

FLOS



Sustainability Report 2021

2021

Sustainability Report

FLOS

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A Message To Our Stakeholders

As always when this time of year comes around, the publication of Flos Group's Sustainability Report offers us an opportunity for growth, allowing us to pause and reflect on what we have achieved so far, and where we aim to go in the coming years. Undoubtedly, a fundamental element of 2021 has been the progressive intertwining of our sustainability strategy and the brand-new strategy of Design Holding. Our pillars – Energy & Materials, Development & Wellbeing, and Heritage & Know-How – mirror Design Holding's, as evidence of the profound synergy that exists within our Group.

As part of an ongoing effort in place since 2016, we have renewed our commitment to the principles of the United Nations Global Compact, as well as our dedication to contribute to the Sustainable Development Goals and the 2030 Agenda. 2021 has been dedicated to working towards the implementation of the first set of ESG objectives to which we have committed. I am beyond proud to reveal that, thanks to the efforts and enthusiasm shown at all levels of the Group, we have met our targets for 2021 and are on track to meet all the goals we have set for the coming years. Moreover, we have furthered our ambitions, establishing three new ESG objectives.

As a Group, we are aware of the responsibility we bear concerning our multinational operations, which ultimately have an impact on people's lives, as well as on future generations. With a focus on playing our part in helping to combat one of the main challenges of our time, Flos Group is proud to confirm its Carbon Neutrality for Scope 1 and Scope 2 GHG emissions for the second consecutive year – a milestone in our journey.

The Coronavirus pandemic that we are – hopefully – leaving behind has taught us how fundamental connections are: a company that does not adequately focus on personal wellbeing and relations with its employees, designers and suppliers is set to fail. That is why, this year, we decided to concentrate our efforts on creating and structuring a Group Human Resources Department: this step will mark a true watershed, allowing us to create shared policies between all our companies, establishing a joint vision of respect for people and resource management. Secondly, recognising the importance of the concept of a “people leader”, we have focused on upskilling our managers to pursue the establishment of a workplace where everyone can fulfil their potential and aspirations.

As regards our direct link to the world – i.e. our iconic products – the fundamental keyword that is increasingly shaping our business model is circularity. One of the most pressing commitments for Flos is the transition from a linear to a circular economy model. We constantly strive to improve our work at all stages, from design through engineering to production, to increase

the level of disassembly of our products while furthering their longevity. We want to create products that are inherently beautiful, functional and long-lasting, reducing the burden on our Planet's finite resources.

Almendra, a decorative luminaire that Flos developed in 2021 and launched in 2022, is the emblematic result of the brand's efforts to bring together these fundamental dimensions of our business. With its circular characteristics, it responds to the consumer demand for more sustainable products, creating a long-lasting link that encompasses the entirety of our value chain, from the fundamental input and involvement of designers through to client-centricity.

I wish you a pleasant reading of our 2021 Sustainability Report.

Roberta Silva, CEO



Painting department



R&D department



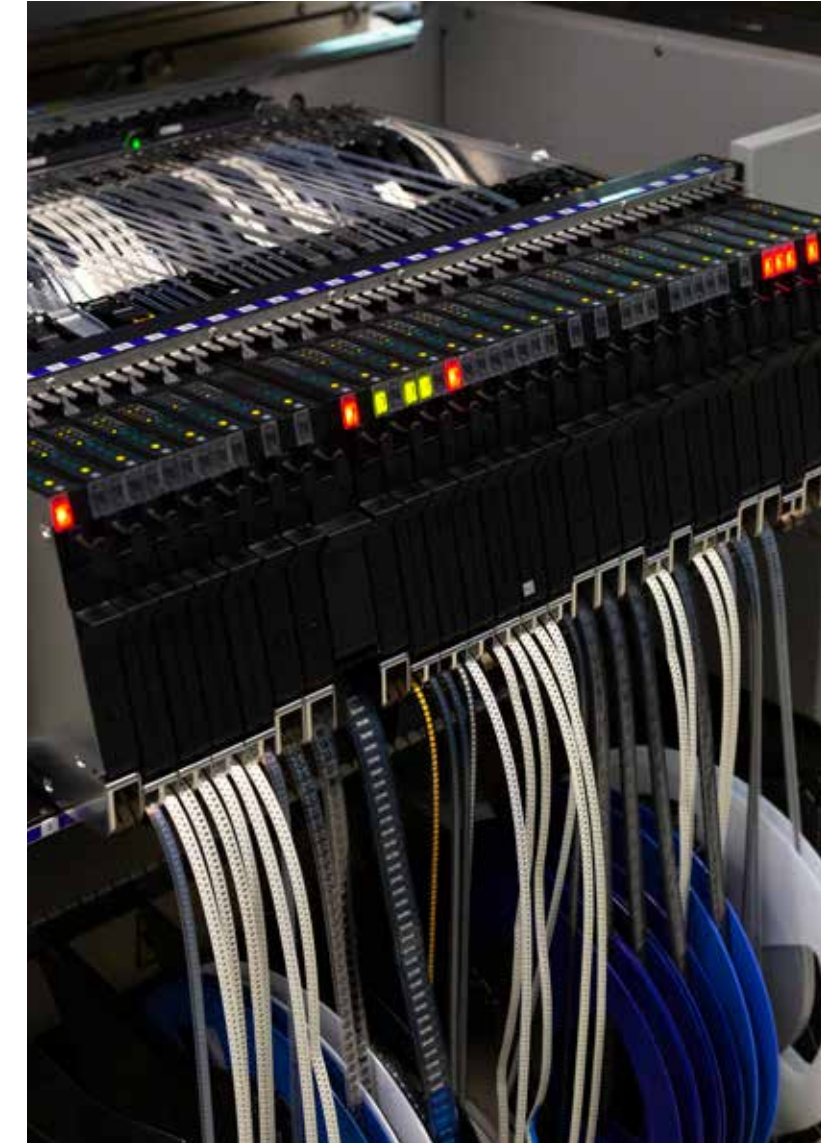
Electronic department



Quality control



Custom product department



LED assembly department



Finance department



Logistic department



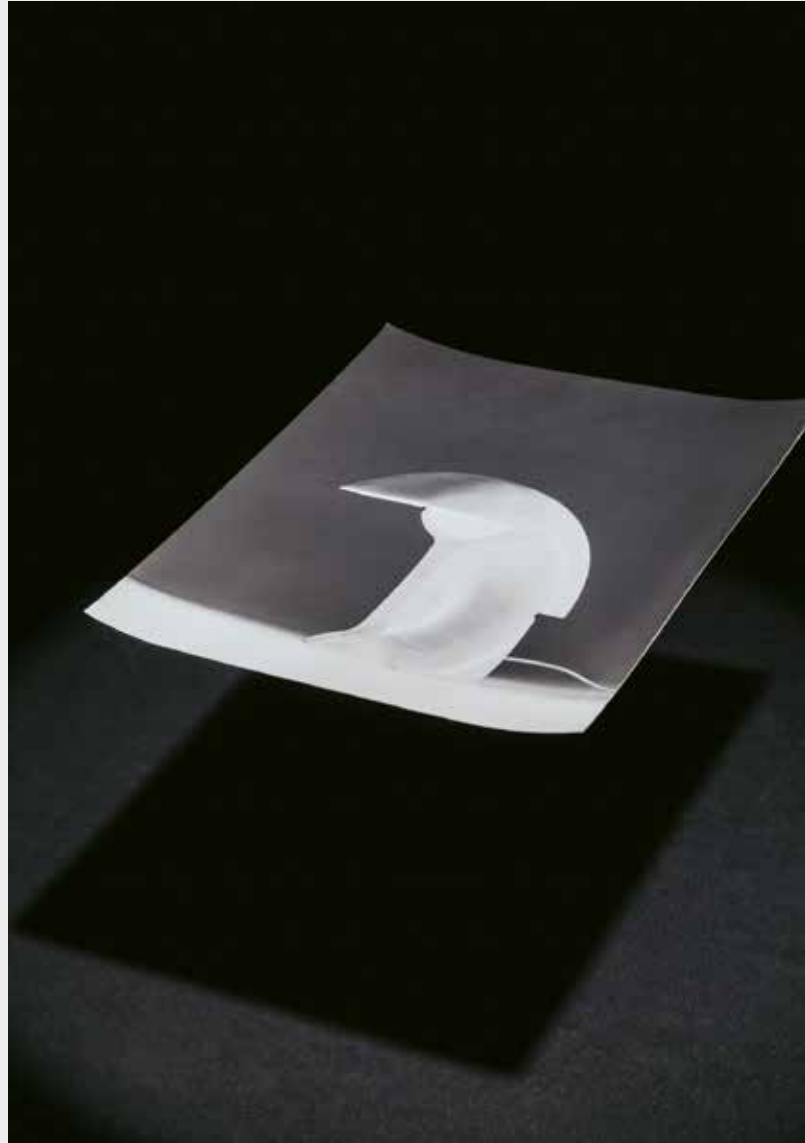
Taraxacum manufacturing, Italy



Outdoor production department

Sustainability Highlights 2021

The Group	Revenues 245 M€	People 655
Value Chain	Local suppliers in Italy 88 %	Local suppliers in Spain 71 %
People	Employees Flos, Ares and Antares 503	Permanent contracts 96 %
Environment	Carbon offsetting 1,224 tCO ₂ eq GHG emissions compensated through the subscription to Go Green Program by DHL	Clean electricity 81 % Electricity certified as produced from renewable sources
	Carbon neutrality 1,401 tCO ₂ eq Scope 1 + Scope 2 (Market based) emissions offset in 2021	GHG emissions reduction target -27.50 % Scope 1 + Scope 2 target by 2030 in line with the WB2C scenario (Baseline 2019)



Flos World

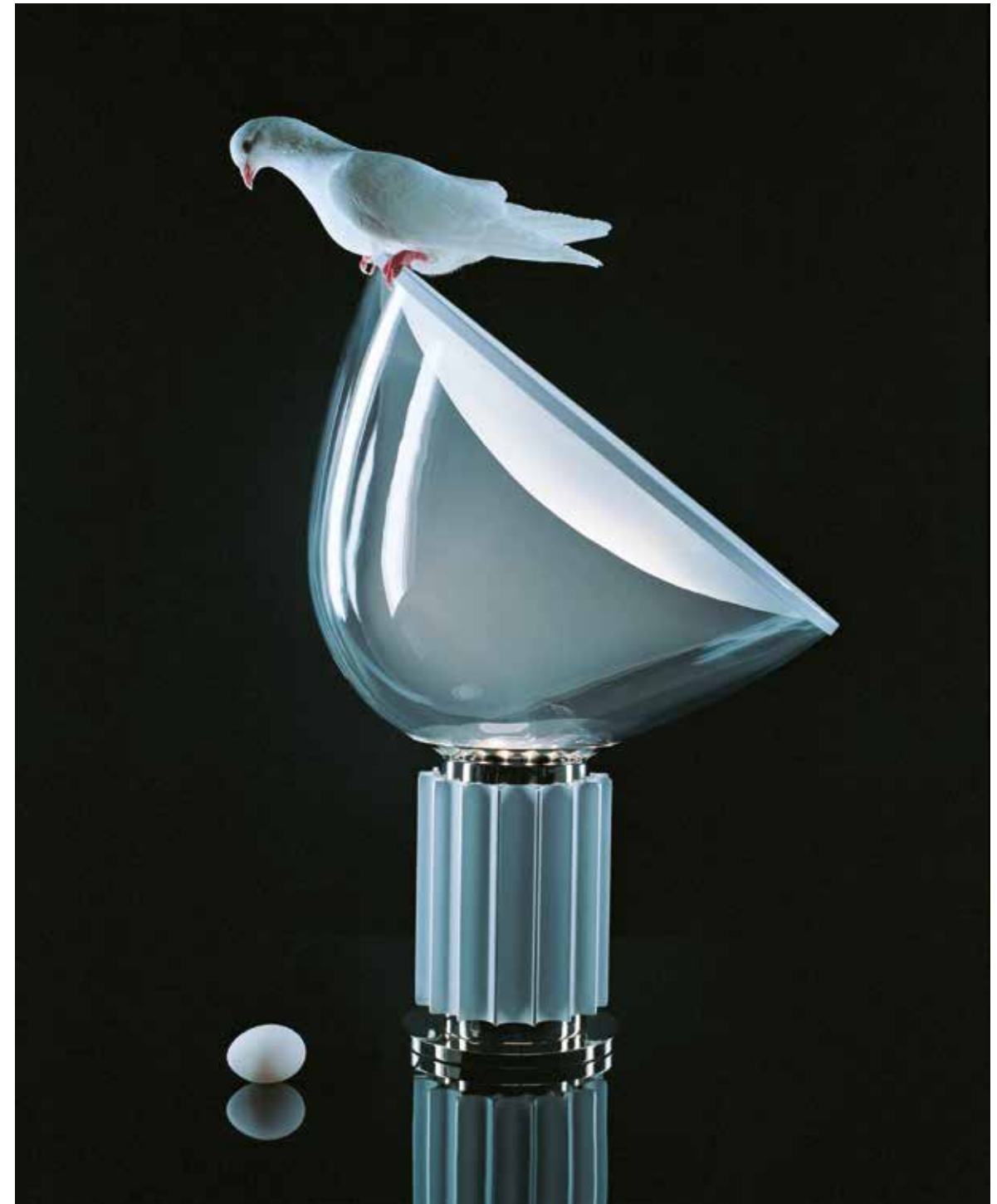
Since its establishment in 1962, Flos (“flower” in Latin) has been an industry leader, a standout company creating revolutionary, category-defining products that enhance any building or setting. From the outset, Flos immediately gained – and maintained – a reputation for masterfully manufacturing poetic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

Biagio by Tobia Scarpa, ph. Alecio Ferrari



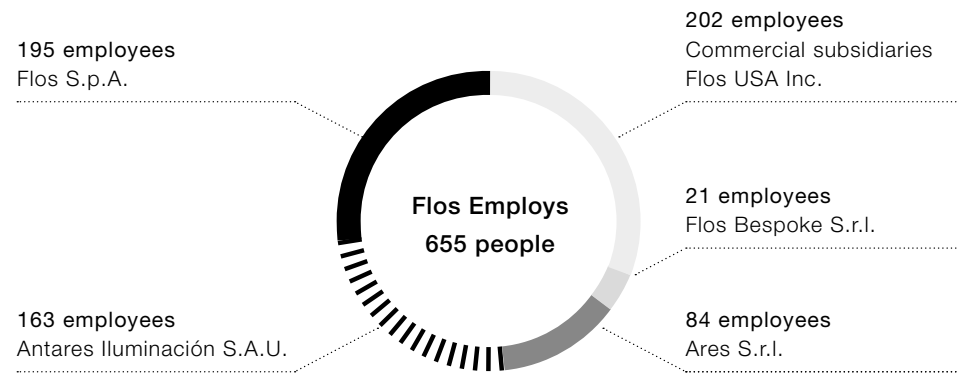
“In Flos, you can’t find a uniform design model, but rather a strong desire to make design that can express broader meanings of the ‘sense of our time’, meanings that are often capable of adding cultural values even to expressions of taste.”
— Achille Castiglioni

Flos Group is recognised as one of the world leaders among manufacturers of high-end lighting solutions in the residential, outdoor and architectural sectors, offering high-quality products and systems combining technology and emotion. The Group incorporates a holistic, human-centred lighting design philosophy and is organised into four divisions: Flos Architectural, Flos Decorative, Flos Outdoor and Flos Bespoke.



Taccia, ph. J. B. Mondino

Group structure and global presence



Since November 2018, Flos S.p.A. has been entirely controlled by Design Holding S.p.A. jointly (and indirectly) controlled by Investindustrial and the Carlyle Group. Design Holding consists of complementary brands B&B Italia, Maxalto, Azucena, Arclinea, Louis Poulsen, YDesign Group (Lumens),

Fendi Casa and Designers Company (Menu, by Lassen). Design Holding is a leading global high-end design group operating a number of legacy brands in the world of luxury furnishings and lighting, with a European cultural heritage.

Design Holding

Design Holding was born in September 2018 from the shared vision of Investindustrial and The Carlyle Group and their intention to create a global high-end design group that brings together world-renowned and iconic brands: Design Holding exists to make homes, public spaces, and life itself more beautiful through the work of all its brands. The Group is the creator of an ecosystem that supports design-focused companies, and the curators of powerful and iconic brands that inspire and are beloved by interior designers, architects, and consumers alike. Driven by a purpose of “we design for a beautiful life”, the Group designs for the planet, people and culture.

Since its creation, in line with the Group’s vision, a strong central leadership team has been appointed to guarantee coordination and commitment throughout its organisations. This means full alignment between Design Holding’s brands’ activities and its sustainability path. Concerning the latter, Design Holding has adopted a sustainability strategy founded on three sustainability pillars: Design for the Planet, Design for People and Design for Culture. The first pillar aims to foster the commitment to sustainability, blending innovation, eco-design and circularity principles. The second one focuses on ensuring a thriving workplace that guarantees fairness and inclusion as well as generating value for communities around the world. The last one is a common priority of the Holdings’ brands to nurture their own identity by preserving craftsmanship and design heritage, from scientific research to the rescue of design legacies for the benefit of future generations.

In order to fulfil this sustainability strategy, Design Holding will publish its first Sustainability Report in 2021.

Design Holding

B&B Italia Group

B&B Italia is the leading Italian high-end furniture design brand, globally renowned for its iconic products and technological innovation. The Company has a unique product portfolio, marketed under the B&B Italia, MAXALTO and Azucena brands for furniture and Arclinea for high-end kitchens. It has won many design awards over the years. B&B Italia has developed longstanding partnerships with world-renowned designers and architects such as Antonio Citterio, Patricia Urquiola, Naoto Fukasawa, Gaetano Pesce and many more, whose contribution has positioned the company at the forefront of technological innovation and design. B&B Italia is headquartered in Como (Italy) and has ten flagship stores worldwide (one in Milan, London, Munich, Miami, Washington and Dallas, plus two in Paris and two in New York) and over 40 mono brands. B&B Italia has also signed commercial agreements in 80 countries, establishing a presence in over 800 specialist stores. The Company also operates in the Contract Division with complex “turnkey” projects for furnishings and finishes in the hospitality, retail, office and nautical sectors.

Louis Poulsen

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

YDesign Group (Lumens)

Founded in the San Francisco Bay Area in 2001 and incorporating the heritage of YLighting, Lumens is North America’s premier destination for modern lighting, furniture and décor, serving trade and contract professionals as well as consumers. They travel the world to source from over 350 global brands, curating a product assortment that features iconic designs as well as the latest from emerging studios, including exclusive and custom pieces. Lumens’ vision to inspire and connect the world with good design has driven the company to be a leader in innovation, delivering a best-in-class customer experience through our website, brand partnerships, editorial content, and team of design experts and ALA-certified product specialists.

Fendi Casa

In May 2021, Design Holding and FENDI announced the launch of the joint venture Fashion Furniture Design (FF Design) to develop the FENDI Casa business. The joint venture involves Design Holding as a majority shareholder. This new strategic venture enables FENDI to collaborate with a trusted and skilled partner, jointly managing its home segment to design, produce and distribute collections that reflect the most authentic spirit of the Luxury Maison, as well as Design Holding’s know-how, in a proud celebration of “Made in Italy” craftsmanship.

Designers Company

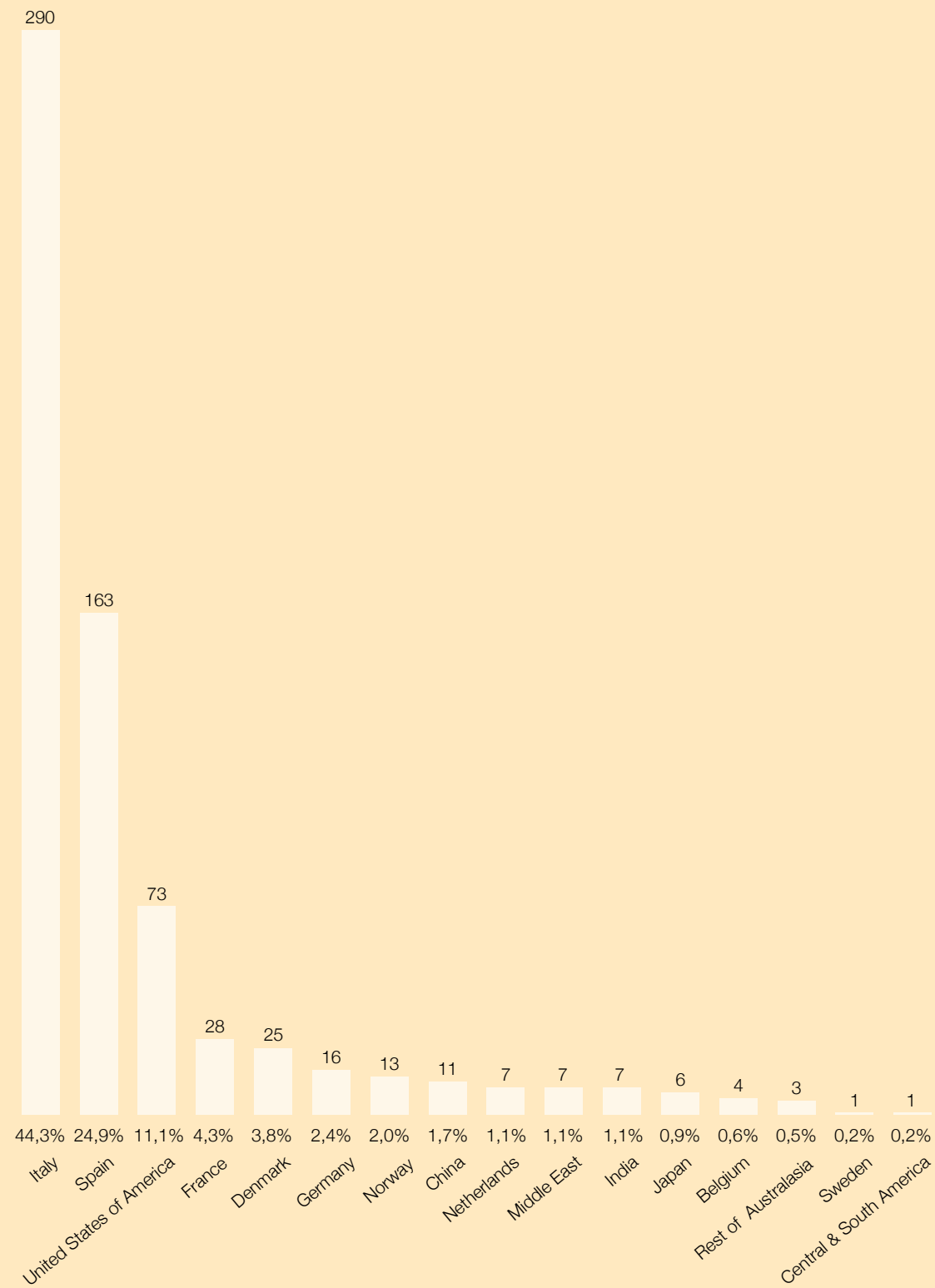
In May 2022, with the aim of consolidating its market position in the Northern regions of the European market and the US, Design Holding acquired Designers Company, a Danish group that includes brands such as MENU and by Lassen.

