

SANLORENZO



CONSOLIDATED NON-FINANCIAL STATEMENT

ENVIRONMENTAL | SOCIAL | GOVERNANCE

SANLORENZO

NFS

ENVIRONMENTAL | SOCIAL | GOVERNANCE

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INTRODUCTION

This Consolidated Non-Financial Statement (hereinafter also “NFS”) is prepared pursuant to Italian Legislative Decree 254/2016 implementing European Union Directive 2014/95/EU, which obligates “public interest entities”, defined in terms of the characteristics listed in Article 2, paragraph 1 of the Decree, to report certain information of a non-financial nature for each financial year. This document represents the first NFS prepared by Sanlorenzo S.p.A. (in this text also “Company”) following its listing on Borsa Italiana S.p.A.’s Mercato Telematico Azionario (MTA) in 2019.

For the Company, the preparation of this first report serves not only to comply with regulatory obligations, but more importantly as the initial stage of a path aimed at the progressive consolidation of a business model that, in the long term, does not just take, but rather generates shared value for the stakeholders. Sanlorenzo aims to set an example in its own area of operation, developing a culture of sustainability that not only extends across all the companies of the Group but also raises awareness through the entire value chain, and in this way reaches beyond the corporate setting, especially to suppliers.

The pages of this report therefore focus on ESG (Environmental, Social and Economic/Governance) themes of primary relevance with respect to the Company’s activities, the context in which it operates and the impacts generated or perceived along the entire value chain. This year Sanlorenzo has begun to develop a sound qualitative-quantitative data collection base, and is committed to continuing to build up this system for the purposes of simultaneously measuring and increasing the Company’s positive impacts and reducing and eliminating the negative ones.

In keeping with the requirements of Articles 4 and 5 of Legislative Decree 254/2016, this report analyses what Sanlorenzo has achieved during the three-year period 2018-2020 - in terms of performance, actions and initiatives developed and/or supported - in relation to environmental and social issues, personnel, respect for human rights, and the fight against active and passive corruption. The narrative is inspired by the principles of **complete and balanced reporting** – including information on both positive and negative aspects - **clarity, transparency and reliability** in the presentation and processing of gathered data and calculation methods, and of **inclusiveness and listening to the needs of internal and external stakeholders**.

In this regard, Sanlorenzo adheres to and undertakes to contribute to the achievement of the United Nations **2030 Agenda**¹ and its **Sustainable Development Goals** (SDGs), as well as the **10 Principles of the United Nations Global Compact**² and the **GRI Standards** of the Global Reporting Initiative³. These documents serve as key external references for this NFS, which is drafted in keeping with the GRI “In accordance - Core” Option.

This document has been submitted to a limited external review by BDO Italia S.p.A., in line with the criteria set out in ISAE 3000 Revised - “International Standard on Assurance Engagement”.

¹ The section “Sustainability in the nautical sector” provides an in-depth analysis.

² The Global Compact is a voluntary United Nations initiative aimed at guiding companies around the world towards adopting sustainable business practices and working with UN Agencies to achieve sustainable development goals. The 10 principles of the Global Compact are a call to action for all companies to define strategies and operations that respect human, labour and environmental rights and adopt fair and equitable behaviour.

³ The Global Reporting Initiative (GRI) is an independent international organisation whose mission is to define standards for reporting on the sustainability impacts of public and private organisations. The GRI defines “universal standards” and also “specific standards” on the three dimensions of environmental, social and economic sustainability. The GRI Standards are recognised worldwide as the main frame of reference for non-financial reporting. The application of GRI Standards is voluntary. The Standards propose multiple indicators, enabling organisations to comply with national and international best practices in sustainability reporting. This document refers to the updated 2016 version of the Standards (made available in Italian for the first time in 2018), with the exception of GRI indicators 303 “Water and Effluents” and 403 “Occupational Health and Safety”, updated in 2018.

GUIDE TO READING

When looking at different topics, this document is organised in such a way as to convey the Company's ongoing commitment in the three "ESG" dimensions of sustainability, as is further stressed by the careful choice of verb forms (the infinitive) in naming the 5 core chapters, reflecting the ongoing and imperative nature of related actions. The document also provides an initial section dedicated to the reference sector of luxury yachting and the logic of sustainability currently being developed in this sector.

Specific reference to materiality, meaning topics having a direct impact on ESG, is provided in the chapter dedicated to the governance of sustainability, and in more detail in the final Methodological Note.

The various areas relating to environmental, social and economic/ governance dimensions are also dealt with at the beginning of the relevant chapters, through identification of: relevance of the issue for the Company and its stakeholders; impact along the value chain; risks and opportunities; relevant policies, programmes and certifications.

Similarly, the opening paragraphs also indicate the GRIs and SDGs relative to the topics being discussed in that chapter.

Finally, the Annexes provided at the end of this document - "Corporate governance", "Economic Sustainability Indicators", "Environmental Sustainability Indicators", "Social Sustainability Indicators" - contain qualitative and quantitative technical information that is integral to the NFS.



LETTER TO STAKEHOLDERS

To every one of our stakeholders.

In 2020 Sanlorenzo presented its first ever Non-Financial Statement.

We have prepared this document to share with you the Company's approach to the most significant environmental, social and governance questions of our time. Our efforts are focused on taking the right path forwards, reinforced by a growing awareness of the sustainability challenges facing the whole world. This commitment is inspired by and adheres to major international agreements and initiatives, such as the 2015 Paris Climate Agreement (COP21), the European Green Deal and the 2030 UN Agenda for Sustainable Development.

The path we have taken towards social and environmental responsibility actually began a long time ago, and is rooted in our history.

I still remember with emotion the words of a loyal customer who, many years ago, in his speech of thanks marking the launch of his fifth Sanlorenzo-built vessel, he described our Company as "sensitive", emphasising "the care its takes in relations, not only with customers, but with all of its partners". If it had been today, he might not have said "sensitive", but rather "sustainable", or "socially responsible", and instead of partners he might have said "stakeholders".

I am pleased to stress that relations between us and our employees, suppliers and customers have always been based on mutual trust. This is the founding principle of our business model, and one of the main reasons for our success. I am convinced that Sanlorenzo's proven resilience stems from its goal of generating shared economic and social value, based on close ties with all its stakeholders.

I would go so far as to argue that there is an unwritten pact between us and everyone involved in our work, both inside and outside the walls of our Company. Sanlorenzo has achieved splendid results when the market has been propitious, but even when times have been hard, such as in pandemic-hit 2020. This shows that reactions are more effective and performance much better when the interests of all stakeholders point in the same direction.

We have always adopted an inclusive approach for all our actions, and this is what you will see when you read this carefully organised and detailed Report.

Key to this approach is forging a unique relationship with our clients, helped by the limited number of craft built each year. Relations based on constant dialogue, catering to individual needs, resulting in a high degree of loyalty. Customers return to us again and again.

The Company has always sought to create the best working conditions not only for its employees but also for the workers of contractors, with whom it works, to ensure the highest quality standards.

Our responsible approach to the environment dates back to the late 1990s, when the Company was moved to the Ameglia shipyards, located within Montemarcello-Magra Natural Park. This particular situation has meant that, ever since the beginning of our story, the protection of marine and land ecosystems and of biodiversity has been a prerequisite for our business operations.

Sanlorenzo is a partner of the territory in which it operates. Local institutions and associations appreciate the Company's collaboration on the rollout of cultural and educational initiatives, such as the educational courses proposed by the Sanlorenzo Academy.

We will focus our efforts on these and other areas, monitoring progress over time, measuring and raising our positive impacts, reducing and even eliminating negative ones.

We believe that sustainability means responsible development, constantly seeking to strike a balance between the need to be cost-effective and to have a sense of social and environmental responsibility when pursuing corporate goals.

We are always sailing towards new goals. Not only do we strive to achieve them, we are also keen to do it the right way.

This is our commitment to all of you.

Thank you.

*Cav. Massimo Perotti
Executive Chairman*




CONTEXT AND PERFORMANCE

In 1971, given the strong commercial, sporting, recreational and leisure aspects of the pleasure boating sector, Italian legislation recognised for the first time its distinct nature through the publication of the “Regulations on yachting”, defining it as “special navigation” and therefore regulating it separately from the Italian Navigation Code.

Today, one of the main sources of legislation relating to the yachting sector is the “Pleasure Craft Code”.

Pleasure boating, especially luxury boating, is a strategic production sector for Italy, in terms of both economic performance and the country’s vast heritage of craftsmanship in design, production and outfitting of yachts and superyachts.

The economic impact of the sector in Italy is significant. In 2019, the global turnover of the Italian pleasure craft industry stood at approximately €4.78 billion, up 12% on the previous year⁴. In the same year, the number of people employed in the sector increased by 5.4% to 23,510. Approximately 180,000 further workers are employed in the overall supply chain.

Production in pleasure craft is distributed unevenly over the Italian territory, with concentrations in specific industrial districts such as those of La Spezia or Viareggio.

In certain geographical areas, the presence of nautical-related activities has generated territorial roots and stimulated strong ties with the host communities, leading to the development of important supply chains and professional, technical and artisanal knowledge and skills that are unique in the world.

INSIGHT

CLASSIFICATION OF PLEASURE CRAFT

The distinction of pleasure craft is based mainly on the length of the vessel:

< 10m
PLEASURE BOATS

> 10m and < 24m
PLEASURE VESSELS

> 24m
PLEASURE SHIPS

The term yacht refers generically to the identification of pleasure craft, but in common usage the term is used in reference to luxury vessels of significant size, while “superyacht” refers specifically to vessels with lengths in excess of around 40 metres.

In addition to length, yachts are also commonly categorised according to further characteristics, such as:

- motor or sail propulsion;
- type of hull (displacement, semi-displacement or planing);
- materials used for construction, such as metal, fibreglass and wood.

ITALIAN PLEASURE CRAFT INDUSTRY: TREND CHART

(billion euro)



⁴ Source: Confindustria Nautica.

INSIGHT

**THE GENOA BOAT SHOW:
60 EDITIONS OF EXCELLENCE**

The largest and most important trade fair and exhibition for the Mediterranean nautical sector was established in Milan in 1961, as the “Salone internazionale della nautica” (International Boat Show). In 1962 the now annual event was renamed as the “Boat Show”, and transferred to Genoa. Since 1967 the organisation has been led by Confindustria Nautica (UCINA), the Italian Marine Industry Association, the institutional representative in the nautical sector.

The Genoa Boat Show is a major event for operators in the Italian and international yachting industry and for enthusiasts of the pleasure boating sector; other sea-based activities and ‘Made in Italy’ excellence.

Since 2018 the Genoa Boat Show has been divided into four interlinking events, reflecting the multi-specialist nature of the sector: Tech Trade (components and accessories), Sailing World (sailing), Boating Discovery (outboard motorboats), and Yacht and Superyacht.

The Genoa event was the first boat show in the world to be held since the outbreak of the coronavirus pandemic, from 1 to 6 October 2020. Thanks to a special health protocol devised by a dedicated task force and approved by local and national authorities, the 60th Genoa Boat Show was held in compliance with the anti-contagion measures for containment of the Covid-19 virus.

In spite of the health situation and travel difficulties (especially for the international public), the 60th edition was sold out, welcoming 824 exhibitors and 71,168 visitors.

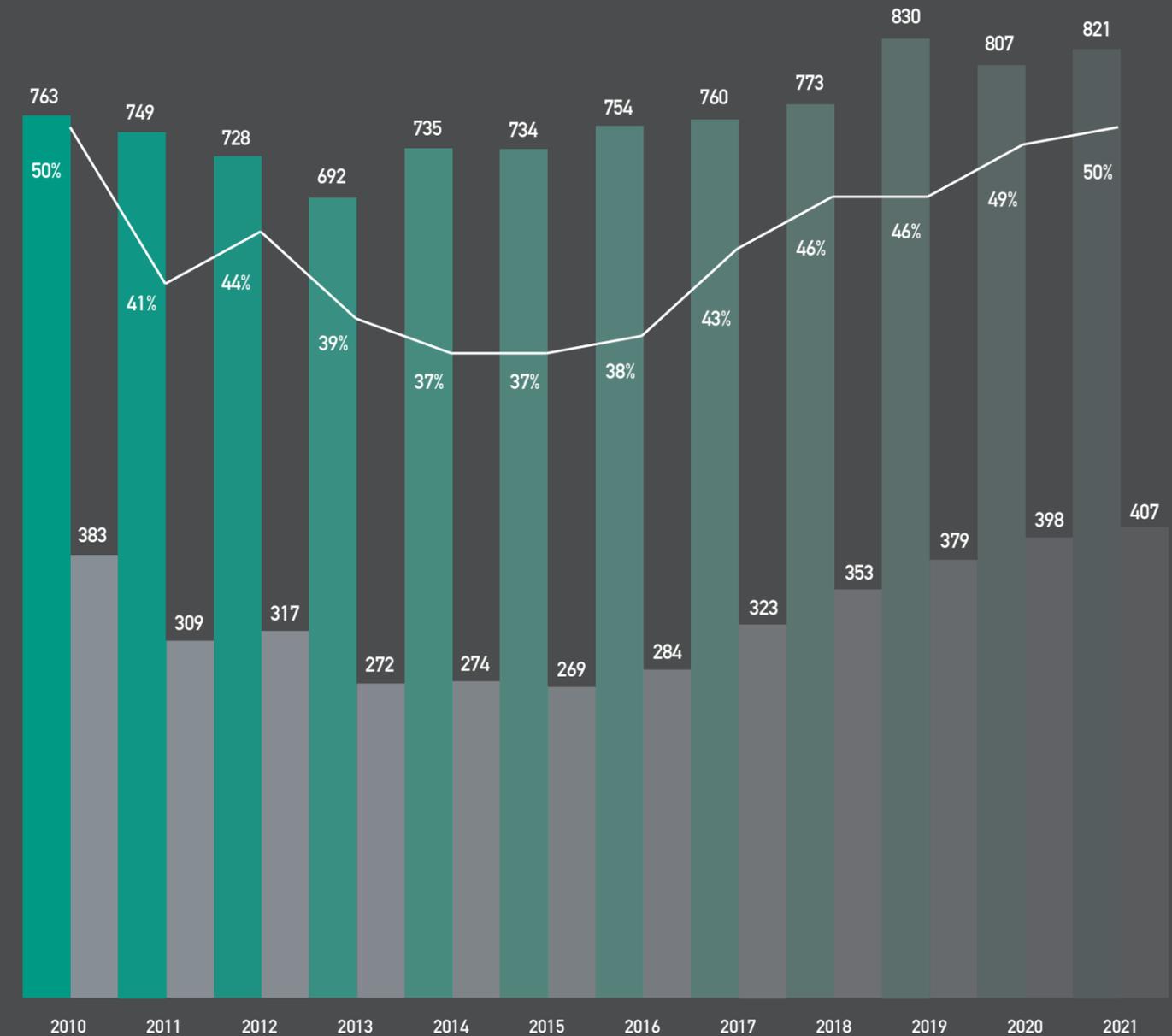


In 2020, Italy produced a total of 407 yacht projects, with average length 36.8 metres and total length 14,994 metres, ranking first among global leaders in the yachting sector; followed by the Netherlands (total length 4,488 metres)⁵.

The excellence of Made in Italy yacht production has achieved worldwide recognition, allowing Italian companies to further advance their international roles and develop business models strongly focused on exports. In 2020, 49% of all worldwide over-24 metre yacht projects were commissioned to Italian shipyards⁶.

YACHTS OVER 24 METRES: NUMBER OF PROJECTS, 2010-2021

■ Number of projects of Italian builders
 ■ Number of projects worldwide
 — % projects of Italian builders



⁵ Turkey was third for total length of yachts (3,497 m), followed by Taiwan (1,967 m), Germany (1,924 m) and the United Kingdom (1,751 m).

⁶ Source: Global Order Book, Boat International.

IMPACT OF THE COVID-19 PANDEMIC

Beginning in early 2020, the spread of the Covid-19 pandemic at national and global levels impacted the boating sector heavily, in both economic terms and in the management of activities, in compliance with general health and safety needs.

The economic impact of the crisis has been two-fold, transversal to the entire sector: on customers' purchasing power and on their holiday budgets. In both cases, however, the economic impact was less than expected, testifying to the resilience and solidity of the Italian yachting industry.

The data show that, although at the start of the national lockdown in March 2020, the forecasts were for a 13% reduction in turnover, the sector remained resilient, and the final economic results were positive and in line with those of 2019. In addition, strong signs of growth were seen in the leasing segment, which in Italy, for the first nine months of 2020, achieved turnover comparable to that of 2019, meaning growth of 30% compared to the same period in 2018.

Sanlorenzo's economic-financial performance was in line with the sectoral performance. The Company's turnover was slightly down compared with an increase in net profit and margins.

“Sanlorenzo responded to the pandemic with maximum caution and prudence.”

Sanlorenzo responded to the pandemic with maximum caution and prudence. On 23 March 2020, immediately following the first Decree of the President of the Council of Ministers of 22 March, Sanlorenzo suspended production activities at the Ameglia, La Spezia, Massa and Viareggio sites, while still ensuring service and management of craft on the water. On 26 March, the Company signed a memorandum of understanding to apply for a nine-week ordinary redundancy fund for all personnel involved in the suspension, subject to use of accrued holidays or leave, for immediate activation.

On 1 April, Sanlorenzo informed the company's Unitary Trade Union Representation (RSU) and sectoral trade unions (OO.SS.) of the need to restart operations, in consideration of the strategic value of the yachting

sector in the local socio-economic fabric and the urgency of protecting allied industries, consisting mainly of small and medium artisanal companies exposed to grave risks in the advent of any economic or financial crisis.

In the earliest stages of the spread of Covid-19, Sanlorenzo established a working table with participation from all social partners (the RSU and sectoral unions: FILCTEM-CGIL, FEMCA-CISL, FIOM-CGIL, UILM-UIL), leading, on 7 April, to the signing of a **Safety and Prevention Protocol**. With this accord, the company was then able to rapidly resume activities following the issue of the guiding decrees of the regions of Liguria and Tuscany. The protocol was important not only for Sanlorenzo, in defining the prevention and protection measures to be implemented in the production departments of all the Company's sites, but more generally for the entire Italian yachting sector; in indicating the guarantees necessary for maximum health and safety of every worker when restarting activities suspended due to Covid-19,

From time to time, Sanlorenzo and its social partners then updated the Protocol in line with the guidelines issued by the authorities and the phases of managing the health emergency.

Under the Protocol, Sanlorenzo took the following immediate protection and prevention steps against the spread of COVID-19: installation of body temperature measurement cameras at the entrance to production sites; identification of separate entrance and exit routes with appropriate signage; provision of serological tests with 24-hour results for all personnel with continuous access to company production sites; enforcement of PPE for all production workers, including FFP2 or FFP3 surgical masks, depending on occupation; provision of latex or nitrile gloves for all production workers; provision of goggles and overalls for production work entailing distances of less than one metre between personnel; division of work into shifts, with the necessary sanitisation procedures; identification of maximum density of employees per room; installation of alcoholic gel or solution dispensers at production area entrances, as well as at the centre of each vessel being fitted out, in all bathrooms and in other strategic places identified for each production site.

Sanlorenzo also adopted stringent measures for sanitisation of working environments. Among these, all boats are now periodically sanitised by ozonation, local ozonators are placed in work areas having the highest density of employees, and extractors and fans are used to ensure air exchange in individual rooms.

The company provides for cleaning of all areas susceptible to frequent touching at the end of the shift, cleaning and sanitisation of vehicles between changes of operators, and daily chemical sanitisation of all

common areas. All cleaning and sanitising procedures are recorded and tracked.

To enable employees to carry out their work on an equal footing, Sanlorenzo also immediately introduced smart working, taking steps to guarantee normal operational processes even in remote working conditions. One aspect of this was the "Sanlorenzo Cloud" project, developed with a view to guaranteeing the security of shared data in remote working contexts. The company enabled the smart-working mode for 53% of employees, organised the on-site personnel in rotation to reduce crowding, and established minimum inter-personal distances of one metre.

Multi-lingual posters were installed, illustrating rules for anti-infection conduct, methods of control and possible sanctions, and stressing the importance of compliance.

The Company has also taken out an insurance policy specifically against Covid-19 risks, for all employees.

Following agreement to the Safety and Prevention Protocol, and the issue of regulatory provisions by the Region of Liguria (Implementing Decree no. 18/2020 of 13 April 2020 of the Department of Civil Protection/ Presidency of the Council of Ministers), Sanlorenzo reopened the Ligurian plants at La Spezia and Ameglia (province of La Spezia), on 14 April. This allowed preparations for the delivery of vessels already fitted out in the shipyards. Similarly, on 20 April, on the basis of the Region of Tuscany Ordinance of 16 April, the Company was able to reopen the Viareggio (province of Lucca) facilities. As early as mid-April, all of the Company's factories were thus operational, working under procedures defined by local and national regulations, and had resumed operations for yachts with delivery dates prior to August 2020.

On 4 May 2020, 28 working days after the initial suspension, the Company began gradually increasing productivity in all yards towards the full resumption of all operations.

In September, with the second outbreak of the Covid virus, the Company re-enforced the necessary provisions of the original Safety and Prevention Protocol, with slight changes.



SUSTAINABILITY IN THE YACHTING SECTOR

With a presence in Europe of around 32,000 companies and 280,000 direct employees, the yachting sector makes an important contribution to the economy of many countries and territories. However, in both Europe and worldwide, nautical activities can have important social and environmental impacts, extending through all phases from production to use and finally end-of-life management.

Growing awareness of these impacts is leading to the tightening of regulations in production and other activities, taking a precautionary approach to the major urgent environmental issues facing modern society. One of the most important of these is climate change. For these reasons, in the coming years of yacht production, the search for more sustainable solutions that respect mankind and the planet will become increasingly important criteria and parameters.

The paragraphs that follow report on the main sustainability trends affecting the sector.

SOURCING SCARCE RAW MATERIALS

The supply of certain key raw materials has proven particularly critical and impactful over time. A case in point is teak, a valuable timber that is increasingly associated with significant impacts in deforestation.

The traceability of raw materials and the search for alternative materials to precious woods such as teak are therefore fundamental aspects in guaranteeing forest protection and the sustainability of raw materials.



TEAK

Teak has superior qualities of durability, strength and aesthetic appeal, and for this reason has been used extensively in deck coverings for yachts.

Exporting countries have attempted to organise sustainable supply systems, yet the phenomenon of illegal deforestation is still extremely widespread, especially in South-East Asia, and particularly in Myanmar (formerly known as Burma), home to about half of the world's teak forests. Over the period 2001 to 2018 Myanmar lost an estimated 3.38 million hectares of teak forest.

To combat this phenomenon, several regulations and provisions have been developed at international level, including **EU Regulation No 995/2010**, which defines the due diligence obligations of operators marketing timber and timber products. The Regulation identifies transparency and disclosure as key principles, concerning in particular: description of the material; indication of the producing country and the related assessment of risks of illegal logging; details concerning the supplier and/or trader; documentation certifying compliance with current legislation.

Myanmar places high on the global Corruption Perceptions Index, and is generally considered a country with high risk of illegality, meaning that wood sourced from that country requires special attention. In 2017, the Italian Ministry of Agriculture, Food and Forestry defined **Guidelines for direct imports of wood from Myanmar**, for improved transparency on the legality of teak supplies.

ATMOSPHERIC EMISSIONS

Both the production and use of craft can cause significant atmospheric emissions.

The production of boats in composite materials, and fibreglass in particular, requires chemical compounds such as styrene, a potentially dangerous substance for workers, especially those exposed to inhalation. Both styrene compounds and formaldehyde, an organic compound sometimes used in the processing of furniture materials, require monitoring and containment. To reduce the generation of emissions, companies in the yachting sector are gradually replacing these compounds with safer alternatives that ensure a healthier working environment and lesser environmental impacts.

When craft are in use, emissions from the operation of fossil fuel engines are significant. These are mainly carbon dioxide (CO₂), nitrogen oxides (NO_x), sulphur oxides (SO_x) and particulate matter (PM).

The solutions adopted include the use of high quality fuels with reduced pollutant levels, comparable to fuels for road vehicles, and installation of specific exhaust gas treatment systems. The sector is also witnessing the development of second-generation hybrid and electric motor solutions, both of which offer more environmentally friendly operation compared to traditional diesel. Further areas of research concern the implementation of energy-efficient processes on boats, such as through insulation systems and special glass.



EMISSIONS LEGISLATION

Current regulations on NO_x, SO_x and PM emissions refer to **Annex VI of the International Convention for the Prevention of Pollution from Ships (MARPOL)**, developed by the International Maritime Organization (IMO). Annex VI defines three tiers of emission limits for NO_x, on the basis of the vessel's year of construction.

The regulations on SO_x and PM deal primarily with the sulphur content of the vessel fuel. In both cases, there are stricter limits for specific Emission Control Areas (ECAs), taking into account their oceanographic conditions, ecological conditions and traffic types. The designated ECAs include the Baltic Sea, North Sea, North American

Area (Pacific coast of the USA and Canada) and the United States Caribbean Sea Area (Atlantic and Caribbean coasts of the Commonwealth of Puerto Rico and the US Virgin Islands).

PRESERVING THE MARINE ECOSYSTEM

Climate change, especially the rising temperature of water, has important consequences on the oceans, their biodiversity and resilience, and is an increasingly important issue in the context of yachting sustainability.

The protection of marine ecosystems is significantly dependent on the sustainable use of pleasure boats. In yachting tourism in particular, certain measures are essential for the protection of marine biodiversity, such as correct practices in anchoring, treating ballast water and disposing of waste and effluents. Other developments concern refinement in the formulation of paints used for antifouling treatment, noise reduction, and continued improvement in fuel-efficiency, including through potential solutions such as the use of hydrogen fuel cells.

BALLAST WATER AND MARINE BIODIVERSITY

The discharge of ballast water creates risks of disturbance to marine ecosystems, particularly through the transport and dispersion of so-called alien species. Macro and micro-organisms, such as algae, can be transported from their native zone in ballast water and then released at other locations, where they can establish themselves and then occupy the ecological niches of native organisms, leading to great damage and potential extinction.

The United Nations has identified the environmental changes caused by this phenomenon as a threat to seas and oceans, but also to human health. In 2004, the IMO adopted the International Convention for the Control and Management of Ships' Ballast Water and Sediments, and in 2016 the European Union launched the BALMAS Project, on the cross-border management of ships' ballast water for the protection of biodiversity, in particular of the Adriatic Sea.



END-OF-LIFE MANAGEMENT OF BOATS AND MOULDS

The limitation of impacts from the end-of-life treatment of boats, fibreglass moulds and other complex waste products is being given greater priority, right from the design phase, including the application of the "design-for-disassembly" approach. Sustainability issues in this area are particularly relevant for fibreglass boats, whose potential life cycle may exceed 30 years.

The reduction of impacts in the production phase, and above all in "use" phase, is supported by the application of **eco-design**, or sustainable design, meaning design of all aspects of the vessel in a manner that minimises all environmental impacts of both the processes and the product, until the end of its life.

A UNIVERSALLY SHARED COMMITMENT

The European Boating Industry, representing the recreational boating industry in Europe, is partnering the United Nations' Decade of Ocean Science for Sustainable Development (2021-2030), for strengthening the sector's actions and efforts in the sphere of Sustainable Development Goals (SDGs).

NEW REGULATIONS

The Hong Kong Convention, adopted by the IMO in 2009 but not yet in force, sets out provisions on the design, construction, operation, maintenance and recycling of ships. Based on this Convention, the European Union subsequently adopted EU Regulation 1257/2013 on ship recycling, which aims to "enhance safety, the protection of human health and of the Union marine environment throughout a ship's life-cycle, in particular to ensure that hazardous waste from such ship recycling is subject to environmentally sound management."

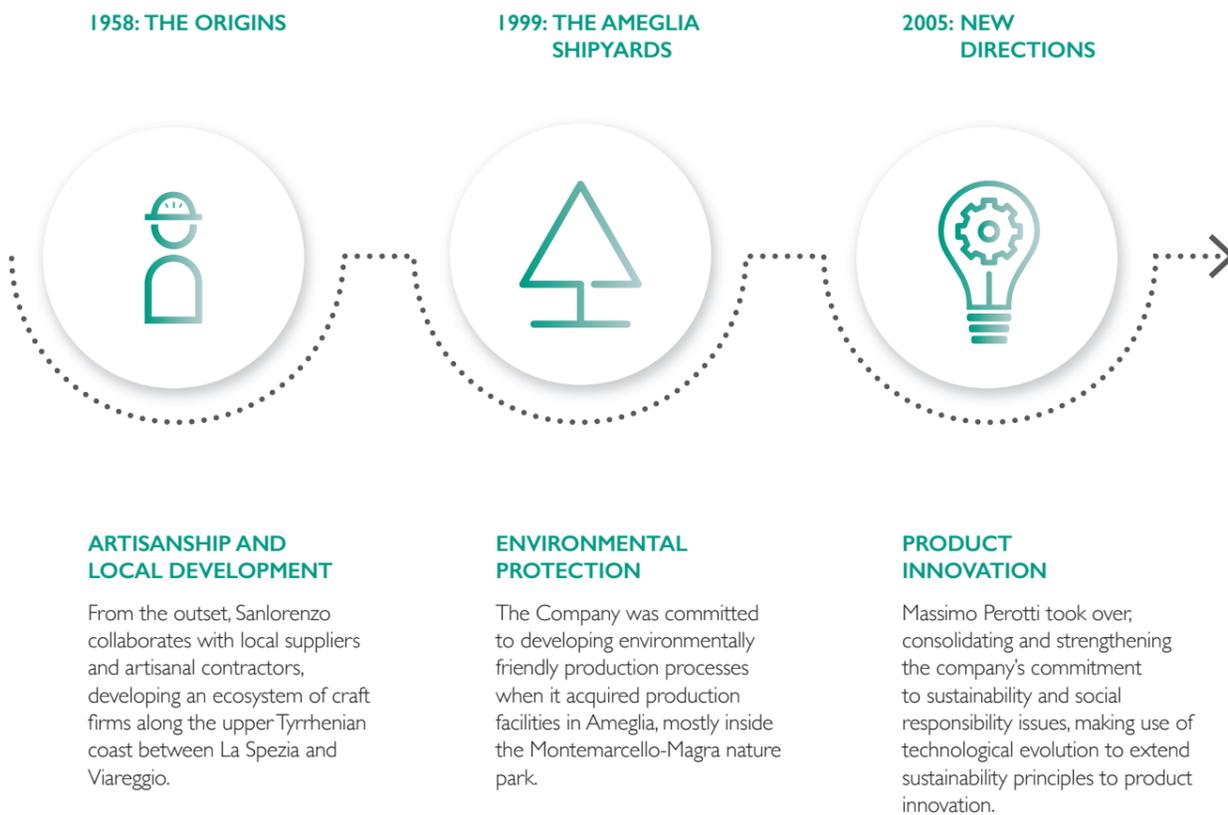
THE UNITED NATIONS 2030 AGENDA AND THE SDGS

In September 2015, the 193 Member States of the United Nations adopted the 2030 Agenda for Sustainable Development, a revolutionary and far-reaching programme of action focused on the three key dimensions of sustainability: environmental, social and economic/governance. The Agenda sets out 17 Sustainable Development Goals (SDGs) and 169 targets. Compared to the previous Millennium Development Goals, the SDGs represent a clear call to action by nations, businesses and civil society in a context of total collaboration between all developed and developing countries. Italy is institutionally committed to achieving the SDGs through the Italian Alliance for Sustainable Development (ASVIS), established in 2016 to spread awareness of the relevance of the 2030 Agenda and to pursue the Sustainable Development Goals.

SUSTAINABILITY FOR SANLORENZO

“We view sustainability as the duty to balance the needs of **economic effectiveness** and **environmental integrity**, demonstrating a sense of social **responsibility in pursuing corporate objectives**. In its business operations, Sanlorenzo seeks to constantly balance environmental, social and financial objectives. All company employees join in taking responsibility for sustainability by knowing and following applicable environmental laws and safety regulations.”

FIGURE I - SAILING TO SUSTAINABILITY, RIGHT FROM THE START

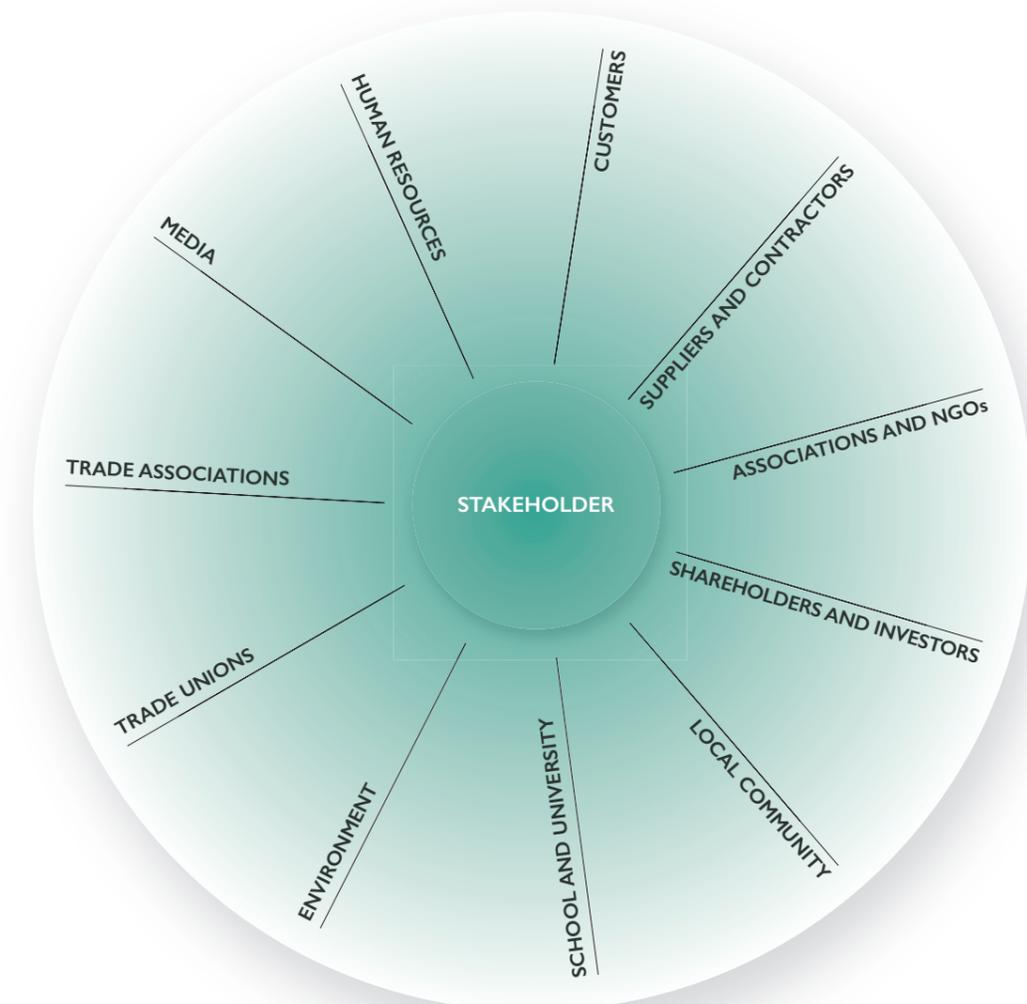


In 2020, Sanlorenzo recognised that the essential first step towards sustainability was that of **identifying its internal and external stakeholders**⁷.

In 2020 the Company therefore began laying the foundations for the definition and implementation of stakeholder engagement activity, which will be a major subject in the next sustainability report. Sanlorenzo top management participated in a questionnaire to identify the main types of internal and external stakeholders. The Company is now developing targeted dialogues with these stakeholders, aimed at understanding the specific nature of their different interests.

One of Sanlorenzo's essential strategies concerning all stakeholders coming into contact with Group companies is to establish and maintain active involvement and open dialogue. Through dedicated departments and channels, the company pursues a proactive approach towards the plurality of stakeholders, always with a view to creating long-term sustainable value.

The graph below shows the stakeholders identified by Sanlorenzo and symbolises their interaction by different channels, means and tools.



⁷ Stakeholders are defined as all persons internal and external to the company who are able to exert a significant influence on its ability to pursue its objectives, but who at the same time might also be highly dependent on the company.

The company uses the following main channels and tools of interaction with investors and financial analysts:

- Shareholders' meetings;
- Conference calls or meetings following the release of periodic financial information and relevant communications;
- Price-sensitive communications and information;
- Seminars, industry conferences, road-shows and meetings, including those dedicated entirely to sustainability (in 2020, for example, the Company participated in the Digital Italian Sustainability Week organised by Borsa Italiana);
- Daily dialogue (meetings, telephone, e-mail);
- Institutional website;
- Compilation of questionnaires aimed at assessing sustainability strategy and performance.

By taking advantage of these channels for dialogue with investors and financial analysts, the Company has received input on sustainability, including expressions of needs. In 2020, it emerged that the most important issues are those revolving around product sustainability, also with a view to satisfying the needs of customers increasingly alert to these aspects, and the management of the production chain, a strategic asset for Sanlorenzo.

Information on communication and interaction with other stakeholder categories is presented in the sections of this NFS dealing specifically with customers, the local community, suppliers and contractors, human resources and trade union representatives.

Sanlorenzo has carried out an initial **materiality analysis**⁸ aimed at determining those sustainability topics having the greatest impact on both ordinary management and the Company's overall creation of value.

⁸ The "Methodological note" section (below) describes the materiality analysis process in more detail.

The analysis pursued two investigative streams:

1. **Externally** - Potentially relevant issues were identified through extensive context and benchmark analysis, aimed at perceiving the "voices" of external stakeholders. This was done by studying the main publications of international bodies, the scientific literature, reports from yachting industry associations, nationally and internationally published news and social media;
2. **Internally** - Top management participated in semi-structured interviews investigating their own views and their perceptions of issues relevant to reference stakeholders already engaged in ongoing dialogue. This investigation included the analysis of internal documents.

This led to the identification of a **list of 14 material topics**, set out in the table below,⁹ together with their relation to the chapters of this NFS.

TABLE I – MATERIAL TOPICS

TOPICS	MATERIAL TOPICS	NFS SECTION
ECONOMIC	Sustainable supply chain management	Promoting an ethical and responsible supply chain
	Governance of sustainability	Accountability, integrity and transparency
	Anti-corruption	
	Research and development	Exploring innovation anchored in tradition
ENVIRONMENTAL	Preservation of marine habitat and biodiversity	Respecting nature
	Sustainable design of craft	
	Energy consumption	
	Atmospheric emissions	
	Waste management	
	Managing water resources	
SOCIAL	Protecting health and safety	Promoting an ethical and responsible supply chain Strengthening attractiveness, competences and passion
	Human resource management	Strengthening attractiveness, competences and passion
	Exclusive relationship with clients	Exploring innovation anchored in tradition
	Regional development and promotion; Relations with local actors	Anticipating the tests of time and the seas

⁹ Material issues are defined as those aspects of an economic, environmental and social nature that are considered strategically and operationally relevant for the Company and its main internal and external stakeholders, taking into account the related risks, current and potential, and opportunities, positive and negative impacts, generated or suffered, along the entire value chain.

In coming years, careful monitoring of these topics, backed by the measurement and monitoring activities put in place in this first year of non-financial reporting, will enable us to single out strategic objectives and related targets for ongoing improvement in the three sustainability dimensions.

Sanlorenzo is committed to actively and concretely contributing to the SDGs and the related targets that it recognises as strategic priorities. In particular, the Company recognises that it can generate significant impacts in the following SDGs::

- Goal #4** (target 4.4) – Quality education;
- Goal #8** (target 8.2) – Decent work and economic growth;
- Goal #10** (target 10.3) – Reducing inequality;
- Goal #12** (target 12.4; 12.5) – Responsible consumption and production;
- Goal #13** (target 13.1) – Climate action;
- Goal #14** (target 14.2) – Life below water;
- Goal #16** (target 16.5; 16.7; 16.10) – Peace and justice, strong institutions.

The Company may also indirectly contribute to the achievement of SDG #3 - Health and well-being, and SDG #7 - Affordable and clean energy.



THE ORIGINS

The story of Sanlorenzo began in 1958, when shipwrights Gianfranco Cecchi and Giuliano Pecchia founded Cantieri Navali San Lorenzo in the town of Limite sull'Arno, on the Arno River near Florence. Since then, the Sanlorenzo shipyards have made steady progress, with the most recent milestone being the company's listing on the Borsa Italiana stock exchange in 2019.

1958-1974

THE EARLY DAYS

At the beginning of the 20th century, Limite sull'Arno still preserved a tradition of famous shipwrights and highly prized yachting creations. Here, in **1958**, master shipwrights Gianfranco Cecchi and Giuliano Pecchia established Cantieri Navali San Lorenzo. The company took its name almost by chance, from the city piazza where the two men went to sign the founding documents.

The first San Lorenzo motor boats - just over 9 metres long - were built in Viareggio, the home of Italian yachting, on the Tyrrhenian coast to the west of Florence.

Towards the end of the **1960s** the shipyards expanded production to wooden yachts, ranging from 36 to 60 feet in length, which began to enjoy success in races.

In **1972** the company was acquired by Giovanni Jannetti, and in the same year presented two models of marine plywood boats: the Sanlorenzo 15.5 and Sanlorenzo 20.

1974-2004

CREATING THE LEGEND

In the last quarter of the century, the Company introduced Important innovations in terms of materials. The first applications of fibreglass helped to reduce production costs, enabling the creation of larger and more comfortable yachts. In **1985** Cantieri Sanlorenzo presented its first fibreglass model, the SL57, which was a great success.

Under Jannetti's ownership, Sanlorenzo began to offer customisation services, enabling clients to personalise the style and design of their yachts. With the SL70 and SL80, the Company moved into the production of large fibreglass yachts. With the presentation in **1995** of its first 100 footer, the Sanlorenzo 100, the Company secured entry into the superyacht sector.

In **1999** Sanlorenzo moved its headquarters to Ameglia (SP), inside the Montemarcello-Magra Natural Park. With this decision the shipyard was required to obtain certification under the UNI EN ISO14001 standard, as a guarantee of its commitments to managing impacts and maintaining the utmost respect for the environment during the production process.

2005-TODAY

A NEW PHASE OF GROWTH

In **2005** Massimo Perotti acquired a majority shareholding in Cantieri Navali Sanlorenzo S.p.A., and the Company initiated a new phase of development. In **2007** the Sanlorenzo group opened an office in Viareggio, with a new second division for production of new lines, and in the same year launched the first "SD92", introducing an entire new SD line of semi-displacement yachts. These offered a seagoing experience focused on a new conception of quality and the pleasure of unhurried travel to one's destination, compared to the speed of planing yachts.

Also, in **2007**, Sanlorenzo launched its first metal yacht: the 40Alloy, winner of the Show Boats Design Award and two World Superyacht Awards, marking the shipyard's definitive entry into the superyacht segment. This was a courageous initiative on the part of the Company, given the need to train completely fresh human resources and set up specific production facilities. Building from this first effort, in the ten following years, Sanlorenzo

progressed to a global position as one of the most important shipyards in the superyacht segment.

In **2008** Sanlorenzo presented the first SD122, winner of the World Superyacht Award. The following year the historic Ameglia shipyards launched a new generation of "Sanlorenzo" yachts: the first SL104 was launched, winning the Innovation Award of the Italian Industrial Design Association.

2010 saw the launch of the 46Steel, Sanlorenzo's first steel displacement vessel.

In **2011** Sanlorenzo reached the global level of third largest shipyard in terms of the production of yachts over 24 metres, rising to second place in **2014**.

The Company's success in this segment led Sanlorenzo to open a dedicated metal superyacht works in La Spezia in **2016**.

The most important milestone in Sanlorenzo's recent evolution is its listing on the Borsa Italiana, on 10 December **2019**.

SANLORENZO TODAY

MISSION To be the shipyard of owners who do not accept compromises: the place to innovate through experience, to create and build one's own craft, a yacht that stands the tests of time and seas.

VISION To be a benchmark for the construction of custom-made yachts and superyachts.

The construction of each "Sanlorenzo" takes time and passion. Because of this, the shipyard is able to satisfy only a limited number of clients, about 50 a year, designing and building boats that meet the requests, style and desires of each individual owner.

Each Sanlorenzo creation represents a combination of intuition, skills and passion, the leitmotiv being an uncompromising search for uniqueness.

Sanlorenzo philosophy and values

The key factors in Sanlorenzo's success are style, craftsmanship, the special relationship between Company and owner, commitment to service and constant innovative drive.

Sanlorenzo has always developed very close ties with its owners, established through a shared vision, knowledge and trust. The Company's devotion to taking the necessary time to ensure quality in every detail has led to the development of a true community, rooted above all in shared values.

Indeed, Sanlorenzo believes that its core values are timeless, meaning that in its creations, the Company develops forms, styles and design languages that are long-lasting, recognisable, and not subject to passing fads.

The core philosophy of Cantieri Sanlorenzo is **"Your Vision. Our Craft"**, conceptualised on the basis of five key values that guide the design and construction of every Sanlorenzo yacht.

