

Management report

CORPORATE SOCIAL RESPONSIBILITY REPORT

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I. Presentation and methodology

Since its listing at the end of 2015, our company has been required to measure its social and environmental responsibility, which since 2018 has been reflected in a declaration of extra-financial performance.

For the sake of clarity and organization, this report is based on the principles governing the standards of the ISO 26000 international standard, considering the more relevant approach.

In view of SFPI GROUP's role as a leading holding company, and in line with previous years, the company has decided to prepare its report on the Group's entire scope of consolidation. Thus for 2018 no company exclusions were recorded.

As a reminder, in 2017, data were collected from 40 companies, excluding companies with 4 or fewer employees. **In 2018, 54 companies were collected**, the consolidation criterion having been increased to 1 or more employees.

The collection of so-called "quantitative" data, mainly relating to social and environmental data, was done through an Excel table to be completed. This document is addressed in priority to the Human Resources Managers, Administrative and Financial Managers, Accountants, depending on the size and organization of the structure concerned. The nature of the information collected is identical to N-1.

In 2018, no so-called 'qualitative' data collection was carried out, but an analysis of the qualitative data for 2017 made it possible to collect relevant information on the CSR commitments of a significant number of companies. Thus, a materiality matrix could be established following a risk analysis. A new qualitative collection model will be made available for the next collection.

The collection of information took place over the period from 15 January 2019 to 20 March 2019.

It should be noted that support for contributors to data entry has been strengthened this year, thus raising awareness of the importance of data collection.

The collection documents were accompanied by a form explaining the approach and methodology. It specifies the definitions and is available in French and English.

All data presented in this report refer to the consolidated scope.

The definition of risks has been established on the basis of the Group's materiality matrix, which is based on the data collected in N-1 and the topics developed during the working meetings (Group Committee, Group and subsidiary Executive Committees, Steering Committee, analyst meetings, etc.).

After analysis, the main consolidated risks are defined by chapter in the document below.

Also, to date, the analysis conducted by SFPI Group has not identified any significant relative risks:

- To the fight against food waste,
- To the fight against food insecurity,
- Respect for animal welfare,
- To responsible, equitable and sustainable food,
- To human rights.

In addition, the management of social dialogue, the fight against discrimination and the promotion of diversity, particularly disability, are subjects that have not been identified as being at risk at Group level. These themes are addressed in most of the group's subsidiaries according to their specific characteristics.



Key figures 2019

- 54 consolidated companies
- 19 countries
- 8016 data collected
- 3858 employees
- More than 50 contributors

I. Business model

GROUPE SFPI organizes its activity around two branches of activity, industry and construction, presented below through the 4 poles.

a. **Industry division**

The Group's "Industry" division includes the following two divisions:

- NEU JKF specializes in air treatment,
- MMD specializes in the manufacture of heat exchangers and autoclaves.

As the activities are fundamentally different, the activity and markets of these two divisions are presented separately in the following paragraphs.

i. **Presentation of NEU-JKF Division**

The NEU JKF group is composed of several entities. However, it is managed by a common management and support services.

The NEU JKF group is particularly specialised in the activities relating to technical know-how in the field of air conditioning, which are listed below:

- dust removal and air conditioning (DELTA NEU and its subsidiaries; JKF Industri and its subsidiaries),
- pneumatic transport (NEU PROCESS), and
- products dedicated to the rail sector: design of depot equipment and track and tunnel cleaning vehicles (NEU RAILWAYS).

Financial data of Neu-Jkf

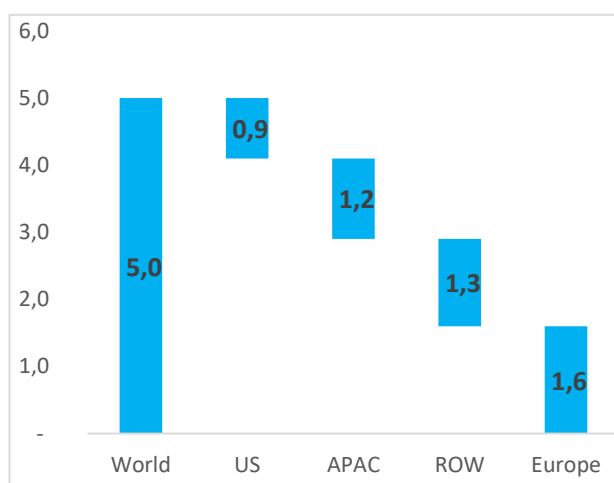
The NEU JKF division generates consolidated sales of around €121 million, half of which is generated outside France. The NEU JKF division has nearly 700 employees, nearly 52% of whom work outside France.

