

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.