Sanlorenzo key values

YOUR NEEDS

For over 60 years, Sanlorenzo has been building custom-made yachts according to the style and wishes of its customers. For each vessel, listening lies at the heart of production. Each yacht represents a personal history, to be handed down to the next generation, and an unconditional emotional bond. The communication between shipyard and owner lays the foundations for a unique connection, building a **personal relationship** that then projects into the future. These unique personal relationships centre around the "Sanlorenzo Club" of yacht owners, who all share certain common values and passions.

INFINITE POSSIBILITIES

Nothing is standard in a Sanlorenzo project, except the high levels of on-board quality and safety, acknowledged as benchmarks for the entire yachting sector. The excellence of materials, the handcrafted production process, and highest quality of work ensure that each of the owner's decisions is in perfect harmony with the rest of the elements. The **New Product Development** department coordinates all of the Company's unique experience in the world of yachting products and technologies, placing them at the service of the designers who work with the shipyards, enabling a wide variety of choices for the customer.



CRAFTSMANSHIP

Sanlorenzo's unique "Made in Italy" creations offer a **heritage of craftsmanship and intelligence**, passed down from generation to generation. The skills of our cabinetmakers, carpenters, upholsterers and installers represent a know-how unique to Sanlorenzo, resulting in products of extraordinary craftsmanship.

YOUR STYLE

A Sanlorenzo yacht is the result of timeless design, melding tradition with innovation: a sense of balance, simple lines, elegance, with a consistent, calm, clear style. Since 2008, Sanlorenzo has developed its own **interior design** projects, ensuring that on-board design meets the "Made in Italy" criteria of modernity and elegance.

YOUR UNIQUE CREATION

Each Sanlorenzo yacht is a unique creation. A Sanlorenzo yacht moves beyond fleeting fashion, it is not just a beautiful vessel, rather an exclusive expression of the owner's individual interpretations of elegance. Each Sanlorenzo is as **unique as a work of art**, with its own story to tell. **Each model**, created in the image of the owner, is as **different and inimitable** as a bespoke suit.

MATERIALITY ANALYSIS: “GOVERNANCE OF SUSTAINABILITY”; “ANTI-CORRUPTION”

REFERENCE GRIs:

102-5; 102-11; 102-15; 102-18; 102-19; 102-20; 102-22; 102-23; 102-24; 102-25; 102-26; 102-29; 102-31; 102-32; 205-1; 205-3; 206-1; 405-1; GRI 405-2

REFERENCE SDGs:



TARGETS: 16.5; 16.7; 16.10

DESCRIPTION AND RELEVANCE OF THE TOPIC

Sanlorenzo has formalised and clearly stated its commitment to the creation of long-term sustainable value, and from the outset has integrated sustainability into its responsibility systems and internal processes.

The Company is particularly committed to guaranteeing both intellectual and material honesty and internal and external transparency, especially concerning commercial transactions and relations with its suppliers, contractors and customers.

The Company is committed to protecting fair competition within its field of operation.

TYPE OF IMPACT ALONG THE VALUE CHAIN: DIRECT/INDIRECT, INTERNAL/EXTERNAL

This section of the NFS discusses areas of transversal relevance across the Company's entire value chain. The integration of sustainability in responsibility systems and corporate processes is an essential condition for defining, committing to and implementing the Company's strategic guidelines, programmes and initiatives, thereby guaranteeing responsible and ethical management, in line with Sanlorenzo's essential philosophy and guiding values.

ASSOCIATED RISKS:

- Corruption, both active and passive
- Reputation
- Interruption of business
- Foreign Assets (OFAC) or anti-money laundering sanctions
- Destruction of or failure to create value for stakeholders

RELATED OPPORTUNITIES:

- In embarking on a formalised, sustainability journey, Sanlorenzo can serve as a lead player in the yachting industry, bringing the issues of environmental, social and economic sustainability to the forefront of the luxury yacht and superyacht world.
- Through ethical and responsible management, Sanlorenzo aims to protect and contribute to a context of fair competition with industry peers.

KEY STAKEHOLDERS:

- Human resources
- Suppliers and contractors
- Customers
- Shareholders and investors
- Local community

RELEVANT POLICIES, PROGRAMMES, CERTIFICATIONS :

- Code of Ethics
- Organisational Management and Control Model, Legislative Decree 231/01
- Code of Conduct
- Anti-Corruption Policy
- Antitrust Compliance Programme
- Foreign Assets (OFAC) Compliance Policy and Sanctions Compliance Programme

The Sanlorenzo Group consists of the parent company, Sanlorenzo S.p.A., and its four directly controlled companies: Bluegame S.r.l., Marine Yachting Monaco S.A.M., Sanlorenzo Baleari SL and Sanlorenzo of the Americas LLC¹⁰.

The qualitative and quantitative information included in this NFS refers exclusively to Sanlorenzo S.p.A. and these four Company-owned shipyards.

The guiding principles of Group governance are: Responsibility, Integrity, Transparency.

The system of corporate governance is central to implementing the Sanlorenzo business strategy, sustaining relationships of trust with all internal and external stakeholders, achieving results and generating sustainable value in the long term.

¹⁰ The corporate organisational chart is presented in the “Group structure” section of the 2020 Annual Financial Report, published on the Company’s website www.sanlorenzoyacht.com, in the section “Investors/Results and financial documents”.

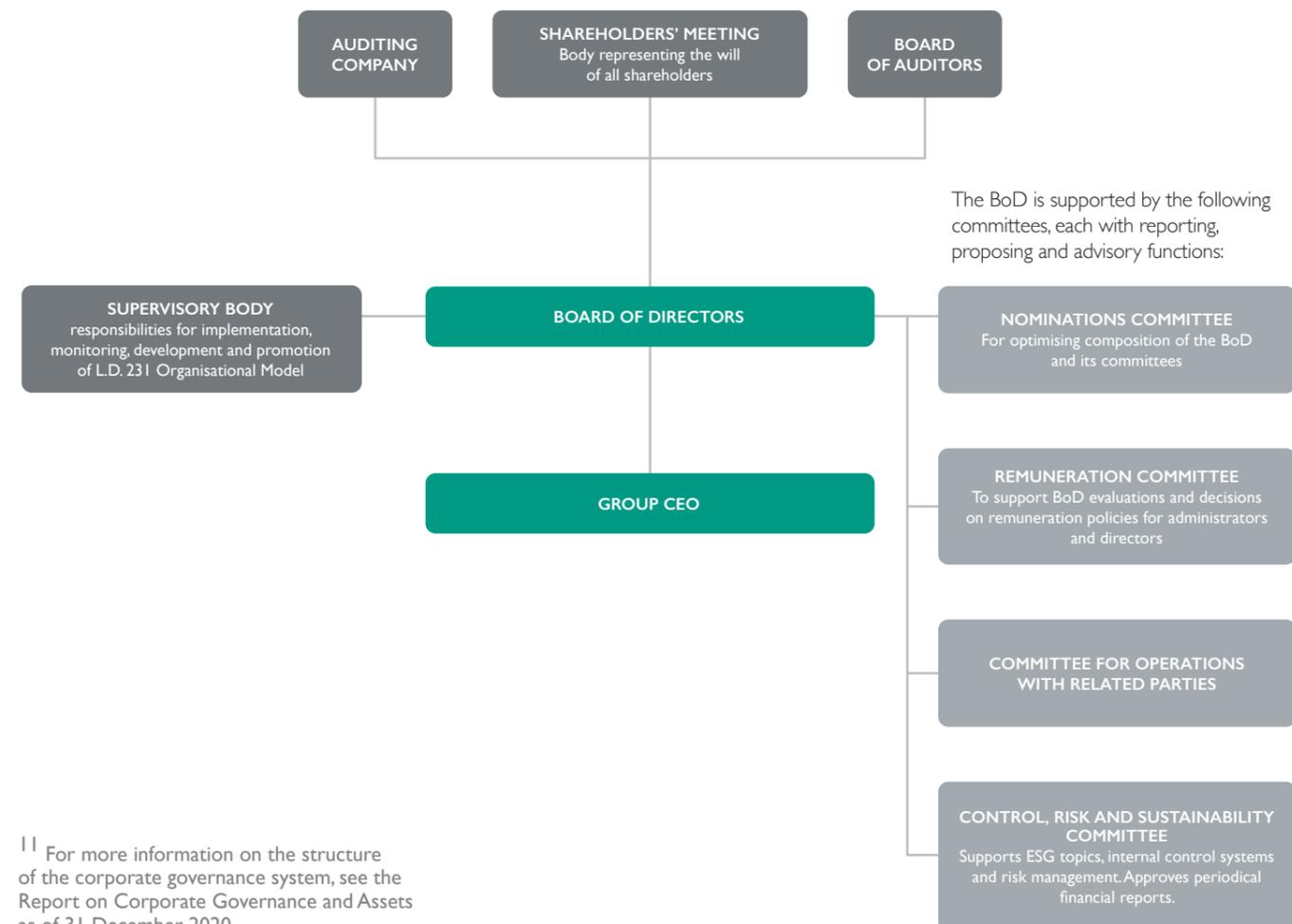
CORPORATE GOVERNANCE

Sanlorenzo has been listed on the STAR (High Standards) segment of the Borsa Italiana Equity Market (MTA) since 2019. The company’s governance system¹¹ is based on the traditional corporate governance model and is structured in accordance with the recommendations and regulatory provisions of the Corporate Governance Code for companies listed on the Borsa Italiana, to which Sanlorenzo adheres.

The main corporate, administrative and control bodies are:

- the Shareholders’ Meeting, whose resolutions, made in accordance with the law and the Company’s Articles of Association, are binding on all members;
- the Board of Directors (BoD), which also carries out its duties with the help of special BoD Committees;
- the Board of Statutory Auditors;
- the Auditing Company, which is responsible for statutory auditing.

GRAPH I - CORPORATE GOVERNANCE



¹¹ For more information on the structure of the corporate governance system, see the Report on Corporate Governance and Assets as of 31 December 2020.

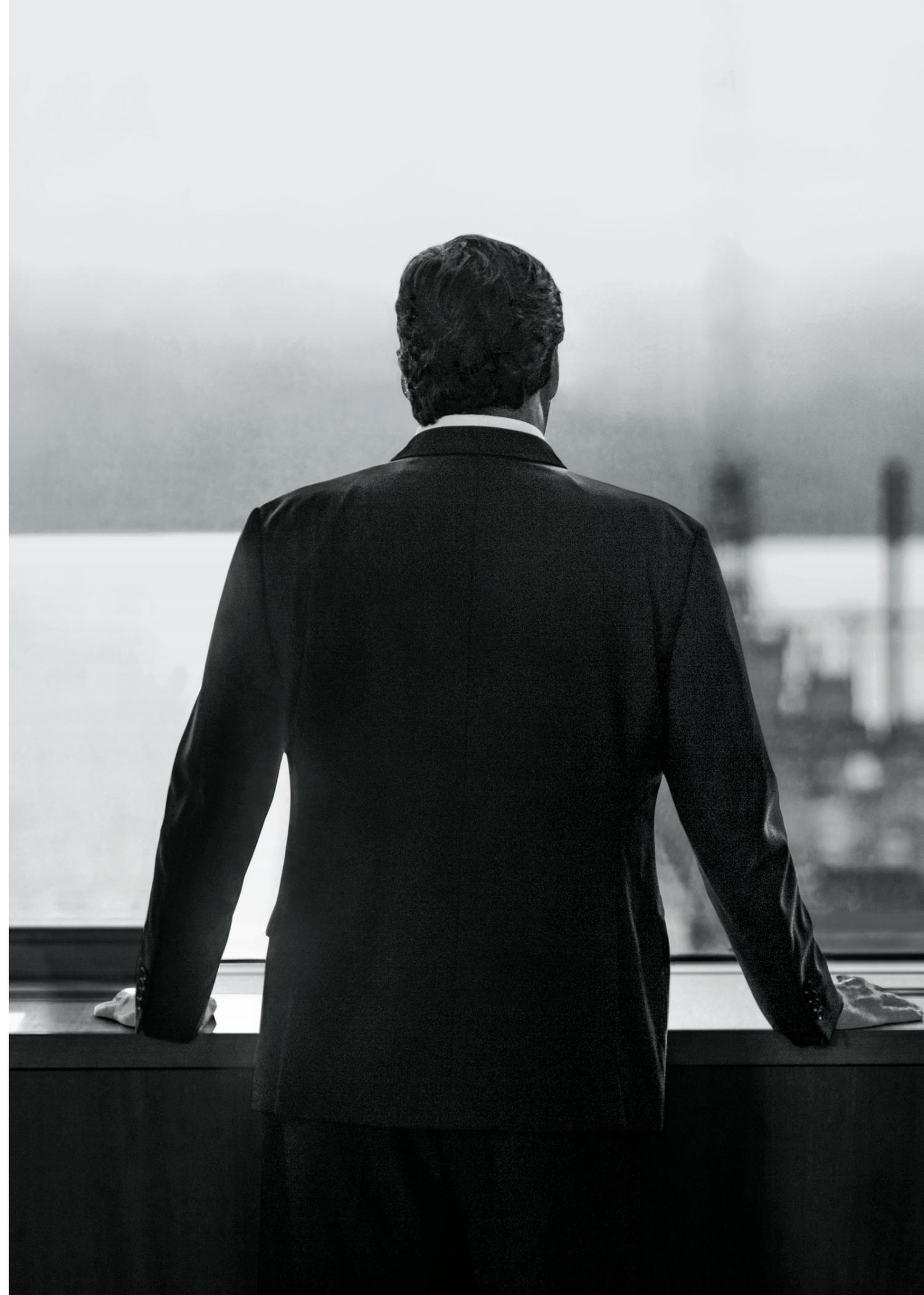
The **Board of Directors** carries out the ordinary and extraordinary administration of the Company. It currently consists of nine members, ineligible for re-election, appointed before the introduction of the voting list system and in office until the Shareholders' Meeting to be called for approval the financial statements for the year ending 31 December 2021, Table 2 below shows the composition of the BoD and indicates the office, role and independence¹² of its members. In 2020, the Board of Directors held 8 meetings, with attendance rate 98%.

TABLE 2 - COMPOSITION OF THE BOARD OF DIRECTORS

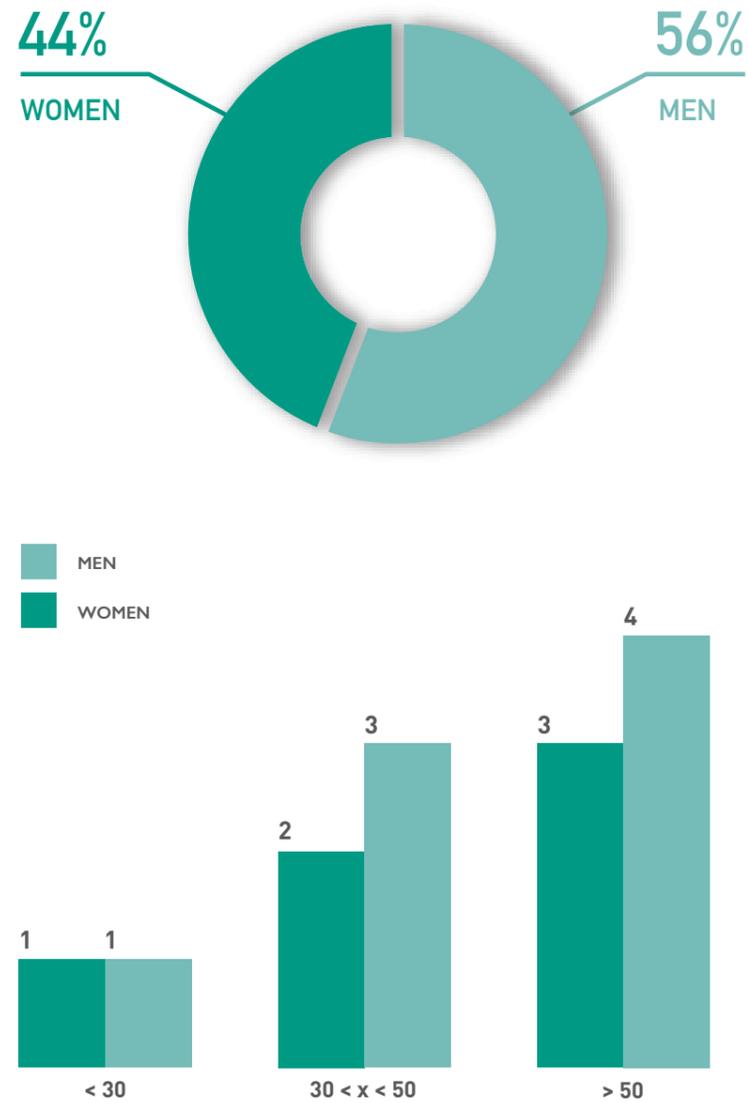
MEMBER	POST	ROLE	INDEPENDENCE	COMPETENCIES ON ECONOMIC, ENVIRONMENTAL, SOCIAL TOPICS	REPRESENTATION OF STAKEHOLDERS
Massimo Perotti	President and CEO	Executive ¹³			•
Marco Viti	Managing Director	Executive ¹³			•
Carla Demaria	Managing Director	Executive ¹³		<ul style="list-style-type: none"> • Winner of 2018 "Marisa Bellisario" award for women distinguished in management; • Has given numerous seminars on the role of women in the labour force. 	•
Paolo Olivieri	Vice-president, Director	Non-executive			•
Cecilia Maria Perotti	Director	Non-executive			•
Pietro Gussalli Beretta	Director and Lead Independent Director	Non-executive	•		
Silvia Merlo	Director	Non-executive	•	<ul style="list-style-type: none"> • Stanford Graduate School of Business, "BNP Paribas Women Entrepreneur Programme"; • "In the Boardroom" training programme organised by Valore D Association, working for diversity inclusion; • Risk management. 	
Licia Mattioli	Director	Non-executive	•	•	
Leonardo Luca Etro	Director	Non-executive	•	<ul style="list-style-type: none"> • International development; • Scientific Director of "Best Performance Award" granted annually by SDA Bocconi for the excellence of Italian companies in the area of sustainable development; • Risk management. 	

¹² Regarding "independence", see the definition provided in Article 147 paragraph 3 of Legislative decree 58/198 and the Code of Conduct of Borsa Italiana S.p.A..

¹³ For more details, see the annex "Corporate governance".



GRAPH 2 - MEMBERS OF THE BOARD OF DIRECTORS, BY GENDER AND AGE



The **Board of Statutory Auditors** is the control body consisting of three regular and two alternate auditors, who may be re-elected, currently elected by the 2019 Ordinary Shareholders' Meeting. The Board of Auditors supervises compliance with the law and the Articles of Association, respect for the principles of proper administration, and in particular, the adequacy of the Company's administrative and accounting structure and its proper functioning.

In 2020, the Board of Statutory Auditors met 11 times, with 100% attendance.

TABLE 3 - COMPOSITION OF THE BOARD OF STATUTORY AUDITORS

MEMBER	RESPONSIBILITY	EXPIRY OF TERM
Andrea Caretti	President	Shareholders' Meeting to be called for approval of the financial statements for the year ending 31 December 2021
Margherita Spaini	Regular auditor	
Roberto Marrani	Regular auditor	
Luca Trabattoni	Alternate auditor	
Marina Scandurra	Alternate auditor	

The "Corporate governance" section of this NFS provides further details on the process of appointing Directors, delegation of powers to Executives, and induction and training initiatives organised for BoD members.

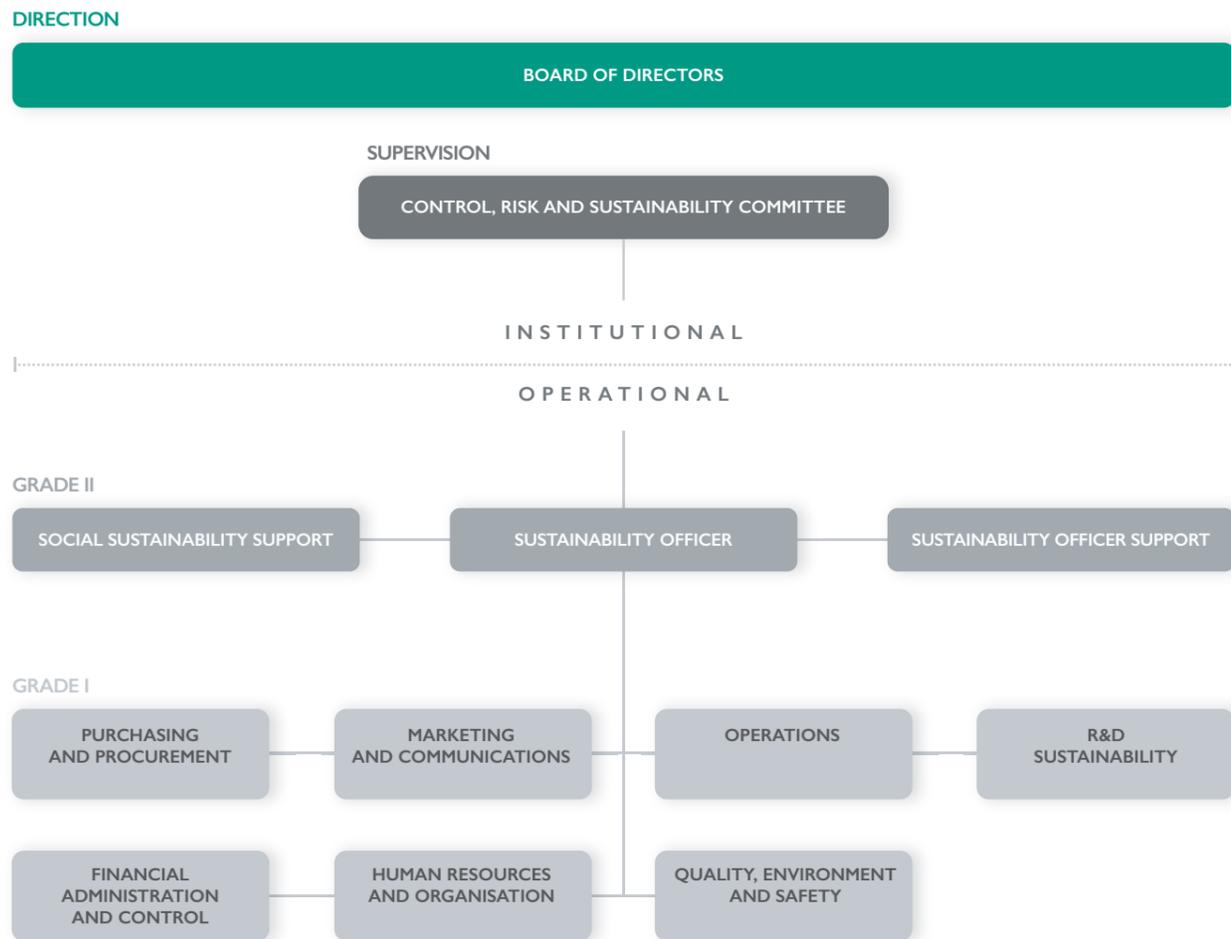


SUSTAINABILITY GOVERNANCE

In 2019, the Company established the BoD **Control, Risk and Sustainability Committee**¹⁴, for the purposes of integrating sustainability management **within the corporate governance structure and processes**.

As shown in the organisational chart below, although the Board of Directors holds ultimate responsibility for decisions and strategic guidelines on sustainability at executive level, the relative powers are entrusted to the Control, Risk and Sustainability Committee.

GRAPH 3 - SUSTAINABILITY GOVERNANCE



The Committee is made up of three Directors, at least two of whom are independent and whose term of office is equivalent to that of the Board of Directors, of which they are members. The President is chosen from among the independent Directors.

TABLE 4 - COMPOSITION OF THE CONTROL, RISK AND SUSTAINABILITY COMMITTEE

MEMBERS	POST	OTHER POSITIONS
Leonardo Luca Etro	President	Independent Director; Member of the Remuneration Committee
Silvia Merlo	Director	Independent Director; President of the Remuneration Committee, Member of the Committee for Operations with Related Parties
Cecilia Maria Perotti	Director	Director; Architect for vessel interiors, Social Sustainability Support

The Committee assists the Board of Directors in:

- Defining the guidelines of the internal control and risk management system, for correct identification, adequate measurement, management and monitoring of the main risks faced by the Company and its subsidiaries, and determining criteria making these risks compatible with a management of the company able to pursue identified strategic objectives;
- Periodically assessing, at least annually, the adequacy and effectiveness of the internal control and risk management system with respect to the characteristics of the Company and its risk profile;
- Preparing the NFS pursuant to Legislative Decree 254/2016. To this end, the Committee meets to approve the list of topics deemed to be material for the Company; its opinion is reported to the Board, which deliberates on the matter.

¹⁴ Established by the Board at its meeting of 24 October 2019, with effect from the start of trading of the Company's shares on Borsa Italiana's MTA (December 2019).

The Committee meets when convened by the President, whenever he deems it appropriate, but at least once every six months. In 2020, the Committee held 6 meetings, with 94% attendance rate.

On 31 August 2020, after hearing the opinion of the Control, Risk and Sustainability Committee, the Board of Directors defined specific corporate roles for translating the strategic guidelines into projects and management approaches: the **Sustainability Officer**, reporting directly to the Control, Risk and Sustainability Committee, **Social Sustainability Support and Sustainability Officer Support** (see organisational chart above),

The role of these individuals is to assist the Control, Risk and Sustainability Committee members in managing sustainability programmes and initiatives, including NFS reporting.

Finally, as seen in the above organisational chart, the **R&D and Sustainability department**, which reports directly to the Sustainability Officer, coordinates initiatives and developments in the field of sustainability at an operational level. The department is divided into two areas: one of a more technical nature, dedicated to R&D activities, and a second focusing on the application of sustainability principles and topics and the planning of the Sanlorenzo Academy.

In 2020, for the first time, risk assessment was extended to non-financial aspects, further integrating sustainability in corporate governance.

In particular, the Company established an **Internal Control and Risk Management System (ICRMS)** and set up an **Internal Audit (IA) department**.

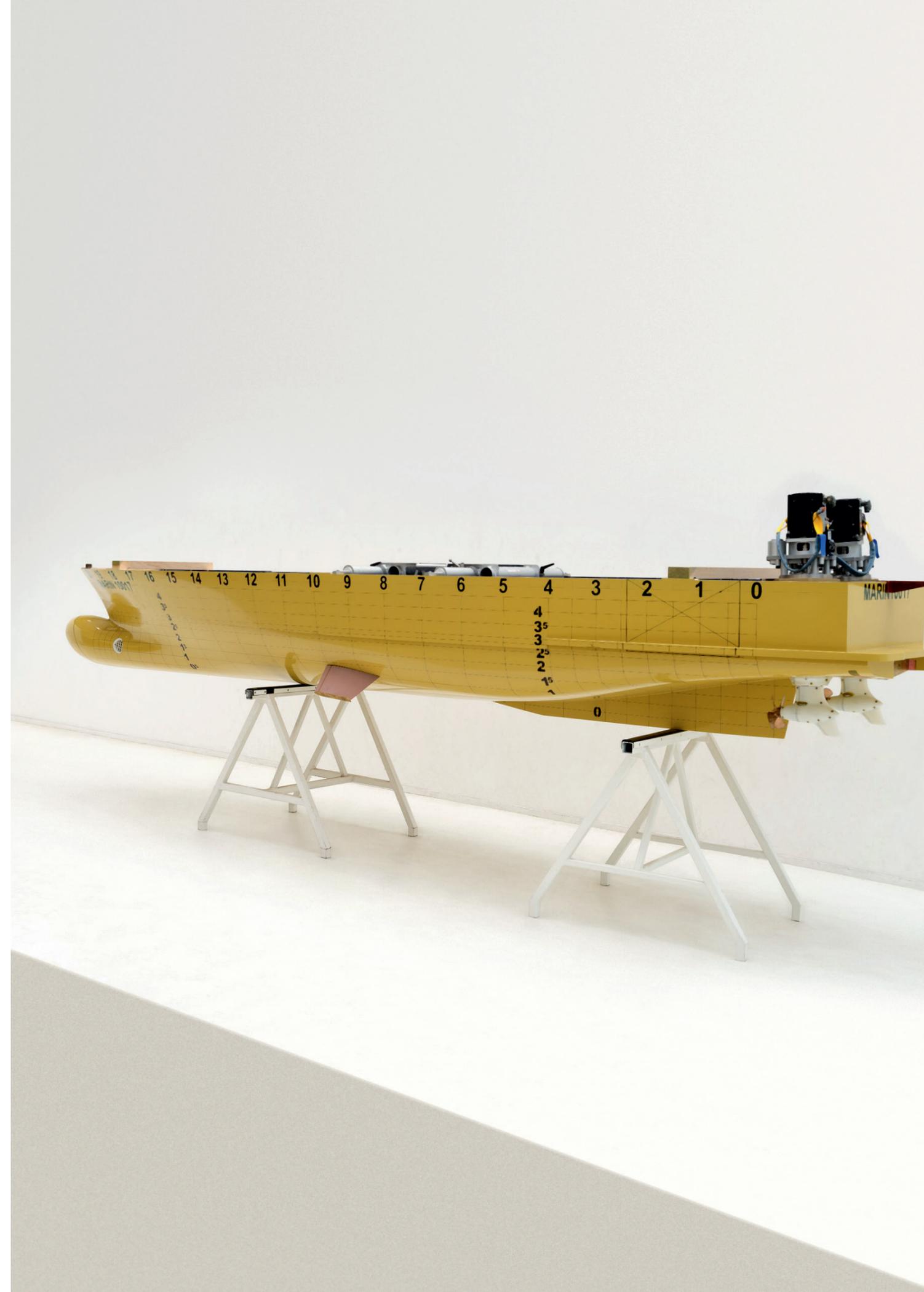
The IA department carries out the analysis and prioritisation of the main risks¹⁵ facing the company, resulting in the Risk Control Matrix. The most recent version of the matrix identified three critical areas for the Company: Administration, Finance and Control; Information and Communication Technology (ICT); Certification and Compliance¹⁶.

The IA department then submits the analysis to the Board of Directors for approval, also informed by the opinions of the Control, Risk and Sustainability Committee, the Board of Statutory Auditors and the director in charge of the ICRMS.

The following sections describe how the Company has also carried out an analysis aimed at identifying risks and opportunities relating to each material topic, as well as the relevant management methods or actions that the Company intends to develop for efficient management of the ESG areas.

¹⁵ For more details, see the "Corporate governance" section of the Annexes.

¹⁶ For more details, see the "Corporate governance" section of the Annexes.



ETHICS AND COMPLIANCE

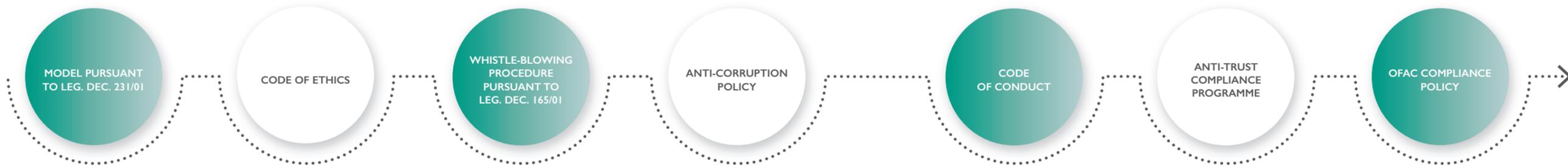
The boating sector, and in particular the luxury and extra-luxury yachting sector, is associated with large amounts of capital, and is therefore sometimes identified as a sector potentially exposed to the risk of corruption.

Sanlorenzo believes that its success is directly dependent on a corporate culture having a sound basis of ethical values and shared responsibility in management, and for this reason has always been particularly careful to guarantee the intellectual and material honesty of both its own actions and those of its suppliers and contractors.

The company conducts its business in a manner inspired by the fundamental principles of: **legality**, i.e. compliance with national and international laws and equivalent acts in all its activities; **fairness and impartiality**, particularly with regard to duties of diligence and expertise; **transparency and integrity**, values ensuring fairness, accuracy, completeness, uniformity and timeliness in the management and communication of corporate information.

The management approach to the potential risk of corruption, both active and passive, and of unfair competition, is expressed through multiple tools that the Company has developed and shared internally and with the main external stakeholders.

INFOGRAPHIC 2 - TOOLS FOR FAIR AND HONEST MANAGEMENT



Updated by the Board of Directors on 31 August 2020, this document defines specific rules of conduct aimed at preventing the committing of offences as identified in Legislative Decree 231/01, and identifies the **areas of activity that are most sensitive** and potentially exposed to greater risk. These are, in particular: relations with public administrations, activities relating to workplace health and safety, environmental activities, relations between private individuals, computer transactions, the employment of non-permanent personnel, market behaviour, and tax-related activities.

The Code of Ethics provides the frame of reference for application of the provisions of the Organisational Management and Control Model, prepared in keeping with Legislative Decree 231, of which it is an essential part.

All employees may report any actual or potential act that they suspect to be a violation of the law or any other internal regulation¹⁷ to their line manager or the Internal Audit/Compliance department. Any information acquired shall be treated in such a way as to guarantee the utmost confidentiality and protection for the reporting party.

The Code of Ethics includes a section referring to all employees, which further regulates the offences of corruption and discourages anyone from carrying out any action or behaviour considered as unlawful.

This document, providing unambiguous guidelines for conduct and approved by the Board of Directors in August 2020, applies, unlike the Code of Ethics, to all Group companies, including foreign ones, with the aim of protecting the interests of both internal and external stakeholders.

Adopted in May 2020, this document is designed to prevent the risk of anti-competitive conduct, in line with the relevant national and European rules and regulations¹⁹. The application, monitoring and updating of the Antitrust Compliance Programme, as well as the investigation of any anti-competitive conduct, are monitored by the Antitrust Compliance Officer, elected by the BoD in March 2020, who has been vested with appropriate autonomy and resources.

Adopted by all Group companies in 2019, this document is the instrument through which Sanlorenzo undertakes to respect the polices and related sanctions of the Office of Foreign Assets Control. Sanlorenzo has also established a specific Sanctions Compliance Program (SCP) and set up an SCP Unit with the function of supervising and ensuring effective adaption of internal processes to the objectives and prohibitions established by OFAC²⁰.

¹⁷ All persons addressed under the terms of the 231 Model may report any misconduct to the Supervisory Body, also by using the email address odv@sanlorenzoyacht.com, which is accessible solely to its members.

¹⁸ The Code of Conduct has been forwarded for adoption by the administrative bodies of all Group companies.

¹⁹ Special reference is made to the European Commission's 2012 publication "Compliance matters. What companies can do better to respect EU competition rules", the "Antitrust Compliance Guidelines" issued in 2018 by the Italian Antitrust Authority (AGCM), the indications on best practices in the field as provided by Confindustria, and more generally, the principles and guidelines set out by national case law, the AGCM and the European Union.

²⁰ OFAC is the financial intelligence and control agency of the United States Department of the Treasury which, as part of foreign policy and national security, manages and enforces economic sanctions programmes, primarily against specific countries, networks of companies, entities and individuals, imposing a broad spectrum of prohibitions with respect to all types of unfair commercial and/or financial transactions.

MODEL 231 AND CODE OF ETHICS

Sanlorenzo makes the Code of Ethics²¹ and Model 231 (General Part) publicly available, and undertakes to maximise their **internal and external disclosure**. In particular, the Company organises training programmes that ensure maximum knowledge and effectiveness for new employees, followed by periodical updates, with levels of detail commensurate to the individual's involvement in the areas considered most sensitive.

THE IA DEPARTMENT

The IA department and other control bodies, each in their own sphere, carry out audits for the purposes of verifying the adoption of controls and mitigation of risks of corruption in the areas identified as most at risk. In particular, periodical checks are carried out on commissions, gifts and donations, management of consultants and professional appointments, acquisition and management of public grants, employee recruitment, supplier management, receipts/payments, expense accounts and entertainment expenses.

²¹ The Annexes to the "Corporate governance" section provide more detail on the 231 Model, Code of Conduct and OFAC.

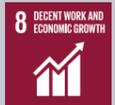


MATERIALITY ANALYSIS: “REGIONAL DEVELOPMENT AND PROMOTION”; “RELATIONS WITH LOCAL ACTORS”

REFERENCE GRIs:

102-2; 102-3; 102-4; 102-6; 102-7; 102-15; 201-1; 203-1

REFERENCE SDGs:



TARGET: 8.2

DESCRIPTION AND RELEVANCE OF THE TOPIC

The Company operates in a region known for its experience and traditions in the naval and yachting sectors, to the point of emerging as a model industrial cluster.

Within this context, the Company represents an important source of employment and local development, generating significant upstream and downstream economic activity. Central to the creation of value are: relations with contractors, mostly based in the area between La Spezia and Viareggio, where Sanlorenzo's four production sites are located; infrastructure development with associated benefits for local redevelopment; support and promotion of cultural and artistic initiatives; development of relations with the main regional and local players and institutions; customer communication focused not only on the product, but also on the specificities of the region and its influence on the brand.

TYPE OF IMPACT ALONG THE VALUE CHAIN: DIRECT/INDIRECT, INTERNAL/EXTERNAL

The issue is transversally relevant to Sanlorenzo's value creation phases, given that the region and its local actors represent fundamental inputs for the Company's production activity.

ASSOCIATED RISKS:

- Failure to take into account and meet the expectations of internal and external stakeholders with respect to the management of impacts deriving from its business;
- Loss of so-called “social licence to operate”, which may take the form of, for example:
 - the emergence of discontent in local communities due to the presence and activity of Sanlorenzo shipyards;
 - problems with local public administrations concerning the management of the Sanlorenzo shipyards in their areas, and for the Ameglia site in particular, situated within the Montemarcello-Magra Park.
- Effects on business continuity due to climate change (adverse weather events, exceptional temperatures, etc.).

RELATED OPPORTUNITIES:

- Maintaining and strengthening the social licence to operate;
- Developing skills ensuring quality, craftsmanship, skills to draw from to carry forward the business of the Company and its supplier s;
- Promoting Italian art and culture, in this way reinforcing the value of “Made in Italy”;
- Strengthening corporate culture and external reputation.
- Adopting and promoting proactive behaviour in the fight against climate change, for the purpose of raising the awareness of all stakeholders interacting with the Company; taking the lead in initiating incisive action in response to global challenges.

KEY STAKEHOLDERS:

- Local community
- Suppliers and contractors
- Media
- Customers

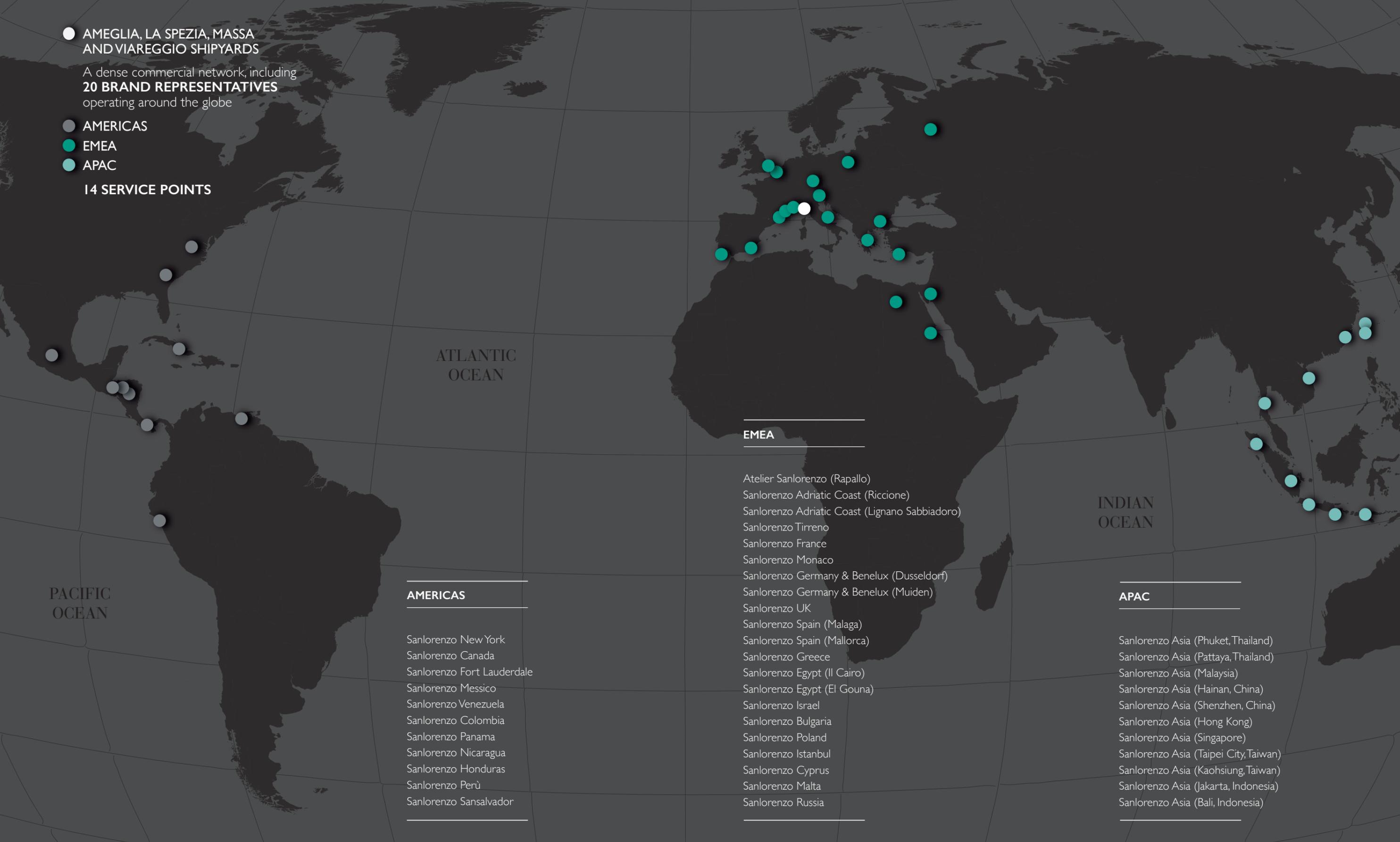
SANLORENZO GLOBAL PRESENCE

● AMEGLIA, LA SPEZIA, MASSA AND VIAREGGIO SHIPYARDS

A dense commercial network, including **20 BRAND REPRESENTATIVES** operating around the globe

- AMERICAS
- EMEA
- APAC

14 SERVICE POINTS



ATLANTIC OCEAN

PACIFIC OCEAN

EMEA

- Atelier Sanlorenzo (Rapallo)
- Sanlorenzo Adriatic Coast (Riccione)
- Sanlorenzo Adriatic Coast (Lignano Sabbiadoro)
- Sanlorenzo Tirreno
- Sanlorenzo France
- Sanlorenzo Monaco
- Sanlorenzo Germany & Benelux (Dusseldorf)
- Sanlorenzo Germany & Benelux (Muiden)
- Sanlorenzo UK
- Sanlorenzo Spain (Malaga)
- Sanlorenzo Spain (Mallorca)
- Sanlorenzo Greece
- Sanlorenzo Egypt (Il Cairo)
- Sanlorenzo Egypt (El Gouna)
- Sanlorenzo Israel
- Sanlorenzo Bulgaria
- Sanlorenzo Poland
- Sanlorenzo Istanbul
- Sanlorenzo Cyprus
- Sanlorenzo Malta
- Sanlorenzo Russia

INDIAN OCEAN

AMERICAS

- Sanlorenzo New York
- Sanlorenzo Canada
- Sanlorenzo Fort Lauderdale
- Sanlorenzo Messico
- Sanlorenzo Venezuela
- Sanlorenzo Colombia
- Sanlorenzo Panama
- Sanlorenzo Nicaragua
- Sanlorenzo Honduras
- Sanlorenzo Perù
- Sanlorenzo Sansalvador

APAC

- Sanlorenzo Asia (Phuket, Thailand)
- Sanlorenzo Asia (Pattaya, Thailand)
- Sanlorenzo Asia (Malaysia)
- Sanlorenzo Asia (Hainan, China)
- Sanlorenzo Asia (Shenzhen, China)
- Sanlorenzo Asia (Hong Kong)
- Sanlorenzo Asia (Singapore)
- Sanlorenzo Asia (Taipei City, Taiwan)
- Sanlorenzo Asia (Kaohsiung, Taiwan)
- Sanlorenzo Asia (Jakarta, Indonesia)
- Sanlorenzo Asia (Bali, Indonesia)

PRODUCTION SITES

The Sanlorenzo shipyards are located in a 50 km radius within the yacht-building district enclosed between the Apuan Alps and the Tyrrhenian Sea, between the northern Tuscan coast and the Ligurian Riviera di Levante.



1. LA SPEZIA



2. AMEGLIA



3. MASSA



4. VIAREGGIO

“YOUR VISION, OUR CRAFT”

The Group is a global operator specialising in the **design, production** and **marketing** of yachts, superyachts and sport-utility yachts that are **made to measure**, in a manner reminiscent of classic tailoring methods.

Sanlorenzo is the world's second largest yacht-building group, and the only one operating under a single brand name in both the 24-38 metre yacht segment, where it has been active since it was founded, and the 40-metre plus metal superyacht segment. It is also the world's leading brand for delivery of yachts between 30 and 40 metres in length, with 90 units sold between 2009 and 2019 and with an 18% share of the global market²². Currently, considering all yachts built, the average length is 35 metres²³.