Designers Company incorporates a wide collection including furniture, lighting, and interior accessories. The iconic portfolio brings together heritage and contemporary Nordic designs and serves a broad customer base, including many younger customers.

Flos is one of the leading players in the Italian lighting industry, with consolidated revenues of more than €245 million in 2021. As in previous years, Flos’ employees are mainly located in Italy and Spain and, during the 2021 reporting year in particular, amounted to 655¹ people. As of the last Sustainability Report, the reporting perimeter comprises Flos S.p.A. (Decorative segment, headquartered in Bovezzo, Italy), Ares S.r.l. (Outdoor segment, Bernareggio, Italy), Antares S.A.U. (Architectural segment, Valencia, Spain) and Flos Bespoke S.r.l. (Custom segment, Collebeato, Italy). The remaining people are employed in the Group’s smaller commercial subsidiaries all over the world as well as the custom product manufacturing division of its US subsidiary, Flos Inc. (Flos Bespoke USA division, Long Island City, NY-USA).

Design Holding

¹ Number of full-time equivalents (FTE) derived by taking into account employees employed under contracts of service, both permanent and temporary, at the end of the reporting period.



Flos Employee Worldwide Distribution 2021

Speaking of economic impact, Flos' financial results for 2021 continued to deliver on the solid efforts and key changes the Group's management has been committed to in recent years. The Direct economic value generated shows an overall increase, from a turnover of 205 million Euros to almost 245 million Euros of revenue in 2021, amounting to a 19.5% jump with respect to the previous year. Finally, the consistent increase in community investments is attributable to donations made to assist with the Coronavirus pandemic.

Direct Value Generated, Distributed and Retained € in thousands	2019	2020	2021
Direct economic value generated	232,287	205,046	244,624
Direct economic value distributed	190,141	168,136	201,131
Operating costs	128,877	113,886	137,222
Employees' wages and benefits	42,146	38,764	43,781
Payments to providers of capital	8,866	9,143	8,627
Payments to the government	10,173	6,243	11,379
Community investment ²	78	100	122
Economic value retained	42,146	36,910	43,492

² Value related to Community Investment excludes donations of lamps (e.g. donations to charity auctions).

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

- A Board of Directors comprising six members³, which, together with the Design Holding Board of Directors, is entrusted with the powers to ensure the ordinary and extraordinary management of the Company;
- A Board of Statutory Auditors comprising three standing statutory auditors and two substitute statutory auditors.

Board Member

Vitaliano Borromeo Arese	Chairman of the Board
Roberta Silva	Board member (CEO of Flos S.p.A.)
Søren Mygind Eskildsen	Vice president of the Board
Dalila Dolci	Board member
Giovanni Casali	Board member
Daniel Lalonde	Board member

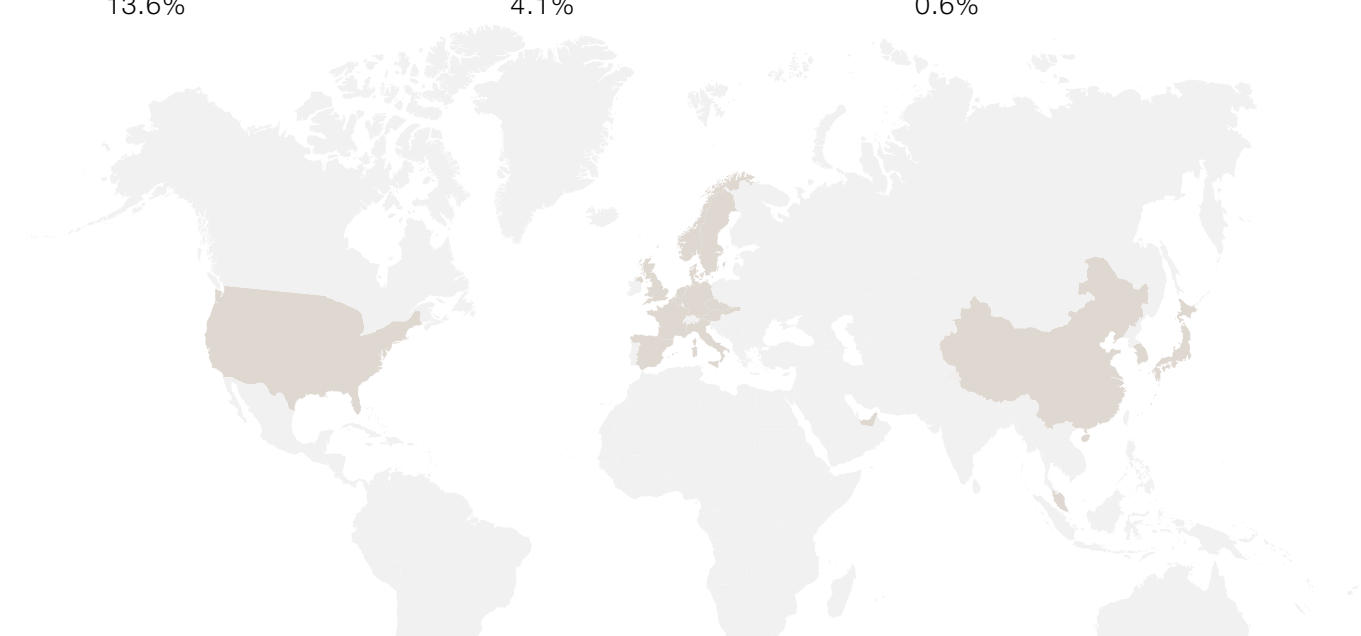
To ensure transparency and responsible day-by-day operations, since 2016, Flos has had an Organisational, Management and Control Model pursuant to Italian law 231/2001 (hereinafter “Model 231”).

The implementation of Model 231 and the Code of Ethics, together with Flos' certified 9001 Quality Management System, represents the framework to ensure compliance with applicable national and international laws and regulations. During the 2019-2021 period, neither complaints from competitors and public authorities for anti-competitive behaviour nor corruption cases were either identified or reported.

³ BoD composition has varied from 2021, with Massimiliano Caraffa and Roberto Maestroni exiting the Board and Daniel Lalonde, CEO of Design Holding, entering as a member. Age composition has changed with respect to the previous year, with no members under 30 years of age, 3 members over 50 years of age and the rest in the middle age group.

Sales by Country

Western Europe 65.5%	Asia Pacific 10.5%	Eastern Europe 5.8%
Americas 13.6%	Middle East 4.1%	Africa 0.6%



Manufacturing Plants

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

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

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

Antares Iluminación S.A.U.
Valencia, Spain

Flos USA Inc. - *Bespoke Division*
New York, United States

Showrooms - Flagship Stores - Offices

Flos Norge AS
Oslo, Norway

Flos Showroom
Stockholm, Sweden

Flos Scandinavia A/S
Copenhagen, Denmark

Flos BV
Amsterdam, Netherlands

Flos France Store and Showroom
Paris, France

Flos Flagship Store
Lyon, France

Flos USA Inc.
New York, United States

Flos Co Ltd.
Tokyo, Japan

Flos Flagship Store & Showroom
Milano, Italy

Flos Flagship Store
Roma, Italy

Flos Global Presence



Flos Decorative

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

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

Smithfield by Jasper Morrison



Diabolo by Achille Castiglioni
Parentesi 50 by Achille Castiglioni & Pio Manzù





Flos Architectural

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

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

Light Shadow by Flos Architectural



C1 by Vincent Van Duysen



Flos Outdoor

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

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

Flos Outdoor



Pointbreak by Piero Lissoni



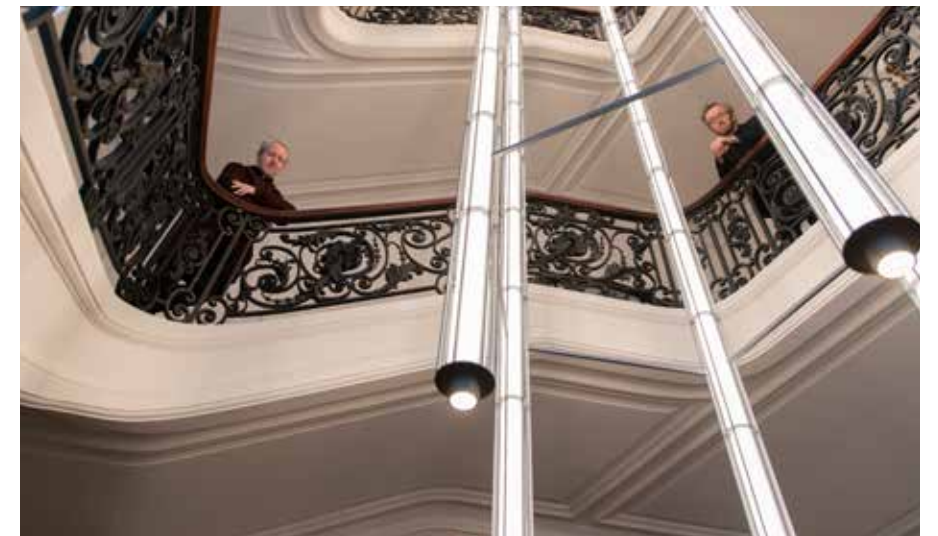
Flos Custom

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

The custom-made business segment has been developed for over 20 years by Flos' Italian subsidiary, Flos Bespoke, and it is currently growing with Flos USA Inc.

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

Luce Verticale by Ronan & Erwan Bouroullec



Luce Verticale by Ronan & Erwan Bouroullec

Value creation



Flos' aim of bringing to life inspired sketches and projects from lighting architects and designers demands a coordinated production process involving the R&D department, highly specialised artisans, and an accurate quality control system. Within this process, in collaboration with designers, architects and engineers, Flos directly manages the conception and design of lighting systems, as well as monitoring activities and tests carried out to assess product quality and to safety requirements with quality and

compliance. For most manufacturing, assembly and logistics activities, on the other hand, Flos relies on the expertise of a specialised and trusted network of suppliers, specifically qualified by Flos. Finally, an integral part of the Flos value chain is customer care, directly and internally managed with a single point of contact for both the Decorative and the Architectural collections. The aim is to build a strong relationship with all customers and to respond effectively and promptly to each customer's needs.



Product development

Creating iconic products and conceiving new languages around light requires a coordinated process involving Flos' internal R&D department as well as renowned and emerging designers, architects and engineers.

The Development of New Lighting Solutions**Conception**

Designers, architects and/or engineers submit the lighting solution idea and some preliminary sketches to Flos' R&D Department. The top management then assesses these before starting production of the prototype series.

Pre-series Production Process

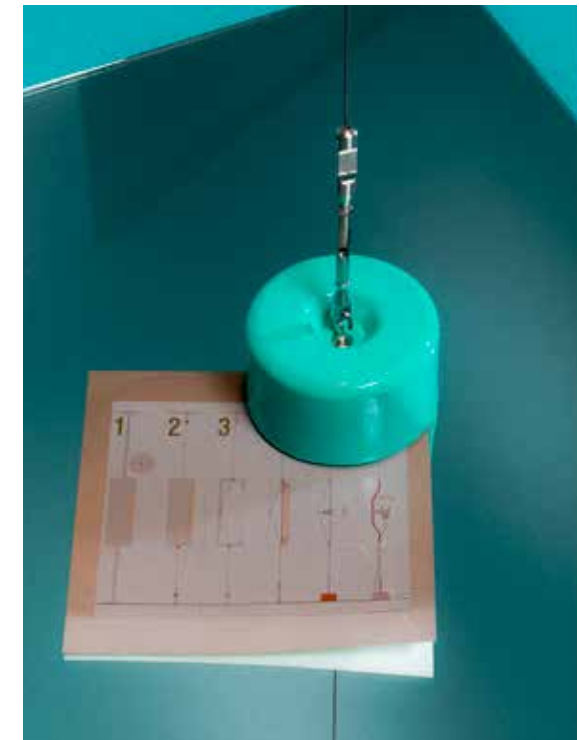
Once a product has been accepted, the R&D team collaborates with designers, architects and engineers to create it. A pre-series is then produced to test the mechanical and electrical design, select the most appropriate materials, identify the best available suppliers and production process, and incorporate any necessary improvements to the luminaire. During these stages, various assessments regarding construction, mechanical and electrical aspects are carried out.

Quality and Compliance

The pre-series is tested to assess its adherence to quality and compliance requirements. For the design collection, final prototypes created from the pre-series production process are then sent to pilot customers. These customers are asked to fill in a report on the products, providing Flos with valuable feedback covering product functionality, finish, installation with reference to the mounting instructions provided, packaging, and the overall product emotion and experience.

Product Launch

Once prototypes simultaneously satisfy the pilot customers' expectations (for the design collection), Flos' internal quality standards, and the applicable regulatory requirements, the product is approved for sale and the production stage is launched production stage is launched.



Parentesi 50 project and packaging

The production chain of the Decorative collection is handled at Flos' Italian headquarters in Bovezzo for indoor lighting products, in Bernareggio for outdoor products, and in Collebeato (Bespoke) for the assembly and production of custom products. By contrast, the Architectural collection is produced at Antares' Spanish headquarters in Valencia. Following the prototype and pre-series stages, the production process begins with the purchase of individual components. Given the large range of techniques and materials required for Flos' products, most manufacturing processes are outsourced.

This stage is particularly sensitive because it involves highly specialised techniques and manufacturing practices, such as hand-blown glass and technical textiles, in addition to coating processes and the processing of plastics and metals. When the production phase is complete, the processed materials that make up the lighting systems are sent to Flos' headquarters for a quality check to ensure compliance with the Company's high quality and safety standards and all applicable regulations. Subsequently, the components and processed parts are assembled as specified 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 Valencia. One relevant exception is Bespoke, where the production and assembly of custom products is carried out directly at the plant in Collebeato. The production chain ends with a further quality assessment of the final product, performed in the Group's on-site laboratories.

Over the last few years, production processes have been affected by an increase in Flos' production volumes, resulting in the saturation of the external network responsible for product assembly. To overcome this issue and to continue to respond to market needs, Flos has set up a new assembly line at its facilities in Nave, close to its Bovezzo plant. Moreover, in 2021 Flos concluded a leasing deal for the use of an additional warehouse, located near the HQs, to help deal with business operations ramp-up during raw materials and procurement crisis situations.

In order to design and manage the new production area, Flos management decided to implement lean manufacturing principles, the so-called 5S Programme: Sort, Set in Order, Shine, Standardise and Sustain. The programme focuses on the visual order, organisation, cleanliness and standardisation of each workspace, resulting in improved profitability, efficiency, service and safety.

Quality as a Synonym of Safety and Durability

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

Beyond mere regulatory compliance, Flos' focus on quality is inherent at all stages of the production process. In addition, safety is continuously monitored throughout the product's lifetime by analysing complaints and notifications from consumers. In the rare event of safety-related complaints, Flos is working at developing procedures that allow for a timely response by recalling products and conducting tests to ensure customer safety. For instance, Flos duly distributed safety kits and collaborated with the local authorities of the countries involved concerning the notice to customers for the replacement kit of the Bonjour unplugged battery in 2020 (a kit is available to replace the original component).

Furthermore, Flos is authorised to use the ENEC Mark logo on many of its products. The ENEC logo is a voluntary mark that complements the mandatory CE marking, a seal demonstrating compliance with all the applicable European safety standards.



In addition to ENEC certification for the EU market, during the design of new products, Flos evaluates the need for other certifications (UL, CCC, EAC, Retilap, etc.) according to the target market.



Finally, product labels include all information deemed 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 for the EU, in safety standards for all markets).

No incidents of non-compliance with regulations and voluntary codes concerning products have occurred during the last four years.

Supplier selection and management

In addition to electronic components, which are usually imported or purchased from multinational companies, Flos' products are the result of an enduring collaboration with top-quality Italian and Spanish suppliers, guaranteeing a fusion of craft heritage and experimentation. The majority of assembly activities are outsourced to suppliers, mainly from northern Italy and Valencia's surrounding areas. The management of the supply chain is one of the key elements that allow the Group to stand out as a leader in the lighting sector: promoting local suppliers allows the Group to rely on a shorter supply chain, improving reliability and delivery times while supporting the local community. Proximity is crucial given the intensity and timeliness of the quality control processes carried out by Flos on semi-processed materials and finished products. For both the Decorative and Architectural collections, the percentage of local suppliers is significant both in terms of the number of suppliers and spending, showing a slightly decreasing trend through the years, as reported in the following tables.

For the Decorative and Outdoor collections, Flos' preference for local suppliers is not a simple choice based on convenience. Instead, it stems from its focus on and attachment to the "Made in Italy" concept – acknowledged as a symbol of expertise, craftsmanship and innovation. Indeed, almost 86% of the Company's suppliers are located in Italy, mainly in the Lombardy region (approximately 69% of the total number of suppliers, representing 65.9% of the total spent in 2021).

Suppliers' Provenance by number and spending - Decorative and Outdoor Collection

	2019		2020 ⁴		2021 ⁷	
	Number	Spending	Number	Spending	Number	Spending
Italy	497	85.4%	465	85.1%	449	88.2%
Lombardy region ⁵	397	63.4%	366	63.3%	357	65.9%
Italy (rest)	100	22.1%	99	21.9%	92	22.2%
Other Countries	71	14.6%	72	14.9%	72	11.8%
Total	568	100%	537	100%	521	100%

⁴ The 2020 and 2021 data on the number of suppliers concerns Flos and Ares. The spending percentage per supplier provenance includes Bespoke as well.

⁵ Data includes the Verona district. For the definition of "local suppliers", the Verona district was also considered, based on its proximity to the Bovezzo HQ.

For the Architectural collection, due to the need for flexible supplies given fluctuations and demand shifts as far as raw materials and components procurement are concerned, the selection process is primarily based on suppliers' location. In fact, as shown in the table below, 65% of the Company's suppliers are located in Spain, and more specifically in Valencia and its surrounding areas (approximately 39% of the total number of suppliers, equating to 46% of the overall expenditure in 2021).

Suppliers Provenance by number and spending – Architectural collection

	2019		2020		2021	
	Number	Spending	Number	Spending	Number	Spending
Spain	129	67.8%	122	69.7%	137	71.2%
Valencia and surrounding areas	81	49.6%	80	48.8%	82	46.4%
Spain (rest)	48	18.2%	42	20.9%	55	24.8%
Other Countries	63	32.2%	67	30.3%	73	28.8%
Total	192	100%	189	100%	210	100%

The sustainable management of the supply chain involves an enduring relationship between Flos and its suppliers, built on mutual trust and respect. Considering the critical role of the supply chain in Flos' business and the difficulties in raw materials and components procurement in 2021, the Company is engaged in transferring its working model and expertise to suppliers, providing technical support in order to guarantee product quality. Flos adopts a strict selection process and conducts audits at suppliers' sites to evaluate the quality of the materials and services provided, their technical

skills, and the tools and machinery used. In addition, Flos tends to prefer suppliers that have obtained ISO 9001 QMS certification and also ISO 14001 certification. Flos' business model, focused on aesthetics and the functional durability of its products, entails a greater focus on quality and technical aspects during supplier assessment and selection .

