign markets		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	30-31; 120
	103-2 The management approach and its components	30-31
	103-3 Evaluation of the management approach	30-31
Corporate identity		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	20-25; 56-59: 120
	103-2 The management approach and its components	20-25; 56-59
	103-3 Evaluation of the management approach	20-25; 56-59
Diffusion of energy saving culture		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	66-69; 120
	103-2 The management approach and its components	66-69
	103-3 Evaluation of the management approach	66-69
Internet of thinghs		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	70-73; 120
	103-2 The management approach and its components	70-73
	103-3 Evaluation of the management approach	70-73

For further information about this Sustainability report please contact
Flos Spa, Via Angelo Faini, 2 – 25073 Bovezzo (Brescia), Italy
Tel: +39 03024381 – Email: info@flos.com