



CONSOLIDATED NON-FINANCIAL STATEMENT AT DECEMBER 31ST, 2019

PURSUANT TO LEGISLATIVE DECREE NO. 254/2016





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pursuant to decree 254/2016

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MESSAGE TO THE READERS



Dear Readers,

2019 was truly an outstanding year thanks to our winning strategy. In fact, we once again posted record financial results, confirming the reliability of the Company, the validity of our strategic plan and our strong execution capability. We reached record revenues and EBITDA¹, of €1,732.1 and €301.2 million respectively, up 27.1% and 28.8% compared to the previous year.

“

But besides numbers there is much more.

But besides numbers there is much more. 2019 was the year in which we continued the roll-out of our Amplifon Product Experience, launching it in France, Germany, The Netherlands, the United States and Australia, to offer to an increasingly growing number of customers innovative solutions and personalized experiences that make it possible to rediscover all the emotions of sounds. Thanks to the synergy between the Amplifon product line and the multichannel ecosystem, we can collect and analyze usage data of personalized devices, consumers' feedback and needs, as well as behavioral data and use them in order to offer unique, distinctive and excellent service and experience. For a life-changing technology.

¹ Recurring data without the application of IFRS 16 for the sake of effective comparison with 2018 figures.

“

And the reshaping of the market cannot exist without internal transformation.

And the reshaping of the market cannot exist without internal transformation. For this reason, we also aim to innovate the way our people work, as they are our most important and strategic resource for Amplifon, by offering them stimulating career opportunities and new working tools so that they can feel constantly motivated and recognized. In 2019 we therefore continued to promote an increasingly attractive and high-performance organization, to invest in the implementation of a winning workplace, by standardizing the operating model of all the countries in which we operate, the finance, procurement and human capital management activities, and to focus on high-quality training, amounting to around 390,000 hours of training for all our workforce. To change the lives of millions of people around the world together.

“

We are strongly committed to increasing awareness related to hearing wellbeing.

Finally, to support the transformation of the industry and how hearing care is perceived, we are strongly committed to raising awareness about hearing wellbeing, thus facilitating access to hearing solutions capable of promoting social inclusion. For example, through the “Ci Sentiamo

SUSAN CAROL HOLLAND

Chairperson



Dopo” awareness project - which started in 2019 and involves primary and secondary schools classes in Italy - we want to encourage young people to become ambassadors of responsible listening and hearing wellbeing and we will give them the tools to create an interactive map of the country’s acoustic ecology for a more informed life.

“

Responsible, correct and transparent conduct cannot be left out.

Of course, responsible, correct and transparent conduct cannot be left out. We are committed to complying with the highest standards in how we operate and compete, as reflected in our Code of Ethics and our Group Anti-Corruption Policy, in order to protect the value for all our stakeholders.

These results and many others are included in this Consolidated Non-Financial Statement drafted in accordance with the Italian Legislative decree no. 254/2016, which also represents Amplifon’s Sustainability Report. Everything we have done to date encourages us to look confidently to the future and our stakeholders’ expectations and to raise our awareness of sustainability matters. We hope that you will continue to follow us on this important path that makes us proud and that encourages us to always do better.

ENRICO VITA

Chief Executive Officer





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OUR COMMITMENT

TO A SUSTAINABLE
BUSINESS

I. AMPLIFON'S CONSOLIDATED NON-FINANCIAL STATEMENT

Amplifon's Consolidated Non-Financial Statement ("NFS" hereinafter) represents the Company's compliance with the Italian Legislative decree no. 254/2016 regarding the disclosure of non-financial information. Since 2017, companies that fall within the scope of the decree have been required to disclose information on environmental, social, active and passive anti-corruption and employee matters, as well as respect for human rights, also considering the impacts of their products, services, business relationships and, where necessary, of their supply chain. This Consolidated Non-Financial Statement, which also constitutes the Sustainability Report of the Company, provides an opportunity to inform stakeholders on the progress made by Amplifon in its four areas of commitment in terms of sustainability. In addition to this, the Sustainability Report also aims to support the Company in the following areas:

- identifying opportunities and consolidating intangible assets to create long-term value;
- managing risks impacting present and future performance;
- enhancing the multi-stakeholder reputational capital;
- being able to make better informed decisions;
- engaging with socially responsible investors.

This Statement is structured to reflect Amplifon's four areas of commitment in terms of sustainability formalized in 2018 in the Company's Sustainability Policy: Product & Service Stewardship, People Empowerment, Community Impact, Ethical Behavior. Each non-financial topic identified as relevant by means of the materiality analysis has been matched with a specific area of action, so as to facilitate stakeholders' understanding of the progress made by Amplifon in each of the four areas, through the reading of the management model, the risks and results achieved with respect to each relevant subject, in compliance with the requirements of Italian Legislative decree no. 254/2016.

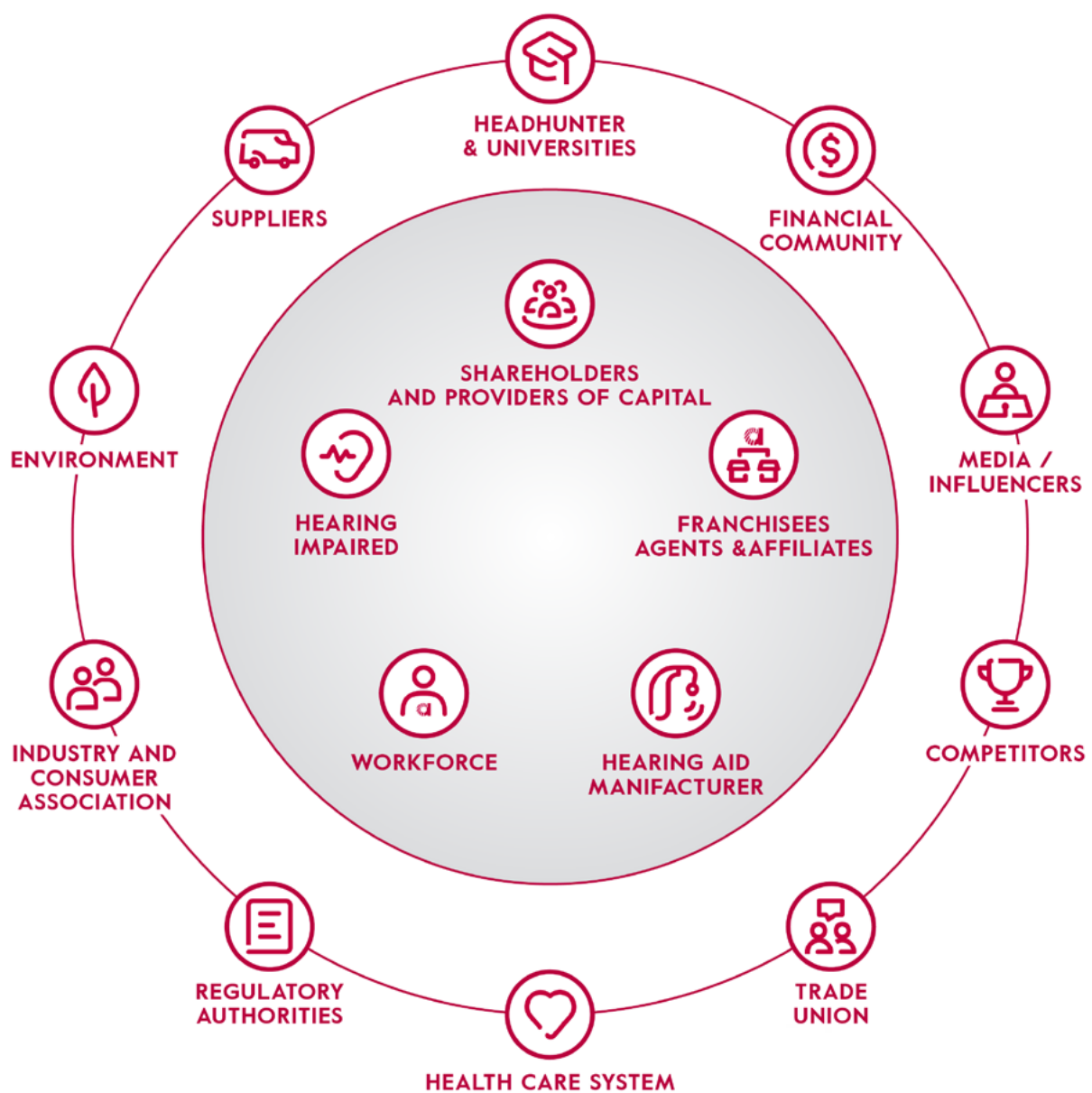
The Sustainability Policy has therefore allowed the enhancement of activities already in place within the Company and which are closely linked to the core business, matching them to each area of commitment. This exercise not only facilitates external communication, but also allows the Company to increase its awareness of sustainability matters, laying the basis for the future definition of a sustainability plan with medium- and long-term objectives in line with its business strategy, which Amplifon began working on in 2019. In fact, the Company has started an internal analysis process. This has resulted in the involvement of several Corporate functions for the identification and consequent assessment of activities consistent with the business strategy, for the practical implementation of the Policy by setting sustainability goals to which the Company can measure up.

I.1 STAKEHOLDER ENGAGEMENT

Amplifon operates in a dynamic international business environment, not only in terms of market trends but also in terms of expectations of its wide spectrum of stakeholders. Engagement with the Company's various stakeholders, which is based on the values of honesty, transparency and open dialogue, enables Amplifon to pursue its objective of creating economic value for the Company and social value for its stakeholders. Amplifon constantly pays attention to the community where it operates, considers long-term, global trends and listens to its stakeholders' requests as they are fundamental activities for any Company with a sustainability-oriented approach.

Every two years the top management is involved in a workshop to understand how the changes occurred in the two-year period may have affected the stakeholder framework. Workshop participants are therefore called to classify the Company's stakeholders according to their dependency and influence on Amplifon, creating a new stakeholder map. The map below, updated in 2018, reconfirmed that the members of the hearing-impaired community in the broadest sense are the most important stakeholders for Amplifon, along with Company workforce, shareholders and providers of capital, suppliers (with specific reference to hearing aid manufacturers) and the distribution network comprising franchisees, agents and affiliates.

AMPLIFON'S MAIN STAKEHOLDERS



➤ MAIN ENGAGEMENT ACTIVITIES

Amplifon constantly seeks the active involvement of its stakeholders with a view to pursuing mutual learning, sharing and joint value generation. The table below shows the main engagement activities carried out in 2019. The activities are explained according to engagement channels used, possible concerns raised and related Amplifon responses. In addition to these activities, in 2018, Amplifon started involving some stakeholders in a sustainability survey, aimed at integrating their expectations with regards to Amplifon in this area (for more details, please refer to the “Materiality Analysis” section).

Stakeholder	Type of engagement activity
Hearing impaired	Quantitative and qualitative market researches (focus groups, one-to-one, online and phone interviews), usability tests, customer satisfaction survey
Employees	Annual alignment of key managers during the One Amplifon event, annual global functional meetings, feedback sharing during performance development review, Global Engagement Survey, area meetings and store visits, internal communication plan concerning strategy, targets, results, as well as update on global projects and initiatives
Franchisees, agents and affiliates ¹	Focus group, Global Engagement Survey, annual summit
Shareholders, investors and financial community	Results conference calls, participation in roadshows and industry conferences through one-to-one and group meetings with institutional investors, analysts and investors’ company visits, feedback sharing with ESG rating agencies
Hearing aid manufacturers ²	Business review, discussion during the definition of terms and conditions of new contracts, partnerships
Suppliers ²	One-to-one meetings, site visits, participation to speaking opportunities hosted by the suppliers, partnerships
Regulatory authorities	Dialogue with institutions and participation to working groups, periodic consultation and joint projects
Industry and consumer associations	Focus groups, seminars, conferences, public presentations and joint projects
Healthcare system	Surveys, meetings with healthcare agencies (EU, WHO)
Headhunters and universities	Collaboration in research projects, university events, internship offers
Media/influencers	Press releases, conference calls, social media, media conference, interviews, participation to speaking opportunities

1. Engagement with franchisees, agents (such as “autogestori” in Italy and Spain) and affiliates takes place at local level only due to the business peculiarities in each country

Stakeholders' concerns/expectations	Amplifon's response
<ul style="list-style-type: none"> Enhancing customer experience in each touchpoint with Amplifon, both virtual and physical Better understanding of the features of the products, assessment and purchase process in order to get the maximum benefit Reducing social stigma associated with hearing loss and providing a clear explanation of the consequences linked to untreated hearing loss Helping influencers in supporting friends and relatives with hearing loss 	<ul style="list-style-type: none"> Introduction of improvements in terms of usability and accessibility of the Amplifon App Development of a new communication approach aimed at fighting the stigma associated with hearing loss Planning a set of improvement actions in terms of customer experience (products, services, physical and digital touchpoints, etc.)
<ul style="list-style-type: none"> Ensuring One Employee Experience at Group level Strengthening research of resources in key areas such as marketing, digital, CRM and retail Career development Recognition Quality of work, in terms of process simplification and harmonization 	<ul style="list-style-type: none"> Implementation of the People Management program You@Amplifon – the Employee Lifecycle for the back office Strengthening of the global attraction strategy Enhancement of the training offer for Talent Development Ongoing migration of HR, Finance and Procurement processes on a single integrated cloud platform Continuous improvement of Intranet functionality and roll-out in the main countries
<ul style="list-style-type: none"> Quality of work Professional training and development 	<ul style="list-style-type: none"> Continuous improvement of the training offer Recognition program
<ul style="list-style-type: none"> Transparency of financial information Business performance Possible impacts of regulatory changes on the achievements of strategic goals Ongoing update on the events occurred during the year (GAES, Amplifon Product Experience) Integration of sustainability into business strategy 	<ul style="list-style-type: none"> Dedicated information about latest events during results presentation/conf calls with investors Launch of the new corporate website, enriched in terms of content and more easily accessible Preliminary analyses on the implementation of a sustainability plan
<ul style="list-style-type: none"> Market, industry and technological trends Possible impacts of regulatory changes Development process of Amplifon ecosystem 	<ul style="list-style-type: none"> Sharing of insights about market and customers Sharing of insights about the development of Amplifon ecosystem
<ul style="list-style-type: none"> Future development of the business Adoption of new technologies 	<ul style="list-style-type: none"> Sharing and comparison of mutual interests as well as business and customer insights Joint projects (es. Amplifon App)
<ul style="list-style-type: none"> Need to improve the quality, sustainability of the system and accessibility of hearing aids 	<ul style="list-style-type: none"> Development of joint actions in collaboration with consumer and industry associations Sharing of information on industry specific matters
<ul style="list-style-type: none"> Raising awareness of hearing care Increasing customer satisfaction 	<ul style="list-style-type: none"> Collaboration in research projects Development of joint projects Entry into EHIMA (European Hearing Instrument Manufacturers Association)
<ul style="list-style-type: none"> Need to improve accessibility to hearing care Raising awareness of hearing care 	<ul style="list-style-type: none"> Participation to awareness campaigns (e.g. participation to the development of WHO Safe Listening Standards) Awareness activities for ENTs
<ul style="list-style-type: none"> Ensuring that research activities are evidence-based Bring young people closer to the labor market with concrete activities 	<ul style="list-style-type: none"> Joint participation to research projects Scholarships funding Global partnerships with student association such as AIESEC Partnerships with universities such as: Università Luigi Bocconi, Politecnico di Milano, Mip- Politecnico di Milano School of Management, LUISS Guido Carli, Università Cattolica
<ul style="list-style-type: none"> Up-to-date information on business development New technologies for customers and employees Amplifon's social role and awareness of young people on hearing care 	<ul style="list-style-type: none"> Involvement of top management in <i>speaking opportunities</i> and interviews Top <i>management positioning</i> on social media Participation in highly visible events such as the Firenze Rocks and Salone della CSR e dell'innovazione sociale (CSR & Social Innovation Fair)

2. Engagement with hearing aids manufacturers and major suppliers takes place mainly at corporate level as the relationship with them is managed by the Procurement function.

➤ ECONOMIC VALUE DISTRIBUTED TO STAKEHOLDERS

Amplifon creates value by contributing to the growth of the economic and social context in which it operates. Value creation begins with the development of stakeholder relationships and with the management and improvement of financial, productive, intellectual, human, social and relational assets. The value entails two closely correlated dimensions: the value created for the organization itself and the value created for its stakeholders and society in general. This aspect develops through a wide range of activities, interactions and relations that integrate and enrich the context - for example, sales to customers - that have a direct impact on the variations in financial capital. The concept of economic value distribution allows for an interpretation of the financial highlights resulting from the report on operations and the Consolidated financial statements from the stakeholders' perspective, as well as an understanding of the economic impacts of the Company. The calculation measures the value created by Amplifon in the year, its distribution among the Company's stakeholders and the value retained by the organization.

While performing its business activities, Amplifon also creates value for those stakeholders that are directly influenced by the Company's economic results (workforce, Public Administration, society, shareholders), as well as for those that have commercial relationships with the organization (suppliers, credit institutions). The economic value generated by the Company less the value distributed to the stakeholders has been reported as "retained economic value": it is mainly composed of the portion of group net profit not distributed to shareholders in order to finance future investments.

In 2019, the economic value distributed by Amplifon was around €1,455.2 million; the economic value generated was €1,737.8 million and the retained economic value was around €282.5 million. The economic value generated, as shown in the table below, is broken down as follows:

- operating costs were equal to €792.0 million. Operating costs include the costs of raw materials, consumables and goods, sales commission, store rents and other costs for services;
- employee wages and benefits, totaling €563.0 million;
- payments to providers of capital came to €45.1 million, of which €30.9 million corresponding to dividends distributed to shareholders;
- payments to government, mainly made up of income taxes, were equal to €53.6 million;
- community investments were around €1.6 million.

It should be noted that the data shown in the table on the following page are not comparable over time due to the adoption of IFRS 15 and IFRS 16 in 2018 and 2019, respectively. In particular, in 2019 operating costs were affected by the impact of the lower lease liabilities due to the introduction of IFRS 16, which sets out the recognition of the right of use of the leased assets under non-current assets which fall within the scope of the principle and the recognition under liabilities of the related financial liability.

It is also noted that the Company enjoyed €1.9 million in tax benefits and credits, in addition to approximately €0.1 million in subsidies and a further €0.4 million in awards and financial incentives.

ECONOMIC VALUE GENERATED AND DISTRIBUTED

DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED (THOUSANDS OF EUROS)	2017	2018**	2019***	2019****
Economic value generated by the Company	1,273,813	1,367,614	1,737,751	1,737,751
Revenues*	1,273,813	1,367,614	1,737,751	1,737,751
Economic value distributed by the Company	1,141,831	1,206,891	1,455,240	1,547,033
Operating costs	660,135	697,035	792,026	879,479
To employees (wages and benefits)	398,024	430,271	562,996	567,326
To providers of capital	33,486	37,274	45,070	45,070
- of which dividends	15,292	24,079	30,939	30,939
- of which interests paid to providers of capital	18,194	13,195	14,131	14,131
To the Public Administration	49,319	41,406	53,564	53,564
- of which current income taxes	44,765	36,364	47,332	47,332
- of which other corporate taxes and penalties	4,554	5,042	6,233	6,086
To the community	847	905	1,593	1,593
Economic value retained by the Company	131,982	160,722	282,502	190,718

* Revenues differ from the amount reported in the 2019 Consolidated financial statements as it refers to revenue from sales and services plus other revenues.

** 2018 figures shown in the table above are prepared in accordance with IFRS 15.

*** 2019 figures shown in the table above and in the previous page are prepared in accordance with IFRS16.

**** 2019 figures shown in the table above are prepared without the application of IFRS 16.

1.2 MATERIALITY ANALYSIS

Like every year, also in 2019, Amplifon updated its materiality analysis in compliance with the GRI Standards issued by the Global Reporting Initiative in 2016. This analysis allowed the Company to identify, amongst the various economic, environmental and social topics, those with the greatest impact on the organization and potentially influencing the decisions of its key stakeholders.

➤ PRELIMINARY ANALYSES AND RELEVANT TOPICS

The first step in the analysis was to examine the various sources of information to update the array of potentially relevant non-financial topics (the “sustainability topics”) already identified in previous years. The following sources of information were considered:

- the results of analysis of persistent sustainability matters at regional and international level derived from documents and reports issued by the most relevant non-governmental organizations and policy makers (such as the GRI, EU Policies and UN Reports);
- the results of the analysis of persistent sustainability topics in the health care industry, according to industry and consumer associations, as well as influencers in the area of sustainability;
- the results of a benchmarking analysis on non-financial reporting best practices developed by players operating in sectors comparable to Amplifon's core business;
- the results of a media analysis that covered news flow regarding Amplifon and its industry.

This preliminary analysis reconfirmed the 21 relevant sustainability topics already identified in previous years also for 2019.

➤ MATERIALITY OF NON-FINANCIAL TOPICS FOR AMPLIFON AND ITS STAKEHOLDERS

The next phase focused on determining an order of priority for the aspects identified, also considering the results of the materiality analysis carried out in the previous year.

The relevance of each sustainability aspect for the main stakeholders was assessed based on the results of the previously mentioned preliminary analyses, which were then integrated with the results of a sustainability survey carried out in 2018 and 2019. In 2018 more than 50 back office employees from Italy, France, Germany, Australia and the US as well as two hearing care associations were involved, while in 2019 several institutional investors (mainly from the UK, France and the US) and major hearing aids manufacturers took part in the survey. In both cases, the survey aimed at investigating respondents' perception about the activities and performance of Amplifon in terms of sustainability and the relevant topics that were to be included in the Sustainability Report. In determining the order of priority of the non-financial topics for stakeholders, the results of the survey were assigned a greater weight than those of the preliminary analyses, so that the final scenario was as consistent as possible with Amplifon's specific context.

The significance of each sustainability topic for Amplifon was assessed through dedicated meetings with the Company's top management, based on the following factors:

- the views of the top management across key countries where the Company operates;
- the policies already adopted by Amplifon;
- the potential impacts on the Company's ability to generate value in the long term;
- impact of the Company on the social, economic and environmental scenario.

In compliance with the GRI Standards, the materiality of the sustainability issues was assessed by considering the relevance of their impacts along Amplifon's entire value creation chain, both within and outside the reporting scope. In addition to this, the relevance of these aspects both for Amplifon and its stakeholders was determined by carrying out the analysis with exclusive reference to strictly non-financial topics, i.e. not including the following topics in the analysis: "Regulatory framework", "Long term resilience and profitability"³ and "Product and service innovation, quality and customization". These topics are, in fact, more closely linked with the economic sphere and, consequently, are classified as relevant by definition.

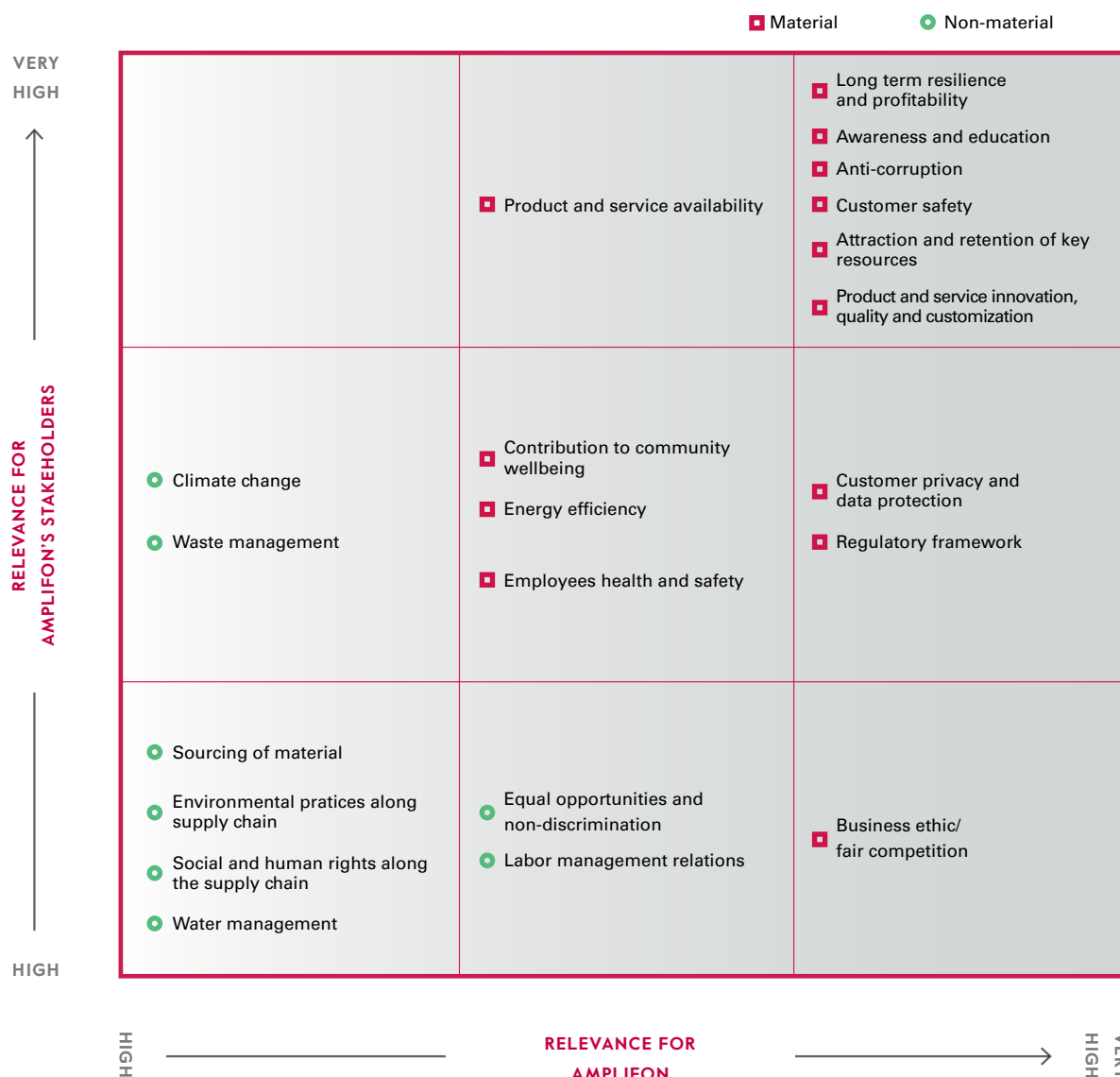
➤ PRIORITIZATION

Through these analyses, Amplifon was able to identify the material sustainability topics most relevant for both the Company and for the stakeholders. This set of material topics is highlighted in the following materiality analysis.