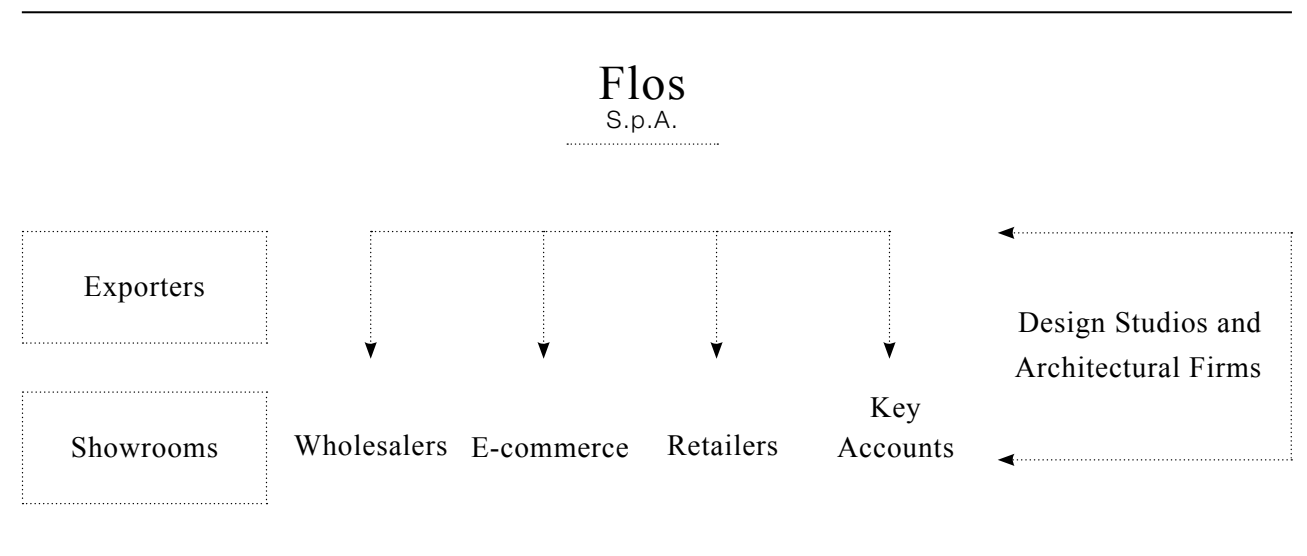
Contracts cover issues such as the safety of products and workplaces, the environmental impact of products and production processes, and workers' employment conditions. Moreover, in order to track their sustainability performance, these additional contractual clauses envisage the possibility of requesting specific supplier data related to environmental aspects (such as waste produced, raw materials, and energy consumption) or safety information (such as accident statistics). Similarly, these contractual clauses envisage the option to conduct environmental and social audits on suppliers' facilities and policies to test their compliance with Flos' requests.

Although designed for handling business-related supplier information, Flos' and Ares' tools will also be concerned with scrutinising ESG aspects as part of supplier screening. These, together with the new contractual clauses, will help the Company to further understand and minimise social and environmental burdens across its supply chain. Moreover, in 2022 Ares will carry out a first pilot ESG risk assessment of its supply chain, with the aim of identifying – and managing – possible sustainability-related issues and red flags.

Client relationship

Flos demonstrates its customer focus by offering exceptionally designed and technologically advanced lighting systems, close communication, and an efficient repair/substitution replacement service.

Flos' sales channels



As for communication, Flos operates through various sales channels to better adapt its offering to customers' varied expectations and technical requirements. The Group mainly relies on its own subsidiaries and sales team located worldwide, as well as on agencies in their role as intermediaries that sell products from the Architectural and Decorative collections to distributors. Flos' distributors comprise wholesalers of electric equipment and lighting specialists, which sell products to installers, and generalist retailers, mainly composed of family-run furniture or lighting shops, which predominantly serve end customers. Meanwhile, key accounts are B2B customers and have direct contact with the Company through the distribution network, which represents an additional service and a market advantage compared to competitors.

In doing this, Flos operates closely alongside key accounts both to meet their need to have the same lighting concept applied to their various stores and to help them better develop their project and business. Flos also relies on agencies that operate through active sales by collaborating with design studios and architectural firms, proposing personalised and unique lighting solutions. In these cases, lighting products can be sold either directly to the end customer or via distributors. Furthermore, Flos relies on showrooms for sales of its Architectural and Design collections. These showrooms are corporate shops operating either through a B2C or B2B model. Lastly, in markets where these sales channels are not available, Flos relies on exporters, which allow the Group to reach end customers and intermediaries in Countries where direct sales activities are not present. Moreover, during 2021 Flos started to sell its products via its brand-new e-commerce platform. After an

 138k followers

 818k followers

initial rollout in the United Kingdom and Spain, the e-commerce project landed across all of Europe, opening up a new sales channel that aims to complement physical stores rather than replace them.

During the last year, affected by the pandemic, the Group had to reinvent its communication and interaction with customers and resellers. The impossibility of hosting events and presentations at Flos' showrooms and offices was a problematic issue that the company had to face with the utmost urgency. Indeed, the Group switched to remote, more widespread campaigns while re-imagining the concept of presentation fairs and exhibitions. During 2021, Flos also had to face several other difficulties resulting from the pandemic, reinforcing the path taken the previous year by increasing digital events and launching its brand-new website dedicated to sustainability⁶: the latter aspects will be discussed in depth in the last chapter of this Sustainability Report.

⁶ For further information, please visit: Flos For Planet | Flos.

Customer Proximity in the Digital Era

Flos' commitment to combining customer needs and technological innovation is directly linked to the continuous improvement of its digital channels. The Group's ultimate goal is to offer new experiences to its customers, whether in the form of a product or by accessing Flos' creations. With regard to the latter, the past few years have been dedicated to the redesign and re-engineering of the Group's Professional website: through a multi-level and multi-purpose stakeholder survey, the primary needs of Flos' customers and stakeholders were identified and translated into a new architecture and wireframing site. The launch of the Professional website, originally envisaged for 2020, was achieved in 2021 due to the Coronavirus pandemic.

The new website is able to separately address retail customers and professionals, building a user experience and the underlying structure in a way that allows users to find what they are looking for with a suitable level of detail. One of the main goals of Flos' Professional website is to implement new features to respond to

the incoming needs and requests of a broad and varied audience, who are used to interacting with advanced services capable of understanding their needs easily and transparently. Furthermore, a series of new analytics tools have been integrated into the new website structure to quickly respond to the needs of Flos customers following the ongoing monitoring of their expression flow. Flos therefore believes that the new Professional website will help unleash the true potential of its iconic creations. In turn, this will impact the designs of many lighting professionals and strengthen the communication around its wide range of solutions and services.

To conclude, Flos, along with Design Holding, is working to achieve a unified e-commerce experience. Design Holding has acquired YDesign Group, a USA-based e-commerce retailer and leader in the US online high-end lighting market, taking the first step towards the creation of a unified e-commerce website.

In order to report and analyse complaints received and evaluate corrective actions, Flos' front office organises periodic meetings with specific departments (i.e. Quality, Production, and R&D). The Group monitors the number of products returned due to faultiness and the trend of the quality indicator, which is calculated as the ratio between the cost of products returned and the total costs of goods sold. This indicator, which includes the collections of Flos, Ares, Bespoke and Antares and contributes to determining employees' yearly bonus, has slightly decreased during the last year, notwithstanding an augmentation of sold products.

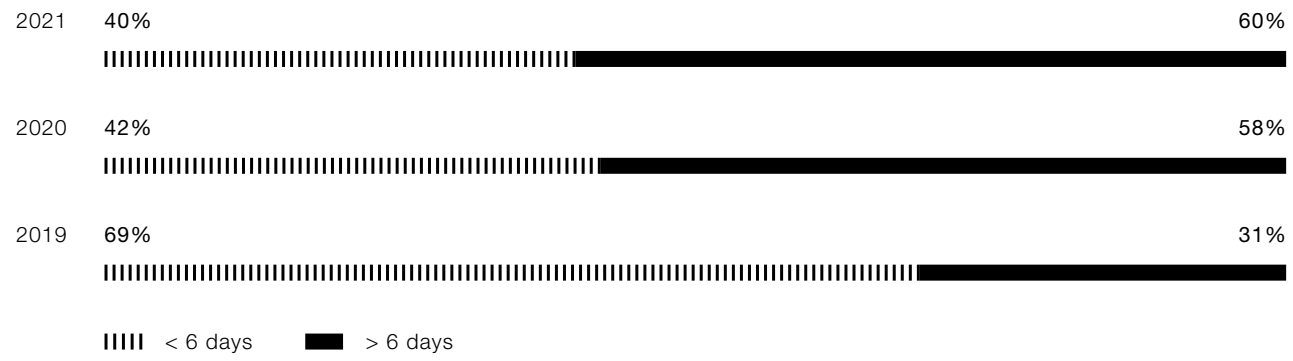
Quality Indicator	U.M.	2019	2020	2021
Cost of returned product for faultiness reasons on cost of goods sold	%	1.08	1.13	0.85

Moreover, Flos is focused on monitoring customer complaints regarding product malfunctions or defects in order to improve the overall process, thus enhancing customer satisfaction. In the event of complaints, 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 analyse the causes of its malfunction, replace it immediately or, in the event of widely installed systems, send a Flos technician from the internal quality department to carry out a site visit in order to identify more suitable solutions.

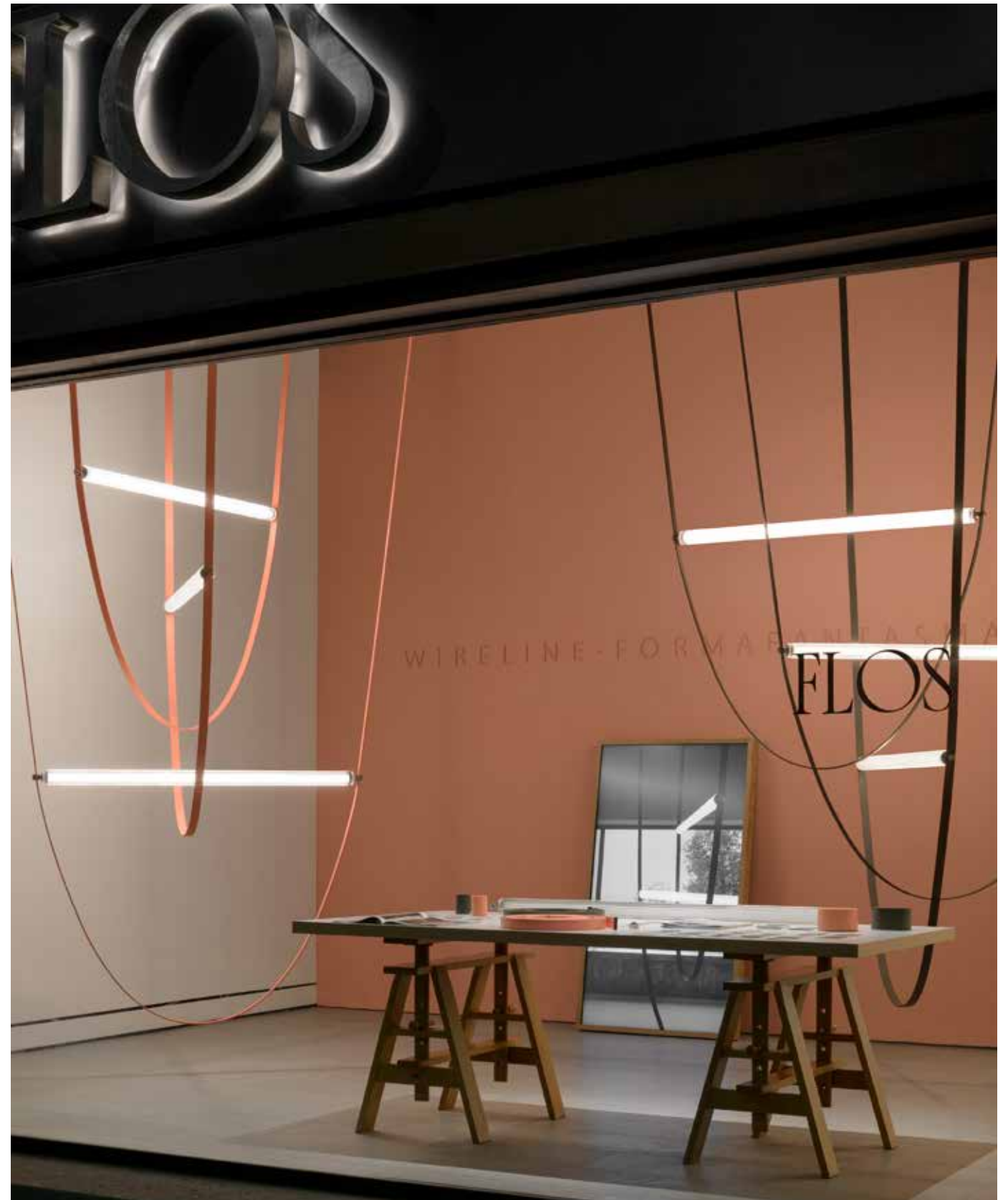
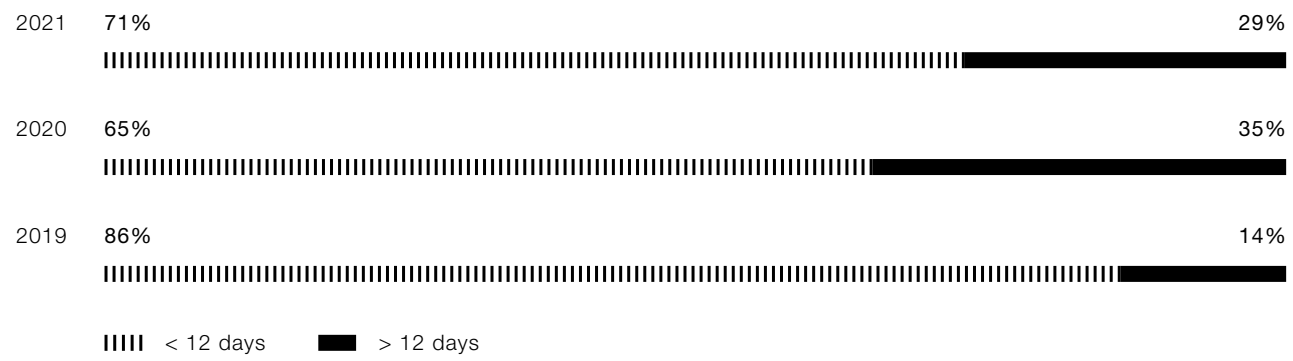
Lastly, but not less important, Flos is committed to analysing and managing, where possible, the timeliness of deliveries⁷. This aspect demonstrates Flos' attention to its customers, in terms of quality and order fulfilment. Regarding the Decorative collection, the time lag between orders and deliveries was significantly affected by Covid-19 and the 2021 crisis in the transportation and procurement of raw materials and finished products: the increase in transportation costs caused significant delays in deliveries. In fact, in 2021, 60% of orders were delivered with a time lag of more than six days, in line with the previous year. Accordingly, the Outdoor collection was slightly affected as well: with the transportation crisis added to the difficulties resulting from the pandemic and materials procurement, the time lag trend in 2021 slightly decreased with respect the previous year, equivalent to 29% of deliveries being made in over 12 days.

⁷ Due to intrinsic production processes concerning the Architectural and Custom segments which impede to present consistent figures concerning time-lag, data is reported on the Decorative and Outdoor collections.

Time lag - Decorative Collection



Time lag - Outdoor Collection



Wireline installation, Flos Store Milan

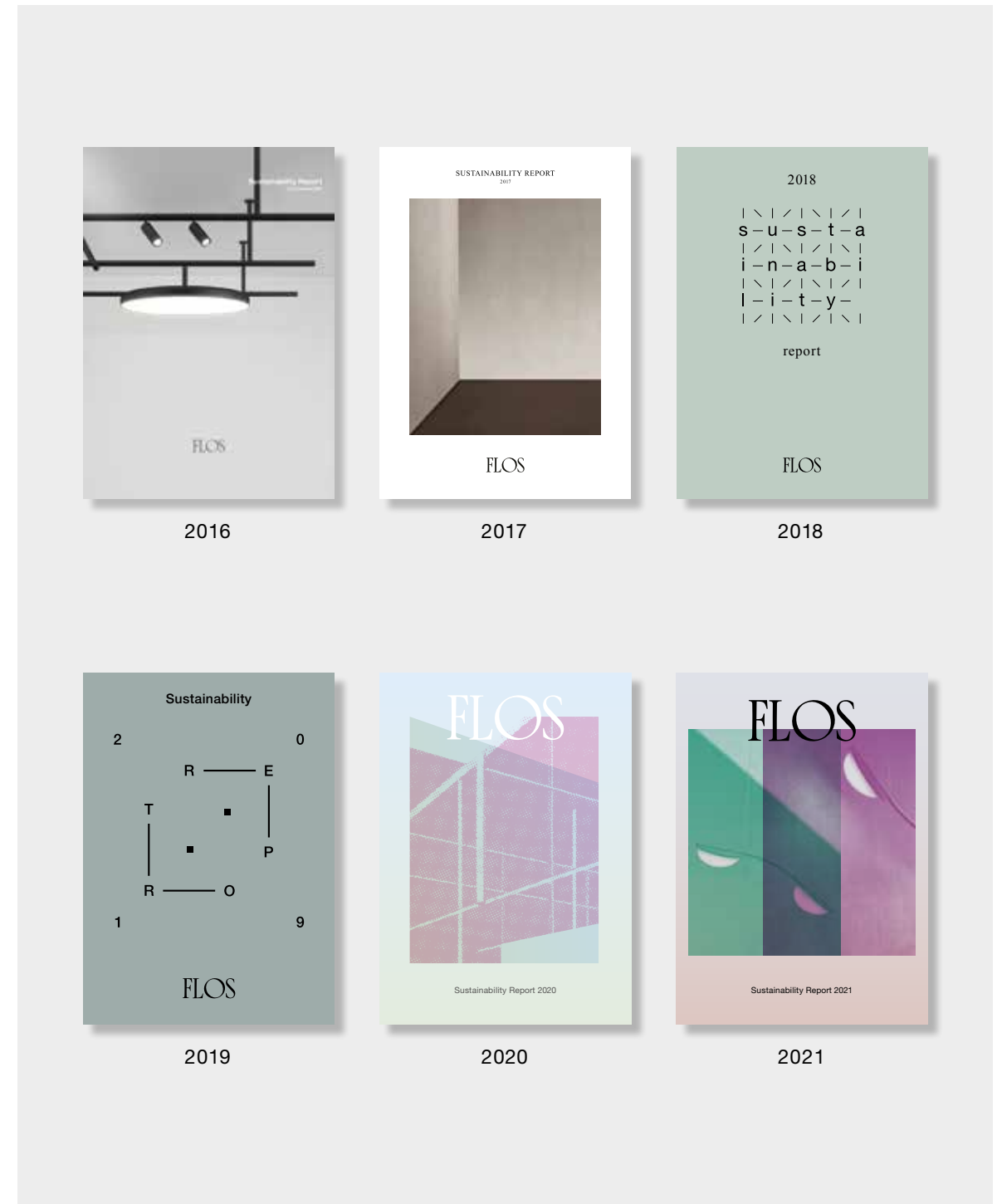
Sustainability path: from reporting to planning



Flos has established three main pillars that constitute the foundation of its sustainability strategy:

- **Energy and Materials:** aware that global challenges are closely linked to energy and materials, respectively interconnected to climate change and circular economy aspects, Flos strives to mitigate and optimise its direct and indirect consumption of these resources
- **Heritage and Know-How:** Flos' most valuable asset in the path towards sustainability is strongly related to its heritage of design icons and its technological know-how.
- **Development and Wellbeing:** Flos puts its workforce, regardless of their role, at the centre of its strategies aiming at cultivating an inspiring, inclusive and motivating working environment.

Lampadina plastic-free packaging



Sustainability Report covers

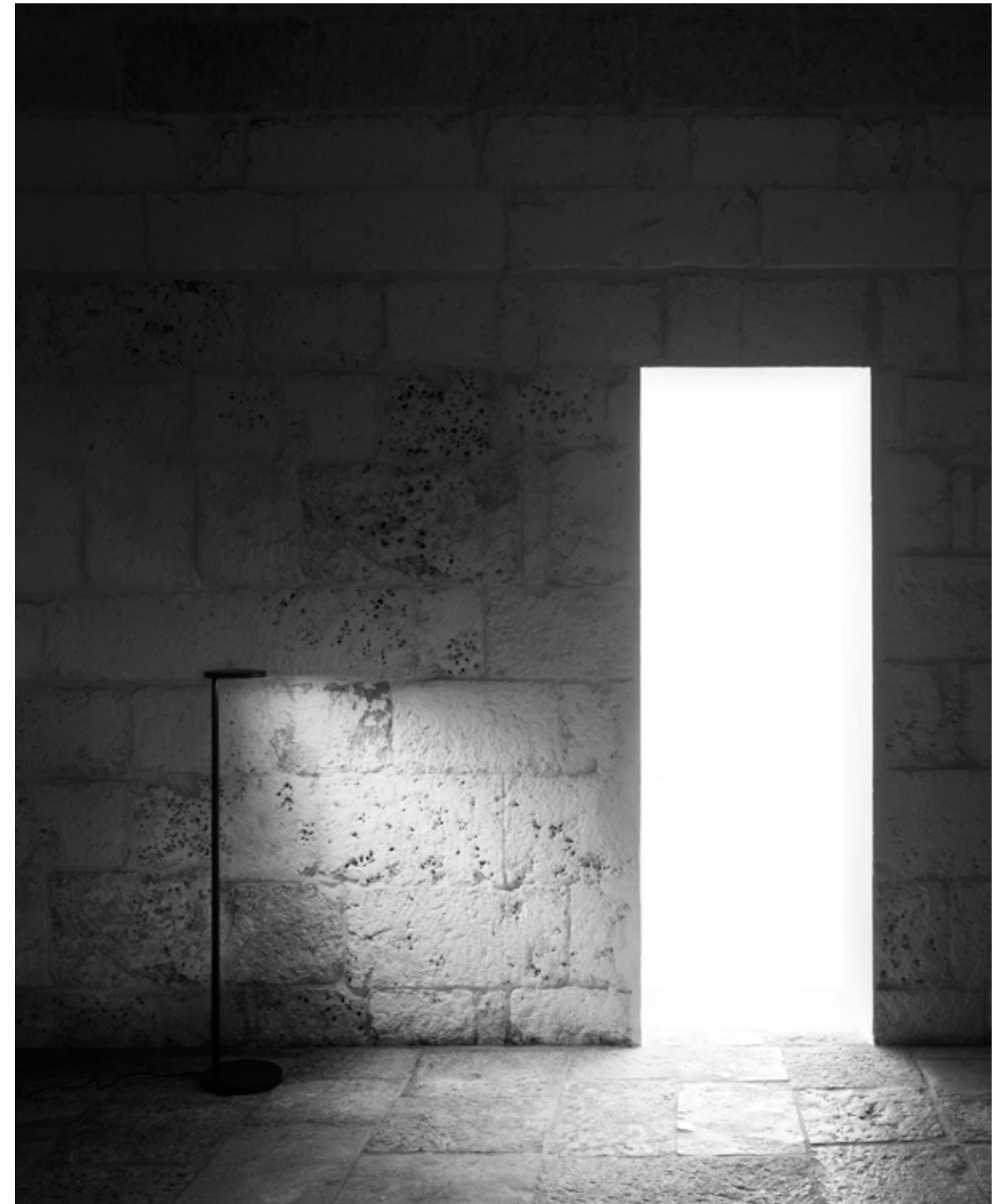
Design Holding's Sustainability Strategy

Flos has established three main pillars that constitute the foundation of its sustainability strategy:




Design for Planet	To foster our commitment to sustainability, blending innovation, ecodesign and circularity principles in our business activities and throughout our value chain.
Design for People	To ensure a thriving workplace that guarantees fairness and inclusion as well as generating value for communities around the world.
Design for Culture	To ensure a thriving workplace that guarantees fairness and inclusion as well as generating value for communities around the world.