The Group's production is divided into three divisions, diversified by product range:

- the **Yacht Division** (composite yachts from 24 to 38 metres), with production operations at shipyards in Viareggio, Massa, and Ameglia - the latter also the Company's headquarters;
- the **Superyacht Division** (aluminium and steel superyachts from 40 to 68 metres), operating at the La Spezia shipyard;
- the **Bluegame Division**²⁴ (operating under the Bluegame brand), dedicated to the design, production and marketing of composite sport-utility yachts from 13 to 22 metres in length.

The Sanlorenzo business model also provides for the opportunity of buying pre-owned or “second life” yachts.

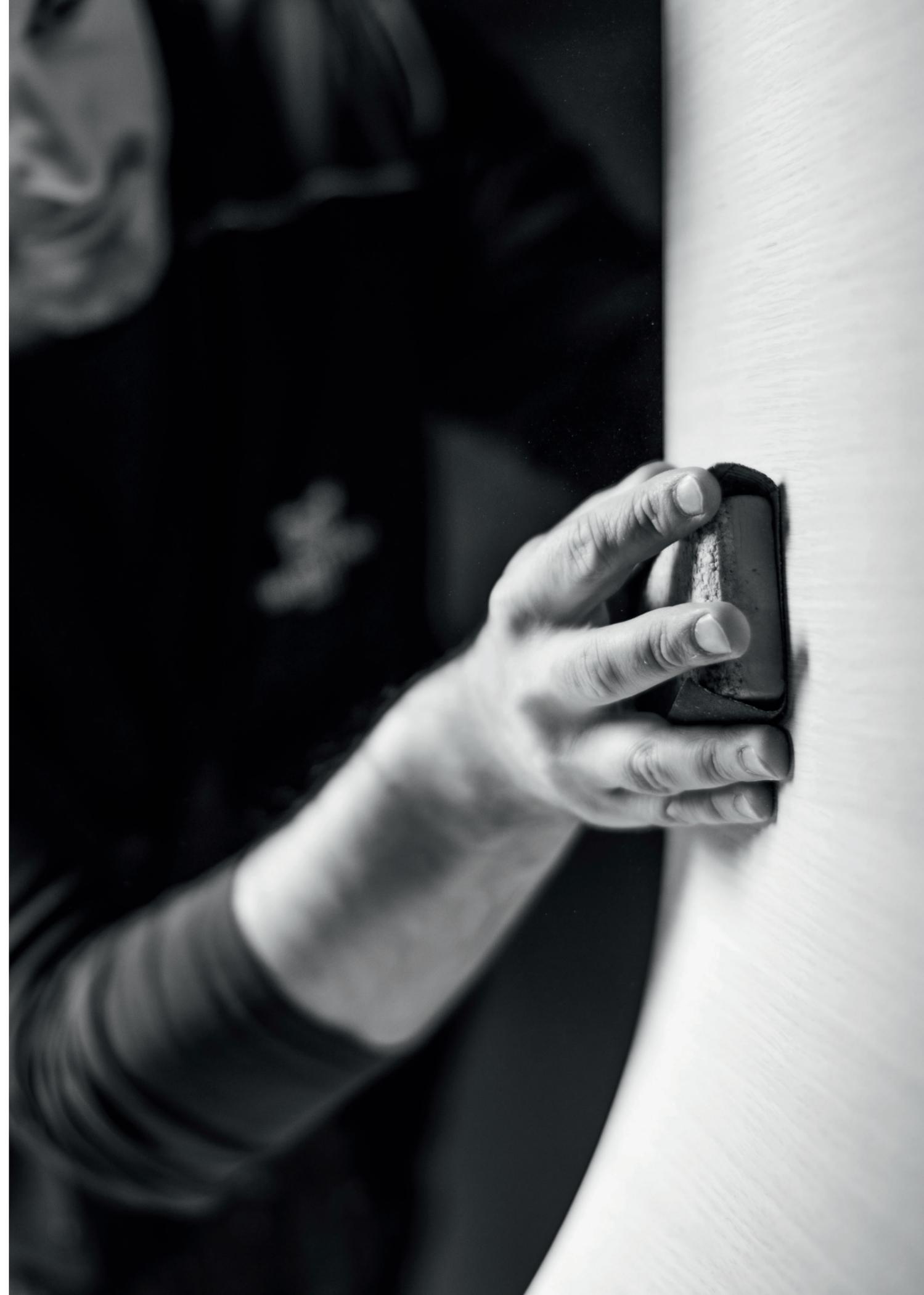
The Company's emphasis on close relations with yacht owners has been integral to developing a consolidated global network of sales and after-sales services:

- An extensive sales network of **19 Brand Representatives**, serving as global ambassadors with responsibilities for specific geographic areas and related service points;
- **Fourteen Service Points**, consisting of independent shipyards able to respond directly to any requests for technical assistance and to intervene on board in less than 72 hours from the customer's request.

²² Market share is calculated based on 90 yachts delivered by Sanlorenzo compared to the total of 489 in the sector (source: The Superyacht Times, November 2019).

²³ Showboats International (2020), Global Order Book.

²⁴ The scope of this NFS does not extend to the Bluegame division. More information is provided in the Methodological Note.



DISTINCTIVE FEATURES OF THE SANLORENZO BUSINESS MODEL

Sanlorenzo yachts are born from ideas developed through our own personal sailing experiences, but also from frequent discussions with current and future owners. Drawing on their knowledge and skills, our engineers and architects are able to successfully channel the client's thoughts and desires into the project, resulting each time in amazingly unique creations.

INFOGRAPHIC 3 - THE SANLORENZO BUSINESS MODEL: DISTINCTIVE FEATURES



A - About 50 yachts delivered per year. For Sanlorenzo, **doing things right also means doing them "made to measure"**.

B - High degree of customisation of yachts, both externally and internally, and continuous involvement of the client, beginning with design phase.

C - **Sophisticated and loyal clientele**, mainly consisting of ultra-high-net-worth individuals (UHNWI) active in the luxury yachting sector.

D - The distinctive features of **Sanlorenzo's iconic style are: design, aesthetics, quality and function, attention to every detail**, as well as customer comfort.

E - **Technological innovation**. Sanlorenzo has made continuous advanced advances, from their initial design and construction technologies, while still **retaining core principles and unique features**. The distinctive elegance of Sanlorenzo yachts **always stands out**, even after many years.

F - The Company maintains **long-standing relationships with outstanding local artisans**, ensuring unique capacities and flexibility in execution.

G - The Style Director at Sanlorenzo plays a key role, developing long-standing partnerships with world-renowned architects and designers, for the processes of yacht creation.

H - Coverage of **all strategic geographic areas and global yachting markets**, direct from the head office or through the Sanlorenzo sales network, in particular via the Brand Representatives.

I - **Cohesive, highly qualified and passionate management**, with significant experience in the yachting sector.

SANLORENZO AND THE ARTS

Sanlorenzo recognises that the outstanding quality of Italy's yachting tradition is founded in part on the work of the architects Gustavo Pulitzer and Giò Ponti, who melded technology with design and contemporary art in their renowned production in this sector. Mindful of this heritage, our intention is to restore dignity to this world, which is too often associated with stereotypical ideas of luxury production.

Given such aims, Sanlorenzo has also evolved the design of its models through links with the art world, developing these as a distinctive and strategic feature of its offer. In particular, the Company **brings the arts on board** through collaborations with Italian designers of excellence in the high-end interiors sector. Sanlorenzo has been a leader in the yachting sphere in understanding the owners' needs in transposing and relating their land-based homes to the context of the sea. At the same time, these designer collaborations are concentrated on establishing stronger communications with nature, removing barriers placed between interior and exterior parts.

Sanlorenzo also pursues its art relationships through participation in important world events: in global partnership with Art Basel, entailing the Company's presence at the Basel, Miami and Hong Kong editions; with Venice Art Biennale; through an institutional partnership with the Peggy Guggenheim Collection in Venice since 2019. Each year, beginning in 2017, Sanlorenzo has organised an installation in the FuoriSalone section of the Milan Salone del Mobile, beginning with "Il Mare a Milano". In 2020, this installation won the **Golden Compass award** of the Italian Association for Industrial Design, in the Exhibition Design category.



INSIGHT

MELDING THE ARTS WITH YACHTING: STORYTELLING THE DIGNITY OF WORK AND TAILORING OF SANLORENZO CREATIONS

Sanlorenzo aims to tell the Company's story, focusing on the dignity of the workplace and classic quality of the "tailoring" employed to create each yacht, highlighting the contribution made by contracting suppliers and partners. In 2019 we did this through an exhibition of black and white images by the internationally published photographer Silvano Pupella, titled "*Naviganti: A journey through the Sanlorenzo shipyards*", presented first at the Casa dei Tre Oci in the Venice Biennale d'Arte, and since then in Milan.

This exhibition is one of a series of "storytellings" organised by the Company to communicate the intrinsic characteristics of its work.

In 2018 Sanlorenzo celebrated its 60th anniversary at the La Spezia shipyard by inviting 600 yacht owners from around the world and 100 national and international journalists. In this way, we were able to bring people into contact with the origins and essence of the brand, to actually "touch" these traditions with their hands.

During the 2018 Sanlorenzo Elite Days event the Company mounted a 43-meter superyacht, still under construction, on the forecourt of the shipyard, turned into a "floating

gallery" of works expressly created in consideration of the context, by artists such as Franco Mazzucchelli, Fabrizio Plessi, Adrian Paci, Veronica Gaido and Francesca Pasquali.

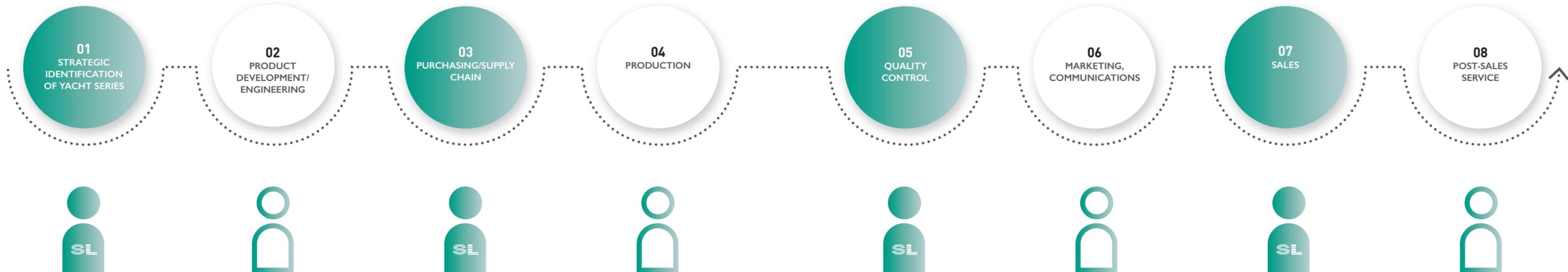
In 2017 Sanlorenzo published the story of its links with the world of art and design in the form of an illustrated volume, *Stile a bordo nei modi di Sanlorenzo (On-Board Style: the Sanlorenzo Way)*, curated by Decio Carugati and published by Electa.

Finally, the Company has called on art historians to prepare occasional contributions for cultural journals and websites, such as the socially active *Doppiozero*, on the iconography of boats through history.

THE SANLORENZO MODEL OF VALUE CREATION

The distinctive features listed above not only underlie the Company business model, but also inspire its implementation in the phases of value creation, as presented below.

INFOGRAPHIC 4 - THE MODEL OF VALUE CREATION



ROLES INVOLVED

Boat manager: coordinates resources (mainly contractors) working in production on board the yacht.

On-board quality manager: responsible for the quality control phase of the various on-board processes and pre-delivery checks.

Sales team: coordinates the contractual and financial part of the order beginning from initial client contact.

Project manager: supervises the yacht configuration phase; deals with the technical side of sales and, together with the sales team, interfaces with the client throughout the production process.

Project engineer: provides/coordinates technical expertise in the specific type of model; coordinates the executive design and planning of customisation and modification of the product range.

(01) Identifying the production plans for yacht ranges and models, taking into account the historical-commercial context and clients' expressions of evolving needs.

(02) Design of the selected models, in collaboration with architects and designers and in line with the clients' specific requests, with a view to maximum customisation of individual yachts (see the section *Exploring innovation anchored in tradition*).

(03) Acquisition and supply managed by the divisional purchasing departments, generally basing orders on production plans that preview up to about 36 months (see *"Promoting an ethical and responsible supply chain"*).

(04) Production operations by contractors, mostly on Sanlorenzo sites, interspersed with frequent quality controls **(05)**. Finally there are pre-delivery checks, essential for absolute compliance with

the Sanlorenzo and Italian Naval Register (RINA) quality and technical standards (see *Exploring innovation anchored in tradition*).

(06) Use of traditional communication and sales tools, participation in trade fairs, organisation of sectoral events, presence at external events in line with the brand positioning strategy.

(07) Orders for yachts are mainly developed in spring and autumn months. This phase continues through to **delivery** to the customer, either directly or indirectly through the Brand Representatives.

(08) Sanlorenzo guarantees **after-sales services**, including technical assistance, in-port hospitality services, availability of maintenance and restyling for both Sanlorenzo brands and others (see box Sanlorenzo Timeless), as well as training services for captains, crew members and service technicians (see the section *Sanlorenzo Elite*).

THE SANLORENZO FLEET

“Nothing else is like your Sanlorenzo yacht.
Not even another Sanlorenzo.”

The infographic below summarises the current yacht and superyacht ranges and Sanlorenzo brand models.

TABLE 5 - LA GAMMA SANLORENZO

DIVISION	PRODUCTION SITE	LINEE	MODELS	LENGTH	LEAD TIME ²⁵	UNITS DELIVERED, 2018-2020
Yacht	Ameglia	SL range	 SL78	24,6-36,5 metres	7-15 months	13
			 SL86			17
	 SL96 Asymmetric		4			
	Viareggio	SL range	 SL102 Asymmetric	24,6-36,5 metres	7-15 months	9
			 SL120 Asymmetric			
Viareggio	SD range	 SD96	28,8-37,9 metres	10-16 months	4	
		 SD118			8	
 SD126						
Ameglia	SX range	 SX76	23,7-34,2 metres	7-12 months	18	
		 SX88			25	
Viareggio		 SX112			1	
Superyacht	La Spezia	Alloy	 44Alloy	44,5 metres	24-30 months	2
		Steel	 52Steel	46-68 metres	28-36 months (for up to 56 metres)	2
			 57Steel			
			 62Steel			
 64/70Steel		38-46 months (for 62 to 68 metres)	1			
Explorer	 500Exp	47 metres	24-30 months	3		

Sanlorenzo ranges and models are in continuous evolution. The Company is currently preparing the introduction of new yachts over the course of the period 2021-2023.

In June 2019, following infrastructure investments at the La Spezia shipyard, Sanlorenzo delivered the first 64Steel vessel, weighing in at 1,600 GT²⁶, thus entering the 500 to 2,000 GT segment, where the leading shipyards have historically been Dutch and German. The Steel range comprises superyacht models with steel displacement hull and aluminium superstructure, in 5 to 6 deck configurations.

²⁵ “Lead time” refers to the time between the initiation of construction and the client delivery date.

²⁶ Gross tonnage, abbreviated GT is the unit of measure for a ship’s overall interior volume, calculated including all enclosed spaces, including engine rooms, fuel tanks and crew areas.



SUSTAINABLE GROWTH AND CONSTANT FLEXIBILITY

Over the years Sanlorenzo has developed a model of **sustainable growth and constant resilience** in the face of external conditions, based on several aspects: the inherent strength of the product, maintenance of high levels of customer loyalty and an efficient management model based on a flexible cost structure, while respecting production excellence. These characteristics have proven to be indispensable, especially operating in a sector subject to potential economic complications, such as reference market depression and greater sales volatility, for example during the global financial crisis that began in 2009 and lasted in Italy until 2014, and the current Covid-19 pandemic crisis.

Thanks to the prevalence of sales ordered directly by end customers – at 31 December 2020 representing a consolidated order portfolio of € 408.8 million²⁷ - the Company is able to predict expected revenues based on contractual forecasts and production progress for each individual yacht, and therefore achieve advance planning of collections and cash management. This value creation model allows the Company a high degree of resilience, including in the current case minimising the economic and financial impact of the Covid-19 crisis. However, it should be noted that in 2020 the Company observed a slight extension in lead times, due mainly to production slowdowns, greater difficulties in activating highly specialised supply contracts and the impossibility of direct on-site contact with ship owners.

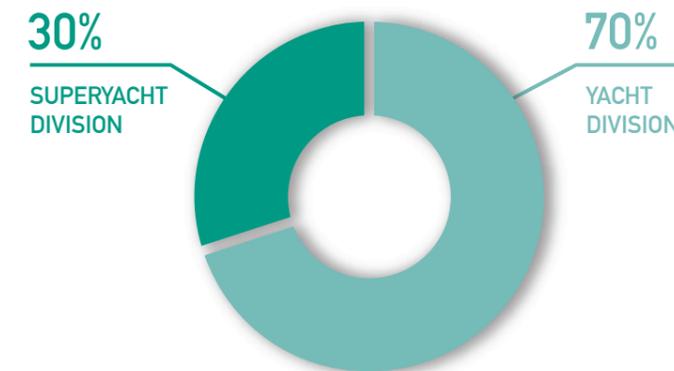
Sanlorenzo closed 2020 with total revenues of €482.6 million²⁸ (down 0.7% compared to €486.0 million in 2019). The Yacht Division recorded an revenue increase of 5.4% over 2019, against a year-over-year decrease of 12.3% for the Superyacht Division.

The analysis of revenues generated by geographic region shows a decrease of 19.9% in Europe, offset by an increase in Asia Pacific, up 51.1%, and in the Americas, up 30.7%.

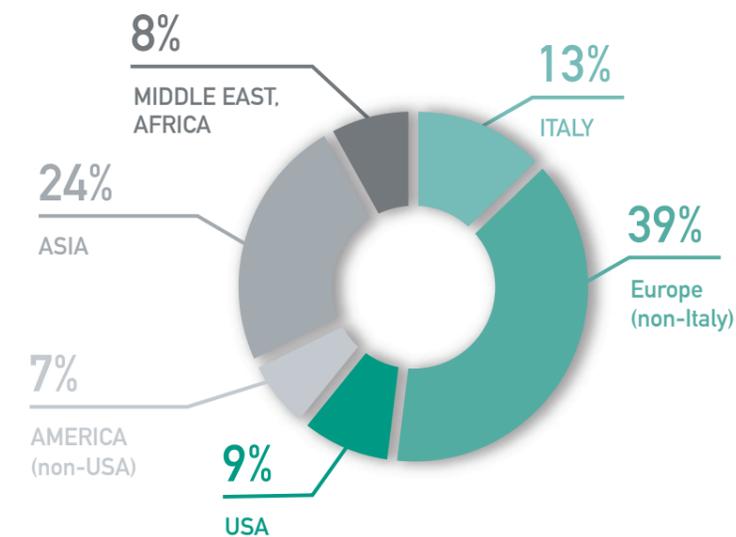
²⁷ The figure refers to the consolidated orders portfolio as at 31.12.2020.

²⁸ The figure refers to gross revenues posted in 2020. For further information see the 2020 Annual Financial Report, available on the Sanlorenzo website.

GRAPH 4 - REVENUES PER DIVISION, 2020



GRAPH 5 - REVENUES PER GEOGRAPHIC MARKET, 2020

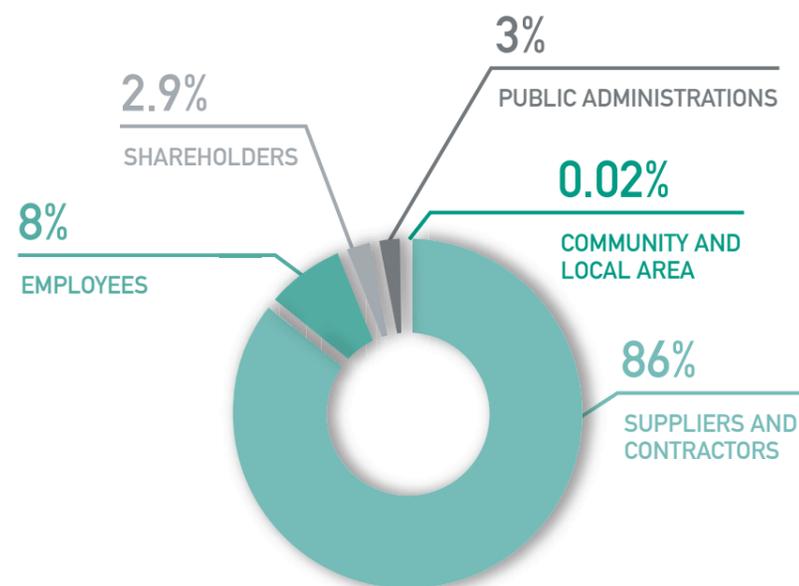


2020 EBITDA amounted to €64.7 million, 8.5% up from 2019, with generation of a €34.0 million profit, up 17.0% on the previous year. The closing share price as of 31 December 2020 was €16.50, for a total capitalisation of €569,250,000 (€551,103,000 at 30 December 2019). Over 2020, Sanlorenzo's share price rose by 3.3%, outperforming the FTSE Italia Mid Cap index by 9.6%.

For Sanlorenzo, pursuing sustainable growth also means sharing the creation of value with stakeholders. In 2020 the Company generated a total economic value of € 469.6 million, down 2% from the previous year (see details in Annexes to the section *Economic sustainability indicators*).

Approximately 92% of the value generated was distributed among the identified categories of stakeholders, as shown in the graph below. The largest share is attributed to contractors and raw materials and service suppliers, for a total of €369 million (about 86% of total value distributed), even though this was down from 2019. Subsequently, in decreasing order, there are allocations to employees - in wages, salaries, social security charges and severance pay (8% of value distributed), to public administrations - in the form of income taxes (3% of the total distributed), to shareholders and investors - a portion including financial charges and the distribution of dividends (2.9% of total), and finally investments in favour of the community, representing 0.02% of the total distributed economic value.

GRAPH 5 - REDISTRIBUTION OF ECONOMIC VALUE, 2020



The birth and development of Sanlorenzo has been very much influenced by the local context, where the Company has become an increasingly important partner. Sanlorenzo has always sought open and synergic dialogue with local players, including through the promotion and sponsorship of cultural and artistic events. In 2019 the Company entered into a partnership with the Municipality of Lerici with the *Premio Lerici Pea Golfo dei Poeti*, an award named after Enrico Pea, writer and dramatist from the province of Lucca. The Award already stands as an national and international literary accolade, for the promotion of Italian poetry, with a specific focus on Ligurian authors. The Company also supports the organisation of other literary events, such as *Il Mare Verticale (The Vertical Sea)*, the name mirroring the features of the Ligurian coast, in particular the villages of the Cinque Terre, venue of the annual event featuring guest writers discussing their latest works.

INSIGHT

PREMIO LERICI PEA GOLFO DEI POETI

Sanlorenzo acknowledges the privileges of working and producing in the enchanting setting of the Ligurian coast by embracing initiatives that remember and bring back to life the splendour of places loved by artists and poets of international stature, including Byron, the Shelleys, D.H. Lawrence and Bernardo Bertolucci.

Given the associations with generations of artists and writers, the Gulf of La Spezia is also known as the Gulf of Poets. And like Byron and the Shelleys, who swam in the waters of the bay, Sanlorenzo, with its yachts on these same waters, recognises the values of the cultural life of local communities, and wishes to make a significant contribution.



In 2020, in collaboration with the Municipality of Lerici and the association in charge of the Lerici Pea Gulf of Poets Prize, Sanlorenzo created the Walk of Poetry: a promenade from Lerici Marina to San Terenzo. Along the walkway are a series of plaques, created in 316L stainless steel resistant to the saline environment - the

same as that used for Sanlorenzo yachts – inscribed with the names of the great poets who have won awards over the years, including Olga Sedakova of Russia, the most recent winner of the Premio Lerici Pea. Each plaque also contains a QR code, allowing visitors to connect online with the poets' biographies and poems.

Following the distribution of generated economic value, an approximate 8% remains for internal retention. In 2020 this figure amounted to €38.3 million, 6% down on 2019.

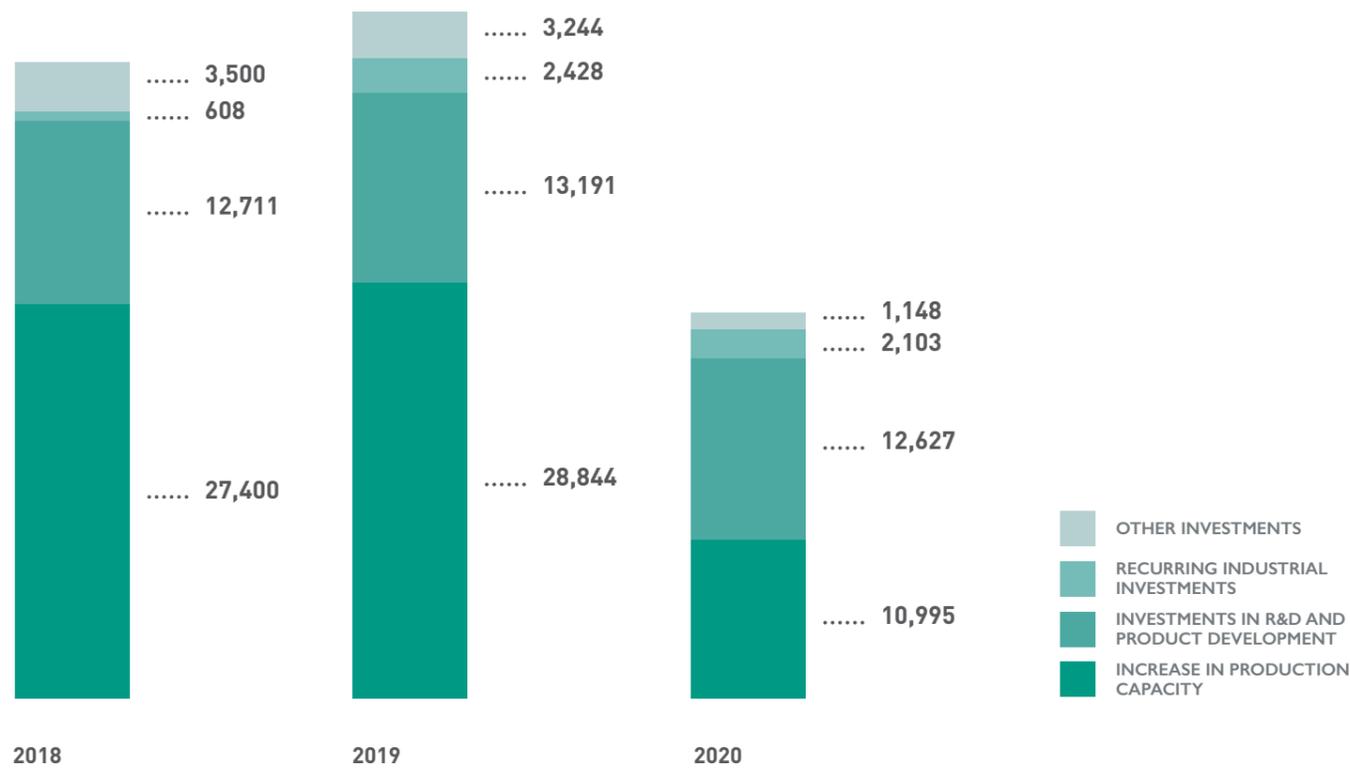
Also in 2020, in line with previous years, the Company continued its investment programme, which in addition to recurring industrial interventions, is particularly aimed at increasing production capacity and developing innovative and more sustainable products.

For the year under review, Sanlorenzo allocated total resources of approximately €26.9 million in this area, classified as shown in the graph below.

In keeping with its plans for managing production capacity, the Company completed the Ameglia site expansion project in the early months of the year and the acquisition of the Massa plant in December. With these interventions, investments stood at €11.0 million in 2020, down from €28.8 million in 2019. Sanlorenzo supplemented and strengthened its strategy of expanding product ranges with investments totalling €12.6 million, introducing innovations and technologies strongly oriented towards sustainability principles. A significant portion of this was dedicated to the development of new products, enabling the launch of three new models in 2020.

Another important step in 2020 was the installation of a suction ventilation system in the fibreglass production area at the Massa site (at a cost of €500,000), aimed at preventing the atmospheric dispersal of styrene emissions and reduction of workers' exposure to inhalation (see *Integrated approach*).

GRAPH 5 - INVESTMENTS PER AREA, 2020



MATERIALITY ANALYSIS: “RESEARCH AND DEVELOPMENT”; “EXCLUSIVE RELATIONS WITH CLIENTS”

REFERENCE GRIs:

102-15; 416-2; 417-1; 417-2; 417-3; 418-1

REFERENCE SDGs:



TARGET: 12.4; 12.5



TARGET: 13.1

DESCRIPTION AND RELEVANCE OF THE ISSUE

The production of made-to-measure yachts, perfectly tailored to the specific needs of each customer, obligates Sanlorenzo to guarantee the highest standards of customisation, reliability and safety. Such guarantees are heavily dependent on close attention to the quality of processes and materials. The questions of project design and choice of materials also demand ever-increasing attention to the principles of environmental protection, aimed at the utmost sustainability in product and process levels. This focus applies both within Sanlorenzo and externally, and involves constant dialogue with yacht owners.

Progress in all of these areas is made possible by significant investments in research and development.

TYPE OF IMPACT ALONG THE VALUE CHAIN: DIRECT/INDIRECT, INTERNAL/EXTERNAL

The input from R&D is particularly important in the design phase, and onwards to the end of engineering. This includes the choices of materials, increasingly dependent on the assessment and minimisation of environmental, social and economic impacts.

The entire Sanlorenzo value creation chain is permeated with the development and maintenance of unique and special relationships with its customers. In it is the consideration of ship owners' needs and the desire to fully satisfy them that drives the company's activities. All internal activities involving design and engineering are thus accompanied by ongoing moments of exchange and dialogue with the customer, including talk on environmental protection-related issues.

ASSOCIATED RISKS:

- Lack of technical solutions to meet new environmental or safety regulations by deadlines (e.g. IMO Tier III NOx emissions standards, effective from 2021 for pleasure boats and megayachts >24m <500GT).
- Theft or loss of customers' sensitive data.

RELATED OPPORTUNITIES:

- Although coming later than in other sectors, customers in the yachting sector are becoming increasingly aware of sustainability features. By developing innovative and sustainable solutions, the Company can increase awareness and drive cultural change not only among its clients, but also among other stakeholders.
- Access to markets that are increasingly alert to the sustainability aspects of products, meaning reducing consumption and environmental impacts as much as possible;
- Positive repercussions in moving from a linear to circular economy;
- By applying sustainable boat design criteria, Sanlorenzo can promote/receive customers' requests for advanced products that are not possible for rival firms, with positive implications in improving the Sanlorenzo image and expanding the customer base;
- In sharing its commitment to sustainability issues with customers, Sanlorenzo can increase business, but also sees opportunities to raise awareness and communication of vital information.

KEY STAKEHOLDERS:

- Materials, components and systems suppliers
- Contractors
- Universities and research centres
- Customers

RELEVANT POLICIES, PROGRAMMES, CERTIFICATIONS:

Quality Booklet

BUILT TO LAST

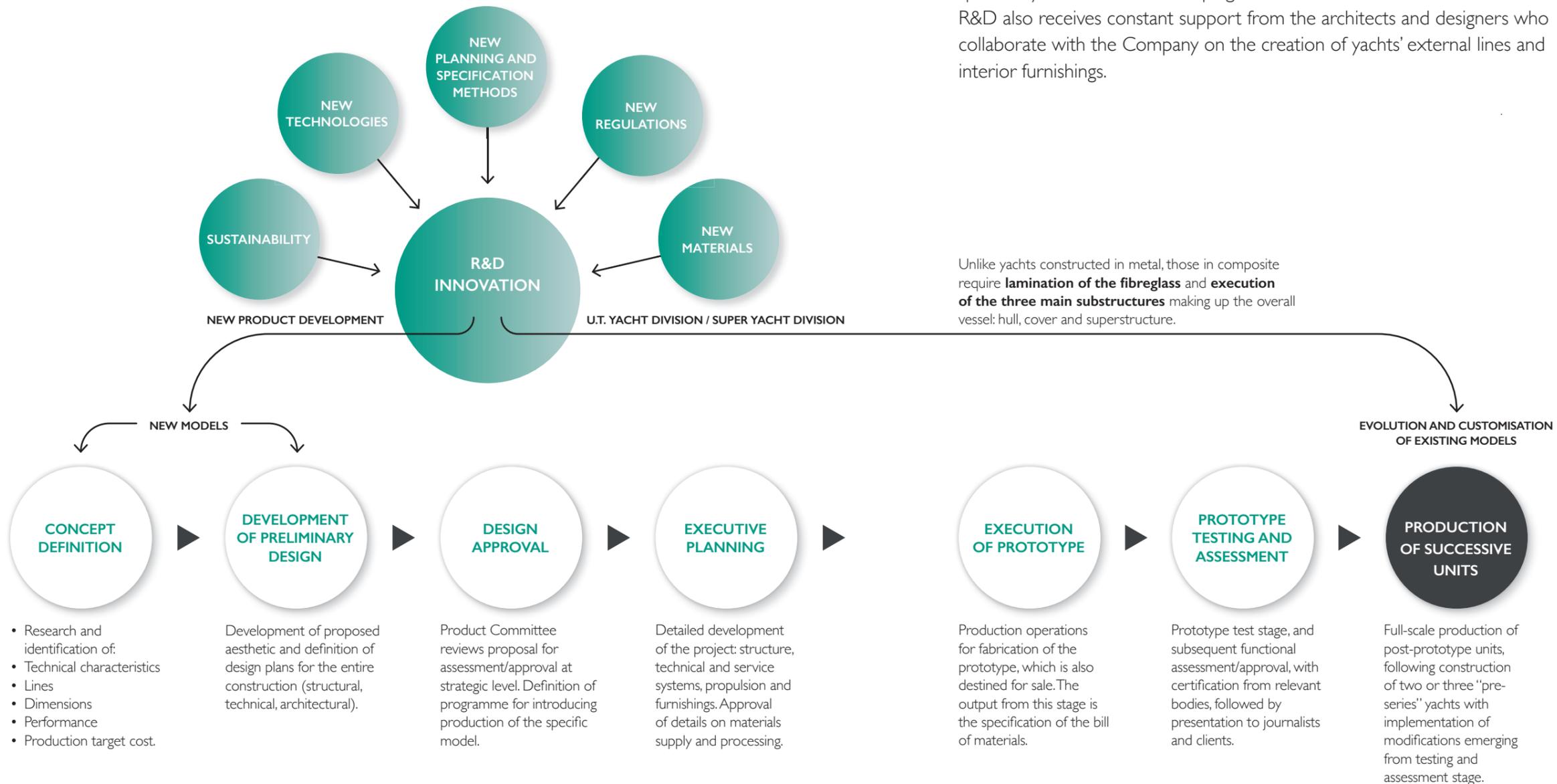
One of the critical factors in the success of the Company is innovation in engineering and style.

The yachting world is particularly prone to a lack of significant investment in innovation for sustainable production and use. The technical solutions available on the market achieve only limited increases in efficiency, meaning that the results in reducing environmental impacts are still insufficient.

In this context, Sanlorenzo is committed to investing in R&D activities, by analysing solutions already available on the market and studying alternatives, being in constant communication with customers, with the aim of incremental and open innovation.

The **Research and Development Department** fulfils two key functions at Sanlorenzo: on the one hand, it operates in R&D on themes not previously explored in the yachting sector; on the other, it collaborates with the **New Product Development (NPD)** sections of the Yacht and Superyacht divisions in applying innovative technical solutions to new models, and to boats already in the range that are subject to restyling work. In addition to these two dedicated functions, R&D operates in close liaison with the recently established Sanlorenzo SP Team, which is specifically dedicated to developing the new Sustainable Performance Line. R&D also receives constant support from the architects and designers who collaborate with the Company on the creation of yachts' external lines and interior furnishings.

INFOGRAPHIC 4 - RESEARCH AND DEVELOPMENT: MAIN OPERATIONAL LINES ACTIVITY



Unlike yachts constructed in metal, those in composite require **lamination of the fibreglass** and **execution of the three main substructures** making up the overall vessel: hull, cover and superstructure.

2 PATENTS

Sanlorenzo's R&D activities have led to the development and application of design solutions that also result in the **filing of patents**, for example on asymmetrical vessel configuration, and an automated tender stowage and launch system. Some design developments have also become aesthetic icons: for example the swimming pool with transparent floor, which doubles as a skylight in the beach club ceiling of the 52Steel, and the hidden stern davit in the SX series.

In the area of technological innovation, the R&D Department works with leading international companies in the monitoring and data transmission/processing sector; on the development of remote diagnosis and assistance devices..

One such project is the Sanlorenzo Smart Helmet, currently undergoing testing: a portable device designed to facilitate remote diagnostics and the resolution on-board technical problems through live communication between crews and Sanlorenzo technicians. The two-sided system consists of management software (installed on Sanlorenzo Service Centre devices) and a helmet equipped with camera, microphone and visors, enabling audio-video communications between the on-board technician/ commander and the Sanlorenzo site technician. The Smart Helmet enables identification of the on-board problem and its real-time illustration to the Sanlorenzo technicians, who can then instruct the crew on solutions, potentially without intervention by shipyard personnel. The device can also acquire information on the problem, for greater effectiveness of the on-board intervention. Through targeted and detailed visual diagnosis the Sanlorenzo technicians can assist in assessing the need for on-site assistance, reducing intervention time, significantly cutting costs and, in general, reducing the frequency of communication problems between the vessel and SL services.

Sanlorenzo is also developing and testing remote monitoring solutions for application in both the Yacht and Superyacht Divisions, for the remote control and processing of vessel and main-system operating parameters, and to allow the RDP and Technical Unit (TU) to develop an in-depth understanding of how the yachts are used by owners, for the purposes of further research and innovation.

In coordination with its product and technological activities, the Company pays particular attention to R&D in the field of environmental sustainability, aimed at limiting the impacts generated both during production processes and actual use of the yacht. The sustainable innovation strategy is organised in three main areas.

A **first focus** is on the development of **hybrid and diesel/electric propulsion solutions**, in partnership with major international companies operating in the sectors of electric propulsion and high-performance diesel engines for yachting, such as Caterpillar, MTU, Volvo Penta, ZF, HUG and SIEMENS.

Sanlorenzo is credited as the first shipyard in the world to use an early-generation hybrid system for planing yachts over 30 metres (SL106 Hybrid), in 2015. Two years later, the Company followed up with a second application of the parallel hybrid model on a more compact vessel, in both cases operating through two MTU engines, two generators and a lithium battery system. These solutions achieve not only greater safety at sea - the electric system is in fact "redundant", meaning that it is able to operate even in the event of a breakdown - but also significant reductions in CO₂ emissions, sailing with only the generators or batteries.

The practical experience gained through the creation of the two hybrid-system prototypes revealed however significant impacts in terms of weight, cost, safety and use of on-board space, making the solution economically and practically unattractive in relation to the actual lowering of environmental impacts. Sanlorenzo is now actively observing the ongoing development of hybrid system architectures and optimised components, aimed at reducing weight and increasing efficiency, and expects to apply these technologies in both divisions over the course of the next two years.

Sanlorenzo is also pursuing the design of solutions for zero emissions at anchor, with pilot implementation on specific yacht models. This approach enables roadstead anchoring with engines and generators switched off but with all electrical consumption (e.g. air conditioning, lighting and audio-video systems, electrical appliances, stabilisers and boilers) operating at normal levels, under battery power.

Similarly, the Company is committed to implementing solutions for the reduction of engine-combustion NO_x emissions, by applying selective catalytic (SCR)²⁹ technologies. Selective conversion of NO_x requires operation at exhaust gas temperature >250°C, achievable only under high engine loads, and the systems also increase vessel weight, increasing consumption. Yacht engines typically operate for about 200-300 hours per year, mostly at low load and low speeds over limited distances. This type of usage does not always manage to heat exhaust gases to the temperature necessary for efficient NO_x abatement, and in certain situations can also cause ammonia exhaust emissions.

²⁹ Selective catalytic reduction reduces NO_x emissions by passing them through a unit that combines the emissions with a blend of urea and water, known as AdBlue..

In view of the current limitations of SCR, the R&D department has entered into a partnership with the University of Pisa and another Viareggio shipyard, developing yachts of sizes and types different from Sanlorenzo's, for the study of alternative and complementary solutions for the neutralisation of NOx under conditions of low engine load and sub-threshold exhaust temperatures. The Region of Tuscany is currently assessing eligibility of this project for funding under European Commission innovation programmes.

A **second focus** in product R&D concerns the **introduction of sustainable materials**, alternative to those currently in use. The Company is devoting particular attention to potential alternatives to teak. Among these is the wood of a certain species of marine pine, impregnated with resins in autoclave, for achieving resistance comparable to teak under conditions of high salinity, solar radiation, moisture and temperature.

With regard to antifouling treatments that are equally effective and less aggressive than traditional materials, Sanlorenzo already uses paints that avoid significant disturbance to marine biological chains. Even so, the Company has begun evaluating the pros and cons of innovative silicone-based products in terms of reducing consumption, application processes and costs.

A final experiment in sustainable materials concerns the recycling of fibreglass production waste for use in the production of new moulds, currently being tested in small sizes, with further recycling potential at the end of the mould life, for the creation of models or more new moulds.

Remaining in the area of innovation for environmental sustainability, the Company is also studying the creation of models that align more closely with the principles of the circular economy, by combining both the philosophies of "design for manufacturing" and "**design for disassembly**". While maximising the useful life of the boat, the initial design would thus also anticipate sustainable solutions for future disposal. The pursuit of this particular activity has also led to the establishment of an internal High Technology and Sustainability (HTS) laboratory.



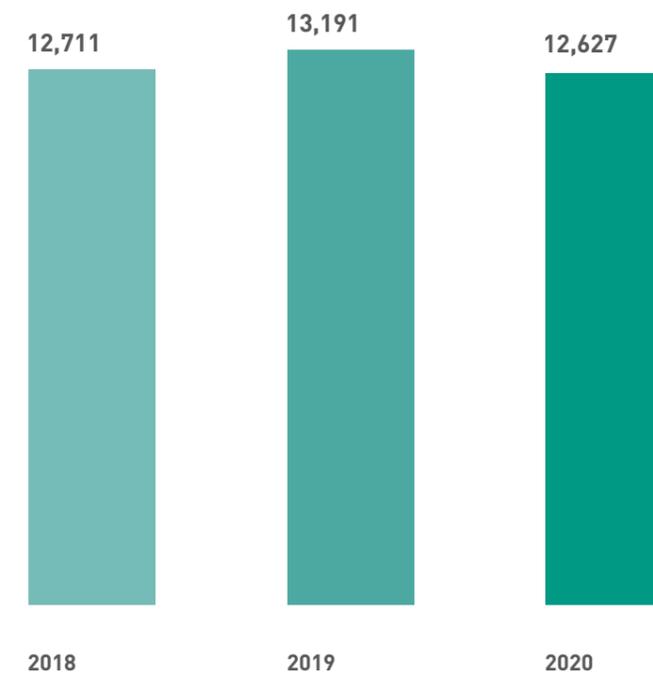
With all this in mind, the Company has set the objective for the 2021-2022 period of drawing up a sustainable design manual that formalises rules and criteria for activities in the preliminary and executive design phases, allowing for transverse application across the different technical areas of the Yacht and Superyacht divisions, while also detailing the specificities of fibreglass and metal production. The manual will incorporate the European Commission and IMO environmental regulations (due in 2021) on emissions and define improvement objectives in terms of sourcing materials with lower environmental impacts.

Finally, in the area of process innovations, Sanlorenzo pays special attention to maximising safety and health protection for workers involved in the construction of fibreglass yachts. Traditionally, this process has involved the use of rollers and brushes to apply resin on fibreglass mats, a method that generates emissions of styrene, a toxic and flammable substance (see *Integrated approach*).

In 2007, thanks to research in this area, Sanlorenzo implemented closed-system **infusion techniques** in place of the roller and brush methods, having been the first shipyards to try out this solution on large yachts (see more information in *Integrated approach*). However, the infusion system is not always applicable to hull parts with thick monolithic lamination, and so in these cases the Company uses another technology, consisting of the insertion of "sandwich panels" in place of part of the resin layup, while still achieving the same structural rigidity and strength in the monolithic lamination.

The following table shows the evolution of investments in R&D and product development activities during the three years reviewed in this NFS. For more details on total investments over the period, see the section *Sustainable growth and constant resilience*.

