Statement of non-financial performance

1. BUSINESS MODEL

Industrial responsibility: creating sustainable value for all Group stakeholders

Since 2017, the Group has coordinated relations with its stakeholders in accordance with the principle of industrial responsibility, which is broken down into four components: commercial, managerial, environmental and financial responsibility.

The principle of industrial responsibility combines a set of management practices strongly anchored across the Group for many years (financial control and reporting culture, entrepreneurial independence, product compliance with the highest standards) with a determination to step up the environmental transition of the Group and its business.

This approach is aimed at creating sustainable value for all of the Group's stakeholders, i.e. customers, employees, investors and the environment. Sfpi Group's ambition to become a leading proponent of industrial responsibility, an ambition fully espoused by the Group's founders and senior executives, is underpinned by the growing pace of global environmental transition, tightening environmental, health and commercial standards and increased demand for safety of goods and services among business and retail customers alike.

The Group's holding company operations are perfused with the principle of industrial responsibility and the transformation of the subsidiaries is underway. Between October 2019 and January 2020, Sfpi Group launched a series of initiatives to define and share the principles of industrial responsibility, record good practices identified among the subsidiaries and identify priority areas to work on in consultation with the Group's 150 top managers. This work is currently being synthesised and will subsequently be transformed into action plans to be implemented from the second half of 2020. These plans will be covered in the Group's next statement of non-financial performance.

Strategy

Sfpi Group aims to become a **leading proponent of industrial responsibility** geared towards sustainable growth.

Commercial responsibility: provide customers with products and services that meet the highest standards.

Managerial responsibility: allow managers entrepreneurial independence, develop skills and improve working environments.

Environmental responsibility: produce and deliver more energy-efficient services with minimal carbon footprint.

Financial responsibility: rigorous control of all operations and investment geared to sustainable growth.

Industrial responsibility strategy underpinned by the growing pace of environmental transition, tightening standards and increased global demand for safety of goods and persons.

Targets

Create sustainable value for all stakeholders:

Customers:
Increase customer satisfaction
Ensure that customers can meet and obtain the required standards and certification in their sector

Environment:
Reduce waste and the carbon footprint of production operations and facilities

Industry customers:
Reduce the carbon footprint of their operations

Retail customers:
Reduce the energy costs of buildings and housing

Employees:
Improve working conditions and skills

Improve employer attraction and staff retention

Investors:
Generate sustainable long-term growth with minimal risks.

Resources

2
business lines

4
operating divisions

>80
companies worldwide

4,000
employees incl. 40% outside France

20
countries of direct operation, 13 production facilities outside France

€560m
revenues

>60%
of share capital held by founding partners

Our business

The Sfpi Group has two business lines, Building and Industries, dedicated to ensuring the safety of goods, persons and the environment.

BUILDING

DOM SECURITY	MAC
Access and locking solutions for buildings	Joinery, shutters, awnings and blinds for housing and stores

INDUSTRIES

MMD	NEU-JKF
Thermal processing and sterilisation solutions for industries	Air treatment solutions for industries (air conditioning, dust extraction, filtration)

SFPI WORLDWIDE

Overview of Group divisions:

The NEU-JKF division specialises in air treatment technologies:

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

The division comprises a number of business units coordinated by a single management team with shared support services.

Revenues	€117 million
Headcount	730

The MMD division is organised around three main groups of companies:

- BARRIQUAND, which manufactures brazed plate and tubular exchangers;
- STERIFLOW, which manufactures sterilisation autoclaves; and
- CIPRIANI, which manufactures and sells gasketed plate heat exchangers.

Revenues	€56 million
Headcount	275

The MAC division supplies window fittings and doors for housing, shops and small industries, including shutters, garage doors, blinds, joinery, and more.

This division is organised around the following companies:

- FRANCE FERMETURES manufactures and sells mainly door and window fittings such as roller, folding and louvred shutters, blinds and sectional garage doors, as well as grilles and metal curtains for commercial and industrial sites;
- FABER designs and manufactures interior blinds;
- SIPA designs and manufactures PVC and aluminium joinery and roller shutters;
- SIPOSE works closely with SIPA on major installation operations.
- FRANCIAFLEX is a window fittings specialist offering five product families: PVC windows and doors, aluminium joinery, roller shutters, awnings and blinds.

Revenues	€190 million
Headcount	1,212

The DOM Security division is structured around 29 companies based in Europe, including 12 companies in France and other companies mainly based in Germany, Slovenia, Hungary, England and Spain.