Based upon its sustainability pillars, Flos has been working intensively to shape its engagement for the future, having identified a set of ESG targets and the corresponding public commitments for the coming years. As a result of a shared process that saw the participation of various business functions and the direct involvement of the Group's management, Flos identified a selection of goals falling within the scope of its "Energy and Materials" and "Development and Wellbeing" pillars. These were highlighted as the top priority for establishing clear actions and initiatives. In particular, the three main topics identified concern emissions reduction, circular economy and waste management. As reported in the table, this commitment included the evaluation of the relevant SDGs, which are mapped against the targets presented – thus creating a clear link between Flos' strategy and the United Nations' 2030 Agenda for Sustainable Development. On the other hand, one of last year's targets, the one focused on bio-based resin, was aborted during 2021 due to technical limitations of the actual material and therefore not attributable to Flos.

With an eye to the future, the Group is still working in order to identify and publish other relevant ESG targets correlated with the Policy for the coming years.



Oblique Floor by Vincent Van Duysen

Pillar	SDGs	Target	KPI	Baseline	Update
Energy and Materials		-27.5% emissions reduction by 2030 ⁸	% reduction of Scope 1 + Scope 2 – Market based GHG emissions	1,955 tCO2e (2019)	On Track
		100% of electricity from renewable sources consumed by 2022	% of electricity covered by Guarantees of Origin purchased and consumed over the total electricity consumed	31.4% (2020)	From the first quarter of 2021, Ares and Bespoke purchase GOs, while Antares covers 75% of the energy consumed whit GOs
		Draft a car fleet policy including requiring hybrid/plug-in vehicles for the new cars by 2022	Drafting of a car fleet policy	Not Applicable	NEW
		At least 80% of new products' components can be disassembled and recycled by 2023 ⁹	% of new products' components can be disassembled and recycled over the total	Varies depending on the collection ¹⁰	On Track
		At least 90% of recyclable packaging by 2023	% of recyclable packaging over the total packaging	Varies depending on the collection ¹¹	On Track
		100% of new products with recycled textile by 2023 ¹²	% of new products with recycled textile over the total of new products with textile	Not applicable ¹³	On Track
		Progressively decrease the amount of waste classified as "mixed waste"	% of waste classified as "mixed" over the total waste produced	Qualitative	On Track
Development and Wellbeing		3 hours/FTEs dedicated to ESG training	Sustainability training courses/events (employees)	0 (2020)	NEW

⁸ The target on GHG emissions reduction has been defined based on the WB2C (Well Below 2°C) scenario according to the methodology outlined by the Science Based Targets initiative.

⁹ The target does not refer to Flos Bespoke and refers to main components only. The Decorative collection's specific target is set at 100%.

¹⁰ The baseline varies from one collection to the next and ranges from almost 0% for Decorative to 80% for Architectural.

¹¹ The baseline varies from one collection to the next and ranges from 42% for Custom to 90%+ for Decorative.

¹² The target refers to Flos S.p.A. only.

¹³ Currently, Flos has not developed products containing textiles. It will become relevant from 2022 onwards.

Material Topics

- Sustainability of Lighting Systems
- Emissions and Climate Change
- Product Innovation
- Sustainability of Materials
- Product Quality and Compliance
- Logistics

United Nations SDGs



Highlights

-35%

the decrease in market-base emissions from 2020 to 2021

100%

the electricity certified as produced from renewable sources for Ares, Bespoke and Flos

27.359

the total energy consumption in GJ

1. Energy and Materials

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

In this regard, Flos is committed to:

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

One of the fundamental aspects of Flos' mindset is to continuously improve its environmental footprint in its broader meaning, in terms of product manufacturing and product life. This commitment is translated into practical action by the Group on an ongoing basis while carrying out its core business activities, from R&D and product conception to performance monitoring over the product's entire life cycle.

In recent years, Flos has been strengthening its foothold with regard to sustainability and the circular economy: one of the most pressing aims for the Group is to develop new solutions that take advantage of innovative materials and revamped product engineering and production processes to reduce the overall impact on the environment. One of the most effective levers concerning these aspects is modularity – namely the possibility of disassembling the final product in all its main parts to separate the various components. This maximises its recyclability and potential for repair while extending the product's life. The above concept implies rethinking the entire business process in order to deliver on the commitment by both imagining new products that embody circular economy principles from scratch and adapting iconic products to new priorities through so-called regenerative ecodesign.

In general, the lighting industry is joining many other industrial sectors in its growing interest for a transition from a linear to a circular economy model, aimed at decoupling economic growth from the consumption of finite resources. Indeed, sustainability awareness in the lighting sector has gradually increased in the past few decades, mainly through improvements in energy efficiency regulations and the spread of voluntary certifications, thus stimulating the various players through the development and enhancement of more efficient lighting technologies.

Finally, as part of the broader manufacturing sector, the lighting industry is also being called upon to progressively reduce its direct and indirect greenhouse gas (GHG) emissions, closely linked to energy consumption and the circular economy, in order to effectively address climate change. Flos is committing to a more sustainable world by contributing to emissions abatement, with an emissions reduction target inspired by the Science Based Targets initiative methodology. This sits alongside a range of ESG targets that cover the gamut from product circularity and materials sustainability to electricity procurement and packaging.



In Vitro by Philippe Starck

1.1 Balancing languages of light and environmental challenges



Flos profoundly believes that the transition towards a low-carbon and circular economy requires a joint effort from all industry players at a systemic level and that no single company, as innovative and disruptive as it may be, can manage this on its own. For this reason, Flos is contributing to the development of new and more effective national and international regulations and standards regarding the lighting sector through close cooperation with its peers. Thanks to its participation in Assoluce and

other industry association technical departments, Flos is at the forefront of several working groups that aim to discuss new regulations and safety standards to safeguard both the lighting industry and final customers. These working groups are held at a national (e.g. CEI – Comitato Elettrotecnico Italiano, Italian Electrotechnical Committee) and international level (e.g. IEC/CENELEC – International Electrotechnical Commission and European Committee for Electrotechnical Standardisation).

In 2021, as in previous years, Flos' activities continued to focus on the new edition of the IEC/EN 60598-1 safety standard, published in 2020, specifically targeting the latest LED light sources, but also on new requirements like those concerning electromagnetic fields, the use of magnets to fix internal parts of lighting products, and the use of luminaire supply with PSE (Power Sourcing Equipment), regarding wall-mounted luminaires with external cables. In addition, the Company continued working and sharing its expertise for the updating and drafting of various standards and regulations concerning a better coexistence between safety requirements and the evolution of the lighting sector. Through Assoluce, Flos also closely collaborated with Lighting Europe, an entity with which the Group has been working for several years now, to promote regulations embracing a circular economy perspective, mirroring and confirming the trend that positions the lighting industry as the leading player in the spread of energy efficiency solutions. Additionally, the industry sector has a strong track record in prolonging product lifetimes, increasing recycling, and reducing hazardous waste. Finally, in the next few years, Flos will be actively involved in the Electromagnetic Compatibility Directive, Low Voltage Directive, and General Product Safety Directive revisions.

An aspect of fundamental and strategic importance to Flos is the work towards counterbalancing the potential lack of homogeneity between regulations from one country to another where the Group operates, since this may entail additional challenges concerning compliance with various rules and procedures applying to lighting products. In this regard, in recent years, further activities relating to materials efficiency have been initiated in the IEC (Italian Electrotechnical Committee, TC 34 AG 16 Standardisation Strategy) to provide a strategic plan, coordinate liaison, and issue deliverables to the benefit of global electronic industries. The entity's ultimate aim is to ensure that actions approved at the EU level are duly taken into consideration worldwide.

Oplight drawings and prototypes by Jasper Morrison

Flos' participation in industry associations



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



Flos and Ares are members of Assoluce, the Italian national association comprising more than 150 luminaire manufacturers, which is part of FederlegnoArredo, the Italian wood and furniture industry association.



Antares is an associate of Anfalum, the Spanish Association of Lighting Manufacturers, which comprises 87 Spanish Companies active in the lighting industry.



Assil, Assoluce and Anfalum are part of Lighting Europe, the industry association representing the lighting industry in Europe. Lighting Europe's mission is to promote the efficiency and sustainability of lighting systems, focusing on environmental challenges, human comfort, and customers' health and safety. Lighting Europe is made up of four Working Groups (WGs)¹⁴, as part of which Flos takes direct action, addressing topics such as product safety and quality, the impact of lighting on human life, and sustainability issues.

¹⁴ - WG Better Enforcement: Better Enforcement is key to providing safe and quality products for people, and a level playing field for the industry.
 - WG Sound Product Rules: this WG works with regulators to shape good rules that foster quality products and innovation, and works with the industry to help implement these rules.
 - WG Value of Lighting: this WG works to spread the concept that light can have important consequences on people's daily life (e.g. affecting mood, cognitive performance, sleeping patterns, and so on).
 - WG Sustainability: this WG operates to support the lighting industry in taking the lead in sustainability, first and foremost by delivering significant energy savings for lighting products and systems. It also works to prolong the lifetime of products, to recycle and reduce hazardous substances.

Key applicable regulatory requirements for Flos

Low Voltage Directive

(2014/35/EU) on placing electrical equipment designed for use within certain voltage limits on the market to ensure the safety of low voltage electrical equipment on the EU market.

Radio Equipment Directive

(2014/53/EU), on the harmonisation of the European Member States laws establishing a regulatory framework for placing radio equipment on the market.

Performance requirements

such as photometric tests, carried out according to international standards and used for lighting design.

Product labelling

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

Flos took part in Lighting Europe's working groups to propose amendments to the Ecodesign Regulation and Labelling Regulations, which aim to clarify specific requirements concerning DG Energy. The relevant updates to the Ecodesign Regulation and Labelling Regulations are expected to be published in the first half of 2021.

Restriction of Hazardous Substances (RoHS) Directive

(2011/65/EU and 2015/863/EU) on the restriction of the use of certain hazardous substances in electrical and electronic equipment.

Eco-design Directive

(2009/125/EU), adopted in October 2009 by the European Regulatory Committee, established a framework for adopting ecodesign requirements for energy-related products.

Electromagnetic Compatibility (EMC) Directive

(2014/30/EU) governing the electromagnetic compatibility of equipment..

Eco-design Regulation

(2019/2020/EU), the main requirements of which entered into force in September 2021, requires an improvement of energy efficiency in light sources and introduces new functionality and information requirements for light sources, control gears, and containing products.

"Safe Drinking Water and Toxic Enforcement Act"

a Californian law known as Proposition 65, among other issues, was established to inform the public with warning labels about the presence of toxic substances that may cause cancer and/or birth defects in consumer products. In order to check Flos products' compliance with the requirements of Proposition 65, during 2018, the Company, via a qualified external laboratory, started a programme aimed at testing the possible exposure to toxic substances (e.g. lead, phthalates) with the foreseeable use of the product, based on the most restrictive standard methods.

Product disposal

such as EU WEEE Directive (2012/19/EU), Waste Electrical & Electronic Equipment. Specifically, in August 2018, the WEEE Directive changed the product categorisation to the so-called "Open Scope"; the existing ten product categories were reduced to six, and more products are now covered by the Directive, such as heat exchange equipment, monitors and lamps.

Regulation

(EU) 2017/821 of the European Parliament and of the Council of 17 May 2017.

The Conflict Minerals Regulation

published in the Official Journal of the European Union in May 2017, laying down supply chain due diligence obligations for Union importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas.

Besides improving energy efficiency, in recent years, Flos has focused a significant amount of effort on implementing circular economy principles in its product design and production. Modularity and regenerative design are thus key to Flos' approach to both its iconic and brand-new products – a matter which is being formalised by the publication of ESG targets on the topic. This philosophy covers all Flos' indoor lighting products for domestic use – including the availability of spare parts, an aspect that goes hand in hand with the products' renowned durability. In addition, Flos takes into consideration, throughout the conceptual design process and the selection of materials and suppliers, the durability of the materials making up the lighting systems. Indeed, in its R&D activities, Flos outlines a way to reconcile efficiency, sustainability trends and demands with its identity and philosophy, as well as with customers' aesthetic and quality expectations. The ongoing effort in researching and developing new solutions to reinvent iconic products and innovate with brand-new ones can lead to breakthrough outcomes insofar as the materials used in crafting and packaging are concerned.

In order to improve circularity, the use of recycled materials to produce parts of luminaires is increasing. This is not limited to metal components, glass and easily recyclable materials, but also includes plastic parts. One of the main topics is the quest for new plastic materials that can maintain the same quality and performance as previously implemented solutions with regard to compliance with the electrical and mechanical characteristics specified by safety standards and business practices. The same approach is applied to the materials used for product packaging by increasing the use of cardboard.

In recent years, Flos has been deeply committed to researching innovative materials with the aim of both improving the way in which products are crafted and reducing the negative externalities generated for the environment during their entire life cycle. One of the main purposes of R&D activities is to harmonise the need to reduce the environmental impact of products with the quality aspects typical of an iconic brand, which can be summarised by the twofold concept of material and product innovation. This allows the Group to focus on materials as a way of finding new answers, enabling it to suitably respond to the need to reduce the environmental footprint of products – in some cases by redesigning Flos' historical items as well.

Accordingly, over the past few years, Flos has explored 3D printing techniques as a way of manufacturing innovative bio-based materials such as polylactic acid (PLA) – a compostable thermoplastic polyester made from renewable natural resources. Other environmental savings can also arise from 3D filament printing applications due to the possibility of significantly reducing scraps. Finally, the specific 3D printer module currently used by the Flos R&D department for these research activities does not emit hazardous substances during the printing process, making it perfectly suitable for installation in offices and labs without exposing workers to dangerous air emissions.

Besides 3D printing and PLA applications, since 2019, Flos has also been studying new innovative plastics with a reduced environmental impact by collaborating with key industry players. The ultimate goal of these activities is to try to overcome the potential technical limitations that characterise these new materials in some cases, in order to guarantee the emotional quality inherent in Flos' design. The main obstacle with currently available technologies lies in mechanical and performance-related constraints that ultimately undermine product quality output. Furthermore, another important topic that has taken on particular resonance over the past few years is the work undertaken to increase the modularity of Flos products. The possibility of dismantling products into individual components is one of the most important challenges for recyclability and product resilience, and this applies to both Flos' iconic products and new

ESG Targets

<p>At least</p> <p>80 %¹⁵</p> <p>of new products' components can be disassembled and recycled by 2023</p>	<p>At least</p> <p>90 %</p> <p>recyclable packaging by 2023</p>
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¹⁵ The Decorative collection's specific target is set at 100%.

collections. Concerning the former, the output is a revamped product that aligns with circular principles and engineering techniques while maintaining the renowned iconic status that is an integral part of Flos' legacy. In order to facilitate the transition to fully modular products, the R&D department is also working on substituting glued components with dovetail solutions to guarantee an ever-higher level of ease when it comes to dismantling and thus recyclability.

Finally, the Flos R&D department is carrying out work concerning high-quality recycled textiles to be applied to new product collections. Specifically, the department is evaluating the possibility of using recycled nylon from abandoned fishing nets: the material is recovered, purified, spun, and prepared to be reused.

ESG Targets¹⁶

100 %

of new products with recycled textiles
by 2023

Circular Principles in New Products: Almendra

Almendra is a modular lighting system whose shapes and colours are reminiscent of an almond tree. It consists of a perfect mixture of different aspects relating to product circularity and design: modularity, the absence of glues, energy efficiency, recycled and recyclable components and materials. In particular, the new luminaires have a LED source, and the branch and the lighting fixture are made

with extruded aluminium, while the side shell is made from polycarbonate material. Furthermore, with a view to disassembly and product circularity, the finishes are made with water-based varnish, the connections between the pieces are snap-in, and there are no screws or glues.

Product Quality Oversee

For Flos, quality optimises the perfect blend of aesthetics, compliance, and attention to detail. To improve the production process and offer customers high-quality products, Flos, Ares and Antares have implemented ISO 9001 Quality Management Systems, certified by independent third parties and covering the design, production and sale of luminaires. In the meantime, Bespoke has been working to obtain the QMS certification.

In order to fulfil all requirements and standards, Flos has its own on-site laboratories, which are accredited to verify product safety compliance (a few tests are carried out externally). Compliance with the applicable standards guarantees that all categories of Flos products are assessed concerning the health and safety impact across their life cycle.

¹⁶ Targets are applicable in the event of new products made with textiles.



Oplight by Jasper Morrison

1.2 Monitoring and optimising resource consumptions



A further initiative in place at the Bovezzo plant to manage Flos' environmental impacts is related to the implementation of an environmental management system (EMS) certified according to the ISO 14001 standard.

The most significant environmental impacts from Flos' overall production process derive from outsourced activities and, to a more limited extent, from the assembly and packaging activities carried out in Bovezzo and Valencia, as well as from manufacturing processes carried out in Bernareggio and in Collebeato. Concerning this matter, the impacts are mainly related to materials consumption, energy consumption, scraps and waste from production and assembly (including discharged process water containing toxic substances employed in the coating and painting processes) and indirect greenhouse gas emissions from activities such as logistics and materials procurement.

Flos is conscious that, in order to be effective,

a forward-looking sustainability strategy must encompass environmental footprint assessments and impact reduction initiatives along the entire value chain. Accordingly, beginning with the R&D and design stage, Flos focuses on selecting materials and production processes that align with the aesthetic profiles and quality requirements of products, ensure environmental compliance, and reduce its overall footprint. To do so, Flos actively monitors the environmental impacts generated by its activities, progressively integrating impacts occurring outside its organisational boundaries as well. In order to better manage the environmental aspects and impacts of its business, Flos decided to undergo the ISO 14001 certification of its environmental management system. Flos obtained this certification in December 2021 for the following activities: "Design and manufacture of lighting fixtures through assembly process", highlighting its commitment to sustainability and environmental protection.

Ares' Environmental Impacts

Ares' headquarters, located in Bernareggio (Monza and Brianza province, Italy), covers 12,000 m², including the R&D department, testing laboratories, and a painting and coating system. In addition, the plant also has a specific division fitted with an automatic assembly line for circuit boards and a production department for wiring and assembly activities. Ares' manufacturing activities entail both water consumption and air emissions, mainly related to painting processes and the work of the electronic circuit division, which comprises, for instance, welding activities and the use of chemical compounds. In line with current legislation, Ares' facilities are fitted with an air treatment system for the abatement of particulate matter and other hazardous compounds, and a water treatment plant authorised for effluent discharge into the sewage collection system. External specialists carry out wastewater and air quality analyses regularly to guarantee compliance with

regulatory limits and the correct functioning of treatment plants.

In the recent years, Ares is working to find alternative solutions to the current chemical paintings conversion with the aim of using substances that are as sustainable as possible by the end of 2024.

In order to further strengthen its commitment to environmental protection, in July 2021 Ares obtained the ISO 14001:2015 guidelines, aligned with its Environmental Management System (EMS).

With an eye on the future, Ares is working to extend its certifications to include ISO 45001, of which the conclusion process is foreseen in 2023, and the ISO 50001:2018 concerning the energy management system, which will be a project for the coming years.

Materials and waste

Flos is addressing its most pressing environmental challenges by focusing on less impactful and more innovative techniques, reinventing its iconic products where possible as well as committing to engineering modular ones – therefore avoiding glued components and chemical products that can compromise the sustainability of the item itself. In addition, the Group accurately monitors the amounts of materials and components purchased to produce its lighting systems and the relevant waste generated, undertaking to reduce the use of non-recyclable or toxic materials. However, the 2021 data is not fully comparable with the 2020 figures because the latter were particularly affected by the global Covid pandemic.

ESG Performance

62 %

Decrease of polyurethane foam purchased with respect to 2013

3.984 tons

of materials processed within Flos, Ares, Bespoke, and Antares facilities

With regard to the procurement and processing of raw materials, all materials showed either a moderate increase or a stable absolute trend on a yearly basis (with the exception of iron). For all the classes considered, the trend is mainly attributable to the resumption of business activities, which caused an increase in production and sales volumes in 2021 following the Covid pandemic. The most significant increase in material consumption was recorded for plastic, aluminium and Zamak purchases, involved in the production of lamp frames, and marble and concrete.