The materiality analysis reflects the materiality of non-financial topics within the specific period. Pressures and trends change over time and, for this reason, the chart is updated on a yearly basis. The topics thus identified were presented to the Risk, Control & Sustainability Committee and presented to the Board of Directors.

³ This topic is not covered in this document, as it is a strictly economic topic. Please refer to the Financial Statements as at and for the year ended December 31st, 2019.

MATERIALITY ANALYSIS



With specific reference to strictly non-financial topics, the following are confirmed as some of the most relevant:

- "Anti-corruption," which reflects the need to ensure ethical corporate practices within the organization and stakeholders' interests;
- "Awareness and education," which reflects the pivotal role the Company plays in raising awareness of hearing healthcare through communication campaigns and prevention activities, as well as through research;
- "Customer safety" remains among the priority themes, showing the greater attention paid by the Company to this aspect, in line with the introduction of important new features in terms of products and services;
- "Attraction and retention of key resources" as an essential element for guaranteeing business continuity and the implementation of business strategies. Note that compared to 2018, the importance of this issue to stakeholders as well as to Amplifon has increased, and this is mainly expressed through the Company's increasing investments in talented individuals and in the organization, to ensure the sustainability of the business. This has resulted in an increase in the expectations of stakeholders insofar as Amplifon's ability to offer a stimulating work environment;
- "Customer privacy and data protection," which reflects the increasing attention paid to the issue at European level and the efforts the Company is making to address it;

- “Product and service availability,” which is a key element in the Company’s business, aimed at achieving greater market penetration and, consequently, improving the hearing wellbeing of an ever-increasing number of people;
- To conclude, “Employees health and safety,” “Energy efficiency” and “Contribution to community wellbeing” are topics of equal relevance both for Amplifon and its stakeholders, even if the latter is of increasing relevance to Amplifon due to the significant impact that the Company has on its current and potential customers, as well as with regards to those suffering from hearing loss in general, and the communities in which it operates.

Compared to 2018, there is only one significant change: “Waste Management” was removed as a relevant area given the result of a reassessment by the top management regarding the reporting priority of this issue. This was due to the low impact of Amplifon’s activities in terms of waste. However, Amplifon will continue to report on the management of waste produced in offices, given that it is of interest to some stakeholders, such as ESG rating agencies.

Some of the non-financial topics requested by the Italian Legislative decree no. 254/2016 - e.g., equal opportunities and non-discrimination, social and human rights along the supply chain, water management and climate change - were not considered material, primarily due to the low impact of Amplifon’s activities in those areas.



1.3 IDENTIFICATION OF NON-FINANCIAL RISKS

In order to provide a comprehensive overview to stakeholders, as well as to comply with the Italian Legislative decree no. 254/2016, this Report comprises a section dedicated to the identification of non-financial risks.

More specifically, the table below takes each non-financial material topic identified in the materiality analysis and deriving from the Enterprise Risk Management process – which starting from 2019 has formally integrated the non-financial risks entailing the fulfilment of a specific and dedicated section by each country – and summarizes the risks suffered or generated by Amplifon through its activities and along the value chain as well as the main actions implemented in response to those risks.

Please note that the Sustainability Policy approved in 2018 covers all the topics/risks listed below and it is a response in terms of commitment and guidelines as well. Finally, it should be noted that the Company is already in compliance with the changes introduced by the 2019 Budget Law (December 30th, 2018, Law no. 145) to the Legislative decree 254/2016, as since 2017 Amplifon has already identified responses to each risk, namely its management approach.

Material topic	Risk identification	Risk description	Risk response/Management approach
Attraction and retention of key resources	Potential risk linked to the lack of adequate and qualified personnel in the shops, in support functions and in key managerial roles	Shortage of hearing care professionals and the risk that they could join competitors may affect Amplifon's organic growth. Lack of technical skills in sales force and back office may lead to inefficiencies. Moreover, unavailability of managerial roles for succession plans may affect Amplifon's future execution capability.	<ul style="list-style-type: none"> • Increase in activities at and contact with universities as well as attraction activities • Launch of Employee Value Proposition "Make More Possible" at global level • New Global Engagement Survey • Strengthening of "Leadership Program" for the back office and ongoing investment in training hearing care professionals • Introduction of "talent mapping" processes by function, geographic area and organizational level and development of succession plans • Identification of strategic skills needed to support the future growth • Recognition of and investment in top performers and talents
Employees health and safety	Potential risk linked to the occurrence of non-compliance with health and safety regulations	Non-compliance with health and safety legislation regarding workplace conditions, incoherently with the company's Acting Responsibly value, may lead to monetary sanctions and lack of accident prevention actions.	<ul style="list-style-type: none"> • Compliance with local and regional law with respect to employees' health and safety through the constitution of internal committee, the identification of supervisors and the implementation of local procedures
Anti-corruption	Potential risk linked to crimes of corruption	The likelihood that the personnel commits illegal acts or breaks Company's rules can lead to monetary sanctions or disqualifications, as well as reputation damage. Corruption or bribery may occur in the relationships between Amplifon's personnel and the medical community, public institutions, suppliers or insurance companies.	<ul style="list-style-type: none"> • Adoption of 231 Model in Italy and related supervision, maintenance and updating activities • Group Anti-corruption Policy • Group Whistleblowing Policy (introduction in progress) • Code of Ethics and "corporate culture" programs • Training and communication activities
Energy efficiency	Potential risk linked to low control over energy consumption of the Group	Lack of energy efficiency strategies as well as lack of preparation regarding future stricter energy efficiency requirements may cause an increase in operating costs and higher environmental impacts.	<ul style="list-style-type: none"> • Training provided to the local contact people on environmental reporting* • Adoption of the Sustainability Policy* • Analysis of energy efficiency measures

Material topic	Risk identification	Risk description	Risk response/Management approach
Awareness and education	Potential risk linked to incorrect or poorly integrated information with respect to marketing campaigns and institutional communication	The provision of unclear, incorrect or non-compliant information, both through communication marketing channels and sales personnel, may lead to reputational damages and sanctions. There may also be difficulties in adapting communication content and channels to different and evolving audiences. On top of these risks, the publication of content by unauthorized personnel could occur.	<ul style="list-style-type: none"> • Implementation of a strategic Communication Global Framework and country and corporate editorial meetings through Weekly and Monthly Newsroom mechanism • Group Policy concerning the review and approval of marketing content (introduction in progress) • Investment in a multichannel approach and a comprehensive communication strategy • Amplifon 360 to provide all customers with more insights and understanding at every stage of the journey • Training to hearing care professionals • Supporting research in order to spread evidence-based information • Investment in IT security systems
Customer privacy and data protection	Potential risk linked to lack of protection for customer data and information	Non-compliance with regulatory requirements on data privacy can lead to monetary sanctions. Data losses and breaches may lead to operational and reputational damage.	<ul style="list-style-type: none"> • Compliance with GDPR (General Data Protection Regulation) in the EU States in which Amplifon operates • Investment in IT security systems • Training and raising awareness activities
Product and service availability	Potential risk linked to the difficulties customers may have in reaching Amplifon's services	The scarce network coverage or inaccessibility of stores for older people may affect Amplifon's penetration	<ul style="list-style-type: none"> • Free hearing tests, including "mobile" hearing tests • Investment in network expansion • Provision of services anytime able to interact with the customer through the Amplifon App
Contribution to community wellbeing	Potential risk linked to a lack of a harmonious and efficient investment plan for the community	The lack of a global community investment plan may affect the efficiency of the investment itself, resulting in a minor benefit for the community and a missed opportunity for Amplifon.	<ul style="list-style-type: none"> • Launch of "We Care" Corporate Citizenship program at global level and resulting improvement of the reporting process as well as internal and external communication related to local social initiatives • Corporate Giving Policy for the definition of areas of action to which address donations and cause-related marketing initiatives (introduction in progress) • Support to Amplifon Foundation Onlus
Customer safety	Potential risk linked to a lack of customer safety measures	Non-compliance with product and labelling regulations, the misapplication or misuse of hearing aids, the possible defectiveness of products and non-compliance of the shops with health and safety legislation can lead to monetary sanctions and reputational damages.	<ul style="list-style-type: none"> • Strong cooperation with suppliers • Training provided to hearing care professionals both on hearing aids and Amplifon App • Monitoring of regulatory changes • Insurance coverage • ISO 9001 and ISO 13485:2016 certifications (Italy) • Compliance with local and regional law with respect to health and safety • Introduction of procedures related to the new Medical Devices Regulation (EU) 2017/745
Business ethics/ fair competition	Potential risk linked to the occurrence of unethical business practices and unfair competition	Non-compliance with legislative regulations, the Code of Ethics and procedures by Amplifon's employees may lead to monetary sanctions and reputational damages due to sanctions or allegations.	<ul style="list-style-type: none"> • Adoption of 231 Model in Italy and related supervision, maintenance and updating activities • Group Anti-corruption Policy • Group Whistleblowing Policy (introduction in progress) • Code of Ethics and "corporate culture" programs • Training and communication activities • Group Policy concerning the review and approval of marketing content (introduction in progress) • Crisis communication management manual

* These initiatives, although not representing a real response to the risk, are to be considered preliminary to the implementation of those initiatives already identified as risk responses not yet implemented. The Sustainability Policy itself represents a first formalization of the areas of commitment to be overseen.





**WE WORK EVERYDAY
TO IMPROVE THE
QUALITY OF LIFE
OF MILLIONS OF
PEOPLE, MAKING THEM
REDISCOVER ALL THE
EMOTIONS OF SOUND**

All that would not be possible if
we did not listen to the voice of
our stakeholders.



2. WHO WE ARE

Amplifon works to improve the lives of millions of people, helping them rediscover all the emotions of sound. The Company offers hearing products and services with a highly personalized and innovative approach, thanks to increasingly advanced skills and technologies. With more than 10 million customers, Amplifon relies on a network of around 11,000 points of sale and the professionalism and passion of over 17,000 people in 28 countries over five continents.

OUR PURPOSE

➤ **WE EMPOWER PEOPLE TO REDISCOVER ALL THE EMOTIONS OF SOUNDS**

OUR MISSION

We transform the way hearing healthcare is perceived and experienced worldwide, making it a natural choice for people to seek the superior care and expertise of our hearing care professionals.

We strive to understand the unique needs of every customer, delivering the very best solutions and an outstanding experience.

We attract, develop and empower the most, talented people, who share our ambition to change the lives of millions of people across the world.

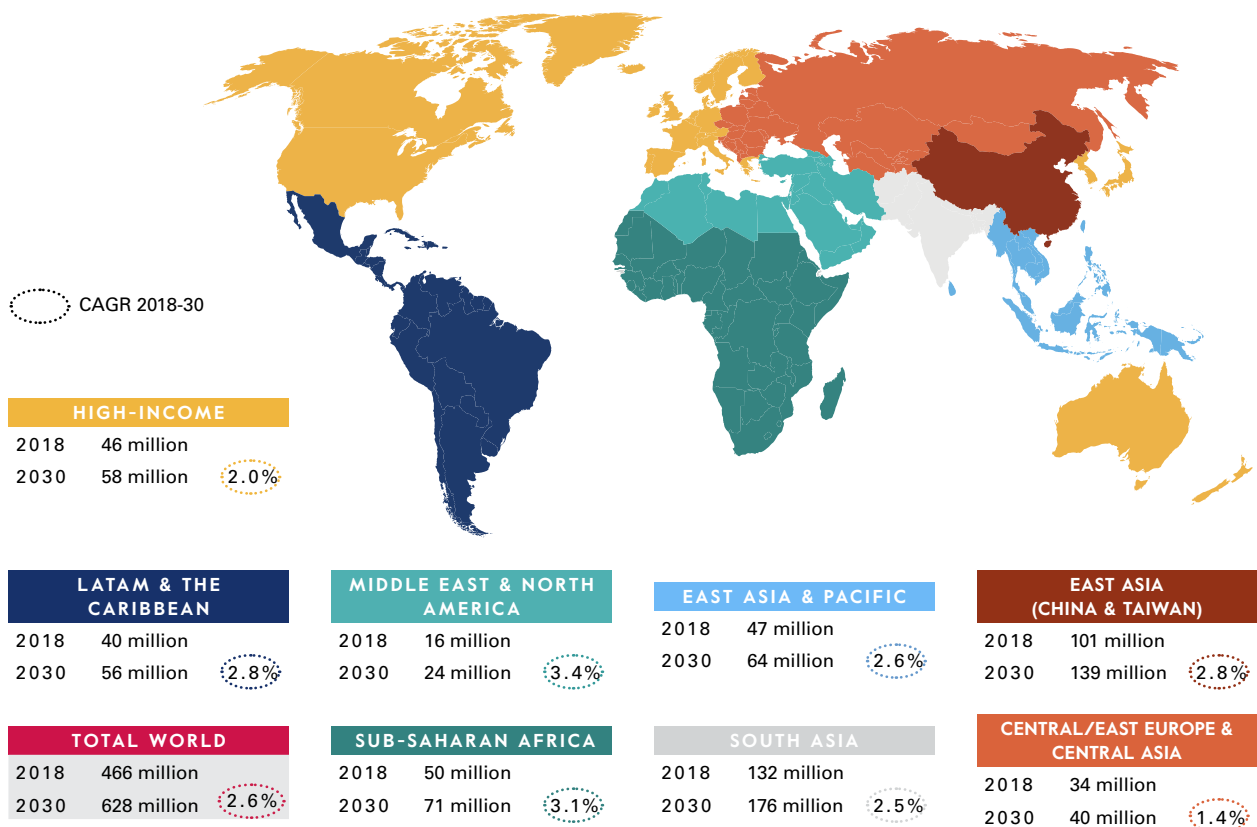
OUR VALUES



2.1 SCENARIO

Being able to hear is essential at any age as it allows people to connect with the world around them and to enjoy a full personal and social life. Although it is more common in the elderly due to the natural aging of cells, hearing loss can affect all age groups. Approximately 15% of the world's adult population has some degree of hearing loss and, out of these, the World Health Organization estimates that 460 million have a disabling hearing loss. Due to the increasing life expectancy of global population, this number is expected to double by 2050. Untreated hearing loss represents an annual global cost of USD 750 billion⁴.

NUMBER OF PEOPLE WITH DISABLING HEARING LOSS



Source: World Health Organization

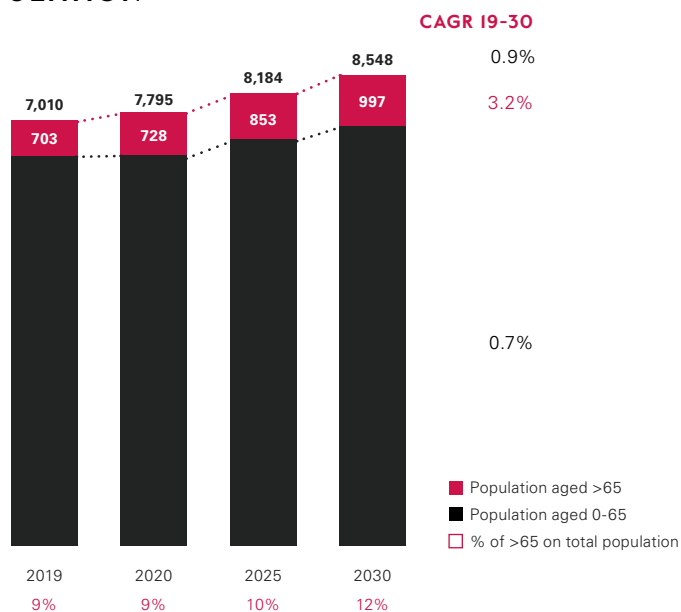
The global retail hearing care market has an estimated value of around €15 billion euros in 2019 and it is expected to grow by about 4% over the next few years as a result of demographics and increase in the penetration rate.

> DEMOGRAPHICS

The United Nations estimates that the world's population will reach 11 billion by 2100, resulting in an increase in the number of people who may develop hearing difficulties. More specifically, people aged 65 and over now account for 9% of the world's population and are expected to reach 12% in 2030. The 65+ segment, in fact, is estimated to grow at a CAGR of 3.2% in the period 2019-2030, unlike the 0-64 segment that instead will grow at a rate of only 0.7%.

4. <https://www.who.int/news-room/fact-sheets/detail/deafness-and-hearing-loss>.

WORLD TREND POPULATION (MILLION PEOPLE)

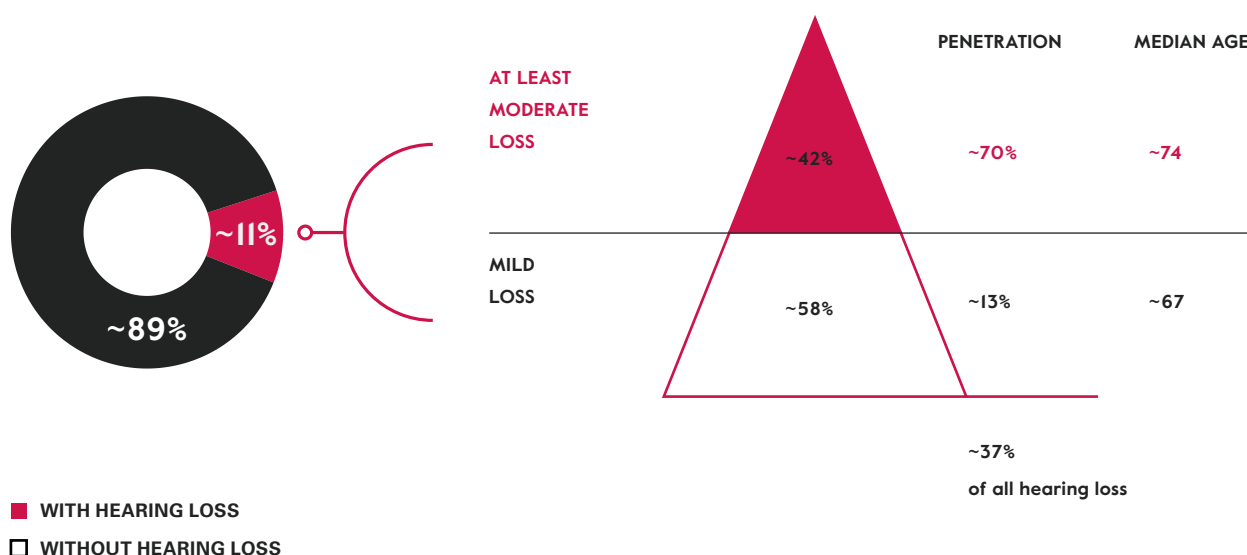


Source: United Nations

> PENETRATION RATE

The penetration rate, defined as the ratio of the population using a hearing aid to the population with some level of hearing loss, in developed countries is about 37% and is higher with respect to those suffering from profound hearing loss, while in emerging markets it is still negligible (5-10%). For example, in the US market, which accounts for 40% of the global retail market, the adoption rate of hearing solutions with respect to a profound hearing loss is about 70%, while in relation to a moderate hearing loss it is equal to 10%, resulting in an average penetration of 30%.

HEARING SOLUTIONS ADOPTION RATE IN DEVELOPED MARKETS⁵



There are numerous trends pushing the hearing care industry towards a more inclusive and technologically advanced future. Amplifon holds a privileged position which allows the Company to anticipate these trends and guide the way in which they develop.

⁵ World Health Organization, EuroTrak, MarkeTrak, Amplifon data 2018 – markets where Amplifon is present.



LIFE EXPENCTANCY

We are all aware of the increase in life expectancy. By 2050, the number of people aged over 65 will double, and in the next five years, for the first time in the history of mankind, this number will be higher than the number of children aged under five years.



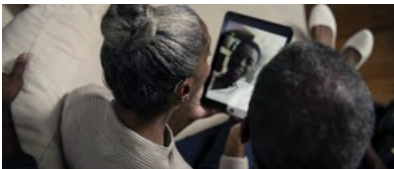
ACTIVE LIFESTYLE

People have a much longer life expectancy than the previous generations and quality of life is much higher. The so-called "active agers" represent a new generation who wants to live an active life.



TECHNOLOGY

Advances in technology such as miniaturization, connectivity and re-chargeability contribute towards the consumerization of hearing devices. Thus, more and more people decide to take care of their hearing.



DIGITALIZATION

The use of digital devices, such as smartphones and tablets, is rapidly increasing also among seniors. This makes it possible to offer personalized and interconnected services with added value through new touchpoints.

Amplifon is in the perfect position to seize the positive trends of this growing market, thanks to its successful business model and continuous focus on innovating customer experience. In addition, Amplifon continuously invests in positive communication challenging stereotypes around ageing and hearing aids and talking about a new generation that is abreast with the times, that does not give up on an active lifestyle and that looks to the future with optimism. By placing the hearing solution at the center of its marketing campaigns as a facilitator of active life, the Company contributes to overcoming the individual and social barriers linked to ageing, thus contributing to the increasing adoption rate of hearing solutions.

Amplifon is the world leader, specialized in hearing care service, in a highly-fragmented but consolidating retail market.

AMPLIFON'S ROLE IN THE VALUE CHAIN

MANUFACTURING & WHOLESALE

- 5 players accounting for ~95% of the market

~30%

RETAIL

- Largest global player accounting for ~11%

amplifon

- Other speciality players (manufacturers & national chains) accounting for >25%

- Non-speciality players such as optical chains, pharmacies and grocery chains accounting for >10%
- independents with few stores or very small chains accounting for ~50 %
- Online players ~1 %

~70%

CUSTOMERS



2.2 BUSINESS MODEL

Amplifon is a retailer specialized in offering services and solutions for hearing care, adopting a consultative and collaborative approach. The success of the hearing solution and thus the improvement in the ability to hear and communicate rely above all on the skills of the hearing care specialists to perform hearing tests, select the most suitable devices, correctly fit them and make the most of hearing aid technology based on the individual's needs. Technology, listening, and service thus make the difference.

The Company operates under different business models, enabling it to better adapt its offer to the peculiarities of each market where it operates.

AMPLIFON'S DIFFERENT BUSINESS MODELS



6. The Australian subsidiary Hearing Attune was acquired in early 2020.

BUSINESS-TO-CONSUMER MODEL

In EMEA, APAC, LATAM and Canada, Amplifon mainly adopts a B2C business model, operating mostly through direct points of sale, which can be either corporate shops or shop-in-shops and corners.

> CORPORATE SHOPS

Corporate shops are managed by Amplifon staff or staff not on payroll who work on commission on behalf of the Company.

> SHOP-IN-SHOPS & CORNERS

Shop-in-shop and corners are spaces managed directly by Amplifon but are located in third-party points of sale such as pharmacies, optical chains, medical clinics, where hearing care specialists are seldom present. They are very common in rural areas with low population rates. Customers for whom these outlets represent the first point of contact may be directed to a store when necessary.

BUSINESS-TO-BUSINESS MODEL

In the US, Amplifon operates two different B2B business models:

> FRANCHISING (MIRACLE-EAR)

Miracle-Ear is the nationwide hearing solution franchisor that distributes branded technology and services through 1,400 franchised locations across the US. As a franchisor, Miracle-Ear is the sole distributor of hearing aids to the network and provides franchisees with the extremely well-known Miracle-Ear brand, advanced marketing tools, training and value-added services, enabling them to do their work independently according to Group strategic guidelines.

> WHOLESALE (ELITE HEARING NETWORK)

Elite Hearing Network operates in the wholesale business providing hearing aids and, moreover, a wide spectrum of services to independent health care providers including private practice audiologists, ENT physician practices, large hospital system providers and hearing instrument specialists. The service offered is the key to retaining current customers and acquiring new ones and includes, among others, marketing support, staffing services, business intelligence, digital solutions and services. Members of Elite Hearing Network comprise around 1,600 affiliated locations which run their activities under their own brands while having access to a broad portfolio of hearing aids, peer-to-peer insights, services and dedicated business consultants.

MANAGED CARE

> AMPLIFON HEARING HEALTH CARE

Amplifon Hearing Health Care is an independent provider of hearing benefit solutions that works with health plans to provide high-quality, affordable hearing care insurance and benefits to their members. Through Amplifon Hearing Health Care, health plan members have access to a broad US-wide network of high-quality hearing providers, complete lines of hearing devices, and personalized support from a team of patient care advocates.

> STRENGTHS

Leveraging its unique global position and 70-year-long experience, Amplifon continually renews its value proposition in order to always get closer to the lifestyles and fast-evolving needs of its customers.

> INNOVATION

The attitude of always looking ahead and pushing limits lead Amplifon to experiment with innovative technologies to develop high value-added services. The Amplifon multichannel ecosystem allows data mining activities and also making the customer journey and Amplifon experience stand out across all physical and virtual points of contact.