Revenues	€198 million
Headcount	1,727

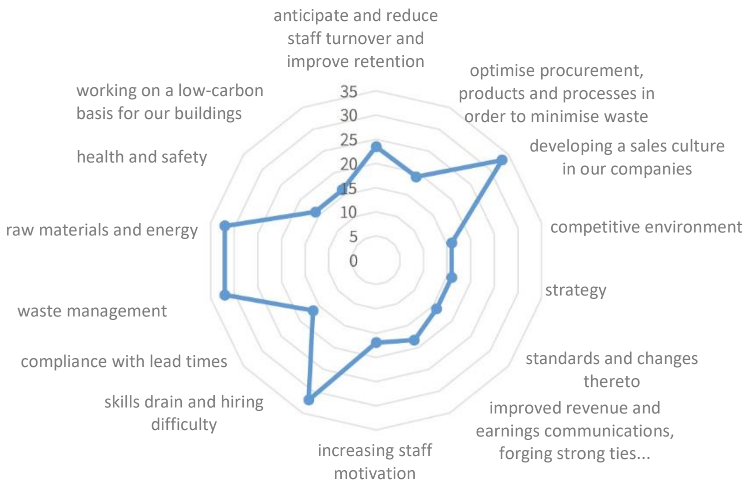
The total Group headcount including holding company employees is 3,959 people.

2. ANALYSIS OF RISKS AND CHALLENGES

In 2019, the work presented in the non-financial report was supplemented on the basis of the medium-term strategic positioning presented in the business model adopted by the Group, as described above.

The list of risks was drawn up in accordance with ISO 26000. These risks are based on the data collected the previous year and the topics covered in working meetings (Group Works Council, Group and subsidiary executive committees, steering committee, analyst meetings, etc.).

In 2019 and early 2020, all Group managers were faced with these challenges, which were identified during various meetings in which they had the opportunity to share their own experiences. The work was summarised internally and the main risks identified are shown on the spider graph below.



The risks shown on the diagram carry scores ranging from 16 to 33.25. The higher the score, the greater the risk. Risks identified by the Group and carrying a score below 16 are not shown on the diagram.

The following table shows cross-references between these risks and ISO 26000 and the correlation with the areas of responsibility developed by the Group:

Risk	Responsibility	ISO 26000
Anticipate and reduce staff turnover and improve retention	Managerial responsibility	Working relations and conditions
Optimise procurement, products and processes in order to minimise waste	Environmental responsibility	Environment
Developing a sales culture in our companies	Commercial responsibility	Consumer issues
Competitive environment	Commercial responsibility	Consumer issues/Fair operating practices
Strategy	Managerial and financial responsibility	Governance
Standards and changes thereto	Commercial responsibility	Fair operating practices
Improved revenue and earnings communications	Financial responsibility	Consumer issues
Increasing staff motivation	Managerial responsibility	Working relations and conditions
Skills drain and hiring difficulty	Managerial responsibility	Working relations and conditions
Compliance with lead times	Commercial responsibility	Consumer issues
Waste management	Environmental responsibility	Environment
Raw materials and waste management	Environmental responsibility	Environment
Health and safety	Managerial responsibility	Working relations and conditions
Working on a low-carbon basis for our buildings	Environmental responsibility	Environment

The following section on risk management is organised in accordance with ISO 26000 categories.

3. RISK MANAGEMENT

Risks related to governance

1. RISKS RELATED TO THE GROUP'S STRATEGY

The Group's long-term success partly depends on the Group's ability to continually improve and expand its range of existing products and services in each business line and to broaden its geographical areas of operation, in order to meet growing market demand in the face of strong competitive and technological pressure.

Implementing this strategy partly depends on the Group's ability to identify attractive acquisition targets, close 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, complete these acquisitions or successfully integrate the activities and teams resulting from such acquisitions.

If the Group encounters any issues in the integration of other companies or technologies, this may have a material adverse effect on the Group's business, financial position, earnings, development and outlook.

2. RISKS RELATED TO THE GROUPE SFPI HOLDING STRUCTURE AND DEPENDENCY ON KEY PEOPLE

The Group organisation is based on a decentralised management structure and its strategy is to prioritise decision-making and accountability at subsidiary level in order to better adapt to the local needs of stakeholders. So far, the Group's growth has been achieved through acquisitions, which has involved the integration of companies and teams with a wide variety of practices and policies. The Group cannot guarantee that it will always be able to standardise and implement the best practices that it has endeavoured to develop for its activities in France.

Failure by the Group to effectively manage this decentralised structure could have a material adverse effect on its business, financial position, earnings and outlook and could affect its reputation.

