



# Consolidated Non-Financial Statement 2019



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Prepared pursuant to Italian legislative decree 254/2016

This report was approved by the Board of Directors of Emak S.p.A. on the 13<sup>th</sup> March 2020.

## Index

|   |    |
|---|----|
| Letter to the Stakeholders.....                   | 3  |
| Method of preparation.....                        | 4  |
| 1. The business of the Group .....                | 7  |
| 1.1 The Group at a glance .....                   | 7  |
| 1.2 History.....                                  | 14 |
| 1.3 Governance structure .....                    | 16 |
| 1.4 Ethics, integrity and compliance .....        | 18 |
| 1.5 Management of risks and opportunities.....    | 20 |
| 2. Approach to Sustainability .....               | 22 |
| 3. The priorities of the Group .....              | 28 |
| 3.1 Social responsibility .....                   | 28 |
| 3.1.1 The people in the Group .....               | 28 |
| 3.1.2 Training and wellbeing of employees .....   | 29 |
| 3.1.3 Diversity and equal opportunities .....     | 30 |
| 3.1.4 Health and safety.....                      | 31 |
| 3.2 Product Responsibility .....                  | 33 |
| 3.2.1 Supply chain .....                          | 33 |
| 3.2.2 Research and development.....               | 35 |
| 3.2.3 Product quality and safety .....            | 37 |
| 3.3 Economic responsibility .....                 | 39 |
| 3.3.1 Economic value created and distributed..... | 39 |
| 3.4 Environmental Responsibility.....             | 41 |
| 3.4.1 Energy consumption .....                    | 41 |
| 3.4.2 Emissions.....                              | 42 |
| 3.4.3 Water withdrawals .....                     | 43 |
| 4. Performance indicators.....                    | 44 |
| GRI Content Index .....                           | 55 |
| Report of the independent auditor .....           | 61 |

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## Letter to the Stakeholders

Dear all,

I would like, first of all, to thank you for your constant support and backing in our development path.

We are a Group of 2,000 people with a direct presence in 14 countries in 4 continents and we offer our customers throughout the world a wide range of products in the three business segments in which we operate: Outdoor Power Equipment, Pumps and High Pressure Water Jetting, Components and Accessories.

The Non-Financial Statement is for us an important means to share with all those we relate with the initiatives that our Group carries out in the area of social responsibility.

The year just ended has been complex from a business point of view. Nevertheless, we have not reduced our commitment to the development of sustainable products, the reduction of energy consumption and consequently of our environmental impact, and the professional development of our collaborators. We have also completed some important investments: the construction of the new engineering center at the Parent Company Emak S.p.A. and the first phase of the ERP Transformation project relating to the change of the management system were completed.

In the future, as in the past, our approach will continue to be based on the principles of fairness, competence and spirit of innovation, in order to obtain results that satisfy all our stakeholders.

The Chairman  
Fausto Bellamico

## Method of preparation

This document is the Consolidated Non-Financial Statement (hereinafter referred to also as the “NFS”) of the Emak Group relating to the financial year 2019.

As provided for by art. 5 of the Decree, this document is a separate report marked by a specific wording in order to identify it as the Non-Financial Statement provided for by the legislation.

The Group prepares the NFS on an annual basis. The main objective of the document is to respond to expectations of the stakeholders, setting out in a transparent manner and according to the guidelines recognised at international level, the work carried out to increase the Group’s sustainability.

Emak Group’s NFS has been prepared so as to allow for an understanding of the activities of the Group, its performance, its results and its impact on society and the environment, and covers the issues deemed relevant and provided for by Art. 3 of Leg. Dec. 254/16 with reference to the 2019 financial year (from 1 January to 31 December). In particular, the definition of significant aspects for the Group and its stakeholders has been carried out on the basis of a process of analyses of materiality described in the chapter “Approach to sustainability”.

This NFS 2019 has been prepared in compliance with the “Global Reporting Initiative Sustainability Reporting Standards”, defined in 2016 by the Global Reporting Initiative (GRI), according to the «in accordance - Core» option. As regards the topic-specific Standards GRI 403 (Occupational Health and Safety) and GRI 303 (Water and Effluents), the most recent version updated in 2018 has been adopted. Moreover, where appropriate, the guidelines of the EU 2017/C215/01 Guidelines have also been taken into account. The “GRI Content Index” section, in which the GRI table is reported in order to give full disclosure of coverage of the GRI indicators associated with each issue emerging as material, forms an integral part of this document.

With regards to economic-financial data, the reporting perimeter is the same as for the Consolidated Financial Statements of the Group. With relation to information regarding social aspects, the parent company and its subsidiaries which are fully consolidated<sup>1</sup> in the consolidated financial statements of the Group have been included in the reporting perimeter. It should be noted that 2018 data do not include the company Raico S.r.l. (considered not significant being a company with solely commercial offices which left the Group on 30 March 2018).

With regards to information relating to environmental aspects, the reporting perimeter of energy consumption and greenhouse gas emissions has been expanded to include all the companies fully consolidated within the Annual Financial Statements of the Group. The figures relating to other polluting emissions into the atmosphere other than greenhouse gas emissions and water consumption refer only to companies that carry out production activities, excluding therefore commercial companies, as they are considered not relevant in order to ensure an understanding of the Group's business activity and its impact.