Market data of the NEU JKF division :

The main market for the NEU JKF cluster is the industrial air treatment and filtration market, estimated at more than 5 billion euros in 2016 worldwide. Europe, the world's largest market, is also the most important for the division:

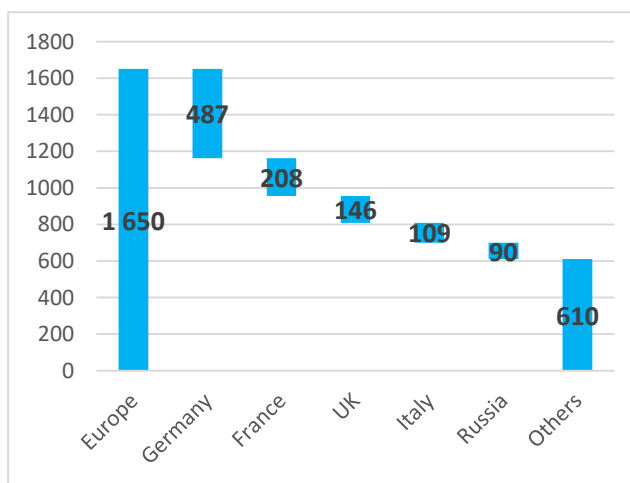
World market for industrial air treatment

€ billion - 2016

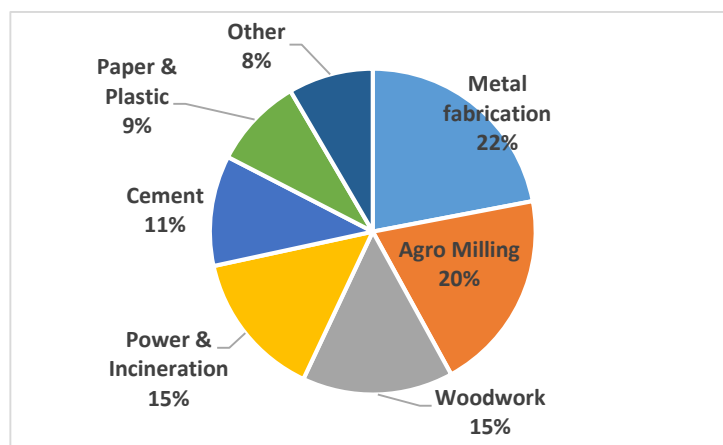


European market for industrial air treatment

€ billion - 2016



The main areas of use are as follows:



ii. Presentation of MMD Division

The MMD cluster is structured around three main companies:

- The BARRIQUAND group (BATT, BARRIQUAND EXCHANGEURS, ASET, Barriquand do brasil, Financière Barriquand, Barriquand SAS) which manufactures flat and tubular exchangers;
- STERIFLOW, which manufactures sterilization autoclaves; and
- CIPRIANI, a company acquired on 29 June 2018, specialising in the manufacture and marketing of plate and gasketed heat exchangers.

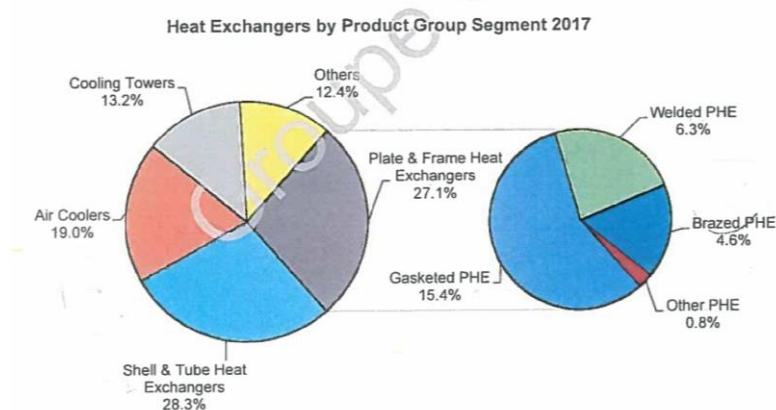
Financial data of Neu-Jkf :

The MMD division generates consolidated sales of around €51 million, with more than 65% generated outside France. In 2018, the division employs approximately 260 people, including 42 in Italy (16% of the division's workforce).