The Group owes a large part of its success to the quality and stability of its leaders, in particular Henri Morel, Chairman and CEO, Jean-Bertrand Prot, adviser to the Chairman and former Deputy Managing Director, and Damien Chauveinc, Deputy Managing Director, as well as the managers of the Group's main operating subsidiaries.

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

3. POLICIES APPLIED BY THE GROUP, RESULTS AND PERFORMANCE INDICATORS

Conscious of issues relating to good governance and strategic success, after a period of study and reflection the Group decided to rethink its executive structure and established a matrix structure towards the end of 2018.

Alongside the standard governance bodies, i.e. a Board of Directors with a Chairman & Chief Executive Officer, an Executive and Strategic Committee (EXCOS) and a cross-divisional working committee were set up in early 2019. These two management bodies will meet to discuss separate issues with different periodicity.

The Executive and Strategic Committee meets monthly to cover technical topics primarily focusing on the proper organisation and management of the Group. The Group's executive directors sit on this committee.

The G10 committee is composed of the EXCOS members and the heads of the main subsidiaries. It meets quarterly to discuss Group strategy, the sharing of best practices and issues related to all subsidiaries.

The frequency of meetings, the working subcommittees created and the projects undertaken are the key performance indicators to be tracked on these themes.

Set up in early 2019, the Group Management Committee or G10 met three times (22 May, 25 July and 24 October). Besides the G10 meetings, the Executive and Strategic Committee held four extra meetings in 2019 (15 April, 17 June, 23 September and 28 November).

The Group plans to continue operating this way in 2020 with around 10 EXCOS meetings and at least three G10 meetings.

Risks related to human resources management

Sfpi Group has decided to promote the principle of managerial responsibility as part of its industrial responsibility policy. This means allowing Group managers entrepreneurial independence, developing skills and improving working environments.
Sfpi Group promotes the principle of independence and upskilling among Group executives and entrepreneurs based on mutual trust and adherence to shared values. In order to attract and develop talent, the Group pursues a policy of ramping up human resources functions and encourages the formal establishment of induction programmes, training and personal development within its structures.

Key challenges:

- Anticipate and reduce staff turnover and improve retention
- Introduce shared HR tools across the Group
- Develop skills, encourage hands-on management and improve working areas and conditions

Impact on stakeholders:

- Improvement in working conditions and skills.
- Improve employer attraction and staff retention.

1. RISKS RELATED TO LOSS OF CRITICAL SKILLS AND HIRING DIFFICULTIES

In a competitive market environment, if the managers of the main operating subsidiaries were no longer able to perform their duties or decided to leave the Group, this could have a material adverse effect on the Group's business, financial position, outlook and earnings.

The Group's continued development, particularly on the international market, will require it to hire more staff. Specific profiles are sought in order to drive the Group's growth in its various markets. Fierce competition among companies in the sector, some of which are more prominent than the Group companies, could curtail the Group's ability to attract and retain key employees.

In this case, the Group may no longer be able to achieve its objectives, which would have a material adverse effect on its business, financial position, earnings and development.

Policies applied by the Group, results and performance indicators:

On the basis of these initial observations, Sfpi Group has suggested the following measures to the subsidiaries:

- review human resources management processes,
- work on reputation in order to improve the employer brand,
- brainstorm potential shared management solutions.

At the SFPI holding company, a position for a human resources supervisor was created and filled in October 2018.

Many of the Group companies have reorganised their staff services and set up human resources departments, notably in the NEU-JKF division and holding company.

Furthermore, multiple internet sites have been revamped, mainly in order to improve Group companies' visibility.

The Group-level indicators to be tracked are:

- The ratio between voluntary departures and total departures:

	2017	2018	2019
Total departures	543	550	536
- o/w voluntary departures	222	231	217
%	41%	42%	40%

- The staff turnover rate: 14.17% in 2017
  15.16% in 2018
  14.2% in 2019

2. RISKS RELATED TO HEALTH AND SAFETY

The Sfpi Group companies operate in an industrial environment where health and safety are day-to-day issues. It is not acceptable for occupational accidents, illnesses or an elevated rate of absenteeism to be recorded.

Group operations must be performed in proper working conditions for the sake of employee health and safety and the quality of the products manufactured or assembled.

Policies applied by the Group, results and performance indicators:

In most Group companies, a health, safety and environment officer is responsible for safety issues and improvements.

In all of the structures where this is necessary, specific powers related to safety issues have been granted. The Group decided to closely track changes in absenteeism rates for illness, as well as the frequency and severity rate of occupational accidents and to compare these rates to the national average, at least for France.

The policies will be finalised over the coming years.