With reference to extraordinary operations in the reporting period in question, it should be noted that on 25 January 2019 the subsidiary Tecomec S.r.l. completed the purchase of 30% of the share capital of Agres Sistemas Eletrônicos S.A. (“Agres”), a Brazilian company based in Pinais (Paraná) active in the development and supply, mainly on the local market, of electronic systems (software, hardware and related services) intended for agricultural machines, in particular spraying and weeding machines and seeders. The social and environmental figures and information relating to Agres are not included in this NFS as the company is not fully consolidated in the Annual Financial Report. In Addition, on 30 November 2019, the total demerger of the company Geoline Electronic S.r.l. occurred.

For the purpose of permitting comparability of the data over time, comparison with data relating to 2018 has been reported. Re-despositions of previously published comparative data shall be clearly indicated as such. To guarantee the reliability of the data, the use of estimates has been limited as far as possible, and is appropriately indicated in the document where present.

<sup>1</sup> For the list of fully consolidated Group companies, reference should be made to paragraph 2.2 – Principles of consolidation – of the Notes to the Consolidated Financial Statements of the Emak Group

The Investor Relations (IR) Department has been responsible for the collection of the data and the preparation of the Report, involving in every phase the competent corporate structures of Group companies included in the aforementioned perimeter.

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The NFS is also subject to a limited audit (“limited assurance engagement” according to the criteria set out by the ISAE 3000 standard Revised) on the part of Deloitte & Touche.

It should be noted that the Emak Group has embarked upon a programme of continuous improvement as part of the analysis of risks generated or suffered regarding the issues provided for by Art. 3 of Leg. Dec. 254/16 and the development of relative management policies. Specifically:

### **Combatting corruption**

The question of combatting corruption is controlled within the context of the Organisational Model pursuant to Leg. Dec. 231/01 adopted by the Parent Company and by the Italian subsidiaries. As confirmation of its commitment, the Group has drawn up an anti-corruption policy with the aim of further strengthening its system for preventing corruption and bribery. In order to ensure maximum dissemination to all Group companies and to external parties that have relationships with the Group, this policy will be integrated into the Group Code of Ethics in its next update, reasonably in the course of 2020.

### **Social and staff-related issues**

Staff-related issues are dealt with through the Group’s HR department, which supervises and guarantees the correct performance of all HR processes. In order to have greater control and coordination of issues relating to human resources, the Group has set up a committee composed by the members of the Human Resources departments of each Italian company and by the HR international, a cross-departmental body responsible for the corporate management of all activities relating to foreign staff. Through this structure, the Group intends to promote an ever greater sharing of personnel management practices at Group level.

With the aim of safeguarding, developing and optimising staff management, the parent company, Emak S.p.A., adopts, in addition to a safety policy, a Management System conforming to the SA 8000 standard.

Issues relating to customers are controlled through specific management systems: Emak S.p.A., Tecomec S.r.l., Comet S.p.A., Geoline Electronic S.r.l., PTC S.r.l., Lavorwash S.p.A., Ningbo Tecomec Manufacturing Co. Ltd., Yong Kang Lavorwash Equipement Co. Ltd. and Lavorwash Brasil Industrial and Commercial Ltda have the quality management system according to the standard UNI EN ISO 9001:2015 quality certification.

### **Human Rights**

This issue is controlled through the Ethical Code of the Parent Company and its subsidiaries, as well as within the sphere of the Emak S.p.A. Management System conforming to the SA 8000 standard, through which the company undertakes to safeguard human rights along the value chain. For this purpose, have been established and implemented Group guidelines, aimed at integration of environmental and social aspects in the supply selection process.

As further confirmation of its commitment, the Group has drawn up a policy on human rights to be extended to all the subsidiaries, particularly in those countries where local legislation is less strict than in Italy. In order to ensure maximum dissemination to all Group companies and to external parties that have relationships with the Group, this policy will be integrated into the Group Code of Ethics in its next update, reasonably in the course of 2020.

## Environment

The Group pays particular attention to environmental issues, committing to monitoring processes of consumptions, the efficient use of resources and an optimal management of waste. In order to reduce its impact, the Group's Operation and Procurement Committee has included environmental issues among its tasks, with the aim of better supervising and coordinating its actions in this area.

It should be noted that the company Emak S.p.A. has a Management System certified according to the standard UNI EN ISO 14001: 2015. Emak S.p.A. also has a Mobility Manager: a figure responsible for interfacing with local governments proposing, after internal analyses, solutions and initiatives aimed at promoting a sustainable staff mobility during the home-work journeys, thus reducing their associated emissions.

The Group is committed to gradually integrating the practices and procedures relating to sustainability established by the Parent Company, also in relation to new acquisitions.

Finally, the Group has formalized a sustainability plan in order to identify its contribution to the implementation of the Global Agenda for Sustainable Development, consisting of 17 Sustainable Development Goals or SDGs, approved in 2015 by the United Nations and to be reached by 2030. For each topic deemed relevant for the Group and its Stakeholders, the commitments and activities currently implemented by the individual companies have been identified, in order to share the best practices, with the aim of continuous improvement in the medium- long term, constantly updating the document on the basis of regulatory changes and evolution of the Group. The material topics and the related implemented activities have then been linked to the SDGs, in order to identify the global goals to which the Group can contribute the most.

In July 2019, the reporting procedure for the preparation of the Consolidated Non-Financial Statement which defines roles, responsibilities and timelines was approved.

The NFS is published with the same timeframes and means of dissemination as for the annual financial report, including the [www.emakgroup.it](http://www.emakgroup.it) website in the "Sustainability" section. Clarifications and further information can be requested via the following e-mail address: [info@emakgroup.it](mailto:info@emakgroup.it).

## 1. The business of the Group

The Emak Group is composed of 36 companies operating in the development, production and marketing of a wide range of products divided into three business segments: **Outdoor Power Equipment, Pumps and High Pressure Water Jetting** and **Component and Accessories**.