GRAPH 8 - INVESTMENTS IN R&D AND PRODUCT DEVELOPMENT
(Euro thousands)



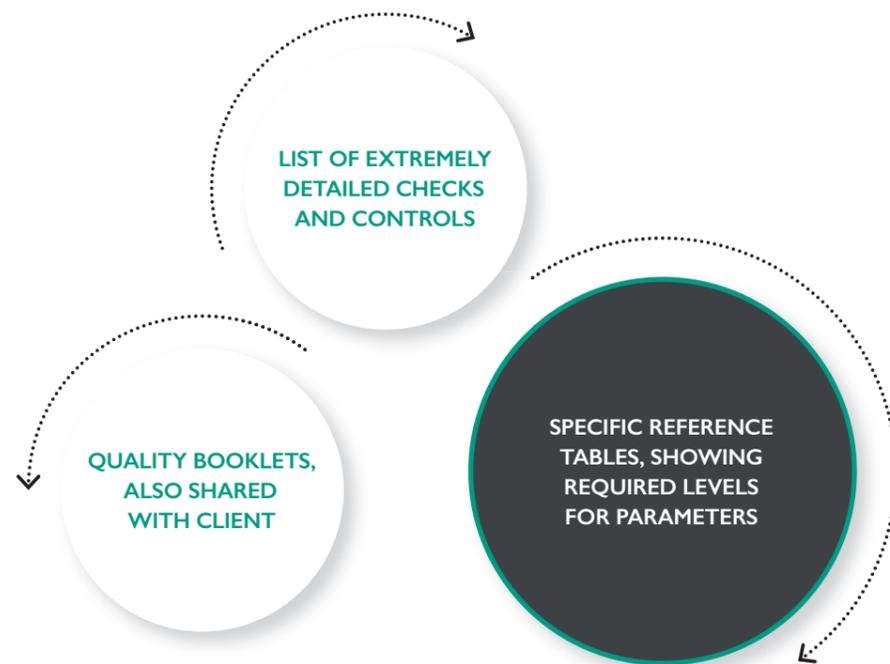
QUALITY AND SAFETY ON BOARD

The execution of all stages of the production process requires attention to quality. The aim is to guarantee the quality of the final product, achieving the highest standards of on-board safety and control over environmental impacts, in total alignment with the project initially conceived, shared with the owners and detailed in contractual specifications.

Given the unique character of each yacht, with serial fittings completely absent, and the long lead times of the production process, up to three years in the case of larger yachts, Sanlorenzo cannot resort to systems of traditional quality control operations, but must define plans with a very long **time span, with systematic and continuous checks** by highly specialised in-house personnel with extensive experience in the sector.

Checks are carried out on the basis of the following tools:

INFOGRAPHIC 5 - TOOLS OF THE QUALITY CONTROL SYSTEM



Types:

1. Technical provisions – cable routing for helm console;
2. Operating instructions for Prospeed software;
3. Interior appliances installation and cooling;
4. Construction and cable routing.



Bar charts, for better comprehension of complex tables

The Quality Booklets are manuals aimed at all those in the production process and are shared with customers, ensuring full visibility of the standards adopted by the Company. The Quality Booklets regulate, in detail, Sanlorenzo quality requirements concerning the various yacht environments and related fittings.

The aim in preparing this technical-informative material is to ensure **maximum transparency and continuous alignment** of quality and safety on board the yachts delivered to all customers. The information conveyed includes: i) brochures showing the main characteristics of the vessel; ii) contractual technical specifications providing detailed identification of the vessel content - for example in terms of plant engineering, propulsion, instrumentation, equipment, layout - and functional and performance characteristics, such as speed, consumption, range, silence; iii) specifications concerning the main on-board components/systems; iv) certification documents issued by suppliers for the main on-board components/systems.

The checks carried out during the construction phase concern, for example: the yacht's noise and vibration levels; construction, size and installation characteristics of the furnishings; conformity in tying and fixing cables in terminal boxes, which is fundamental for the prevention of fire risks. In addition, Sanlorenzo's Quality department is responsible for checking sustainability aspects concerning materials and construction solutions applied to the product.

The Quality department, which reports directly to General Management, has a staff of 21 qualified technicians seconded to the various production units. As shown in infographic 5, all boats, across all models in production, are individually checked by quality officers according to their specialisation. As a concrete example: at each production site, a quality specialist for electrical systems conducts the relative suitability and quality checks on all the vessels built at that site.

SANLORENZO ELITE

Owners who choose Sanlorenzo know exactly what to expect as a final result, thanks to the clear and detailed presentation of the yacht's characteristics, the optional extras available to them, the key concept of "made to measure", and the knowledge that Sanlorenzo is a reliable partner offering much more than just the product, enabling them to live an **authentically unique and exclusive experience**.

The cardinal principles of Sanlorenzo's behavioural style in personal relationships are: **professionalism, competence, helpfulness, respect and fairness**. Given this approach, in most cases the Company develops long-term direct relationships with each customer.

Several initiatives evidence Sanlorenzo's commitment to maintaining and strengthening the unique feeling created between shipowner and company, as well as its desire to share values and beauty through its deep connection with the arts. In particular, Sanlorenzo invites owners to visit the showrooms of Milan, where they can immerse themselves in the history of Italian design and view unique pieces, with the possibility of making selections for their own yacht. Clients are also invited to exclusive evenings, for example at Milan's La Scala Theatre, and for guided tours of the most renowned art galleries, for a fuller understanding and experience of Italy's artistic tradition. Although boat shows are recognised opportunities for first contact and lead generation with future clients, the Company is at pains to clarify its absolute commitment to the protection of any personal information shared by participants. Indeed, the process of registering with Sanlorenzo requires the individual to read the Privacy Policy and accept its conditions, so that the data collected, particularly those of a sensitive nature, are protected, in accordance with the provisions of the European GDPR (EU Regulation no. 2016/679).

The **Elite Days**, organised by the Company every two years, are very important occasions for customer involvement. Their purpose is to gather together Sanlorenzo owners and prospective customers from around the world over the course of an entire weekend. These events enable participants to visit the Sanlorenzo fleet, take part in sea trials, and in general immerse themselves in the Sanlorenzo world.

Each event features new experiences, developed in cooperation with important brands and partners, and ends with a gala dinner organised down to the last detail. The most Elite Days were organised in 2018, in celebration of the Company's 60th anniversary (photos received by Gemma Biggi, here is the QR code with the video). On that occasion the gala dinner was set in one of the production sheds of La Spezia shipyard, and concluded a spectacle presented by Andrea Bocelli, the world's "best loved tenor".



60 years
of Sanlorenzo

INSIGHT

CREATING AND ENHANCING CUSTOMER RELATIONS, EVEN IN THE MOST DIFFICULT MOMENTS

The Company had already begun organising the 2020 Elite Days when the outbreak of the Covid-19 pandemic forced their cancellation. In their place, and with the same aim, Sanlorenzo conceived a new format: Elite Weekends. These were limited-attendance events held at the La Spezia shipyard over the months of September and October, each lasting a weekend, with visits to the vessels organised in full compliance with the regulations on contagion containment. Entrance to the shipyard was organised in time slots, subject to measurement of body temperature at the entrance and subsequently guided by staff. As at a boat show, clients were welcomed to visit the yachts of their interest and choose one for sea trials. The numbers permitted to board the yachts were determined by the length of the vessel, in any case not more than five.

The on-board crews welcomed the clients and provided special shoe covers.

After sanitising their hands, the visitors then proceeded along marked routes.





SX112

In pursuing all sharing opportunities, the Company maintains highly personalised **dialogue with the owner**, in keeping with the made-to-measure philosophy of placing response to specific requirements first, while still leaving room for the continuous exchange of opinions and ideas. Sanlorenzo pays particular attention to enhancing the experience and emotion of using the yacht, rather than simply owning it. The aim is to convey the added value of each Sanlorenzo yacht: Italian taste, unique craftsmanship and relations with the art world.

Alongside classic printed information and commercial product videos, the Company also uses video storytelling, with narratives centred on the experiences of the protagonists - the owners themselves - and the architects and designers who contribute to the conception and design of the yachts.

In the same way, Sanlorenzo guarantees **customised high-end services**, ranging from the possibility of financing-leasing plans defined in coordination with Sanlorenzo's main financial partners to providing the owner with the servicing and refit of the yacht.

For the past several years, both through the Sanlorenzo Academy and thanks to the collaboration of the Marketing & Communication and Service & Deliveries departments, the Company has been offering its clients **highly qualified and specialised crew**, prepared through specific training courses, as a natural continuation of the engineering and aesthetic quality of the yachts.

The Sanlorenzo Captains Workshop, staged three times since 2018, is aimed at conveying the technical guidelines, modus operandi and philosophy of Sanlorenzo shipyards to a group of around 20 participants per edition. Starting in 2020, Sanlorenzo has further enriched this path by initiating collaboration with Hill Robinson, one of the largest companies in the yacht management sector. In both classroom and on-board sessions, the education objectives are to establish the utmost familiarity with the yacht and to communicate the highest standards of on-board service, safety and leisure.



52Steel

The Sanlorenzo Service School initiative, launched in 2019, is a training course developed for Sanlorenzo Service Points, with the aim of enhancing the technical knowledge of personnel, while also offering them the opportunity of encountering the larger Sanlorenzo world and fully learning its values and philosophy. The March edition of the course was attended by 19 persons from seven Service Points, and the November edition by 14 persons from five Service Points.

The launch of the Brand Representative Training Course, planned for 2020 and specifically designed and developed for Sanlorenzo Brand Representatives around the world, was postponed until 2021 due to the Covid-19 health emergency.

In the area of **assistance services**, the Sanlorenzo offer includes mechanical, electrical and hydraulic maintenance, as well as testing and consulting services. Customers can count on an after-sales service network consisting not only of the Sanlorenzo shipyards, but also Brand Representatives and Service Points around the world (ref. figure 64).

Sanlorenzo also equips each of its yachts with a tablet and the cloud-based Wosa Yacht Surveyor (WYSR) application, enabling Sanlorenzo technicians to survey and report to the customer in response to crew requests for assistance, including through direct interaction. The Company is also currently developing further innovative remote assistance solutions (see section *Built to last*).

The after-sales services also include **fleet maintenance** and **refitting** and **restyling** operations should the customer wish to restructure or modernise his/her yacht in terms of stylistic aspects or technical and plant engineering. In addition, Sanlorenzo has a parts warehouse, offering direct service to clients.

Lastly, Sanlorenzo, in cooperation with specialised operators - including Ar-Nav Marina (Ameglia), Porto Mirabello (La Spezia) and Polo Nautico Consortium (Viareggio) - offers its customers in-port hospitality services, consisting of dedicated mooring spaces and a response to needs of all kinds, including technical and maintenance services, through dedicated infrastructures.

INSIGHT

SANLORENZO TIMELESS

The **Sanlorenzo Timeless** department offers a set of services aimed at preserving the value and timeless character of Sanlorenzo yachts, adapting them to contemporary styles and tastes and modernising on-board equipment, while also extending services to the yachts of other brands.

Customers have shown an increasing appreciation of and interest in this offer, particularly because of the added value guaranteed by the manufacturer - Sanlorenzo itself - in managing the refitting, based on a full understanding of the specificities of each yacht.

The specific services offered are as follows.

1) **Refit** – replacement or updating of on-board equipment and instruments, applying the most advanced technologies and thereby improving

safety and functionality and restoring the pleasure of total sailing comfort. For Sanlorenzo, this activity is crucial in achieving a circular business model, in particular significantly extending the useful life of the yacht and reducing the generation of environmental impacts (see *Integrated approach*).

2) **Restyle** - renewing the yacht design, through targeted interventions on furnishings, replacement of materials and upholstery, and redesign of spaces and structures, always seeking alternative solutions having a low environmental impact. As with new Sanlorenzo yachts, the offer of any pre-owned yachts is always customised.

3) **Lifetime Care** - constant care and maintenance of the yacht, both ordinary/annual and extraordinary, based on rigorous checks, tests,

servicing and certifications, thereby guaranteeing maintenance of the original level of excellence that distinguishes every Sanlorenzo yacht, as well as continuous improvements in efficiency.

All these services are aimed at enhancing and increasing the emotional value of the yacht to the client, beyond its commercial value, in line with the company's "made to last" philosophy. Over the last three years, 40 yachts have undergone refitting work, of which 18 in 2020 (+39% over 2019). Of the total number of yachts refitted, only around 8% were built by other yards.



MATERIALITY ANALYSIS: “SUSTAINABLE SUPPLY CHAIN MANAGEMENT”; “HEALTH AND SAFETY”

REFERENCE GRIs:

102-9; 102-10; 102-15; 102-43; 102-44; 204-1; 403-7; 403-8; 403-9; 403-10; 407-1; 408-1; 409-1

REFERENCE SDGs:



TARGET: 4.4



TARGET: 8.2

DESCRIPTION AND RELEVANCE OF THE ISSUE

The Sanlorenzo business model features strong vertical integration, with service and raw material suppliers - mainly medium or small local businesses and contractors – operating as key strategic partners in guaranteeing the continuity and evolution of the Company's business.

The technical skills and craftsmanship of these suppliers is intrinsic to the distinctive nature of Sanlorenzo products. Shipyard and craft companies work in close synergy, in relationships based on transparent and ethical dialogue. These relationships contribute to the creation of important job creation and economic benefits, shaping the Company's prominent role in the host territory.

TYPE OF IMPACT ALONG THE VALUE CHAIN: DIRECT/INDIRECT, INTERNAL/EXTERNAL

The relationship with suppliers is transversally relevant to the entire Sanlorenzo value chain, since the correctness, quality and sustainability of the work entrusted to contractors is reflected in both the Company's own value generation and final owner satisfaction.

Although the realities of outsourcing do not enable the Company to exercise direct control over the contractors' relations with employees, Sanlorenzo adopts and imposes the highest standards on production, and is committed to defining and implementing supply chain management that is increasingly guided by environmental, social and economic sustainability criteria.

ASSOCIATED RISKS:

- Loss of specific technical and technological expertise in the case of replacement of certain specific suppliers or contractors, with negative effects on productivity, results and economic situation;
- Damage to reputation damage and harm to the correct and timely performance of Sanlorenzo activities in the event of non-compliance with defined production standards, violations of General Contract Conditions, or unlawful conduct on the part of suppliers;
- High dependence on the supplier, with potentially serious consequences to Sanlorenzo in case of supply company instability or failure;
- Work stoppages due to Covid-19 virus outbreaks.

RELATED OPPORTUNITIES:

- Creation of a local supply-chain economy, with fair redistribution of contracts and supplies;
- Possibility of exploiting the Sanlorenzo Academy in support of constant skills updating and continuity for local craft firms;
- Improvement of Sanlorenzo's influence on suppliers and contractors by implementing targeted policies to raise awareness of sustainability issues.

KEY STAKEHOLDERS:

Suppliers and contractors

RELEVANT POLICIES, PROGRAMMES AND CERTIFICATIONS:

- General Conditions of Contract or Purchase
- Code of Ethics
- Organisational Management and Control Model, Legislative Decree 231/01
- Sanlorenzo Group safety policy
- UNI EN ISO 45001:2018 (conversion from OHSAS 18001 for the Viareggio shipyard)
- Environmental policy
- ISO 14001:2015
- Contractor and supplier assessment questionnaire
- Participation in the “Roundtable on prevention and actions to combat gangmaster labour abuse”, organised by Confindustria La Spezia.

HIGHLY REFINED CRAFT PRODUCTION: BEHIND THE SCENES

Behind the unique modern “Made in Italy” creations there lies an incomparable heritage of craft skills and ingenuity, handed down from generation to generation. This heritage extends to the culture of Italian yacht construction, recognised throughout the world for its deep associations with highly skilled local labour.

Sanlorenzo yachts are born and evolve thanks to the specific know-how involved in single processes, contributing to the construction of the yacht: from the extreme shaping of a specific type of wood to elaborate carving and the finest quality stitching of structured fabrics.

Behind the high-quality results achieved by Sanlorenzo, therefore, are highly qualified skills that the Company helps to develop and strengthen, for example in carpentry, cabinetmaking, upholstery and installation work.

DESCRIPTION OF THE SUPPLY CHAIN

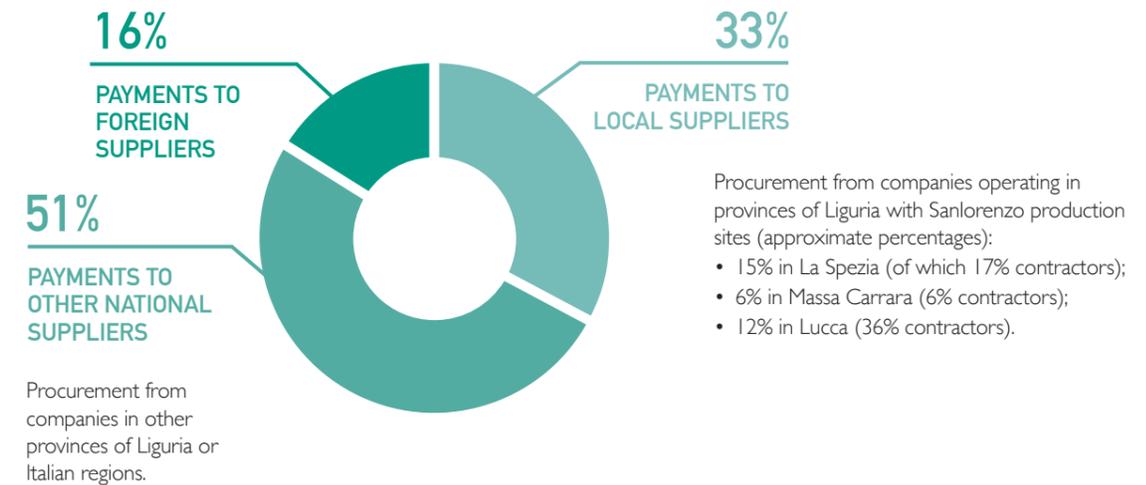
Sanlorenzo currently draws on around **2,300 supplier**, including: component and raw materials suppliers³⁰; production contractors³¹ (most of whom work at Company sites); suppliers and contractors supporting corporate operations, for example in IT, marketing, plant materials and maintenance.

The total volume of procurement expenditure in 2020 was **€442 million** (down 5% compared to 2019), broken down into the percentages presented in the chart below.

³⁰ This includes suppliers of: fire-fighting system materials; air conditioning system materials; propulsion system details; generator system materials; manoeuvring propellers and stabilising fins; steering systems, flaps, propellers; bathroom accessories and fittings; interior and exterior furnishings; galley; upholstery; tenders; exterior tables and seating, teak details; equipment.

³¹ Contractors may provide both the material needed to carry out a given type of service/contract and the labour to install it, according to specified parameters. Such suppliers include those involved in: lamination of the fibreglass mouldings (hull, deck and steel superstructure); construction of steel/aluminium semi-finished products; construction of the bodywork and painting of the fibreglass mouldings; construction of internal resin-coating; construction of the electrical system; fitting out of the technical rooms, engine room and external assembly; construction of the hydraulic system; construction of internal carpentry; preparation/assembly of furniture; window assembly; installation/construction of internal insulation; supply and installation of teak decks and accessories; construction of the audio/video system; construction of external carpentry; supply and installation of marble.

GRAPH 9 - PROCUREMENT EXPENDITURES BY SOURCE GEOGRAPHIC REGION



Continuous Company growth, with the expansion of production operations, leads to additional demands for suppliers and contractors capable of meeting the needs of orders. In the period between 2018 and 2020 the increase in spending on suppliers was approximately 25%, and since 2016 about 50%.

In the last two years alone, the Company assessed 85 potential new suppliers (39 contractors, 46 suppliers) with 44 of these (38 in 2019 and 6 in 2020) entering into contractual relations, following internal certification according to defined criteria.

The search and selection of suppliers and contractors is managed internally by the **Procurement Offices** specific to the Yacht and Superyacht Division. One of Sanlorenzo’s distinctive features is the structuring of its purchasing system - in a manner complementary to that of the supply chain - for optimisation and support of production and maximum flexibility and speed in responding to shipowner requests. The purchasing structure is supported by a **Strategy Committee**, consisting of the Division President, Operations Manager, Division Purchasing Manager and plant Supply Chain Manager, with responsibility for decisions on the allocation of contracts and the internalisation or outsourcing of activities.

The following infographic shows the steps in the selection process.

INFOGRAPHIC 6 - SELECTION PROCESS FOR SUPPLIERS/CONTRACTORS

VISIT

to the potential supplier
by the Procurement Office

CHECKS

specific to the service
or material supplied



MARKET RESEARCH

Procurement Office, for
identification of suppliers/
contractors capable of suitable
performance levels

SELF-EVALUATION QUESTIONNAIRE

for the supplier/contractor

INTERNAL CERTIFICATION

of the supplier/
contractor

The initial assessment of the supplier or contractor considers the following criteria:

- **production capacity**, in line with the needs of orders in terms of technical, quality and organisational solidity;
- **economic-financial stability**, ensuring that the supplier/contractor is sound enough to cope with and complete the required activities;
- **geographic location**, with a preference for local companies, to enhance the community in which Sanlorenzo operates and ensure a fair distribution of its supply-chain activities, as well as for logistical convenience (particularly for contractors, since they have to be physically present on site).

As stated in the Code of Ethics, the Company guarantees equal opportunities to every supplier, and fairness and impartiality in selection processes.

Having completed this initial assessment, the Purchasing Department, often assisted by other directly involved units (e.g. Technical Department, Quality Department, Production), then visits the potential supplier/contractor and also uses a special self-assessment questionnaire, aimed at assessing the true availability of technical staff and the relevant management methods, the presence of all facilities and meeting of technical and organisational requirements (e.g. vehicles, machinery, equipment) to carry out the requested supply/work tasks, the existence of organisational controls in the areas of health, safety and the environment and the possession of any relevant certifications, and management and control methods for its own supply chain.

Further specific checks may then follow, depending on the service or raw material supplied, in particular:

1. in the case of supplies of raw materials, Sanlorenzo carries out initial sampling to verify quality, reliability and safety;
2. in the case of customised processing, the Company requests an initial product for verification and potential certification of surface finish parameters, processing quality, and correspondence with reference technical specifications issued by Sanlorenzo.



HUMAN RELATIONS, ETHICS AND TRANSPARENCY IN DIALOGUE WITH SUPPLIERS

Sanlorenzo continues its strategic attention to the internal certification of suppliers and contractors in its long-term relations with such partners.

The values underlying the Sanlorenzo - supplier/contractor relationship are:



Once selected, Sanlorenzo stipulates a Framework Agreement referencing all the documents framing the supply relationship:

- the **General Conditions of Purchase or Contract** (GPC), establishing the right of Sanlorenzo to plan and control the execution of the work;
- reference technical specifications;
- Quality Booklets;
- the economic conditions of supply;
- in the case of contractors, production planning for the period established by the Framework Agreement;
- the order form;
- any operating instructions for packaging and transport.

All suppliers and contractors are also required to read, understand and accept the provisions of the Sanlorenzo Code of Ethics and the Organisational Management and Control Model (Legislative Decree 231/01).

Within the **Company**, these documents impose duties and obligations on the contractor/supplier to provide for the correct and punctual payment of wages and contributions to its employees, who must be duly employed by the company, and to comply with regulations on accident prevention in the workplace.

Sanlorenzo has joined the **“Roundtable on Prevention and Actions to Combat Gangmaster Labour Abuse”**, organised by La Spezia Confindustria and Confindustria Nautica, which brings together local pleasure boating companies for the purpose of sharing and implementing stronger management models, including aspects of monitoring tendering operations, and developing new policies based on transparency and sharing. The results from the roundtable will be shared in the next edition of the Sanlorenzo NFS.

Contractors operating within Sanlorenzo's yards must ensure the presence of their Director of Works and/or Site Manager during all working hours, and charge this figure with the role of guaranteeing the correct technical management of the works under the contract, the proper behaviour of every employee and their precise application of environmental, fire prevention, and workplace health and safety regulations on.

Each worker is provided with an ID badge for access to the worksite, also indicating the reference company. For safety purposes, Sanlorenzo requires a list of the names of personnel present on the worksite, with specification of their individual tasks.

In 2020, the daily workforce of contractor employees on all Sanlorenzo sites numbered approximately 1,950, with slight variations depending on job orders and seasonality.

All contractor employees who carry out activities on Sanlorenzo sites are covered by the Occupational Safety Management System (SGSL), certified under the UNI EN ISO 45001:2018 standard³².

Once a week, Sanlorenzo's Prevention and Protection Officers (RSPPs) carry out inspections at each of the four operational sites, for the purposes of continuously surveying different situations and assessing any emerging dangers for workers, in addition to those already identified in the **Risk Assessment Document** (DVR).

The shipbuilding industry requires work to be performed at great heights (up to about 14 metres on a 50-60 metre boat), resulting in a work setting where the main risk of accident is falls from heights, associated with slips, trips and falls from scaffolding³³ or lifting platforms, as well as risks related to falling objects and also handling loads.

³² The Massa shipyard received certification in December 2020. The Viareggio shipyard is undergoing conversion to the OHSAS 18001 standard.

³³ Scaffolding is installed in keeping with the Plan for Assembly, Use and Dismantling of Scaffolding (“PiMUS”), which must also be consulted by the personnel assigned to do the work, to know about all required measures and in general to ensure maximum safety when working at height.

AMEGLIA

500~



LA SPEZIA

750~



MASSA

200~



VIAREGGIO

500~



In the area of fibreglass production, workplace safety requires the handling of dangerous chemical agents deriving from styrene emissions, causing potential employee exposure both by inhalation and skin absorption. The Company manages this risk through infrastructure providing appropriate collective protection measures, in particular the installation of suitably positioned suction systems, and by the obligation of wearing individual protection, in particular using respiratory protection devices provided to each employee. Moreover, thanks to the use of the infusion technique (see *Integrated approach*) Sanlorenzo is now further reducing worker exposure to this risk, to near zero.

Carpentry, painting and bodywork activities also entail risks of exposure to chemical agents.

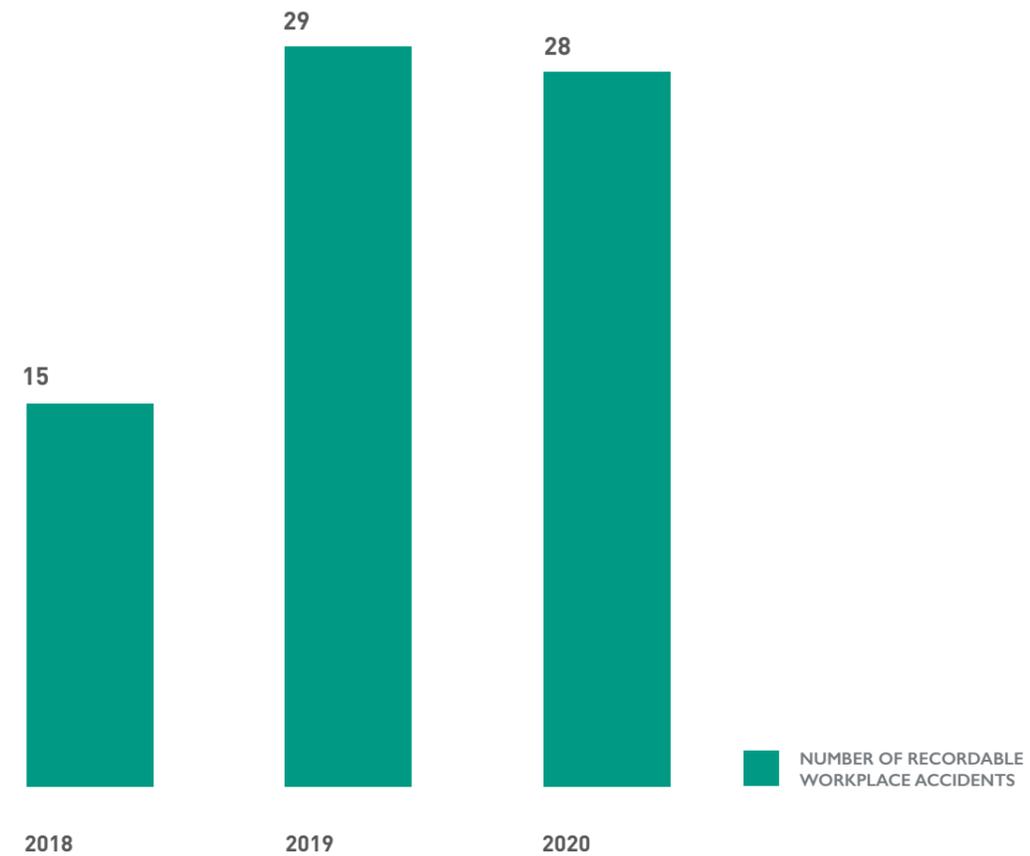
During the year, in line with the previous two years, there were no cases of occupational disease related to the above-mentioned chemical risks.

Shipbuilding also poses significant fire risks, due to the types of materials and substances used and their large quantities. In this regard, all Sanlorenzo sites maintain up-to-date **Fire Prevention Certification** subject to verification by the relevant Provincial Fire Brigade unit, assessing compliance of the sites with individually applicable fire prevention regulations.

To eliminate the identified dangers and minimise the likelihood of risks actually occurring, Sanlorenzo adopts the necessary prevention and collective and individual protection measures. The Company places particular emphasis on informing and educating on these matters, with initiatives including staff training and the Sanlorenzo Academy (see box *Sanlorenzo Academy: Yachting Training School*). The Company also places specific obligations on contractors in terms of general and specific training (e.g. on risks, use of equipment such as forklifts and bridge cranes) for their own workers, in respect of which Sanlorenzo requires copies of issued certificates.

In addition, contractor employees are randomly selected for internal audits and audits by independent third parties. In 2020, due to the contingencies of the Covid-19 pandemic, some of these audits were conducted remotely.

GRAPH 10 - WORKPLACE ACCIDENTS INVOLVING EMPLOYEES OF CONTRACTING COMPANIES



In 2020 there were 28 accidents at work³⁴, without serious consequences³⁵, slightly down on the previous year (-3%).

Finally, subcontracting may be necessary in very limited cases, particularly jobs requiring very high craft skills, however this is only authorised by Sanlorenzo after verifying the existence of the technical-professional and economic skills and existence of a contract signed and undersigned by the Contractor and Subcontractor. In these cases, once authorised, the management of issues regarding the employee's welfare is delegated to the Contractor and regulated under the terms of the relevant CGAs.

³⁴ The "registrable" work accidents are those that occurred at the four Sanlorenzo sites and that the Company becomes aware of and analyses in order to further assess the risk.

³⁵ The GRI standards define accidents with serious consequences as those resulting in death or injury from which the worker cannot recover, does not recover, or cannot realistically be expected to recover fully to pre-accident health within 6 months.

In the **environmental field**, the CGAs require contractors to carry out activities in line with the conditions and prescriptions defined by the environmental management system (EMS) in force for the reference site, with particular emphasis on the Ameglia facilities, where, in addition to the provisions of the ISO 14001:2015 standard, compliance requires adherence to the technical standards defined by the Montemarcello-Magra Park Authority. Sanlorenzo takes responsibility for and devotes specific attention to waste management (see *Integrated approach*), particularly regarding processing residues (e.g. packaging, materials and raw materials of normal wear and tear), informing the contracting company about the methods of separate collection and disposal of the various types of waste.

With reference to **quality requirements**, Sanlorenzo draws up and shares very detailed technical specifications, describing the work to be carried out, accompanied by technical drawings, tables, checklists and Quality Booklets for each type of work. These documents provide the necessary support for systematic daily on-board inspections conducted by the Quality Department, through all the phases of manufacture (see *Quality and safety on board*).

CONSTANT AND RENEWED ENGAGEMENT

Sanlorenzo's relations with its contractors, most of whom are present every day at the Company's yards, involve **strong and direct personal relations**. Discussion is constant, including on problems and risks, which are assessed and dealt with together as part of routine daily activities, almost always through in-person meetings.

The Sanlorenzo approach, encouraging partnership and joint growth, provides the basis for long-term relationships. This results in low turnover rates among contractors, also ensured by the added value obtained through the Sanlorenzo offer of customised training programmes. These are aimed at enhancing the unique craftsmanship skills and know-how accessible to the Company through its contractor collaborations. In this regard, in 2018 the Company founded the **Sanlorenzo Academy**, whose mission is to provide occupational training in specialised roles, especially for younger people. The aim of this is to **ensure continuity, advancement and availability of new personnel for the area's companies**, and to help **raise technical and professional standards on board the yachts**.



INSIGHT

SANLORENZO ACADEMY: A TRAINING SCHOOL FOR THE BOATING SECTOR

The Company views training as a central aspect of relationships with contractors. This philosophy can be seen in action by the founding of the Sanlorenzo Academy. The Academy currently offers instruction via a one-year course consisting of

800 hours of training and 6 months of internship, in sessions alternating between the classroom and the technical shops or on-board the yachts. Two to three such thematic courses are offered each year, and most of the graduating students are hired by Sanlorenzo or its contractors for at least the following six months. The 2020 programme was completed despite

the challenges caused by the Covid pandemic. The courses offered are for multi-purpose operators (maintenance experts of on-board yachting systems and equipment), shipyard sailors, plumbers, electricians, steward and stewardess. The Sanlorenzo Academy also supports the development of soft skills, including planning, communications and management of critical situations.

In 2020 Sanlorenzo added another aspect to its strategic relations with suppliers through a **supply chain agreement** with two major Italian banks, which has already provided advantageous rates on €70 million in credit lines to a total of 80 of the Company's suppliers. A hundred or so further suppliers are currently in the preliminary assessment phase for potential credit approval.

For the 2021 financial year, Sanlorenzo has also set the objective of integrating the assessment of the suppliers' position in terms of ESG dimensions during the internal pre-certification and certification process, and of introducing supply chain assessment procedures that take sustainability criteria into greater account, permitting detailed ongoing analysis of the supplier's performance, to be shared with the competent internal departments.

MATERIALITY ANALYSIS:
“SUSTAINABLE DESIGN OF BOATS”; **“ENERGY CONSUMPTION”;**
“ATMOSPHERIC EMISSIONS”; **“WASTE MANAGEMENT”;**
“MANAGING WATER RESOURCES”;
“PRESERVATION OF MARINE HABITAT AND BIODIVERSITY”

REFERENCE GRIs:

102-13; 102-15; 102-43; 102-44; 301-1; 302-1; 302-3; 302-4; 303-1; 303-2; 303-3; 303-4; 303-5; 304-1; 304-2; 304-4; 305-1; 305-2; 305-4; 305-5; 306-2; 307-1

REFERENCE SDGs:



TARGETS: 12.4; 12.5



TARGET: 13.1



TARGET: 14.2

DESCRIPTION AND RELEVANCE OF THE TOPIC

Sanlorenzo adopts an integrated approach to the management of environmental matrices interrelated with its own activities and on which it can have important effects. This can lead to the Company taking a leadership role in the yachting sector as a whole.

The Company has implemented this integrated approach to the construction of its yacht and superyacht fleet, through the selection of materials with reduced environmental impact, and through the initiation of a programme to upgrade production sites in order to reduce energy consumption, atmospheric emissions and waste production.

From the outset and by nature, the Company has always devoted great attention to the protection of marine and terrestrial ecosystems and their biodiversity, even more so in the case of the Ameglia and Viareggio production sites, which are wholly or partly within protected natural areas.

TYPE OF IMPACT ALONG THE VALUE CHAIN:
DIRECT/INDIRECT, INTERNAL/EXTERNAL

The environmental issues dealt with in the next section of this NFS are relevant along all stages of the Sanlorenzo value chain, for direct or indirect impacts from company activities, whether potential or actual. The report concentrates primarily on environmental issues in the design, use and end-of-life phases of the vessels. Water consumption is not significant at any stage of the yacht construction process, and in the storage area it figures only in washing the boats, which is done without using detergents or chemicals.

ASSOCIATED RISKS:

- Use of new materials/treatments not comprehensively evaluated in regards to influence on ecosystems;
- Scarcity of raw materials (e.g. precious woods) used for boat production, resulting in problems of availability;
- Non-implementation of increasingly strict national and international regulations, particularly concerning emissions, which could result in significant limitations on energy use.
- Accidental waste spills (Massa shipyard) or chemical spills on soils, with drainage into watercourses and bodies of water.
- Generation of long-term negative impacts on the marine ecosystem during the use of the vessels.

RELATED OPPORTUNITIES:

- Implementation of energy efficiency initiatives for reduction of environmental impacts and consumption costs;
- Communication and diffusion of environmentally respectful behaviour;
- The Sanlorenzo resources of know-how, dedicated R&D and leadership in the yachting sector could allow the Company to develop solutions that would have a positive effect on the preservation of marine and other natural habitats.

KEY STAKEHOLDERS:

- Environment
- Suppliers and contractors
- Customers
- Associations and NGOs
- Local community
- Relevant policies, programmes and certifications:

POLICY, PROGRAMMI E CERTIFICAZIONI IN MATERIA:

- Environmental Policy
- ISO 14001:2015
- Life Cycle Assessment

INTEGRATED APPROACH

Sanlorenzo views **awareness** and **responsibility** as the core principles with regard to personal and environmental safety.

As stated in the Code of Ethics, Sanlorenzo is committed to environmental protection, and recognises the need to deal simultaneously with both its economic and environmental obligations through:

1. Effective environmental planning, taken to mean the set of activities, investments, training and new projects aimed at the gradual improvement of the environmental sustainability of production sites and the final product;
2. The sustainable use of natural resources;
3. An integrated approach to waste management and energy conservation.

To make this commitment operational, the Company has adopted an **Environmental Management System (EMS)** for each of its sites. For Ameglia, Massa and La Spezia, the EMS is certified in accordance with **ISO 14001:2015** (Massa and La Spezia as of October 2020), while certification for the Viareggio site is expected within 2021.

Integral to the EMSs, Sanlorenzo has adopted an **Environmental Policy**, the text of which has been reviewed this year³⁶. The Policy stresses that in the management of all company activities respect for the environment is essential, and is based on the principles **of compliance with the laws and regulations in force in the locations where the Company operates, continuous improvement** in environmental performance and reduction of impacts, and **prevention of pollution**. These principles are accompanied by objectives, summarised in the infographic below, aimed at ensuring the progressive improvement of Sanlorenzo's environmental performance.

INFOGRAPHIC 7 – ENVIRONMENTAL POLICY: PRINCIPLES AND OBJECTIVES



In 2020 the Company carried out an analysis of the organisational context, as required under the ISO 14001 standard, which led to the drawing up of Environmental Programmes for each of the production sites, including the definition of corrective and improvement activities and projects.

Finally, over the 2021-2023 period, Sanlorenzo plans to develop an Energy Management System for each of its shipyards, integrated with the relative EMSs and in conformity with the ISO 50001:2018 standard.

³⁶ Last updated: June 2020.

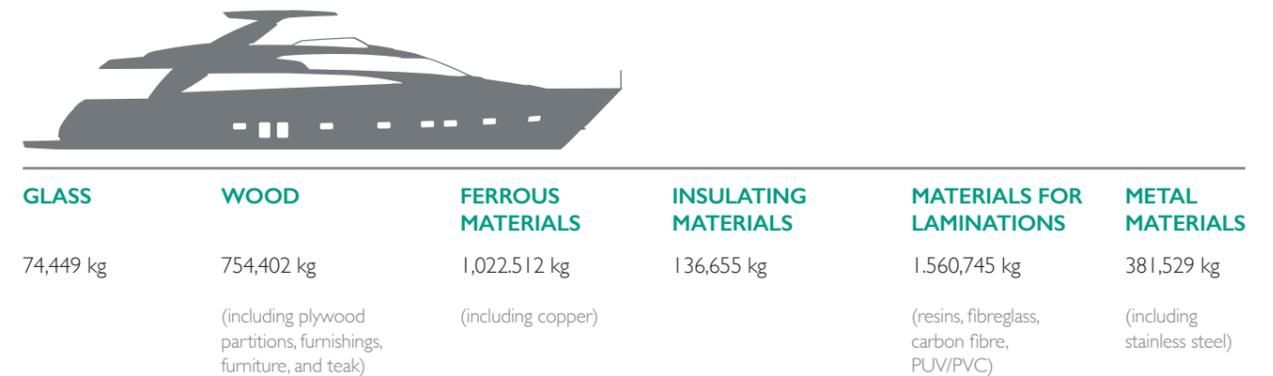


MATERIALS USED

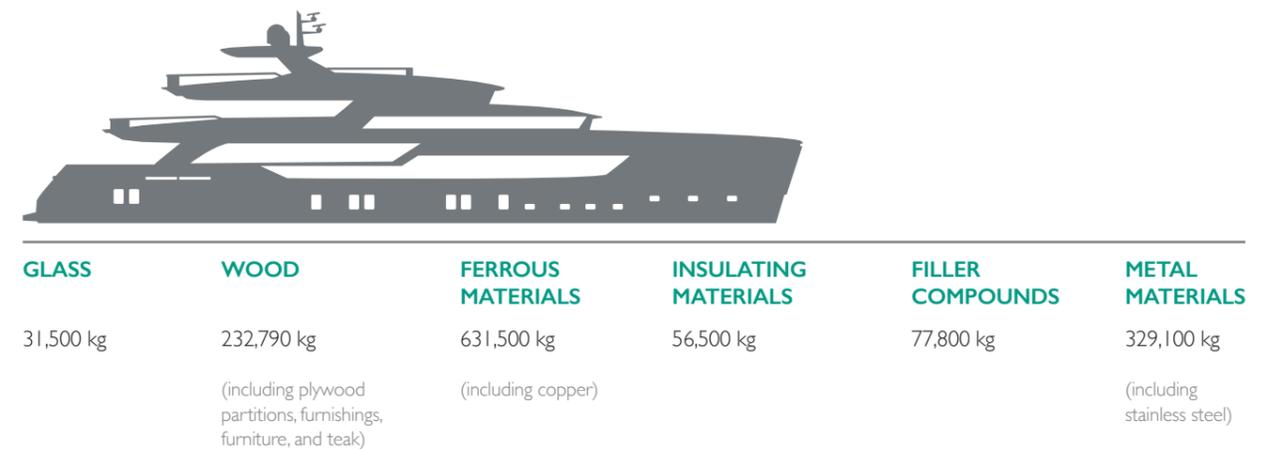
One of the key lines of action for implementation of the Sanlorenzo strategy of sustainable innovation (see Built to last) is the choice of materials having a reduced environmental impact for the construction of boats. The specific amounts of materials used are largely dependent on production levels: for the current three-year reporting period consumption trends must be considered in relation to the numbers of delivered yachts and superyachts.

The infographic below shows, for 2020, the main types and relative quantities of materials³⁷ used for the construction and outfitting of yachts (50 units) and superyachts (4 units) delivered during the year. The Annexes at the close of this document report quantitative details on total materials used by the two Divisions (see Environmental sustainability indicators).

INFOGRAPHIC 8 - MAIN MATERIALS AND RELATIVE QUANTITIES USED FOR FIBREGLASS YACHTS, 2020



INFOGRAPHIC 9 – MAIN MATERIALS AND RELATIVE QUANTITIES USED FOR SUPERYACHTS, 2020



³⁷ Materials directly purchased by the Company.

INSIGHT

ENVIRONMENTAL EXPECTATIONS OF INTERNAL AND EXTERNAL STAKEHOLDERS

As part of the analysis of the organisational context conducted in 2020, Sanlorenzo contacted internal and external stakeholders, for example, regulators, local communities and customers, to collect and consider their needs on environmental matters.

The following issues emerged from the analysis:

- Cooperation on hydrogeological security;
- Effective management of emergency events;
- Prevention of environmental pollution, and related sanctions;
- Conformity with regulations for authorisations, and related sanctions;
- Elimination of all asbestos;
- Availability of resources, savings in resource consumption;
- Compliance with contractual constraints on resource procurement;
- Rationalisation of energy consumption;
- Where possible, economic incentives for environmentally friendly end-of-life yacht disposal;
- Design of environmentally friendly solutions;
- Attention to environmental aspects over the course of the yacht's life cycle.

In 2020 renewable resources made up 15% of total resources used in both the Yacht and Superyacht Divisions³⁸.

Sanlorenzo requires the suppliers of **teak** and any contractors using the material – which is increasingly scarce and subject to specific restrictions due to the high rates of deforestation - to comply with European checks on origin, making sure the material conforms to EU standards³⁹. Moreover, the supplier must present a controlled import certificate, guaranteeing that the material purchased comes from plantations that comply with regulations, and that part of the amount paid has been allocated to replanting.

The Company also pays particular attention to the selection of materials for **interior furnishings** in accordance with the strictest regulations on the use of adhesives in their production, and in this regard adheres to the European class 3-EI standard.

With regard to the management of chemical agents in paints, fillers and antifouling treatments, Sanlorenzo operates in accordance with the **2009 IMO Hong Kong Convention** (not yet in force) on safe and environmentally sound ship recycling. The Convention stipulates the fundamental requirement that vessels over 500 GT operating in international waters must be provided with an inventory of any hazardous substances comprised within the craft's structure and fittings, thereby allowing visibility and proper handling of the different types of materials in the vessel at the time of scrapping.

Most supplies of gelcoat, resins, glass and carbon fibre materials are procured from Italy (36.23%) and Spain (32.21%), and some of the remainder from other European countries, including the Czech Republic, Finland, Switzerland and England. Given that these materials are central to production, but could have significant environmental impacts, the Company is committed to constantly monitoring the development of alternative solutions and innovative processes that could have lower impacts (see Built to last).