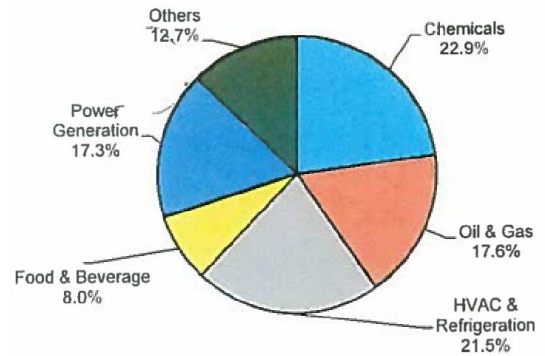
Market data of the NEU JFK division :

The global market for heat exchangers is estimated at \$20 billion in 2018, broken down by technology as follows:

- Welded heat exchangers: 6.3% (\$1.2 billion - Barriquand Echangeurs)
- Tubular heat exchangers: 28.3% (5.6B\$ - ASET)
- Plate and gasket exchangers: 15.4% (3Bn\$ - Cipriani)



**Heat Exchangers by End-Use Segment World Wide
2017 Sales**



The main areas of use are as follows:

- HVAC (*Heating- Ventilation – Air Conditioning*): 21,5%
- Chemical industries: 23%.
- Oil and Gas Industries: 17.6%.
- Energy industries: 17.3%.
- Food processing industries: 8%.

Europe alone represents 30% of the world market. The annual growth of the market is estimated at 5%, the growth being indexed to the increase in energy consumption.

b. Building Division

The Group's "Building" branch includes the following two divisions:

- DOM SECURITY specializes in locksmithing,
- MAC specializes in bay equipment and industrial locking.

i. Presentation of the MAC Division

The MAC cluster is dedicated to the equipment of the bay and closures for housing, commerce and small industries: shutters, garage doors, blinds, joinery....

This division is organized around the following companies:

- FRANCE FERMETURES manufactures and markets products mainly for closures such as roller shutters, swing shutters, shutters, sectional garage doors, or metal grids and curtains for commercial and industrial closures;
- FABER designs and manufactures interior blinds;
- SIPA designs and manufactures PVC and aluminium joinery and roller shutters;
- SIPOSE in close collaboration with SIPA; SIPOSE is dedicated to the treatment of major installation sites.
- FRANCIAFLEX is a multi-specialist for the equipment of the bay on five product families: PVC joinery, aluminium joinery, roller shutters, external blinds and internal blinds.

Of the 16 companies in the cluster, all but four are located in France.

Financial data of MAC :

The MAC division generates consolidated sales of around €190 million, most of which are generated in France by two companies, Franciافlex and France Fermetures.

The cluster employs more than 1200 people, mainly in France (97%).

Market data of the MAC division :

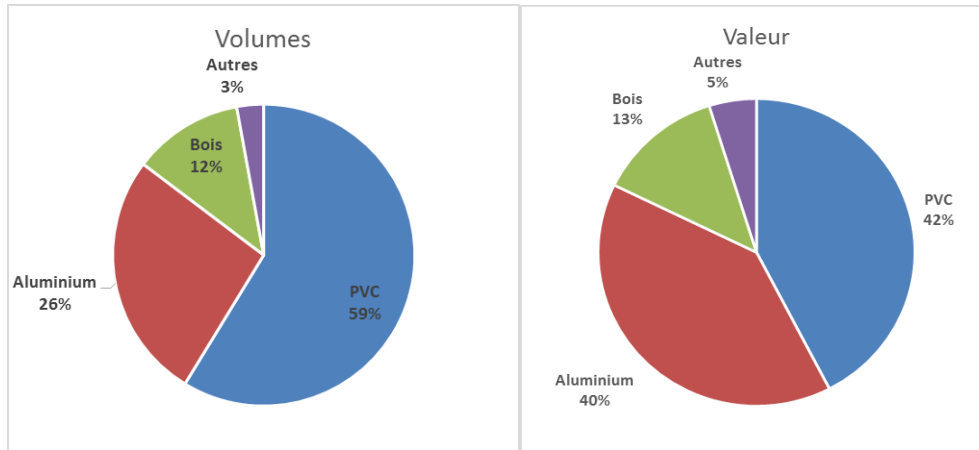
The MAC division's results are correlated with the activity of the building sector and more particularly with that of renovation. After years of structural decline, the construction market picked up again in the context of a general improvement in the business climate, thanks in particular to the maintenance of low interest rates and tax incentives on energy savings.