### 1.1 *The Group at a glance*



## Vision and values

*“We intend to be one of the leading players at world level in the development, production and distribution of machines, components and accessories for gardening, agriculture, forestry and industry, offering innovative products and services, making the activities of our consumer and professional customers more efficient and enjoyable, guaranteeing them the best possible value.*

*We offer consumer and professional customers innovative products of unquestionable quality and reliability, which stand out for performance, comfort of use and design, through appropriate investments in research, technology and organisation.*

*We promote a strong selection, integration and development of the distribution network at a global level, ensuring a constant presence of company staff in the field.*

*We establish clear relations with our customers, helping them to access information and we guarantee an excellent service in terms of times of response, delivery and pre and post-sales support.*

*We wish to «engage», motivate and orientate all people towards the centrality of the customer so that every action is oriented towards creating and transferring value.*

*We invest in the development of people through training, teamwork, and the integration of external partners.*

*We encourage the contribution of everyone through listening, involvement and the constant sharing of objectives and results.*

*We want people who act with passion. We promote a sense of belonging and meritocracy so that everyone sees their contribution recognised and their expectations and aspirations satisfied”.*

The values on which Emak Group’s operations are based, and which have been applied ever since its foundation are:

- **correctness**, that is, compliance with rules, transparency, the safeguarding of the rights of persons and of the environment;
- **expertise**, that is, continuous learning and the improvement of professional skills;
- **team spirit**, that is, working in a team to achieve shared goals, the respect of roles and trust in others;
- **innovative spirit**, that is, new and challenging objectives, innovative solutions, new ideas, openness to change.

Well aware of its role in the social and economic context, Emak pursues its future development and the creation of value by combining:

- **economic sustainability**, that is, a commitment to investing in the growth of the Group, guaranteeing its continuity into the future through a strategic plan based on the fundamental critical factors of success;
- **social sustainability**, intended as the willingness to take on board the legitimate expectations of the stakeholders and to redistribute the value created for the common interest;
- **environmental sustainability**, through the identification, regulation, control and progressive reduction of environmental impacts deriving directly or indirectly from the activities of the enterprise.

## The structure of the Group

The Emak Group operates on the global market with a direct presence in 14 countries and a distribution network covering 5 continents.



The Group offers a wide range of products with recognised trademarks and refers to a target clientele highly diversified into three business segments:

- **Outdoor Power Equipment (OPE):** Emak S.p.A. and its commercial and productive subsidiaries operates in this segment;
- **Pumps and High Pressure Water Jetting (PWJ):** this segment is managed by Comet S.p.A. and its subsidiaries, including Lavorwash S.p.A. and its subsidiaries;
- **Components and Accessories (C&A):** this segment is managed by Tecomec S.r.l, its subsidiaries and Sabart S.r.l..

The **Outdoor Power Equipment** segment includes activities for the development, manufacture and marketing of products for gardening and forestry activities and small machines for agriculture, such as brush cutters, lawnmowers, garden tractors, chainsaws, motor hoes and walking tractors. The Group distributes its own products with the main trademarks: Oleo-Mac, Efco, Bertolini, Nibbi and Staub (the latter only to the French market). The Group's offer is directed to professionals and to private users with high expectations. The Group mainly operates in the specialised dealer channel, distributing its products through its own sales branches and, where not present directly, through a network of 150 distributors in more than 100 countries throughout the world.

The Group's reference market (considered as the channel of specialised dealers, excluding the large-scale retail trade) has an estimated value of 7-8 billion Euros. In mature markets such as North America and Western Europe, demand is predominantly relates to replacement: the main driver is the trend of the economy and of the "gardening" culture. In emerging markets, such as the Far East, Eastern Europe and South America, demand is predominantly for the "first buy": the main driver in these areas is economic growth, the evolution of agricultural mechanisation and the relative policies of support. A further factor that influences demand is the price of commodities: the trend in the price of agricultural commodities, for example, influences investments in agricultural machinery.

Weather conditions are a factor that can influence the trend in demand for products in the segment (brush-cutters, lawnmowers and garden tractors in spring-summer and chainsaws in autumn-winter).

The **Pumps and High Pressure Water Jetting** line brings together activities for the development, manufacture and marketing of products (i) for agriculture, such as centrifugal and diaphragm pumps for spraying and weeding; (ii) for industry, including industrial pumps, high-pressure systems and machines for urban cleaning; (iii) for cleaning, that is, professional and semi-professional pressure washers, floor washing-drying machines and vacuum cleaners. The Group distributes its own products with the Comet, HPP, Lemasa, PTC Waterjetting Equipment, PTC Urban Cleaning Equipment and Lavor brand names. Customers of the Group include producers of spraying and weeding machines with regards to pumps for agriculture; builders and contractors in the industrial sector; specialised dealers and the large-scale retail trade for washing products.

The addressable market has a global value estimated at around 3 billion Euros.

The pumps market for agriculture is mainly composed of Italian operators. The demand is strongly driven by the trend of the economic cycle, demographic growth and the consequent increase in the demand for agricultural products; in developing countries demand is linked to the development of agricultural mechanisation and relative policies of support.

The market of products for the industrial sector is continuously growing and demand is linked to the trend of several sectors/fields of application in which the systems are used, such as: hydro-demolition; water-washing and ship repairs; refineries; mines and quarries; the petroleum industry; underwater washing; the iron and steel industry; foundries; chemical processing plant; energy production; paper mills; transport; municipalities; food; automobile and engine manufacturing.