As regards **leather**, Sanlorenzo has recently begun evaluating the possibility of sourcing from suppliers who use more ecological tanning processes while retaining properties comparable to the current chemically tanned materials. The Company has already begun using leather produced by "hybrid chrome" tanning and has obtained samples from a supplier of vegetable tanned leather, currently the most ecologically sound solution. Lastly, the Company implements prudent and careful warehouse planning, ensuring availability of the correct quantities of materials relative to the timing of boat-building phases, thereby avoiding surplus inventory that might eventually lead to the need to recycle or dispose of expired or obsolete materials. In 2017, in the case of surplus furnishing materials, the Company instead chose to sell the assets internally at favourable

³⁸ In keeping with the GRI definition, "renewable" means material derived from abundant resources, rapidly replenished through ecological cycles or agricultural processes, so that the benefits provided by these and related resources are not compromised and remain available for future generations.

³⁹ European Union Timber Regulation (no. 995/2010).

conditions. The various departments are also alert to collaborating with the Service team in the use of potential surpluses in yacht refitting (see the Focus: *Regenerating value*).

ENERGY CONSUMPTION

The latest environmental context analysis carried out in compliance with the requirements of ISO 14001:2015 revealed that the most important environmental factors for Sanlorenzo are the supply of energy and its production from renewable sources.

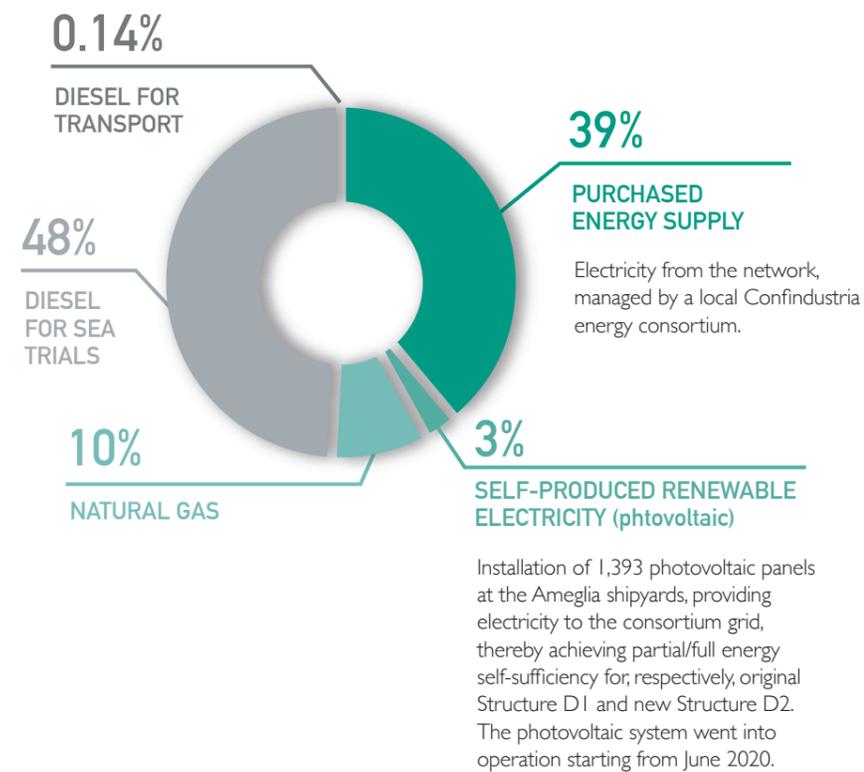
The Company's production activities, however, cannot be categorised as highly energy-consuming, as the processes that would require greater consumption - for example, welding and woodworking - are outsourced and are not carried out at Sanlorenzo shipyards, and so are not within the scope of reporting. On the other hand, energy consumption on board vessels, which currently require high electrical loads, appears to be more significant.

Specific corporate departments are given responsibility for the management of energy supplies, including production from renewable sources, in the case of the Ameglia site. The departments operate in close cooperation with the Confindustria Energy Consortium and relevant authorities, including the national Regulatory Agency for Energy Networks and Environment (ARERA), and the administrations of the Regions of Liguria and Tuscany. In line with the obligations on large companies set out in Italian Legislative Decree 102/14, Sanlorenzo carries out energy audits on a four-year cycle, the last one in 2019, and implements the relative action plans for energy efficiency.

As laid down in the EMS for each plant, the Company periodically carries out a detailed report on consumption, with critical analysis of the data, identification of corrective and/or improvement measures and definition of related objectives.

The graphic below reports consumption in the Yacht and Superyacht divisions for 2020⁴⁰.

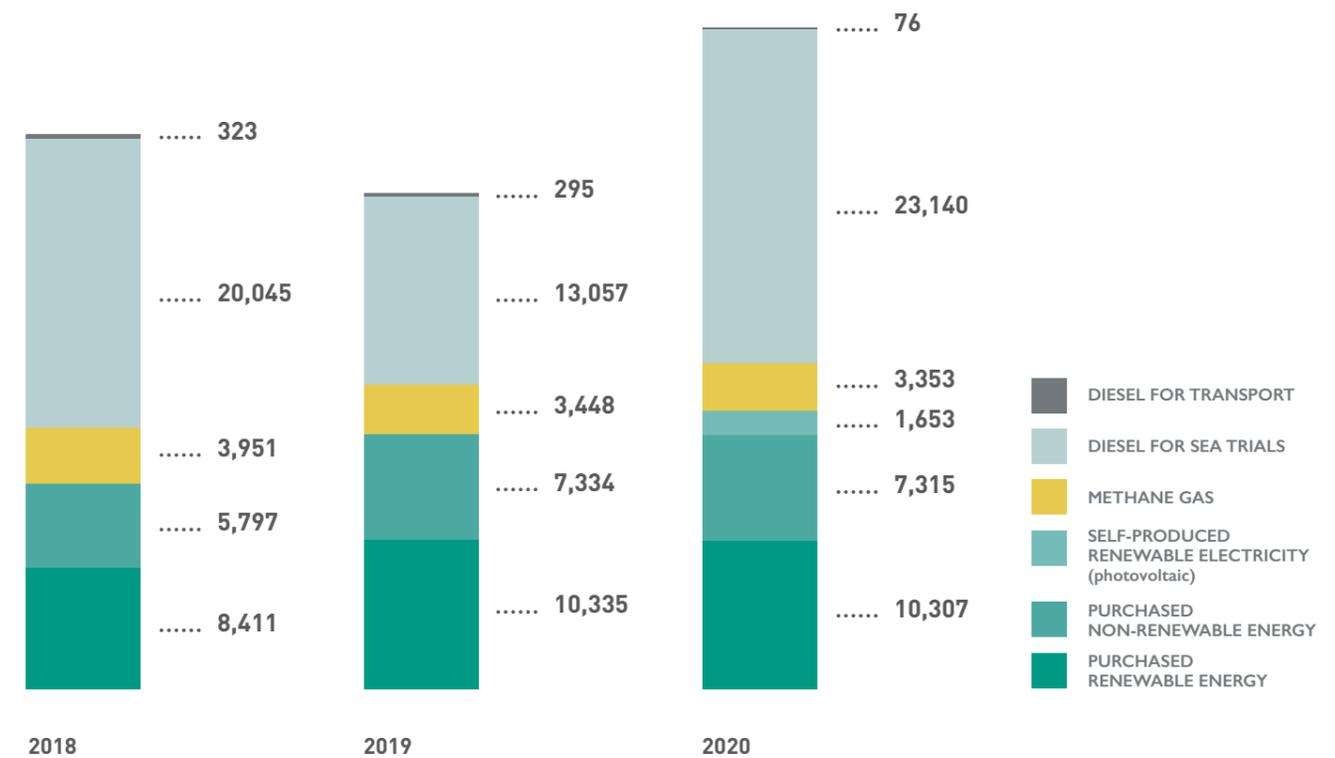
GRAPH 11 - ENERGY MIX, 2020



⁴⁰ Compiled from primary data on consumption for the period January to July, and estimates for the August to December based on consumption in the same period of 2019.

Consumption of electricity is mainly for indoor/outdoor lighting, heating and vacuum ventilation. Consumption of diesel fuel is for company vehicles, cranes and trolleys used to move boats, and yacht sea trials.

GRAPH 12 - TOTAL ENERGY CONSUMPTION (GJ), YACHT DIVISION



Total energy consumption: **45,845 GJ** (+33% on 2019).

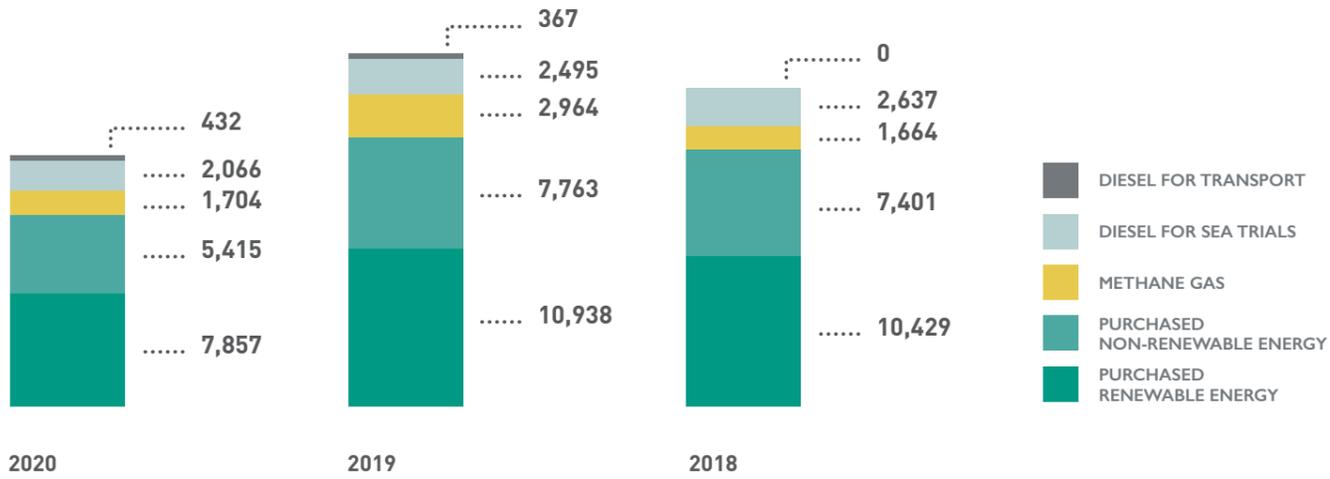
Renewable sources, of total purchased electricity: **42%**.

Self-produced renewable energy (photovoltaic, Ameglia site), of total energy consumption: **4%**

Energy intensity: **7.52 GJ/GT**.

⁴¹ It is noted that data referring to photovoltaic power for the Ameglia site include energy generated from the start-up of the plant – May 2020 – up to 31 December 2020

TOTAL ENERGY CONSUMPTION (GJ), SUPERYACHT DIVISION



Total energy consumption: **22,131 GJ (+3% on 2019).**

Renewable sources, of total purchased electricity: **42%.**

Energy intensity: **15.03 GJ/GT**

In both divisions, the increase in 2020 energy consumption over 2019 levels is mainly associated with the increase in units delivered.

EMISSIONS

The main atmospheric emissions generated from Sanlorenzo production result from the use of styrene in processing fibreglass at the Ameglia and Massa sites, and from other odorous solvents typical of the painting phases.

In accordance with Italian Legislative Decree 152/2006⁴² (Code on the Environment), the Sanlorenzo plants are subject to assessment and potential sanctioning by the competent local authorities. For the Ameglia site - located in the protected area of the Montemarcello-Magra-Vara Regional Park - the limits on air quality specified in the Region of Liguria Single Environmental Authorisation (AUA) are particularly restrictive.

The EMS of each production site specifies the processes and documents required for management of authorisation procedures and compliance with any AUAs: i) continuous monitoring and maintenance of suction ventilation systems; ii) operations to replace activated carbon; iii) regulated operating schedules; iv) periodic assessment of conformity.

Over the years, given the large quantities of styrene used, the Company has made significant investments for management of the relative emissions. Since 2007 Sanlorenzo has turned to the **infusion technique** for the production of semi-finished composite products, achieving reductions of **about 98% over previous styrene emissions**, and also improving health and safety conditions in the workplace.

FOCUS

ENERGY ON BOARD

Many on-board utilities consume energy, placing high loads on the engine-room electrical generators. Among the main utilities are the air conditioning and stabilisation systems, galley and laundry, boiler, lighting system and cabin electrical outlets, audio-video system, engine room, deck services and manoeuvring and mooring systems.

Depending on the size of the yacht, consumption values can vary from 30 to 200 kw.



⁴²The Code was revised in 2020.

INSIGHT

INFUSION TECHNIQUE FOR FIBREGLASS STRUCTURES

The resin infusion process for fibreglass mats, polyurethanes, structural reinforcing elements and glass or carbon fibre provides mechanical resistance to the infused structures.

The process lasts about four hours, and involves dry laying the materials/elements making up the structure, sealing a covering vacuum bag to the mould surface, and then vacuum-inducing the resin via nozzle-tipped tubes.



INFUSION TECHNIQUE PHASES

1. Mould
2. Mould flange (150-250mm)
3. Fibreglass mats, placed dry
4. Vacuum perimeter
5. Peel ply and distribution nets
6. Vacuum bag
7. Vacuum valve
8. Catalysed resin in container
9. Resin flow valve
10. Resin inlet
11. Excess resin trap
12. Vacuum control
13. Vacuum pump

The infusion technique, however, cannot be used for production of large-size parts, such as hulls, since the resin cannot flow more than 2-3 metres above the container. In traditional production processes used in such cases, the Company uses active-carbon capture and abatement systems, which retain almost all of the styrene. At the Ameglia site there are three abatement lines, guaranteeing plant efficiency. The filters on these lines are monitored by means of meters for observation of the necessary replacements – after approximately 250 hours of operation. In addition to abatement lines, personnel also use bag filters and mobile vacuum cleaners, again equipped with meters to indicate necessary changes.

The **Life Cycle Assessment (LCA)**⁴³ begun by Sanlorenzo in 2020 will include identification of the emissions rates in fibreglass production processes and the potential for their further reduction.

⁴³ Life cycle analysis consists of the quantification and assessment of the impacts of a product or service throughout its life cycle, with relative interpretation. The analysis can be “cradle to gate” (from extraction of raw materials to marketing of the product) or “cradle to grave” (from materials extraction to disposal of the product).

INSIGHT

FIRST PHASE OF THE LCA ANALYSIS

In 2020 Sanlorenzo began the life cycle assessment for the environmental impacts of production of an 86-foot composite yacht, including comparative analysis of the use of two different fibreglass fabrication techniques: infusing with isophthalic polyester resin alone versus a mix of isophthalic and vinylester resins. This first analytical phase therefore focussed on the production phases under the company’s direct control, i.e. from construction of the model and the moulds for hull, deck and superstructure to fitting out the yacht.

This assessment considered a set of indicators of potential environmental impacts on water, air and soil matrices, in conformity with European Standard EN 15804:2012+A2:2019 “Sustainability of construction works - Environmental product declarations”. The analysis involved the calculation of characterisation coefficients for homogenisation of the contribution of individual emissions to the specific environmental matrices (air, water or soil), and made the following assumptions: i) Emissions from transport of raw

materials are not considered; ii) All waste is considered as sent for disposal; iii) All direct VOC emissions are attributed to “styrene”; iv) emissions generated by electricity consumption are assessed as coming from residual mix, as tracing of origin was unavailable. This first phase of analysis found that for the SL86 yacht, across all the indicators considered, the differences in impact between the two production scenarios - use of isophthalic resin only versus the isophthalic-vinylester mix – are negligible (less than 4%).

MODEL AND MOULD CONSTRUCTION (hull, deck, superstructure)

ASSEMBLY (hull, deck, superstructure)

FITTING OUT (exterior and interior)

- Interior/exterior fittings and furnishings
- Mechanical components
- Surface finishing (paint, etc.)

**LAMINATION**

(infusion technique)

- Mould release waxing
- Gelcoat
- Base lamination (laying mats, resin impregnation)
 - “Inner jacketing” – mounting polyurethane reinforcements and inner PVC skin
 - Positioning fibreglass and vacuum bag
 - Infusion (isophthalic resin)

FINISHING

- First stage bodywork: filling, varnishing and polishing laminated pieces
- Second stage bodywork: paint retouching and refinement, polishing and cleaning fibreglass pieces

The painting processes for metal superyachts are concentrated at the La Spezia site, and are carried out in sheds equipped with special suction systems for the prevention of airborne dispersion. All painting activities are subject to prior authorisation by the Port Authority, issued following inspection by the Port Chemist, on the basis of specific operational instructions formalised in collaboration with other competent authorities. Thanks to the rigorous management of these processes, no complaints have been filed by neighbours against Sanlorenzo's production facilities, and there have been no internal reports of failures⁴⁴.

Further points of attention concern the possible generation of formaldehyde emissions from boat fitting activities, as well as the presence of airborne asbestos fibres at some Sanlorenzo sites, however these aspects are carefully monitored, as follows:

1. Beginning with procurement specifications, the Company ensures that the materials and components used for construction of the yacht interior partitions and furnishings are free from formaldehyde.
2. Almost all the asbestos at the Ameglia shipyard has been removed. Of the original 9,000 square metres, 1,500 square metres remain, in the roof of Structure B. The Company will remove these by the end of 2021. At the La Spezia shipyard, some small, currently unused structures require asbestos removal. The Viareggio and Massa sites are completely free of asbestos. The two sites still subject to the potential presence of airborne asbestos fibres are subject to compulsory self-reporting, as part of the biennial census conducted by the Region of Liguria.

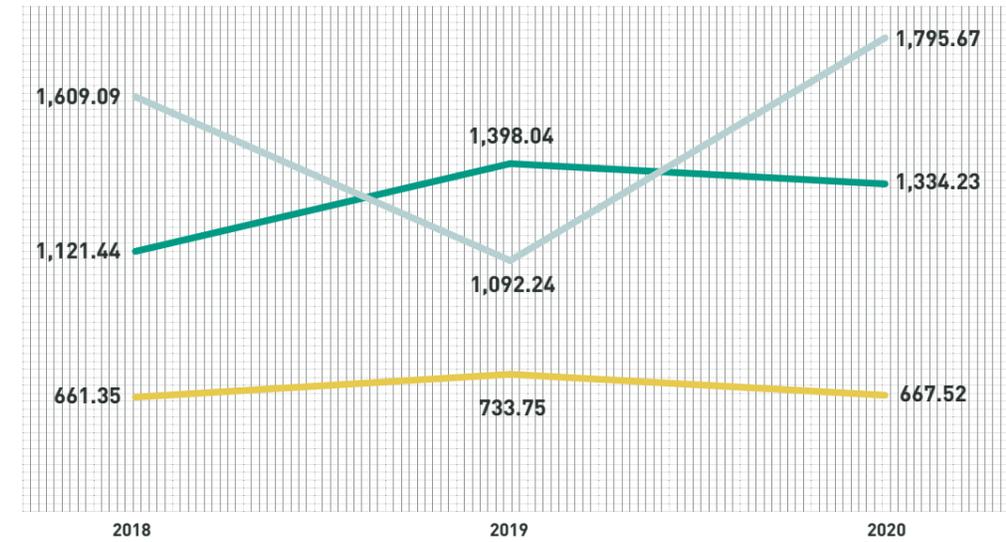
Regarding greenhouse gas emissions, the graphs below report direct (Scope 1)⁴⁵ and indirect (Scope 2)⁴⁶ emission trends for the Yacht and Superyacht divisions.

⁴⁴ In 2018, the Banca Fideuram offices neighbouring the Massa site filed a complaint for odour associated with fibreglass lamination processes, however this complaint referenced all local industrial plants, including companies other than Sanlorenzo.

⁴⁵ The Greenhouse Gas Protocol (GHGP), issued by the World Resources Institute and the Business Council for Sustainable Development, defines Scope 1 direct GHG emissions as those generated by sources owned or controlled by the reporting company, including fuel consumption of company-owned vehicles.

⁴⁶ Defined in accordance with the GHGP as emissions from consumption of purchased electricity, heat or steam.

GRAPH 14 - GHG EMISSIONS, YACHT DIVISION (TONS OF CO₂ EQUIVALENT, TCO₂E)



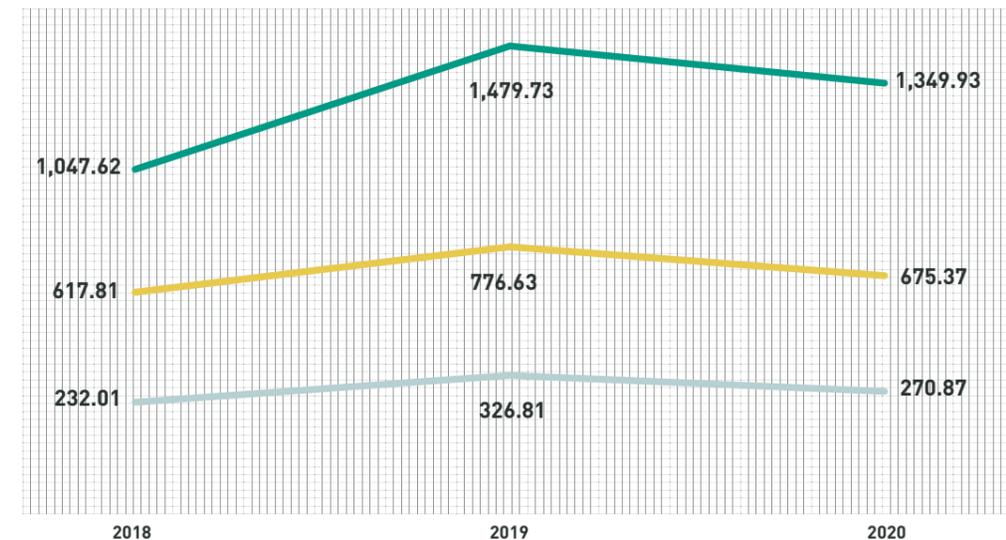
Direct emissions, Scope 1:
1,796 tCO₂e
(+64% on 2019)

Indirect emissions, Scope 2 (location based):
668 tCO₂e
(-9% on 2019)

Indirect emissions, Scope 2 (market based):
1,334 tCO₂e
(-4.56% on 2019)

Emissions intensity, Scope 1 + Scope 2 (location-based):
0.75 tCO₂e/hour of shipyard activity

GRAPH 15 - GHG EMISSIONS, SUPERYACHT DIVISION (TONS OF CO₂ EQUIVALENT, TCO₂E)



Direct emissions, Scope 1:
271 tCO₂e (-17% on 2019)

Indirect emissions, Scope 2 (location based):
675 tCO₂e (-13% on 2019)

Indirect emissions, Scope 2 (market based):
1,350 tCO₂e (-9% on 2019)

Emissions intensity, Scope 1 + Scope 2 (location-based):
0.29 tCO₂e/hour of shipyard activity

■ DIRECT EMISSIONS (Scope 1)

■ PURCHASED ELECTRICITY (location-based)

■ PURCHASED ELECTRICITY (market-based)

ENERGY EFFICIENCY AND EMISSIONS REDUCTION

The table below summarises the main Sanlorenzo initiatives for increased energy efficiency and reduction of GHG emissions.

ACTIONS FOR ENERGY EFFICIENCY		
SHIPYARD	ACTION	RESULTS
Ameglia	<p>Photovoltaic system installation and start-up: Installation of 1,393 solar panels (LG SOL2 model), 2,400 m² total surface area, installed nominal power 418 kWp, with annual producibility of 610,000 kWh, and assumed annual consumption of 600,000 kWh.</p> <p>Connection of the new photovoltaic system to utilities for office heating: The activation of renewable power generation enabled replacement of the diesel and natural-gas heating systems with heat pump systems.</p>	<p>Results achieved as of system start-up, May 2020:</p> <ul style="list-style-type: none"> - 28% energy saved, May and June 2020, year on year. - Avoidance of 289 tonnes of CO₂ emissions thanks to reduction of 0.629 kg of CO₂ per kWh produced.
Massa	<p>Installation of hot-water radiant heating panels: The Massa sheds require heating for the gel-coating step and overall quality standards of the fibreglass lamination process. For reduced energy consumption, the Company replaced the diesel heaters with hot-water radiant system powered by two 1,153 kW capacity gas-fired tankless heaters (total thermal power about 2.3 MW), with variable burners fuelled from the methane mains.</p> <p>The overall system is divided into four individually activated zones, for maximum efficiency in energy use.</p>	<p>The system is in the testing and pre-commissioning phase. Data on results will be provided in the 2021 NFS.</p>

Finally, the Company is currently defining actions for reducing environmental impacts due to indirect GHG emissions from sources not owned or controlled (Scope 3), in particular with reference to the Sanlorenzo supply chain and the vessel use phase, as follows:

1. Giving priority to local suppliers and contractors in the award of tenders;
2. Contributing to the creation of local production chains or clusters;
3. Supporting the relocation of suppliers and contractors in the vicinity or even inside the construction sites;
4. Advancing research, development and testing of more sustainable solutions with regard to yacht operation, with the aim of significant reductions in emissions generated by fossil-fuel engines (mainly CO₂, NOX and SOX), in accordance with increasingly stringent legislative constraints (see Built to last).

WATER RESOURCES

Sanlorenzo is aware that water, a natural resource, is becoming increasingly scarce, and is committed to monitoring Company consumption and guaranteeing its quality, evaluating the introduction of systems for waste reduction, and taking action to raise the awareness of internal and external stakeholders so that they use water in a conscious and respectful manner. Sanlorenzo's activities, however, do not have a significant impact on the water matrix. The Company makes virtually no water withdrawals or discharges for industrial purposes, since the processes it carries out do not require water, except for washing boats in the storage area, which is carried out without detergents and/or chemicals.

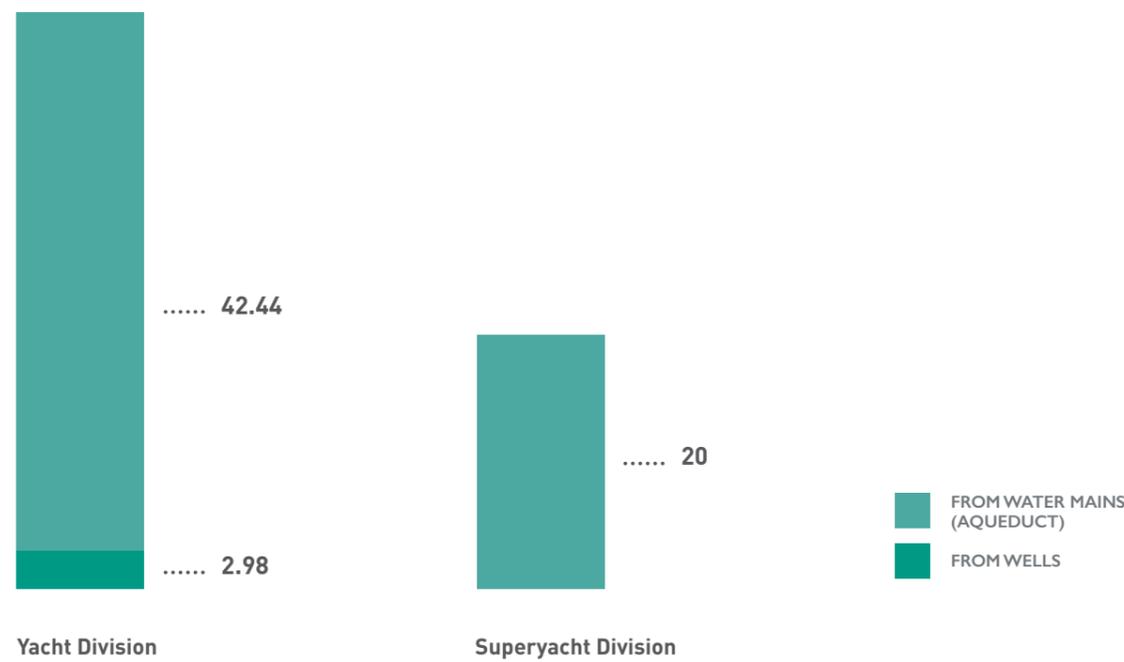
The Company's main water withdrawals are therefore for civil use⁴⁷, from public aqueducts and/or wells⁴⁸, and are mainly associated with the use of toilets and showers in the changing rooms of the work sites by Sanlorenzo and contractor employees.

⁴⁷ All four Sanlorenzo sites are located in areas considered to have medium to high water stress (20-40%), as reported in the Water Resources Institute's "The Aqueduct Water Risk Atlas" database. Water stress is assessed on the basis of the availability, quality or accessibility of water in a given area, and therefore, in accordance with the definition given by GRI Standards, means the ability or otherwise of that area to meet both the human and ecological demands for water.

⁴⁸ Total Company water withdrawal for human use is estimated as being equal to the water discharged, meaning that water consumption (difference between withdrawals and discharges) is not significant.

The graph below shows water withdrawals of the two Divisions in 2020. The technical tables in the Annex (see *Environmental sustainability indicators*) provide more details on the three-year period under review.

GRAPH 16 - WATER WITHDRAWALS 2020 (MEGALITRES)



Well-water withdrawals are exclusively at the Ameglia site, where there are two wells, the first used for fire-fighting and irrigation purposes⁴⁹ and for second for supplies to services in the Company's used equipment storage, delivery and management area⁵⁰.

At the Ameglia and Viareggio sites, fire-fighting water reserves have been set up, with total water storage capacity of 240 and 144 m³ respectively. Sanlorenzo's civil discharges have no particular impact on water resources, therefore the Company has not developed specific internal standards or guidelines on the quality of water discharged. The reference qualitative parameters are therefore those of the various water contexts of the Sanlorenzo sites, set out by the bodies managing sewerage networks. In this regard, both grey and black waters are correctly disposed of by connection to the relative consortium sewerage systems.

⁴⁹ in 2020 the fire-fighting "ring" main of the old D1 area was connected to the system of the new D2 area, both of which draw water from the utility water mains, thus consumption from this well was considered to be zero.

⁵⁰ The data on withdrawals from both wells are derived from the Company's annual reporting to the Province of La Spezia.

The La Spezia and Viareggio sites are located in a port area subject to continuous marine logistics movements, on which the Port Authority carries out frequent spot checks. In the La Spezia yard, the Company now uses a containment tank specifically for the boat washing phase, in which waste water is collected and then sent for disposal in compliance with current environmental regulations.

The Massa production site is situated in an industrial context that has been the subject of previous environmental reclamation initiatives due to the Fermoplant disaster⁵¹. The latest subsoil investigations carried out by Sanlorenzo showed no pollution in respect of relevant environmental quality parameters.

Finally, the Ameglia site is located near the Magra river, in a protected habitat, and the quality of the river water is therefore monitored by the Park Authority.

INSIGHT

ON-BOARD WATER CONSUMPTION

Sanlorenzo also pays particular attention to the on-board use of water resources. Any treatment of ballast water by the Company applies specific systems approved pursuant to current regulations. All yachts built by Sanlorenzo yachts are equipped with a grey and black water storage tank with special metered connections.

Once in port, the yachts have the option of paying according to the exact amount of waste water to be discharged. Larger yachts are also equipped with a desalinator capable of unlimited production of drinking water, without the release of any pollution in the marine ecosystem.

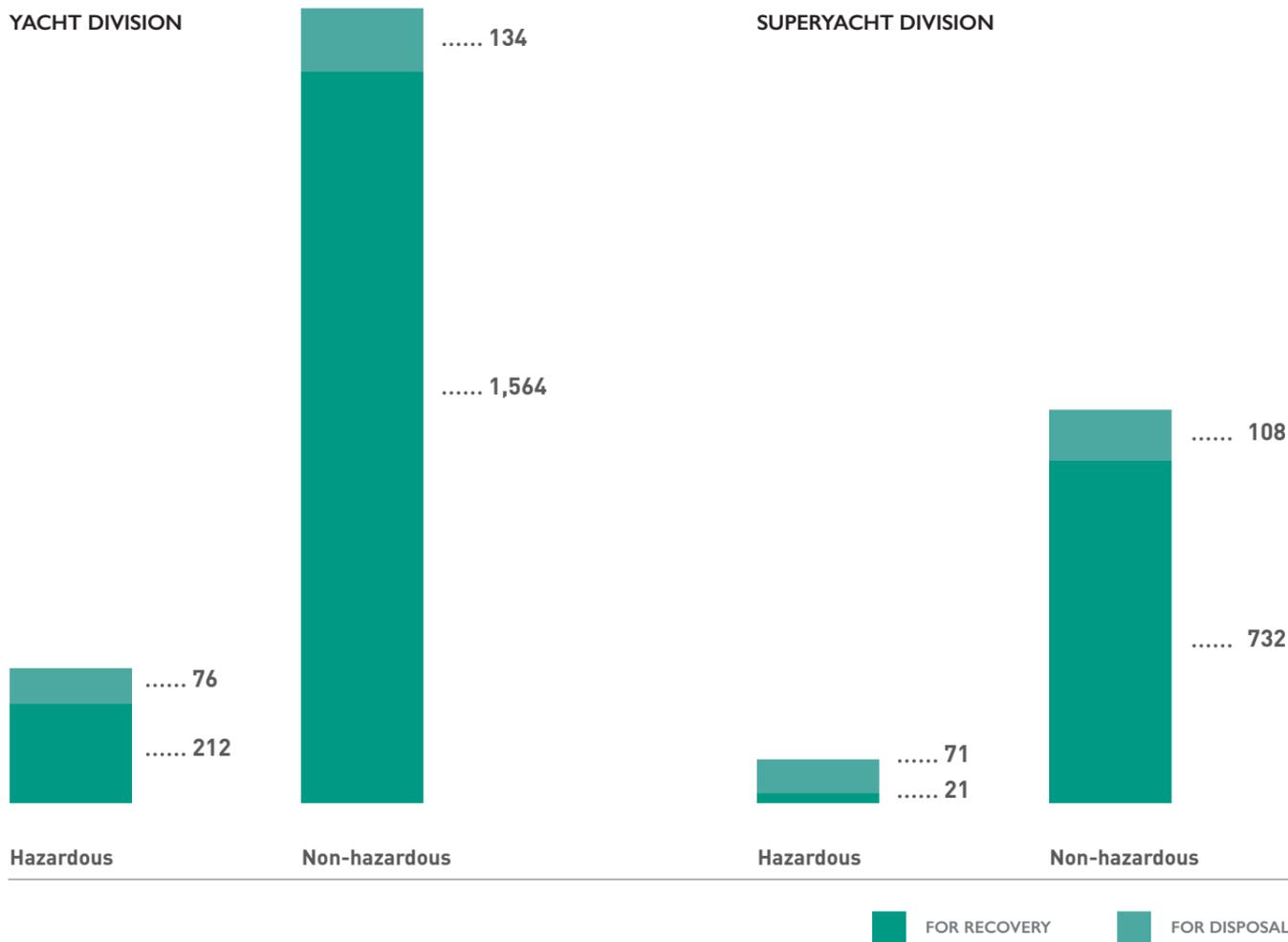
⁵¹ The Farmoplant Srl agrochemicals plant in the municipality of Massa was the scene of an explosion and fire, in 1988.

WASTE

The issue of waste production and management is particularly relevant in the construction of yachts and superyachts, owing to the great variety of production processes involved and the resulting waste types. The Company handles all of these types in accordance with the law, subject to verification and potential sanctioning by local authorities.

The waste produced is divided into non-hazardous and hazardous categories. Notable types of non-hazardous waste are wood, deriving mainly from packaging and fitting out boats, and ferrous materials. Hazardous waste includes solvents, mixed packaging, scraps of fibreglass and glass wool insulation, resin residues, dust and spent activated carbon from filters in suction systems.

GRAPH 17 - WASTE GENERATED (TONS) AND DISPOSITION 2020



In general, the Company tries to limit waste disposal to materials for which recovery is impossible. In 2020, **recovery was achieved for 89% and 81%** of the waste produced by the Yacht and Superyacht Divisions respectively. Aluminium scrap, for example, is returned to the companies that purchased it on behalf of Sanlorenzo, which in turn send it for recovery.

With regard to hazardous waste, special attention is paid to the treatment of acetone, used in significant quantities during the fibreglass processing cycle. The Company has installed two acetone distillers at the Massa site, allowing recovery of 85% of the spent product, thus reducing the production of hazardous waste and allowing reuse of the substance, in this case for washing the machines and hand tools used.

Also at Massa, the Company plans to build a new tank farm for storage of the different types of resins used, so as to rationalise storage and improve environmental and other safety aspects, including reducing the potential risks of spills.

Sanlorenzo is also committed to communicating the importance of minimising waste within its organisation. All employees, for example, have recently been provided with water bottles to discourage the use of single-use plastic bottles, which have also been replaced with glass bottles for use during meetings.

DISPOSAL OF FIBREGLASS BOATS

The management of materials at the end of the life of Sanlorenzo boats, including those made from composite materials, is not a major problem at the moment, given the very long working life of the products, which maintain a high value over time.



This is also thanks to the Company's efforts with owners to communicate the concept of the **"timeless boat"**, including its durability aspects. In the same way, Sanlorenzo's offer of refit services encourages customers to revitalise their boats through repair and improvement work.

Despite the long life of its products, Sanlorenzo is committed to evaluating alternatives to ensure a more sustainable way of disposing of fibreglass parts at the end of their life, including through participation in sectoral studies and the work of trade associations.

One of the current possibilities being examined is the transformation of fibreglass into tiles with high hardness characteristics, although associated costs are still extremely significant.

One issue to be considered for the end-of-life management of almost all Sanlorenzo yachts, given their size, is that they cannot be transported by road. For this reason, the Company has begun research to identify seaboard disposal centres to be recommended to customers.



INSIGHT

REGENERATING VALUE

The refit service for both Sanlorenzo, and for other yachts accepted as "trade-ins", is carried out under the Sanlorenzo Timeless programme, made available to its customers for the purposes of extending the already long useful life of the vessels, and so reducing the overall environmental end-of-life and new purchase impacts. In the case of yachts with a life of more than 30 years, Sanlorenzo carries out a type of refit defined as "conservative", giving them a new lease of life.

Refit interventions with a significant environmental impact include the modernisation of on-board systems for energy savings, such as audio-

video systems; repowering to reduce consumption and emissions; application of antifouling treatments using latest-generation products with reduced environmental impact; implementation of on-board filtration systems for black and grey water and other anti-pollution systems.

The Company stresses collaboration between the Service and the R&D departments for application of the circular economy. The emphasis on the use of more sustainable materials in refit activities also counts as R&D experimentation, especially in the case of very sizeable interventions, in terms of

applying what has already been tested for the construction of new vessels.

Lastly, any parts dismantled in refit and not reused, if still in good condition, are returned to the.

DISPOSAL OF MODELS AND MOULDS

The yacht model serving for the mould making is composed of polystyrene, polyurethane filler paste, ferrous materials and small quantities of wood (poplar). After extraction of the wood and iron, the

polystyrene and paste are both sent for disposal. In some cases the ferrous material can be resold.

The moulds used in the mass production of yachts, however, become obsolete

over time (about 10 years), and must be scrapped. In this case, a specialised company separates the recoverable metal structure from the fibreglass and polyurethane, which is sent for disposal as plastic.

TAKING CARE OF THE ENVIRONMENT

Sanlorenzo is committed to acting with constant respect for the surrounding land and sea environments and their unique biodiversity.

PROTECTION OF TERRESTRIAL BIODIVERSITY

Con riferimento alla biodiversità terrestre assume significativa rilevanza la localizzazione dei siti di Ameglia e Viareggio all'interno o nelle immediate vicinanze di aree naturali protette.

The location of the Ameglia and Viareggio sites in or near protected natural areas is particularly important with regard to terrestrial biodiversity. The Ameglia site is located in the fluvial area of the Magra River, a few hundred metres from its mouth, on the border between the regions of Tuscany and Liguria, in the province of La Spezia. This territory is an integral part of the **Montemarcello-Magra-Vara Regional Park**⁵², within which the Sanlorenzo site occupies⁵³ 0.17 km².

THE AMEGLIA SHIPYARD, IN THE MONTEMARCELLO-MAGRA-VARA REGIONAL PARK



⁵² Reference: Liguria Regional Law no. 12 of 22 February 1995, Reorganisation of protected areas.

⁵³ The Ameglia shipyard with D1 Structure lies inside the park; the D2 Structure borders the park. The Company does not own any underground surfaces.

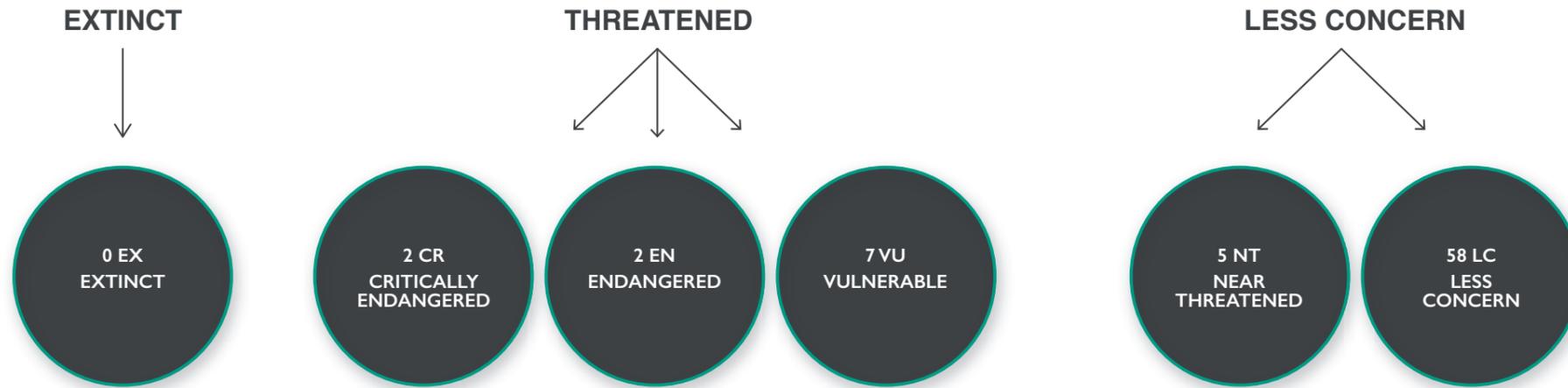
The area has a high biodiversity value, including, among others, three Special Areas of Conservation (SAC) within or near the boundaries of the shipyard, established pursuant to Council of the European Communities Directive 43/1992/EEC regarding the "Natura 2000" ecological network⁵⁴, as amended. One of these areas includes over 60% of the residual alluvial forests of Liguria, with important natural characteristics and extension.

The plant communities found in this environmental context are characterised by typical riparian formations, dominated, in the tree layer, by black poplar (*Populus nigra*), white willow (*Salix alba*), and bramble (*Rubus ulmifolius*), and in the shrub layer by Vitalba (*Clematis vitalba*). The area also includes frequent beds of perennial cane (*Arundo donax*). Although the banks of the Magra are extremely anthropized, some limited bands of common reed (*Phragmites australis*) survive. To the north of the site there is a residual fluvial oxbow (called the Camisano "dead branch"), meaning a body of water detached from the main river course, subject to periodic flooding and cumulative silting. Thanks to the low streamflow, the oxbow preserves a small bed of common reeds, serving as a refuge for some typical aquatic and wetland plant species, such as the marsh iris and monarch fern (*Phymatosorus scolopendria*), as well as amphibian and bird life.

⁵⁴ Natura 2000 is the network of Sites of Community Importance and Special Areas of Conservation, designated at the European level for safeguarding natural habitats, flora and fauna. The Special Conservation Zones relevant to the Ameglia site, designated pursuant to Directive 43/1992, are IT1343502 Magra-Vara Park, IT1345109 Montemarcello and IT1345101 Magra Plain.

The graphic below gives data on native animal species of the Montemarcello-Magra-Vara park, as reported in the International Union for Conservation of Nature (IUCN) Red List.