> EMPLOYER OF CHOICE

Amplifon is the employer of choice in the hearing care industry thanks to both its distinctive, winning Corporate Culture, and the constant investment in talent, continuous professional development and recognition of its people at all organization levels.

> STRONG COMPETENCIES

Amplifon's 9,000 hearing care professionals perform hundreds of thousands hearing tests every year and combine innovation, scientific knowledge and a highly personalized approach with the exclusive Amplifon 360 protocol to ensure an excellent customer experience.

> GLOBAL SCALE

Amplifon's unrivaled capillary distribution network, characterized by different types of points of sale, benefits from a global organization and infrastructure, which allows the Company to be always close to the customer, to share best practices among its hearing care professionals all over the world and diversify its exposure to different markets.

> UNMATCHED BRANDS

The strong pervasiveness of Amplifon's portfolio allows the Company to be at the helm of a real cultural change in our industry, redefining the way customers feel about their hearing. Amplifon's communication approach looks to empower people, blending physical with digital experiences in a multichannel approach.

> SCIENTIFIC LEADERSHIP

Since 1971 Amplifon's Center for Research and Studies (CRS) has been a specialized partner to the medical and academic communities and leader in the fields of audiology and otolaryngology. Its prestige comes from the collaboration with renowned, national and international experts whose innovative contribution is of paramount importance for medical community's continuous practical and theoretical update.

2.3 MARKET PRESENCE AND SUPPLY CHAIN

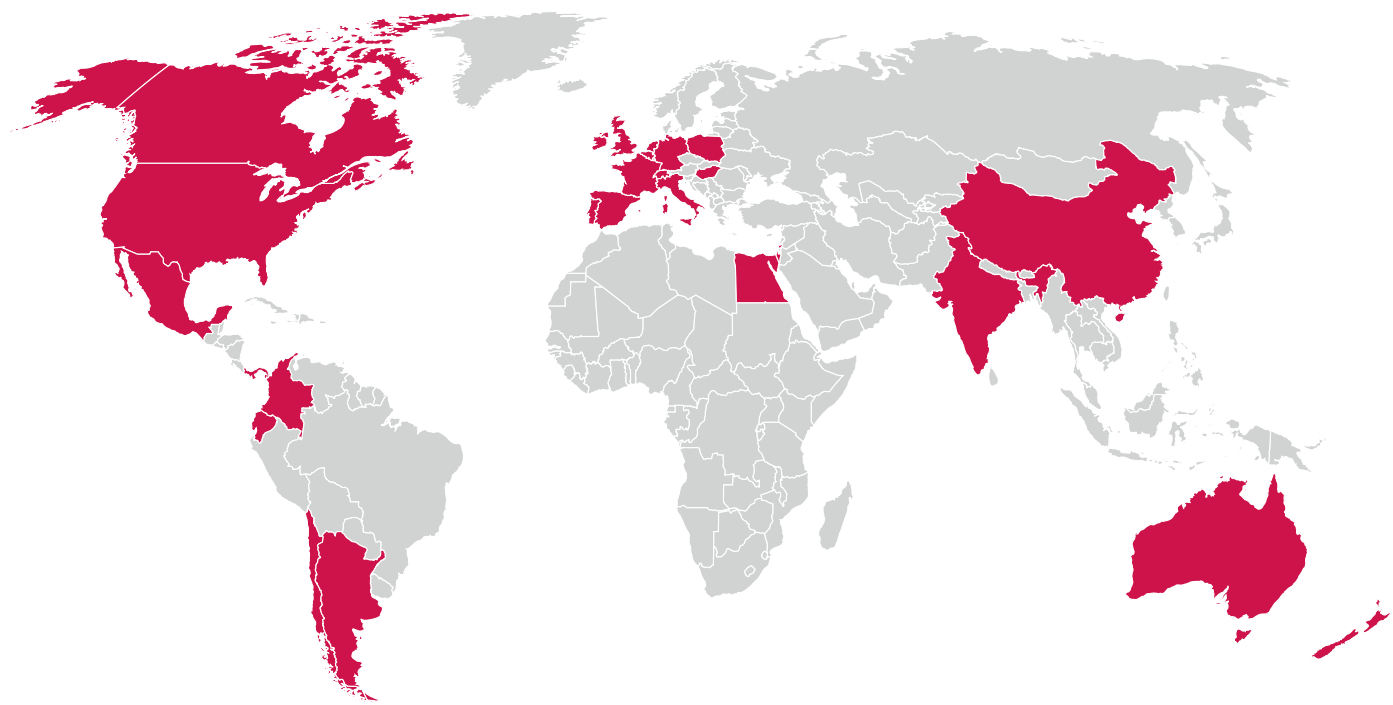
Amplifon operates in three regions (EMEA, APAC, Americas) and across five continents. Generally ranking as first or second player in the main markets in which it operates, Amplifon is one of the fastest-growing businesses in the hearing care retail arena.

AMPLIFON IN THE WORLD

AMERICAS

EMEA

APAC



amplifon

Miracle-Ear

amplifon

GAES
an amplifon brand

amplifon

National
Hearing Care
an amplifon brand

amplifon
Hearing
health care

elite
HEARING NETWORK

Beter Horen

minisom
an amplifon brand

BAYAUDIOLOGY

DILWORTH
HEARING

GAES
an amplifon brand

MEDTECHNICA
ORTHOPHONE
Advanced Hearing Technology
amplifon

amplifon
安耳声

attune
hearing each moment

6. The Australian subsidiary Hearing Attune was acquired in early 2020.

DISTRIBUTION NETWORK AS AT DECEMBER 31ST, 2019

Country	Brand	Corporate shops	Shop-in-shop & corners	Franchisees	Affiliates	
Italy	Amplifon	668	3,123			
France	Amplifon	591	132			
Germany	Amplifon	535				
The Netherlands	Beter Horen	166	50			
Spain	GAES	588	131	28		
UK & Ireland	Amplifon	130	98			
Switzerland	Amplifon	99				
Belgium & Luxemburg	Amplifon	90	59	10		
Hungary	Amplifon	81				
Portugal	Minisom	72	99			
Poland	Amplifon	57				
Egypt	Amplifon	29				
Israel	Medtechnica Orthophone	24			49	
USA	Miracle-Ear	59		1,445		
	Elite Hearing Network				1,631	
Canada	Amplifon	71				
LATAM	GAES	83		17		
Australia	National Hearing Care	206	115			
New Zeland	Bay Audiology/Dilworth	108	30			
India	Amplifon	72	148			
China	Amplifon	44				
Total		3,773	3,985	1,500	1,680	

EMEA

AMERICAS

APAC

> PROCUREMENT AND SUPPLY CHAIN

Establishing good relations with suppliers is essential to obtain products and services that consistently meet expectations. In accordance with best practices, the selection and qualification of suppliers is guided by the quality of the products and services offered, the competitiveness of the offers, suppliers' flexibility and sustainability, and finally by the cultural fit.

Amplifon's supply chain is centrally coordinated and addresses the needs of the national management teams; the latter are required to decide on local implementation of global guidelines, both in tactical and operational terms. Further aspects of the Procurement and Supply Chain that are specific and relevant to a specific market or business unit are always handled locally.

Amplifon's supply chain is organized in two different purchasing categories:

DIRECT PURCHASES

Procurement of hearing aid devices and related products/services

- Hearing aids
- Hearing aid accessories
- Hearing aid spare parts
- Batteries
- Ear molds
- Other products
- Services (i.e. hearing aid repairs, hearing aids personalization)

INDIRECT PURCHASES

Procurement of products and services not directly related to the hearing aid device

- Marketing & advertising
- Consultancy
- General expenses
- Information technology
- Rent expenses
- Logistic services

All suppliers are required to acknowledge and comply with Amplifon's Code of Ethics. In addition, as of 2019 and for all contracts with hearing aid manufacturers that are subject to renegotiation, suppliers are required to recognize and comply with the principles expressed in Amplifon's Sustainability Policy. Through the implementation of appropriate policies and procedures, they must also comply with national and international legislation on ethical and sustainable standards of conduct, including those relating to the protection of human rights, workers' rights, the environment, and the fight against corruption. For this reason, Amplifon reserves the right to verify the good conduct of suppliers by requesting documentation and information demonstrating compliance with the above and to perform specific audits on these issues.

HEARING AIDS MANUFACTURERS

As a global leader, Amplifon maintains relationships with only the best hearing aids manufacturers, guaranteeing the safety and quality of the products sold and supporting its customers throughout the expected lifespan of the products. By discussing with country leaders, the procurement function is also able to select the most suitable products for the different markets.

The interaction with hearing aid manufacturers plays a crucial role for Amplifon, since the evolution of technologies used in the design of hearing aids constitutes an important element in defining how the Company interacts with its customers. Amplifon constantly monitors the roadmaps of its suppliers so that it can utilize technological innovation to maintain and possibly improve the already excellent level of experience it offers to its customers at every touchpoint. The introduction and withdrawal phases of the various models are also subject to careful monitoring to ensure that customers are always supported throughout the product life cycle. Similarly, Amplifon shares the knowledge and experience gained through years of presence on the market and collaborates with manufacturers to improve the overall hearing and usage experience, to make it accessible to its customers.

With the acquisition of the GAES Group, Amplifon also acquired Microson, a small company producing entry-level hearing aids in Spain. Following the reorganization of GAES in 2019, manufacturing activities were revised and optimized to better align them with Amplifon's core business. Precisely because of Amplifon's retail nature, the focus of this company has been addressed to research and development activities - considered useful for contributing to the testing of the new features and services of the Amplifon Product Experience – and in the laboratory for the production of ear canal molds.

› LOGISTICS

The logistics of hearing aids distribution as well as of other related materials and accessories varies depending on the region. In the United States, they are handled directly by suppliers to members of Miracle-Ear, Elite Hearing Network or affiliates of Amplifon Hearing Health Care, unlike in the EMEA and Asia-Pacific areas and Canada. In these areas, the procurement process works in the following way: once the hearing profile and customer's needs are identified and after having selected the most suitable product to meet these requirements, the product may either be already available at the store's warehouse or must be supplied. In both cases, the store must forward the purchase request for the specific product, in the first case to restore the warehouse stock, and in the second to supply the customer with the required product. All purchase requests made by the stores in each country are collected and centrally managed by the relevant function, by sending a stock transfer order from local warehouses (in countries where such warehouses are present and where hearing aid stocks are managed) or a consolidated purchase order is sent to suppliers, which will arrange to send the hearing aids directly to the Amplifon stores. When the identified solution consists of an in-the-ear hearing device or if a custom mold is requested to meet the customer's needs, a silicone impression of the customer's ear canal shall be taken. Once solidified, this is sent to the manufacturers, with a production request for a hearing aid or an ear insert. The logistics follow the usual process described above in these cases as well, with direct delivery to the store by the supplier. In LATAM, the procurement process is under review since the integration activities are still ongoing.

Within the framework of this logistic organization, Amplifon has the following responsibilities:

- stock planning for stores and local warehouses;
- collection and the fulfilment of store requirements received through procurement requests;
- transport organization from warehouses to the points of sale;
- the receipt, storage and management of the stocks in the local warehouses;
- the collection and transportation of unsold products at the end of the trial period from the points of sale to the warehouses and then to the collection centers of the companies.

An equally important logistic process is associated with product repair. The Company focuses on the execution times of this phase since it is important that the customer's hearing aid be sent back to them as soon as possible, so that they can return to enjoying the benefits of their hearing solution as soon as possible.

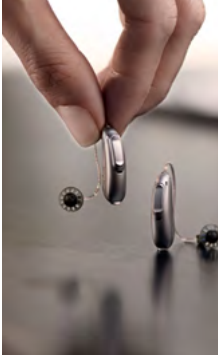
All transport of the products, whether new, repaired or to be returned, is entirely carried out by specialized external logistics companies based on Amplifon's or the hearing aid manufacturers' recommendation, depending on who is responsible for organizing the shipment (usually the shipping entity).

Amplifon and hearing aid manufacturers are committed to optimizing their logistics in order to reduce the associated energy consumption, pollution and costs. Some manufacturers propose regional centers for the digital scan of the customer's ear impression, reducing the need to transport it to manufacturers' plants.

In 2019, the function in charge of the supply chain management at global level was strengthened with the goal of providing the sales network with the most advanced procurement solutions. Underlying this change was the strong ambition to revise the logistics and distribution model, demand planning inventory strategy, warehouse operations and transport logistics in the near term, aiming to increase efficiency, thanks to the introduction of a strong digitalization of processes and end-to-end integration with the upstream suppliers and the downstream points of sale.

2.4 STRATEGY

Amplifon aims to further strengthen its global leadership through three pillars, positioning the Company at the forefront of technological innovation.



INNOVATIVE AND DISTINCTIVE CUSTOMER EXPERIENCE

Amplifon's strategy is tailored around the customer, to whom it offers a distinctive and highly innovative customer experience by means of the Amplifon product line and multichannel ecosystem. By leveraging its unique and distinctive assets such as the data, the strength of its brands and the close relationship with customers, Amplifon aims to transform the retail hearing care market thereby opening up new business and value creation opportunities.



STRENGTHENING LEADERSHIP IN CORE MARKETS

Amplifon's growth strategy is differentiated according to the countries in which it operates and focuses on the core global markets: Italy, Spain, France, Germany, the US, Canada, Australia, New Zealand and China. These markets together make up around 80% of the retail hearing care market. Amplifon intends to continue to grow on mature markets, through organic growth and through targeted acquisitions mainly in France and Germany. Among emerging markets, China represents a sizeable opportunity for Amplifon's medium-term growth path.



EFFECTIVE AND TALENTED ORGANIZATION

To foster the effective execution of its strategy, Amplifon continues to invest in its people and in a distinctive Corporate Culture, as well as attracting the best talents, sharing best practices within the group and always leveraging the globally integrated IT infrastructure, thus creating a more effective organization.

➤ AMPLIFON PRODUCT EXPERIENCE

The Amplifon Product Experience, consisting of the Amplifon product line and our multichannel ecosystem, redefines the experience throughout the entire customer journey. In light of the excellent results in Italy, where it was launched in May 2018, Amplifon brought forward the roll-out in France, Germany, the Netherlands, the US and Australia to 2019, with other countries following in 2020 and 2021.



➤ GAES ACQUISITION

Announced in July 2018 and completed in December 2018, the acquisition of GAES, the largest ever undertaken by Amplifon, enabled the Company to strengthen its global leadership, which now makes up around 11% of the retail hearing care market worldwide. Worth around €530 million, this deal allowed Amplifon to become the undisputed leader in the attractive Spanish market, to consolidate its presence in Portugal and to enter the Latin American market.



➤ CINA: THE FIRST JOINT VENTURE

At the end 2018 Amplifon announced its first joint venture with a local partner in order to enter the attractive and fast-growing Chinese hearing care retail market. The joint venture entity is located in Beijing and initially used to operate 30 shops mainly located in the Beijing area. During 2019, Amplifon extended the network to 45 shops, which were also rebranded.



2.5 GOVERNANCE

A good governance structure is a key element in achieving long-term strategic goals. It is also essential for defining roles and responsibilities in line with decision-making processes, internal control activities, and business conduct principles.

Amplifon's Corporate Governance structure is based on the principles outlined in the Corporate Governance Code for Listed Companies, proposed by the Committee for the Corporate Governance of Italian Listed Companies. Amplifon adheres to the guidelines defined in the 2001 original version and its subsequent amendments.

The Company is managed by a Board of Directors comprising nine members, as resolved by shareholders. Board members are picked from a list of candidates presented by all the shareholders and/or a group of shareholders who own at least 1% of share capital. The current Board of Directors was appointed by the Shareholders' Meeting held on April 17th, 2019 and shall remain in office until the Shareholders' Meeting to approve the financial statements at December 31st, 2021. On December 31st, 2019, the composition of the Board of Directors was as follows:

BOARDS OF DIRECTORS

Role	Name	Executive	Non-Executive	Independent ⁽¹⁾	C.C.R.S. ⁽²⁾	C.R.N. ⁽³⁾
Chairperson	Susan Carol Holland		•		•	•
CEO	Enrico Vita	•				
Director	Andrea Casalini		•	•		•
Director	Alessandro Cortesi ⁽⁴⁾		•	•	•	
Director	Maurizio Costa		•	•		•
Director	Laura Donnini		•	•	•	
Director	Maria Patrizia Grieco		•	•		•
Director	Lorenzo Pozza		•	•	•	
Director	Giovanni Tamburi		•			

(1) Directors that declare they qualify as independent as defined under current law and in the Italian Stock Exchange Corporate Governance Code.

(2) Director appointed by the minority shareholders.

The Board of Directors is characterized by an appropriate mix of skilled, professional profiles: it includes prominent executives, managers from other sectors, financial profiles and independent professionals. In addition, a third of the members are women, while the average age of Board members decreased significantly, from 72 years-old in 2011 to the current 61, with a maximum age of 72 and a minimum of 51. Lastly, two thirds are independent members and there is a single executive member, the CEO.

The Board of Directors, either directly or through its delegates, regularly reports to the Board of Statutory Auditors on its work and on any transactions carried out by the Company and its subsidiaries having a significant impact on profitability, assets and liabilities or financial position. The following table shows the composition of the Board of Statutory Auditors, which was appointed during the Shareholders' Meeting held on April 20th, 2018 and will remain in office until the Shareholders' Meeting convened to approve the Financial Statements as at and for the year ending December 31st, 2020.

BOARD OF STATUTORY AUDITORS

Role	Name
Chairperson	Raffaella Pagani⁽³⁾
Standing auditor	Maria Stella Brena
Standing auditor	Emilio Fano
Alternate auditor	Alessandro Grange⁽³⁾
Alternate auditor	Claudia Mezzabotta

(3) Member of the Board of Statutory Auditors expressed by the minority list.

On December 31st, 2019, the Committees and Supervisory Board established by Amplifon's Board of Directors were composed as follows:

REMUNERATION & APPOINTMENT COMMITTEE

Role	Name
Chairperson	Maurizio Costa
Member	Susan Carol Holland
Member	Andrea Casalini
Member	Maria Patrizia Grieco

RELATED PARTIES TRANSACTIONS COMMITTEE

Role	Name
Chairperson	Andrea Casalini
Member	Laura Donnini
Member	Alessandro Cortesi

LEAD INDEPENDENT DIRECTOR

Lorenzo Pozza

EXECUTIVE RESPONSIBLE FOR FINANCIAL REPORTING

Gabriele Galli

RISK, CONTROL & SUSTAINABILITY COMMITTEE

Role	Name
Chairperson	Lorenzo Pozza
Member	Susan Carol Holland
Member	Alessandro Cortesi
Member	Laura Donnini

SUPERVISORY BOARD

Role	Name
Chairperson	Lorenzo Pozza
Member	Laura Donnini
Member	Paolo Tacciarina (Head of Internal Audit)

EXTERNAL AUDITORS

KPMG S.p.A.

SECRETARY OF THE BOARD OF DIRECTORS

Luigi Colombo

> SUSTAINABILITY GOVERNANCE

The Risk, Control and Sustainability Committee assists the Board of Directors with matters related to internal control and risk management, while also monitoring the adequacy and appropriateness of the internal control system. Pursuant to the Board of Directors' resolution in 2016, the Committee provides support in the definition of sustainability-related policies, strategic guidelines and action planning, and supervises non-financial reporting.

In December 2018 the Board of Directors approved the Group's Sustainability Policy, which defines the priorities and areas of commitment towards the Company's stakeholders concerning sustainability, namely:



PRODUCT & SERVICE STEWARDSHIP

Amplifon is aware of its pivotal role in the hearing care arena and is firmly committed to providing its customers with the highest quality solutions by assuring their effectiveness, personalization and safety, as well as delivering an outstanding experience addressing each customers' needs.



PEOPLE EMPOWERMENT

Amplifon believes that its people, regardless their role within the organization, represent the most relevant asset for providing high added value hearing solutions and services. As a result, Amplifon strives to attract, train and retain the best talents as well as to guarantee a diverse, inclusive and innovative working environment.



COMMUNITY IMPACT

Amplifon's products and services have a high social impact worldwide. Amplifon is committed to raising awareness around hearing health, with the ultimate goal of reducing the severe consequences related to hearing impairment and maximizing the positive impact of prevention.



ETHICAL BEHAVIOR

Amplifon is strongly committed to running its activities in full accordance with local regulatory frameworks and with the highest ethical and moral standards, thus actively working to prevent any type of unethical business practice.

During the first months of 2019, the Sustainability Policy was communicated to all Amplifon's employees and it has been published on Amplifon's Corporate website.

To implement the Sustainability Policy through the definition of a sustainability plan, an analysis was started with several Corporate functions during 2019 in order to identify activities in line with the Company's business objectives that can contribute effectively to a sustainability strategy and to certain medium-long-term objectives.





**WE ARE CREATING
SOLUTIONS FOR
EXTRAORDINARY
EXPERIENCES**

WHO ARE WE LISTENING TO?

Our customers, placing their needs at the very core of what we do.

WHAT DO WE GIVE BACK?

Personalized experiences that make it possible to rediscover all the emotions of sound.



amplifon

PRODUCT & SERVICE STEWARDSHIP

3. PRODUCT & SERVICE STEWARDSHIP

3.1 PRODUCT AND SERVICE INNOVATION, QUALITY AND CUSTOMIZATION

Amplifon aims at transforming the hearing care retail market through the development of innovative solutions and personalized experiences empowering people to rediscover all the emotions of sounds.

Amplifon recognizes that it plays an important role in society, which stems from ongoing research for the best solutions for everyone's hearing, and is confirmed by the daily relationship with the people and the communities in which it operates. This is why the entire journey with customers is based on a solid, long-term relationship with Amplifon's hearing care specialists. It first begins at the hearing test and selection of the most suitable hearing solution. It is then reinforced by regular appointments when the hearing aid is adjusted to the customer's personal preferences and lifestyle. Finally, it continues over time thanks to the innovative Amplifon Product Experience.

The Amplifon Product Experience includes the Amplifon product line and the Amplifon multichannel ecosystem and focuses on people and their needs. The synergy between Amplifon product line and its multichannel ecosystem has made it possible to collect and analyze the usage data of customized devices, customers' feedback and needs, as well as clinical data, and to use them to offer a unique, distinctive and excellent service and experience. In fact, Amplifon, whose data constitutes its main asset, has experienced a profound transformation aimed at collecting, enriching and using the data of millions of consumers around the world. The efficient application of data and digitalization is realized through digital marketing, excellent digital properties, SEO strategies and significant investments in paid media, made more and more effective by the amount of data collected and processed through a Data Management Platform. In addition, they are essential to providing the best experience through the real time CRM, via the digital App and ecosystem, which accompany customers throughout their journey.



> AMPLIFON PRODUCT LINE

The Amplifon Product Line (APL) is the first key element of Amplifon's technological innovation program. The APL consists of four product families, each meeting specific customer requirements, and was developed in collaboration with four of the largest hearing aid manufacturers, in order to select the best technologies available on the market and integrate them into the experience offered to the customer, thereby increasing satisfaction.



AMPLI-EASY

The ampli-easy product family is powerful, practical, affordable and easy to use. For everyday life, having a giggle with friends, walking in the park, or watching a good film.



AMPLI-MINI

The ampli-mini devices are extremely discreet and almost invisible thanks to miniaturized technology. Perfect for those who seek a discreet solution and want to feel elegant without compromising on comfort.



AMPLI-CONNECT

The ampli-connect product family connects directly to your TV, smartphone and sound system. They automatically recognize the environment and the microphones point towards the direction of the sound. They also connect to the Amplifon App via Bluetooth.



AMPLI-ENERGY

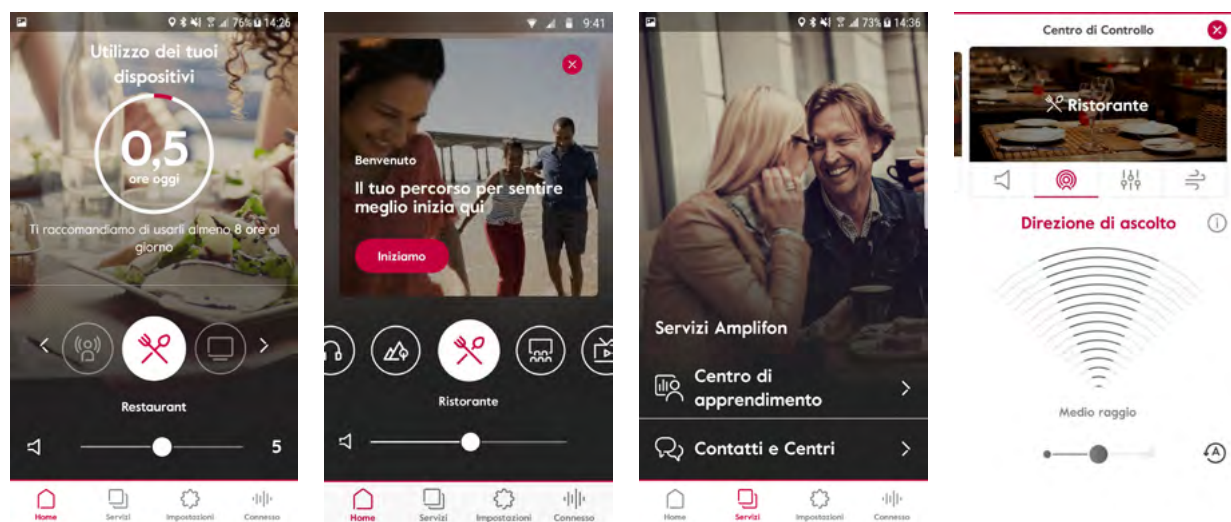
The ampli-energy devices are a perfect combination of practicality and style. No more changing batteries, the devices can be recharged using a charger and have up to 30 hours of battery life.