The demand for cleaning products is mainly linked to the economic cycle trend, the increase in hygienic standards, especially in emerging countries, and the development of the “do-it-yourself” culture in mature markets.

The **Components and Accessories** segment includes activities for the development, manufacture and marketing of products the most representative of which are line and heads for brush-cutters, accessories for chainsaws (e.g. sharpeners), pistols, valves and nozzles for high pressure cleaners and for agricultural applications, precision farming (sensors and computers). In this sector the Group operates partly through its own brands, Tecomec, Geoline, Mecline, Sabart, and partly distributing products for third party brands. The main customers of the Group are producers in the Outdoor Power Equipment sector, of spraying and weeding machines, of high pressure cleaners, high pressure washing systems and specialised distributors.

The reference market has a global value estimated at around 1.5 billion Euros.

The demand for components and accessories is linked to the economic cycle (business OEM) and the intensity of use of machines (aftermarket). The high pressure water jetting sector is linked to the economic cycle, to investments in the end markets for applications and hydrodynamic units. For products intended for the agricultural sector, demand is strongly linked to the growth of the economic cycle and in particular to the trend of agricultural commodity prices, demographic growth and the consequent increase in demand for agricultural products.

In general, the Group’s activity is influenced by seasonal fluctuations in demand. Products for gardening follow the end customer’s purchase model: most sales are concentrated in spring-summer, the period in which gardening activities are concentrated. The demand for forestry products is higher in the second part of the year while the demand for products in the Pumps and High Pressure Water Jetting sector is concentrated in the first half-year (marked seasonality in the demand for pumps for agriculture). The demand for products for industry and cleaning, on the other hand, is evenly distributed throughout the year.

## Productive structure

The Group concentrates its investments on phases of high added value in the manufacture of its products. From the point of view of economic efficiency and value creation, the Group focuses on Research and Development, engineering, industrialization and assembly activities. The supply chain is strongly integrated and involved in the development of its products according to the principles of the extended factory.

The production plants have been subject to specific rationalization projects over the years, with a revision of the production layouts based on a “lean manufacturing” approach, and the involvement of all the employees taking part in various ways in the product creation process, from development to manufacture.

### Outdoor Power Equipment

The Group utilises four production sites: two in Italy and two in China. The parent company plant deals with the production of portable products, such as semi-professional and professional brush-cutters and chainsaws. The production model is focused on assembly: the products are entirely developed and designed internally; the components are produced according to the technical specifications provided by the Group and are assembled internally in the Group’s facilities. The Pozzilli factory is dedicated to the production of wheel-based products such as lawnmowers and small tractors. The production model for this range of products provides for the purchase of the motor from leading world producers and its assembly inside the machine. With particular reference to the lawn-mower range, the shell is produced internally with a vertical process that goes from the processing of the sheet metal to the painting. The Chinese production facility of Jiangmen replicates that of the parent company, making products intended mainly for price-sensitive markets such as the Far East, South-East Asia and South America. The second Chinese factory, in Zhuhai, is specialised in the production of cylinders for the two-stroke motors of the Group’s portable products.

### Pump and High Pressure Water Jetting

The manufacture of products in this segment is carried out in three Italian factories: one Chinese, two Brazilian and one in the United States. The plants are specialized in the production of specific product lines. Pumps for the agricultural sectors, those for industrial applications up to 1,200 bars, machines in the cleaning sector such as semi-professional and professional high-pressure water jet machines and urban cleaning equipment are manufactured in Italy. The Chinese plant is dedicated to the production of low-pressure industrial pumps and machines in the cleaning segment such as high-pressure water jet machines and vacuum cleaners aimed at serving the Asian and South American markets. The Brazilian factories are dedicated, one to the production of very high pressure pumps (up to 2,800 bars) and plant for various sectors such as the oil & gas, sugar cane, shipbuilding and automotive sectors, and the other to the manufacture of machines in the cleaning segment (such as high-pressure water jet machines) for the South American market. The American plant assembles (on a small scale) products for agriculture intended for the local market.

### Components and Accessories

The Group has a total of eight factories for manufacturing the products of this segment, located in different countries, focused on specific products and with different production processes.

Most of the facilities (France, USA, Chile, Morocco, South Africa) are dedicated to the production of nylon thread for the brush-cutters. The reason for localised facilities is the need to have production near the end markets, considering the production process followed. This product, in fact, follows an entirely vertical process, from the purchase of the raw material to processing to the packaging of the final product.

The Chinese factory is dedicated to the production of heads for brush-cutters and pistols for high-pressure water jet machines. These products require the internal production of plastic moulds, followed by the assembly of the mechanical components.