Processed Materials ¹⁷	U.M.	2019	2020	2021
Aluminium and Zamak ¹⁸	t	2,025	1,531	2,131
	kg/k€	11.81	9.52	10.87
Marble/Concrete	t	424	433	574
	kg/k€	2.47	2.69	2.92
Iron	t	585	557	502
	kg/k€	3.41	3.47	2.56
Plastics	t	355	296	416
	kg/k€	2.07	1.84	2.12
Glass	t	208	236	254
	kg/k€	1.21	1.47	1.29
Gypsum	t	49	37	58
	kg/k€	0.29	0.23	0.30
Brass	t	38	38	42
	kg/k€	0.22	0.24	0.21
Rubber	T	10	7	8
	kg/k€	0.06	0.04	0.04

¹⁷ Intensity ratios refer to the net sales of Flos, Ares, Bespoke and Antares.

¹⁸ Zamak is a family of alloys with a base of zinc and alloying elements of aluminium, magnesium and copper.

In addition to the abovementioned raw materials, the Bernareggio plant also purchases chemical components for painting and coating activities. In 2021, these compounds, which include paints, artificial resins and silicones, continued to decrease in terms of the quantities purchased and used with respect to 2018, mainly due to efficiency interventions that provide savings in terms of material consumption while guaranteeing the same levels of production. In particular, the total amount purchased in 2021 is 13.4 tons, showing a decrease of 4% with respect to 2020.

Focusing on the aspects related to the purchase of electronic components for 2021, the Group is continuing to substitute conventional lamps (in 2021, the value is set to 3,312 units compared to 4,245 in 2020), while the LED figure has slightly decreased with respect to 2020 (6,477,826 pcs). For the Decorative collection, the downward trend of traditional lamps purchased is also attributable to Regulation 2015/1428/EU, which requires companies not to sell lamps together with traditional light bulbs, thus allowing the customer to buy their preferred solution, choosing between LED and traditional sources. Bespoke's data on components and packaging materials is not available and is thus not included; Bespoke is committed to improving its data collection and making the missing data available for the coming reporting years.

Electronic Components ¹⁹	U.M.	2019	2020	2021
LED and LED components	units	6,888,141	7,680,660	6,477,826
	units/k€	40.15	51.17	34.67
Electrical components	units	5,674,954	4,230,000	5,918,879
	units/k€	33.08	28.18	31.68
Transformers & power supply	units	646,025	623,824	708,179
	units/k€	3.77	4.16	3.79
Traditional lamps	units	5,545	4,245	3,312
	units/k€	0.03	0.03	0.02

¹⁹ Data is related to Flos, Ares and Antares plant. Intensity ratios are calculated on Flos, Ares and Antares' net sales.

Moreover, another relevant impact arising from Flos' business comes from packaging. Flos is committed to reducing the total amount of packaging materials used and, in addition, to improving their recyclability while ensuring an adequate protective barrier during transportation. In fact, over the course

of recent years, Flos has been working to progressively replace non-recyclable polyurethane foams with cardboard boxes, specifically designed and developed to deliver the same packaging protection standards during transport for all the new collections from the Bovezzo plant, with a much lower environmental impact. This project allowed Flos to record a significant 62% decrease in the purchase of polyurethane foams in 2021 compared to 2013, the year the project was launched. Finally, Flos constantly strives to find new, innovative solutions in order to substitute current packaging materials with alternatives that can either be recycled or guarantee a more negligible environmental impact. This is entirely in line with Flos' ESG target of moving to at least 90% recyclable packaging by 2023 at the Group level.

Packaging Materials ²⁰	U.M.	2019	2020	2021
Paper and cardboard	t	1,049	1,031	1,260
	kg/k€	6.1	6.9	6.7
Wood	t	309	263	408
	kg/k€	1.8	1.8	2.2
Plastics	t	70	67	96
	kg/k€	0.4	0.4	0.5

²⁰ Data is related to the Flos, Ares and Antares plants. Intensity ratios are calculated on Flos, Ares and Antares' net sales.

Moving downstream of the materials' life cycle, Flos' waste production mainly relates to packaging and faulty components that do not meet product aesthetics and quality requirements and are thus sent back to suppliers. Whenever possible, in the event of defective products, undamaged parts are separated and reused to minimise waste volumes and maximise resource recycling.

ESG Performance

49 %

The growth of packaging wood waste produced with respect to the previous year

550 tons

The total tons of waste produced

Moreover, in the firm belief that prevention is the most effective approach to eliminating waste, Flos is committed to working with its suppliers in order to reduce cases of non-compliance for input materials. In particular, Flos inspects and monitors the percentage of defective components coming from various suppliers and the reasons for their return, in order to identify where the suppliers are experiencing difficulties. Flos then engages with them by setting up potential corrective actions while providing them with the necessary tools and training to put them into practice. This aspect is made directly possible due to the close relationship between Flos and its supply chain, which gives this business model inherent added value.

Furthermore, Flos offers its employees the opportunity of buying non-saleable, defective products at a discounted price, thus further reducing its total waste volumes. Waste produced during the assembly stage that takes place at Flos' headquarters is collected and separated based on its composition to optimise recycling.

Lastly, in 2021, Flos continued to improve its waste management and recycling activities, entirely in line with the trends of the past few years. Along with fostering a circular way of thinking and behaving among its employees – for instance, by improving the recycling process in coffee break areas – in recent years, Flos has increased the sorting of waste material at the Bovezzo and Bernareggio plants.

ESG Target

Progressively decrease the amount of waste classified as “mixed” over the total waste produced

In 2021, the percentage of recycled waste against the total waste produced amounted to 67%. The reason for the increase of non-recycled materials in the 2021 values with respect to 2020 is mainly due to Ares' muddy substances as a result of water treatment.

Finally, with respect to hazardous waste, the figure is mainly related to the Bernareggio plant, in line with previous years, as the plant is responsible for manufacturing stages such as painting and coating that require the use of chemical compounds.

Moreover, the separated collection of polyethylene, which was introduced in Bovezzo in 2017, continues to deliver results in terms of reducing the Company's overall impact.

Waste Type ²¹		U.M.	2020	2021
Packaging	Paper and cardboard	t	107.71	191.81
	Wood	t	71.93	107.68
	Paper/Paperboard	t	111.74	98.55
	Plastics	t	9.91	12.97
Metal Materials		t	64.89	42.76
Aqueous Solution		t	24.42	33.14
Non-municipal Waste		t	44.98	25.95
Construction Materials		t	-	20.86
Paint		t	5.47	6.83
Glass		t	5.66	5.56
Other		t	0.66	4.30
Wood		t	7.94	-
Plastics		t	0.25	-
Total		t	455.5	550.4
<i>Of which hazardous</i>		t	33.0	36.3
<i>Of which non-hazardous</i>		t	422.5	514.1
<i>Of which sent to recycle/reuse</i>		t	366.3	370.6
<i>Of which not recycled</i>		t	89.2	179.8

²¹ The 2019 data (445 t of non-hazardous waste and 30 of hazardous waste) is not disclosed in the 2021 Sustainability Report due to a variation in the GRI Standards requirement. Starting from 2021, data will be collected in accordance with the new requirements of the GRI 306 disclosure released in 2020.

Energy and GHG emissions

In addition to materials consumption, Flos is committed to monitoring its energy consumption and the related GHG emissions, which are mainly due to heating and cooling and to fossil fuel consumption across the corporate fleet. Specifically, the production site in Bovezzo is supplied by the district heating network of Brescia, an integrated system providing energy to the city derived from waste incineration. Natural gas consumption, meanwhile, is related to the Bernareggio and Collebeato plants, where it is mainly used for heating purposes and painting activities. Nonetheless, given its dimensions and operations, Bespoke's activities have no relevant impact in terms of energy consumption, GHG emissions, and the environment in general.

ESG Performance

27.359 GJ

the total energy consumption

81 %

the electricity certified as produced from renewable sources

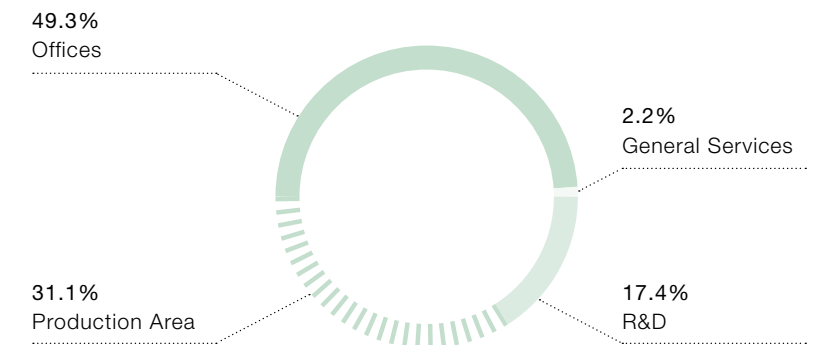
A particular aspect reinforcing Flos' commitment towards the optimisation of energy consumption is the real-time energy consumption level monitoring system at the Bovezzo plant. Over the last few years, the system has allowed the energy demands of the various production processes within the plant to be monitored, identifying the most energy-intensive processes and potential inefficiencies while reducing the latter, thus increasing the site's overall efficiency.

The total amount of energy consumption equated to 706,278.5 kWh at the Bovezzo plant. In particular, Bovezzo's energy consumption increased slightly by 8% with respect to last year, a pandemic year, and decreased by 8% compared with 2019, a non-pandemic year. Nonetheless, Flos is well aware that while, on the one hand, the variation with respect to 2021 and 2020 is mainly attributable to last year's restrictions and the lockdown which forced

people to stay at home, the decrease – comparing 2021 and 2019 – can be attributed to the ever-increasing efficiency of the site and to a significant number of office employees working remotely. Specifically, in 2021, 49.3% of the site's electricity was consumed in the offices, while the quantity resulting from production-consumption amounted to 31.1%.

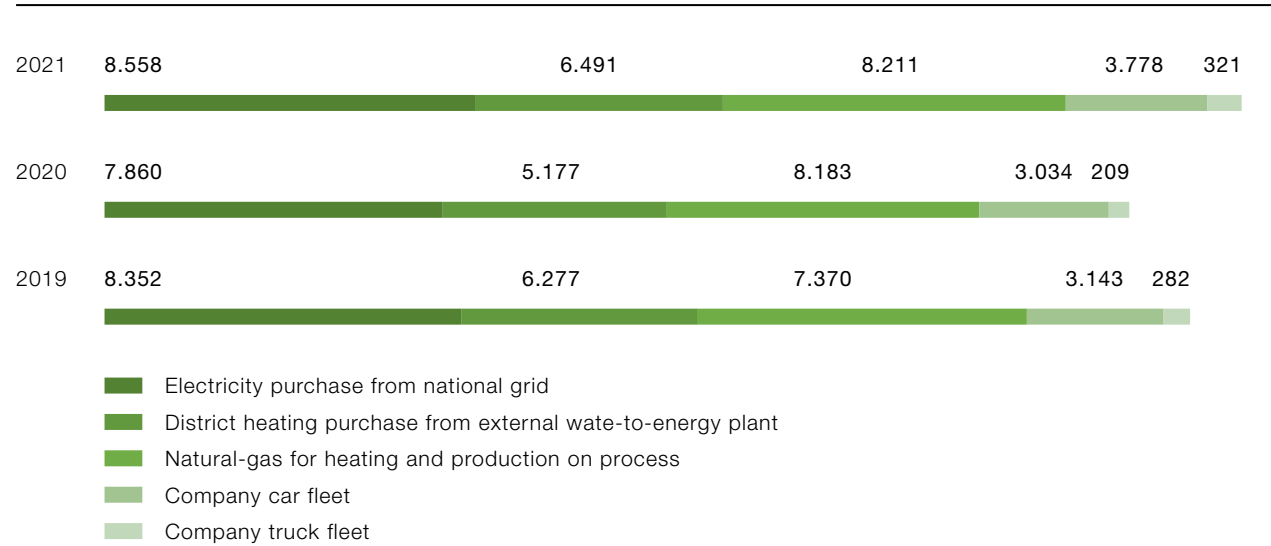
Given the strong and specific results achieved, Ares is starting to evaluate the possibility of implementing a similar mechanism at its Bernareggio plant in order to improve work quality, reduce energy waste, and minimise the impact on the environment.

Bovezzo's Electricity Consumption



The total energy consumed in 2021 is equal to 27,359 GJ, indicating an 11.8% increase with respect to 2020. This slightly upward trend is mainly attributable to the resumption of business activities after the most critical phase of the Covid-19 pandemic in 2020. As reported in the dedicated graph, all the 2021 variables show an increase with respect to 2020, clearly indicating Flos' volume production after the 2020 lockdown period. In particular, the two major increases are related to the purchase of heating and to company car fleet consumption, equating to 25% and 26% respectively compared to last year.

Energy Consumption (GJ)



Flos' commitment to reducing its overall environmental impact also encompasses the monitoring of its GHG emissions along the value chain for reduction and compensation purposes. Moreover, to strengthen its efforts, with the publication of last year's Sustainability Report, Flos undertook to reduce its Scope 1 and Scope 2 – Market-based GHG emissions in line with the WB2C (Well Below 2°C) scenario as provided by the Science Based Targets initiative's calculation methodology²². The Group expressly undertakes to reduce its GHG emissions by 27.5% by 2030.

As a further commitment with respect to climate change, the Design Holding Group decided to purchase carbon credits in order to compensate its overall GHG Scope 1 and Scope 2 – Market-based emissions, starting from the 2020 reporting year. The initiative allowed Flos Group, and the other subsidiaries of the Design Holding Group, to become carbon neutral in terms of the activities that fall within the reporting perimeter. This is designed as a transition tool to mitigate impact on the road to effectively reducing carbon emissions.

²² The Science Based Targets initiative was created by the collaboration between the CDP, the UN Global Compact (UNGC), the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). It is acknowledged as one of the We Mean Business Coalition's commitments. The initiative supports companies in defining

Carbon Offsetting Projects

Since 2020, Flos's carbon neutrality is achieved by balancing carbon emissions with offsetting, thus using carbon credits coming from positive impact projects. Each credit is certified according to international standards and it corresponds to the reduction (or removal) of one ton of CO2 equivalent. As for last year, the two projects Flos bought the credits from are the "Great bear forest carbon" and the "Guatemalan conservation coast".

The Great Bear Forest Carbon project aims at improving forest management in the British Columbia (BC), the westernmost province of Canada, generating emission reductions through the protection of forest areas that were previously designated, sanctioned or approved for

commercial logging. The project activities include changes in land-use legislation and regulation that result in the protection of forest areas and reduction of harvest levels.

The second project is developed in the Guatemalan Conservation Coast region by addressing the drivers of deforestation through effective law enforcement, land-use planning, education, economic opportunities, and sustainable agroforestry initiatives. Some of the most important project achievements to date are: the protection of 30 threatened species including the Baird's tapir and West Indian manatee, the protection of 54,157 hectares of threatened forest in the Mesoamerican Biological Corridor and the creation or support of 487 jobs for indigenous and local communities

Flos has identified and monitored all relevant direct GHG emissions (Scope 1) as well as those resulting from energy purchases (Scope 2) in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. Scope 1 emissions amounted to 843.7 tCO2eq in 2021, showing a slight increase with respect to the previous year. As mentioned in previous paragraphs, the reason behind the rise is mainly related to the increase of Flos' business and production in 2021. Emissions related to the production process are quite limited in absolute terms, as only Bernareggio – and Bespoke to a much smaller extent – have production processes.

emission reduction targets that enable us to cap global warming well below 2°C (WB2C), aiming to stay within +1.5°C compared to pre-industrial temperatures, in line with the limit envisaged by the Paris Agreement.

Focusing on Scope 2, GHG emissions resulting from electricity purchased from the national grid and from the purchase of heat and steam at Bovezzo, these have been calculated by adopting both the location-based and the market-based method. The first method reflects the average emissions intensity of grids from which energy consumption occurs, while the second reflects emissions from the electricity that the Company has purposefully chosen. Guarantees of Origin (GO) have covered the electricity purchased by Flos' headquarters in Bovezzo since August 2018, thus certifying that it is produced from renewable sources, resulting in zero direct carbon emissions according to the market-based method. Starting from the first quarter of 2021, the Ares and Bespoke plants joined Bovezzo in purchasing 100% electricity covered by Guarantees of Origin, while Antares started to cover 75% of its plant's consumption in Q3 2021.

ESG Targets

100 %	-27.5 %
of electricity from renewable energy sources consumed	Scope 1 and Scope 2 – Market-based emissions by 2030

Moving to Scope 3 aspects, most GHG emissions generated in 2021 are grouped under this category. Flos, starting from the previous reporting period, decided to expand Scope 3 monitoring and reporting by adding new emissions categories to its Corporate Inventory, with the aim of strengthening its commitment towards reducing emissions and furthering its understanding of its own operations at all levels of the value chain. These aspects focus on purchased goods and services, capital goods, fuel- and energy-related activities, waste generated in operations, and employee commuting. Consequently, data comparability from 2019²³ to 2020 and 2021 is not guaranteed insofar as Scope 3 emissions are considered. The table below shows the description of all emissions categories that fall within Scope 3 for 2021's GHG Inventory.

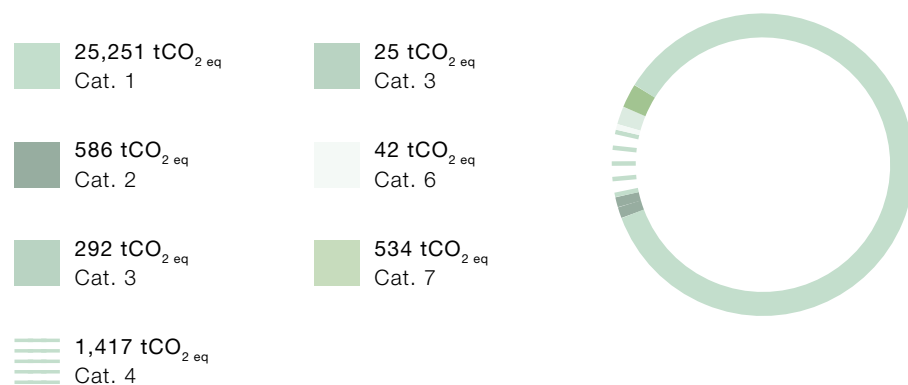
²³ The 2019 data covers the Flos, Ares and Antares plants and their related consumption and emissions.

Reported GHG Scope 3 Emissions Categories ²⁴	Description
Cat. 1 - Purchased Goods and Services	Upstream emissions from the production of products purchased or acquired.
Cat. 2 - Capital Goods	Upstream emissions from the production of capital goods purchased or acquired.
Cat. 3 - Fuel and Energy-Related Activities	Emissions related to the production of fuels and energy purchased and consumed.
Cat. 4 - Upstream Transportation	Emissions associated with the transportation and distribution of products purchased in the reporting year, between a company's tier 1 suppliers and its own operations in vehicles not owned or operated by the reporting company. Emissions related to the transportation and distribution services purchased by the reporting company in the reporting year, including inbound logistics, outbound logistics (e.g. of sold products), and transportation and distribution between a company's own facilities.
Cat. 5 - Waste Generated in Operations	Emissions from third-party disposal and treatment of waste generated by the Group's owned or controlled operations.
Cat. 6 - Business Travel	Emissions from the transportation of employees for business-related activities.
Cat. 7 - Commuting	Emissions from the transportation of employees between their homes and their worksites.

²⁴ The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard – Revised edition

With respect to 2021's Scope 3 emissions, as reported in the tables and graphs below, purchased goods and services constitute almost 90% of the total of this category: this is relevant as it allows Flos to understand the significance of product design in terms of the Group's performance. Concerning the total amount of Scope 3 emissions, the 2021 values showed an increase of 26% in this category with respect to the previous year, mainly related to category 1 ("Purchased goods and services"), which rose by 30% with respect to 2020. The total Scope 3 amount also includes category 2 ("Capital goods"), which were not included in the 2020 report.