At the end of 2019, the adoption rate of the APL in Italy was equal to more than 90% of sales⁷, with connectivity and aesthetics being the preferred customer features. During the second quarter of 2019, the APL was launched in the Netherlands and in selected stores in Germany, while the roll-out in France and Australia took place in the third quarter. In the United States only the App was launched in July, to complete the offer of products that were already Miracle-Ear branded. The APL penetration rate varies from country to country depending on the specific situation and market structure. In fact, the APL's goal is to support the growth of the private and "paid-up" market through premium positioning and, therefore, as is currently the case in Italy, the APL will cover, in most cases, the private market rather than the social market.

7. Social market excluded.

➤ AMPLIFON MULTICHANNEL ECOSYSTEM

The second key element of the Amplifon Product Experience is the Amplifon multichannel ecosystem, which redefines the Amplifon experience throughout the customer journey (and therefore not only in the shop). Through its App, that represents the first touchpoint of the ecosystem, Amplifon provides customers with new differentiated and high added value services such as “find the nearest shop”, “book an appointment”, in addition to the remote control and the “Companion”⁸. The Amplifon Companion is an exclusive and customized service that guides consumers in order to maximize the effectiveness of their hearing solution, with personalized tips throughout the entire journey.



Moreover, the Amplifon App represents an enormous potential in terms of data: Amplifon can access information on the use of hearing aids and take advantage of it to create an increasingly personalized experience. At the end of 2019, the total penetration rate⁹ of the App is approximately 15% for the countries in scope.

Thanks to data collected in stores and from the virtual experience and by leveraging on an advanced data management system, Amplifon is able to build a map of behavior, purchase choices and to even estimate trends that may develop. This map guides the Company in the direction chosen by the customer, making their experience even more personalized and meaningful. This will naturally develop into a real e-health platform that will connect hearing care specialists to customers to carry out virtual appointments and remote fine-tuning of their hearing aids.

➤ AMPLIFON 360

Amplifon’s business model is based on listening to customers and understanding their needs in order to customize hearing solutions to their lifestyle, hearing profile, the sounds they hear every day and their aesthetic preferences. The Company offers exclusive, all-round, highly customized hearing care solutions and services, guiding people throughout their journey to rediscover all the emotions of sound. All along this journey, hearing care professionals are key figures, highly qualified and up to date on the most avant-garde technology, who carefully listen to, engage in dialogue with and accompany people on their journey to rediscovering a full hearing experience.

8. For further details, see the section “Product and service availability”.

9. Defined as the ratio between the number of users who actively use the App and the number of compatible hearing solutions sold.

Amplifon is able to establish a close collaboration between the hearing care specialist and every single individual thanks to Amplifon 360¹⁰, an innovative and exclusive protocol developed by the Company to assess the quality of hearing using state of the art methods and instruments. Made possible by key investments in innovative services, user-friendly technologies, which includes cutting edge instruments, and customer-oriented research, this experience increases customer involvement in the hearing assessment process, improving the analysis of each person's needs and lifestyle.

The path leading to the selection of a particular hearing solution is explained to customers on a step-by- step basis, supported by a front office IT system with a video interface shared by both the customer and the hearing care professional. The IT system and application protocol have been designed by Amplifon for two specific reasons:

1. to facilitate hearing care professionals in gaining a thorough comprehension of each customer's hearing needs;
2. to allow customers to understand the results of the various tests performed and, thus, their own hearing needs.

By following the new structured service protocol, and by drawing on their solid technical know-how and advanced communication skills, hearing care professionals ensure that people are confident about their selection of the most suitable solution and proceed to the purchase.

In 2019, the Amplifon 360 protocol obtained the approval of the Società Italiana di Audiologia e Foniatria (SIAF) (Italian Society of Audiology and Phoniatrics). The Italian experts have emphasized the benefits both for those who live with hearing loss and for health professionals. SIAF's approval follows the recent obtaining of the Italian patent, which certified Amplifon 360's uniqueness and innovation and demonstrated that the protocol constitutes an important evolution of the hearing aid fitting. The Amplifon 360 protocol focuses on the person so that the hearing solution best suited to each person's needs and lifestyle can be selected.

➤ **AMPLIFON 360 JOURNEY**

1 ➤ IDENTIFYING NEEDS

The hearing care professional identifies people's hearing needs, passions and habits by working together to create a personal profile through a simple yet effective interview.

2 ➤ ASSESSING PERCEPTION

Through targeted questions, the hearing care professional understands how each person perceives the quality of their own hearing in different environments and in different situations.

3 ➤ 360-DEGREE HEARING TEST

Thanks to advanced equipment and Amplifon's hearing care specialists' training, it is possible to carry out a full, in-depth check-up free of charge through a series of physical tests to evaluate the quality of hearing, noise tolerance, as well as word comprehension in quiet and in noisy environments.

4 ➤ SHARING RESULTS

After collecting all the necessary information, the results of the various tests are gathered together and compared with the person's initial perceptions in full transparency.

10. Present in most of the Countries where Amplifon operates.

5 > PERSONALIZED SOLUTIONS

Amplifon's experts suggest the most suitable solution. This is when the fitting takes place and the device is adjusted using computerized systems to bridge the gap towards the hearing profile outlined by the tests.

During the 30-day free trial period¹⁰, intermediate checks and hearing aid adjustments are carried out to perfect the selected solution. The Amplifon App¹¹ is a valid ally when adopting the solution as it provides personalized daily assistance.

6 > FOLLOW-UP & CONTINUOUS SUPPORT

Amplifon experts are always available to discuss the benefits obtained and the level of satisfaction with customers.

A successful journey is also the result of optimizing hearing aid settings. Amplifon 360, in fact, includes free assistance for an unlimited period of time, with periodic meetings to check, adjust and clean the devices. Each person lives in a real, protected ecosystem in which they can feel at ease and benefit from continuous support, also making use of the data and feedback from the Amplifon App.

7 > REPURCHASING

Hearing aids last four to five years on average. After this period, people are naturally keen to continue the relationship of trust established with Amplifon, repeating all the previous stages.

> CUSTOMER SATISFACTION

Customer satisfaction is one of the pillars of Amplifon's business model. Thanks to the constant investment in the selection and training of hearing care professionals and to the implementation of increasingly sophisticated protocols, communication, marketing and Customer Relationship Management systems, Amplifon is able to provide its customers with a vast range of innovative solutions, the highest professionalism and, therefore, a particularly positive experience.

To better understand customer expectations, and thus deliver an even more satisfying level of service, Amplifon has been working on a unique method to collect and manage customer feedback. This includes the development of a structured and standardized customer satisfaction survey in all key countries in which the Company operates, so that results are accurate and comparable.

The survey allows Amplifon to assess the satisfaction at five milestones along the customer journey: the first touchpoint, the purchase, the follow-up phase, the potential decision not to order or to buy and the entire after care phase. The survey is managed through several channels: paper questionnaire, call centers, e-mail and SMS.

Respondents are asked to use a 0-10-point scale to rate their overall customer experience with regard to the shop, services, client advisor, hearing care professional and, lastly, the product. The scale indicates the probability of recommending Amplifon to friends and relatives (international Net Promoter Score or NPS method).

In 2018, Amplifon launched a pilot project in Germany to measure customer satisfaction and the experience level offered. The new program, designed on a customer-centric basis, aims to conduct a more in-depth customer satisfaction analysis and in line with global best practices in terms of customer experience measurement. The goal is to go beyond simple NPS measurement by also taking into consideration customer's emotions, and thus observe different parameters in the various tou-

11. Multichannel ecosystem currently available in Italy, Germany, France, Australia, the Netherlands and the US.

chpoints along the customer journey. These insights, integrated with customer relationship analysis and management tools, will therefore enable this feedback to be leveraged in order to further improve the service and experience offered. This first pilot was successful and allowed Amplifon to refine the contact methodology and results management, so that in 2019 the program was extended to Italy and France and roll-out will continue in other key markets in 2020 and in the years to come. To support the achievement of the program's goals, Amplifon began to adopt an experience management technological platform that is among the most advanced and widespread on the market, considered as the leader in the main reports of industry analysts.

To guarantee a global and unique reading of customer satisfaction, the customer feedback from the markets covered by the new program has been supplemented and standardized in line with the feedback from the markets that make use of the former measurement program, which will be migrated to the new platform in the coming years. Therefore, the results and the performance along the customer journey confirm the outcome of the previous years, i.e., a great level of satisfaction with the experience by Amplifon's customers, including in relation to other industry benchmarks. In addition, this level of satisfaction is consistent at a global level, which is a positive indicator of the Company's efforts and investments to ensure a specific standard of service and experience to current and potential customers across different markets.

› CHAMPIONS OF SERVICE

In 2019, for the fifth year in a row, Amplifon was awarded the "Gold Seal for Service" in the hearing centers category, coming first in the ranking "Best in Italy - Champions of Service," with a Service Experience Score nine percentage points higher than industry average. The "Best in Italy – Champions of Service" survey, conducted by the German Institute for Quality and Finance in partnership with Goethe University in Frankfurt, is based on the assessment of around 230,000 consumers' opinions regarding more than 1,200 companies in Italy across 150 different sectors. The survey, which reached its sixth edition in 2019, represents the largest study in customer service in the country.



For the third consecutive year, Bay Audiology has won the Quality Service Award granted by Reader's Digest in the "Hearing Services" category. Market research is conducted by an independent agency that examines a representative sample of 1,500 New Zealanders, who must name a service provider for each category in which they have used at least one service. Respondents are then asked to classify their experience on listed companies based on customization, understanding of needs, simplicity and satisfaction.

In Spain, Amplifon won the award "Elegido Servicio de Atención al Cliente del año" according to a methodology that combines the mystery shopper technique and satisfaction surveys while Minisom in Portugal was awarded "Marca de Confiança" for four consecutive years by readers of Reader's Digest.

3.2 PRODUCT AND SERVICE AVAILABILITY

In addition to being fully committed to delivering the best service, Amplifon is also deeply engaged in helping people with hearing loss and their families overcome the obstacles that prevent them from seeking expert advice or help for their hearing. That is why Amplifon invests in expanding its distribution network, that allows the Company to be always close to people with hearing loss, making it easier for everyone, including people with reduced mobility, to reach out to quality hearing care. Starting from January 1st, 2019, the Company included the GAES Group, acquired in 2018, within its consolidation scope. This led to the addition of almost 600 stores to its distribution network, of which 500 are in Spain and the remaining 100 are in Latin American countries where Amplifon was previously not present (Argentina, Ecuador, Chile, Panama, Colombia and Mexico). Additionally, Amplifon is now present in China with about 45 points of sale. The Chinese market, in particular, represents a considerable opportunity to the Company, as it is a market characterized by low penetration that has a significant customer segment driven by service quality. In addition, Amplifon is seeking to reach people with hearing loss in rural areas, where population density is lower, through the shop-in-shops and corners, namely spaces that are managed directly by Amplifon, but placed in third party points of sale, such as pharmacies, opticians and medical clinics; in the main countries in which it operates, the Company also makes home visits to customers with impaired mobility who cannot physically come to a store.



Even though innovation allows new channels to be exploited to offer high added value services to customers, stores continue to be a significant component of the customer journey. For this reason, Amplifon places much importance on the experience in the store. For example, store windows and store interiors are designed to reduce as much as possible the anxiety elements that are typically associated with medical experiences, trying to put the customer at ease, with a resulting positive impact on accessibility. In this regard, in 2019 Amplifon started a project to analyze customers' in-store experience and draw insights on the areas the customer interacts with the most, to develop improvement actions.

On the other hand, digital communication channels are increasingly gaining prominence for Amplifon, which constantly seeks to involve influencers in addition to customers. Amplifon and other brands are now present on several digital channels: web, social media and mobile. To support the digital marketing strategy, a new cloud platform was adopted in 2019 that links online with offline experiences. The new platform allows for integrated interfacing with websites, apps, email, SMS, call centers and in-store interactions. At a global level, traffic on consumer sites in 2019 increased by +62% compared to the previous year.

Just as Amplifon's consumer websites allow customers and potential customers to easily use services such as the store locator, online booking of in-store appointments and online hearing tests, the Amplifon App also offers, in addition to these, a series of high added value services that enable customers to optimize the potential of their hearing solution and improve their experience. In particular, the App allows users to adjust the volume, change and customize programs, read the real time usage statistics of the hearing aid and use the advantages provided by the "Companion", a service developed by Amplifon which provides regular suggestions to customers on how to best use their hearing solution based on usage information and a proprietary artificial intelligence algorithm. During 2019, usability and accessibility were further improved with the introduction of embedded videos within the app and intuitive short-cuts and the calculation of the statistics of hearing aid usage was improved. In addition, one can now update the firmware of compatible hearing aid devices without visiting a store and reduce wind and noise interference.

3.3 CUSTOMER SAFETY

Amplifon continuously interacts with its stakeholders to guarantee and further improve customer safety in order to prevent any potential damage to clients, from the fitting phase to the daily use of the hearing aid, and to ensure full compliance with product and labeling regulatory requirements. Through industry associations, Amplifon's Regulatory Affairs Function is in contact with lawmakers, health agencies, and professional scientific bodies around the world, with the purpose of supporting customer safety and to ensure access to a quality audiological service. In addition to this, in 2019, Amplifon became part of the EHIMA – European Hearing Instrument Manufacturers Association, the aim of which is to monitor and promote uniform European-level regulations and procedures relating to the manufacturing of hearing aids and to guarantee that these regulations are updated in line with commercial and industrial developments, while always maintaining close relationships with consumers. Amplifon has not adopted a formalized customer safety policy at Group level because the mechanisms and procedures that are in place ensure efficient monitoring of this matter.

› PRODUCT SAFETY

As far as product safety is concerned, hearing aids manufacturers guarantee products are manufactured in compliance with all applicable directives, laws and regulations pertaining to the Countries where sales occur. They are also responsible for the multitude of tests to which hearing aids, as medical devices, are subject to, and which guarantee users' safety. Moreover, Amplifon provides a manual containing the safety instructions for the product's utilization and handling for each product category. All products have clear safety instruction and labeling on the package.

If there are concerns regarding the safety of hearing devices or related products sold in Amplifon stores, the Company requires suppliers to perform further analyses and can request third-party laboratories to assess the safety of products along with other technological or manufacturing issues. If, following these analyses, Amplifon customers' health and safety cannot be fully assured, the supplier is immediately asked to take action, as required by law.

Note that Amplifon has adopted a set of procedures that are necessary to comply with the New Medical Device Regulation (EU) 2017/745 (MDR), repealing Directive 93/42/EEC (MDD) that entered into force on May 25th, 2017, with a final deadline for full application from May 26th, 2020. The new regulation introduces obligations for the various economic players active in the medical device industry. More specifically for Amplifon, which is a distributor, the regulation has no substantial impact other than that of ensuring product traceability and that storage and transport are carried out in accordance with the conditions established by hearing aid manufacturers. This results in

having in place a series of procedures for managing relevant activities, such as complaint handling, labeling, and product recall and data management. To guarantee compliance with these procedures and the conditions that will be determined with the hearing aids manufacturers through Quality Agreements, a contact person has been appointed in each European country who is responsible for the supervision of the related activities, in time for the effective application of the Regulation. In 2019, Amplifon has already carried out training in most of the European countries involved regarding the procedures in question, which will be implemented in each country concerned by May 2020.

> SERVICE SAFETY

With regard to the service offered, in order to avoid risks to customers' safety that may occur in the fitting phase, Amplifon employs highly qualified hearing aid professionals and strongly invests in their training. In addition to that, all machinery and equipment that could have a potential impact on customer safety are subject to planned maintenance protocols with timing and methods defined by the manufacturers. The Company also has insurance in place for the rare instances in which incidents might occur.

The Amplifon App deserves a special mention as it was developed internally and the Company is directly responsible for it in terms of safety and quality. The Amplifon App has been awarded the CE mark and is consequently distributed in EU Countries as a medical device. The same Miracle-Ear branded App also got FDA approval to be launched in the US in 2019. To obtain the CE mark, Amplifon adapted its Quality Management System and satisfied the requirements of ISO 13485:2016. This entailed the adoption of a series of operational procedures, some of which aim at preventing and managing incidents. These include:

- "Standard Operating Procedures Advisory Notice and Recall", to provide instructions on the use and recall of medical devices;
- "Standard Operating Procedures Customer Feedback and Complaint Handling", for the management of feedback and complaints related to digital services;
- "Standard Operating Procedures Vigilance and Incident Reporting", to assess whether the malfunctions of medical devices need to be reported to the Competent Authority;
- "Standard Operating Procedure Corrective Action and Preventive Action Management", for the action management aimed at solving the problem and preventing it from recurring in the future.

Processes and suppliers involved in the development of the App were subject to an audit by a third party, which consequently confirmed their compliance with ISO 13485:2016. The certifying body also conducts annual audits in order to periodically verify the processes.

Lastly, as envisaged by the "Design and Development" procedure, the Amplifon App is subject to risk assessment to be conducted any time a new version of the App is released. Risk assessment consists of an evaluation of the risks for users resulting from the use of the App and certifies that there are no health and safety risks for the customer.

In recent years, the Company has not reported any case of product recall or non-compliance with regulations and voluntary codes concerning the safety of products and services offered. Only in 2017, two additional anomalies were reported with regard to the batteries used in the hearing aids purchased with respect to those indicated in 2016. As a result of these anomalies, the Company conducted further checks and investigations that confirmed the battery safety.

3.4 CUSTOMER PRIVACY AND DATA PROTECTION

Protecting customers' personal data is essential for maintaining trust, particularly as people grow increasingly concerned about their privacy and the security of their personal data. Factors that could potentially lead to information being lost or deleted or getting into the wrong hands include cyber threats and human error.

Amplifon has equipped itself, both at corporate and store level, with a series of management tools aimed at applying national regulation requirements regarding personal data protection in all countries of operation. The Legal Affairs function provides the necessary support to the entire Group in case of regulatory changes. What happened in 2017 is an example of this: the above-mentioned function supported the local management in the path towards compliance with the new EU Regulation 2016/679, namely the General Data Protection Regulation (GDPR), whose objective is to strengthen and harmonize data protection for all individuals within the European Union by introducing new provisions. In 2017, Amplifon carried out an analysis of compliance with both the EU Regulation and the local regulatory requirements on privacy, and defined a remediation plan to achieve full compliance with the Regulation. As a result, in 2018 the various necessary technical-organizational measures were implemented.

With regard to the App, consent for the processing of data for marketing and profiling purposes was updated in compliance with regulations, and the user can withdraw such consent at any time. For the launch of the Amplifon App in the United States, where the current regulations regarding personal data protection are different, Amplifon has been supported by professional consultants in the industry in order for the App to comply with the provisions of the Health Insurance Portability and Accountability Act.

Amplifon's hearing care professionals and shop personnel are trained to always handle sensitive data with special care and, in accordance with Amplifon's Code of Ethics, all information and data acquired or processed by employees in the course of their work cannot be divulged or used for other purposes.

Amplifon invests continuously in cyber security in order to protect the vast amount of sensitive customer information. The Company is adopting the main solutions and cloud applications for data management, while ensuring high performance and the highest levels of security available on the market. Amplifon has also selected a leading provider of cyber security, which manages security alerts in real time 24 hours a day every day of the year. In case of detection, a team of specialists takes action to block attack or intrusion attempts by following specific procedures, in order to avoid any risk of loss or theft of sensitive corporate and customer data. During 2019, the protection of all Amplifon personnel's computers was further enhanced by the introduction of advanced threat control tools that exploit artificial intelligence technologies; the incoming email control system of all employee personnel was also improved to prevent phishing attack attempts. Finally, multi-factor authentication (MFA) has been enabled to access back-office applications and systems, to be completed in 2020. Also in 2020, all employees will receive cyber security training to increase awareness of cyber risks and threats.

Amplifon's strong internal culture ensures employees understand the critical nature of privacy and security risks and are aware of how to manage them. Policies that regulate the correct use of IT systems by employees are also in place. For instance, the Company has implemented a "Responsible use of IT" policy that establishes specific standards for the use of IT systems and related equipment in order to ensure the highest level of security and protection of confidential data. The policy has been distributed to all General Managers, executives and employees in the various countries, and published on the Company Intranet.

To ensure the reliability of information provided online, Amplifon has implemented systems that send an alert in case of unauthorized access to the Company's pages on the main social networks. Every quarter, Amplifon distributes to the Leadership Team an IT security bulletin concerning threats and malware events, which summarizes the efficiency of its IT security systems.

In the 2016-2018 three-year period, there were no complaints about breaches of customer privacy reported by control and external bodies. The Company's prevention systems have operated successfully, ensuring the protection level required. The majority of malware attacks were blocked, with the exception of an isolated event involving Miracle-Ear in 2017, which however did not have any noteworthy adverse consequences. In 2018, there was a minor event in the Netherlands (a pc stolen from a store) which, despite its minor degree, required the activation of the procedure envisaged by the GDPR. This event did not have any relevant effects. No incidents were reported in 2019. Note that during 2020, disk encryption will be activated, especially for portable PCs, to protect against data theft in case of theft or loss of corporate devices.







WE ARE VALUING TALENT

WHO ARE WE LISTENING TO?

Our people, who make our customers' experience unique, every day.

WHAT DO WE GIVE BACK?

An effective and competent organization that shares our values and our mission.

PEOPLE EMPOWERMENT

4. PEOPLE EMPOWERMENT

4.1 ATTRACTION AND RETENTION OF KEY RESOURCES

> HR STRATEGY

Amplifon firmly believes that its people, regardless of the specific role played within the organization, are the most important asset and key to business success. Attracting, developing and retaining the best talents is therefore essential to the Company's sustainable growth.

The Sustainability Policy provides a high level of commitment with reference to "Attraction and retention of key resources" topic. Additionally, to implement such commitment Amplifon has adopted a global HR Strategy that defines objectives and guidelines relating to aspects linked to such topic. Indeed, in recent years the fast growth of the Company, both organically and through acquisitions, coupled with the desire to further strengthen its leadership position on the global hearing care market through technological innovation have made it necessary to define a global HR Strategy. The HR strategy helps the Company to address the challenges posed by an increasingly complex scenario and effectively contribute to the achievement of business targets, leveraging the professionalism and talent of all the people in whom the Company constantly invests. The HR strategy is based on the three pillars described below.



The Company's HR organization is structured to be coherent with this strategy. The corporate Centers of Excellence (CoE) are responsible for developing strategies, processes, policies and tools based on cutting-edge practices, providing end-to-end solutions to meet the various business needs. The HR Business Partners (HRBP) collaborate with the Company's leaders to drive business results through dedicated initiatives, ensuring deployment of HR processes and tools in the organization. More specifically, the regional/local HRBP are directly responsible for the resources within a specific region/country, regardless of the function to which the people belong, whilst the functional HRBP guide the HR agenda by department, ensuring consistency especially on talent management, organization design and functional competences. The Centers of Excellence and HRBPs interact constantly to guarantee the best support to the business and alignment with business targets at all organizational, functional and geographic levels. Finally, the People Services are dedicated to the employee experience and the perfect execution of all employee services.

In 2019, several important activities with a strong Group-level impact took place within the scope of each pillar of the HR Strategy. With reference to the High Performing Organization pillar, the back-office was aligned with the organizational blueprint designed in 2018. In particular, an analysis was carried out aiming at the precise identification of the responsibilities of the various roles and the set of skills and experience required to achieve roles of growing importance within the various corporate functions, outlining the ideal career path for success within the function. This activity promotes a common vision of Amplifon as “One Company” allowing employees to set goals, achieve corporate results faster, contribute to the overall performance of the business and drive the transformation of the Company while simultaneously increasing their skills and abilities, to support their professional path within the organization. Special focus has been put on the marketing area, where skills and hard innovation have emerged in recent years.

Within the scope of the People Excellence pillar, Amplifon is committed to ensuring the integration of its Leadership Model within the organization, that is a system able to shape the processes of human resource management, from selection to development, and from introduction of new recruits to the training of people. The Amplifon Leadership Model consists of six key leadership skills, each broken down with respect to the organizational reference level. During 2019, several HR processes were relaunched, such as the Performance Development Review and the talent assessment, redesigned to reflect the corporate culture in everyday work. In addition, to complete the annual global mapping of the populations’ skills and talents, the establishment of succession plans for key Corporate and local roles was also performed in order to anticipate future needs through targeted action plans.

Finally, with reference to the third pillar of the HR Strategy, Winning Culture, a strong effort was made in 2019 to establish a single strong Group identity – an identity of “One Company” – an issue of extreme importance for a company such as Amplifon, the growth of which depends largely on acquisitions. In the last two years, personnel have been involved in communication, engagement and change management activities to support the transformation and growth of the business. More specifically, an innovative change management program has been implemented in order to support the One Amplifon Transformation (see the explanation box for details). In addition, the new Employee Value Proposition was also launched, which describes the essence of Amplifon as an employer of choice (for more details see the section “Attracting valuable people”) and a new and unique Employee Engagement Survey was introduced.

› IAT - ONE AMPLIFON TRANSFORMATION

Since 2018, Amplifon has been engaged in a major global program - the One Amplifon Transformation - to standardize the operating model of all Countries where it operates, the finance, procurement and human capital management activities on the basis of three pillars: SIMPLIFY, INNOVATE and HARMONIZE. 1AT aims to simplify the way people work, harmonize operational processes within the Group and optimize decision-making through a single integrated global cloud platform. This project therefore envisages the total transformation of the major corporate back-office processes and systems: moving from many operating models to a global transversal model, which frees up employees’ time, so they can work on activities with higher added value while automating the easier ones.