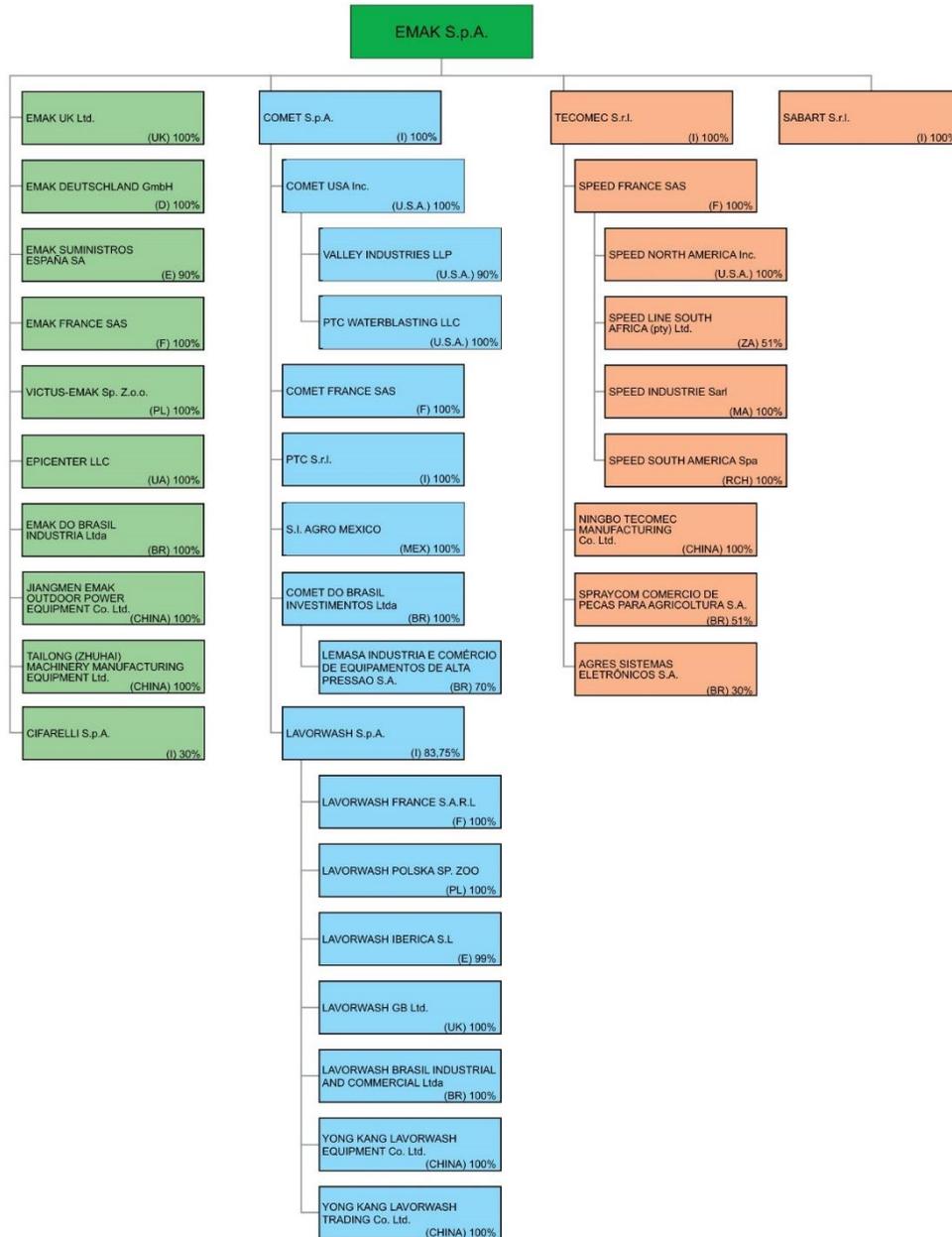
The precision farming line is produced in Italy, with the design of electric parts and the development of software, the added value parts of the products, all carried out internally, as well as the final assembly. The most important products of the forestry line are designed and developed by the Group, which assembles the externally manufactured components in Italy.

Overall, the production volumes can be easily adjusted to match fluctuations in demand through flexible management of the plants, so that seasonal peaks can be accommodated through overtime or additional shifts, without requiring additional investments.

The following table shows the Group's production structure divided by business segment.

| Segment        | Company                       | Location                        | Output  |
|----------------|-------------------------------|---------------------------------|---|
| <b>OPE</b>     | Emak                          | Bagnolo in Piano (RE) – Italy   | Chaisaws, brushcutters, power cutters, cultivators, flailmowers, transporters                                       |
|                |                               | Pozzilli (IS) - Italy           | Lawnmowers and rotary tillers   |
|                | Emak Tailong                  | Zhuhai - China                  | Cylinders for internal combustion engine  |
|                | Emak Jiangmen                 | Jiangmen - China                | Chainsaws, brushcutters for price sensitive segment   |
| <b>PWJ</b>     | Comet                         | Reggio Emilia - Italy           | Pumps, motor pumps and control units for agriculture and industry and pressure washers for the cleaning sector      |
|                | Valley                        | Paynesville, Minnesota - USA    | Components and accessories for industrial and agricultural sector   |
|                | P.T.C.                        | Rubiera (RE) - Italy            | High and ultra high pressure units and machines for urban cleaning  |
|                | Lemasa                        | Indaiatuba - Brazil             | High pressure pumps   |
|                | Lavorwash                     | Pegognaga (MN) – Italy          | High pressure washers, vacuum cleaners, industrial and professional cleaning systems                                |
|                | Yong Kang Lavorwash Equipment | Yongkang – China                | High pressure washers and vacuum cleaners for price sensitive segment   |
|                | Lavorwash Brasil              | Ribeirao Preto - Brazil         | High pressure washers for cleaning sector   |
| <b>C&amp;A</b> | Tecomec                       | Reggio Emilia - Italy           | Accessories for agricultural machinery for spraying and weeding and accessories and components for pressure washers |
|                | Speed France                  | Arnas - France                  | Nylon line and heads for brushcutters   |
|                | Speed North America           | Wooster, Ohio - USA             | Nylon line for brushcutters   |
|                | Speed Line South Africa       | Pietermaritzburg - South Africa | Nylon line for brushcutters   |
|                | Speed Industrie               | Mohammedia - Morocco            | Nylon line for brushcutters   |
|                | Speed South America           | Providencia, Santiago - Chile   | Nylon line for brushcutters   |
|                | Ningbo                        | Ningbo - China                  | Accessories and components for high pressure washing and chain saws and brushcutters                                |

## The composition of the Emak Group at 31.12.2019\*



\* The companies included in the reporting perimeter of the NFS 2019 are set out in the “Method of preparation” in this document.