GHG Emissions 2021 - Scope 3 (tCO₂eq)



GHG Emissions by activity	U.M.	2019	2020	2021
Direct Emissions (Scope 1)	tCO₂ eq	783	757	844
-Natural gas combustion for heating and production processes	tCO ₂ eq	418	463	465
-Diesel consumption for truck fleet	tCO ₂ eq	21	16	22
-Diesel consumption for car fleet	tCO ₂ eq	275	246	313
-Gasoline consumption for car fleet	tCO ₂ eq	12	32	44
-Refrigerant gases from leakages of air-conditioning systems	tCO ₂ eq	57	0	0
Indirect Emissions (Scope 2) - Location Based	tCO₂ eq	1,090	923	979
-Electricity purchased from the national grid	tCO ₂	783	675	671
-District heating purchased from external waste-to-energy plant	tCO ₂ eq	307	248	308
Indirect emissions (Scope 2) - Market Based	tCO₂ eq	1,029	857	557
-Electricity purchased from the national grid	tCO ₂ eq	722	609	249
-District heating purchased from the waste-to-energy plant	tCO ₂ eq	307	248	308
Other Indirect Emissions (Scope 3)	tCO₂ eq	2,021	22,341	28,148
Total Location Based	tCO₂ eq	3,894	24,021	29,971
Total Market Based	tCO₂ eq	3,837	23,955	29,549

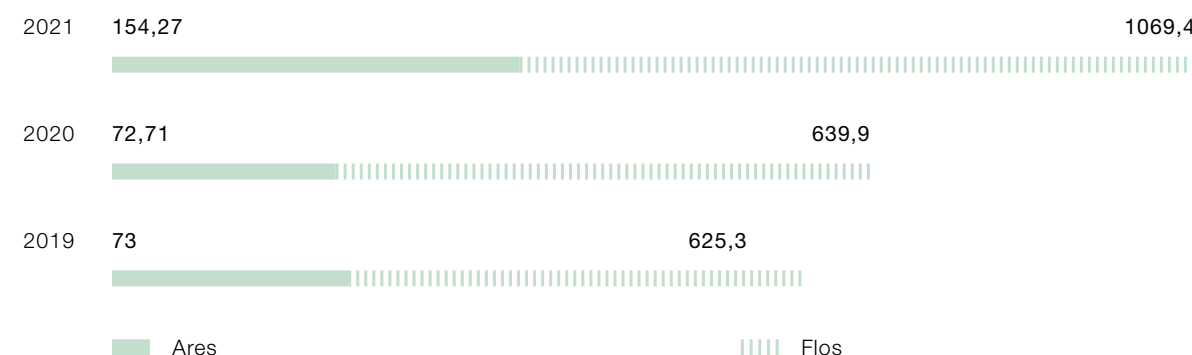
Focus: Scope 3 GHG Emissions	U.M.	2020	2021
Other indirect Emissions (Scope 3)	tCO₂ eq	22,341	28,148
Cat. 1 - Purchased Goods and Services	tCO ₂ eq	19,975	25,252
Cat. 2 - Capital Goods		0	586
Cat. 3 - Fuel and Energy-Related Activities	tCO ₂ eq	243	292
Cat. 4 - Upstream Transportation	tCO ₂ eq	1,578	1,417
Cat. 5 - Waste Generated in Operations	tCO ₂ eq	11	25
Cat. 6 - Business Travel	tCO ₂ eq	155	42
Cat. 7 - Commuting	tCO ₂ eq	379	534

Logistics Carbon Offsetting

In addition to the full compensation of our Scope 1 and Scope 2 – Market-based GHG emissions (for further information, see box “Carbon offsetting projects”), Flos has adhered to the Go Green – Climate Neutral programme organised by DHL²⁵ since 2017. The initiative allows customers to offset their emissions resulting from the transportation of goods, thus compensating the environmental impact of outbound

logistics activities. The methods used for calculating and offsetting greenhouse gas emissions are based on the Greenhouse Gas Protocol's Product Life Cycle Accounting and Reporting Standard. The calculation methodology includes carbon dioxide (CO₂) and further GHG emissions such as methane (CH₄) and nitrous oxide (N₂O) from transportation and logistics, as well as upstream emissions from fuel and energy production.

DHL Go of Green Carbon Offsetting (ton CO₂)



²⁵ DHL is an international company providing express deliveries worldwide and logistics services including freight transportation, warehousing and supply chain solutions

On behalf of Flos and in proportion with the emissions resulting from the transportation service purchased, DHL invests in climate protection projects complying with the Clean Development Mechanism²⁶ (CDM) criteria set out in the Kyoto Protocol. In addition, Flos and Ares are studying the feasibility of extending this programme to other logistics suppliers.

In conclusion, Flos and Ares' offsetting for 2021 amounted to 1,223 tCO₂eq. The increase with respect to 2019 is mainly related to the increase in the Go Green programme used by the group. In total, in 2021, Flos contributed to carbon savings equal to the CO₂eq emitted by around 714 passenger cars travelling 10,000 km.

²⁹ The Clean Development Mechanism certifies emissions reduction projects in developing countries as well as trading and selling certificates arising from projects in order to meet emissions reduction targets through offsetting under the Kyoto Protocol.

Material Topics

- Occupational Health and Safety
- Diversity
- Employee Care

United Nations SDGs



Highlights

75

Flos, Ares, Bespoke
and Antares' 2021 hirings

4,140 h

Training Hours

0.5

Injury Rate

2. People and Wellbeing

Flos believes that its employees, through their passion and expertise, represent the essence of its brand's success worldwide. Flos puts its workforce, regardless of their role, at the center of its strategies aimed at cultivating an inspiring, inclusive and motivating working environment.

To this extent, Flos undertakes to:

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

2.1 Employees as the essence of brand success

Flos has always given its employees a key role in shaping strategies and business decisions, a position that has led the brand to its past and current achievements. This commitment is built on the Group's daily operations, by understanding its employees' personal and professional needs and by fulfilling them through cross-cutting initiatives and tailor-made activities.

While the world has been deeply affected by the outbreak of the pandemic during the past two years, Flos has been able to implement decisive measures aimed at protecting employees' wellbeing from day one of the pandemic, measures that were still valid in 2021 for the most part. The option of working from home was offered to employees in 2021 as well, both as a means of risk mitigation and to foster a better work-life balance. Moreover, the Group's management decided to renew the Covid insurance that was offered to all employees in 2020, to be applied in the event of infection and hospitalisation. Lastly, all the companies have continued to implement the Covid protocol set up in 2020 to contain the spread of the virus as much as possible in daily operations. This protocol – continuously updated in line with local recommendations – prescribes the need to wear masks, social distancing during working hours, and checkpoints for temperature measurement. All these measures have been implemented and monitored with significant coordination across Flos, Ares, Antares and Bespoke.

As far as human resources structures and procedures are concerned, 2021 saw a big change taking place with the introduction of a new function in the second quarter of 2021: the Group's Head of Human Resources. The Head of Human Resources will be responsible for unifying Flos' initiatives by coordinating the various entities at a central level as well as coordinating the activities with the HR teams responsible at the Design Holding level, with the aim being to leverage synergies and align best practices.



In 2021 Flos Group's workforce, including Flos USA Inc. and Flos' commercial subsidiaries, totalled 655 people²⁷, showing a remarkable increase compared to the previous year (617). With respect to previous years' Sustainability Reports, Human Resources figures are being reported in FTEs; the variations are mainly due to this change in disclosure methodology, in addition to a general increase in employee figures proportional to the growth of the business.

As for the reporting perimeter, including people in Italy (Flos, Ares and Bespoke) and Spain (Antares), in 2021, 64% of all employees were located in Bovezzo (185),

Bernareggio (84) and Collebeato (21) for an overall 290 people, while the remaining 36%, located in the Valencia district, amount to 163 employees. Flos is particularly committed to matters of diversity and inclusion, and the data reflects this aspect: women and men were proportionally balanced as far as the employee population is concerned (44% and 56% respectively), setting a stable trend with respect to the past few years. Moreover, also in 2021, the most widely represented age category for workers was between 30 and 50 years old, showing almost no change with respect to last year and thus confirming Flos' ambitions with respect to talent retention.

²⁷ Number of full-time equivalents (FTE) derived by taking into account employees employed under both permanent and temporary contracts of service at the end of the reporting period.

ESG Performance

503

Flos, Ares, Bespoke and Antares' workforce

96 %

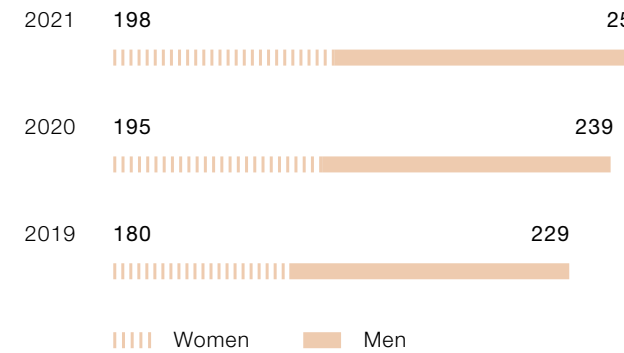
Percentage of employees with a permanent contract

Workforce, by Employee Category U.M. and Gender		2019	2020	2021
Total Workforce	n.	440	478	503
Employees	n.	409	434	453
Supervised workers	n.	24	40	43
Interns	n.	7	4	7
Workforce by Gender				
Women	%	43%	44%	44%
Men	%	57%	56%	56%

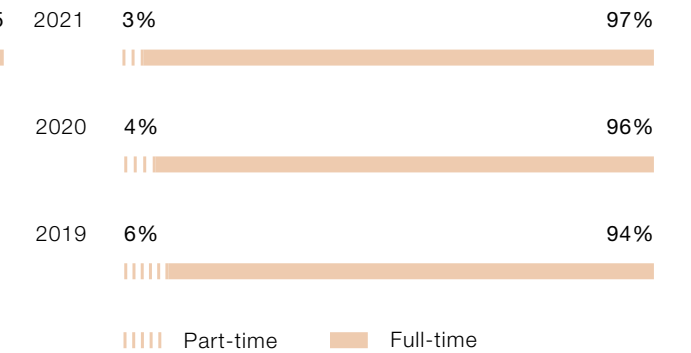
Flos has been impacted by the pandemic in 2021. However, this challenging period has allowed the Group to strengthen its commitment to its people by increasing the attention and care given to all employees. As evidence of this, the total number of workers increased to 503, a 5% rise compared to the past year, mainly attributable to the business relaunch after the pandemic restrictions. Moreover, Flos confirmed its strong commitment to retaining talents and enhancing their sense of belonging by guaranteeing permanent contracts, covering a 96% share of all contracts in 2021. Additionally, the percentage of part-time employees dropped to a 3% share in 2021.

In line with previous reporting years, all Flos employees are covered by collective bargaining agreements, as required by Italian and Spanish national laws. Consistent with the previous reporting period, the Group continued to rely on remote working in 2021 in order to guarantee the social distancing rules issued by local and national governments in Italy and Spain and to decrease the possibility of Covid-19 clusters at its plants. These measures are in line with Flos Group's intrinsic attitude towards safeguarding its people while embracing new opportunities. In fact, the pandemic turned out to be an effective lever for process updates and modernisation – entirely aligned with the philosophy of workplace change that the Group is embracing and implementing in its everyday operations.

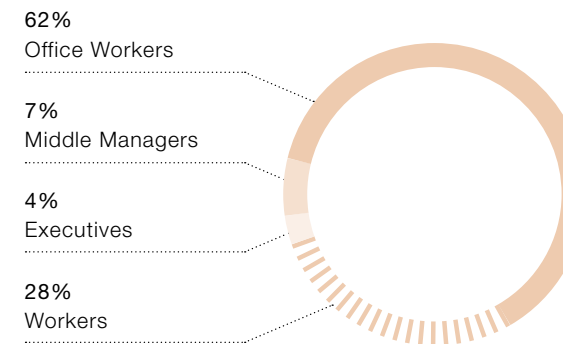
Employees, by Gender



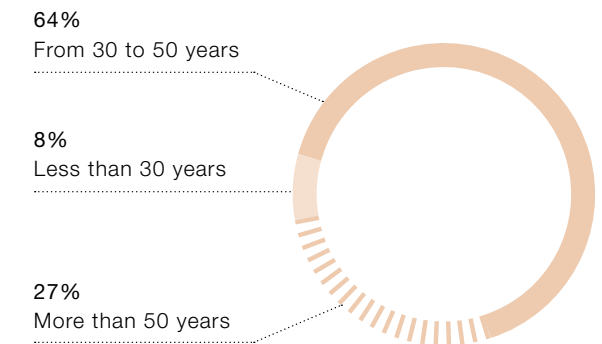
Full-time vs Part-time Employees



Employees, by Category



Employees, by Age

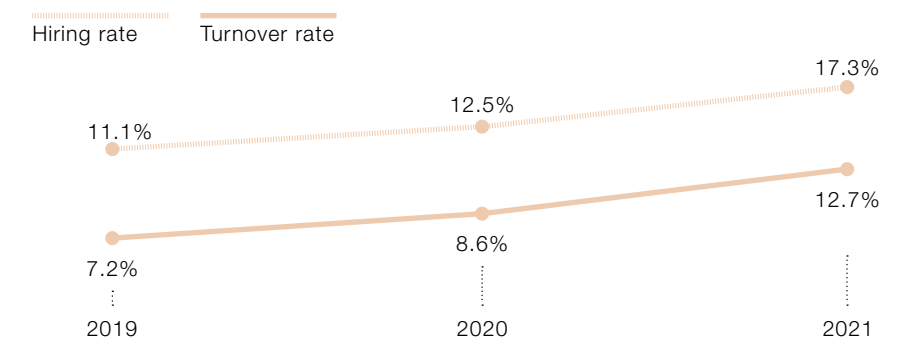


Employees, by Gender and Contract Type	U.M.	2019	2020	2021
Permanent	n.	393	426	435
Women	n.	173	192	187
Men	n.	220	234	248
Temporary	n.	16	8	18
Women	n.	7	3	11
Men	n.	9	5	7
Total	n.	409	434	453

As regards hires and terminations, the specific chart shows the Group's resilience in facing up to the challenges and restrictions associated with the pandemic. Indeed, the previous and current reporting years show a hiring rate in line with 2019 figures. In particular, in 2021 the hiring rate – the ratio between the number of hires and the total number of employees at the beginning of the reporting year – was equal to 17%, compared to 12.5% in 2020.

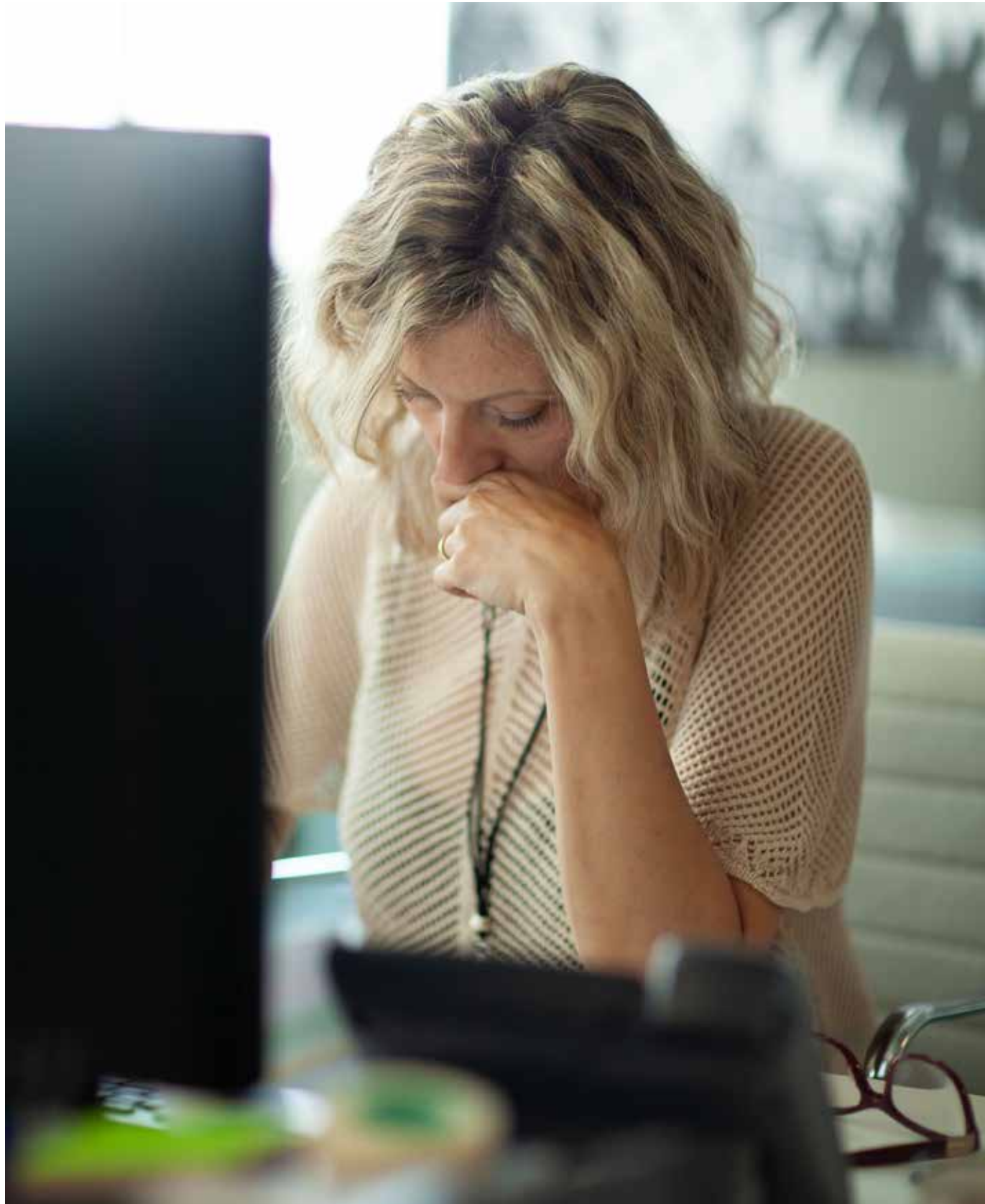
On the other hand, the turnover rate – the ratio between the number of terminations and the number of employees at the beginning of the reporting year – showed a slight increase with respect to the past, reaching 13%, up from 9% in 2020. This was mainly due to the global reactivation of the job market, which had been immobilised during the two years of the pandemic. In 2021, the total hires amounted to 75, of which 31 were women and 44 men, while the total figure was 51 in 2020. On the contrary, the number of terminations was 55, of which 26 were women and 29 men. Among the latter terminations, 29 were voluntary, amounting to 53% of total terminations in 2021. If we consider the same reporting perimeter as last year, the two dimensions showed a slight upward trend in absolute terms – a performance that can mainly be attributed to the ending of the Coronavirus pandemic restrictions.

Employee Hiring and Turnover Rates



Hires, by Gender and Age	U.M.	2019	2020	2021
Women	n.	22	19	31
Men	n.	23	32	44
Less than 30 years old	n.	16	12	19
From 30 to 50 years old	n.	27	29	50
More than 50 years old	n.	2	10	6
Total Hires	n.	45	51	75

Terminations, by Gender and Age	U.M.	2019	2020	2021
Women	n.	11	10	26
Men	n.	18	25	29
Less than 30 years old	n.	8	7	6
From 30 to 50 years old	n.	15	13	33
More than 50 years old	n.	6	15	16
Total Terminations	n.	29	35	55



2.2 Training for personal and professional improvement



Proceeding along the pathway defined in previous years, Flos is continuing to invest financial resources and time in improving the skills of its workforce through a structured training plan. As a consequence, the total amount of time dedicated to training hit 4,140 hours in 2021, compared to 2,843 hours in 2020. This remarkable increase is mainly due to the end of the lockdown measures implemented in 2020, which led to difficulties in organising courses. It was possible to increase the availability of appropriate

training courses for Flos' workforce through face-to-face training combined with the use of online platforms and web meetings; all the companies falling within the scope of the figures showed an upward trend in terms of training hours carried out in 2021. Moreover, comparing training hours in 2021 to 2019, is possible to see that Flos Group recorded a 14% increase, demonstrating its renewed commitment in this area.

In the coming years, Flos undertakes to deliver on the commitment of continuous investment on its own workforce by maintaining the steady level of training activities and by continuing to monitor both the market and employees' needs.

ESG Performance

4,140

Flos, Ares, and Antares
total training hours

9.1 h

The average training hours
per employee

To continuously funnel personal and organisational improvements, Flos has designed and implemented a dynamic and personalised training programme aligned with the diverse needs of employees and corporate responsibilities. The programme was conceived to help employees realise their full potential, both in terms of the soft and the technical skills deemed necessary to handle the Group's evolving business scenario and adapt to national and international legislative changes concerning technology. When designing the programme, Flos considered employees' training needs and identified minimum training requirements for every cluster of functions. As a result, the training programme involves both ad hoc courses (e.g. e-commerce, product design) and non-technical training ranging from legislative requirements (e.g. RoHS, Ecodesign, import and export) to public speaking and English, French and German lessons. Moreover, Flos Group embarked on a new project called "People Leader Journey" in 2021, focused on improving and developing Management Team skills. The project is dedicated to high-level management figures, and its main purposes are: the development of a management system for role dynamics or problems and conflicts that may negatively affect the climate and performance within a team; the building of trust to guarantee a "no-blame" culture; and, finally, people engagement and development in terms of delegation processes and feedback. This proposal is part of a series of development and change management projects; the objective is to invest in the specific connotation of a "people leader" as an integral part of the

competencies of high-level management figures, emphasising that being a people leader means taking on 360° responsibility for the people assigned and complete ownership of the team.

In Flos' view, to pursue the growth of a management team that is not simply focused on techniques but knows how to shift the focus to purely managerial and even more so to leadership aspects, it is important to build up this awareness and to ensure that it is translated into practices as part of the organisational processes over which each manager must preside.

In addition, Ares has undergone a restructuring of its own training courses in recent years: in 2021, the process is still on track and is thus helping the company to track, value and monitor employees' academic and professional training background. This allows Ares to identify its people's strengths and improvement areas with the goal of structuring ad hoc training opportunities. This continuous flow of information helps Ares to keep leveraging employees' expertise while continuing to duly invest in their upskilling.

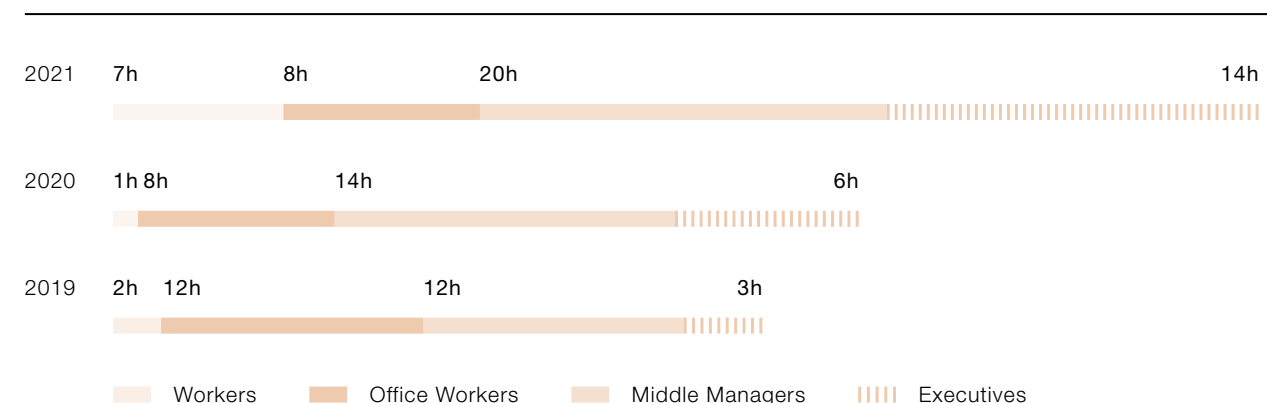
Technical Training for Leveraging Innovation

Along with continuing the courses on lean manufacturing, in the last few years, a set of new technical courses have been carried out, responding to the need to broaden and sharpen the vertical competencies of Flos' people and light designers. With the aim of increasingly expanding its capacity to

respond to specific commercial demands and to follow through on its Heritage and Know-how commitment, these courses have included, for example lighting techniques and legislative requirements for residential areas, hospitality and wellness areas; school areas; workplaces; museums and churches.