The MAC division generates more than 90% of its sales in France. Its main markets are:

- Windows

The French window market is estimated at 9.9 million units in 2017, up 3% compared to 2016, for a total value of 46 billion euros. PVC represents about 60% of the volumes compared to 26% for aluminium.

French Windows' Market – 2017

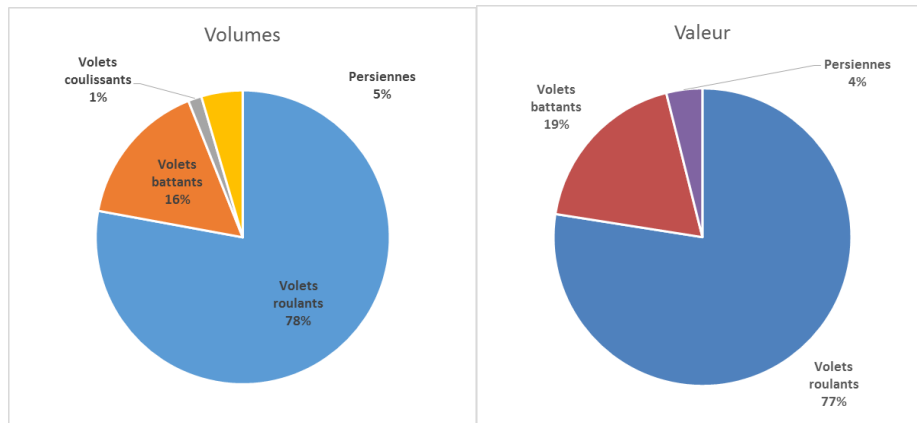


78% of the volumes are destined for the diffuse sector, mainly for renovation.

- Shutters

The French market for components is estimated at 5.4 million units in 2017, up 3% compared to 2016, for a total value of €1.2 billion. Roller shutters represent 78% of the volumes.

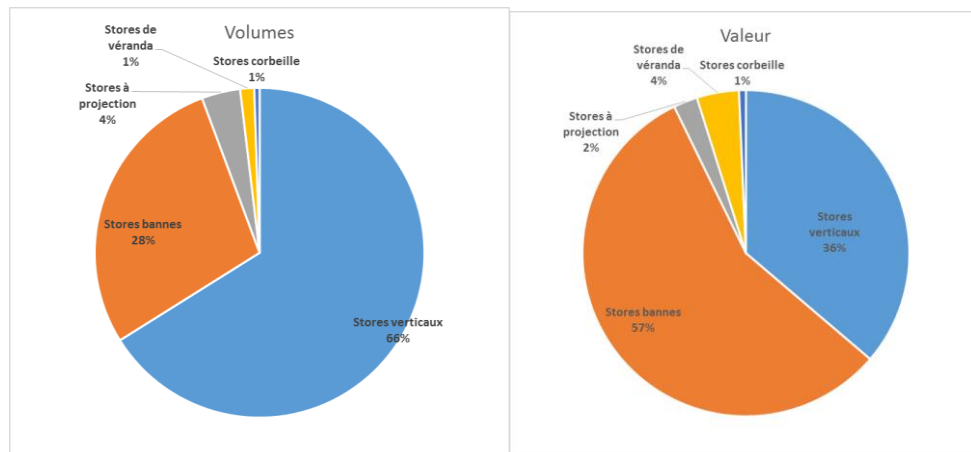
French Shutters' Market – 2017



- External blinds

The French external awning market is estimated at 580,000 units in 2016, stable compared to 2015, for a total value of 300 million euros..