For a more detailed description of the business segments and relative quantitative economic data, reference should be made to the Annual Financial Report 2019 published on the website [www.emakgroup.it](http://www.emakgroup.it).

## 1.2 History

Emak was created in 1992 out of the merger of Oleo-Mac and Efco, two important companies specialised in the production of machines for gardening and the forestry sector and operating in the territory of the province of Reggio Emilia since the early 1970s.

In 1998 the company was quoted on the Milan Stock Exchange. Between 1998 and 2000, the company set up 4 commercial branches in Europe through the acquisition of its own importer in the major markets (Germany, France, United Kingdom and Belgium) completing, together with the already controlled Spanish subsidiary, its first phase of internationalisation.

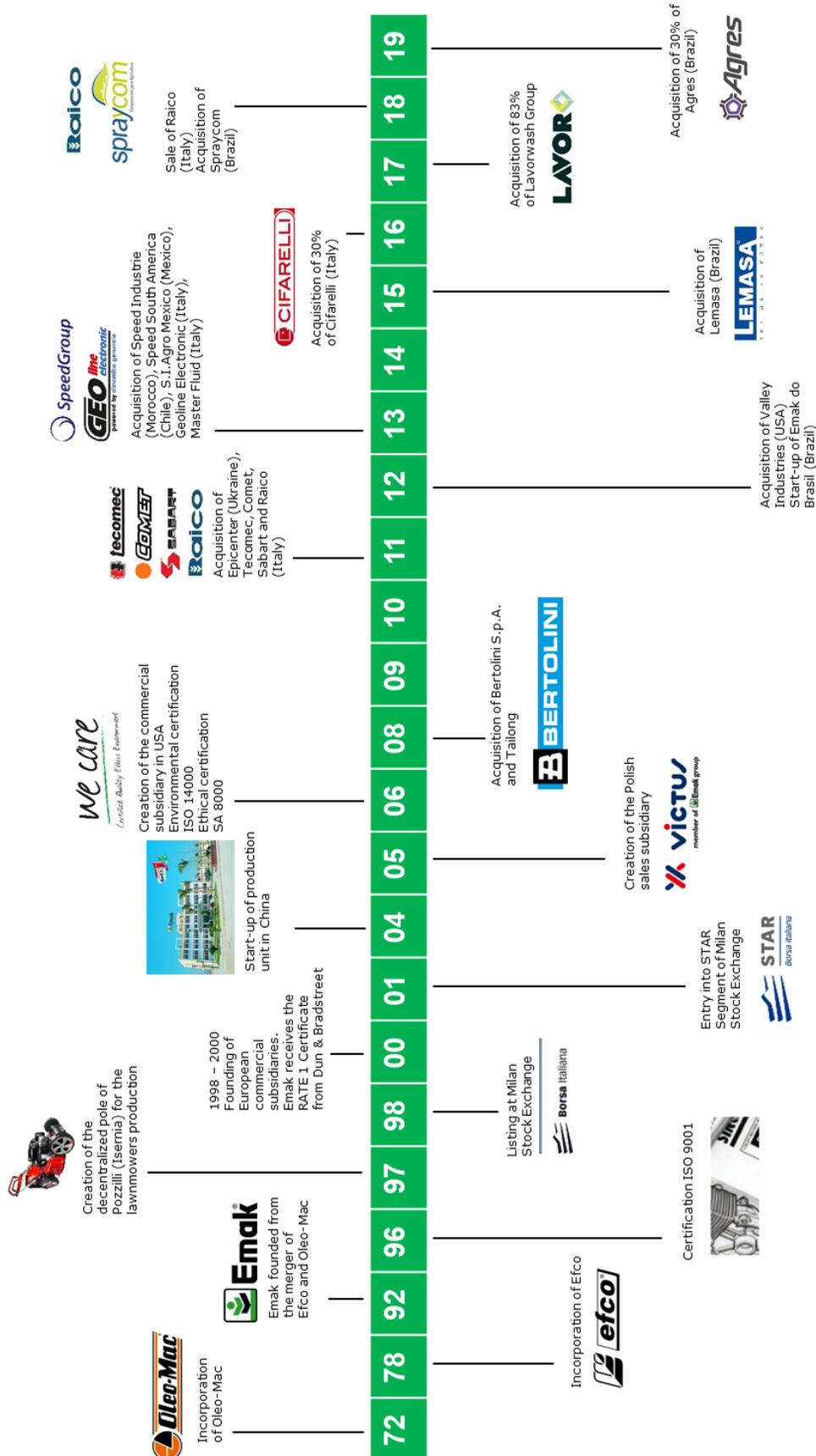
In 2004 the Chinese company, Jiangmen (China), was incorporated, a factory dedicated to the production of hand-held products directed towards price-sensitive markets. Between 2005 and 2006 the Group increased its international presence acquiring its own Polish distributor and creating an American subsidiary. In 2008 there was the acquisition of the Chinese company, Tailong, producer of cylinders for internal combustion engines, and Bertolini, a historical producer of small machines for agriculture.