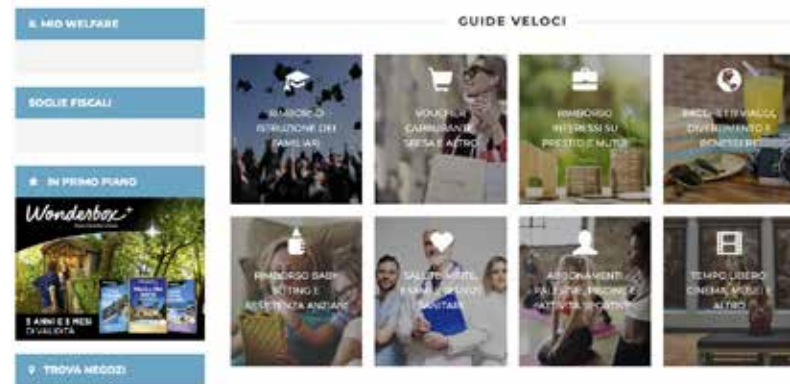
In 2021, the number of training hours provided to Flos' employees corresponded to an average of 9.1 hours per employee, showing an increase compared to 2020's 6.8. It is important to underline that the 2021 data includes the training provided to Bespoke's employees as well, an element that differs with respect to the 2020 figures. However, these hours constitute a small share of the total hours of training performed by the Group and therefore do not invalidate the increase recorded. 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 7.5 in 2021, equating to 82% of the total 2021 training hours. Focusing on the average training per employee category, all categories showed an increase compared to previous years, in accordance with the increase in the total training hours. To conclude, training aimed at supervised workers and interns amounted to a total of almost 240 hours in 2021. For the future and in line with recent years, Flos confirms its commitment to provide all employees with adequate training in the upcoming years, regardless of employee category and contract type.

Average Training Hours, by Employee Category



Training	U.M.	2019	2020	2021
Total Hours	h	3,644	2,843	4,140
Men	h	2,263	1,159	3,037
Women	h	1,381	1,684	1,103
Average Hours	h/employee	8.8	6.8	9.1
Men	h/employee	9.8	5.1	11.9
Women	h/employee	7.5	8.9	5.6
Non-Compulsory Training				
Percentage on total training	%	70	85	82
Compulsory Training				
Percentage on total training	%	30	15	18

2.3 An inclusive and safe working environment



Work-life balance is one of the ways in which Flos rewards the talent and passion of its employees, but it also creates an inclusive working environment as a way of looking after everyone's personal well-being. Flos has translated this commitment into a benefits package that meets employees' needs beyond mere basic compensation.

In line with past years, Flos continued to guarantee benefits such as health insurance, invalidity coverage, fuel vouchers and canteen services in 2021. In addition, due to the persistence of the Coronavirus

pandemic, Flos decided to renew the additional health insurance that covered all employees in the event of Covid positivity and corresponding intensive care hospitalisation, originally set out in 2020. Flos also continued to incentivise performance-based pay to acknowledge everyone's contribution by offering performance bonuses relating to product quality and business profitability. In general, Flos' approach is to provide the same benefits to all full-time and part-time employees and, insofar as is possible, to temporary workers.

Employee welfare

Furthermore, concerning the abovementioned benefits, fuel vouchers were also extended to fixed-term employee.

Additionally, to provide a wider set of benefits to its employees, Flos implemented an online platform developed to manage workers' benefits and performance bonuses. The web platform was launched in September 2019, allowing for an integrated and simplified way of discovering and accessing all the different benefits for both white- and blue-collar workers. In order to help its employees familiarise themselves with the platform – which has also been confirmed for 2021 – the Company offered dedicated training and one-to-one support sessions to all employees. Flos' goal to extend the benefits package to all Group companies was pursued in 2019 by introducing the new second-level contract²⁸ at Ares.

In addition to employee welfare, Flos pays the utmost attention to health and safety aspects at all times by constantly monitoring the key indicators and fostering a safety culture across all roles and responsibilities within the Group. In line with these objectives, the Group carries out several activities to improve occupational health and safety and raise employees' awareness of these topics on an ongoing basis.

Training and education activities are at the core of the Group's commitment to guaranteeing high safety standards. In 2021, a total of 754 hours of health and safety training was provided. The figure, which is slightly higher than in 2020, is mainly attributable to a reversion to the norm in the trends concerning H&S training updates for employees.

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

Along with the continuous safeguarding of its blue-collar workers with the purchase of shoes, gloves, glasses and all other necessary personal protection

²⁸ The second-level contract, as set out by the Italian regulatory framework, is a collective agreement signed between the employer and trade unions that allows exemptions from national collective bargaining agreements.

accessories, and in full compliance with the applicable legislation, during the last year, Flos updated its Risk Assessment Document (DVR) to map the risks correlated to the Coronavirus pandemic.

ESG Performance

754

The number of training hours on Health and Safety topics

0.5

The injury rate

During 2021, the Group only recorded two injuries. One occurred at the Ares plant and one at the Antares plant in Valencia; both can be classified as non-high-consequence events. In particular, the injury that occurred in Bernareggio (Ares) was related to a knee sprain. During the 2019-2021 three-year period, no high-consequence work-related injuries or fatalities resulting from work-related injuries were recorded. Since the last year, Flos and Bespoke²⁹ have joined Ares in monitoring workers whose workplace or activities are under the Company's either complete or partial control: the trend indicates a situation that perfectly mirrors the overall employee health and safety data, with 82,419 hours worked and no injury of any kind recorded. The total hours worked by the Group's employees in 2021 recorded a 16% increase compared to the previous year. The upward trend is mainly attributable to the relaunch of the business and the economy after the impact of the Coronavirus pandemic on production volumes.

²⁹ Antares has no workers that are not employees.

Health and Safety ³⁰	U.M.	2019	2020	2021
Total number of worked hours	h	714,284	705,691	1,135,813
Total number of recordable work-related injuries	n.	3	4	2
Rate of recordable work-related injuries ³¹	n.	0.8	1.1	0.5

³⁰ All data reported in the table refers to Flos, Ares, Bespoke and Antares employees.

³¹ Calculated as the total number of injuries multiplied by 200,000 and divided by the overall number of hours worked in the reporting period.

Health and Safety Management

Occupational health and safety aspects are directly managed at the plant level: Flos, Ares, Bespoke and Antares implement policies and management systems under local legislative requirements, sometimes applied at the Group level with the sharing of protocols and processes (for instance, in the case of the past year's Covid protocols). Health and safety monitoring and oversight are focused on the involvement of functions at different levels of the organisational chart, with specific responsibilities for the application of safety procedures. Risk assessment procedures, for instance, are managed by health and safety managers or their equivalent – in other words, in compliance with applicable local regulations. Managers carry out inspections and consult employees to promptly detect risks, duly assess them, and propose mitigating actions to prevent future

accidents. The same procedure applies to work-related injuries, depending on the severity of the event. As required by law, a risk assessment is carried out to identify the major risks for the health and safety of the Company's employees. The most significant risks outlined are internal transit areas, fixed and portable ladders, object storage, means of transportation, fire and explosion risks, physical workload and load handling, vibrations, noise, and chemical risks. Furthermore, Flos and its subsidiaries have implemented an internal monitoring system to safeguard their own workforce from any health and safety whistleblowing-related repercussions. In accordance with legislative obligations, a doctor is an integral part of all H&S management practices and procedures.

Material Topics

- Product Innovation
- Brand Protection
- Training to Clients

United Nations SDGs



Highlights

52

patents filed to protect
Flos' products

€ 122.400

the monetary value
of philanthropic activity

Launch of Flos for Planet Digital Platform

a new way for experiencing Flos'
sustainability commitment

3. Heritage and Know-How

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

In doing so, Flos aims to:

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

Flos' outer reach, and thus the relationship that ties the brand with its community, is the third essential element of the Group's Sustainability Policy. In this sense, the safeguard of Flos' know-how on the one hand and the dissemination of the Group's heritage on the other represent the twofold strategy with which it interacts with the public. This allows to deliver an ever-increasing level of quality by guaranteeing fresh initiatives while continuing to build a lasting relationship with the Group's stakeholders. Indeed, with its sustainability commitment, Flos is dedicated to contributing to the creation of social value tied to the industry's national and international artistic heritage through a continuously renovated legacy that enables the brand to be acknowledged as a market icon in the lighting design world. Starting from this year, Flos is fully aligned with Design Holding in spreading design heritage and culture through its work. Design Holding, in fact, has identified heritage and culture as key element of one of the founding pillar of its sustainable strategy.

In 2021, as for the previous year, the Group's activities – which usually heavily rely on public fairs and exhibitions – were slightly impacted by the Coronavirus pandemic. In fact, due to the restrictions imposed by local governments and capacity constraints, some exhibitions and fairs were carried out in a digital or hybrid format. This recent trend demonstrated Flos' capability to create and innovate its business, and to keep spreading its heritage and know-how thanks to the exploration of innovative fields, demonstrating once again the versatility and flexibility of the Group.

Flos Bespoke for the Bourse De Commerce - Pinault Collection (2021)

During 2021, Flos was entrusted by the Paris-based designer duo Ronan & Erwan Bouroullec to develop and manufacture a challenging project aimed at lighting up passage areas of the brand-new contemporary museum of the Bourse de Commerce -Pinault Collection in Paris. The goal was to merge history with contemporary art

and design, by gently illuminating some parts of the historical palace, such as the main entrance, the monumental stairs and the restaurant.

The final effect is delicate but with a high aesthetic impact. The two designers worked on the sensuality, the colour of the light and the way it dialogues with the details of the period architecture.



Luce Verticale by Ronan & Erwan Bouroullec

3.1 Promoting the design culture



Contributing to disseminating the design culture amongst the community is one of Flos' key commitments in terms of social responsibility as it allows to deepen the relationship between the brand and its key stakeholders. In line with this goal, the Group offers its support to cultural events, exhibitions, and design festivals through donations, loans, light installations, and co-organisation efforts.

For almost 65 years, Flos has collaborated with the most prestigious art, architecture and design museums worldwide. Many products have been donated or lent to such institutions and feature in the permanent collections of iconic museums, such as the MOMA (Museum of Modern Art) in New York, the Triennale in Milan, and the Centre National d'Art et de Culture Georges Pompidou in Paris.

‘Realismo Magico’ exhibition at Palazzo Reale in Milan



Local Connections Milan and Paris

As previously mentioned, the pandemic had still a significant impact on the fostering of culture: in fact, the number of physical events and exhibitions where Flos took part was slightly higher with respect the previous year but significantly less compared to a non-pandemic year such as 2019. The Group's commitment is to guarantee the constant presence through sponsorships, featured exhibitions, and installations in events worldwide, allowing the Group to further develop its dedication to fostering design know-how and heritage.

In fact, Flos profoundly believes that the concepts of art and design are tightly intertwined and among the highest disciplines, united by the common goal of delivering a true social value to the benefit of the wider community. Consequently, Flos is constantly willing to be the enabler for the unfolding of talent of the most refined designers, who are able to combine outstanding materials with innovative ideas by creating something unique.

The following represents a selection of the events in which Flos took part in during 2021.

Flos' participation and support to art and cultural events

Antwerp Photo Festival	Jun. 2021 – Sept. 2021	During the summer of 2021, Flos was the technical Sponsor of the third edition of the Antwerp Photo Festival, an international photo exhibition that was held in the historical Pilotage Building, located in Antwerp. The initiative aims to introduce the public to the work of both Belgian and foreign photographers, whether established or emerging talents. The exhibition was illuminated using a wide selection of decorative and architectural lighting fixtures provided by Flos, such as Arrangements by Michael Anastassiades, Chiara by Mario Bellini, Aim by Ronan & Erwan Bouroullec and Diabolo by Achille Castiglioni.
Photo Vogue Festival	Nov. 2021	In November 2021, Flos was chosen by Vogue Italia as the Lighting Partner of the sixth edition of Photo Vogue Festival, the first conscious fashion photography festival dedicated to the common ground between ethics and aesthetics. The exhibition was located at BASE Milano and had the mission to support talent, reach historically marginalized communities, improve visual literacy and build a fairer, ethical and more inclusive visual world.

Magic Realism

Oct. 2021 –
Feb. 2022

Magic Realism is the title of the exhibition that was held in the majestic setting of the Palazzo Reale in Milan, curated by Gabriella Belli and Valerio Terraroli, with installation project by Mario Bellini. The exhibition was organized on the 30th anniversary of the previous exhibition on the same theme. Camera, an innovative collection of track-mounted projectors designed by Knud Holscher for Flos Architectural, has been used here in white version to achieve an effect that wows the visitor. With its minimal and compact design, Camera guarantees exceptional control of light quality, including extreme cut-off angles, without sacrificing high efficiency and product versatility, and is ideal for providing direct beams of light as well as diffuse light.

Vietato l'Ingresso, at Teatro degli Arcimboldi

Sept. 2021

On the occasion of the FuoriSalone 2021, Flos partnered with TAM - Teatro degli Arcimboldi and the Milanese architecture studio Galante + Menichini for the special project 'Vietato L'ingresso': 17 esteemed architecture and design studios gave new life to the 17 dressing rooms of the TAM. The theatre opened its doors to the public and visitors had the opportunity to enter the artists' private spaces, immersing themselves in the new concepts created by the studios. For the illumination of dressing room no. 9, Flos selected some iconic lights from its decorative and architectural collections. The project was thus transformed into a unique and sensorial exploration game that invited the public to become not just spectator, but main character.

Design Week 2021

As part of Milano Design City 2021, sponsored by the City of Milan, Flos participated to the Designer's Week initiative held in April, unveiling all the new lighting designs and solutions from the Spring 2021 Decorative and Outdoor catalogues. Similarly, on the occasion of

the light edition of Salone del Mobile and FuoriSalone in September, the Group showcased the new Fall 2021 collections in visually striking displays in our brands' two Milan spaces.

Local Connections 2021

Despite the pandemic situation that hindered the world of art and culture, Flos did not stop taking part in design events and exhibitions. However, the Group has sometimes been forced to reinvent its presence to physical events, one example being the concept of “Local Connections”: as the restrictions imposed by local governments hindered the possibility to travel, the Group came up with a hybrid solution that intertwines classic exhibitions with digital delivery in 2020. The outcome is a complete renewal of exposition

spaces that, along with a wise representation of Flos’ ability in lighting design, allows for a completely new experience. The scenography, renewed also for 2021, of showrooms and the possibility to remotely book an individual appointment through a dedicated website, allows architects, interior designers, resellers, and even specifiers to better see and understand products and their peculiarities such as light intensity, type of illumination, the warmth of the light emitted and insertion of the product within a physical space.

Flos’ relationship with the community

In addition to supporting cultural events, Flos’ relationship with the surrounding local communities involves contributing to charity and fundraising events.

In 2021, Flos decided to adhere to an Amref¹ project, involving the Ethiopian local community. According to this activity, Flos donated a share of the revenues from the Guns Collection, designed by Philippe Starck, to this foundation in order to foster young local people’s education in the country: the project aims at incentivising and creating local jobs in the sphere of waste management and disposal, improving the socio-economic situation of young potential migrants,

developing specific technical skills that can be used on the job market in Addis Ababa. The project perfectly aligns with Ethiopia’s 2020-2025 action plan for job creation: it will develop financial products for start-ups to provide groups with access to sustainable finance; it will provide jobs and economic opportunities related to waste management; it will provide training and job opportunities in the sanitation facilities to young unemployed people at risk of migration. The beneficiaries of the action will be 2,000 young unemployed men at risk of irregular migration to northern Europe.



Photo Vogue festival, courtesy Condé Nast

¹ Amref Health Africa (African Medical and Research Foundation) is an international non-governmental organisation founded in 1957 and still active today that aims to improve health in Africa through the active involvement of local communities.

3.2 Fostering design know-how

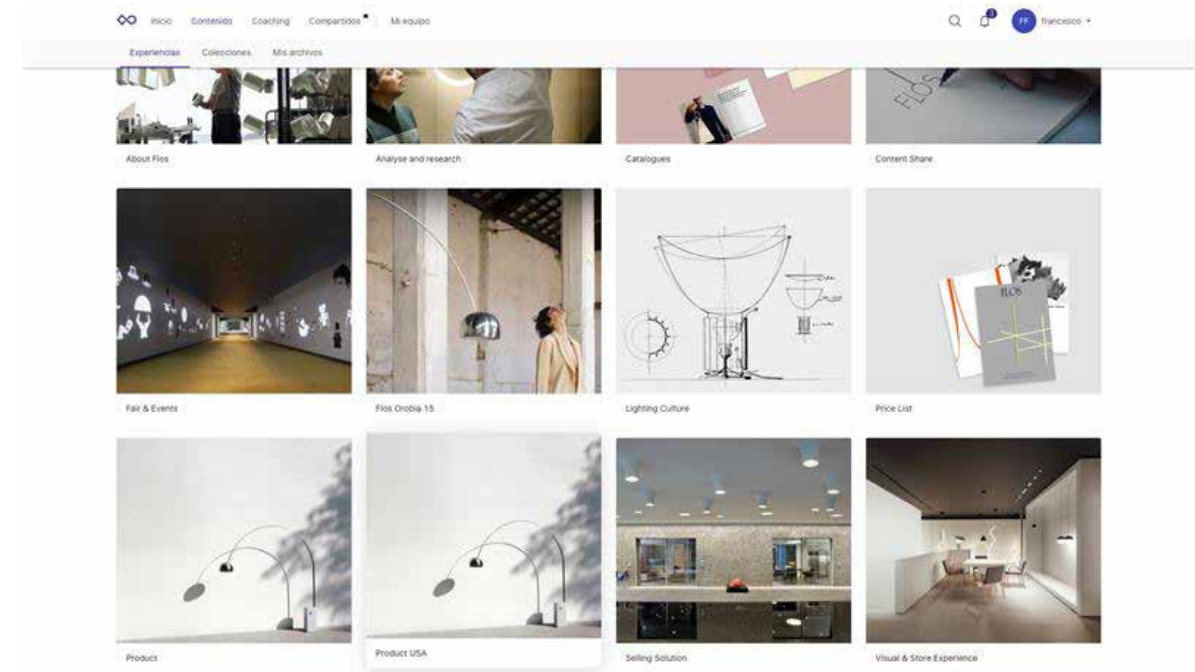


In order to further disseminate the Group's know-how by providing the opportunity to deeply understand Flos' products, both in technological and aesthetic terms, the Group offers several training programmes specifically designed to cover the needs of the various customers and partners (e.g., agents, distributors, lighting designers). Flos delivers indeed many courses on Architectural collection products, aimed at explaining their technical features and how to install them.

As a way of sharing Flos' know-how and brand heritage with all design professionals and customers, in 2021, Flos Light Academy was used as the primary tool for providing training. The Academy is an internal storytelling platform that supports all activities

around sales moments to improve and strengthen the connection between Flos and its customers. Targeting the sales force together with retailers, professionals, and key accounts, Flos will invest in training before launching new products, engaging with buyers, and supporting all information and key specifics concerning products and applications. In addition, it will foster the spread of lighting design culture and Flos' breakthrough products. The topics addressed through the platform vary depending on the target and the intended applications: it is a way of meeting customers' needs by fostering the Group's know-how in terms of product specifics and appreciating product history and heritage.

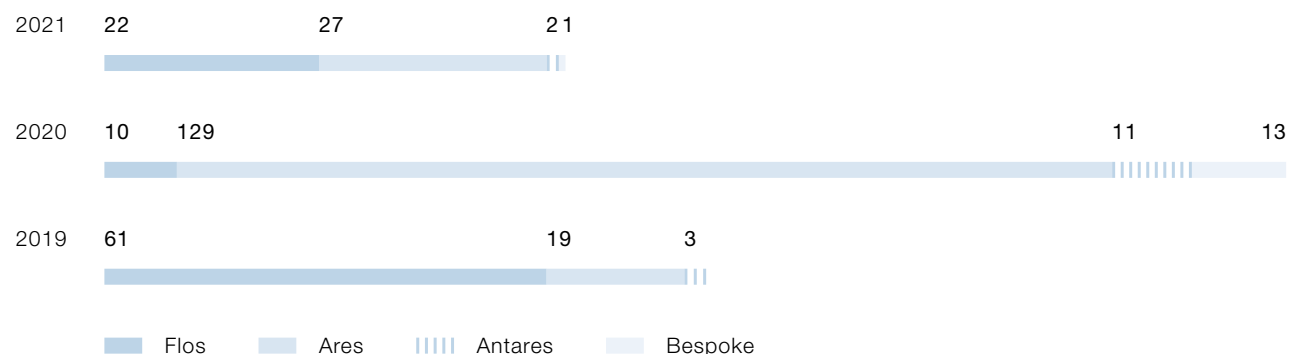
Flos Light Academy platform



Flos webinars

One more example of Flos commitment toward the dissemination of its personal design know-how is “Flos Digital Conversation”, a face-to-face dialogue with a special guest for each podcast episode. The main topic of this work is, as the title may suggest, to have a chat inherent to light design on an ad-hoc digital platform, focusing on a particular product and deepening the Architect’s thoughts, feelings and ideas that brought the product to life.