The first module to start at the end of 2019 was on human resources management. The newest module provides a strategic tool for a global approach to Amplifon employees, harmonizing the Performance and Talent process across all geographical areas and offering innovative digital support to HR and reporting processes, aligning the organization with the trends and best practices on the market.

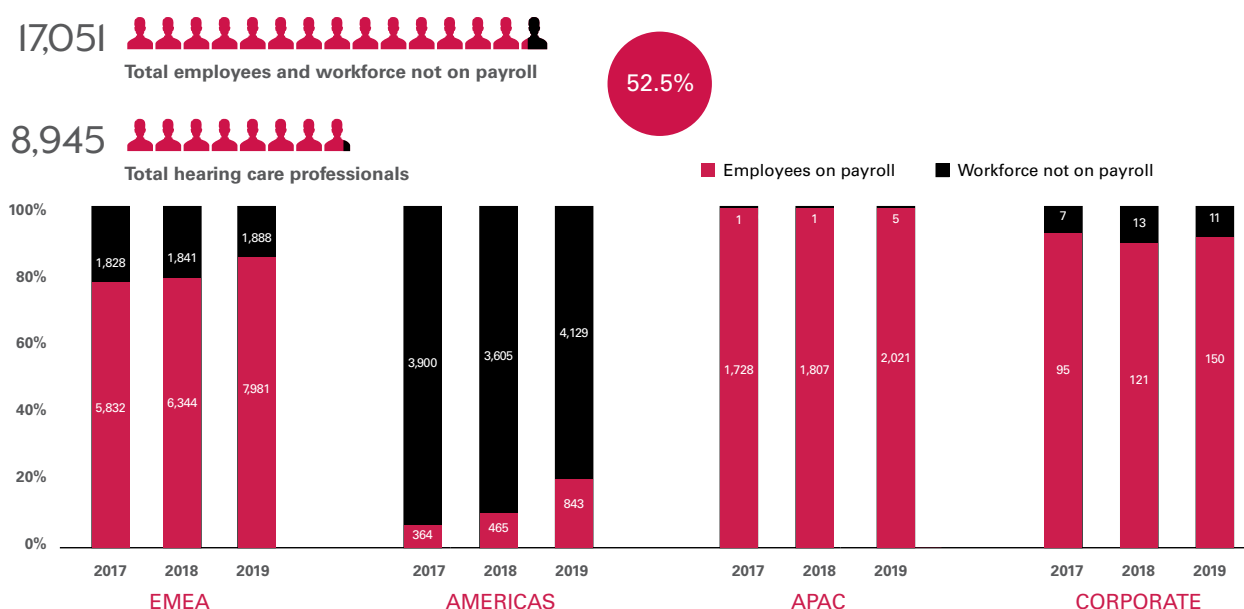
> AMPLIFON PEOPLE

As at December 31st, 2019, Amplifon's personnel is composed of 17,051 people (on payroll and not on payroll), up 20.1% from 2018. Of these, 10,995 are direct employees of Amplifon, a category that is also up 25.8%. The significant change from 2018 is due to the inclusion of the legal entities previously belonging to the GAES Group and the Chinese joint venture in the reporting perimeter.

In general terms, Amplifon's employees are divided into two macro-categories: the field force, or the sales force that operates within the points of sale located throughout the territory, and the back office, which primarily includes employees working in Marketing, IT, Finance, HR, Supply Chain, Legal, and Communication functions. The Company's personnel not on payroll mostly include franchisees, agents and "autogestori", while to a lesser extent they also include temporary workers and interns. Personnel not on payroll account for a significant proportion of the workforce of Americas, due to the fact that in the United States the Company operates through a franchising business model. Hearing care professionals represent the largest personnel category, or 52.5% of the total workforce.

AMPLIFON WORKFORCE: KEY FIGURES

Workforce worldwide



Out of the 10,995 Amplifon employees at the end of 2019, 71.4% are women, in line with the end of 2018. In particular, the percentage of women is higher among hearing care professionals and other shop personnel and they are progressively increasing at the top management level.

EMPLOYEES BY PROFESSIONAL CATEGORY AND GENDER

	2017		2018		2019	
Field force	N. employees	%	N. employees	%	N. employees	%
Totale field force	6,379	79.5%	7,071	80.9%	8,823	80.2%
Men	1,704	21.2%	1,831	21.0%	2,217	20.2%
Women	4,675	58.3%	5,240	60.0%	6,606	60.1%
HA specialists (qualified by law/certified)	3,097	38.6%	3,493	40.0%	4,802	43.7%
Men	1,173	14.6%	1,248	14.3%	1,557	14.2%
Women	1,924	24.0%	2,245	25.7%	3,245	29.5%
HA specialists (apprentices or equivalent)	411	5.1%	448	5.1%	489	4.4%
Men	153	1.9%	167	1.9%	182	1.7%
Women	258	3.2%	281	3.2%	307	2.8%
Other shop personnel	2,635	32.9%	2,890	33.1%	3,247	29.5%
Men	222	2.8%	264	3.0%	293	2.7%
Women	2,413	30.1%	2,626	30.1%	2,954	26.9%
Area managers	236	2.9%	240	2.7%	285	2.6%
Men	156	1.9%	152	1.7%	185	1.7%
Women	80	1.0%	88	1.0%	100	0.9%

	2017		2018		2019	
Support functions	N. employees	%	N. employees	%	N. employees	%
Total support functions	1,640	20.5%	1,666	19.1%	2,172	19.8%
Men	628	7.8%	661	7.6%	924	8.4%
Women	1,012	12.6%	1,005	11.5%	1,248	11.4%
Executives	-	-	10	0.1%	12	0.1%
Men	-	-	9	0.1%	11	0.1%
Women	-	-	1	0.0%	1	0.0%
Directors	-	-	110	1.3%	151	1.4%
Men	-	-	78	0.9%	107	1.0%
Women	-	-	32	0.4%	44	0.4%
Managers	-	-	311	3.6%	381	3.5%
Men	-	-	165	1.9%	196	1.8%
Women	-	-	146	1.7%	185	1.7%
Professionals	-	-	1,235	14.1%	1,628	14.8%
Men	-	-	409	4.7%	610	5.5%
Women	-	-	826	9.5%	1,018	9.3%

	2017		2018		2019	
Total employees	N. employees	%	N. employees	%	N. employees	%
Total men	2,332	29.1%	2,492	28.5%	3,141	28.6%
Total women	5,687	70.9%	6,245	71.5%	7,854	71.4%
Totale employees	8,019	100%	8,737	100%	10,995	100%

In terms of age, the 30-50 group makes up the majority of employees (55.4%). The under-30s and over-50s age groups account for 23.0% and 21.6%, respectively. The average age in the organization stands at 37.

EMPLOYEES BY PROFESSIONAL CATEGORIES AND AGE

	2017		2018		2019	
Field force	N. employees	%	N. employees	%	N. employees	%
Totale field force	6,379	79.5%	7,071	80.9%	8,823	80.2%
<30	1,856	23.1%	1,944	22.3%	2,170	19.7%
30-50	3,278	40.9%	3,609	41.3%	4,782	43.5%
>50	1,245	15.5%	1,518	17.4%	1,871	17.0%
HA specialists (qualified by law/certified))	3,097	38.6%	3,493	40.0%	4,802	43.7%
<30	1,061	13.2%	1,101	12.6%	1,341	12.2%
30-50	1,588	19.8%	1,848	21.2%	2,710	24.6%
>50	488	6.1%	544	6.2%	751	6.8%
HA Specialists (apprentices or equivalent)	411	5.1%	448	5.1%	489	4.4%
<30	278	3.5%	339	3.9%	342	3.1%
30-50	117	1.5%	94	1.1%	127	1.2%
>50	16	0.2%	15	0.2%	20	0.2%
Other shop personnel	2,635	32.9%	2,890	33.1%	3,247	29.5%
<30	499	6.2%	488	5.6%	479	4.4%
30-50	1,394	17.4%	1,496	17.1%	1,728	15.7%
>50	742	9.3%	906	10.4%	1,040	9.5%
Area managers	236	2.9%	240	2.7%	285	2.6%
<30	18	0.2%	16	0.2%	8	0.1%
30-50	179	2.2%	171	2.0%	217	2.0%
>50	39	0.5%	53	0.6%	60	0.5%

	2017		2018		2019	
Support functions	N. employees	%	N. employees	%	N. employees	%
Total support functions	1,640	20.5%	1,666	19.1%	2,172	19.8%
<30	338	4.2%	300	3.4%	362	3.3%
30-50	876	10.9%	976	11.2%	1,306	11.9%
>50	426	5.3%	390	4.5%	504	4.6%
Executives	-	-	10	0.1%	12	0.1%
<30	-	-	0	0.0%	0	0.0%
30-50	-	-	9	0.1%	10	0.1%
>50	-	-	1	0.0%	2	0.0%
Directors	-	-	110	1.3%	151	1.4%
<30	-	-	0	0.0%	0	0.0%
30-50	-	-	84	1.0%	120	1.1%
>50	-	-	26	0.3%	31	0.3%
Managers	-	-	311	3.6%	381	3.5%
<30	-	-	8	0.1%	12	0.1%
30-50	-	-	240	2.7%	291	2.6%
>50	-	-	63	0.7%	78	0.7%
Professionals	-	-	1,235	14.1%	1,628	14.8%
<30	-	-	292	3.3%	350	3.2%
30-50	-	-	643	7.4%	885	8.0%
>50	-	-	300	3.4%	393	3.6%

	2017		2018		2019	
Total employees	N. employees	%	N. employees	%	N. employees	%
Total <30	2,194	27.4%	2,244	25.7%	2,532	23.0%
Total 30-50	4,154	51.8%	4,585	52.5%	6,088	55.4%
Total >50	1,671	20.8%	1,908	21.8%	2,375	21.6%
Total employees	8,019	100%	8,737	100%	10,995	100.0%



Amplifon is keen to ensure and strengthen job stability and to make long-term investments in human capital. To this end, 89.9% of employees have permanent contracts. The Company also aims to meet its employees' personal needs by offering part-time work plans. In 2019, 29.2% of employees opted for this solution, slightly increasing compared to 2018.

EMPLOYEES BY TYPE OF CONTRACT OF EMPLOYMENT, GENDER AND AREA

	EMEA			AMERICAS			APAC			CORPORATE			GROUP		
N. employees	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Permanent contract	5,131	5,598	7,018	361	464	841	1,702	1,759	1,878	93	119	149	7,287	7,940	9,886
Men	1,481	1,568	1,947	106	120	228	480	484	534	55	70	89	2,122	2,242	2,798
Women	3,650	4,030	5,071	255	344	613	1,222	1,275	1,344	38	49	60	5,165	5,698	7,088
Fixed term contract	701	746	963	3	1	2	26	48	143	2	2	1	732	797	1,109
Men	202	241	328	1	1	2	7	6	13	0	2	0	210	250	343
Women	499	505	635	2	0	0	19	42	130	2	0	1	522	547	766
Total employees	5,832	6,344	7,981	364	465	843	1,728	1,807	2,021	95	121	150	8,019	8,737	10,995

EMPLOYEES BY TYPE OF EMPLOYMENT AND BY GENDER

N. employees	2017	2018	2019
Full-time	5,727	6,285	7,782
Men	2,059	2,242	2,726
Women	3,668	4,043	5,056
Part-time	2,292	2,452	3,213
Men	273	250	415
Women	2,019	2,202	2,798
Total employees	8,019	8,737	10,995

National and internal union relations are always positive and constructive and differ according to local regulations. Collective or equivalent employment contracts apply to all employees in France, Spain, Italy, Belgium and the Netherlands; these also partially apply to employees in Australia¹⁵ and Argentina. For the countries where there is no collective bargaining agreement in place, Amplifon establishes contract conditions directly with its employees, according to local best practices.

> ATTRACTING VALUABLE PEOPLE

Amplifon is committed to attracting people who believe in innovation and excellence and who are excited by the idea of working in a dynamic international environment. More specifically, as part of the People Excellence and Winning Culture pillars of the global HR strategy, Amplifon has developed a differentiated attraction and acquisition strategy for the two key populations, hearing care professionals and client advisors on the one hand, through whom Amplifon responds to the individual needs of its customers, and professionals and managers on the other, who allow the organization to develop and implement strategies for long-term growth. The goal of the attraction and acquisition strategy is to ensure a solid talent pipeline to support the future growth of the Company. For this reason, the strategy is defined at the Corporate level and is consequently implemented sequentially at local level to ensure a unique candidate experience in all the Countries where Amplifon operates.

With regard to attraction, the new Employee Value Proposition (EVP) was launched in 2019. The EVP describes Amplifon's essence as an employer and how the Company chooses to present itself to potential candidates with the aim of attracting and inserting the best talented individuals who are able to embrace the Company's values; it is a unique, real, and distinctive set of offerings and culture that represent Amplifon's people and their aspirations. Arising from suggestions collected from employees through interviews, a global survey involving more than 4,000 people, workshops and focus groups, as well as from external research, it describes Amplifon and what it is like to work at Amplifon. The "Make More Possible" employer brand line affirms that at Amplifon, it is possible to "achieve more" for the growth of the business and for one's personal and professional development. With regard to ambition, collaborative spirit and dedication, Amplifon is responding with more training hours, greater opportunities to be part of an international team and more dynamic career paths; it is a direct and courageous call to action, which is the essence of the Amplifon brand as an employer of choice: memorable, stimulating, and focused on the impact that Amplifon's people have in the world through their work. Finally, a distinctive feature is the possibility of combining stimulating work with the purpose of improving people's lives.

15. In Australia, collective or equivalent employment contracts apply only to call center personnel.



The attraction and acquisition strategy is conveyed through both physical and digital channels, in parallel to what also takes place in line with the customer experience path. For physical meetings with potential candidates, Amplifon meets with talented individuals at the local level through Career Days, by collaborating with universities for the preparation of Amplifon case studies to be submitted to students, by organizing dedicated workshops, by inviting university classes to its own HQ to introduce young people to corporate realities and by providing apprenticeships, internships and work/study programs in accordance with local regulations. More specifically, in 2019, in Italy alone, around 70 meetings were organized that were dedicated both to students of audiology as well as young people from other faculties interested in back office positions. Finally, special mention should be given to the global partnership with AIESEC, the largest student association in the world that has a network of more than 100,000 students coming from more than 2,400 universities, and the partnerships with prestigious universities such as Bocconi University, the Politecnico of Milan, the Mip-Politecnico of Milan School of Management, LUISS Guido Carli, and, finally, Cattolica del Sacro Cuore university.

In 2019, digital channels and “careers” pages that are used to promote the attractiveness of the Company and the industry to young people were repositioned to align their visual identity and content with the new EVP. The channels and careers pages are a fundamental tool through which Amplifon promotes itself and proposes the Group’s career opportunities: the careers pages are therefore also the vehicle through which candidates submit their applications on the new global Career site. In 2019, the 16 previously existing local Career sites were replaced by a single multinational, multi-brand and multilingual global platform that integrates the new EVP. The launch of the new global Career site is a further step toward creating a unique and compelling candidate experience around the world and increasingly affirming Amplifon’s position as an employer of choice.

	2017	2018	2019
LinkedIn followers of Amplifon’s pages and Group brand	~30,000	~50,000	~70,000
Facebook fans of Careers and Group brands	~20,000	~20,000	~20,000

› INVESTING IN EXCELLENCE

Amplifon dedicates considerable time and resources to training programs dedicated to its workforce, providing a wide range of learning and professional development opportunities to help employees realize their full potential.

The Company offers ad hoc training and development programs, both at regional and national level, in addition to the global ones. In so doing, Amplifon is able to meet local needs and requirements while, at the same time, enabling employees to benefit from the best practices shared across its global network. The online and in- person courses it offers to its Field Force and back office, with the support of individual coaching and mentoring sessions, focus on the soft and hard skills required to succeed as well as on leadership and innovative business skills. These include being able to offer the best customer experience and all the skills defined by the Amplifon Leadership Model.

In 2019, Amplifon invested in more than 322,000 training hours provided to its employees, an increase of 21.2% compared to 2018. The increase is mainly due to two reasons: the inclusion within the reporting scope of the legal entities belonging to the GAES Group acquired in 2018 as well as the Chinese joint venture and, on the other, the intensive training activities dedicated to the hearing care professionals and shop personnel due to the launch of the Amplifon Product Experience in certain countries. The table below details the total training hours and average hours delivered to each employee by professional category during the year.

AVERAGE TRAINING HOURS PER EMPLOYEE BY PROFESSIONAL CATEGORY

N. training hours	2017		2018		2019	
	Total training hours	Average training hours	Total training hours	Average training hours	Total training hours	Average training hours
HA specialists (qualified by law/certified)	128,859	41.6	112,005	32.1	156,919	32.7
HA specialists (apprentices or equivalent)	25,631	62.4	54,735	122.2	42,962	87.9
Other shop personnel	59,346	22.5	70,932	24.5	78,392	24.1
Area managers	8,482	35.9	8,542	35.6	6,480	22.7
Totale field force	222,318	34.9	246,213	34.8	284,753	32.3
Executives	-	-	160	16.0	195	16.3
Directors	-	-	1,672	15.2	2,547	16.9
Managers	-	-	5,224	16.8	7,293	19.1
Professionals	-	-	13,043	10.6	27,914	17.1
Total support functions	19,838	11.9	20,099	12.1	37,948	17.5
Total training hours to employees	242,156	30.2	266,313	30.5	322,701	29.3

Singapore data excluded.

It is estimated that training delivered to employees averages out at 30.2 hours and 29.0 hours respectively per man and per woman¹⁶; in 2018 it was 31.8 and 29.9. Training hours delivered to the whole workforce, and therefore including workforce not on payroll, was around 390,000 in 2019, increasing compared to the 340,000 hours provided in 2018.

Amplifon pays particular attention to its network of hearing care professionals by training them in cutting-edge protocols and innovative tools. In 2019, all the Amplifon hearing care professionals (employees as well as personnel not on payroll belonging to the network of franchisees and "auto-gestori") received a total of about 253,000 hours of training, or approximately 28.3 hours each, an increase in absolute terms but slightly lower in the average with respect to the 2018 (approximately 220,000 hours of training corresponding to 28.5 hours for each hearing care professional).

16. Data per gender not available; thus, the average has been calculated based on the proportion men/women with respect to the total population.

➤ LEADERSHIP DEVELOPMENT PROGRAMS

Amplifon is always keen to invest in the professional development of employees who demonstrate growth potential and the ability to cover key international positions. Amplifon offers a wide range of targeted training programs to these talented people, based on the position they hold, their seniority and their individual aspirations.

In 2019, Amplifon revised the proposal of the various existing Leadership Programs, revising their content and format so that they would be in line with the new HR processes, the Leadership Model and the Amplifon Employee Experience. LEAD the Future, LEAD the Way and RIDE the Change were therefore launched in collaboration with leading training institutions. LEAD the Future is the program for country General Managers as well as for the first CEO reporting line. It aims to consolidate a leadership vision and style to be shared amongst the key Group figures. On the other hand, the target of LEAD the Way includes country leadership teams and Corporate Directors with the aim of promoting strategic, cultural and leadership alignment. Finally, RIDE the Change is dedicated to young talented individuals employed in the back office and aims to enhance the culture of change and innovation through digital skills. In addition, the entire corporate population can access a catalogue of e-learning courses and local leadership courses are available.

2020 will see the introduction of a program dedicated to middle management to support the development of the skills of tomorrow's leaders selected on a global scale. In 2019, the fourth edition of Amplifon Global Onboarding (aGO) was launched. This is a program that aims to support the most promising new employees to lay a solid foundation for a successful career through understanding of Amplifon's strategy and its business model. Overall, the four Leadership Development programs that are currently active have a total of 107 participants in 2019.

➤ RIDE THE CHANGE

Twenty-one young employees from eight different countries participated in the first edition of RIDE the Change. In October, participants entered a training path that covered digital issues ranging from collaboration between remote teams to digital reputation and influencing. The whole event took place through a gamification platform. In November, the groups had to prepare proposals to introduce new innovative solutions in several areas of Amplifon's business and present their ideas to the other groups.

In the last part of the program, participants gathered in Dublin to attend a three-day event held at HubSpot, which was organized in collaboration with Digital Dictionary. The program, which was also focused on digital knowledge, included activities such as a hackathon and corporate visits to prestigious tech firms.

Thanks to such an intense and stimulating program, young talented individuals have been able to encounter new challenges and enhance their digital skills to apply them to their daily work and drive change in the Company.

› RECOGNITION AND REWARD

- Amplifon knows reward and recognition are key to attracting and retaining the best talent and is strongly committed to valuing the outstanding efforts and achievements of its workforce and driving a culture of continuous feedback. The Company also believes in pay for performance and in recognizing premium contribution in delivering both results and customer care. That is why the Amplifon remuneration policy is:
- closely focused and aligned to the Company's strategy;
- attractive, both globally and in local markets;
- transparent and linear;
- designed to motivate people to achieve their targets, which are always challenging, but fair and clearly communicated;
- inclusive of fixed and short and long-term variable components.

CAREER DEVELOPMENT

The experience offered by Amplifon must be unique for all resources. For this reason, the new people management program "You@Amplifon" was created, which supports employees in dealing with their various career path stages, including objectives, results, recognitions and assessment of achievements. You@Amplifon makes the rules of the game transparent to all employees, thus allowing them to play an active role. This allows an employee to set their own career path and internal mobility on a global scale, regulated by a Global Mobility policy that was formalized in 2019.

Amplifon's continued success depends on the ability of employees to maintain and drive the highest standards of performance in their roles, in line with business aims and objectives. Effective two-way communication with employees is key to creating a high-performance culture focused on identification of clear individual goals and a continuous performance management process. For this reason, employees and managers are encouraged to meet regularly throughout the year to ensure continuous feedback, guidance, direction and recognition. Amplifon assesses performance using transparent criteria in relation to the achievement of the objectives set together with one's manager and the continuous improvement of the skills outlined by the Leadership Model.

2019 saw the conclusion of the implementation of the Performance Development Review process for the back offices in all countries, with the exception of the Latin America, China and with partial application to Amplifon Iberica, affected by integration activities during the year. The process was redesigned in 2018 with the aim of ensuring the best employee experience across the Group. The Performance Development Review process is driven by a policy that was formalized at Group level and approved in July 2019. To assist employees in understanding the new process and tools available for their development, training sessions have been organized starting already in 2018. More specifically, the training aimed, on the one hand, to provide directors and managers with a clear understanding of their role in people's professional growth and, on the other, to provide professionals with strong awareness of the role they play in their own growth and development within Amplifon. In November 2018, a first training session was held to explain the main new features of the process, such as the impact of the integration of the Leadership Model, whilst the subsequent sessions have been devoted to explaining each key moment in the process when they occurred. The sessions organized in 2019 had as their focus, among other things, goal setting, the recognition system and feedback management during the assessment phase. Overall, more than 240 training sessions were held involving nearly 1,700 back office employees. Starting from 2020, the global performance Development Review system will also be available to field force personnel.

The performance review that was carried out in 2019 with respect to the achievement of the goals established in 2018 was affected by the implementation of the new process and by the introduction of the new IT support system: for these reasons, the new legal entities acquired at the end of 2018 are still in a transition phase and in 2019 did not take part in all or only partly took part in the performance review

process. Therefore, performance review data at Group level is lower than in previous years, as shown in the table below. In 2019, 73.0% of employees received a performance assessment, with regard to gender classification, 70.5% of women and 79.3% of men. It is expected that the process will be in full force by 2020 (with the exclusion of any new acquisitions), net of those cases that normally tend to fall outside the process (employees on maternity /paternity leave and, in some countries, such as Germany, apprentice hearing care professionals are assessed by their respective educational institutions, rather than by Amplifon).

PERCENTAGE OF EMPLOYEES RECEIVING A PERFORMANCE REVIEW ¹⁷

	2017		2018		2019	
	N. employees	%	N. employees	%	N. employees	%
HA specialists (qualified by law/certified)	3,036	98.0%	3,323	95.1%	3,272	68.1%
HA specialists (apprentices or equivalent)	186	45.3%	399	89.1%	231	47.2%
Other shop personnel	2,544	96.5%	2,765	95.7%	2,493	76.8%
Area managers	232	98.3%	227	94.6%	271	95.1%
Totale field force	5,998	94.0%	6,714	95.0%	6,267	71.0%
Executives	-	-	10	100.0%	11	91.7%
Directors	-	-	101	91.8%	124	82.1%
Managers	-	-	299	96.1%	321	84.3%
Professionals	-	-	1,174	95.1%	1,304	80.1%
Total Support functions	1,537	93.7%	1,584	95.1%	1,760	81.0%
Total employees	7,535	94.0%	8,298	95.0%	8,027	73.0%
Men	2,182	93.6%	2,403	96.4%	2,492	79.3%
Women	5,353	94.1%	5,895	94.4%	5,535	70.5%

Singapore data excluded.

AMPLIFON STOCK GRANT PLANS

Within the scope of its remuneration policy, Amplifon provides a stock-based incentive system in order to align the interests of management with those of shareholders and to reward its human capital.

Until 2018, the Company allocated rights to receive shares under the “New Performance Stock Grant Plan 2014-2021.” This plan included allocations not only to top managers, but to selected employees and hearing care professionals from all over the world who had performed best during the year. The following table summarizes the number of people who received grants under this plan in 2017 and 2018.