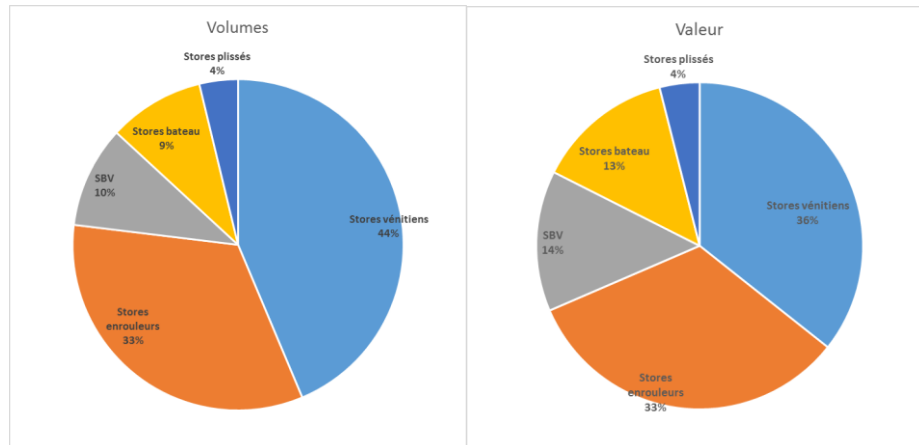
French external blinds Market – 2016



- Custom-made indoor blinds

The French market for custom-made indoor blinds is estimated at 1.1 million units in 2016, down by 1.4% compared to 2015, for a total value of €110 million.

French custom-made indoor blinds – 2016



There is also a market for standard interior blinds of more than 4 million units, but they are marketed by supermarkets and the MAC division is not exposed to them.

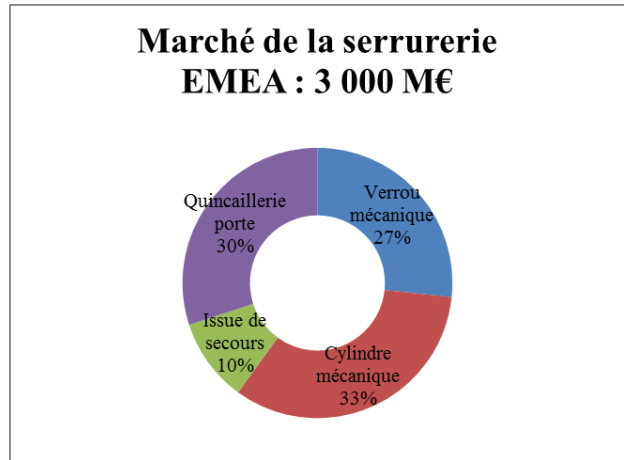
ii. Presentation of Dom Security division

The DOM Security Group is organised around 29 companies based in Europe, including 12 in France, but also companies based in Germany, Slovenia, Hungary, England and Spain, in particular

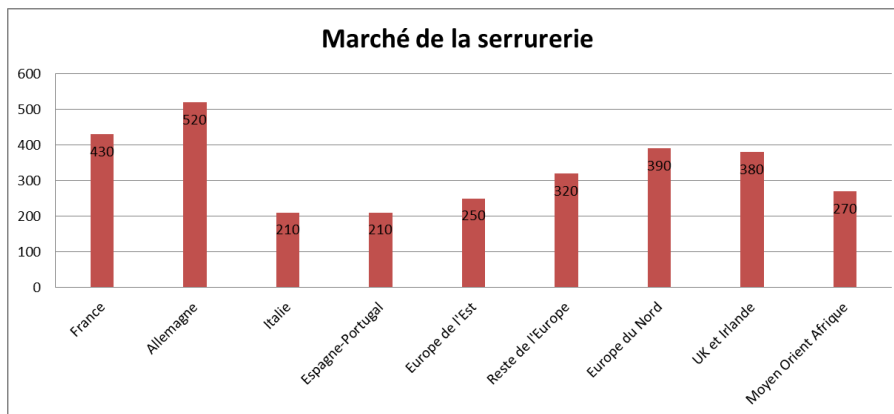
Economic context

Today, the Europe/Middle East market for mechanical security products on which the DOM Security Group is present is estimated at €3 billion.