Number of Patents Filed, by Year³



³Total number of patents filed by Flos, Ares and Antares during the last three years, including the first filing stage only and excluding following extensions. 2020 and 2021 data comprise Bespoke as well.

Protecting Flos’ Ideas

To face the global and competitive environment in which the Group operates, Flos, Antares, Ares and Bespoke have proceeded to file several patents to protect brands and innovations during the past years. Flos has rationalized the patent filed, evaluating the best approach and solutions for each new product category to protect its creations across geographies. Among others, registered designs, patent applications for i

inventions or utility models, and registered copyrights are some of the methods currently applied. Moreover, starting from 2021, Flos decided to also deposit for some products the rendering in order to protect the light effect generated by the product itself. This strategy has the purpose of preserving the work of the R&D department by maximising protection against

potential imitation products. All patents are filed before presenting new products in international exhibitions or during web presentations in view of the pandemic emergency. Given the nature of Flos' core business, most patents belong to the registered designs category, while patent applications for inventions represent the smallest share.

The latter mainly refers to the architectural and soft architectural business and, in an attempt to provide broader protection of rights, consider the original design and any significant aesthetic variation that the product may undergo in the future. Concerning the Decorative collection, patents are first filed in Italy and then extended to the European Union and other foreign countries representing strategic regions in terms of business and sales volumes. Conversely, for the architectural collection, patents are filed directly at the EU level.

As shown in the chart, the total number of patent files was impacted by the Coronavirus pandemic and the cancellation of 2020 exhibitions and fairs. In fact, due to the rationalisation of patent filing, in 2021 the Group registered a significant decrease with respect to the previous years, depositing a total amount of 52 patents against the 163 of 2020 and 83 of 2019.

Registered designs have a limited duration: in Italy, for example, they last 25 years. Therefore, to guarantee, safeguard, and protect some of the Group’s iconic products, Flos also filed applications for copyright registration in Italy and other strategic countries. Moreover, Flos is actively engaged in fighting on-line infringements and frauds, such as the sale of counterfeit products or the illicit use of images and texts from Flos' website and social media. The latter are among the most widespread due to the rapid growth of online shopping. To enhance the "Made in Italy"

concept and protect high-quality branded products from counterfeiting, Flos is also an active member of INDICAM. It represents nearly 180 companies, industry associations, legal and IP firms, security consultants, and other organisations committed to taking a stand against counterfeiting activities affecting branded products.

Finally, in order to protect its products’ quality as much as possible, in 2021 Flos decided to move from a widespread distribution system to a selective distribution system in 17 countries of Europe, starting to select its pool of clients according to a set of qualitative criteria, including adherence to contractual terms. The switch aims at ensuring a long-term protection of brand image and value, preventing free-riding by other retailers or distributors and creating retailers’ incentives.

In order to do so, Flos has identified ten customer clusters that correspond to different sales channels, to which are associated a different pool of qualitative criteria. The final aim of the operation is to preserve and increase the product quality level and its protection by establishing a tight chain of checks that ensure that Flos products are sold pursuant to the chosen qualitative criteria. However, the path is challenging due to the legal compliance checks, verification of information, translation into local languages and the constant monitoring of the performances. Moreover, due to the Flos standard selective distribution agreement, authorised resellers are required to comply with several conditions in terms of brand promotion, post-selling assistance and incentives to stimulate and maximise the attractiveness of Flos’ products. Despite the strict rules of the selective distribution system, Flos is committed to supporting resellers in achieving compliance of such requirements, by providing them with all the necessary information and practical aid.

Appendix

Social Data	2020	2021
Total number of Full-Time Equivalent (FTE) employees at the end of the reporting period	-	-
Male	336.5	365.8
Female	280.3	289.7
Total	616.8	655.43
Number of Full-Time Equivalent (FTE) employees at the end of the reporting period, excluding external growth		
Male	336.5	365.8
Female	280.3	289.7
Total	616.8	655.43
Number of Senior Management / C-Suite		
Male	10	10
Female	3	3
Total	13	13
Voluntary Employee Turnover Rate	5.2%	4.7%
Is there a workers council in place?	Yes	Yes
Lost time injury frequency rate (LTIFR)	0.3	0.3
Accident severity rate	0.0	0.0
Absentee rate	2.2%	2.0%

Environmental Data	2020	2021
% Renewable Electricity	31.4%	80.8%
Energy consumption (kWh)	6,794,824.1	7,599,650.6
Total water consumption (m3)	Not relevant	Not relevant

Governance Data	2020	2021
Is a member of the Board assigned responsibility for ESG/ sustainability/CSR matters, including climate change?	No	No
Do you have an Executive Committee member responsible for CSR/ Sustainability/ESG?	No	No
Have you established an ESG committee/steering committee to monitor performance?	No	Yes

Reporting Principles and Criteria

The 2021 Sustainability Report, in line with Flos' established practice, has been prepared in accordance with the GRI Standards: Core option. The contents of this report reflect the materiality analysis as carried out according to the approach described in the following paragraph "Materiality analysis", in accordance with the GRI Standards. As a signatory to the United Nations Global Compact (UNGC) initiative since 2015, through the present report Flos is also fulfilling its commitment to produce an annual Communication on Progress – a public disclosure outlining its progress in implementing the Ten Principles of the UNGC. The UNGC Principles are clearly mapped against the GRI indicators in the GRI Content Index. At present, Flos' 2021 Sustainability Report does not directly address the UNGC issues and principles related to Human Rights, since the majority of the Group's direct activities and suppliers are located in Europe, where Human Rights are regulated by laws. To avoid any possible risk of complicity and as proof of its commitment, Flos has introduced clauses on labour conditions and on respect for human rights in its contracts. In addition, some of the most important human rights issues related to Flos' activities, such as the protection of workers' occupational health and safety, are already included among the "Labour" principles and issues on which the Group reports.

Scope of Reporting

This document includes a description of initiatives and activities carried out during the 2021 calendar year as well as the related key performance indicators, presented for the entire 2019-2021 period, where available. The data collection process and the report publication activities are structured on an annual basis. The information included in the Sustainability Report refers to Flos S.p.A. and the fully controlled operating subsidiaries Antares Iluminacion S.A.U., Ares S.r.l. and Flos Bespoke S.r.l. (2020 and 2021 data only for the latter). All commercial branches and the other operating subsidiaries as of December, 31st 2021 are not included. Any exceptions to this reporting scope are explicitly indicated in the text. The Companies falling within the scope of the Sustainability Report have their registered headquarters in:

- Flos S.p.A. – Bovezzo (Brescia – Italy), Via Angelo Faini, 2;
- Antares Iluminacion 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);
- Flos Bespoke S.r.l. – Via A. De Gasperi, 2 (Collebeato – Italy).

Flos Sustainability Pillars

In 2019, Flos decided to further reinforce its commitment to sustainability by formalising its first Group Sustainability Policy, which was integrated into last year's Report structure with a complete restructuring of its contents. These key principles and values constitute the basis for Flos' sustainability strategy and are the foundations for the document.

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

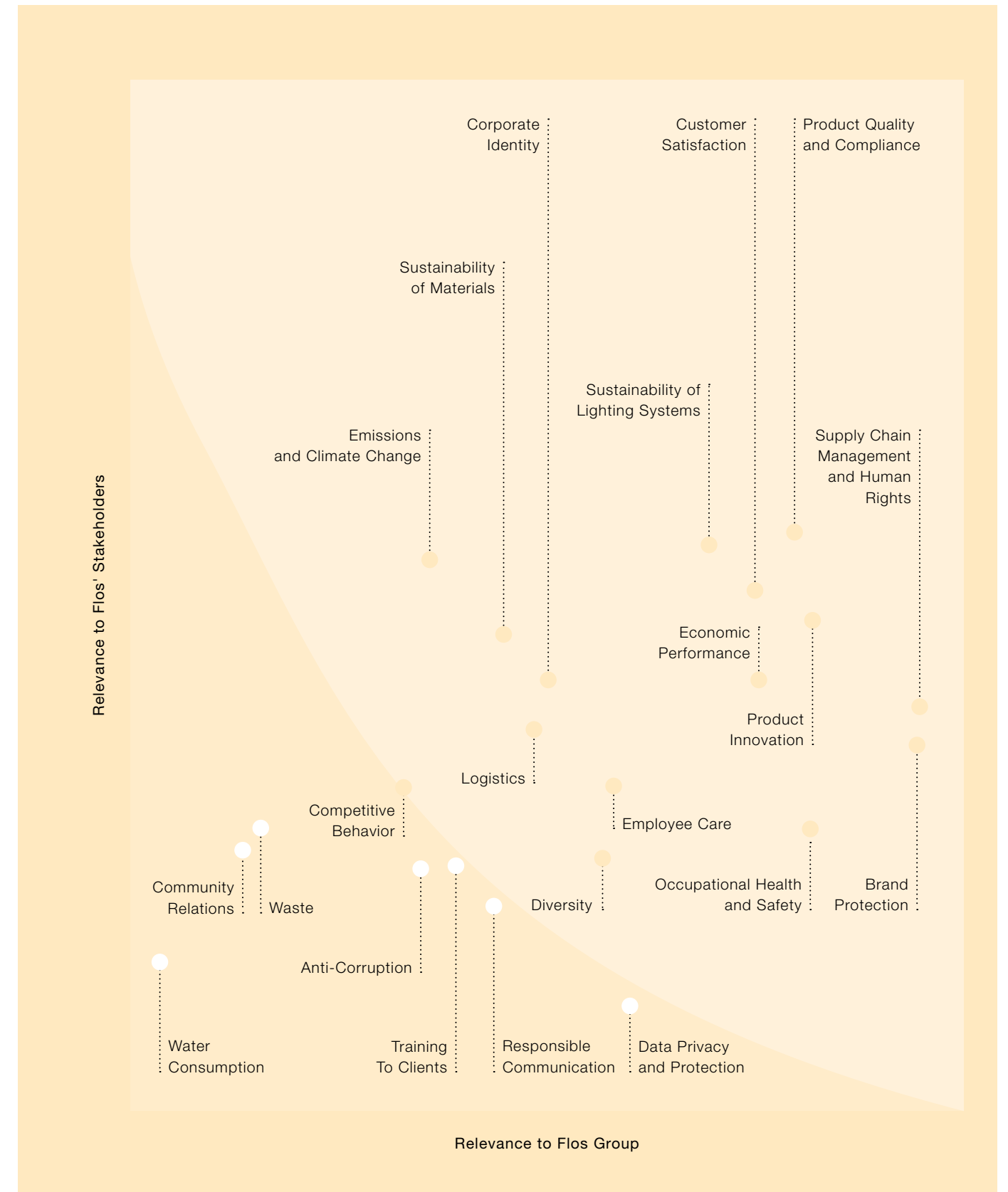
Materiality Analysis

As part of the process for defining the contents of the Sustainability Report, the materiality analysis has been updated for the current reporting year in order to map relevant topics, which reflect Flos' economic, environmental and social impacts and/or may influence the decisions of the key stakeholders identified. In line with materiality review practices, a meeting with Flos' top management was carried out with the aim of evaluating possible changes and updates in terms of the relevance and priority of topics. This was carried out taking into consideration different sources of information:

This has been carried out considering different sources of information:

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

The updated Materiality Matrix for 2021 is here shown.



○ Topic not considered as material ● Material topic

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

Flos' Material Aspects	GRI Material Aspects	Aspect Boundary		Limitations of Reporting on Boundary	
		Within the organization	Outside the organization	Within the organization	Outside the organization
Brand protection	-	Group	-	-	-
Competitive behaviour	Anti-competitive behaviour	Group	-	-	-
Corporate identity	-	Group	-	-	-
Customer satisfaction	Marketing and labelling	Group	-	-	-
Diversity	Diversity and equal opportunities	Group	-	-	-
Economic performance	Economic performance	Group	-	-	-
Emissions and climate change	Emissions	Group	Suppliers	-	Reporting scope partially extended to suppliers
Employee care	Employment	Group	-	-	-
	Training and education	Group	-	-	-
Logistics	Emissions	Group	Suppliers	-	Reporting scope partially extended to suppliers
	Energy	Group	Suppliers	-	Reporting scope partially extended to suppliers
Occupational health and safety		Group	Suppliers	-	-
Product innovation	-	Group	-	-	-
Product quality and compliance	Customer health and safety	Group	-	-	-
	Marketing and labelling	Group	-	-	-
Supply chain management and human rights	Procurement practices	Group	-	-	-
	Supplier environmental assessment	Group	-	-	-
	Supplier social assessment	Group	-	-	-
Sustainability of lighting systems	Energy	Group	Suppliers, clients	-	Reporting scope not extended to suppliers
Sustainability of materials	Materials	Group	Suppliers	-	Reporting scope not extended to suppliers
Training to clients	Training and education	Group	Clients	-	

Key Stakeholders

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

Flos' Stakeholders Category	Engagement Tools and Activities
Employees and Trade Unions	Continuous dialogue between HR department and employees/trade unions, specific initiatives
Board of Directors	Formal meetings
Suppliers	Continuous dialogue and periodic meetings
Clients	Website, fairs, catalogues Training course organised for clients Preliminary analysis of customer satisfaction on a sample of clients
End-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 periodic management reports
Regulatory and Certification Bodies	Membership of working groups within regulatory bodies and industry associations (e.g. Assoluze, Lighting Europe, etc.)

Quality Reporting Principles

Flos' Sustainability Report is drafted in accordance with the principles of balance, comparability, accuracy, timeliness, clarity and reliability, as defined by the GRI Standards. The document highlights both strengths and weaknesses, as well as possible areas of improvement for the Group. The data collection and reporting processes are structured in such a way as to ensure information comparability over the years and to guarantee an accurate interpretation by the key stakeholders interested in the evolution of Flos' performance. Flos' 2021 Sustainability Report is not subject to external assurance.

Calculation Methodologies

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

- Research & Development costs are calculated taking into account capital expenses and operating costs (e.g. personnel involved, costs for materials);
- 2021 and 2020 data related to injuries refers to the Group's employees and contractors, while 2019 data refers to employees only. Commuting injuries where the transportation was not organised by the Group and first aid cases are not included;
- Where environmental data was not available, conservative estimates have been used, resulting in the underestimation of the Group's environmental performance;
- Energy consumption from the Group's fleet has been calculated based on the following available data: Flos' car fleet (kilometres covered), Ares, Antares and Bespoke's fleet (fuel consumption);;
- Hiring and turnover rates have been calculated by using the total number of employees at the beginning of the reporting period as a denominator;
- The lost time injury frequency rate has been calculated using the total lost time injuries multiplied by 200,000 and divided by the overall no. of hours worked in the reporting period.

The following table shows the conversion factors that have been used to perform energy consumption calculations and distance estimates:

Typology	U.M.	Source
Average car fuel consumption	l fuel/100 km	UK Department for Transport, Fuel Consumption 2020
Fuel density	l/t	UK Department for Environment, Food & Rural Affairs (DEFRA), Conversion factors – Full set, 2019, 2020, 2021
LCV (Lower Calorific Value)	GJ/t	UK Department for Environment, Food & Rural Affairs (DEFRA), Conversion factors – Full set, 2019, 2020, 2021

All greenhouse gas emissions calculations have been carried out based on the principles included in the GHG Protocol Corporate Accounting and Reporting Standard. Scope 1 emissions have been calculated as follows:

GHG Emissions Scope 1			
Source	Activity Data	Emission Factor	GWP
Flos' car fleet	Kilometres covered	UK Department for Environment, Food & Rural Affairs (DEFRA), Conversion factors – Full set, 2019, 2020, 2021	CO ₂ equivalent.
Ares, Antares and Flos Bespoke's fleet	Fuel consumption (gasoline and diesel)	UK Department for Environment, Food & Rural Affairs (DEFRA), Conversion factors – Full set, 2019, 2020, 2021	CO ₂ equivalent.
Leakages from air-conditioning systems of refrigerant gases	Leakages (kg)	-	Global Warming Potentials (GWPs) are taken from IPCC Fifth Assessment Report (AR5).

Concerning Scope 2 emissions resulting from the consumption of electricity purchased from the national grid, two calculation methodologies have been implemented: location-based and market-based approaches. The first reflects the average emissions intensity of grids, taking into account both renewable and non-renewable production, while the second reflects emissions from electricity sources that the Group has purposefully chosen through, for instance, contractual instruments. Scope 2 emissions have been calculated as follows:

GHG Emissions Scope 2			
Source	Activity Data	Emission Factor	GWP
Electricity purchased from the national grid (Location-based approach)	Electricity consumption	Terna international comparisons on Enerdata figures, 2018, 2019, 2020	Only CO ₂ emissions have been considered.
District-heating purchased from the waste-to-energy plant	Heat consumption	UK Department for Environment, Food & Rural Affairs (DEFRA), Conversion factors – Full set, 2019, 2020, 2021	CO ₂ equivalent.
Electricity purchased from the national grid (Market-based approach)	Electricity consumption	AIB, European Residual Mixes, 2018, 2019, 2020	Only CO ₂ emissions have been considered.

2021 Scope 3 emissions comprise a selection of categories chosen according to criteria of relevance, data availability and improvement potential for future initiatives. The calculations carried out relied on the following assumptions: purchased goods and services (Cat. 1) data includes raw materials (e.g. copper, steel, marble) and packaging materials only, thus excluding the purchase of electrical and electronic equipment (e.g. LEDs, cables); Bespoke is not included in the packaging materials (Cat. 1) calculations since weight data was not available; capital goods (Cat. 2) includes Flos Group machinery purchases in 2021; inbound logistics (Cat. 4) includes all data related to goods purchased by Flos, Ares and Antares (thus excluding Bespoke); outbound logistics (Cat. 4) includes transportation of sold products for Flos, Ares and Antares and Bespoke; for Bespoke, transportation by ship (Cat. 4) is excluded; for Antares, transportation of sold products (Cat. 4) also includes ex-works shipments. For further information on the categories involved in the Scope 3 analysis, please refer to the “Energy and GHG emissions” section in Chapter I – Energy and Materials. Scope 3 emissions have been calculated as follows:

GHG Emissions Scope 3			
Source	Activity Data	Emission Factor	GWP
-Business travels by plane -Logistics	Kilometres	UK Department for Environment, Food & Rural Affairs (DEFRA), Conversion factors – Full set, 2020, 2021	CO ₂ equivalent.
Business travels by train	Kilometres	Ferrovie dello Stato, “Rapporto di Sostenibilità”, 2018, 2019	Only CO ₂ emissions have been considered.
Materials procured (Cat. 1)	Weight of raw, process and packaging materials procured	Ecoinvent v.3.7.1 UK Department for Environment, Food & Rural Affairs (DEFRA), Conversion factor – Full set, 2020, 2021	
Capital goods (Cat. 2)	Purchased production machinery	UK Department for Environmental, Food & Rural Affairs (DEFRA), Table 13 – Indirect emissions from the supply chain	CO ₂ equivalent.
Fuel and energy related activities (Cat. 3)	Fuel and electricity consumption	UK Department for Environmental, Food & Rural Affairs (DEFRA), Conversion factor – Full set, 2021	CO ₂ equivalent.
Upstream logistics (Cat. 4)	Kilometres covered by aeroplane, truck or ship multiplied by shipped weight (ton)	UK Department for Environmental, Food & Rural Affairs (DEFRA), Conversion factor – Full set, 2021	CO ₂ equivalent.
Waste disposal (Cat. 5)	Weight of waste disposed	UK Department for Environmental, Food & Rural Affairs (DEFRA), Conversion factor – Full set, 2021	CO ₂ equivalent.
Business travel by air, train and car (Cat. 6)	Kilometres travelled	UK Department of Environmental, Food & Rural Affairs (DEFRA), Conversion factor – Full set, 2021 Ferrovie dello Stato Italiane, “Rapporto di Sostenibilità”, 2021	CO ₂ equivalent.
Employee commuting (Cat. 7)	Kilometres travelled	UK Department of Environmental, Food & Rural Affairs (DEFRA), Conversion factor – Full set, 2021 Ferrovie dello Stato Italiane, “Rapporto di Sostenibilità”, 2021	CO ₂ equivalent.

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	102-6 Markets served	31
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	102-8 Information on employees and other workers	93-97
	102-9 Supply chain	46-48
	102-10 Significant changes to the organization and its supply chain	*
	102-11 Precautionary Principle or approach	**
	102-12 External initiatives	54-59
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102-14 Statement from senior decision-maker	UNGC 6-7	
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	103-2 The management approach and its components	29; 127-128
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Competitive Behavior		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	30-31; 127-128
	103-2 The management approach and its components	30-31; 127-128
	103-3 Evaluation of the management approach	30-31; 127-128
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	30-31; 127-128

* No significant changes occurred in 2020.

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

*** Restatements and related reasons for restatements are clearly identifiable within the text.

**** Whenever a change in reporting scope was carried out, it has been duly highlighted and is thus clearly identifiable within the text.

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**** No suppliers were assessed for environmental impacts.

GRI Standard	Disclosure	Page number(s)
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	103-2 The management approach and its components	46-48; 127-128
	103-3 Evaluation of the management approach	46-48; 127-128
GRI 414: Supplier Social Assessment 2016	414-2 Negative social impacts in the supply chain and actions taken	*****

***** No suppliers were assessed for environmental impacts.

GRI Standard	Disclosure	Page number(s)
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GRI 400 Social Standards Series		
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