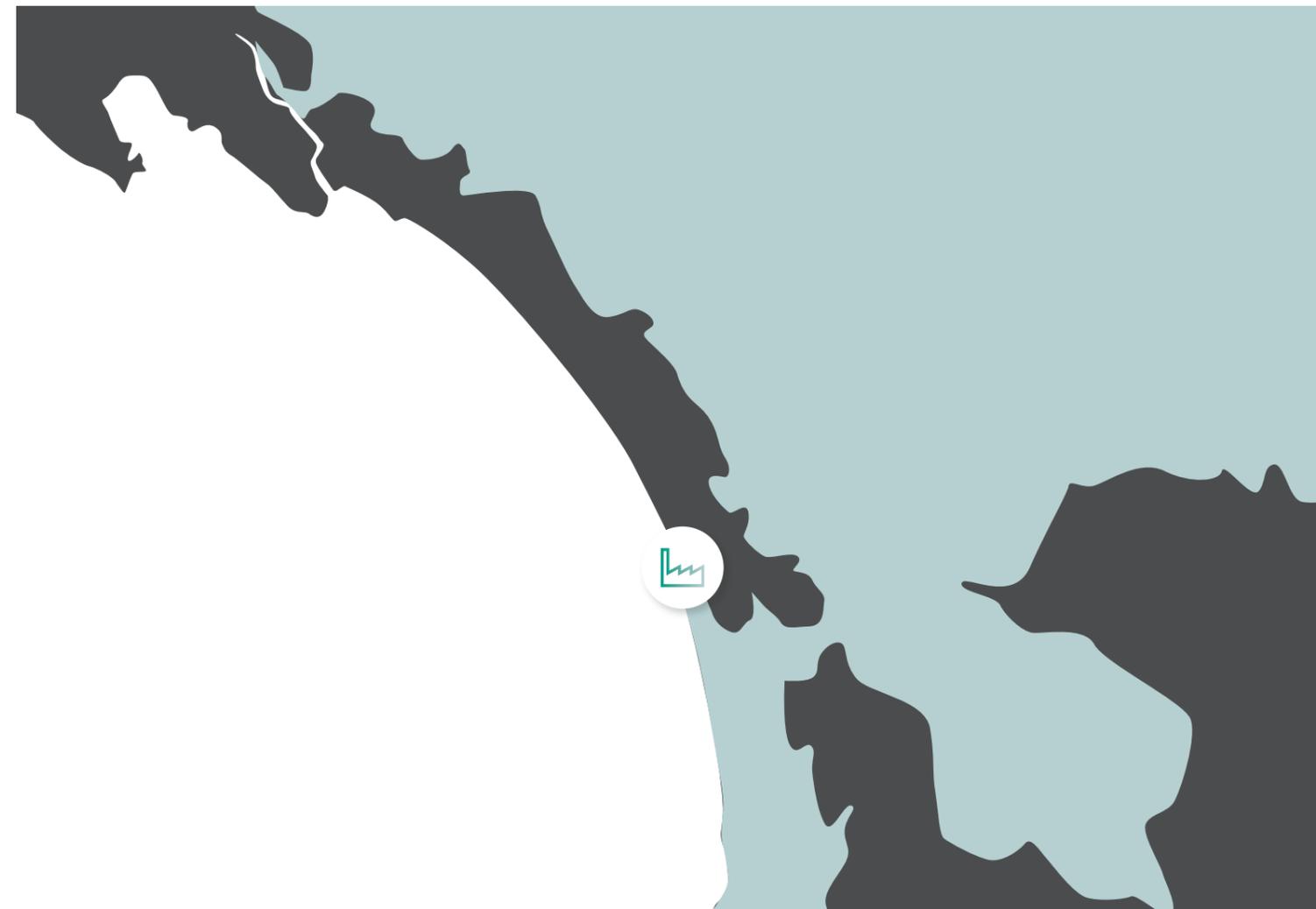
INFOGRAPHIC 10 - SPECIES OF THE MONTEMARCELLO-MAGRA-VARA PARK (SANLORENZO AMEGLIA SITE) INCLUDED IN THE IUCN RED LIST



The Viareggio site covers 0.02km² of coastal land near the boundary of the **Migliarino-S. Rossore-Massaciuccoli Nature Park**⁵⁵.

The Park is recognised as a Site of Regional Interest,⁵⁶ a Site of Community Importance,⁵⁷ and has been designated by UNESCO as part of the World Network of Biosphere Reserves⁵⁸. Moreover, under the 1971 Ramsar Convention, the park areas are considered a “Wetland of International Importance” and are designated as a Special Area of Conservation within the Natura 2000 Network⁵⁹.

The Viareggio production site is situated near the northern extremity of the Park, occupied mainly by a coastal dune ecosystem and a Mediterranean pinewood to the rear.



⁵⁵ Reference law: Region of Tuscany Law no. 24 of 16 March 1994, Creation of authorities for management of regional parks.

⁵⁶ Region of Tuscany Law no. 30 of 19 March 2015, Regulations for the conservation and enhancement of the regional environmental-natural heritage.

⁵⁷ European Communities Directive 43/1992/EEC as amended.

⁵⁸ “Tuscan Coastal Forests Reserve”, UNESCO Man and the Biosphere Programme.

⁵⁹ Natura 2000 site IT5170001, Littoral dunes of Torre del Lago.

Production operations and related technical-administrative activities carried out by Sanlorenzo in or near the natural parks could produce the following local impacts:

1. **Noise pollution** – the noise of shipbuilding activities, especially if loud and sudden, could be a source of disturbance and temporary stress for the fauna;
2. **Air pollution** – chemical emissions;
3. **Water pollution** – impacting the presence and quality of water, food and reproductive environments, including for amphibians;
4. **Light pollution** - workplace and outdoor worksite lighting systems could modify natural lighting and therefore alter animal behaviour.

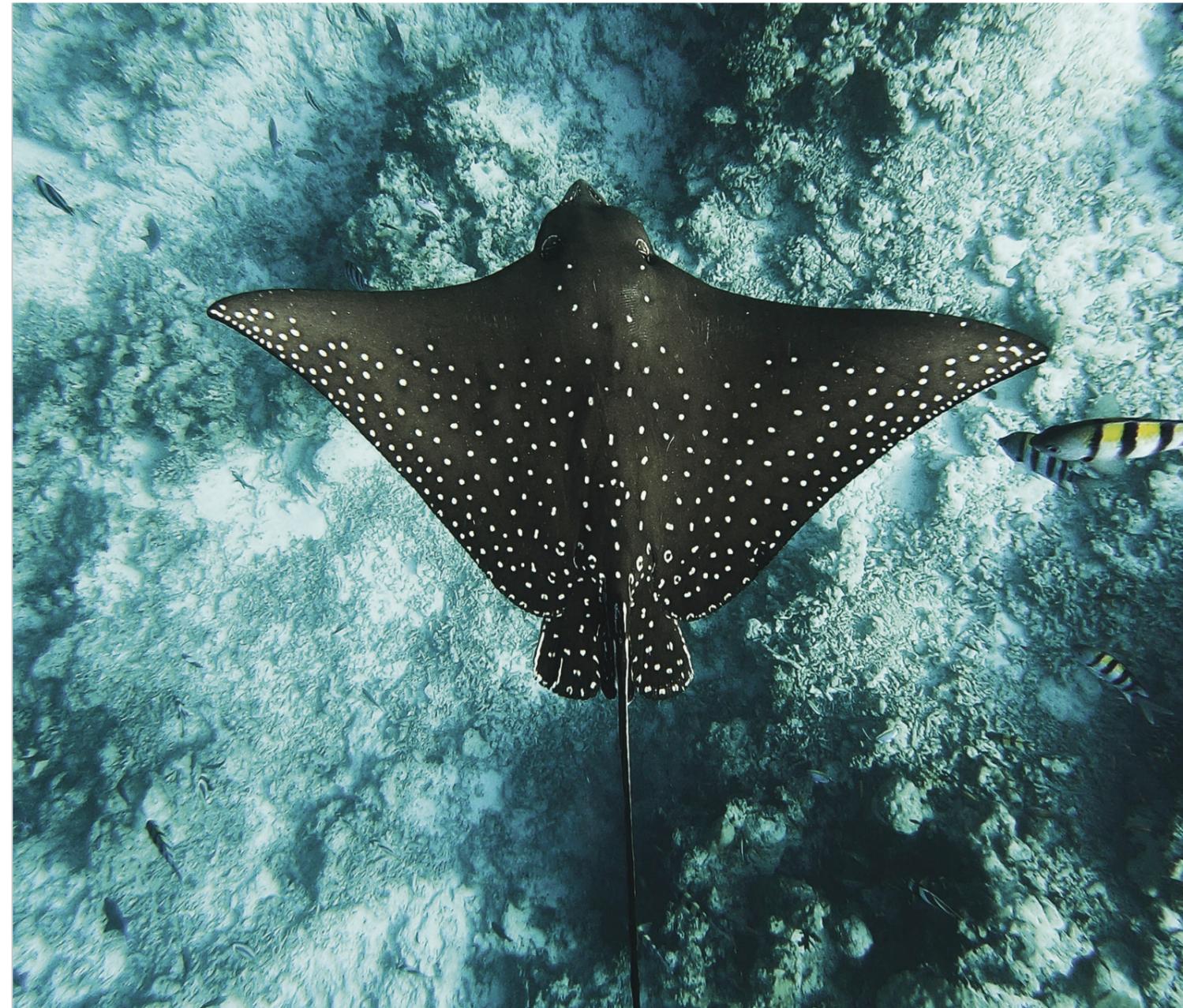
On-site activities, however, are subject to strict constraints aimed at protecting the relative terrestrial ecosystems, dictated in particular by the Park Technical Regulations, and concerning the Ameglia site, including memoranda of understanding on the periodic dredging of the Magra riverbed and the requirements of the Company's ISO 14001:2015 environmental certification.

In addition, Sanlorenzo is active in the area through interventions aimed at environmental requalification and enhancement, such as the creation of the Magra (Ameglia) floodbank, completed in 2019, whose functions include protecting local biodiversity, supported by €800,000 in funding from the Company. This investment has already proven to be of value for the site and the adjacent built-up areas, otherwise exposed to the risk of flooding.

Also in 2019, the Company completed the expansion of the Ameglia shipyard (area D2), including the construction of lock gates, (insert photo) enabling the passage of boats between the original and the new site areas, and serving to protect the entire local environment through closure in the event of bad weather alerts, thereby maintaining the continuity of the floodbank.

PROTECTION OF MARINE BIODIVERSITY

With specific reference to the impacts produced on marine biodiversity in the water, mention is made of the pollution generated by boat engines and the use of antifouling treatment, a paint used to cover the hull to prevent it from being affected by aquatic vegetation. In addition to management methods aimed at minimising these impacts, which have already been described in detail in previous chapters, since 2020 the Company has been an Anchor Partner - the highest level of support and involvement envisaged - of the **Water Revolution Foundation**, an international non-profit organisation set up by the boating industry to neutralise its ecological footprint and thus preserve the oceans.



MATERIALITY ANALYSIS: “ETHICAL AND EFFECTIVE HUMAN RESOURCE MANAGEMENT”; “PROTECTING HEALTH AND SAFETY”

REFERENCE GRIs:

102-8; 102-15; 102-41; 102-43; 102-44; 202-2; 401-1; 401-2; 401-3; 402-1; 403-1; 403-2; 403-3; 403-4; 403-5; 403-6; 403-8; 403-9; 403-10; 404-1; 404-3; 405-1; 405-2; 406-1; 407-1

REFERENCE SDGs:



TARGET: 4.4



TARGET: 8.2



TARGET: 10.3

DESCRIPTION AND RELEVANCE OF THE TOPIC

Sanlorenzo firmly believes that people are the driving force behind its actions and achieving its business goals. The ethical and effective management of human resources requires the Company to consider all phases of their working lives: from selection, which must be fair and identify and reward, to the protection of occupational health and safety rights, guarantees of non-discriminatory treatment, equal opportunities, diversity and inclusion, technical training and the development of soft skills, e.g. through the Sanlorenzo Academy, and the right to the professional and personal development and growth of individuals in general.

TYPE OF IMPACT ALONG THE VALUE CHAIN: DIRECT/INDIRECT, INTERNAL/EXTERNAL

The following section examines the above-mentioned topics, of transversal relevance all along the value chain, given that the provision of a favourable environment for employees is a necessary condition for pursuing the corporate strategy and achieving its objectives. The corporate culture must therefore be genuinely shared with and by employees, considering that they are also the primary brand ambassadors in all external relations.

ASSOCIATED RISKS:

- Failure to meet the needs and expectations of Sanlorenzo human resources, with a resulting drop in individual productivity;
- Ineffective involvement of human resources in business development, therefore a lack of loyalty to the corporate culture, potentially leading to misrepresentation of the Company's identity in relations with the end customer;
- Failure to implement training programmes, resulting in long lead times for acquiring new skills;
- Interruption of work due to Covid-19 contagion.

RELATED OPPORTUNITIES:

- Developing the Company's human capital and transmission of skills from senior personnel to younger generations;
- Maintaining and enhancing the company's attractiveness to the outside world.

KEY STAKEHOLDERS:

- Human resources
- Schools and universities
- Trade union representatives

RELEVANT POLICIES, PROGRAMMES AND CERTIFICATIONS:

- Human resources management policy
- Corporate health and safety policy
- Privacy Policy
- ISO 45001:2018 (conversion from OHSAS 18001 for the Viareggio site)

ETHICAL AND EFFECTIVE MANAGEMENT

Sanlorenzo has always been committed to implementing a human resources model that is ethical and effective in developing personal interconnections. In 2020 the Company defined its mission and vision in this area, with the intention of disclosing and seeing through this commitment.

VISION

To create an ideal an ideal working environment, enabling people to make excellent products for the customer.

MISSION

To ensure effective and efficient human resource management, serving to: guarantee a working environment that is positive and respectful of differences; foster cooperation, collaboration and accountability; constantly support the Company's business; support a healthy work-life balance; provide training and development for human capital skills; facilitate career planning and internal mobility; steer labour relations.

More than 900 people are involved in the construction of a Sanlorenzo yacht, meaning 900 different talents driven by a single passion. The Company aims to create an ideal working environment, where the expression of these individual characteristics and skills serves to create products that represent Italian refinement and excellence

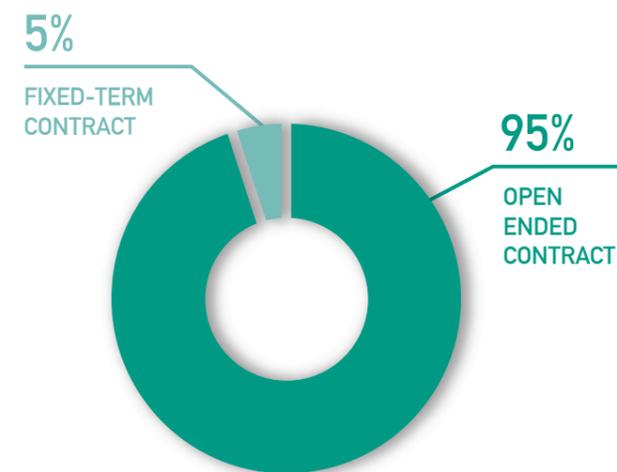
This is only possible if everyone can feel at ease working within the Company environment. For this reason, the Company is committed to providing conditions that **ensure all employees can be heard and have opportunities for development**, so that they can best express their ideas, strengths and skills.

Sanlorenzo also recognises that the full involvement and satisfaction of human resources requires recognition of individual efforts and skills. Sanlorenzo manages human resources effectively by supporting working relationships based on ethical values, respecting diversity and investing in human capital.

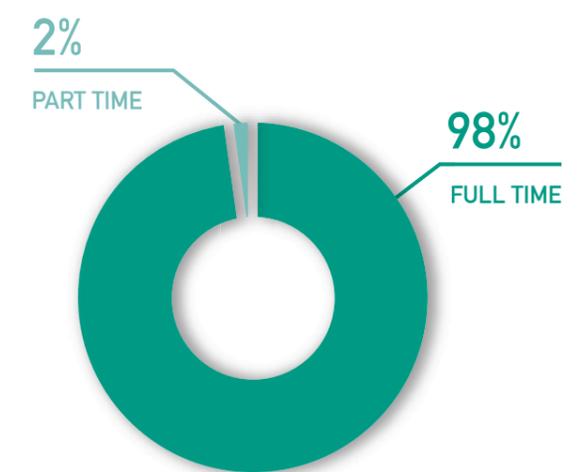
THE PEOPLE OF SANLORENZO

The company's workforce comprises **476 persons**, of which 93% are employed on a permanent, full-time basis.

GRAPH 18 - COMPOSITION OF HUMAN RESOURCES BY CONTRACT DURATION



GRAPH 19 - COMPOSITION OF HUMAN RESOURCES BY CONTRACTED HOURS OF WORK

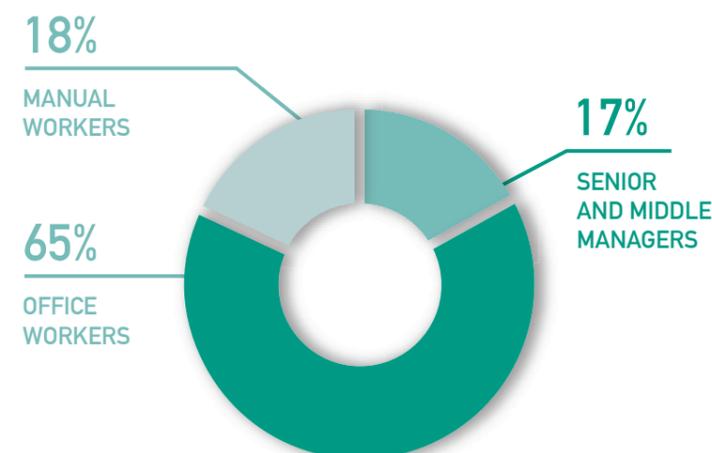


There are three categories of personnel:

1. Senior managers, covered by the National Collective Agreement for industry executives;
2. Middle managers;
3. Employees.

For the latter two categories, the reference contract is the national collective agreement for workers in the metal and rubber-plastic sectors.

GRAPH 20 - CATEGORIES OF PERSONNEL



EQUAL OPPORTUNITY

One of the central principles of Company-personnel relationships is “respect for others”, expressed through the diffusion of a corporate culture of **mutual respect, tolerance and kindness**.

Sanlorenzo acknowledges its responsibility in encouraging behaviour that is fair and inclusive, capable of accepting and enhancing the diversity that sets apart each individual. The Company clearly communicates that it **does not tolerate any conduct that is discriminatory, intimidating, offensive, marginalising, physically or verbally violent, or any form of prejudice on the basis of employees’ personal traits or attitudes**, such as race, ethnic origin, gender, language, religion, disability, age, sexual orientation or ideology, by other colleagues or third parties, including customers and partners. The Sanlorenzo Code of Conduct explains that staff infringements in this area are punished with disciplinary measures appropriate to the specific case, and if necessary with criminal proceedings.

Over the course of 2020, in line with previous years, no episodes of discrimination were recorded, nor any other noncompliance with the relative laws and regulations.

With regard to the gender dimension, the boating sector continues to suffer from a tradition that has always associated career opportunities mainly with the male gender.

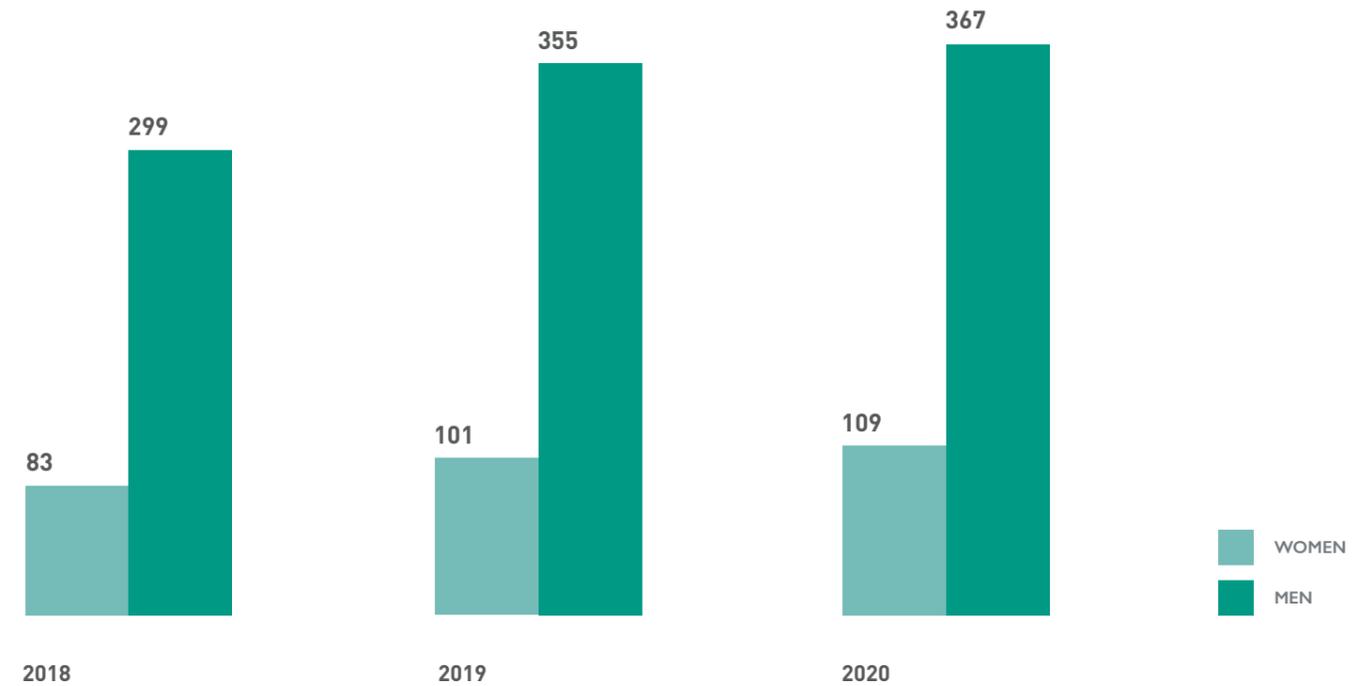
This is particularly true for the professional figure of captain or skipper. Further complications are that there is a certain amount of resistance to the introduction of women in contracting firms, whose workforces often include a mixture of cultures of origin.

Sanlorenzo, however, aims to bring about change in the direction regarding the inclusion of women in the sector’s professions. As a demonstration of this commitment, in the last year two female employees were promoted as boat captains.

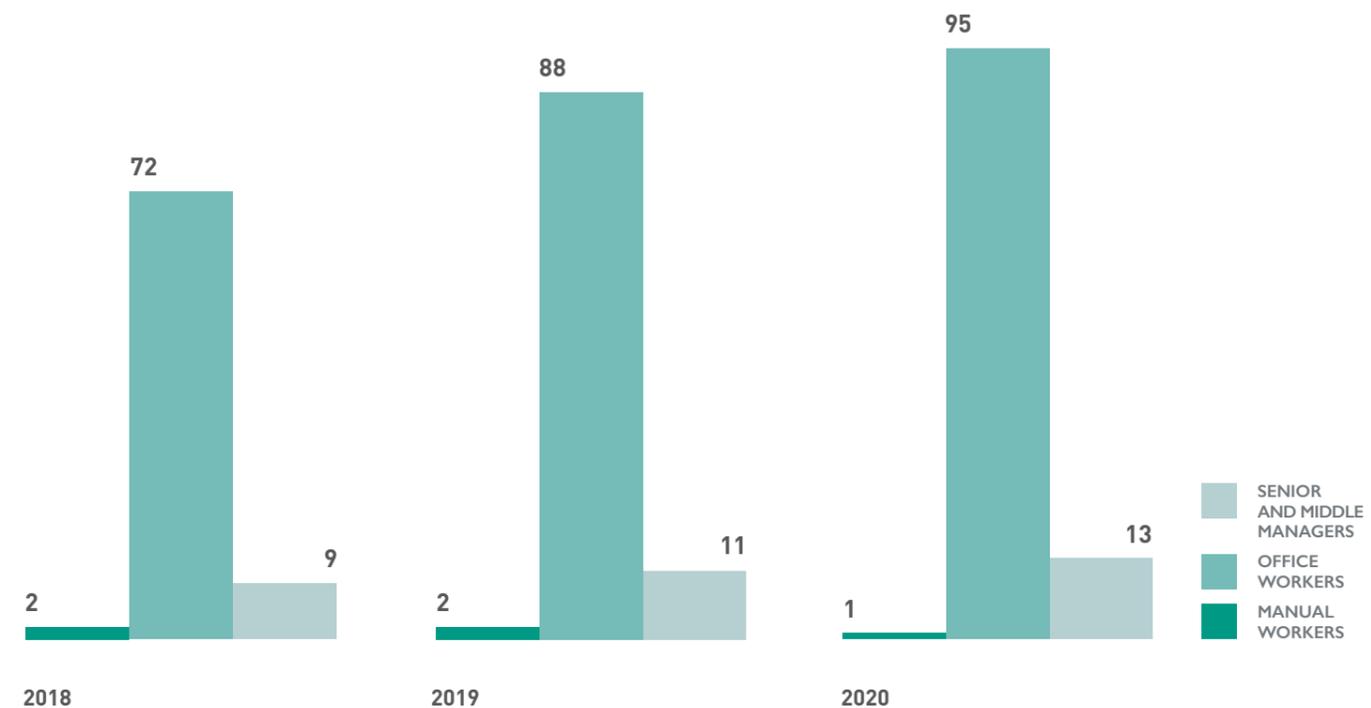
In compliance with Legislative Decree 198/2006 “Law on equal opportunities for men and women”, the Company prepares biennial reports on the situation of male and female staff in each of the identified personnel categories and with regard to the processes of recruitment, training, professional development, changes in level, category or qualification, other mobility phenomena, remuneration and any redundancies.

At the end of 2020 women made up about 23% of the total Company workforce. The representation of women in top positions was up 8 % compared to 2019, at 13 women out of a total of 79.

GRAPH 21 - EVOLUTION OF REPRESENTATION OF WOMEN IN SANLORENZO PERSONNEL



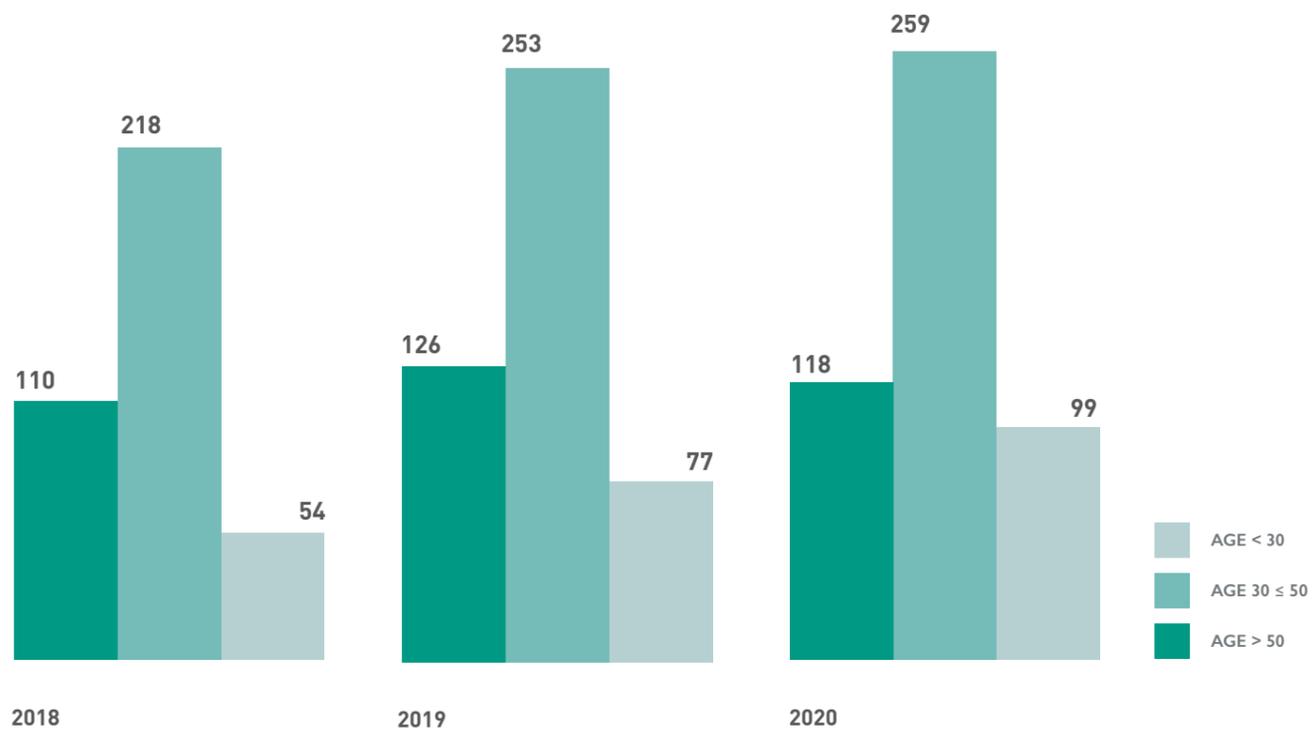
GRAPH 22 - SANLORENZO PERSONNEL BY GENDER, 2018-2020



Sanlorenzo prohibits any remuneration of personnel that is lower than indicated for the individual levels under the national and regional collective agreements negotiated with the most representative national labour unions, or disproportionate to the quantity and quality of the work performed by the person in question.

In 2020, the average age of Company personnel was 41.2 years, a statistic indicating concentration in the 30-50 age bracket.

GRAPH 23 - EMPLOYEES BY AGE GROUP



The Company aims to make the most of opportunities deriving from generational differences in the workforce, and has therefore drawn up a mentoring programme for newly recruited men and women, linking them with senior figures who can support them by sharing their own experiences in the company and sector. The long-term benefit is foreseen as more direct, targeted and consistent transmission of technical knowledge from one generation to the next.

The statistics on place of origin of employees show fairly uniform representation from the various Italian regions, apart from a particular concentration of personnel from the local area around the Sanlorenzo shipyards. Of senior managers, 46%⁶⁰ are originally from the local community⁶¹. Non-Italian personnel include persons from Albania, Brazil, Bosnia and Herzegovina, France, Germany, Greece, Peru, Senegal and Ukraine.

With regard to differences in physical and intellectual abilities in the reporting period, 15 persons, of whom 11 men and 4 women, have been evaluated as “vulnerable”.

In this regard, Sanlorenzo is working with Confindustria La Spezia to implement a programme dedicated to workers with motor or psychological disabilities, including agreements with social cooperatives that can support their improved integration in greater numbers.

The Company is also setting up an internal help desk, managed by external professionals and including psychologists, offering support to employees with complex family situations owing to the presence of serious pathologies.

⁶⁰ The category of senior managers is included, as required per reporting on GRI indicator 202-2.

⁶¹ “Local” means the regions of Tuscany and Liguria, where the Company operates.

ATTRACTING TALENT

Right from the selection phase the Company adopts criteria of fairness and merit, which remain mainstays of all phases of the working relationship. Sanlorenzo invests in highly qualified and motivated resources, with a passion for the sea, boating and yachting, capable of contributing to the Company's wealth of knowledge and ready to take on new challenges. The Company is committed to providing its people with the tools to grow through discovery of their own excellence and development of their own uniqueness and passions, so that they can fully participate in Sanlorenzo's stimulating journey.

The Sanlorenzo HR team is responsible for management and coordination of recruitment and selection activities. The Company attracts different talents through various channels, summarised below:

- Voluntary applications through the **“Work with Us”** section on the Sanlorenzo website: In addition to filling in personal data and attaching their curriculum, the website invites remarks that could help the individual convey their motivation, or personal logistics having an organisational bearing, such as their current location and its impact on their choice of new work. Providing this information requires the individual to read the Privacy Policy pursuant to Article 13 of EU Regulation no. 2016/679, available via a specific link;
- Voluntary applications sent to the **generic e-mail and postal addresses of the various divisions**;
- Contacts developed with students through Company participation in **university career guidance days** at the University of Genoa, University of Pisa and Milan Polytechnic. In 2020, despite the nationally and regionally regulated restrictions for containment of the Covid-19 pandemic, the Company still participated in the on-line edition of these events, collaborating with regional training bodies.

In addition to participation in career guidance events, Sanlorenzo offers opportunities to students through partnerships with a number of higher education institutions: University of Genoa, Milan Polytechnic, Turin Polytechnic, University of Pisa, University of Bologna (Master's Programme in Composite Materials), University of Parma, University of Florence, University of Modena-Reggio Emilia and the European Institute of Design (12 campuses). These arrangements are also important in terms of Company access to research and innovation, in part through **paid internships** and **thesis projects**, in most cases rooted in specific training courses and aimed at hiring the resource at the end of the experience.

For any extracurricular traineeship beyond an initial six months, the Company guarantees a monthly allowance aimed at covering the individual's expenses and providing further recognition of their contributions. In reference to recruitment of new personnel, following 12 months of any internship or traineeship, it is Sanlorenzo's objective to guarantee the individual a permanent contractual relationship.

Forty-two paid traineeships were undertaken in 2020, of which four under an educational curriculum agreed with the University of Genoa; 86% of these internships have continued into 2021. The Company had eight personnel under apprenticeship contracts in 2020, greatly reduced from the 26 of 2019, due to the Covid emergency. On expiry, two of these apprenticeships were transformed into permanent contracts;

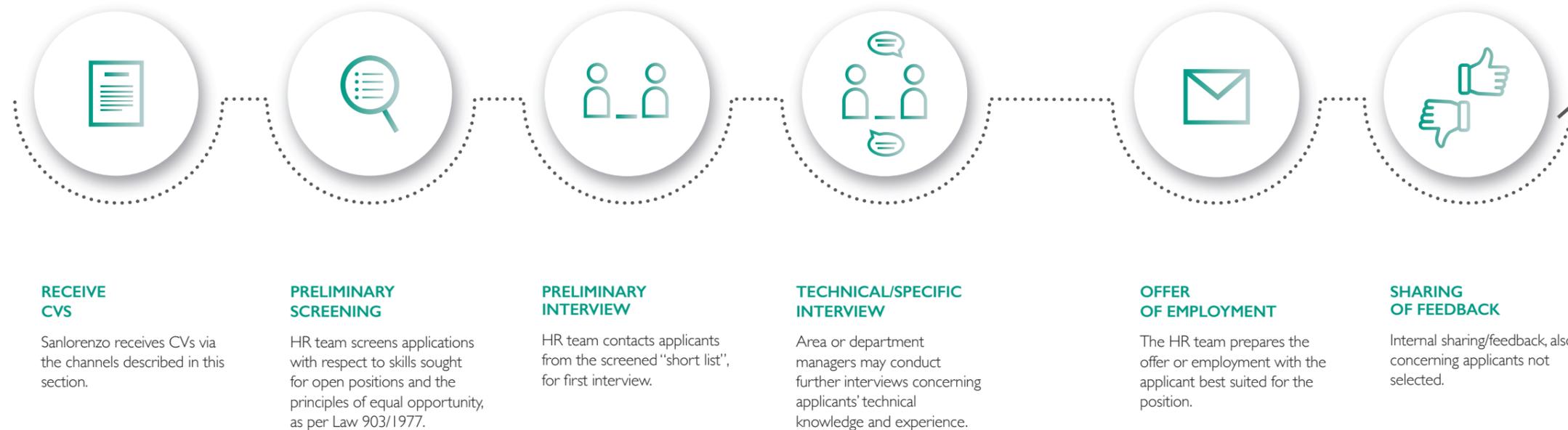
- The Company also encourages the implementation of projects under the national **alternating school-work** programme for senior school students.

If the student is 18 years old or over, the worksite experience includes a monthly allowance. All those participating can use the Company's canteen services. Sanlorenzo extends its offer of this programme to the children of employees, curious to experience life in the Company and learn more about their parents' profession. This offer includes the possibility of a three-month period of experience between June and September, to provide further learning opportunities during the school extracurricular season, and greater peace of mind to Sanlorenzo employees regarding the parenting of their children. It should be noted that this programme is mainly aimed at children from families with comparatively lower incomes.

Until 2020, the number of summer internship places for employees' children totalled five across the various company sites. In 2022 this will be increased to 10 places.

The selection process for new Sanlorenzo personnel is illustrated in Figure 11.

INFOGRAPHIC 11 - SELECTING NEW TALENT



New recruits receive a Welcome Kit, intended to convey the passion, tradition and forward-looking approach intrinsic to the Sanlorenzo way of working. The kit contains contractual documents and related documents on: company procedures; the organizational chart; the Corporate Human Resources Policy and related procedures; the use of Sanlorenzo IT tools and images; operational and safety procedures; the Antitrust Compliance Programme; the latest Consolidated Financial Statements; the Code of Ethics; the Sanlorenzo *Log Book* and videos, illustrating the essence of Sanlorenzo. Beginning in 2021, the Welcome Kit will include the latest Sanlorenzo NFS.

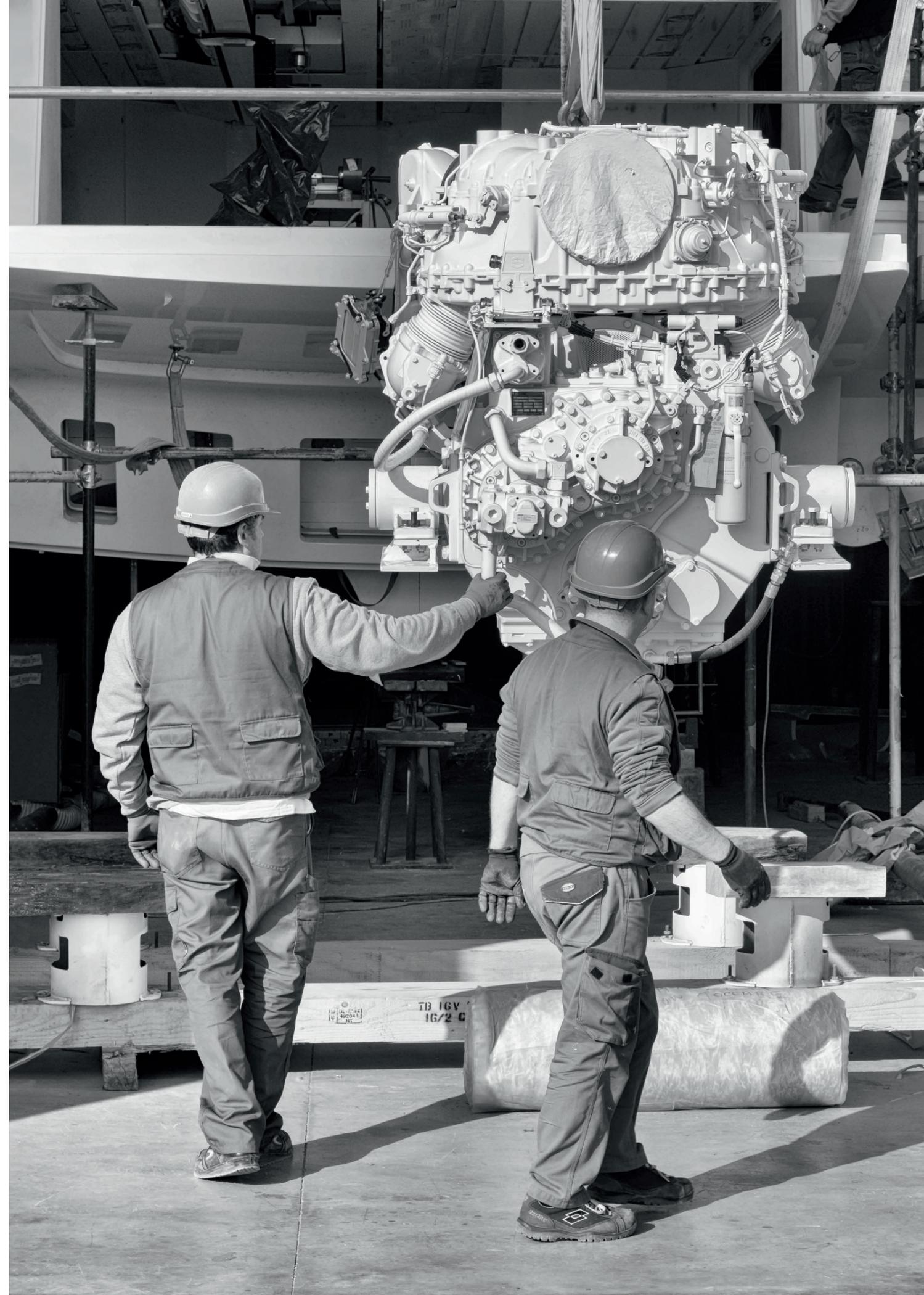
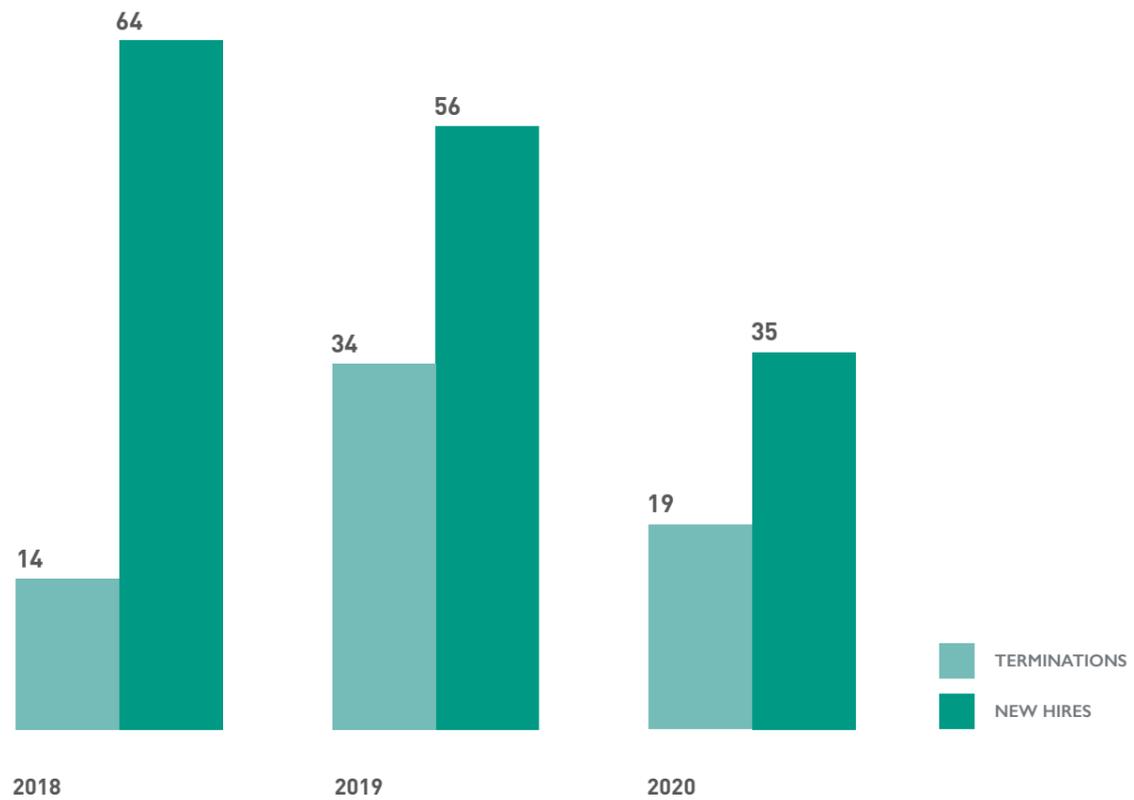
In 2020 there were 35 new hires, of whom 20% women and 80% men, and 44 fixed-term contracts were converted to permanent ones. The largest share of new hires was in the 30-50 age bracket. Compared to the previous years, these statistics were influenced by the onset of the Covid-19 pandemic early in 2020, leading in particular to a significant decrease in the number of new hires.

There were 19 terminations in 2020, mainly due to resignations, retirement, expiry of fixed-term contracts and consensual termination of employment. The overall turnover⁶² was 4%, down from 2019 (8%).

⁶² Turnover is calculated as the ratio of terminations during the year under review (2020) to the total workforce of the previous year (2019).

Also in 2020, the Company initiated a qualitative assessment of personnel turnover, entailing interviews with all employees leaving the Company and more generally seeking two-way feedback on the process.

GRAPH 24 - NEW HIRES AND TERMINATIONS IN THE 2018-2020 TRIENNIUM



LISTENING AND ENHANCING

Sanlorenzo seeks original and sustainable ways of encouraging employees to express their **creativity** and develop their **potential**.

The Company normally organises several employee training opportunities per year; however the Covid-19 pandemic caused a substantial slowdown of these activities beginning in March.

One of the organisational options is to draw on the offers of training from CISITA, the Confindustria training organisation, asking the various department managers to incentivise their employees to take part, suggesting specific technical and soft skills training courses, e.g. in the areas of communications, stress management and negotiation.

The Sanlorenzo Academy (see Insight box: *Sanlorenzo Academy: Training in the yacht sector*) offers a diversified range of uniquely designed training courses, with the involvement of our own employees as teachers. This approach has proven particularly successful at incentivising involvement and advancing individual skills.

Putting together training in practical-technical areas (e.g. for operators of overhead cranes and industrial trucks) and more general areas (e.g. workplace safety), the Company provided 5,767.5 hours of training over the total reporting period, of which 1,023.5 in 2020 (down approximately 62% from 2019).

In 2020 the Company increased its activities in employee communications and education on sustainability issues, particularly on environmental sustainability. One action in this regard was to begin the systematic use of awareness-raising e-mail communications on matters of daily behaviour having potentially positive and negative impacts on the surrounding environment, with a view to gradually improving existing eco-sustainable conduct. These communications promote responsible behaviour in actions involving energy consumption and waste, particularly plastic. Another very practical form of communication was the distribution of a personalised, branded water bottle to each employee, with simultaneous installation of purified-water fountains on all Company sites. The divisions and departments also communicated procedural guidelines for the organisation of conferences and meetings (internal, with suppliers, consultants) along more eco-sustainable lines, for example using glass carafes and avoiding non-recyclable materials in the food and beverage service.

The Company's **Management by Objectives** (MBO) policy is particularly important in structuring, incentivising and supporting **employee growth and development**, identifying objectives in relation to the individual's position, role and functions, and defining a variable part of remuneration also linked to the achievement of operational objectives, including the areas of health, safety and business performance. During 2020 almost all senior and middle managers participated in performance appraisals (100% of women, compared to 91% in 2019; 98% of men), while 17% of women

office workers (24% in 2019) and 48% of men office workers (35% in 2019) were appraised over the year.

Sanlorenzo does not however have a uniformly structured system of personnel development plans. These plans are developed in relation to the growth paths of individuals, their employment context, roles and tasks.