On the specific market of mechanical and electronic cylinders, the DOM Security Group represents approximately 10% of the market and is in fourth place in this market. The DOM Security Group is commercially present in all professional distribution channels.



Source: Mechanical and Peripheral Locking Devices Report-2015 de HIS Technology



Source: Mechanical and Peripheral Locking Devices Report-2015 de HIS Technology

Key figures of Dom Security Division

DOM SECURITY has a turnover of €186 million and employs more than 1,600 people, two-thirds of whom work abroad.

II. DESCRIPTION OF RISKS...

a. ... governance risks.

1. Risks related to the group's strategy

The Group's long-term success depends in part on its ability to continuously improve and expand its existing product and service offering by business line and to expand its geographical areas of intervention, in order to meet the growing demands of the market in a context of strong competitive and technological pressures.

The implementation of this strategy depends, in part, on the Group's ability to identify attractive targets, make these acquisitions on satisfactory terms and successfully integrate them into its operations or technology.

The Group cannot guarantee that it will be able to identify the best opportunities and make these acquisitions, or successfully integrate the activities and teams resulting from these external growth operations.

Any problem encountered by the Group in integrating other companies or technologies is likely to have a material adverse effect on the Group's business, financial position, results, development and prospects.

2. Risks related to the holding structure of the SFPI Group and dependence on key personnel

The Group is organised according to a decentralised management structure. The Group's strategy consists in prioritizing decision-making and responsibility at the subsidiary level in order to better adapt to the local needs of its customers. The Group's growth has historically been achieved through acquisitions, which have required the integration of companies and teams with very diverse practices and policies. The Group cannot guarantee that it will succeed in standardizing and implementing the best practices it has endeavoured to develop for its activities in France.

If the Group is unable to effectively manage this decentralized structure, it could have a material adverse effect on its business, financial position, results and prospects and affect its reputation.

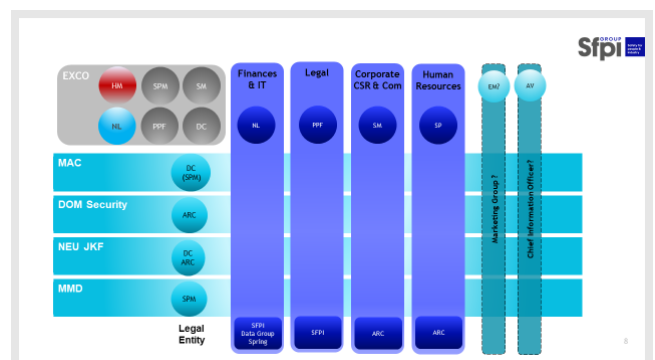
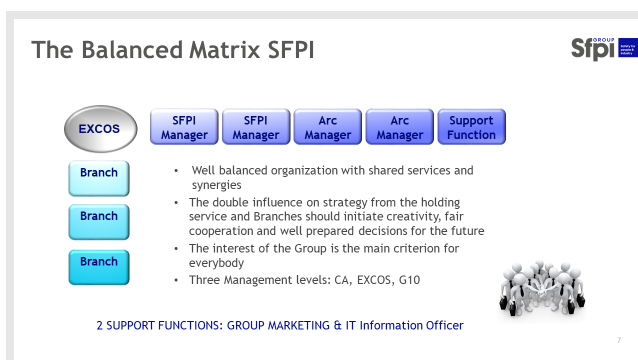
The Group's success depends largely on the quality and stability of its management, including in particular Mr Henri MOREL, Chairman and Chief Executive Officer of the Company, Mr Jean-Bertrand PROT, Advisor to the Chairman and former Deputy Chief Executive Officer of the Company, and Mr Damien CHAUVEINC, Deputy Chief Executive Officer, as well as the managers of the Group's main operating subsidiaries.

In the event that the Company's executives are no longer able to carry out their duties, the implementation of its strategy could be adversely affected.

3. Group policy, Results and key performance indicators.

Aware of the challenges related to good governance and strategic success, the group after a period of study and reflection decided to rethink its executive organization and formalize a matrix organization.

Alongside the "traditional" governance bodies, namely the Board of Directors and the Chairman and Chief Executive Officer, an Executive and Strategic Committee (EXCOS) and an Interpol working committee have been set up. These two management bodies meet on different subjects with different frequency.