	2017	2018
Executive & senior managers	30	27
IKM ¹⁸	35	41
Talents ¹⁹	42	20
Sales manager & HA specialists	374	406
Total	481	494

In 2019 Amplifon introduced the new “Stock Grant Plan 2019-2025” incentive system. This plan provides for two categories of beneficiaries:

- Long-Term Incentive Plan (LTI) beneficiaries: this cluster includes managers who cover Group’s key positions at global, regional and local levels, identified by virtue of the band to which the organizational position belongs, within the scope of the Amplifon banding system.
- Amplifon Extraordinary Award Plan (AEA) beneficiaries: this cluster includes selected employees who are identified from year to year according to a retention, promotability and extraordinary recognition logic.

The following table summarizes the number of people who received grants under this plan in 2019.

¹⁷ Performance review is carried out based on the results reached in the previous year and consequently related figures are reported with the reporting period of this Non-financial statement.

¹⁸ IKMs (International Key Managers) cover around 100 similar positions in terms of business impact and international perimeter, and support the development and implementation of the Group strategic plans.

¹⁹ Talents are those individuals identified as such by means of the Group Talent Review process.

	2019
LTI beneficiaries	58
AEA beneficiaries	38
Total	96

BENEFITS

Amplifon guarantees its employees around the world a customized benefit package based on regulatory requirements and market best practices of each of the countries in which it operates. Every year the employee benefits offer is improved with the purpose, on the one hand, of exceeding local and international compliance requirements, positioning Amplifon as a fair employer for its people; on the other hand, employee benefits are considered a key lever in the Company's Total Reward Strategy, which is essential for increasing the ability to attract and retain talents.

For example, the flexible benefit program offered to Amplifon S.p.A.'s employees, which entails the assignment to each employee of an amount of points to be used to purchase goods and services from a wide selection (education, entertainment, personal services, etc.). In the US, Amplifon offers all permanent employees employed for at least 20 hours a week an Employee Benefits Policy which includes health insurance, additional cover for dental, eye and ear, nose and throat care, a flexible spending account to cover additional care costs of the person, life insurance, coverage of transportation costs to reach the company headquarters, an integrative pension plan and a psychological counselling service.

CHARLES HOLLAND AWARD

Amplifon recognizes outstanding performance not just of individuals but also store teams. Every year, Amplifon defines a number of prizes to be awarded at global level and divides them by country on the basis of local business scale. Amplifon's 5,000+ stores (including direct stores and the Miracle-Ear network) are then rigorously assessed and the best 50 stores across the Company worldwide are rewarded with the Charles Holland Award, the Company's highest recognition for excellence in store performance.



The prize is named after Amplifon's founder and, since its introduction, hundreds of stores have been awarded the prestigious trophy and have also been congratulated by the top management of the Company, in special international events held either in Milan (for the winners in EMEA and Americas) or Australia (for those based in the APAC region).

4.2 EMPLOYEES HEALTH AND SAFETY

Amplifon is committed to providing all employees with a safe workplace and views occupational health and safety as an essential component in fostering people's overall wellbeing. As Amplifon's business involves a low risk of injuries at work and considering the tools and procedures implemented to comply with local and regional regulations, to date Amplifon has not considered it necessary to formalize global policies on health and safety. Furthermore, the Code of Ethics promotes a culture of safety in the workplace. As stated above, a management system for health and safety at work has not been implemented at Group level, although specific organizational models have been set up in many countries in response to national safety regulations or standards. Employee health and safety is managed at operative level by local HR functions, in some cases with the support of external specialists.

Although there is no global management system in place, Amplifon adopts local processes to identify risks to employees' health and safety, in accordance with current regulations. The risks determined in this type of analysis mainly relate to the activities carried out within the shops and offices including secondary activities such as maintenance, and they are related to ergonomic aspects, handling of instruments, falling/slipping, electrical risk, fire and work-related stress. In the event of an accident at work, depending on the severity of the event, proper investigations are put in place with a view to identifying the cause and suitable precautions are taken to prevent such situations in the future.

In 2019 there were 103 injuries, of which only one was classified as serious (that is, such as to cause a long-term absence from work). It should be noted that the 103 injuries also include minor accidents, such as minor falls due to slipping or superficial cuts with office materials, which generally did not lead to sick days. No fatalities were recorded. As can be seen from the table below, the frequency rate of total work-related injuries is increasing due to the joint effect of the increase in the number of work-related injuries, also due to the expansion of the reporting scope, and a less proportional increase in hours worked. On the other hand, the frequency of high-consequence work-related-injuries has decreased as a result of the reduction in the number of injuries falling within this category and the increase in hours worked.

WORK-RELATED INJURY RATES

	2017	2018	2019
Number of high-consequence work-related injuries	1	3	1
Number of recordable work-related injuries	37	32	103
Total worked hours	12,965,720	13,874,309	16,795,749
Rate of high-consequence work-related injuries	0.08	0.22	0.06
Rate of recordable work-related injuries	2.85	2.31	6.13

Singapore data excluded. For details on how the rates are calculated, please refer to the Note on methodology.

In 2019, seven cases of work-related ill health were recorded (in 2018 they were five). Considering the extension of the reporting scope, this figure can be considered as stable. The cases recorded are mainly connected with employees suffering from work-related stress disorders.

In addition to monitoring work-related injuries and ill health, Amplifon guarantees training to its employees on health and safety at work, as envisaged by legislation. Training content mainly includes a description of the risks in the workplace, the specific safety procedures, acknowledgement of national regulations and the roles and responsibilities defined within the organization.

Finally, in some countries, Amplifon offers its employees special agreements granting access to private specialized medical services, as well as personal health promotion programs (for example, in Australia, Amplifon provides information initiatives against smoking, whereas in the US it gives advice on correct nutrition) and additional insurance directly included in the employment contract, in some cases, or available on demand at special rates.

amplifon





WE ARE CHANGING THE WAY HEARING CARE IS PERCEIVED

WHO ARE WE LISTENING TO?

Our communities and the younger generations, whose awareness on the value of hearing wellbeing we want to raise.

WHAT DO WE GIVE BACK?

Increased awareness on the importance of prevention to allow people to achieve their full potential in life.

COMMUNITY IMPACT

5. COMMUNITY IMPACT

5.1 AWARENESS AND EDUCATION

Amplifon's products and services have a high social impact on community worldwide. This is why the Company is deeply committed to raising awareness around hearing health, with the ultimate goal of reducing the severe consequences related to hearing impairment and maximizing the positive impact of prevention. People experiencing hearing loss wait an average of seven years before seeking professional hearing care, even though there is a serious risk of negative consequences for their quality of life. It is therefore essential that people are given the necessary tools and information to promptly identify and manage potential hearing loss. Even though a formalized policy on communication and prevention activities has not been developed at a Group level, the Corporate Communication Strategic Framework was prepared and shared with top management during 2019. It consists of five focus areas: Performance & Results, Hearing Care Leadership, Innovation & Digitalization, Global Top Employer and Purpose Driven Citizenship. The Strategic Corporate Press Book is the main "glocal" alignment tool for the development of communication content, being a reference point for countries with respect to all topics concerning the Company and its role in the market and society.

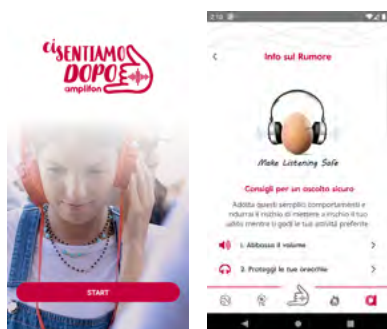
In addition to this, "We Care - Amplifon's Corporate Citizenship program" was launched. It gathers the Group's initiatives in favor of social inclusion and sustainability and supports the countries that implement them in order to enhance internal and external communication.

➤ AWARENESS AND PREVENTION ACTIVITIES

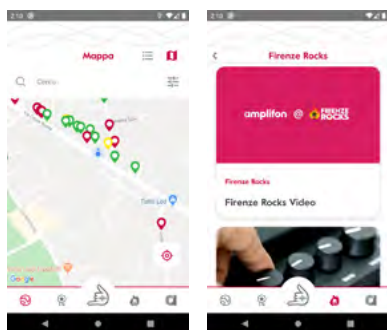
Amplifon is engaged in numerous prevention and information activities aimed at all age groups through targeted campaigns and communication initiatives, with an increasing focus on the younger generation. Estimates show that more than one billion people between the ages of 12 and 35 risk having hearing problems linked to noise exposure²⁰. The continuous use of headphones to listen to music on public transportation or on the street at increasingly louder levels in order to drown out the background noise must also not be underestimated. The little-known link between music that is too loud, and the risk of damage or early hearing loss lies at the heart of Amplifon's "Ci Sentiamo Dopo – Listen responsibly" [literally, "We'll talk later"] awareness and education project. In June 2019, Amplifon participated in Firenze Rocks to launch this project and to highlight the importance of safeguarding one's own hearing and listening to music responsibly, raising the awareness of thousands of young people and music lovers about the dangers that an incorrect use of music can hide for hearing wellbeing. During the music festival, 1,300 young people underwent a free hearing test and more than 200 latest generation hearing protection devices were distributed to dull noises that are too loud, without having to give up the experience of listening and having fun with others.

20. Source: World Health Organization.

“Ci Sentiamo Dopo – Listen responsibly” is a wide-ranging awareness and education project which aims to reach young people through several activation channels; it also represents a model that can be exported to other countries where Amplifon operates, a possibility that the Company is currently assessing. For the beginning of the 2019-2020 school year, the project was also introduced to Italian schools involving about 20,000 young people from more than 800 classes to promote the importance of hearing wellbeing. In Italian classrooms noise levels can reach 70 decibels²¹ and 6.4% of Italian schools are built near sources of noise pollution²². It makes great sense, therefore, to start educating about hearing health in the classroom. Workshops with experts with different backgrounds and areas of expertise, as well as a gamification kit, allow students to explore sounds of the past and the future. The educational path also calls for citizen journalism: thanks to an online platform and to the “Ci Sentiamo Dopo” app, the students are invited to record the levels of noise in the environment and create an interactive map of Italy’s soundscapes using the noise tracker of the dedicated app – which has been developed by Otohub, a start-up acquired by Amplifon in 2019. The results will be shared with local and national representatives during International Noise Awareness Day (April 2020).



The exhibition Play!, a project dedicated to the theme of playing organized in the first months of 2020 at the Triennale di Milano for which Amplifon is a Hearing Experience Partner, will be the first event in which infant and junior school children involved in the project “Ci Sentiamo Dopo” will be able to test the noise tracker. At the heart of the project is the OooOoO installation, a skatepark that is animated by electronic mu-sic. Skating instructors, accompanied by responsible listening guides and with the help of the app, will involve participants in an interactive experiential session. Playing and music will be accompanied by moments of information and education regarding responsible listening.



Generally speaking, raising awareness among young people around hearing care is also monitored on social networks, where Amplifon has developed an effective communication strategy dedicated to them to disseminate prevention tips and “information pills”. In addition to this, to mark World Hearing Day held every year in March, Amplifon launches dedicated awareness campaigns on its social media pages, to amplify the messages conveyed by the World Health Organization on problems linked to hearing and untreated hearing loss.

Amplifon is also committed to helping overcome the psychological obstacles and prejudices that prevent people with hearing loss from rediscovering the pleasures of hearing. To this end, Amplifon carries out targeted campaigns in all its proprietary communication channels with the aim of communicating the joy of a life full of sounds. In 2018, Amplifon Italy launched “Amplifon Smile”, an advocacy program involving Company clients taking on the role as spokespersons and telling their experience to help overcome individual and social barriers related to ageing, fighting stigma and facilitating the adoption of hearing solutions. In 2019, the program was also extended to the Netherlands and Portugal.

Amplifon awareness campaigns also target the so-called influencers (families and friends of people with hearing loss). Understanding what happens when loved ones show the first signs of hearing loss can help influencers to communicate better with them and look for assistance to improve their interaction with the world around them. Amplifon has an entire section of its websites dedicated to influencers, which it uses to provide information on how to identify family members or friends who may be experiencing hearing difficulties.

21. Source: Progetto De.C.I.So - Deaf Children: Improvement of classroom Sound quality; 2014.

22. Source: Ecosistema scuola. XIX report by Legambiente on the quality of school buildings, structures and services.

Psychological barriers are indeed still a strong obstacle to hearing care. For instance, 7.3 million Italians suffer from hearing problems, that is, 12% of the population. Despite this, only 29.5% of them use a hearing aid. Amplifon has therefore decided to launch an experimental research project to investigate the role of language in the evolution of stereotypes concerning hearing loss and accessibility to solutions for hearing care. The project provides for the analysis of neurophysiological parameters and implicit cognitive correlates, and is conducted together with the Department of Social Psychology at the Università Cattolica di Milano [Catholic University of Milan] with a multidisciplinary team of linguists and psychologists coordinated by the start-up Diversity & Inclusion Speaking. Amplifon aims to create a platform for an in-depth study of this phenomenon, to understand how a more conscious use of language can help to treat a condition that in Italy is destined to grow by 55% in the next 30 years, eventually affecting 11 million people.

Amplifon has also joined the ecosystem project "Ambizione Italia per l'Inclusione e l'Accessibilità" ('Ambition Italy for Inclusion and Accessibility'), launched by Microsoft Italy for World Human Rights Day. The initiative translates into a strategic alliance with corporations, institutions and associations that work together to develop new projects to support accessibility and inclusion in daily life and in corporations, leveraging new technologies such as Artificial Intelligence and Cloud Computing.

> **AMPLIFON CENTRE FOR RESEARCH AND STUDIES**

As part of its efforts to raise awareness of hearing health, Amplifon strives to disseminate correct information based on clinical evidence. Thanks to the training courses and activities sponsored by the Amplifon Centre for Research and Studies (CRS), the Company contributes to spreading the culture of progress and innovation in audiology and otology within the medical and scientific community.

The Centre for Research and Studies was founded by Algernon Charles Holland in 1971 to use the Company's investments and resources for development, research and training in audiology and otology. Born in Italy and currently active in Spain and France too, the CRS has always aimed to contribute to the development and sharing of scientific knowledge in collaboration with universities and national and foreign scientific entities. Since its inception, in Italy alone, it has organized more than 700 scientific courses and conferences.

By means of the acquisition of the GAES Group, Amplifon has also been able to further enhance its training and information activities toward the medical community in Spain, thanks to the Centro de Estudios e Investigación GAES (CEIG) [GAES Center for Studies and Research] founded in 1999. Similar to the CRS, the CEIG aims to spread the culture of progress and innovation in audiology and otology to the medical and scientific community through publications and monographs on topics of scientific interest that are developed by industry specialists, as well as through programs, scholarships, congresses and refresher seminars. In 2019 alone, the CEIG promoted more than 300 events.

TRAINING ACTIVITIES

National and international courses provide an important opportunity for in-depth study of hearing health issues, audiological services and prevention. Each year, the CRS Scientific Board suggests the most current topics in audiology and otolaryngology, which are then discussed and studied in-depth in an interactive manner within the sponsored courses. The International CRS Congress is now customary. It has long been a point of reference for the medical-specialist community in Italy and beyond, and enjoys the participation of world-famous speakers. Specifically, in 2019, there were two courses "abroad": in Berlin there was a discussion of "borderline" ear nose and throat (ENT) diseases in the neurology, neurosurgery, and ophthalmology fields, to highlight how disorders involving the ear, nose and throat affect numerous medical and surgical specialties; on the other hand, in Marrakesh, the discussion was about the most recent innovations in the areas of audiology and phoniatrics.

The CRS also contributes to the professional development of doctors and audiologists practicing in Italy: in collaboration with several universities, it sponsors a calendar of local ENT training courses each year. In 2019 the CRS promoted twelve training events held by prestigious national experts in the country; the topics ranged

from the assessment of hearing aids benefit, to oncology of the head-neck area, to endoscopic surgery of the paranasal sinuses. The common denominator was the presentation and discussion of clinical cases, which led to the sharing of the best clinical intervention protocols. For 2020, the CRS also plans to develop, in partnership with Italian post-graduate schools, a training offer to be dedicated to young people specializing in ENT, Audiology and Phoniatrics.

CONGRESS PARTICIPATION

Again in 2019, the CRS participated in the National Congress of the Italian Society of Otolaryngology and Cervico-Facial Surgery (SIO). In honor of the event, by means of an equity crowd funding activity, €5,000 were raised for the Italian Alzheimer Federation. The goal was to support a project for the care and assistance of people suffering from this pathology, which is strongly correlated with hearing loss. In recent years, in fact, the close relationship between hearing loss and other pathologies, such as cognitive decline, frailty, depression, and diabetes, which have obvious repercussions on a person's quality of life, is increasingly gaining attention in scientific debates. In this regard, the CRS is committing itself to disseminating clinical evidence of the positive effects that hearing care has on social inclusiveness, the retention of cognitive resources and postural stability, in parallel with what Amplifon does for the community in general.

These matters were also discussed in the National Congress of the Italian Society of Audiology and Phoniatrics (SIAF), in which the CRS participated by organizing a multidisciplinary symposium entitled "Hearing Loss in the XXI Century: the Right to Feel Good." Speakers at the event were an audiologist doctor, an Amplifon hearing care professional and a psychiatrist, who addressed the topic of hearing loss and the quality of life from different angles.

SCHOLARSHIPS

Since 2016, CRS Italia has offered doctors specializing in otorhinolaryngology and audiology scholarships worth €7,000, for the purpose of financing international research projects related to hearing. To ensure impartiality, the allocation of the scholarships is made by the CRS Scientific Board based on anonymous material. In 2019, the two winning projects were the following:

- "The role of synapse degeneration between internal hair cells (IHC) and Type I neurons in the pathophysiology of hidden hearing loss;"
- "New perspectives for the clinical and surgical management of malformations of the inner ear"

PUBLICATIONS

In 2018 and 2019 the CRS and Amplifon published two scientific monographs respectively: "Vertigo and Balance Disorders in Children" and "Diagnosis and Treatment of Respiratory Sleep Disorders." 2020 will see the scheduled release of the volume "Verbal Intelligibility Tests in Noise: Critical Review," which saw the involvement of Italian and French authors. Through the CRS, Amplifon also participates directly in the preparation and dissemination of scientific publications and the publication of consensus papers, or short scientific studies written for the general public.

To further support the training of specialists, CRS Amplifon also offers access to one of the richest private libraries in audiology and otorhinolaryngology, including the most authoritative international journals of the industry; consultation is available by appointment.

Furthermore, the CRS, with the collaboration of an international panel of Amplifon specialists, also regularly analyzes the most current scientific papers in order to write up short reports and critical reviews of the industry literature. Arising from this joint work is the quarterly CRS Scientific Journal, compiled in English and shared with all the countries of the Group. Much informative content is also available on the CRS website, which also serves as a communication channel for all the activities promoted by the institution.

5.2 CONTRIBUTION TO COMMUNITY WELLBEING

In line with its core expertise and strengths, Amplifon is deeply committed to improving the access of the most vulnerable communities to hearing care and to sharing knowledge, resources and best practices on hearing services and solutions around the world. Amplifon is also committed to fund-raising and volunteer work with the aim of returning value to the communities in which it operates.

Although these initiatives are currently not coordinated by a policy at a Group level, the Sustainability Policy approved in 2018 formalizes Amplifon's commitment in this area. In addition, since 2018, the Company has started to gather greater information in relation to the social initiatives carried out in various Countries to analyze their social impact and to prepare common guidelines, such as, for example, the Giving Policy, which will be implemented in 2020, and will define the areas of action to which the Company resources must be dedicated when making donations and cause-related marketing initiatives.

Finally, in line with the goals of the "We Care" Corporate Citizenship program, from 2020 onwards Amplifon will support the Amplifon Foundation Onlus, a completely independent legal entity that works to enable individuals to achieve their full potential in life through social inclusion, by means of economic support and corporate volunteering initiatives. At the same time, Amplifon will continue to provide its support and expertise to the Miracle-Ear Foundation and the Fundación GAES Solidaria.

➤ AMPLIFON FOUNDATION ONLUS

The Amplifon Foundation is the corporate foundation created by Amplifon at the beginning of 2020, for its seventieth anniversary, to return value to the community and consolidate its social commitment. The Amplifon Foundation works to empower people to achieve their full potential in life through social inclusion. The operational strategy was conceived with regard to Amplifon's values and primarily around the value of "empowering people". Its strategy was designed to leverage three key elements: i) Amplifon's experience and expertise, ii) the know-how of the Amplifon Centre for Research and Studies and iii) the work of other foundations that are active in other countries. The Amplifon Foundation wishes to become a reference point for the implementation and financing of projects that are relevant to local communities in Italy and abroad, in line with its goals.

➤ MIRACLE-EAR FOUNDATION

The various social programs of the Miracle-Ear Foundation are supported both by direct shops and franchisees belonging to the Miracle-Ear network. Established in 1990, the aim of the former Miracle-Ear Children's Foundation was to empower and enhance the life experience of underserved children suffering from hearing loss in North America, by giving them the possibility of hearing again. Re-established as the "Miracle-Ear Foundation" in 2012, with the aim of serving a larger part of the community, the Foundation now provides hearing aids, follow-up care, and educational resources to those who do not have sufficient financial resources to meet their hearing health needs.

Through the Gift of Sound™ program, the Miracle-Ear Foundation donates hearing aids and provides free services to people and families in need. Moreover, another program that owes much to the contribution of Amplifon's customers is the Hear Again™ hearing aid recycling program, through which Miracle-Ear customers donate their no longer used hearing aids for recycling or reconditioning. Finally, The One Day Without Sound™ awareness campaign has become a keystone of the Foundation's prevention program. This event, which takes place in May with the Better Hearing and

Speech Month, is dedicated to helping individuals understand the difficulties of living with hearing loss, which is a particularly daunting challenge at school and in the workplace. During the One Day Without Sound™ campaign, participants are asked to wear earplugs to simulate a hearing deficit and directly experience what it is like to live without hearing.

➤ FUNDACIÓN GAES SOLIDARIA

GAES Solidaria, established in 1996 and consolidated as a foundation in 2018, is a project that unites employees, managers, collaborators and customers with a common goal: to fill the lives of those who need it most with sounds, music, communication and happiness. The GAES Solidaria Foundation's mission is to provide opportunities to people with hearing loss and without financial resources, so that they can develop language and communication skills, by means of developing local and international hearing care projects. In addition, the Foundation extends GAES Solidaria's original lines of action through the GAES Solidaria Foundation's awards allocated to the medical community which promotes research related to hearing disorders. In addition, it is also a way of raising public awareness regarding the importance of hearing health care as a basic element of wellbeing.



More than 800 employees voluntarily donate €1 of their monthly salary, which GAES doubles, to carry out a solidarity project, and many of them also contribute their skills by volunteering for certain initiatives. For example, some of the supported projects provide for the performance of hearing tests for children and adults in less developed areas of the world, such as India, Morocco, Burundi, Cape Verde and Mozambique. In 2019 more than 1,600 free hearing tests were performed on as many people thanks to these projects, to the work of volunteers and to the collaboration with several organizations. Some of these people have also benefited from hearing aids that were reconditioned and applied by volunteers. In fact, GAES Solidaria has a “bank of hearing aids” donated by customers, which are re-examined and reconditioned to find renewed utility in less developed countries. During the initiatives performed in 2019, more than 370 fittings with donated hearing aids were carried out.

➤ OTHER SOCIAL INITIATIVES

The Miracle-Ear Foundation and Fundación GAES Solidaria are important entities to which Amplifon dedicates its economic support as well as competencies through employee volunteering. However, there are many other initiatives carried out at local level, some of which are recurring and have been going on for several years, while others are more random. The recurring initiatives include the “Free to Ear Samoa” program, supported by Bay Audiology in New Zealand and “Amplicœur” by Amplifon France (for more information, see the dedicated box).

Among the random initiatives, collaborations are in place with local associations or NGOs to make a contribution towards facilitating access to hearing care rather than performing free hearing tests. For example, Amplifon Switzerland supported a digitization project promoted by a local school that follows the learning of children with hearing loss, while Minisom, in collaboration with a non-profit organization, sent a hearing care professional to perform free hearing tests and fittings on the islands of São Tomé and Príncipe.

> NEW ZEALAND: “FREE TO EAR SAMOA” PROGRAM

Bay Audiology has been striving to help the Samoan population gain access to hearing care through the “Free to Ear Samoa” program since 2016. In Samoa, in fact, there are no qualified hearing care professionals and access to ENTs is very limited, which means that many of those suffering from hearing difficulties fail to receive the necessary care. Therefore, every year, a team of Bay Audiology goes to Samoa for three days in order to provide free audiological services.

In 2019, the team of Bay Audiology performed 215 free aspiration and 180 fitting with donated hearing aids.



> FRANCE: AMPLICŒUR

Since 2002, Amplifon France has collaborated with Les Enfants Sourds du Cambodge, a non-profit organization that takes care of children suffering from hearing disabilities in Asia.

Each year Amplifon donates €15,000 in order to finance audiologic material and hearing aids for marginalized children suffering from hearing loss as well as the necessary training to local personnel. Amplifon’s customers also contribute to the initiative by donating their no-longer-used hearing aids, which, upon reconditioning, have enabled many children to discover the joy of hearing.



Values

Annual Report 2017 | Amplifon at a glance



We empower our people to think freely, perform and succeed, working together to make a lasting difference.



We take accountability for setting and delivering the highest standards of quality, and never give up.



We do well by doing good, acting with true integrity, and showing respect to everyone, every time.



**WE ARE OPERATING
IN FULL COMPLIANCE
WITH THE HIGHEST
STANDARDS**

WHO ARE WE LISTENING TO?