The Company intends to put in place a performance assessment system by the end of 2021, with its gradual extension to all personnel categories, considering not only performance objectives and economic bonuses, but also advancements in ethical corporate behaviour and soft skills in leadership, problem solving and teamwork. This system will deepen the circular dynamics of the assessment process, putting in place continuous employee-Company feedback on the definition of performance and skill objectives and achievement of results.

INSIGHT

**CONSTRUCTIVE LISTENING:
THE CLIMATE ANALYSIS**

In late 2020 Sanlorenzo launched an organisational climate survey of the entire company workforce, which will be completed in early 2021.

The goal is to implement **constructive listening methods** in human resources management, as a basis on which to define **priorities for action**.

The project has involved a total of 60 people brought together in five focus groups. They were first asked to define the topics of interest for the Survey, including, for example, what Sanlorenzo

must do over the next five years to maintain its attractiveness and therefore the satisfaction of its stakeholders (see Stakeholders infographic in *Sustainability for Sanlorenzo*).

The Survey is rolled out in two stages:

1. Developing and using a list of about 90 questions aimed at monitoring the organisational participation of the Sanlorenzo population, e.g. teamwork abilities, results of teamwork relative to objectives;

2. An 'ethnographic' study aimed at understanding the state of relations between people in the Company.

The survey is conducted in complete anonymity.

Starting in January 2021, the Company will activate an HR desk at each of the four sites, accessible by appointment on a monthly basis, for clarification and information of pay statements and work issues⁶³, and to assist individuals in drawing on the services of the public administration in resolving personal or family problems (e.g. special leave, leave of absence).

⁶³ Employees were already able to use a dedicated e-mail service to ask for clarifications and information on these kinds of issues.



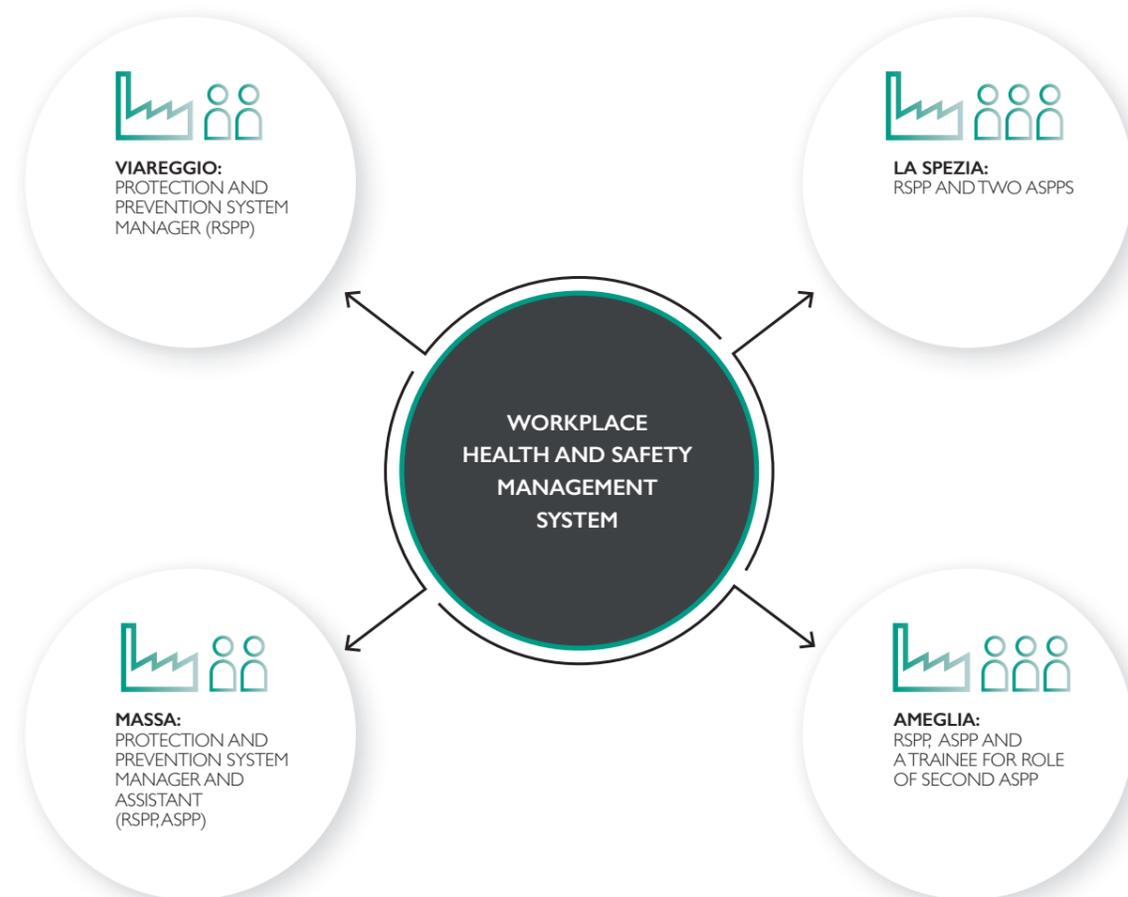
WORKPLACE HEALTH, SAFETY AND WELLBEING

Sanlorenzo has always prioritised protecting worker **health and safety**, which it considers essential for overall healthy and correct company management.

Over time, Sanlorenzo has progressively formalised its commitments, going beyond what is required by the regulations in force⁶⁴.

The Company is committed to guaranteeing that its workers, employees, interns and external workers operate in safe and healthy working conditions (see the section *Promoting an ethical and responsible supply chain*), with the elimination of hazards, reduction of risks and prevention of workplace accidents and occupational diseases.

In compliance with the provisions of Legislative Decree 81/08, each of the four Sanlorenzo sites has a Safety Office consisting of the figures described in the infographic below, who are employees trained by the Company according to specific criteria and standards, including through the Sanlorenzo Academy:



⁶⁴ Legislative decree 81/2008 Code on workplace health and safety.

Since 2016 the Company has implemented the Italian Safety Management System Certification (SGSL) for its production sites, certified under the ISO 45001:2018 standard.

The objectives defined under the **Corporate Safety Policy**, last updated June 2020, are as follows:

- Implementation of information, education and training programmes on health and safety, for promotion of responsible action at all employee levels;
- production activities effectively planned for achieving workplace health and safety;
- selection of suppliers that comply with the Corporate Safety Policy;
- monitoring and assessment of all contractor activities, ensuring proper coordination of the different work process phases, with awareness of and responsibility for health and safety issues;
- cooperation with public authorities and supervisory bodies.

Sanlorenzo updates the Risk Evaluation Document (DVR) annually, for assessment of workplace health and safety risks and planning of measures for their elimination. The current report provides further details on risk identification and management in the production phases in the section *Promoting an ethical and responsible supply chain*.

For employees in office positions, the DVR evaluates, in particular, the more significant areas of risk of fire, risks arising from use of equipment and risks in interior and exterior traffic routes. For employees in all indoor locations, the Company strives to ensure the utmost wellbeing, with appropriate microclimates and lighting for the prevention of risks.

A specific analysis in March 2020 revealed a low incidence of work-related psychological or emotional stress, therefore further assessment in this area is not currently planned.

For each job, the Company provides a specific health surveillance protocol prepared by the regularly appointed Medical Officer. The type and frequency of medical examinations depend on the role held and the annual assessment of related risks. Employees who hold office positions receive medical examinations annually. For video terminal workers, eye examinations are carried out: i) every two years, in the cases of employees classified as "suitable with limitations or requirements" and in any case all those over 50 years of age; ii) otherwise once every five years (i.e. 50 years old or less and classified as "suitable").

All employees also have the option of joining health plans partially financed by the Company.

All Sanlorenzo personnel are required to comply with the Safety Policy, Code of Ethics and Code of Conduct, taking responsibility for the preservation not only of their own health and safety but also that of other colleagues and third parties.

Employees are also encouraged to report any misconduct, malpractice or general noncompliance that could affect the level of protection for themselves or others.

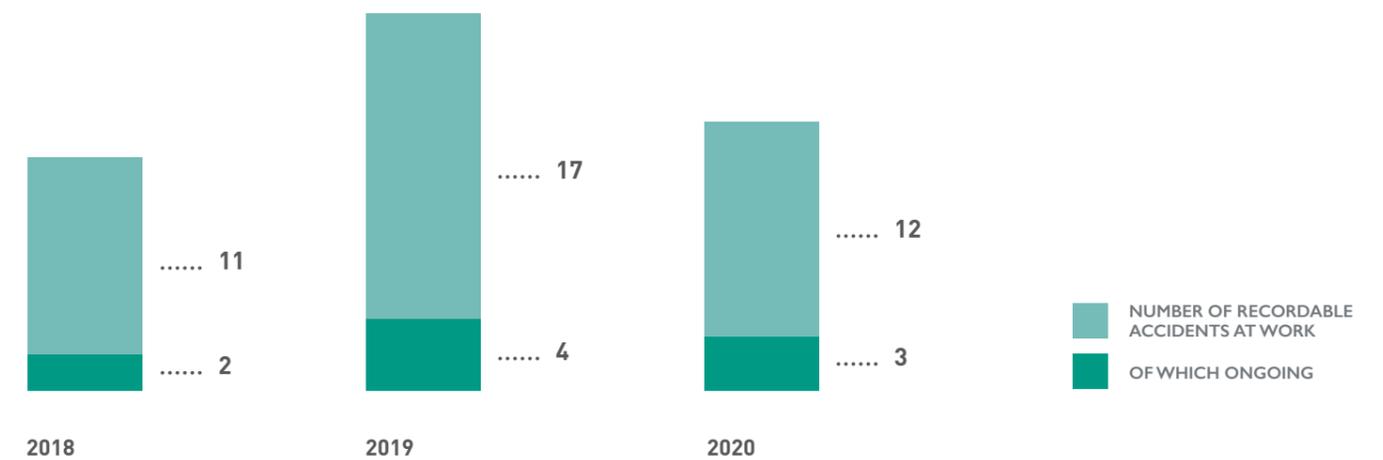
The Company organises specific annual training courses for all personnel, aimed at increasing awareness about occupational health and safety issues. The Annexes at the close of this document (see *Social sustainability indicators*) report the courses given in 2020.

In 2020 the number of accidents at work remained significant (15, of which 3 travelling to and from work)⁶⁵ although down by around 29% compared to the previous year. Incidents mainly involve tripping, falling and muscle strains.

No occupational diseases were recorded.

With regard to the measures taken to manage the Covid-19 pandemic, please refer to the section Impact of the Covid-19 pandemic.

GRAPH 25 - ACCIDENT AT WORK, SANLORENZO EMPLOYEES



⁶⁵ Accidents to and from work are considered only if transportation has been organised by the Company.

WELLBEING OF PERSONNEL

Sanlorenzo considers company provisions for personal welfare, including pensions and insurance, to be fundamental for the internal climate and for **employee wellbeing**. The Company envisages the signing of second-level negotiated agreements, renewable in 2021, providing supplementary provisions to the national collective agreement for the greater protection and wellbeing of its employees.

INSIGHT

INDUSTRIAL RELATIONS

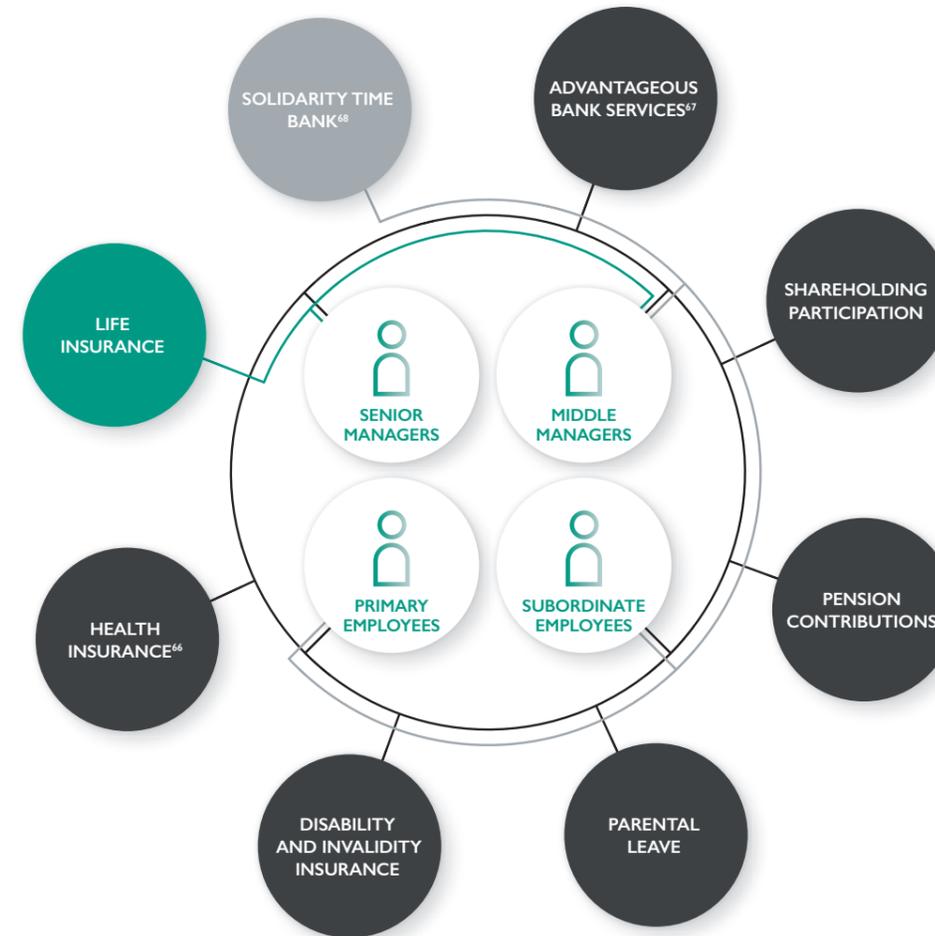
The Sanlorenzo second-level agreements are structured on the basis of a participatory model of industrial relations, involving **periodic meetings among Company and worker representatives** concerning trends and prospects for the reference market, as well as the specific matters of: recruitment; use of fixed-term and temporary contracts; activation and number of extracurricular traineeships; absentee rates; hours of training

provided; data on female recruitment, employment, hours of training; redundancies. The meetings also deal with the issues of contracting out production, in particular the type and production activities, extent of outsourcing, number of contracting firms and relative employees.

Sanlorenzo is currently planning to set up two joint working committees, each made up of three company and three

workers' representatives, one for the study, development and increase of welfare services for employees and families, the other for the development of a system of special

The table following lists the current main instruments of Sanlorenzo's welfare model.



In 2020 three female employees took parental leave, of whom only one returned to work⁶⁹.

During the year the Company identified a new corporate welfare service provider, with advantages for a wider range of welfare spending options to companies and employees in Liguria and Tuscany. For employees interested in these services⁷⁰, the Company will organise a training course aimed at clearly explaining the possible areas for spending welfare credit and the relative methods for presenting applications.

⁶⁹ The employee who returned to work has thus far worked less than 12 months since her re-entry. The other two employees indicated personal reasons to explain their choice not to return to the Company.

⁷⁰ All Sanlorenzo employees are eligible for this programme, with the exception of senior managers.

⁶⁶ In 2020 the Company took out an additional employee insurance policy specifically for coverage of healthcare and related costs in case of infection with Sars-Cov-2 (Covid-19) virus. The Company also provided for serological tests for the detection of IgG and IgM (Covid), free for all employees, and, where necessary for precautionary reasons, antigenic swabs were taken at private facilities.

⁶⁷ The Company has stipulated agreements for discounts with a specific bank. In particular, these provide for the employee to use a system of corporate credit cards charged to their own current account, at more favourable conditions than possible for the single employee: simplified preliminary investigation prior to card issue; management costs borne by Sanlorenzo; debit from the employee's account fifty days after end of the month; possibility of a second card for a family member at a reduced price. This same agreement also sets out provisions for personal loans repayable by monthly deductions from the worker's pay slip. Finally, under an agreement with another bank, the employee can open a current account at a low cost and access special conditions for a mortgage for their first home.

⁶⁸ In December 2020 the Company signed a second-level agreement covering all Sanlorenzo employees subject to national collective agreements for workers in the metal and rubber-plastic sectors. Point 13 of this agreement regulates the creation of a "Solidarity Time Bank", permitting the voluntary transfer, free of charge, of monetisable holidays in favour of colleagues who are in situations of serious need or have to provide constant care to minor children.

In 2020 Sanlorenzo published for the first time its Consolidated Non-Financial Statement which, starting from this year, will be published annually, in concert with the company's financial reporting.

The information contained in the document refers to the period from **1 January 2020 to 31 December 2020**. Similarly, the topics covered are presented by ensuring, where possible, a comparison with the previous two years so that all Sanlorenzo stakeholders can gauge the company's performance over time.

The reference perimeter for this NFS is mostly the parent company Sanlorenzo S.p.A., with special reference to the four owned shipyards – Ameglia, La Spezia, Viareggio and Massa – and to the two Yacht and Superyacht divisions. Other Group Companies lie outside the reporting boundary this year.

This limitation is due to the fact that this is the first year of implementation of Decree no. 254, and in order to comply with article 4 of the above-mentioned Decree and with GRI standards, the Sanlorenzo Group has excluded some business activities on the basis of the significance of impacts, which are not relevant for the purpose of gaining an understanding of Group activities, trends, results and the impact of these activities. It is indeed the Parent Company that is responsible for most of the Group's socio-environmental and governance impacts, considering its relevance in terms of workforce, sales revenue, output and environmental impacts. The Sanlorenzo Group will consider the possibility of extending the non-financial reporting boundary in 2021, providing all necessary conditions are met.

MATERIALITY ANALYSIS AND IDENTIFICATION OF MATERIAL TOPICS

In accordance with the GRI 101 Foundation Standard, for the purpose of carrying out the materiality analysis, we considered:

- The context of sustainability, through a detailed analysis of operational, institutional, market and external dimensions, the main results of which are discussed in the section of this document dedicated to luxury yachting in Italy and to the main sustainability trends developing within it;
- The interests and expectations of internal and external stakeholders that the Company has mapped in three consequent phases:
 - i. definition of the stakeholder map, starting with a desktop analysis of company documents, followed by an ad hoc questionnaire addressed to top management aimed at examining the dimensions of dependence and influence of the various classes of stakeholders;
 - ii. an extensive desktop analysis aimed at understanding the main expectations and interests of external stakeholders as well as the Company's priorities with reference to the areas identified in Legislative Decree no. 254/2016. In particular, this study has taken into account the following sources of information: international organisations and standard setters, in particular the International Maritime Organisation, the World Economic Forum, the United Nations Global Compact and the Global Reporting Initiative; academia, to see from a scientific point of view the application of sustainability topics in the boating sector; trade associations, to appreciate the points of view within the sector; peer reviews, consulting in particular public documents and websites; the media, with reference to press releases and publications on social media in the year under review; the Company's internal documents and corporate website;
 - iii. 19 semi-structured interviews with top management, containing the 20 potentially relevant themes identified in previous stages. Interviews served to focus attention – with regard to the various proposed topics – on: the Sanlorenzo's *strategy/vision*, including specific environmental, social and governance objectives, from the point of view of the office represented; associated *risks/opportunities*; the *expectations of stakeholders*, with which the specific company department interacts as part of its activities; impacts generated along the value chain; the organisational control and initiatives undertaken during the year.

Top management was thus able to confirm, eliminate and group together the topics that emerged from the above analyses, and able to define specific strategic and reporting priorities for the Company. A score⁷¹ was therefore assigned to the topics selected by the respondents.

⁷¹ It is noted that the scores obtained took into account the number of times in which, during interviews, individual topics were selected as relevant to the Company.

Below is an overview of Sanlorenzo's material topics, with a relative link to the sustainability areas defined by Legislative Decree 254/2016 and boundary of impact, internal and/or external.

Table 6: Associating material topics with the areas of Leg. Dec. 254/2016 and boundary of impact, both internal and external

Relevant topics	GRI aspect	Area of Legislative Decree 254/2016	Boundary of impact of the topic	
			Internal	External
Energy consumption				
GRI 302 - Energy		Environment	Sanlorenzo ⁷²	Suppliers/contractors Clients
Marine habitat and biodiversity conservation				
GRI 304 - Biodiversity		Environment	Sanlorenzo	Community
Atmospheric emissions				
GRI 305 - Emissions		Environment	Sanlorenzo	Community
Waste management				
GRI 306 - Effluents and waste		Environment	Sanlorenzo	Suppliers/contractors
Sustainable vessel design				
GRI 301 - Materials		Environment	Sanlorenzo	-
Water resource management				
GRI 303 - Water and water discharge		Environment	-	Suppliers/contractors Clients
Health and safety protection				
GRI 403 - Occupational Health and safety		Personnel management Social impacts	Sanlorenzo	Suppliers/contractors
Human resources management				
GRI 202 – Market presence				
GRI 401 – Employment				
GRI 402 – Relations between workers and management		Personnel management		
GRI 404 – Training and education		Social impacts	Sanlorenzo	Suppliers/contractors
GRI 405 – Diversity and equal opportunities		Human rights		
GRI 406 – Non-discrimination				
GRI 407 – Freedom of association and collective bargaining				
Exclusive relations with the client				
GRI 416 - Customer health and safety				
GRI 417 - Marketing and labelling		Social impacts	Sanlorenzo	Clients
GRI 418 - Customer Privacy				
Promotion and development of the territory and relations with local actors				
GRI 203 - Indirect economic impacts		Social impacts	Sanlorenzo	Community and territory Local organisations and associations
GRI 415 - Public Policy		Human rights		University Schools Institutions
Sustainable supply chain management				
GRI 204 – Procurement practices		Social impacts		
GRI 408 – Child Labour		Environment	Sanlorenzo	Suppliers/contractors
GRI 409 – Forced or compulsory labour		Human rights Combating active and passive corruption		
Sustainability governance				
-		Social impacts	Sanlorenzo	-
Combating active and passive corruption				
GRI 205 - Anti-Corruption		Combating active and passive corruption	Sanlorenzo	Suppliers/contractors
Research and development				
-		Environment Social impacts	Sanlorenzo	-

⁷² It is noted that the indication of Sanlorenzo in the boundary of internal impact of the topic is taken to mean all four of the company's yards, namely: La Spezia, Ameglia, Massa and Viareggio.

The revised list of topics was then submitted for the approval of the **Control, Risk and Sustainability Committee** and the **Board of Directors**, which unreservedly approved the identified material topics.

GATHERING AND CONSOLIDATION OF DATA

The gathering of qualitative and quantitative information in accordance with GRI Standards – Option: “*In accordance – Core*”, involved company departments through the identification of specific data owners responsible for the topics covered within this NFS.

With reference to the processing of quantitative data within the document, it is noted that:

- In the **social** area, the data relating to the four owned shipyards have been consolidated. Moreover: GRI Standard 403-8 “*Workers covered by an occupational health and safety management system*”, gives information internally, for Sanlorenzo employees and trainees, and externally, for workers of contracting companies collaborating with the Company. The information for standards GRI 403-9 “*Industrial accidents*”, GRI 403-10 “*Occupational Diseases*” and GRI 407-1 “*Activities and suppliers in which the right to freedom of association and collective bargaining may be at risk*” were covered by information on both Sanlorenzo employees and the workers of contractors;
- In the **environmental** area, data are presented by Division: Yacht, which includes the yards of Ameglia, Viareggio and Massa; *Superyacht*, comprising the La Spezia yard. It is noted in particular that the GRI indicator 304-4 “*IUCN Red List and national conservation list species with habitats in areas affected by operations*” has been covered only with reference to the Ameglia shipyard, within the setting of the Montemarcello-Magra Natural Park.
- In the area of economics/governance, data refer solely to Sanlorenzo S.p.A.

Below are the main methods used to calculate some specific quantitative *Key Performance Indicators (KPIs)*:

- GRI 403-9 “*Work-related injuries*”:
 - The rate of recordable work-related injuries is the ratio of the total number of recordable work-related injuries incurred in the year – including accidents to and from work only when transport has been organised directly by the Company – to the total number of hours worked in the same year, multiplied by 1,000,000;
 - The rate of work-related injuries having serious consequences⁷³ (excluding deaths) is given by the ratio of the total number of industrial accidents having serious consequences (excluding deaths) occurring during the year to the total number of hours worked, multiplied by 1,000,000;
 - The death rate is calculated as the ratio of the total number of deaths resulting from industrial accidents in the year to the total number of hours worked, multiplied by 1,000,000.
- GRI 302-1 “*Energy consumption within the organisation*”:
 - To determine the composition of purchased electricity (renewable and non-renewable), reference was made to the national energy mix (GSE, Fuel mix, years 2018-2019);
 - The energy consumption conversion factors are those proposed by “UK government GHG conversion factors for company reporting” for the years 2020, 2019 and 2018.
- Gray 302-3 “*Energy intensity*”:
 - Energy intensity was calculated by relating energy consumption for the year to the gross tonnage (GT) of vessels delivered in the year, with reference to the Yacht and Superyacht Division.
- GRI 305 - “*Emissions*”
 - With regard to the calculation of direct GHG emissions (Scope 1), resulting from the consumption of natural gas and diesel fuel of company vehicles, cranes and trucks used for moving craft, and for yacht sea trials, the emission factors defined by the “UK Government GHG conversion factors for company reporting” for the years 2020, 2019 and 2018 were used.
 - For the calculation of indirect GHG emissions (Scope 2), deriving from the consumption of electricity, we proceeded as follows: for **location-based** emissions, the emission factors from the “UK Government GHG conversion factors for company reporting” for the years 2020, 2019 and 2018 were used; for **market-based** emissions, reference was made to the residual mix for 2020, 2019 and 2018 indicated, respectively, by “AIB - European Residual Mixes 2019 - V. I.1, 8th September 2020”, “AIB - European Residual Mixes 2018 - V. I.1, 28th May 2019” and “AIB - European Residual Mixes 2017 - V. I.1.3, 11th July 2018”.
 - Emission intensity (GRI 305-4) was calculated as the ratio of emissions generated (Scope 1 and Scope 2) to the hours of working activity at Sanlorenzo shipyards, the latter estimated by considering 10 hours of work per day for 330 days/year.

In order to ensure the reliability of the information contained in the document, efforts were made to use estimates as little as possible. As this is the first year of NFS reporting, the use of estimates – corresponding as closely as possible to actual data – has been necessary in certain cases, which are expressly highlighted in the footnotes. Sanlorenzo is committed for the next financial year to improving the data collection process and thus reducing the amount of information derived from estimates in favour of primary data.

⁷³ The damage caused by this type of accident does not allow the worker to fully recover and return to the state of health prior to the accident – within a period of six months.

GRI CONTENT INDEX

Option “In accordance - Core”

The table below provides information on GRI standards - in line with the latest published version available – that were used for 2020 NFS reporting by Sanlorenzo. It is noted in particular that reference has been made to the 2018 version for Standards 303 “Water and effluents” and 403 “Occupational health and safety”. The NFS also meets GRI Standard 207 “Tax” (2019), the reporting of which will become mandatory according to the GRI as from the 2021 financial year.

The table also provides a specific reference to the pages where the information required by the Standards is processed, or possible references to other publicly accessible company documents. Any comments and omissions are also reported.

TABLE 7: GRI CONTENT INDEX

GRI Standard	Details	Page number(s) and references	Comments and omissions
GRI 101: 2016 Reporting principles			
General information			
Organisation profile			
	GRI 102-1: Name of Organisation		Sanlorenzo S.p.A.
	GRI 102-2: Activities, brands, products and services	70	
	GRI 102-3: Location of headquarters	66-68	Ameglia, Via Armezzone 3, 19031
	GRI 102-4: Location of operations	66-68	Italy
	GRI 102-5: Ownership and legal form		Joint stock company
	GRI 102-6: Markets served	81	
	GRI 102-7: Scale of the organisation	70, 73, 80, 81, 127, 157	
GRI 102: General Information 2016	GRI 102-8: Information on employees and other workers	157, 221	
	GRI 102-9: Supply chain	110	
	GRI 102-10: Significant changes to the organisation and its supply chain	46, 110	
	GRI 102-11: Precautionary principle	44, 45, 56, 64, 65, 88, 89, 108, 109, 122, 123, 154, 155, 205-207	
	GRI 102-12: External initiatives		2020 Self-Regulation Code for companies listed on the Italian Stock Exchange
	GRI 102-13: Membership of associations	151	

GRI Standard	Details	Page number(s) and references	Comments and omissions
Strategy			
GRI 102: General Information 2016	GRI 102-14: Statement from senior decision-maker	8, 9	
	GRI 102-15: Key impacts, risks and opportunities	44, 45, 44, 45, 64, 65, 88, 89, 108, 109, 122, 123, 154, 155	
Ethics and integrity			
GRI 102: General Information 2016	GRI 102-16: Values, principles, standards and norms of behaviour	40, 41	
Governance			
GRI 102: General Information 2016	GRI 102-18: Governance structure	47, 48, 51	
	GRI 102-19: Delegating authority	54, 204, 205	
	GRI 102-20: Executive-level responsibility for economic, environmental, and social topics	54-56	
	GRI 102-22: Composition of the highest governance body and its committees	48, 51, 55	
	GRI 102-23: Chair of the highest governance body	204	
	GRI 102-24: Nominating and selecting the highest governance body	204	
	GRI 102-25: Conflicts of interest	Code of Ethics (Chapter 5)	Provisions relating to conflicts of interest contained in the aforementioned document shall apply to all its recipients.
	GRI 102-26: Role of highest governance body in setting purpose, values and strategy	54	
	GRI 102-29: Identifying and managing economic, environmental and social impacts	55, 56, 180, 182	
	GRI 102-31: Review of economic, environmental and social topics		Annual
	GRI 102-32: Role of highest governance body in sustainability reporting	54-56, 182	
	Stakeholder involvement		
GRI 102: General Information 2016	GRI 102-40: List of stakeholder groups	31	
	GRI 102-41: Collective bargaining agreements	157, 222	
	GRI 102-42: Identifying and selecting stakeholders	30	
	GRI 102-43: Approach to stakeholder engagement	32, 118, 119, 126, 170	
	GRI 102-44: Key topics and concerns raised	32, 118, 119, 26, 170	

GRI Standard	Details	Page number(s) and references	Comments and omissions
Reporting practices			
	GRI 102-45: Entities included in the consolidated financial statements	180	
	GRI 102-46: Defining report content and topic boundaries	33, 34, 180-182	
	GRI 102-47: List of material topics	33	
	GRI 102-48: Restatements of information	5	
	GRI 102-49: Changes in reporting	Methodological note	
GRI 102: General Information 2016	GRI 102-50: Reporting period	Methodological note	
	GRI 102-51: Date of most recent report		2020
	GRI 102-52: Reporting cycle	Methodological note	
	GRI 102-53: Contact point for questions regarding the report	232	
	GRI 102-54: Claims of reporting in accordance with GRI Standards	5	
	GRI 102-55: GRI content index	186-195	
	GRI 102-56: External assurance	198-201	
Material topics			
200 Series			
Economic performance			
GRI 103: Management approach 2016	GRI 103-1: Explanation of the material topic and its boundary	33, 82, 84, 180-182, 209	
	GRI 103-2: The management approach and its components	64, 65, 80-84, 209	
	GRI 103-3: Evaluation of the management approach	64, 65, 80-84, 209	
GRI 201: Economic performance 2016	GRI 201-1: Directly economic value generated and distributed	82, 84, 209	
Market presence			
GRI 103: Management approach 2016	GRI 103-1: Explanation of the material topic and its boundary	33, 161, 180-182, 222	
	GRI 103-2: The management approach and its components	154, 155, 158-161, 222	
	GRI 103-3: Evaluation of the management approach	154, 155, 158-161, 222	
GRI 202: Market presence 2016	GRI 202-2: Proportion of senior management hired from the local community	161, 222	
Indirect economic impacts			
GRI 103: Management approach 2016	GRI 103-1: Explanation of the material topic and its boundary	33, 84, 85, 180-182	
	GRI 103-2: The management approach and its components	64, 65, 80-85	
	GRI 103-3: Evaluation of the management approach	64, 65, 80-85	
GRI 203: Indirect economic impacts 2016	GRI 203-1: Infrastructure investments and services supported	84, 85	

GRI Standard	Details	Page number(s) and references	Comments and omissions
Procurement practices			
GRI 103: Management approach 2016	GRI 103-1: Explanation of the material topic and its boundary	33, 110, 111, 180-182, 222	
	GRI 103-2: The management approach and its components	108-113, 222	
	GRI 103-3: Evaluation of the management approach	108-113, 222	
GRI 204: Procurement practices 2016	GRI 204-1: Proportion of spending on local suppliers	110, 111, 222	
Anti-corruption			
GRI 103: Management approach 2016	GRI 103-1: Explanation of the material topic and its boundary	33, 60, 180-182, 206, 207	
	GRI 103-2: The management approach and its components	44, 45, 60, 206-208	
	GRI 103-3: Evaluation of the management approach	44, 45, 60, 206-208	
GRI 205: Anti-Corruption	GRI 205-1: Operations assessed for corruption-related risks	60, 206, 207	
	GRI 205-3: Confirmed incidents of corruption and actions taken		During the three-year period 2018-2020 there were no confirmed incidents of corruption.
Anti-competitive behaviour			
GRI 103: Management approach 2016	GRI 103-1: Explanation of the material topic and its boundary	33, 58, 59, 180-182, 208	
	GRI 103-2: The management approach and its components	44, 45, 58, 59, 207, 208	
	GRI 103-3: Evaluation of the management approach	44, 45, 58, 59, 207, 208	
GRI 206: Anti-competitive behaviour	GRI 206-1: Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices		During the three-year period 2018-2020 there were no legal actions as a result of anti-competitive behaviour, antitrust and monopolistic practices.
Tax			
GRI 207: Tax 2019	GRI 207-1: Approach to tax	210	
	GRI 207-2: Tax governance, control and risk management	210	Tax information is subject to external assurance, in line with provisions in place for information given in the Annual Financial Report and in this NFS.
	GRI 207-3: Stakeholder engagement and management of tax concerns	210	
	GRI 207-4: Country-by-country reporting	211	

GRI Standard	Details	Page number(s) and references	Comments and omissions
300 Series			
Materials			
GRI 103: Management approach 2016	GRI 103-1: Explanation of the material topic and its boundary	33, 127, 180-182, 212, 213	
	GRI 103-2: The management approach and its components	122, 123, 127-129, 212, 213	
	GRI 103-3: Evaluation of the management approach	122, 123, 127-129, 212, 213	
GRI 301: Materials 2016	GRI 301-1: Materials used by weight or volume	127, 212, 213	
Energy			
GRI 103: Management approach 2016	GRI 103-1: Explanation of the material topic and its boundary	33, 130-132, 138, 180-182, 214, 215	
	GRI 103-2: The management approach and its components	122, 123, 129-132, 138, 214, 215	
	GRI 103-3: Evaluation of the management approach	122, 123, 129-132, 138, 214, 215	
GRI 302: Energy 2016	GRI 302-1: Energy consumption within the organisation:	130-132, 214	
	GRI 302-3: Energy intensity	131, 132, 215	
	GRI 302-4: Reduction of energy consumption	138	
Water and effluents			
GRI 303: Water and effluents 2018	GRI 303-1: Interactions with water as a shared resource	139, 140	
	GRI 303-2: Management of water discharge-related impacts	122, 123, 139-141	
	GRI 303-3: Water withdrawal	140, 215	
	GRI 303-4: Water discharge	139, 140	
	GRI 303-5: Water consumption	216	
Biodiversity			
GRI 103: Management approach 2016	GRI 103-1: Explanation of the material topic and its boundary	33, 146-151, 180-182	
	GRI 103-2: The management approach and its components	122, 123, 146-151, 180-182	
	GRI 103-3: Evaluation of the management approach	122, 123, 146-151, 180-182	
GRI 304: Biodiversity 2016	GRI 304-1: Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	146-148	
	GRI 304-2: Significant impacts of activities, products and services on biodiversity	146-151	
	GRI 304-4: IUCN Red List species and national conservation list species with habitats in areas affected by operations	148, 149	

GRI Standard	Details	Page number(s) and references	Comments and omissions
Emission			
GRI 103: Management approach 2016	GRI 103-1: Explanation of the material topic and its boundary	33, 133-138, 180-182, 217, 218	
	GRI 103-2: The management approach and its components	122, 123, 133-138, 217, 218	
	GRI 103-3: Evaluation of the management approach	122, 123, 133-138, 217, 218	
GRI 305: Emissions 2016	GRI 305-1: Direct (Scope 1) GHG emissions	137, 217	
	GRI 305-2: Energy indirect (Scope 2) GHG emissions	137, 217	
	GRI 305-4: GHG emission intensity	137, 218	
	GRI 305-5: GHG emission reduction	138	
Effluents and waste			
GRI 103: Management approach 2016	GRI 103-1: Explanation of the material topic and its boundary	33, 142, 180-182, 219, 220	
	GRI 103-2: The management approach and its components	122, 123, 142-145, 219, 220	
	GRI 103-3: Evaluation of the management approach	122, 123, 142-145, 219, 220	
GRI 306: Effluents and waste 2016	GRI 306-2: Waste by type and disposal method	142, 219, 220	
Environmental compliance			
GRI 103: Management approach 2016	GRI 103-1: Explanation of the material topic and its boundary	33, 124, 125, 180-182	
	GRI 103-2: The management approach and its components	122-125	
	GRI 103-3: Evaluation of the management approach	122-125	
GRI 307: Environmental compliance 2016	GRI 307-1: Non-compliance with environmental laws and regulations		The evaluations carried out in 2020 confirmed, in line with previous years, that operations were performed in compliance with applicable environmental standards and laws, including the latest Legislative Decrees that came into force in 2020 ⁷⁴ , therefore we believe that the Company has complied with relative obligations.

⁷⁴ The reference is to Leg. Dec. 102/2020 on atmospheric emissions and Leg. Dec. 116/2020 on waste management, implementing two of the four EU directives within the framework of the Circular Economy Package.

GRI Standard	Details	Page number(s) and references	Comments and omissions
400 Series			
Employment			
GRI 103: Management approach 2016	GRI 103-1: Explanation of the material topic and its boundary	33, 165, 166, 176, 177, 180-182, 222-224	
	GRI 103-2: The management approach and its components	154, 155, 162-166, 176, 177, 222-224	
	GRI 103-3: Evaluation of the management approach	154, 155, 162-166, 176, 177, 222-224	
GRI 401: Employment 2016	GRI 401-1: New employee hires and employee turnover	165, 166, 223	
	GRI 401-2: Benefits provided to full-time employees, but not to temporary or part-time employees	177	
	GRI 401-3: Parental leave	224	
Relations between workers and management			
GRI 103: Management approach 2016	GRI 103-1: Explanation of the material topic and its boundary	33, 180-182, 224	
	GRI 103-2: The management approach and its components	154, 155, 224	
	GRI 103-3: Evaluation of the management approach	154, 155, 224	
GRI 402: Relations between workers and management 2016	GRI 402-1: Minimum notice periods regarding operational changes	224	A period of two weeks' notice is given. It is noted that to date Sanlorenzo has not been the subject of restructuring, outsourcing of activities, closures or sales of all or part of the organisation or mergers that have had a direct impact on employees. There have been new acquisitions involving the employees of acquired companies, for which respective law provisions have been complied with.
Occupational health and safety			
GRI 403: Occupational health and safety 2018	GRI 403-1: Occupational health and safety management system	115, 116, 172-174	
	GRI 403-2: Hazard identification, risk assessment and incident investigation	115, 173	
	GRI 403-3: Occupational health services	116, 173, 174	
	GRI 403-4: Worker participation, consultation and communication on occupational health and safety	116, 174	
	GRI 403-5: Occupational health and safety worker training	116, 169, 227	
	GRI 403-6: Promotion of workers' health	174, 177	
	GRI 403-7: Prevention and mitigation of occupational health and safety impacts within business relations	115-117	
	GRI 403-8: Workers covered by an occupational health and safety management system	225	
	GRI 403-9: Work-related injuries	117, 175, 226	
	GRI 403-10: Work-related ill health	175	

GRI Standard	Details	Page number(s) and references	Comments and omissions
Training and education			
GRI 103: Management approach 2016	GRI 103-1: Explanation of the material topic and its boundary	33, 168, 169, 180-182, 226-228	
	GRI 103-2: The management approach and its components	154, 155, 168-170, 226-228	
	GRI 103-3: Evaluation of the management approach	154, 155, 168-170, 226-228	
GRI 404: Training and education 2016	GRI 404-1: Average hours of training per year per employee	168, 227	
	GRI 404-3: Percentage of employees receiving regular performance and career development reviews	169, 170, 228	
Diversity and equal opportunities			
GRI 103: Management approach 2016	GRI 103-1: Explanation of the material topic and its boundary	33, 50, 159, 160, 180-182, 228, 229	
	GRI 103-2: The management approach and its components	50, 154, 155, 158-161, 228, 229	
	GRI 103-3: Evaluation of the management approach	50, 154, 155, 158-161, 228, 229	
GRI 405: Diversity and equal opportunities 2016	GRI 405-1: Diversity in governance bodies and among employees	50, 159, 160, 228, 229	
Non-discrimination			
GRI 103: Management approach 2016	GRI 103-1: Explanation of the material topic and its boundary	33, 158, 180-182	
	GRI 103-2: The management approach and its components	154, 155, 158-161	
	GRI 103-3: Evaluation of the management approach	154, 155, 158-161	
GRI 406: Non-discrimination 2016	GRI 406-1: Incidents of discrimination and corrective actions taken	158	
Freedom of association and collective bargaining			
GRI 103: Management approach 2016	GRI 103-1: Explanation of the material topic and its boundary	33, 114, 176, 180-182	
	GRI 103-2: The management approach and its components	108, 109, 114, 154, 155, 176	
	GRI 103-3: Evaluation of the management approach	108, 109, 114, 154, 155, 176	
GRI 407: Freedom of association and collective bargaining 2016	GRI 407-1: Operations in which the right to freedom of association and collective bargaining may be at risk		Sanlorenzo guarantees its employees and the workers of contracting firms the right to freedom of association and collective bargaining. The workers of contracting firms are not exposed to risks by virtue of regulatory provisions contained in the tender specifications.

GRI Standard	Details	Page number(s) and references	Comments and omissions
Child labour			
GRI 103: Management approach 2016	GRI 103-1: Explanation of the material topic and its boundary	33, 114, 180-182	
	GRI 103-2: The management approach and its components	108, 109, 114	
	GRI 103-3: Evaluation of the management approach	108, 109, 114	
GRI 408: Child Labor 2016	GRI 408-1: Operations and suppliers at significant risk for incidents of child labor		The selected suppliers are all located in European and North American countries with clear legislation. Checks in the field of child labor are delegated at the origin to the State bodies responsible for this activity, requiring compliance with the regulations in force in each country.
Forced or compulsory labor			
GRI 103: Management approach 2016	GRI 103-1: Explanation of the material topic and its boundary	33, 114, 180-182	
	GRI 103-2: The management approach and its components	108, 109, 114	
	GRI 103-3: Evaluation of the management approach	108, 109, 114	
GRI 409: Forced or compulsory labor 2016	GRI 409-1: Operations and suppliers considered to have significant risk for incidents of forced or compulsory labor		The selected suppliers are all located in European and North American countries with clear legislation. Checks in the field of forced or compulsory labor are delegated at the origin to the State bodies responsible for this activity, requiring compliance with the regulations in force in each country.
Public policy			
GRI 103: Management approach 2016	GRI 103-1: Explanation of the material topic and its boundary	33, 180-182	
	GRI 103-2: The management approach and its components	64, 65	
	GRI 103-3: Evaluation of the management approach	64, 65	
GRI 415: Public policy 2016	GRI 415-1: Political contributions		In 2020, political contributions totalling Euro 30,000 were allocated to the Giovanni Toti Liguria Committee (Italy). In 2019 the Company did not allocate political contributions. In 2018, 5,000 EUR was allocated to Italian politician Massimo Caleo.
Customer health and safety			
GRI 103: Management approach 2016	GRI 103-1: Explanation of the material topic and its boundary	33, 98, 99, 180-182	
	GRI 103-2: The management approach and its components	88, 89, 98, 99	
	GRI 103-3: Evaluation of the management approach	88, 89, 98, 99	
GRI 416: Customer health and safety 2016	GRI 416-2: Incidents of non-compliance concerning the health and safety impacts of products and services		The Company did not detect incidents of non-compliance in respect of regulations and self-regulatory codes for product health and safety in the three years under review (2018-2020).