The Executive Committee (EXCOS) meets monthly to discuss technical matters mainly related to the proper organization and management of the group.

The G10 Committee is composed of EXCOS members and the officers of the main subsidiaries. It meets quarterly on topics relating to group strategy, the sharing of best practices and issues of reflection inherent to all subsidiaries.

A Group CSR policy note will be drawn up and widely disseminated, summarising in a more concise manner the elements of this Extra Financial Statement.

The frequency of meetings, the working subcommittees set up and the projects carried out are the key performance indicators to be monitored on these themes. Launched at the beginning of 2019, these measures will only produce their effects during the financial year for a follow-up presented at the next extra-financial declaration.

b. Risks related to working conditions and relationships

1. Risks related to loss of skills and recruitment difficulties

In a competitive labour market environment, if the managers of the main operating subsidiaries were no longer able to carry out their duties, or decided to leave the Group, this could have a significant negative impact on the Group's business, financial position, prospects and results.

In addition, the Group's continued development, particularly internationally, will lead it to recruit new employees. Specific profiles are sought in order to drive the Group's growth in its various markets. The fierce competition between companies in the sector, some of which have a greater reputation than those of Group companies, could reduce the Group's ability to retain, attract or retain key employees.

The Group may then no longer be able to achieve its objectives, which would have a material adverse effect on its business, financial position, results or development.

Group policy, Results and key performance indicators.

Based on its initial findings, SFPI Group suggested that its subsidiaries review their human resources management processes.

Thus, in May 2018, the NEU-JKF cluster recruited a Human Resources Director.

On the SFPI holding company, a position of Human Resources Manager was opened and filled in October 2018.

In many Group companies, work has been carried out to overhaul personnel services.

The implementation of a digitized Group HRIS would make it possible to complement these actions with support adapted to relevant and effective human resources management.

In addition, significant work has been done on the reputation of the companies and the group. Several websites have been redesigned, aimed in particular at improving the visibility of the Group's companies by creating an employer brand.

The group level indicators to be monitored are :

The number of voluntary departures out of the total number of departures:

- 550 departures in 2018, 42% of which were voluntary (231)
- 543 departures in 2017, 41% of which were voluntary (222)

Staff turnover rate:

- 14.17% in 2017
- 15.16 % in 2018

With regard to recruitment difficulties, an indicator is being defined.

2. Health and safety risks

The companies of the GROUPE SFPI group operate in an industrial environment where health and safety are a daily challenge. It is not acceptable for accidents at work, occupational diseases or excessive absenteeism to be recorded.

The Group's activities must be carried out under good working conditions, both for the health and safety of employees and for the quality of the products manufactured or assembled.

Group policy, Results and key performance indicators:

In most Group companies, a Health, Safety and Environment Manager works on safety issues with a view to improving them.

In all structures where it is necessary, specific delegations of authority for security matters have been given. The group decided to monitor in detail the evolution of absenteeism due to illness, as well as the frequency and severity of work accidents and to compare these levels with the national average, at a minimum for France.

The policies will be finalized in the coming years.

In 2018, 462,984 hours of absence were recorded compared to 452,886 hours in 2017.

With regard to indicators, the group intends to monitor frequency and severity rate indicators at a minimum. In 2017, the indicators were as follows:
TF1 23.16
TF2 42.26
TG 0.62

For 2018, as the audit did not cover these figures, they are not released in the absence of validation by the independent Third Party body.

c. ...Ethical Risks and good business practice

1. Fight against corruption and tax evasion

The Group has never been convicted of corruption and strongly rejects any practice that could be equated with it. However, since the risk of fines is high in the event of non-compliance, the group takes all necessary measures to further reduce this risk by developing process improvement measures at group level, by mandating external firms to assist it or by participating in interprofessional working groups.

2. Group policy, Results and key performance indicators.

Within the SFPI GROUP, there is a code of ethics that makes it possible to prevent risks related to corruption and fraud. In addition, since 2017, the Board of Directors of SFPI GROUP has adopted the Middlednext anti-corruption code.

A compliance plan and an ethics charter are being developed and should be distributed to the entire group in 2019.