The base indicators that the Group intends to track are frequency and severity rates:

Frequency rate 1 (FR1) represents the frequency of lost-time accidents, while frequency rate 2 (FR2) includes all accidents with or without lost time. SR stands for severity rate.

	2017	2018*	2019
FR1	23.16	Not confirmed	22.5
TF2	42.26	Not confirmed	37.5
SR	0.61	Not confirmed	0.76

(*) The figures for 2018 were not published as they were not covered by the audit and therefore not confirmed by the independent third-party body.

Market and consumer risks

Managing these risks involves exercising our commercial responsibility:
provide customers with products and services that meet the highest standards.

The Sfpi Group companies, which operate in highly regulated sectors, design and manufacture products of high value-added that comply with stringent standards. Group companies are increasingly adopting an integrated service-oriented approach covering all operations from product design through to delivery.

Key challenges:

- Develop a customer culture at all levels in all Group companies in order to raise the overall level of satisfaction
- Develop service offerings in addition to Group products in order to enhance satisfaction and generate further revenues
- Maximise quality and meet the highest standards in order to maintain a high value-added positioning on Group markets.

Impact on stakeholders:

- Increased customer satisfaction
- Ensure that customers can meet and obtain the required standards and certification in their sector.

1. RISKS RELATED TO THE COMPETITIVE ENVIRONMENT

The markets in which Group companies operate are relatively fragmented and comprise many suppliers, both general and specialised, involved in the design, manufacture and marketing of specific products and solutions.

In particular, the Group is up against major international companies offering a wide variety of services and products, with adequate financial, technical and marketing resources and capabilities behind them to be able to adopt aggressive pricing policies. In addition, the Group faces independent competitors that specialise in given products and services and enjoy an established local presence and a strong customer relationship.

This competition forces Group companies to work constantly on maintaining their competitiveness in order to convince their customers of the high quality and value-added of their products and services. The Group is also required to regularly develop new products and services in order to maintain or improve its competitive position, while preserving the strong identity of its constituent companies.

2. COMPLIANCE RISK

The Group's activities are subject to various regulations in France and abroad, particularly with regard to industrial standards, health and safety and environmental matters. In particular, its operations in the pressure vessel industry (exchangers and autoclaves, pressure filters, etc.) are subject to highly stringent regulations, the proper application of which is closely monitored.

These standards are complex and liable to change.

Failure by the Group to adapt its business in order to comply with new national, European or international regulations, recommendations and standards could have a material adverse effect on its business, earnings, financial position and outlook.

3. POLICIES APPLIED BY THE GROUP, RESULTS AND PERFORMANCE INDICATORS

These risks, specific to each division or company, are overseen at Group level but monitored locally. To keep abreast of changes in standards and remain competitive on our markets, it is essential that the teams on the ground follow these changes closely.

The Group will encourage companies exposed to high risks in terms of regulatory and other requirements relating to health, safety and the environment to carry out regulatory monitoring.

The notion of customer satisfaction requires attention, whatever the level of certification of Group companies.

The Group plans to set up monitoring of revenues generated by new products.

The relevant key performance indicator is the vitality ratio, i.e. the percentage of revenues generated through new products (less than 5 years old). This should not be lower than 10%. This initiative was not launched in 2019.

Risks related to the environment

The Group is committed to producing and delivering more energy-efficient services with minimal carbon footprint.

Among its business lines and subsidiaries, the Group encourages environmental risk prevention initiatives, adopts processes drawn from the circular economy and organises awareness campaigns for employees. The products developed by Group companies, whether designed for retail customers or manufacturers, are also designed to help customers reduce their carbon footprint and control their energy consumption.

Key challenges:

- Optimise procurement, products and processes in order to minimise waste.
- Reduce the carbon footprint of Group products and production facilities.
- Promote the use of eco-design and circular economy-compatible processes.

Impact on stakeholders:

- Reduce waste and the carbon footprint of production operations and facilities.
- Reduce the carbon footprint of industry customer operations.

Retail customers: reduce the energy costs of buildings and housing.

1. COMMODITY RISKS

The Group is exposed to fluctuations in the price of the energy it consumes and the raw materials needed to conduct its activities.

To reduce its exposure to fluctuations in the price of raw materials, Group companies can hedge part of their purchases using forward purchases from suppliers. However, if Group companies can no longer manage their raw material supplies or if supply costs increase, this could have a material adverse effect on the Group's production costs, business and financial position.

2. RISKS RELATED TO WASTE MANAGEMENT

The Group generates waste due to its industrial nature, as many of its companies perform manufacturing operations.