In 2011 Emak acquired Epicenter (Ukraine), thus increasing its presence in the Eastern European markets. 2011 represents a year of transformation for the Group with entry into the Pumps and High Pressure Water Jetting (PWJ) segments (acquisition of the Comet Group) and Component and Accessories (C&A) (acquisition of the Tecomec Group, Sabart and Raico). The path of growth continued in 2012 with the creation of the sales branch Emak do Brasil and the acquisition of Valley Industries, a United States company marketing products in the PWJ sector. 2013 and 2014 were years of consolidation of the PWJ and C&A businesses with the introduction into the Group of the companies, Master Fluid (PWJ - urban cleaning), SI Agro Mexico (PWJ – sales branch), Geoline Electronic (C&A - precision farming), Speed South America and Speed Industrie (C&A – production and packaging of wire for brush-cutters).

In 2015 the Group invested in the Brazilian company, Lemasa, a local leader in the ultra-high pressure pumps (PWJ) sector, while in 2016 there was the acquisition of 30% of Cifarelli S.p.A. and the acquisition of Acquatecnica S.r.l., followed by its merger into PTC S.r.l.. The growth path continued in 2017 with the acquisition of the Lavorwash Group, which completes and reinforces the positioning of the Group in the PWJ segment. At the beginning of 2018 the Group sold the shareholding in Raico S.r.l., a company specialised in the distribution of components and accessories for farm tractors, industrial machines and earthmoving machinery. In August of the same year the Group entered with a 51% share into the company structure of Spraycom, a Brazilian company active in the distribution in Brazil of components and accessories for agriculture such as nozzles, valves, pumps, electronic components, thus strengthening the commercial activity in the Components and Accessories segment in Brazil.

In January 2019, the Group completed the acquisition of 30% of the Brazilian company Agres (C&A - precision farming), active in the development and supply of electronic systems intended for agricultural machines, in particular for spraying and weeding.

In January 2020 the Group finalized the acquisition of 51% of the share capital of the Swedish company Markusson Professional Grinders AB ("Markusson"), active in the development and marketing of professional sharpeners for chainsaw chains, expanding its range products in the *Components and Accessories* segment.



### 1.3 Governance structure

The Board of Directors of the Emak Group is composed of 13 members, 5 of whom are female and 8 male, with an average age of 60 years and ranging from 40 to 82.

The composition of the Board of Directors at 31 December 2019 is shown in the table below:

| Office                                       | Name                 | Gender | Year of birth | Executive (E)<br>Non-executive (NE) |
|--|----------------------|--------|---------------|-------------------------------------|
| <b>Chairman and Chief Executive Officer</b>  | Bellamico Fausto     | M      | 1949          | E                                   |
| <b>Deputy Chairman; Director with powers</b> | Burani Aimone        | M      | 1956          | E                                   |
| <b>Director with powers</b>                  | Bartoli Luigi        | M      | 1966          | E                                   |
| <b>Director</b>                              | Baldi Francesca      | F      | 1969          | NE                                  |
| <b>Director</b>                              | Bartoli Ariello      | M      | 1937          | NE                                  |
| <b>Director</b>                              | Becchi Paola         | F      | 1967          | NE                                  |
| <b>Director</b>                              | Ferrari Giuliano     | M      | 1950          | NE                                  |
| <b>Independent Director</b>                  | Iotti Elena          | F      | 1979          | NE                                  |
| <b>Independent Director</b>                  | Lanza Alessandra     | F      | 1971          | NE                                  |
| <b>Lead Independent Director</b>             | Livatino Massimo     | M      | 1964          | NE                                  |
| <b>Director</b>                              | Salsapariglia Marzia | F      | 1961          | NE                                  |
| <b>Director</b>                              | Spaggiari Vilmo      | M      | 1940          | NE                                  |
| <b>Director</b>                              | Zambelli Guerrino    | M      | 1942          | NE                                  |

The following table shows the breakdown of the Board members by gender and age group at 31 December 2019:

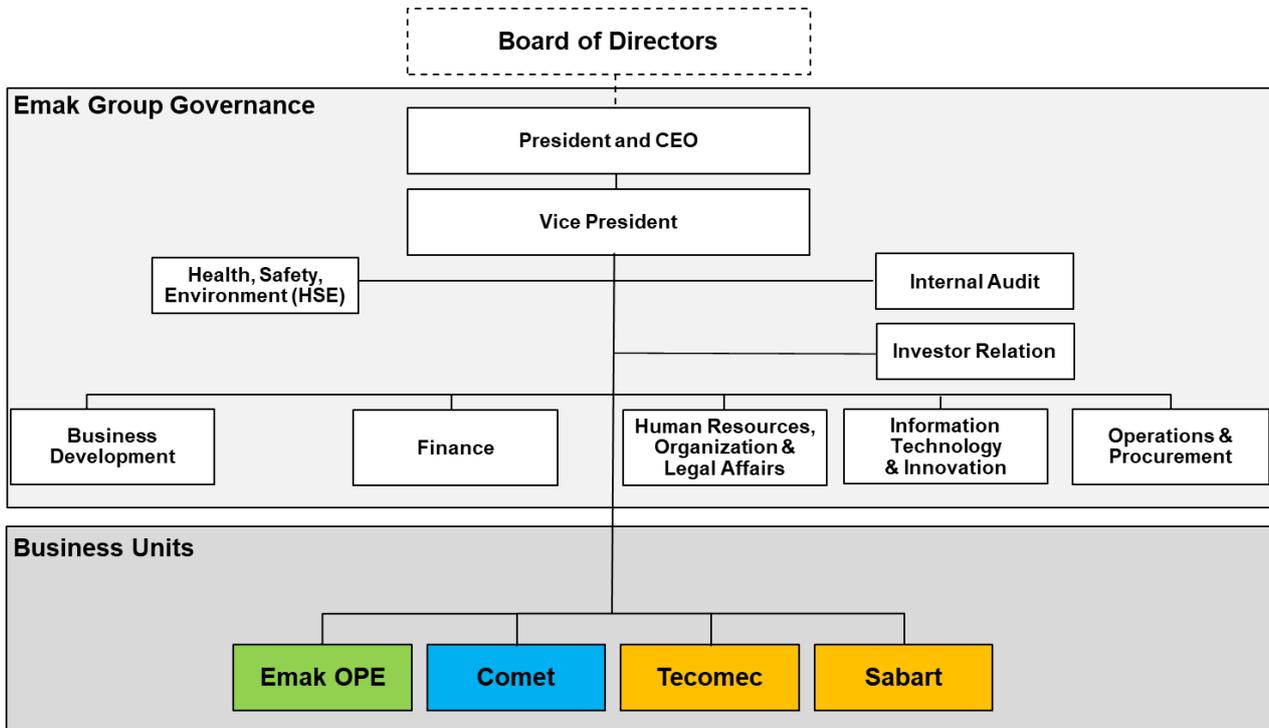
|             | 31 December 2019 |        |
|-------------|------------------|--------|
|             | Men              | Women  |
| < 50 years  | -                | 15.38% |
| 50-60 years | 15.38%           | 23.08% |
| 61-70 years | 23.08%           | -      |
| > 70 years  | 23.08%           | -      |