The group measures this risk through the number of convictions for corruption. The objective is to maintain at 0.

d.Risks related to market and consumers

1. Risks related to the competitive environment

The markets in which the Group's companies operate are relatively fragmented with many players, both generalists and specialists in the design, manufacture and marketing of certain products and equipment. In particular, the Group faces large international companies offering a wide variety of services and products, with greater financial, technical and marketing resources and capabilities, enabling them to adapt aggressive pricing policies. In addition, the Group also faces independent competitors, specialized in products and services, with an established local presence and strong customer relations.

This competition forces Group companies to make constant efforts in terms of competitiveness in order to convince their customers of the quality and added value of their products and services. The Group is also required to regularly develop new services and products in order to maintain or improve its competitive position while maintaining the strong identity of its component companies.

2. Risks related to the industrial standards and their evolution

The Group's activities are subject to various regulations in France and abroad, particularly in terms of industrial standards, safety, health and hygiene and environmental matters. In particular, its activities in the pressure vessel sector (exchangers and autoclaves, pressure filters, etc.) are subject to very strict regulations, the proper application of which is closely monitored.

These standards are complex and subject to change.

The Group's inability to comply with and adapt its activities to new national, European and international regulations, recommendations and standards could have a material adverse impact on its business, results, financial position and outlook.

3. Group policy, Results and key performance indicators.

These risks, which are specific to each division or even each company, are supervised at group level but are monitored locally. To keep pace with normative developments and remain competitive in our markets, it is imperative that field teams follow trends on a daily basis.

The group will encourage companies at high risk in terms of applicable regulatory and other environmental and health and safety requirements to maintain regulatory watch.

The notion of customer satisfaction needs to be developed, regardless of the level of certification of the group's companies

The group plans to set up a monitoring of the turnover generated by new products.

The key performance indicator used is the vitality ratio, i.e. the percentage of revenue generated by new products (less than 5 years). The minimum target is 10%.

e. ... Risks related to environment

1. Risks on raw materials and energy

The Group is exposed to fluctuations in the price of the energies it consumes and the raw materials required to conduct its business.

To reduce its exposure to fluctuations in the price of the materials it consumes, Group companies may hedge a portion of their purchases through forward purchases from suppliers. However, if Group companies are no longer able to manage their raw material supply or if this supply is made at a higher cost, this could have a material adverse effect on the Group's production costs, business and financial position.

2. Risks related to waste management

Due to its industrial nature, where many of the group's companies produce capital goods, waste production is a reality. The management of these is an issue at different levels for the group. Indeed, waste management regulations are binding in most of the countries where the group is located and compliance with the regulations is a necessity. Poor waste management could result in significant financial penalties, in addition to the inevitable negative impact on the Group's image with both our employees and our customers.

Finally, the recovery of waste and the cost of treatment cannot be neglected simply because of the financial impact they have.

3. Group policy, Results and key performance indicators.

Over the past three years, the Group has decided to monitor its energy consumption (water, electricity and gas) and waste production. Through these measures, the objective is to control waste production and avoid any drift.

Locally, depending on the nature of the activities, initiatives to optimize energy consumption and waste management have been created.

At the consolidated level, energy consumption was conducted.

Finally, a reflection is being carried out for future exercises on the generalization of carbon assessments. In 2017, 5 companies had carried out balance sheets.

The key performance indicators to be monitored will be:

- Amount of investments in reduction and energy comfort / total amount of investments.
- 5% reduction in waste of the DIB type %

f. ...Societal risks

Group companies have developed partnerships with various suppliers to meet the specific raw materials and services needs of each of the Group's business segments. Given the diversification of its companies' suppliers, Group companies are exposed to a low risk of dependence on its suppliers.

A large number of companies have set up a charter with their service providers. The notion of eco-responsible purchasing has yet to be developed

In addition, the multiplication of activities and sites does not make it possible to identify significant risks at the consolidated level at the societal level..

g.Human rights' risks

The risks inherent to Human Rights are limited within the Group and relate in particular to the risks associated with new technologies.

The SFPI group has resources relating to its compliance with the General Regulation for the Protection of Personal Data (GDPR), namely:

- A SFPI Group DPO,
- An operational steering committee with one referent per business line
- An action plan to monitor the progress of all companies eligible for this regulation with the following priorities for 2019:
 - o A communicating RGPD policy
 - o The deployment of data registers
 - o A focus on digital data protection