Waste production management is an issue at different levels for the Group. Effectively, regulations regarding waste management are restrictive in most of the countries in which the Group operates and compliance with regulations is a necessity. Poor waste management could lead to serious financial penalties besides the inevitable adverse impact on the Group's image among employees and customers.

Lastly, waste recycling and the related processing costs cannot be overlooked due to their financial impact.

3. POLICIES APPLIED BY THE GROUP, RESULTS AND PERFORMANCE INDICATORS

For four years now the Group has been monitoring energy consumption (water, electricity and gas) as well as waste production. These measures are aimed at controlling waste production and staying on target.

Locally, depending on the nature of the operations, initiatives to optimise energy consumption and waste management have been set up.

Finally, management is still reviewing the possibility of extending carbon assessments across the Group.

The key performance indicators to be monitored will be:

- Electricity consumption per employee: in 2019, consumption per employee measured across all locations amounted to 7,204 kWh.
- Ratio between waste sorted and waste generated.

Risks related to ethics and best practices

Since its inception, the Group has rigorously controlled all of its operations and has invested in order to achieve sustainable growth.

Finance departments fuel collective decision-making and seek to obtain a tangible impact on Group companies' operations and business development. The Group strictly fulfils the requirements applicable to listed companies and fosters a culture of anticipating risks.

Key challenges:

- Share standards and reference frameworks among all subsidiaries.
- Develop a financial culture at all levels and promote awareness of standards applicable to listed companies.

Impact on stakeholders:

- Sustainable long-term growth with minimal risks.

1. Preventing corruption and tax evasion

The Group has never been convicted for corruption and vehemently rejects any practice that could be considered as such.

However, since the risk of fines is heightened in the event of non-compliance, the Group takes all the necessary steps to reduce this risk by developing Group-wide process improvement measures, engaging external firms to assist it and participating in inter-professional working groups.

2. Policies applied by the Group, results and performance indicators

Sfpi Group has established a Code of Ethics aimed at preventing risks related to corruption and fraud. In addition, the Sfpi Group Board of Directors adopted the Middlenext anti-corruption code in 2017.

A vigilance plan and ethics charter are currently being drawn up and are due to be circulated Group-wide during 2020.

The Group measures this risk through the number of convictions for corruption. No such convictions were recorded in 2019. The target is to maintain this number at 0.

Social risks

The Group companies have developed partnerships with a number of suppliers enabling them to meet the specific raw material and service needs of each of the Group's business divisions. Given the diversification of its companies' suppliers, the risk of Group companies becoming over-dependent on their suppliers is low.

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

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

4. NOTE ON METHODOLOGY

Since its listing at the end of 2015, the Company has been required to measure its social and environmental responsibility, which since 2018 has been set out in a statement of non-financial performance.

For the sake of clarity and organisation, this report is based on the principles governing the standards of ISO 26000, which is considered to be the most relevant approach.

In view of GROUPE SFPI's role as the coordinating holding company, and in line with previous years, the Company has decided to prepare its report covering the entire Group consolidation scope, which comprised **55 companies with at least one employee at 31 December 2019**. The consolidation scope covers 3,959 employees. NB: DOM TITAN integrated its external workforce (49 people) into the headcount this year. In previous years, these persons were treated as temporary employees.

Since 2019, the Group has been using TOOVALU software for data collection and reporting purposes. TOOVALU processes both qualitative and quantitative data.

Around a third of Group companies entered their 2019 data directly in TOOVALU. Data from the other companies was collected in the form of Excel spreadsheets.

As in previous years, the collection documents were accompanied by a form explaining procedure and methodology. It specifies the definitions and is available in French and in English.

All data presented in this report covers the consolidation scope.

In addition, to date, the analysis conducted by Sfpi Group did not identify any material risks regarding:

- prevention of food waste,
- prevention of food insecurity,
- defence of animal well-being,
- responsible, fair and sustainable food system,
- human rights,
- collective agreements and their impact on economic performance and employee working conditions.

Furthermore, the management of industrial relations, the fight against discrimination and the promotion of diversity, including with respect to disability, are topics which have not been identified as at-risk at Group level. These themes are tackled at most of the Group's subsidiaries in accordance with the specific nature of their operations.

Indicators cover the entire consolidation scope unless specified otherwise.

- Departure rate and staff rotation indicators cover 53 out of 55 companies representing 99.12% of the workforce.
- Frequency and severity rate indicators cover 50 out of 55 companies representing 98% of the workforce.
- The employee electricity consumption KPI covers 46 out of 55 companies representing 97.17% of the workforce.

Lastly, it is worth noting that the Group is currently setting up an operational coordination system which will enable it to fine-tune policies and measures, leading to an improvement in key performance indicators related to priority challenges identified.