The regulatory framework in which we operate and, above all, our values of ethics and integrity.

WHAT DO WE GIVE BACK?

Operations that abide to the laws and the highest moral and ethical standards, actively working to prevent any unethical behavior.



ETHICAL BEHAVIOUR

6. ETHICAL BEHAVIOR

6.1 REGULATORY FRAMEWORK

Amplifon operates in the healthcare sector, where regulations differ from country to country and from one area of the industry to another. The most relevant areas to Amplifon are:

- hearing aids;
- professionals entitled to select, fit and sell hearing solutions;
- reimbursement conditions.

Amplifon has implemented a series of measures to ensure its ability to promptly react to potential changes in regulations. Through the establishment of the Regulatory Affairs function, Amplifon aims to reduce the impact of any unfavorable changes and maximize the benefits of favorable ones. Specifically, the Regulatory Affairs function has the following aims:

- developing and maintaining continuous monitoring of regulatory changes and their impacts in all countries where the Company operates;
- defining responsibilities (locally or centrally) for managing current or potential issues;
- developing, with the support of outside experts, action plans to resolve issues at corporate or local level, monitoring their implementation;
- developing and coordinating the strategy to interact with institutions and actively participating in debates, associations and international conferences in order to make the voice of the sector heard.

In order to efficiently monitor the regulatory framework, the Regulatory Affairs function is centralized; consequently, at Corporate level, it defines guidelines and priorities, ensures alignment of communication with regard to the issues under its responsibility and maintains control over any action plans implemented. The Corporate function is supported by figures at regional and country level that monitor the local context and operational implementation of the action plans directly.

> HEARING AIDS

Hearing aids are considered medical devices in all the markets where Amplifon operates, given they are aimed at compensating for a disability. Therefore, the devices sold must comply with several different national and international regulations on product standards, packaging and labelling requirements. The national regulations of the main countries in which Amplifon operates are illustrated below.

EU COUNTRIES: on 25 May 2017, the European Medical Directive 2017/745 entered into force, repealing Directive 93/42/EEC. The new Directive keeps the classification of hearing aids as “class IIa - low-medium risk devices”. In order to sell a hearing aid in the European Union market, the CE marking, which stands for “Conformité Européenne” and literally means “European Conformity”, must be attached to the device confirming that the product meets the essential requirements of all relevant European Medical Device Directives. Accordingly, the European Medical Directive 2017/745 further strengthens the concept of the hearing aid as a medical device, distinguishing it from the Personal Sound Amplification Products (PSAPs).

US: hearing devices are regulated by the Food and Drug Administration (FDA) and are classified as Class I medical devices, while wireless hearing aids are Class II. Both categories can be introduced into the market without pre-market approval (PMA), under an exemption in accordance with the 510(k) approval process. The FDA requires that information and instructions about hearing aids must be provided by a licensed hearing care professional to customers before any purchase.

In August 2017, the Over-the-Counter Hearing Aid Act, which was bundled as part of the Medical Device User Fee Amendments package and the FDA Reauthorization Act, passed into law. The new legislation provides that the FDA introduces a separate category of hearing aids approved for over-the-counter (OTC) sales to adults aged 18 and above with mild-to-moderate hearing loss without seeking treatment by a health professional. The FDA has three years from the adoption of the law to effectively apply the new regulation and set specific guidelines regarding safety standards, labelling and other technical requirements for OTC hearing aids. Only after this definition by the FDA can OTCs be introduced to market. Therefore, 2018 and 2019 were years of waiting, during which the hearing care industry acquired greater awareness. In particular, the American Academy of Audiology (AAA), the Academy of Doctor of Audiology (ADA), the American Speech-Language Hearing Association (ASHA) and the International Hearing Society (IHS) pro-posed recommendations to the FDA through a consensus paper, calling for an adequate balance between “safety and effectiveness” and access to hearing care. The bill is expected to be published by August 2020; after this, a period of public consultation will follow, which will in turn be followed by the time it takes for the FDA to review and evaluate the comments received. Other technical activities will also be required before the law actually enters into force, which is expected by the end of 2020. It is therefore estimated that the actual implementation will not occur until the end of 2020/ beginning of 2021.

AUSTRALIA: the Therapeutic Goods Administration (TGA) is the competent authority for hearing aids which are considered medical devices and as such must be registered in the Australian Register of Therapeutic Goods (ARTG) database before entering the Australian market.

➤ HEARING AIDS AND PERSONAL SOUND AMPLIFICATION PRODUCTS (PSAP)

Hearing aids are medical devices subject to strict safety controls and are intended to improve hearing for individuals with hearing loss. In order to prevent potential hearing damage, hearing aids are customized according to individual needs and set up to ensure improvement in the perception of sounds within a safety threshold.

Personal sound amplification products (PSAPs) amplify sounds, but do not compensate hearing loss and are not medical devices. Unlike hearing aids, PSAPs are not fitted by a hearing care professional and do not require professional advice to be purchased. They may also breach the safety threshold of 150 dB in output and are thus potentially harmful to hearing. For these very reasons, they cannot be sold to correct hearing loss. There are a variety of inner ear issues that only a hearing care professional or ENT can properly identify and address. As some of these may cause temporary or permanent hearing damage, bypassing professional hearing care can be risky and might lead to further hearing-related problems.

➤ PROFESSIONALS LICENSED TO SELECT, FIT AND SELL HEARING SOLUTIONS

EU COUNTRIES: in order to ensure people's safety, the European Medical Device Directive dictates that only professionals entitled under relevant national regulations can select, fit, sell and conduct immediate and ongoing inspections of the effectiveness of hearing solutions. The profession of hearing care specialist is therefore regulated in most EU Countries. The regulations of member states require different qualifications and education and assign different responsibilities to such professionals. In 2018, the Board of Health Technicians in Medical Radiology and Technical, Rehabilitation and Prevention Professions was established in Italy, which includes the creation of the Register of Hearing Care Technicians. This new body will therefore enhance and affirm the professionalism of hearing care specialists, consequently benefiting citizens and customers.

US: in the current regulatory scenario, the FDA requires hearing aids to be dispensed only by licensed individuals, such as audiologists or hearing aid dispensers. People older than 18 do not require a medical examination by an ENT to determine the cause of their hearing loss, whereas for underage hearing aid users, a medical evaluation is required prior to dispensing hearing devices. As mentioned above, the FDA Reauthorization Act has introduced an OTC category to address mild-to-moderate hearing loss that will be available over-the-counter. Without consultation, involvement or intervention of a hearing care professional or licensed dispenser. The FDA is responsible for the decision-making process for creation and introduction of the OTC category of hearing aids by the end of 2019 or more likely during 2021.

AUSTRALIA: in order to be accredited by the Office of Hearing Services (the office responsible for managing and administering the Australian Government Hearing Services Program), hearing care professionals and audiometrists need to be members of an approved Australian professional body. Hearing care professionals hold university qualification (Master of Clinical Audiology), while audiometrists attend courses provided by Technical And Further Education (TAFE) colleges. As far as the private market is concerned, there is no specific regulations regarding requirements for hearing aid dispensers. Nevertheless, in Australia, Amplifon only employs hearing care professionals or audiometrists that are members of an Australian professional body.

➤ REIMBURSEMENT CONDITIONS

The reimbursement conditions for hearing aids and related services differ according to the national health systems of the countries where Amplifon operates. The possible reimbursement conditions are as follows:

- national health systems offering hearing aids free of charge to everyone (such as in the UK);
- national health systems offering partial to full reimbursement to eligible people having a certain level of hearing loss (such as in France and Italy);
- national health systems not offering reimbursement (such as Spain and the USA, with the exception of the Veterans Association).

Amplifon is committed to promoting efficient reimbursement systems and preventing unnecessary waste in all countries where it operates. The Company is engaged in roundtable discussions with health agencies and regulators to find a good balance between guaranteeing access to hearing care and maintaining economic sustainability of national health systems. In fact, public reimbursements can lead to greater penetration, but only if they allow customers freedom of choice and give them the opportunity to supplement the reimbursement with their own money, they actually support a higher penetration rate, as well as better satisfaction and wellbeing.

The new system known as “reste à charge zéro” envisages, at the end of its implementation in 2021, the offer of solutions fully reimbursed by social assistance and by supplementary health insurance (so-called *mutuelles*). Today the majority of the French population does not have access to a fully reimbursed product and service. For the purposes of the new regulation, hearing aids are divided into two categories: the first category (Class I) includes hearing aids that will be fully covered by social assistance and supplementary health insurance; the second category (Class II) includes the remaining hearing solutions, which can be purchased at any price freely by the consumer through a “top-up” mechanism on the reimbursed portion. In addition, the reform establishes that the minimum hearing loss threshold for reimbursement eligibility is 30 dB and that the claim for reimbursement and guarantee can be renewed every four years. Lastly, a prescription by an ENT is required for the initial purchase only, after which the renewal can be made by a general practitioner as well. These provisions should therefore facilitate access to hearing care, while confirming customers’ freedom of choice, giving them greater purchasing power, and the importance of the role of the hearing care professional, responsible for evaluation, selection and customization of the right hearing solution. 2019 saw the gradual introduction of the new system, which will reach full implementation by 2021.

6.2 ANTI-CORRUPTION

Amplifon is strongly committed to carrying out fair, correct, honest and ethical business worldwide, in accordance with the laws and regulations in force in all countries in which it operates. The Company has zero tolerance towards corruption and provides specific rules for preventing and managing any corruption risks that may arise in conducting business transactions. Amplifon’s people are required to operate in compliance with applicable anti-corruption laws and be aware of the Company values, standards and principles.

On July 26th, 2017, Amplifon’s Board of Directors approved the Group Anti-corruption Policy, intended to ensure whether daily activities are carried out ethically, protecting value creation and the core values on which Company’s activities are founded.

The provisions and guidelines contained in the Policy are inspired by the Company’s culture and the behavioral principles set out in the Code of Ethics and have been developed by analyzing the activities that could potentially expose Amplifon to corruption risk. They promote the highest standards in all business dealings, the performance of activities based on loyalty, fairness, transparency, honesty and integrity, and they provide specific rules for preventing, detecting and managing corruption risks.

The Group Risk & Compliance function is in charge of facilitating the dissemination and respect of the Policy, by means of communication, training and, subsequently, audit activities.

Following its approval, the Anti-corruption Policy was formally announced in 2017 and was the subject of training sessions for each of the three regions in which all General Managers and selected key managers took part. In 2018, the Group Risk & Compliance function rolled out the program for effective implementation of the Policy within the Group. Feedback was initially collected from the countries in order to assess the local scenarios with respect to the guidelines provided by the Policy and thus define an implementation approach. Countries were subsequently asked to complete a readiness assessment survey to facilitate a comprehensive analysis of areas at risk of corruption and the relative preventive control measures and, where necessary, to draw up projects to implement the guidelines. In 2019, the Group’s status, as resulting from the “readiness assessment survey” was shared with the “focal point” (the people responsible for the implementation of the at local level) during a work and training session. Current difficulties and priorities were addressed, and com-

pliance targets to be achieved were validated. Starting from 2020, following the completion of the Policy implementation program, some “compliance audits” will be planned on a recurring basis. In addition, in the first part of the year, the Group Whistleblowing Policy will be approved and, at the same time, the reporting channels will be activated to allow all employees and third parties to report any behavior that is deviant or otherwise non-compliant with the Policy, or laws and regulations, in full privacy and confidentiality. Note that a whistleblowing system is already in place in Italy, as envisaged by the Organizational Model.

It is important to note that, in addition to the Group’s Anti-Corruption Policy, Amplifon:

- has defined a Code of Ethics, which has been distributed in all countries in which it operates and prohibits corruption practices, illegitimate favors, collusive behavior and undue pressure exerted directly and/or through third parties. All Amplifon’s subsidiaries, stores and business partners must respect the Code of Ethics. During 2019, the Code of Ethics was updated with the introduction of a specific section on the prohibition of offering, directly or indirectly, money, gifts or benefits of any nature to managers, officials or employees of public or private entities, in order to obtain undue advantages. During the first part of 2020, it will again be updated to align it with the values expressed by the Company’s Corporate Culture;
- the Internal Organizational Model was adopted in Italy pursuant to the Italian Legislative decree no. 231/2001, which regulates sensitive activities through control protocols and specific procedures for activities entailing relationships with the medical community;
- a function to coordinate relationships with the medical community, with a view to disseminating information and providing professional and scientific support was created in key European countries.

During the 2017-2019 three-year period, there was no case of corruption, testifying to the effectiveness of the prevention systems in place and the solidity of the company’s corporate culture.

6.3 BUSINESS ETHICS AND FAIR COMPETITION

Amplifon is strongly committed to ensuring ethical behavior. The entire workforce is expected to uphold the high standards set out in the Company’s Code of Ethics. To this end, a coherent culture plays a central role in addressing behaviors and tackling unexpected events in a transparent and shared manner.

➤ THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Creating value always implies taking risks and managing uncertainty. In a constantly evolving business environment characterized by volatile and unstable market conditions, risk management is even more important and requires organizations to identify risks and take advantage of opportunities.

Risk management is an ongoing activity which, based on the initial identification and assessment of the events that could negatively impact the ability of the Company and its subsidiaries to reach targets (particularly strategic goals), includes the definition of which steps to be taken to respond to the risk, implementation and subsequent updates which take place at least once a year at a Group level. Risk management allows for better informed business decisions, reduces the gaps between actual results and objectives and, lastly, nurtures a competitive advantage.

This activity is supported by the Group Risk & Compliance function and involves the Group's top management, the heads of the three regions, all country General Managers and their local management teams.

The following table shows the internal risk annual identification process that, by means of specific activities and analysis, identifies the main risks from a Group perspective, to verify the consistency between the risk identification and the strategy (whenever there is coherence, risk management leads to "assurance" on the accomplishment of strategic objectives), and to facilitate risk management also at local level.

RISK ASSESSMENT PROCESS

COUNTRY LEVEL

Country function phase: at least three risks for each of the Company's functions are identified, described, assessed and managed. **Main contributor is the new function manager**



Country phase: the top five risks at country level are selected among the functional ones. **The contributor is the management team under the responsibility of the General Manager**



CORPORATE LEVEL

Corporate function phase: at least three risks for each of the Company's functions are identified, described, assessed and managed. **Main contributor are the heads of the corporate functions**

GROUP LEVEL

The top risks at Group level are selected among the country and corporates ones. **The contributor is the CEO supported by the Group Risk & Compliance Officer.**

The Group Risks Map is presented to the Risk, Control and Sustainability Committee and to the Board of Directors, as envisaged by the Corporate Governance Code issued by the Corporate Governance Committee of the Italian Stock Exchange.

The Group risks identified as the most important are subject to in-depth examination with the managers for the country (or countries) in question, in order to gain a more complete understanding of the underlying dynamics, the mitigation measures and the potential quantitative impacts. These risks are also subject to monitoring during the year.

The internal control system also consists of the set of rules, procedures and organizational structures designed to ensure, through proper identification, assessment, management and monitoring of primary risks, the following:

- safeguarding of corporate assets;
- efficiency and efficacy of corporate operations;
- reliability of financial information;
- compliance with laws and regulations.

In 2019, the Board of Directors, also based on the contribution of the Risk, Control and Sustainability Committee and as recommended by the Corporate Governance Code, expressed an opinion on the adequacy, efficiency and actual functioning of the internal control and risk management system.

➤ **COMPETITIVE BEHAVIOR AND RESPONSIBLE MARKETING**

The Company faces competition from various domestic and multinational companies offering hearing aids, including specialty, non-specialty (such as optical chains or pharmacies) and online players. Amplifon responds to competition by continually monitoring market changes and focusing its investment in differentiating its services and new acquisitions, always within a framework of fair competition. The Legal Affairs function is responsible for ensuring that the Company's competitive behavior takes place in accordance with ethical principles and applicable laws.

Responsible and reliable communication with customers is another key aspect of Amplifon's business ethics in order to prevent any risk of non-compliance with existing legislative regulations as well as any damage to reputation. During 2019, the Legal department, in collaboration with Corporate Marketing, developed a policy at Group level that will be implemented from 2020. This policy provides that any marketing content, from television campaigns to brochures, is to be subjected to legal review so as to ensure its compliance with local regulations related to the advertisement of medical devices and advertising communication. In any case, the Company's Code of Ethics dictates that all employees directly in contact with customers must provide accurate and comprehensive information regarding products and services, as well as clearly explain the information provided in advertising campaigns or elsewhere, so that customers are able to make informed decisions. Moreover, in 2017, Amplifon selected a single creative agency and media partner for all its EMEA campaigns, in order to align its marketing, advertising and communication strategies and thereby raise its brand awareness with a greater efficiency.

In the three-year period, 2017-2019, Amplifon has not received significant reports regarding commercial communication, nor has it been involved in any relevant legal action regarding unfair competition practices, thus testifying to the solid corporate culture that is respectful of the market in which it operates.

6.4 ENERGY EFFICIENCY AND WASTE MANAGEMENT

Despite being a service company rather than an industrial one, Amplifon is conscious of environmental issues and the challenges posed by climate change. The Company realizes that, for any forward-looking corporate responsibility strategy to be effective, it must encompass environmental footprint assessment activities intended to ensure the utmost environmental respect. Although specific Group policies on environmental issues are not in place, Amplifon continued to monitor the both the countries' central headquarters and the direct stores environmental performance. In 2019, more specifically, the Group focused on the inclusion of environmental data of the legal entities that were previously part of the GAES Group and the Chinese joint venture, with the aim of giving its stakeholders a more complete view of their impacts. Amplifon's commitment to these issues, defined in the Group Sustainability Policy, formalized in 2018, was further enhanced by the "We Care" Corporate Citizenship Program which launched certain waste reduction pilot schemes in the headquarters of the major countries in which Amplifon operates based on the voluntary adherence of each single country. With the goal of raising awareness among employees regarding environmental sustainability, local initiatives have been put in place to promote the reduction of food waste and the use of disposable plastic as well as the responsible use of printers.

In line with the previous year, heating/cooling systems and lighting at headquarters and direct shops make up the majority of energy consumption. As for electricity consumption for headquarters, in 2019 consumption was equal to 19,410 GJ - of which 38% certified as coming from renewable energy sources -, an increase of 43% compared to the 13,587 GJ of 2018. Direct shops contributed a further 92,910 GJ, an increase of about 26% compared to the 73,572 GJ in 2018, also in this case recording a significant contribution from the share of electricity certified as coming from renewable energy sources. These increases are mainly due to the acquisition of the headquarters and direct stores of the legal entities previously belonging to the GAES Group and to the consolidation of the Chinese joint venture, which, together to the bolt-on acquisitions made during the year, added around 700 points of sale to the distribution network, an increase of around 83,000 square meters to the total area compared to 2018, or an increase that is proportional to the one registered in electricity consumption. Similarly, the increase in electricity purchased from renewable sources is the result of the GAES contribution for Spain, whose electricity is fully covered by Certificates of Origin.

In 2019, Amplifon continued to monitor fuel consumption related to the heating of the direct shops network. For 2019, total consumption was equal to 18,884 GJ, mainly due to the consumption of natural gas (94%) and, to a lesser extent, to the consumption of burning oil. As regards natural gas, more specifically, in 2019 there was a decrease in consumption, both by the direct stores network (-17%) as well as in the various headquarters (-49%), the latter mainly attributable to the renovation of the Italian headquarters and to the change of headquarters in the United States. Finally, also the consumption of diesel and petrol related to the Group's fleet substantially increased compared to 2018.

ENERGY CONSUMPTION WITHIN THE ORGANIZATION (GJ)

	HEADQUARTERS			DIRECT STORES		
	2017	2018	2019	2017	2018	2019
Direct energy consumption from non-renewable sources	57,467	59,709	68,123	-	22,367	18,884
Natural gas	7,888	7,933	4,052	-	21,320	17,757
Burning oil	102	103	120	-	1,047	1,127
Diesel (car fleet – HQs only)	39,003	38,462	43,948	-	-	-
Petrol (car fleet – HQs only)	10,474	13,211	20,004	-	-	-
Indirect energy consumption	13,258	13,967	24,617	70,981	73,572	93,011
Purchased electricity from renewable sources	1,268	1,221	7,370	-	14,513	37,114
Purchased electricity from non-renewable sources	11,614	12,366	12,040	70,981	59,059	55,846
District heating	376	380	5,207	-	-	50
Total energy consumption	70,725	73,676	92,740	70,981	95,940	111,894

For details on energy consumption calculation, please refer to the Notes on methodology.

The Company is also striving to understand its carbon footprint by keeping track of direct and indirect emissions associated with fuel consumption for the Company's car fleet, refrigerant gas for cooling systems, energy consumption (electricity and heating) and business travels. As regards the emissions associated with the electricity purchased, the table below shows the values calculated using both the Location-based and the Market-based method, as required by the GRI Standards. The first reflects the average intensity of the emissions related to the networks from which the energy is supplied, while the second shows the emissions related to electricity that the Company has decided to purchase. Finally, emissions related to corporate air travel recorded a significant increase compared to 2018, mainly based on a better tracking of this information at Group level, guaranteed by the adoption of a single travel provider. From 2019, this information is further monitored by differentiating the different flight classes, i.e., by distinguishing between flights in Economy, Premium Economy, Business and First Class, for which different emission factors have been applied. In addition to this, note that the increase in emissions is also linked to the increase in air travel, due to the dual effect of the presence of several expats in the Group and the growth in size of the Company.

In fact, the consolidation of GAES (around 600 points of sale) and the Company's M&A activity during the year led to an increase of around 83,000 square meters to the total area of both direct stores and headquarters compared to 2018, which proportionally increases emissions.

GREENHOUSE GAS EMISSIONS

Scope I (Direct emissions – tons of CO ₂ e)	2017	2018	2019
From fuels used for the car fleet	4,006	4,085	4,736
From fuels used for heating in the headquarters	390	410	229
From fuels used for heating in the direct stores	-	1,154	1,043
From refrigerant gas used for cooling systems in the headquarters and the direct stores	230*	531	271
Total	4,626	6,180	6,279

* 2017 refers to refrigerant gas in the headquarters only

Scope II (Indirect emissions – tons of CO ₂ e)	2017	2018	2019
From electricity purchased for the headquarters (Location-based)	1,546	1,598	2,063
From electricity purchased for the headquarters (Market-based)	1,686	1,709	1,732
From electricity purchased for direct stores (Location-based)	6,822	6,901	8,550
From electricity purchased for direct stores (Market-based)	8,168	5,615	4,983
From district heating for the headquarters	21	20	255
From district heating for direct stores	-	-	2
Total (Location-based)	8,390	8,519	10,870
Total (Market-based)	9,875	7,343	6,972

Scope III (Other indirect emissions – tons of CO ₂)	2017	2018	2019
Business travels by airplane	1,930	1,941	4,624
Business travels by train	84	90	115
Business travels by car (hiring)	109	126	131
Total	2,123	2,157	4,871

Even though in 2019 Amplifon did not consider waste a material topic, the Group continued to monitor its management in the various headquarters in order to assess possible reduction strategies. With regard to the disposal method, which is strongly linked to local waste management systems, Amplifon sends over 75% of hazardous waste and 59% of non-hazardous waste to recycling. The remaining part is sent mostly to landfill. It should also be noted that the increase in waste for 2019 is mostly due to the inclusion of GAES in the data collection.

WASTE PRODUCTION WITHIN THE HEADQUARTERS (KG)²³

	2017	2018	2019
Hazardous waste	13,983	67,544	43,146
Non-hazardous waste	124,790	150,615	333,301

23. Data related to the German headquarter estimated since 2018. Data related to the headquarter in Poland is not available.



NOTE ON METHODOLOGY

The Consolidated Non-Financial Statement of Amplifon Group represents its response to the Italian Legislative decree No. 254 of December 30th, 2016 concerning the communication of non-financial and diversity information on five areas: environmental, social, anti-corruption and anti-bribery, relating to personnel and respect for human rights. More specifically, the document shows Amplifon's performance on the non-financial material aspects both for the Group and for its stakeholders (for further information: Section 1.2 Materiality analysis). The document has been drafted according to the GRI Standards, edited by the Global Reporting Initiative (GRI) in 2016. Based on the current reporting level of the General Standard Disclosures, the Management Approach and the Specific Standard Disclosures associated with the material aspects, the level of compliance with GRI Standards is "In accordance - Core option". It should also be noted that, as regards the GRI 403 Topic (Occupational Health and Safety), Amplifon has adopted the most updated version released in 2018 by the GRI.

› SCOPE OF REPORTING

This consolidated Non-Financial Statement, which includes the description of the main initiatives undertaken in 2019 (calendar year) as well as the deviation of the main KPIs compared to previous years, represents the third edition published by Amplifon (the fourth one in sustainability reporting, considering the 2016 Sustainability Report). This document also includes initiatives carried out in previous years, but with outcomes in 2019, and events of particular interest for 2020 already known at the date of closing of this Statement.

The reporting scope, in compliance with the requirements of Legislative decree no. 254/2016, coincides with that of the Consolidated Financial Statement that fully includes the consolidated Companies in the financial reporting scope at December 31st, 2019, except for the following Companies:

- Makstone Isitme Ürünleri Perakende Satış A.Ş. (Turkey), as not previously included in the reporting scope and in any case sold during 2019;
- Otohüb S.r.l. (Italy), amount of staff and revenues that do not impact the understanding of the Group's socio-environmental impacts;
- Amplifon Cell (Malta), amount of staff and revenues do not impact the understanding of the Group's socio-environmental impacts;

It should also be noted that NHanCe Hearing Care LLP (India), Amplifon South America Holding LTDA (Brazil), Amplifon Rete (Italy), Otohüb Australasia (Australia) and Otohüb Trust (Australia) are not relevant for the purposes of this Statement given they are legal entities in liquidation, which are non-operative or to which neither employees nor structures such as offices or points of sale are associated.