GRI Standard	Details	Page number(s) and references	Comments and omissions
Marketing and labelling			
GRI 103: Management approach 2016	GRI 103-1: Explanation of the material topic and its boundary	33, 98, 99, 180-182	
	GRI 103-2: The management approach and its components	88, 89, 98, 99	
	GRI 103-3: Evaluation of the management approach	88, 89, 98, 99	
GRI 417: Marketing and labelling 2016	GRI 417-1: Information and labelling requirements for products and services	98, 99	
	GRI 417-2: Incidents of non-compliance concerning product and service information and labelling		During the three-year period 2018-2020 there were no incidents of non-compliance in this area.
	GRI 417-3: Incidents of non-compliance concerning marketing communications		During the three-year period 2018-2020 there were no incidents of non-compliance in this area.
Customer Privacy			
GRI 103: Management approach 2016	GRI 103-1: Explanation of the material topic and its boundary	33, 100, 180-182	
	GRI 103-2: The management approach and its components	88, 89, 100	
	GRI 103-3: Evaluation of the management approach	88, 89, 100	
GRI 418: Customer privacy 2016	GRI 418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data		In the period 2018-2020 the company did not receive substantiated complaints regarding breaches of privacy of customers and their staff or losses of customer data.
Socio-economic compliance			
GRI 103: Management approach 2016	GRI 103-1: Explanation of the material topic and its boundary	33, 58, 59, 180-182	
	GRI 103-2: The management approach and its components	44, 45, 58, 59	
	GRI 103-3: Evaluation of the management approach	44, 45, 58, 59	
GRI 419: Socio-economic compliance 2016	GRI 419-1: Non-compliance with laws and regulations in the socio-economic area		In 2020 12 legal actions were initiated further to fines amounting to EUR 3,431.31. With regard to 2018 and 2019, 5 legal actions were initiated further to fines amounting to EUR 24,567.30 and EUR 45,514.01 respectively. All the fines mentioned above are of a fiscal nature.

Gruppo Sanlorenzo

Independent Auditors' Report on the consolidated non-financial statement pursuant to article 3, paragraph 10 of Legislative Decree no. 254/2016 and to article 5 of CONSOB Regulation adopted with resolution no. 20267/January 2018

This report has been translated into English from the original, which was prepared in Italian and represents the only authentic copy, solely for the convenience of international readers.



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Independent Auditors' Report

on the consolidated non-financial statement pursuant to article 3, paragraph 10 of Legislative Decree no. 254 of December 30, 2016 and to article 5 of CONSOB Regulation adopted with resolution no. 20267/January 2018.

To the Board of Directors of Sanlorenzo S.p.A.

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 ("Decree") and to article 5 of the CONSOB Regulation n. 20267/2018 of January 18, 2018, we have been engaged to perform a limited assurance engagement on the Consolidated Non-Financial Statement of Sanlorenzo S.p.A. and subsidiaries (the "Group") as of December 31, 2020 prepared in accordance with article 4 of the Decree and approved by the Board of Directors on 16 March 2021 (hereinafter the "NFS").

Directors' and Board of Statutory Auditors' responsibility for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and "Global Reporting Initiative Sustainability Reporting Standards" established in 2016 by GRI - Global Reporting Initiative 'core option' ("GRI Standards") that have been identified as the reference standard for the reporting process.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the Directors are responsible for the identification of the content of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the Group's business and characteristics, to the extent necessary to ensure an understanding of the Group's business, performance, results and the related impacts.

Finally, the Directors are responsible to design a business management model for the organisation of the Group's activities, as well as, with reference to the topics identified and reported in the NFS, for the policies for the identification and management of the risks generated or undertaken by the Group.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, compliance with the provisions set out in the Decree.

Auditors' Independence and quality control

We are independent in compliance with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our company applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control that includes directives and procedures concerning compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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Iscritta al Registro dei Revisori Legali al n. 167911 con D.M. del 15/03/2013 G.U. n. 26 del 02/04/2013
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Auditors' responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the requirements of the Decree and the GRI Standards. We carried out our work in accordance with the criteria established in the *International Standard on Assurance Engagements 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("ISAE 3000 Revised")*, issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with *ISAE 3000 Revised*, and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS are based on our professional judgement and include inquiries, primarily of the company's personnel responsible for the preparation of the information presented in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence, as appropriate.

Specifically, we carried out the following procedures:

1. Analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in the light of the provisions of article 3 of the Decree and taking into account the adopted reporting standard.
2. Analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance to the Decree.
3. Comparison of data and financial economic disclosures presented in the NFS with those included in the Group's consolidated financial statements.
4. Understanding of the following matters:
 - Business management model of the Group's activity, with reference to the management of the topics set out in article 3 of the Decree;
 - Policies adopted by the entity in connection with the topics set out in article 3 of the Decree, achieved results and related key performance indicators;
 - Main risks, generated and/or undertaken, in connection with the topics set out in article 3 of the Decree.

With reference to these matters, we compared them with the disclosures presented in the NFS and carried out the procedures described in point 5, letter a).

5. Understanding of the processes underlying the origination, recording and management of significant qualitative and quantitative information disclosed in the NFS.

Specifically, we carried out interviews and discussions with the management of Sanlorenzo S.p.A. and we also performed limited documentary verifications, in order to gather information on the processes and procedures supporting the collection, aggregation, processing and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, with respect to significant information, taking into consideration the Group's business and characteristics:

- at parent company's and subsidiaries level:
 - a) with regards to qualitative information included in the NFS, and specifically with reference to the business model, policies applied and main risks, we carried out interviews and gathered supporting documentation to check for consistency with available evidence.
 - b) with regards to quantitative information, we carried out both analytical and limited procedures to ensure, on a sample basis, the correct aggregation of data.

Other aspects

The comparative data of the previous year presented in the NFS have not been examined by us.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Sanlorenzo Group as of December 31, 2020 has not been prepared, in all material respects, in accordance with the requirements of article 3 and 4 of the Decree and the GRI Standards.

Genoa, 30 March 2021

Signed by
BDO Italia S.p.A.

Paolo Maloberti
Partner

*This report has been translated into English language
Solely for the convenience of international readers.*

CORPORATE GOVERNANCE

The corporate governance of Sanlorenzo has been structured in accordance with current Italian regulations and with the recommendations contained in the Self-Regulatory Code for listed companies.

Some main aspects are detailed below.

THE PROCESS OF APPOINTING DIRECTORS

The process for the appointment of directors currently in office entailed two steps: 1) the ordinary General (Shareholders') Meeting of the Company appointed a Board of Directors consisting of five members; 2) the ordinary General Meeting of the Company raised the number of directors to nine – coming into force on the start date of negotiations. With the introduction of the so-called slate voting mechanism, directors will be appointed by the General Meeting based on lists of candidates submitted by shareholders, in compliance with law provisions and the Company's articles of incorporation. The lists must be accompanied by information on the identity of the shareholders who have submitted the lists, indicating the total percentage shareholding, the statement with which each candidate accepts the nomination, certifying under their own responsibility that there are no ineligibility and incompatibility causes, and that requirements for the position are met; a curriculum vitae for each candidate, containing exhaustive information on personal and professional qualities, indicating the suitability of the candidate to qualify as independent.

The Chairman of the Board, chosen from among the Directors, is appointed by the General Meeting or, if not nominated by the General Meeting, by the Board itself. He/She shall exercise all the powers needed to carry out any administrative operation and act of the Company, including the execution of Board resolutions, with the power to delegate, with the sole exception of the powers reserved to the Board of Directors by the articles of incorporation.

In the present composition, Massimo Perotti covers the posts of both Chairman and CEO, a fact justified, in the opinion of the Board, by the particular organisational structure of the Company and by his professionalism, experience and the importance of the activity he performs for the Company.

Finally, according to law provisions and the current articles of incorporation, appointments must take into account the principle of gender balance.

THE POWERS OF EXECUTIVE DIRECTORS

Massimo Perotti, Chairman of the board, also holds the post of Chief Executive Officer (CEO), a position vested with all the necessary powers to implement Board decisions, as well as all acts and operations relating to the design, construction and sale of yachts. In addition, the CEO has been vested with exclusive powers and duties relating to matters of occupational health and safety, ecology, protection of the external environment and the territory, fire prevention, and public procurement management⁷⁵.

In addition, the Company's Board of Directors has also conferred management powers on **Marco Viti**, in particular vesting him with powers for the management of the production process and for the sale of boats built and/or marketed by the Company.

Carla Demaria, with reference in particular to powers for the management of charter boat activities and construction and/or running of marinas and other marine works of tourist interest, the construction and/or running of accommodation, hospitality and recreational boating assistance in marinas and of all the installations and infrastructures that make up marina services for charter boat activities, as well as training in the field of design, construction, production and sale of pleasure boats, yachts and naval units, including the "Sanlorenzo Academy" (see the box "Sanlorenzo Academy: Nautical Training School").

INDUCTION AND TRAINING INITIATIVES

The educational and working background of current directors offers a **balanced combination of profiles and experience** within the governing body, ensuring that its duties are performed correctly. Several Board members have worked in the luxury boating sector for many years, acquiring great expertise in Italy and overseas.

An Induction Programme was organised in November 2020 for the Company's directors and auditors to increase their knowledge of the sector in which the Company operates, business dynamics and relative trends, the principles of correct risk management and the relevant regulatory and self-regulatory framework. All members of the Board of Directors and Board of Statutory Auditors took part in the programme, consisting of a total of eight study modules. Topics also included R&D and sustainability strategies.

This programme will continue to be implemented in 2021.

BUSINESS RISK MANAGEMENT

The implementation of the SCIGR is governed by the **guidelines of the internal control and risk management system**, approved by the Board, with the process split up into three macro-phases:

- *Step 1: Identifying risk areas*

The Risk Manager, with the support of the heads of the main company departments in brainstorming sessions, defines a list of risk areas for the Company, with reference to internal and external situations or events. This preliminary list shall be periodically updated so that it serves as a dynamic risk mitigation work plan.

The main areas of risk are identified through a systematic analysis of all corporate processes and of the setting in which the Company operates. This approach responds to the need to analyse all the factors that might compromise the achievement of the Company's main business goals, assessing their consequences and causes.

Risk is assessed by cross-checking the **Likelihood of occurrence** or frequency of the event and the **Severity of damage** caused by the event, obtaining the Risk Index (RI) and the *Priority of Intervention*.

- *Step 2: Dealing with risks*

1. *Identification of mitigation actions*

The aim in this phase is to identify and implement the actions needed to reduce the specific risk in order to bring the RI into the lowest possible risk range.

⁷⁵ With regard to the powers and duties conferred exclusively on the CEO, reference should be made to provisions in place for the employer and the client pursuant to Leg. Dec. 81/2008, and for the legal representative concerning environmental matters.

Responsibility for each risk can be assigned to a level one manager, who will provide the necessary resources to support the action plan, and is entrusted by the Risk Manager with the task of carrying out the necessary analyses and implementing the action plan itself.

Preventive actions to mitigate the risk may include the following types of action:

- Preventive actions to remove the cause of the risk;
- Mitigation actions to reduce the likelihood;
- Mitigation actions to reduce impact.

This process will lead to the compilation of **Risk Data Sheets** on the part of the Risk Manager and the manager of the department concerned.

II. Corrective Actions

If the risk has already manifested, all corrective actions must be taken to limit its consequences and economic impact. An operations team will then be convened, in order to define a timely action plan, managed by the manager of the reference area and approved by the Risk Manager.

III. Progress control and supervision

To ensure the effectiveness of the process, the corrective actions referred to above must be periodically evaluated.

• Step 3: Risk Monitoring

I. Periodic Risk review

Given the variability of the factors considered, those involved in the process should periodically identify and assess existing risks or any new risks, at least once a year.

II. Reporting

Following the periodic review, the Risk Manager shares the results with the Control, Risks and Sustainability Committee by drafting a Risk Management report.

Control activities carried out by the Internal Audit (IA) department

The planning of IA activities, incorporating the priorities defined above, covers a 3-year time frame, and is organised in a "three-year" Audit Plan, in order to arrange periodic checks on different business areas. Relative checks and controls carried out in 2020 may be summarised in brief as follows:

- 1) Checks to ensure that the situation complies in environmental terms with ISO 14001:2015 international standards;
- 2) Checks on compliance with Occupational Health, Hygiene and Safety standards defined by OHSAS 18001 international standards and Italian legislation, Leg. Dec. 231/01, Leg. Dec. 81/08 and Leg. Dec. 152/06;
- 3) Checks on prevention activities and control of potential sources of soil and subsoil contamination, compliance with the industrial waste management plan;
- 4) Cyber security checks;
- 5) Checks on compliance with the *Know Your Customer* (KYC) procedure⁷⁶ and more generally the Company's OFAC Compliance Policy (see section "Ethics and compliance");

⁷⁶This recognition process is used by companies to verify the identity of their customers and assess potential risks or illegal intentions in relative relations.

- 6) Audits of the main financial flows pursuant to Leg. Dec. 262/05, including the management of contracts, backlogs, inventories of work in progress, inventories for work orders in progress, net financial position, interest rate and exchange rate hedging operations, borrowing and covenants;
- 7) Checks on the adoption of controls to mitigate the risk of corruption in the areas identified as most at risk (see section "Ethics and compliance");

Anti-corruption and antitrust tools

With specific reference to the contents of **Model 231**, special care is taken over the question of **purchases and suppliers**. Sanlorenzo has set out a series of internal steps to ensure an adequate level of control over the crime of corruption, controls on orders and signatures for instance. The Company's supplier policy, as well as General Procurement Conditions, expressly set out measures to combat corruption, both active and passive.

A further key area to watch over is relations with **customers**: Sanlorenzo undertakes to ensure the full satisfaction of customers throughout the relationship, based on the utmost trust, and believes it is essential to operate with the utmost transparency and correctness, in compliance with law provisions and guaranteeing independence from any form of internal and external conditioning. In this sense, all communications sent directly to customers, as well as all contracts, must meet the requirements of clarity, simplicity, completeness, maximum correctness and compliance with current legislation and internal commercial policies.

The Company continuously monitors these business processes, in order to define preventive actions to counter the risks identified, and is committed to developing commercial relations based on the **principle of reciprocity**, with both parties involved in the relationship having as its main objective the success of the relationship, preventing possible obstacles and difficulties.

In greater detail, the 231 Model sets out a disciplinary system that defines sanctions commensurate with the violation committed and in compliance with the specific terms of the contract: reference is made for instance to the National Collective Bargaining Agreement for the specific worker category in the case of employees and executives, or as indicated in the letters of appointment in the case of collaborators and external suppliers. Dismissal, with or without notice, and termination of the sales contract are classified as the highest possible sanction, and therefore set in motion only in the event of very serious and unlawful actions or conduct. Everyone working in the name and/or on behalf of the Company is notified about methods for dealing with and punishing any unlawful conduct, both acts and omissions.

The **Code of Conduct** is an instrument that clarifies the duties and responsibilities of the Group in relations with all its stakeholders, and sets forth the principles and rules of business conduct to which the recipients must conform. Sanlorenzo sets out three main commitments in the Code:

1. Commitment to people and the environment
2. Commitment to responsible business conduct and integrity
3. Commitment to asset management and business information management.

The Code of Conduct also identifies the ethical and professional standards that Group companies must meet when performing their business, also in terms of efficiency and reliability. This system therefore flanks the internal control of each company.

The code calls on all employees to act responsibly and seek advice in the event of difficult decisions or in specific situations. In particular, it goes through some key questions to guide human resources in acting correctly and evaluating other people's conduct.

In keeping with the policy of maximum accountability of human resources, the Code seeks to ensure that collaborators themselves are able to evaluate the legal and moral correctness of their actions and decisions in order to protect their role within the Company and the Company's reputation, and to enable them to contact specific internal contacts should they require support in this regard.

Finally, with reference to the **Sanctions Compliance Program**, a specific risk assessment needs to be carried out to identify threats or weaknesses that might lead to OFAC programme violations, which would damage the reputation of the Group or its business, and result in fines. The assessment carried out revealed that the main OFAC risk area was the relationship with existing and potential customers. Strict KYC procedures have therefore been put in place, as well as a *Customer Due Diligence Process*, developed on the basis of information provided by clientele and through research and checks undertaken independently by Sanlorenzo before establishing a relationship with the customer.

Finally, checks on countries and individuals sanctioned by OFAC are normally carried out by the Company's counterparties, in particular financial institutions and insurance companies.

ECONOMIC SUSTAINABILITY INDICATORS

GRI 201-I: Directly generated and distributed economic value

Generated and distributed economic value (Euro/000)	2020	2019	2018
Net revenues	464,178	473,101	365,536
Other income	5,004	3,411	4,101
Financial income	446	302	21
ECONOMIC VALUE GENERATED	469,628	476,814	369,658
Costs for consumption of raw materials and consumables and finished products	172,209	193,304	132,501
Costs for external processing and services	196,806	189,909	136,576
ECONOMIC VALUE DISTRIBUTED TO SUPPLIERS/CONTRACTORS	369,015	383,213	269,077
Labour costs	34,980	32,440	26,092
ECONOMIC VALUE DISTRIBUTED TO EMPLOYEES	34,980	32,440	26,092
Financial charges ⁷⁷	1,980	4,883	2,743
Dividends ⁷⁸	10,312	3,800	-
ECONOMIC VALUE DISTRIBUTED TO LENDERS (Shareholders and Credit institutes)	12,312	8,683	2,743
Income tax	15,093	11,596	5,889
Income tax related to change resulting from actuarial calculations of the employee benefits reserve	-6	5	-2
Income tax relating to changes in the cash flow hedge reserve	-126	41	-102
ECONOMIC VALUE DISTRIBUTED TO THE PUBLIC ADMINISTRATION	14,961	11,642	5,785
Investments for local communities	77	52	38
ECONOMIC VALUE DISTRIBUTED TO THE COMMUNITY	77	52	38
DISTRIBUTED ECONOMIC VALUE	431,345	436,030	303,735
RETAINED ECONOMIC VALUE (difference between generated and distributed economic value)	38,283	40,784	65,923

⁷⁷ The value shown corresponds to the Income Statement item referring to "financial expenses", from which the balance between foreign exchange gains and losses has been deducted.

⁷⁸ The figure for the dividend to be distributed for the profit posted in 2020 matches the Board's proposal to the Company's shareholders, namely €0.30 per share, net of treasury shares held in the portfolio on the date this NFS is approved, corresponding to 58,666 shares. This figure may however be replaced in subsequent reports by the figure actually distributed. The amount given for the financial year 2019 refers to the partial distribution of the extraordinary reserve to shareholders.

**GRI 207-1 Approach to tax ; GRI 207-2 Tax Governance, control and risk management;
GRI 207-3 Stakeholder engagement and management concerns related to tax**

As explained in the Code of Ethics, the Company acknowledges that the tax system must be based on a relationship of trust and collaboration between the citizen and the authority in charge, in a regime of **transparency**, greater **balance** and **effective reciprocity**.

Tax activities are managed in compliance with the values of **honesty** and **integrity** and, in line with the Company's sustainability strategy, in the knowledge that its contribution to tax revenues contributes to the **economic and social development of the countries in which it operates**. For Sanlorenzo, compliance with tax obligations therefore contributes to the ethical and responsible management of the Company.

The approach adopted is oriented towards compliance with all laws and regulations, through the fulfillment of tax return obligations and, at the same time, the minimisation of tax risks, also in part through the use of facilitating tax regulations.

In order to ensure compliance with the above values, the tax strategy of the Sanlorenzo Group is based on compliance with current tax legislation in implementing the business and sustainability strategy and performing corporate activities. Group companies are therefore required to respect the principle of **legality** by applying it in a timely manner to the tax laws of the countries where it operates, in accordance with the principles and the purpose laid down in the rule or order in this area, making use of advisors inside and, where necessary, outside the Group, should rules be unclear or ambiguous in their meaning.

It is noted moreover that the Group adheres to provisions concerning *transfer pricing documentation*, in accordance with the **Transfer Pricing Guidelines** drawn up by the Organisation for Economic Co-operation and Development (OECD).

The Parent Company coordinates the Group's tax strategy, in particular, entrusting to the Chief Financial Officer (CFO), supported by the Administration, Finance and Control department and Internal Audit department, the task of ensuring the compliance of all Group organisations.

Tax management falls within the scope of the internally set-up SGSR, in which the following bodies and figures are the main actors:

- Board of Directors;
- Control, Risk and Sustainability Committee;
- CFO;
- Risk Manager.

In particular, through the Risk Control Matrix tool – periodically updated to ensure alignment with laws and regulations and related tax matters – Sanlorenzo constantly undertakes checks to ensure the Company's compliance with relevant tax legislation and monitors the various procedures and business areas in order to prevent the emergence of any elements of risk-taking, taking appropriate and prompt counter-measures.

In the event of illegal or unethical conduct, Model 231 and the Whistleblowing Procedure are in place, governing procedures for reporting critical issues, including those relating to tax matters.

Finally, the Code of Ethics outlines the scope of "ethical oversight" within which the Company operates. The provisions regarding Code of Ethics breaches are in place to ensure effectiveness and are extended to the contents of the tax strategy.

Sanlorenzo has also adopted procedures to ensure the proper conduct of its suppliers and subcontractors, also in the area of tax. Examples are the CGA, where explicit reference is made to tax matters.

Special attention is also paid to anti-money laundering legislation, also with reference to relations with customers.

GRI 207-4 Reporting country-by-country

Tax reporting of the Company Sanlorenzo S.p.A. (Italian tax jurisdiction)

Main activities	Construction of pleasure and sports boats		
Number of employees	476	456	382
Revenue from sales to third parties (k€)	422,894	460,493	357,357
Revenues from intragroup transactions involving other tax jurisdictions (K€)	41,284	13,174	46,589
Pre-tax profit/loss (K€)	45,313	40,265	18,024
Tangible assets other than cash and cash equivalents (K€)	106,625	98,862	77,057
Corporate income taxes paid on a cash receipt criterion basis (K€) ⁷⁹	15,030	8,406	5,843
Corporate income taxes accrued on profit / loss (K€)	11,316	11,209	5,931

The items determining the difference between income tax earned on profits and tax payable are the result of incentives linked to R&D activities⁸⁰, received by the Company due to significant investments made in this area.

⁷⁹ Tax returns and Irap tax.

⁸⁰ The reference is to the so-called Patent Box and R&D Credit.

ENVIRONMENTAL SUSTAINABILITY INDICATORS

GRI 301-I: Materials used by weight or volume

YACHT DIVISION

	2020	2019	2018
Units delivered	50	34	39
Renewable materials used (in kg)			
Plywood for compartmentation	147,795	95,224	118,670
Wood for furniture/furniture	513,162	327,669	421,062
Teak	93,445	60,968	80,179
Non-renewable materials used (kg)			
Gelcoat	79,258	50,534	63,949
Resin for lamination	786,302	509,260	647,263
Fibreglass for lamination	611,793	401,371	502,862
Carbon fiber for lamination	79,355	42,751	74,534
PU/PVC for lamination China manufacturer	83,295	51,692	68,649
Catalysts	16,247	10,617	13,771
Stucco	13,197	7,787	11,194
Paints	27,011	17,783	20,936
Glues	65,043	44,354	49,894
Ferrous materials	839,890	478,456	697,510
Aluminium alloys	96,240	64,593	74,825
Stainless steel	285,289	175,077	222,745
Copper	182,622	114,350	167,652
Technopolymer pipes	55,793	35,762	55,664
Batteries	70,593	45,474	51,788
Glass	74,449	52,508	50,235
Insulation materials	136,655	86,683	120,023
Marble and stones	57,609	36,460	44,224
Fabrics/upholstery/carpeting	51,786	34,116	41,735
Lubricating oils	13,050	8,700	10,850
Total	4,130,207	2,553,121	3,427,883
% of renewable materials out of total materials used	17%	18%	17%

SUPERYACHT DIVISION

	2020	2019	2018
Units delivered	4	3	3
Renewable materials used (in kg)			
Plywood for compartmentation	130,790	114,790	120,540
Wood for furniture/furniture	87,200	104,700	75,300
Teak	14,800	15,300	12,400
Non-renewable materials used (kg)			
Ferrous materials	575,600	896,000	650,459
Stainless steel	63,300	47,510	45,800
Aluminium alloys	265,800	147,600	85,825
Copper	55,900	72,600	43,500
Insulation materials	56,500	91,250	49,100
Technopolymer pipes	24,400	14,100	16,950
Fabrics/upholstery/carpeting/padded items	5,750	7,100	4,350
Marble and stones	13,000	36,600	11,500
Stucco	77,800	63,200	63,586
Paints	15,150	18,550	14,435
Glues	6,660	5,310	5,310
Resin for lamination (fin stabilisers)	3,360	4,120	3,020
Glass	31,500	30,200	26,000
Batteries	6,000	4,400	3,323
Lubricating oils	3,850	4,450	3,016
Total	1,437,360	1,677,780	1,234,414
% of renewable materials out of total materials used	16%	14%	17%

GRI 302-1 Energy consumption within the organisation

YACHT DIVISION

in GJ	2020	2019	2018
Purchased electricity (non-renewable)	10,307.39	10,334.57	8,410.84
Purchased electricity (renewable)	7,315.10	7,334.38	5,796.66
Self-produced and consumed electricity (renewable from photovoltaic)	1,652.58	0.00	0.00
Methane Gas	3,353.40	3,447.84	3,950.54
Total energy consumption	22,628.47	21,116.80	18,158.04
of which renewable	40%	35%	32%
Diesel	23,216.19	13,351.90	20,367.75
Total fuel consumed	23,216.19	13,351.90	20,367.75
Total energy consumption	45,844.65	34,468.70	38,525.79

SUPERYACHT DIVISION

in GJ	2020	2019	2018
Purchased electricity (non-renewable)	10,428.61	10,938.46	7,857.19
Purchased electricity (renewable)	7,401.12	7,762.96	5,415.09
Methane Gas	1,663.78	2,963.78	1,704.17
Total energy consumption	19,493.51	18,701.42	13,272.27
of which renewable	38%	42%	41%
Diesel	2,637.26	2,862.13	2,498.62
Total fuel consumed	2,637.26	2,862.13	2,498.62
Total energy consumption	22,130.76	21,563.55	15,770.89

GRI 302-3 Energy intensity

YACHT DIVISION

GJ/GT	2020	2019	2018
Total energy consumption	45,844.65	34,468.70	38,525.79
Total GT	6,094.40	4,442.25	7,260.80
Energy intensity	7.52	7.76	5.31

SUPERYACHT DIVISION

GJ/GT	2020	2019	2018
Total energy consumption	22,130.76	21,563.55	15,770.89
Total GT	1,472.00	2,398.00	1,961.00
energy intensity	15.03	8.99	8.04

GRI 303-3 Water withdrawal

YACHT DIVISION

in megalitres	2020	2019	2018
Water withdrawals from water stress areas	45.42	43.61	32.04
Water withdrawals from groundwater (well)	2.98	3.03	2.92
Water withdrawals from third-party water resources (aqueducts)	42.44	40.57	29.13

SUPERYACHT DIVISION

in megalitres	2020	2019	2018
Water withdrawals from water stress areas	20	32	12
Water withdrawals from third-party water resources (aqueducts)	20	32	12

GRI 303-5 Water consumption (water storage)

in megalitres	2020	2019	2018
Ameglia (Firefighting water reserve)			
Total water storage at end of the year	0.24	0.24	0.24
Total water storage at beginning of the year	0.24	0.24	0.24
Change in water storage	0	0	0
Viareggio (Firefighting water reserve)			
Total water storage at end of the year	0.14	0.14	0.14
Total water storage at beginning of the year	0.14	0.14	0.14
Change in water storage	0	0	0

GRI 304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations

Montemarcello-Magra-Vara Regional Park ⁸¹	2020
Birds (Directive 147/EC/2009)	53
CR - Critically endangered	0
EN - Endangered	2
VU - Vulnerable	1
NT - Near threatened	4
LC – Least concern	46
Other vertebrates (Directive 92/43/EEC)	21
CR - Critically endangered	2
EN - Endangered	0
VU - Vulnerable	6
NT - Near threatened	1
LC - Least concern	12
Total IUCN Red List species	74

⁸¹ The table shows the species included in the standard form ZSC IT1343502 Parco Della Magra-Vara.

GRI 305-1 Direct GHG emissions (Scope 1) GRI 305-2 Indirect GHG emissions (Scope 2)

YACHT DIVISION			
in tonCO ₂ eq	2020	2019	2018
Direct emissions (Scope 1)	1795.67	1092.24	1609.09
Natural Gas	170.94	175.797196	200.554867
Diesel	1624.73	916.44	1408.53
Indirect emissions (Scope 2)			
Purchased electricity (location-based)	667.52	733.75	661.35
Purchased electricity (market-based)	1334.23	1398.04	1121.44
Total Scope 1 and Scope 2 emissions (location-based)	2463,18	1825,99	2270,43
Total Scope 1 and Scope 2 emissions (market-based)	3129,90	2490,28	2730,53

SUPERYACHT DIVISION			
in tonCO ₂ eq	2020	2019	2018
Direct emissions (Scope 1)	270.87	326.81	232.01
Natural Gas	84.81	151.1161	86.51459
Diesel	186.0585	175.6989	145.4947
Indirect emissions (Scope 2)			
Purchased electricity (location-based)	675.37	776.63	
Purchased electricity (market-based)	1349.93	1479.73	
Total Scope 1 and Scope 2 emissions (location-based)	946.24	1103.45	849.82
Total Scope 1 and Scope 2 emissions (market-based)	1620.79	1806.55	1279.63

GRI 305-4 Emission intensity

YACHT DIVISION

tonCO ₂ eq/h of site operations	2020	2019	2018
Total hours of site operations	3300	3300	3300
Emission intensity Scope 1	0.54	0.33	0.49
Emission intensity Scope 2 (location based)	0.20	0.22	0.20
Emission intensity Scope 2 (market based)	0.40	0.42	0.34
Total emission intensity Scope 1 + Scope 2 (location based)	0.75	0.55	0.69
Total emission intensity Scope 1 + Scope 2 (market based)	0.95	0.75	0.83

SUPERYACHT DIVISION

tonCO ₂ eq/h of site operations	2020	2019	2018
Total hours of site operations	3300	3300	3300
Emission intensity Scope 1	0.08	0.10	0.07
Emission intensity Scope 2 (location based)	0.20	0.24	0.19
Emission intensity Scope 2 (market based)	0.41	0.45	0.32
Total emission intensity Scope 1 + Scope 2 (location based)	0.29	0.33	0.26
Total emission intensity Scope 1 + Scope 2 (market based)	0.49	0.55	0.39

GRI 306-2 Waste by type and disposal method

YACHT DIVISION

In tonnes	2020	2019	2018
Non-hazardous waste	1,697.68	1,891.90	1,539.40
of which sent for recovery	1,563.61	1,688.37	1,252.81
Recycling/reclamation of other inorganic substances (R5)	0	0	0
Recovery of components used to reduce pollution (R7)	0	0	0
Exchange of wastes (R12)	0	0	0
Storage of wastes (R13)	1,563.61	1,688.37	1,252.81
of which disposed of	134.07	203.53	222.83
Biological treatment (D8)	22.26	7.40	0.50
Physico-chemical treatment (D9)	4.90	25.16	14.79
Preliminary blending (D13)	0.00	0.00	0.00
Preliminary storage (D15)	106.91	170.97	207.54
Hazardous waste	287.66	349.01	290.82
of which sent for recovery	211.76	234.14	207.96
Recycling/reclamation of other inorganic substances (R5)	0	0	0
Recovery of components used to reduce pollution (R7)	41.92	75.77	28.93
Exchange of wastes (R12)	0	0	0.9
Storage of wastes (R13)	170	158	178
of which disposed of	75.90	114.86	82.86
Biological treatment (D8)	0	0	0
Physico-chemical treatment (D9)	9	26	14.000414
Preliminary blending (D13)	10.4	4.924	4.294
Preliminary storage (D15)	56.50	83.94	64.57

SUPERYACHT DIVISION

In tonnes	2020	2019	2018
Non-hazardous waste	840.51	924.79	581.37
of which sent for recycling	732.50	873.58	563.37
Recycling/reclamation of other inorganic substances (R5)	214.32	73.12	25.66
Recovery of components used to reduce pollution (R7)	0	0	0
Exchange of wastes (R12)	0.40	1.11	0.20
Storage of wastes (R13)	517.78	799.36	537.51
of which disposed of	108.01	51.21	18.00
Biological treatment (D8)	60.37	28.30	8.00
Physico-chemical treatment (D9)	45.90	21.40	10.00
Preliminary blending (D13)	0	0	0
Preliminary storage (D15)	1.74	1.51	0
Hazardous waste	91.87	58.84	18.75
of which sent for recycling	21.35	22.67	3.53
Recycling/recovery of other inorganic substances (R5)	0	0	0
Recovery of components used to reduce pollution (R7)	0	0	0
Exchange of wastes (R12)	0.35	0.45	0.26
Storage of wastes (R13)	21.01	22.23	3.27
of which disposed of	70.52	36.17	15.22
Biological treatment (D8)	0	0	0
Physico-chemical treatment (D9)	65.25	27.835	5.418
Preliminary blending (D13)	0	0	0
Preliminary storage (D15)	5.266	8.333	9.806

SOCIAL SUSTAINABILITY INDICATORS

GRI 102-8 Employee information

Employees, by type of contract and gender	2020	2019	2018
Permanent contract	453	393	324
Men	352	305	260
Women	101	88	64
Fixed-term contract	23	63	58
Men	15	50	39
Women	8	13	19
Employees, by type of work and gender	2020	2019	2018
Full time	468	449	377
Men	367	355	299
Women	101	94	78
Part time	8	7	5
Men	0	0	0
Women	8	7	5
Total employees	476	456	382
Total employees (men)	367	355	299
Total employees (women)	109	101	83

GRI 102-4I Collective bargaining agreements

Employees covered by collective bargaining agreements, by category	2020	2019	2018
Senior and Middle Managers	79	70	63
	100%	100%	100%
Office workers	310	293	231
	100%	100%	100%
Manual workers	87	93	88
	100%	100%	100%
Total employees covered by collective bargaining agreements	476	456	382

GRI 202-2 Proportion of senior managers hired from the local community

Percentage of senior managers hired from the local community ⁸²	2020	2019	2018
Executives (Tuscany/Liguria)	46%	38%	48%

GRI 204-I Proportion of spending on local suppliers

Spending on local suppliers (in EUR)	2020	2019	2018
Total expenditure for supplies	442,133,889	466,316,869	354,881,682
Of which from local suppliers	148,903,108	155,918,878	119,560,148
Percentage spending on local suppliers	33.68%	33.44%	33.69%

GRI 401-I New employee hires and employee turnover

New hires, by age and gender	2020	2019	2018
< 30 years old	11	30	10
Men	7	21	5
Women	4	9	5
30 ≤ x ≤ 50 years old	18	19	41
Men	15	15	32
Women	3	4	9
> 50 years old	6	7	13
Men	6	6	13
Women	0	1	0
Total new hires	35	56	64
Total women hired	7	14	14
Total men hired	28	42	50

Terminations, by age and gender	2020	2019	2018
< 30 years old	2	4	0
Men	1	3	0
Women	1	1	0
30 ≤ x ≤ 50 years old	9	19	8
Men	8	16	6
Women	1	3	2
> 50 years old	8	11	6
Men	8	10	6
Women	0	1	0
Total terminations	19	34	14
Total women	2	5	2
Total men	17	29	12

⁸² Senior managers hired from the local community is taken to mean Managers born or legally entitled to reside indefinitely in the regions where the Company operates, therefore Liguria and Tuscany.

GRI 401-3: Parental leave

Parental leave, by gender	2020	2019	2018
Employees entitled to parental leave			
Men	367	355	299
Women	109	301	83
Employees who have taken parental leave			
Men	0	0	1
Women	3	5	2
Employees who returned to work during the reporting period after having taken parental leave			
Men	0	0	1
Women	1	3	2
Employees who returned to work after having taken parental leave and who are still employees of the organisation in the 12 months after their return			
Men	0	0	0
Women	na ⁸³	3	2
Return to work rate			
Men	-	-	1
Women	0.33	0.60	1
Retention rate for employees who have taken parental leave			
Men	-	0	-
Women	-	1.5	-

GRI 402-1: Minimum notice periods regarding operational changes

	2020	2019	2018
Number of minimum weeks' notice generally given to employees and their representatives before significant operational changes that might have a significant effect on workers ⁸⁴	2	2	2

⁸³ Not applicable as 12 months have not yet passed since return.

⁸⁴ The figure entered refers to the transfer of employees from one job to another or from one site to another. In the latter case, reference is made to "reasonable notice" as indicated in the collective agreement.

GRI 403-8: Workers covered by an occupational health and safety management system

Employees and interns covered by the occupational health and safety management system	2020	2019	2018
Total number of employees ⁸⁵	561	576	480
Number of employees covered by this system	561	576	480
Percentage of employees covered by this system	100 %	100%	100%
Number of employees covered by this subject to internal audit	55	45	35
Percentage of employees covered by this system subject to internal audit	9.80%	7.81%	7.29%
Number of employees covered by this system subject to audits carried out by independent third parties	3	3	3
Number of employees covered by this system subject to audits carried out by independent third parties	0.53%	0.52%	0.63%
Workers of contractors covered by the occupational health and safety management system			
Total number of external workers	1950	1950	1750
Number of employees covered by this system	1950	1950	1750
Percentage of employees covered by this system	100%	100%	100%
Number of employees covered by this subject to internal audit	10	10	10
Percentage of employees covered by this system subject to internal audit	0.51%	0.51%	0.57%
Number of employees covered by this system subject to audits carried out by independent third parties	5	4	3
Number of employees covered by this system subject to audits carried out by independent third parties	0.26%	0.21%	0.17%

⁸⁵ The figure includes both employees and trainees of Sanlorenzo S. p. a.

GRI 403-9 Work-related injuries

Work-related injuries - Sanlorenzo employees	2020	2019	2018
Number of hours worked	812,103	772,445	631,858
Number of recordable accidents at work	15	21	13
of which while travelling to and from work (only if transport was organised by the organisation)	3	4	2
Rate of recordable accidents at work (including deaths)	18.47	27.19	20.57
Number of accidents at work with serious consequences (excluding deaths)	0	0	0
Rate of accidents at work with serious consequences (excluding deaths)	0.00	0.00	0.00
Number of deaths from accidents at work	0	0	0
Rate of deaths from accidents at work	0.00	0.00	0.00
Work-related injuries - Workers of contractors	2020	2019	2018
Number of hours worked	6,435,000	6,435,000	5,775,000
Number of recordable accidents at work (including deaths)	28	29	15
of which while travelling to and from work (only if transport was organised by the organisation)	0	0	0
Rate of recordable accidents at work (including deaths)	4.35	4.51	2.60
Number of accidents at work with serious consequences (excluding deaths)	0	0	0
Rate of accidents at work with serious consequences (excluding deaths)	0.00	0.00	0.00
Number of deaths from accidents at work	0	0	0
Rate of deaths from accidents at work	0.00	0.00	0.00

GRI 404-I Average hours of training per year per employee

Categories of employees	2020	2019	2018
Senior and Middle Managers			
Men	67.5	401	304
Women	32	92	144
Total hours of training	99.5	493	448
Office workers			
Men	771	1473	1084
Women	97	695	352
Total hours of training	868	2168	1436
Manual workers			
Men	56	31	168
Women	0	0	0
Total hours of training	56	31	168
Total hours of training	1023.5	2692	2052
Average annual hours of training (total employees)	2.15	5.90	5.37
Average annual hours of training (women employees)	9.30	26.65	24.72
Average annual hours of training (male employees)	2.79	7.58	6.86

In particular, the following training courses were held in 2020:

- Technical training
- Management training
- Soft skills training
- IT and language training
- General Training pursuant to art. 37 of Legislative Decree 81/08
- Specific low risk training pursuant to art. 37 of Legislative Decree 81/08
- Specific high risk training pursuant to art. 37 of Legislative Decree 81/08
- Training of Managers pursuant to art. 37 of Legislative Decree 81/08
- Training of Senior Managers pursuant to art. 37 of Legislative Decree 81/08
- Training pursuant to art. 71 paragraph 7 of Leg. Dec. 81/08 for the use of all work equipment, machinery, tools, installations, PPE requiring special knowledge or responsibility (e.g. gantries, forklifts, aerial platforms, PPE 3rd Cat., etc.)
- Fire-fighting training for personnel pursuant to art. 46 of Legislative Decree 81/08, and M.D. of 10/03/98
- First aid training for personnel pursuant to art. 45 of Legislative Decree 81/08, and M.D. of 388/03

GRI 404-3: Percentage of employees receiving regular performance and career development reviews

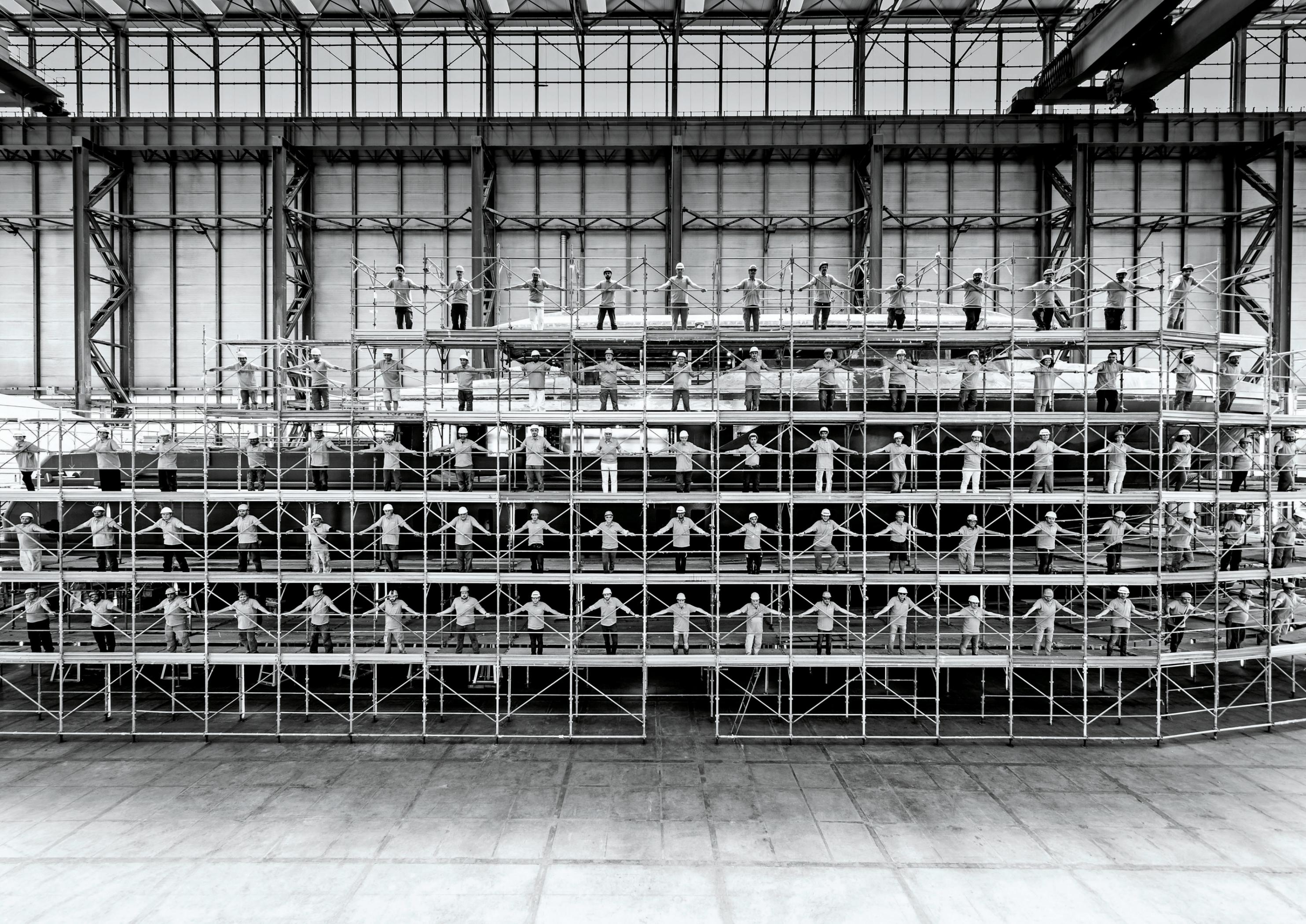
Employees whose performance has been assessed, by professional category and gender	2020	2019	2018
Senior and Middle Managers			
Men	98%	98%	92%
Women	100%	91%	88%
Office workers			
Men	48%	35%	30%
Women	17%	24%	9%
Manual workers			
Men	0	0	0
Women	0	0	0
Governing bodies (Board of Directors)			
Men	100%	100%	100%
Women	100%	100%	100%

GRI 405-1 Employee diversity

Employee diversity	2020	2019	2018
Senior and Middle Managers	79	70	63
< 30 years old	0	0	0
Men	0	0	0
Women	0	0	0
30 ≤ x ≤ 50 years old	45	36	35
Men	37	30	31
Women	8	6	4
> 50 years old	34	34	28
Men	29	29	23
Women	5	5	5
Office workers	310	293	231
< 30 years old	90	66	42
Men	60	44	24
Women	30	22	18
30 ≤ x ≤ 50 years old	179	183	151

Men	125	129	105
Women	54	54	46
> 50 years old	41	44	38
Men	30	32	30
Women	11	12	8
Manual workers	87	93	88
< 30 years old	9	11	12
Men	9	11	12
Women	0	0	0
30 ≤ x ≤ 50 years old	35	34	32
Men	35	34	31
Women	0	0	1
> 50 years old	43	48	44
Men	42	46	43
Women	1	2	1

Vulnerable categories, by job type and gender	2020	2019	2018
Senior and Middle Managers	1	1	1
Men	1	1	1
Women	0	0	0
Office workers	8	8	6
Men	4	4	3
Women	4	4	3
Manual workers	6	6	6
Men	6	6	6
Women	0	0	0
Total vulnerable categories (women)	4	4	3
Total vulnerable categories (men)	11	11	10
Total vulnerable categories	15	15	13



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