These exclusions are not relevant, for the reasons mentioned above, to understand the Company's activities, its performance, its results and the impact it produces.

The reporting scope is consistent with the contents above, except for some data, where specific limitations are explicitly reported in the text. No significant changes in Company ownership were registered in the scope and reporting period considered, net of the acquisitions made during the year which do not fall within the scope of this document for 2018, as previously indicated.

For greater clarity and to facilitate comparison, the aspects defined by the GRI Standards have been reconciled with the areas of intervention of the Decree, reporting for each of them the relative perimeter and possible limitations.

GRI aspect	Link with decree n. 254/2016	ASPECT BOUNDARY		LIMITATION OF ASPECT BOUNDARY	
		Inside	Outside	Inside	Outside ⁵
Anti-competitive Behavior	Social aspects	Group	-	-	-
Socioeconomic compliance	Social aspects	Group	-	-	-
Customer Health and Safety	Social aspects	Group	Hearing aid manufacturers; franchisees; corporate shops on commission basis	-	Partially covered for manufacturers
Customer Privacy	Social aspects	Group	-	-	-
Economic Performance	Social aspects	Group	-	-	-
Marketing Communications	Social aspects	Group	-	-	-
Product and Service Labeling	Social aspects	Group	Manufacturers	-	Not covered for franchisees
Public Policy	Social aspects	Group	-	-	-
Employment	Personnel management	Group	Franchisees; corporate shops on commission basis	-	Nessuna copertura per i franchisee
Training and Education	Personnel management	Group	Franchisees; corporate shops on commission basis	Singapore ¹ excluded from reporting	Singapore ¹ excluded from reporting
Occupational Health and Safety	Anti-corruption	Group	Hearing aid manufacturer; franchisees; corporate shops on commission basis	Singapore ¹ excluded from reporting Germany ² e The Netherlands ³ partially excluded from reporting	Not covered for manufacturers and workforce not on payroll. Singapore ¹ excluded from reporting
Anti-corruption	Environmental aspects	Gruppo	-	-	-
Environmental Compliance	Environmental aspects	Gruppo	-	-	-
Energy	Environmental aspects	Gruppo	Hearing aid manufacturer; franchisees; corporate shops on commission basis	Egitto ⁴ excluded from reporting	Not covered for manufacturers and indirect stores

¹ Amplifon Asia Pacific Pte Limited.

² Amplifon Deutschland GmbH, Focus Hören AG, Focus Hören Deutschland GmbH, Egger Hörgeräte + Gehörschutz GmbH Kempten, Egger Hörgeräte + Gehörschutz Oberstdorf GmbH, Egger Hörgeräte + Gehörschutz GmbH, Amberg.

³ Amplifon Nederland BV, Auditech BV, Electro Medical Instruments BV, Beter Horen BV, Amplifon Customer Care Service BV.

⁴ Amplifon Middle East SAE.

⁵ The limitations of aspect boundary regarding the Outside perimeter are due to limited access to third-party information.

The contents referring to the outside boundary in the previous table are qualitative aspects useful for understanding the scope of the business with reference to its main stakeholders, but do not provide quantitative data that fall within the scope of consolidation. Furthermore, the limitations on reporting with respect to the inside boundary do not compromise the representativeness of the results compared to the requirements of Legislative decree no. 254/2016.

QUALITY ASSURANCE PRINCIPLES FOR THE NON-FINANCIAL STATEMENT

This document highlights Amplifon's strengths and weaknesses, as well as its prospects for improvement. Data was collected with the objective of giving a balanced and clear picture of the Company's actions and characteristics. The information and quantitative data collection process is structured in such a way as to guarantee that data can be compared over years, in order to enable an accurate and complete overview of Amplifon's performance to all stakeholders.

The limit assurance engagement of this consolidated Non-Financial Statement has been entrusted to KPMG S.p.A., the Auditor of the Amplifon Group, whose limited audit report is available on p. 105.

› REPORTING PROCESS AND CALCULATION CRITERIA

The definition of the content of the 2019 consolidated Non-Financial Statement involved all the key Company functions, who worked in close collaboration and under the coordination of the Investor Relations team.

The performance indicators were collected on an annual basis and the reporting frequency is annual. More specifically, reported data were selected on the basis of the materiality analysis (for details: Section 1.2 Materiality analysis) and gathered according to a process of data and information collection, aggregation and communication at Group level, tracked in a specific non-financial reporting manual aimed at standardizing the process of non-financial data collection.

It should also be noted that, as a result of the transition to the 2018 version of the GRI Disclosure 403 related to Occupational Health and Safety, the 2017 data have been recalculated to allow comparability over the period.

As for the calculation criteria:

- conservative estimates were used where environmental data is not available. More specifically, with regard to direct consumption by direct stores, whenever data was not available at the time the document was finished, the consumption has been estimated based on the average consumption of other stores in the same country, weighted, whenever possible, in proportion to the area of the store analyzed;
- data on electricity from renewable sources include self-produced energy from renewable sources, if any, and the energy purchased from the network and certified as coming from renewable sources according to the instruments envisaged by the different regulatory frameworks;
- emissions have been calculated in terms of CO₂ equivalent through the following emission factors:
 - **Direct emissions Scope I:** the emission factors retrieved from the UK Department for Environment, Food & Rural Affairs (Defra) database were used for heating, emissions related to refrigerant gas of conditioning systems and car fleet for 2017, 2018 and 2019.
 - **Indirect energy emissions Scope II:** for the purchased electricity from the national grid, the emission factors (processed by Terna - "Terna international comparisons on Enerdata figures") related to the different Countries in which Amplifon operates were used for the Location-based approach with reference to 2016 and 2017 data. As far as the Market-based approach is concerned, the Residual Mix factors published by the Association of Issuing Bodies in 2017 were used for European Countries, while the factors published by the Center for Resource Solutions ("Green-e Energy Residual Mix Emissions Rates" and the relative update for 2017, 2018 and 2019) were used for the USA and Canada. For those Countries whose Residual Mix factors were not publicly available from accredited sources at the time of drafting of the document, the same emission factors applied for the Location-based approach were used. Finally, the emission factor processed by Defra for natural gas production was used for calculating emissions related to district heating.
 - **Indirect emissions Scope III:** emission factors in the Defra 2017, 2018 and 2019 databases were used for emissions connected with business travel by plane, train and car.
- the legislative framework of reference for each country has been taken into consideration for the calculation of the total weight of hazardous waste. Non-hazardous waste is typically waste deriving from office activities performed at headquarters;
- the health and safety rates refer to employees only and have been calculated in accordance with the provisions of the GRI Standards, using a multiplier of 1,000,000.

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GRI CONTENT INDEX

GRI 102: General Disclosure

Organizational profile

Disclosure	Disclosure description	Reference	Omissions
102-1	Name of the organization	p. 95	
102-2	Activities, brands, products and services	p. 28-34, 42-47	
102-3	Location of headquarters	p. 95	
102-4	Location of operations	p. 31-32	
102-5	Ownership and legal form	p. 94; p.7 of Report on Corporate Governance and Ownership.	
102-6	Markets served	p. 31-32	
102-7	Scale of organization	p. 14-15, 31-32	
102-8	Information on employees and other workers	p. 58	
102-9	Supply chain	p. 32-34	
102-10	Significant changes to the organization and its supply chain	p. 92	
102-11	Precautionary Principle or approach	p. 87	
102-12	External initiatives	Currently, Amplifon does not support any relevant international initiative	
102-13	Membership of associations	Amplifon is engaged in several national industry associations, such as HIA (Hearing Industry Association) in the USA, HCIA (Hearing Care Industry Association) in Australia and NHCA (National Hearing Conservation Association) and SYNEA (Syndicat National des Entreprises de l'Audition) in Europe. Since 2019, Amplifon has also been a member of EHIMA (European Hearing Instrument Manufacturers Association)	

Strategy

Disclosure	Disclosure description	Reference	Omissions
102-14	Statement from senior decision-maker	p. 5-6	

Ethics and integrity

Disclosure	Disclosure description	Reference	Omissions
102-16	Values, principles, standards and norms of behavior	p. 24, 30, 39	

Governance

Disclosure	Disclosure description	Reference	Omissions
102-18	Governance structure	p. 37-38	

Stakeholder engagement

Disclosure	Disclosure description	Reference	Omissions
102-40	List of stakeholder groups	p. 11-13	
102-41	Collective bargaining agreements	p. 62	
102-42	Identifying and selecting stakeholders	p. 11-13	
102-43	Approach to stakeholder engagement	p. 11-13, 15-16	
102-44	Key topics and concerns raised	p. 11-13, 15-16	

Reporting practice

Disclosure	Disclosure description	Reference	Omissions
102-45	Entities included in the consolidated financial statements	p. 92	
102-46	Defining report content and topic Boundaries	p. 15-18, 92-93	
102-47	List of material topics	p. 15-18	
102-48	Restatement of information	p. 92-94	
102-49	Changes in reporting	p. 92-94	
102-50	Reporting period	p. 92	
102-51	Date of most recent report	p. 92	
102-52	Reporting cycle	p. 94	
102-53	Contact point for questions regarding the report	p. 94	
102-54	Claims of reporting in accordance with the GRI Standards	p. 92	
102-55	GRI Content Index	p. 96-104	
102-56	External assurance	p. 105	

GRI 200: Economic disclosures

Economic performance

Disclosure	Disclosure description	Reference	Omissions
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	p. 14-15, 93	
103-2	Management approach and its components	p. 14-15	
103-3	Evaluation of the management approach	p. 14-15	
GRI 201: Management Approach 2016			
201-1	Direct economic value generated and distributed	p. 14-15	
201-4	Financial assistance received from public administration	p. 14-15	

Anti.corruption

Disclosure	Disclosure description	Reference	Omissions
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	p. 85-86, 93	
103-2	Management approach and its components	p. 85-86	
103-3	Evaluation of the management approach	p. 85-86	
GRI 205: Anti-corruption 2016			
205-3	Confirmed incidents of corruption and action taken	p. 86	

Anti-competitive Behavior

Disclosure	Disclosure description	Reference	Omissions
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	p. 87-88, 93	
103-2	Management approach and its components	p. 87-88	
103-3	Evaluation of the management approach	p. 87-88	
GRI 206: Anti-competitive Behavior 2016			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	p. 88	

GRI 300: Environmental disclosures

Energy

Disclosure	Disclosure description	Reference	Omissions
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	p. 89-91, 93	
103-2	Management approach and its components	p. 89-91	
103-3	Evaluation of the management approach	p. 89-91	
GRI 302:Energy 2016			
302-1	Energy consumption within the organization	p. 89-91	

Environmental Compliance

Disclosure	Disclosure description	Reference	Omissions
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	p. 87-88, 93	
103-2	Management approach and its components	p. 87-88	
103-3	Evaluation of the management approach	p. 87-88	
GRI 307: Environmental Compliance 2016			
307-1	Non-compliance with environmental laws and regulations	No significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations have been reported in the three-year period 2017-2019.	

GRI 400: Social disclosures

Occupazione

Disclosure	Disclosure description	Reference	Omissions
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	p. 56-68, 93	
103-2	Management approach and its components	p. 56-68	
103-3	Evaluation of the management approach	p. 56-68	
GRI 401: Employment 2016			
401-1	New employee hires and employee turnover		Since 2018, turnover has acquired a connotation of sensitive information.
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	p. 68	

Occupational Health and Safety

Disclosure	Disclosure description	Reference	Omissions
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	p. 68-69, 93	
103-2	Management approach and its components	p. 68-69	
103-3	Evaluation of the management approach	p. 68-69	
GRI 403: Management approach 2018			
403-1	Occupational health and safety management system	p. 68-69	
403-2	Hazard identification, risk assessment, and incident investigation	p. 68-69	
403-3	Occupational health services		Given the limited extent of the risks to which Amplifon's employees are exposed in terms of health and safety, the Company does not consider this Disclosure to be applicable. These aspects are in fact managed in compliance with the provisions of the local legislative framework.
403-4	Worker participation, consultation, and communication on occupational health and safety		Given the limited extent of the risks to which Amplifon's employees are exposed in the in terms of health and safety, the Company does not consider this Disclosure to be applicable. These aspects are in fact managed in compliance with the provisions of the local legislative framework.

403-5	Worker training on occupational health and safety	p. 68-69	Given the limited extent of the impacts In terms of health and safety linked to Amplifon's business relationships, the Company does not consider this Disclosure to be applicable.
403-6	Promotion of worker health	p. 68-69	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		

GRI 403: Occupational Health and Safety 2018

403-9	Work-related injuries	p. 69	Information about workforce not on payroll is not available.
403-10	Work-related ill health	p. 69	Information about workforce not on payroll is not available.

Training and Education

Disclosure	Disclosure description	Reference	Omissions
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	p. 56-57, 64-68, 93	
103-2	Management approach and its components	p. 56-57, 64-68	
103-3	Evaluation of the management approach	p. 56-57, 64-68	
GRI 404: Training and Education 2016			
404-1	Average hours of training per year per employee	p. 64	To date, the Company is not able to record training hours by gender per employee category in some countries, but the new management systems being implemented will allow it to obtain this data for the whole Group in the future.
404-2	Programs for updating employee skills and transition assistance programs	p. 64-65	
404-3	Percentage of employees receiving regular performance and career development reviews	p. 67	

Public Policy

Disclosure	Disclosure description	Reference	Omissions
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	p. 85-86, 93	
103-2	Management approach and its components	p. 85-86	
103-3	Evaluation of the management approach	p. 85-86	
GRI 415: Public Policy 2016			
415-1	Political contributions	In the three-year period 2017-2019 Amplifon did not make any contributions to individual lawmakers, parties or committees. In the same period, Amplifon (USA) has stipulated a contract with advocacy firms in the United States to advocate for the safety, effectiveness and availability to be included in policies governing hearing health care in the country; this activities have been fully disclosed in compliance with the US Lobbying Disclosure Act.	

Customer Health and Safety

Disclosure	Disclosure description	Reference	Omissions
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	p. 49-51, 93	
103-2	Management approach and its components	p. 49-51	
103-3	Evaluation of the management approach	p. 49-51	
GRI 416: Customer Health and Safety 2016			
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	p. 51	

Marketing and Labeling

Disclosure	Disclosure description	Reference	Omissions
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	p. 49-51, 82-83, 88, 93	
103-2	Management approach and its components	p. 49-51, 82-83, 88	
103-3	Evaluation of the management approach	p. 49-51, 82-83, 88	
GRI 417: Marketing and Labeling 2016			
417-1	Requirements for products and service information and labeling	p. 49-51, 82-83, 88	
417-2	Incidents of non-compliance concerning product and service information and labeling	p. 51, 88	
417-3	Incidents of non-compliance concerning marketing communications	p. 88	

Customer Privacy

Disclosure	Disclosure description	Reference	Omissions
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	p. 51-52, 93	
103-2	Management approach and its components	p. 51-52	
103-3	Evaluation of the management approach	p. 51-52	
GRI 418: Customer Privacy 2016			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	p. 52	

Socioeconomic Compliance

Disclosure	Disclosure description	Reference	Omissions
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	p. 88,93	
103-2	Management approach and its components	p. 88	
103-3	Evaluation of the management approach	p. 88	
GRI 419: Socioeconomic Compliance 2016			
419-1	Non-compliance with laws and regulations in the social and economic area	p. 88	

Amplifon material topics not covered by GRI Standards

Awareness and Education

Disclosure	Disclosure description	Reference	Omissions
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	p. 72-75	
103-2	Management approach and its components	p. 72-75	
103-3	Evaluation of the management approach	p. 72-75	

Product and service innovation, quality and customization

Disclosure	Disclosure description	Reference	Omissions
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	p. 42-47	
103-2	Management approach and its components	p. 42-47	
103-3	Evaluation of the management approach	p. 42-47	

Product and service availability

Disclosure	Disclosure description	Reference	Omissions
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its Boundary	p. 48-49	
103-2	Management approach and its components	p. 48-49	
103-3	Evaluation of the management approach	p. 48-49	



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

Independent auditors' report pursuant to article 14 of Legislative decree no. 39 of 27 January 2010 and article 10 of Regulation (EU) no. 537 of 16 April 2014

*To the shareholders of
Amplifon S.p.A.*

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of the Amplifon Group (the "group"), which comprise the statement of financial position as at 31 December 2019, the income statement and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes thereto, which include a summary of the significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Amplifon Group as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of Amplifon S.p.A. (the "parent") in accordance with the ethics and independence rules and standards applicable in Italy to audits of financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of goodwill

Notes to the consolidated financial statements: note 5 "Acquisitions and goodwill" and note 45 "Accounting policies"

Key audit matter	Audit procedures addressing the key audit matter
<p>The consolidated financial statements at 31 December 2019 include goodwill of €1,215.5 million, mainly arising from the significant acquisitions carried out in previous years.</p> <p>Annually or more frequently, if necessary, the directors check the recoverable amount of the goodwill by comparing its carrying amount to its value in use, calculated using a method that discounts expected cash flows.</p> <p>The key assumptions used to calculate value in use relate to the operating cash flows' forecasts over the calculation period and the discount and growth rates of those flows.</p> <p>The directors have forecast the operating cash flows for the explicit projection period (2020-2022) used for impairment testing on the basis of the 2020-2022 three-year plans approved by the subsidiaries' boards of directors and the group's business plan for the same period approved by the parent's board of directors on 17 December 2019.</p> <p>Considering the materiality of the caption and that impairment testing entails a high level of judgement by the directors, especially forecasting operating cash flows, the recoverability of goodwill was a key audit matter.</p>	<p>Our audit procedures, which also involved our own valuation specialists, included:</p> <ul style="list-style-type: none"> — understanding the process adopted to prepare the impairment test approved by the parent's board of directors; — understanding the process adopted to prepare the 2020-2022 business plans from which the expected operating cash flows used for impairment testing have been derived; — checking any discrepancies between the previous year business plans' figures and actual figures, in order to check the accuracy of the estimation process adopted by the directors; — analysing the reasonableness of the assumptions used by the directors to determine the recoverable amount of goodwill, including the operating cash flows of the 2020-2022 plans used by the parent. Our analyses included comparing the key assumptions used to the subsidiaries' historical data and external information, where available; — checking whether the right-of-use assets (IFRS 16) had been appropriately included in the carrying amounts considered and whether the cash flows had been identified consistently for the purposes of determining the recoverable amount; — analysing the reasonableness of the assumptions underlying the valuation model used by the parent to calculate the recoverable amount of goodwill; — checking the sensitivity analysis made by the directors in relation to the main assumptions used to test goodwill for impairment;



Key audit matter	Audit procedures addressing the key audit matter
	<ul style="list-style-type: none"> — assessing the appropriateness of the disclosures provided in the notes.

Revenue recognition

Notes to the consolidated financial statements: note 30 "Revenue from sales and services" and note 45 "Accounting policies"

Key audit matter	Audit procedures addressing the key audit matter
<p>The income statement includes revenue from sales and services of €1,732.1 million for 2019.</p> <p>The group recognises revenue from contracts with customers differently depending on when control over the goods or services is transferred to the customer and on the type of consideration to which it is entitled.</p> <p>Since sales, which generally cover a package of products and services at a stand-alone price, contain many contractual terms applied to customers, the group was required to identify and measure the various performance obligations and how they are satisfied.</p> <p>For the above reasons and considering the materiality of the caption, we believe that the recognition of revenue, and especially its accuracy and accruals-based accounting, are a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — understanding the process for the recognition of revenue, the related IT environment and related accounting policies; — assessing the design, implementation and operating effectiveness of controls deemed material for the purposes of our audit; — comparing the main components of revenue to the budgeted and previous year figures and discussing the results with the relevant internal departments; — checking the documentation supporting a sample of sales, whether their performance obligations had been correctly identified, the transaction price allocated thereto and whether revenue has been recognised in profit or loss based on how the obligations were satisfied; — sending requests for written confirmation in order to obtain audit evidence supporting the trade receivables recognised in the consolidated financial statements; — assessing the appropriateness of the disclosures provided in the notes.

First-time adoption of IFRS 16

Notes to the consolidated financial statements: note 2 "Changes to the accounting policies" and note 3 "Impact due to the new accounting policies"

Key audit matter	Audit procedures addressing the key audit matter
<p>The Amplifon Group adopted IFRS 16 "Leases" as of 1 January 2019.</p> <p>As a first-time adopter, the group opted to apply IFRS 16 using the modified retrospective approach and, therefore, it did not restate the comparative figures and applied certain practical expedients provided for by the standard.</p> <p>As disclosed in the notes to the consolidated financial statements, following the first-time adoption of the new standard on 1 January 2019, the group recognised right-of-use assets of €442.1 million and lease liabilities of €439.8 million.</p> <p>The transition to IFRS 16 required complex valuations and the use of estimates which, by their very nature, are subjective, about:</p> <ul style="list-style-type: none"> — the assessment of whether a contract is, or contains, a lease; — the determination of the lease term, considering the non-cancellable period and any options to extend or terminate the lease; — the initial measurement of the lease liability at the present value of lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or the incremental borrowing rate; — the determination of the useful life of the right-of-use assets for depreciation purposes and their impairment testing; — the recognition of any lease modifications that occurred during the year; — the remeasurement of the lease liability in the cases required by the standard other than lease modifications. <p>Considering the complexity and subjectivity of the above valuations and the materiality of the caption, the first-time adoption of IFRS 16 was a key audit matter.</p>	<p>Our audit procedures, which also involved our own financial instrument specialists, included:</p> <ul style="list-style-type: none"> — assessing the appropriateness of the accounting treatments applied on the basis of the requirements of IFRS 16, including the options and practical expedients available for its first-time adoption; — understanding the internal process for the transition to the new standard and the related IT environment and assessing the design and implementation of controls and performing procedures to assess the operating effectiveness of material controls; — for a sample of contracts that are or contain a lease: <ul style="list-style-type: none"> — assessing the appropriateness of the lease term determination; — checking the determination of the lease payments due over the lease term; — assessing the reasonableness of the rate applied to discount the future lease payments; — checking the correctness of the useful lives applied to the right-of-use assets for depreciation purposes; — performing checks in relation to the impairment tests, as described in the "Measurement of goodwill" section; — assessing management's identification of the events that require the remeasurement of the lease liabilities and recalculating them; — assessing the appropriateness of the disclosures provided in the notes.



Comparative figures

The group's 2018 consolidated financial statements were audited by other auditors, who expressed their unqualified opinion thereon on 15 March 2019.

Responsibilities of the parent's directors and board of statutory auditors ("Collegio Sindacale") for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards endorsed by the European Union and the Italian regulations implementing article 9 of Legislative decree no. 38/05 and, within the terms established by the Italian law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors are responsible for assessing the group's ability to continue as a going concern and for the appropriate use of the going concern basis in the preparation of the consolidated financial statements and for the adequacy of the related disclosures. The use of this basis of accounting is appropriate unless the directors believe that the conditions for liquidating the parent or ceasing operations exist, or have no realistic alternative but to do so.

The *Collegio Sindacale* is responsible for overseeing, within the terms established by the Italian law, the group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA Italia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA Italia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;



- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at the appropriate level required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the ethics and independence rules and standards applicable in Italy and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are, therefore, the key audit matters. We describe these matters in this report.

Other information required by article 10 of Regulation (EU) no. 537/14

On 20 April 2018, the parent's shareholders appointed us to perform the statutory audit of its separate and consolidated financial statements as at and for the years ending from 31 December 2019 to 31 December 2027.

We declare that we did not provide the prohibited non-audit services referred to in article 5.1 of Regulation (EU) no. 537/14 and that we remained independent of the parent in conducting the statutory audit.

We confirm that the opinion on the consolidated financial statements expressed herein is consistent with the additional report to the *Collegio Sindacale*, in its capacity as audit committee, prepared in accordance with article 11 of the Regulation mentioned above.



Amplifon Group
Independent auditors' report
31 December 2019

Report on other legal and regulatory requirements

Opinion pursuant to article 14.2.e) of Legislative decree no. 39/10 and article 123-bis.4 of Legislative decree no. 58/98

The parent's directors are responsible for the preparation of the group's directors' report and report on corporate governance and ownership structure at 31 December 2019 and for the consistency of such reports with the related consolidated financial statements and their compliance with the applicable law.

We have performed the procedures required by Standard on Auditing (SA Italia) 720B in order to express an opinion on the consistency of the directors' report and the specific information presented in the report on corporate governance and ownership structure indicated by article 123-bis.4 of Legislative decree no. 58/98 with the group's consolidated financial statements at 31 December 2019 and their compliance with the applicable law and to state whether we have identified material misstatements.

In our opinion, the directors' report and the specific information presented in the report on corporate governance and ownership structure referred to above are consistent with the group's consolidated financial statements at 31 December 2019 and have been prepared in compliance with the applicable law.

With reference to the above statement required by article 14.2.e) of Legislative decree no. 39/10, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have nothing to report.

Statement pursuant to article 4 of the Consob regulation implementing Legislative decree no. 254/16

The directors of Amplifon S.p.A. are responsible for the preparation of a non-financial statement pursuant to Legislative decree no. 254/16. We have checked that the directors had approved such non-financial statement. In accordance with article 3.10 of Legislative decree no. 254/16, we attested the compliance of the non-financial statement separately.

Milan, 23 March 2020

KPMG S.p.A.

(signed on the original)

Claudio Mariani
Director of Audit