The Board of Directors has set up four Committees supporting the Board in the respective spheres provided for by the Self-Regulatory Code to which Emak S.p.A. subscribes as a company listed on the Italian Stock Exchange. Specifically, the Committees set up are: the Remuneration Committee, the Control and Risk Committee (to which the task of supervising sustainability issues has been assigned), the Dealings with Related Parties Committee and the Appointments Committee. The committees are mainly composed of Independent Directors and carry out their duties in line with the provisions of the *Borsa Italiana* Corporate Governance Code.



For a more detailed description of the Committees in the Emak Group, reference should be made to the Annual Financial Report for the year ended 31 December 2019 and the Corporate Governance Report and Ownership Structure 2019, published on the [www.emakgroup.it](http://www.emakgroup.it) website.

In order to provide a clearer representation of the Group's Governance, the diagram of the Group's organizational structure is shown below:



At **Emak Group** level, the transversal functions to all Business Units (for example IA, IR, IT) are included and Functional Committees (HR, Operations & Procurement, Finance, Engineering, Sales & Marketing), attended by the function managers of each BU, have been set up, with the aim of sharing skills, objectives and operating methods in a more effective and efficient way, in order to maximize the operation of the individual business units in achieving the Group's strategic objectives. At individual **Business Units** level, the typical business functions are present, in order to better supervise the individual peculiarities that characterize them.

## 1.4 Ethics, integrity and compliance

The Emak Group carries out its activity based on correctness, understood as respect for the rules, transparency, safeguarding the human rights and the environment, in order to protect not only the image of all the companies of which it is composed, but also their stakeholders.

The Italian companies of the Group have adopted and implemented an **Organisation, Management and Control Model** on the basis of Leg. Dec. 231/2001, considering their dimensions and degree of risk in relation to the violations contemplated by the Decree. The Model, besides to comply with a legislative requirement, is an instrument which allows to properly manage the complexity of situations in which the company has to operate, clearly defining a series of principles and values to guide its activities.

In line with the adoption of the Organisation, Management and Control Model, the Parent Company, Emak S.p.A., has drawn up an **Ethical Code**, shared with all the companies controlled by the Group and adapted to the specific characteristics of each company, updated periodically and shared with all the employees and the various subjects which collaborate with the company. The Code establishes the corporate principles and values to which the company aspires in the performance of its activities and which form the identity of the enterprise, constantly orienting strategic choices and policies in the businesses in which it operates. The Ethical Code is, moreover, a moral undertaking towards the various stakeholders. Specifically, the principles and guiding corporate values are the following: correctness, expertise, team spirit, innovative spirit, impartiality and honesty, respect for persons, transparency in relations and confidentiality.

The companies that use model 231 undertake to train newly hired staff on the issues referred to in the Ethical Code and in the Model: new staff is given a concise information pack to ensure their awareness of what is considered to be of primary importance.

In the companies that do not adopt the Organisation, Management and Control Model is guaranteed the most complete compliance with local regulations and, if more restrictive, with the Group's internal policies.

In order to involve as far as possible the Group employees, an online platform to be used as a tool for internal sharing and communication is in the implementation phase, in which documents of interest, among which the Ethical Code, can be easily shared and consulted also further to any updating.

In compliance with the legislation, the Italian companies in the Group have adopted a procedure and have set up appropriate channels of communication for reporting possible non-conformities relating to administrative responsibility in the organisation. In compliance with what is provided for by the current legislation, the Group has also implemented a specific whistleblowing procedure.

It should be noted that Emak S.p.A. adopts a **Management System** conforming to the **SA 8000:2014** (Social Accountability) standard, with the objective of guarantee the ethicality of its production processes and, indirectly, its own supply chain. Satisfaction of the requirements is verified through internal audits and expected performance levels are measured by means of indicators in line with the legislation in question.

The Management System also provides for the creation of a **Social Performance Team (SPT)**, appointed by company Management, to supervise the organisational aspects with analyses of data collected and the assessment of potential risks. The SPT must, in fact, periodically (at least once a year) carry out a written assessment of the risks in order to attribute an order of priority in the areas of real or potential non-conformity with the Standard. This activity supports the company Risk Management system (Section 1.5: management of risks and opportunities) from which the methodology is taken.

## Anti-corruption

The Emak Group pays great attention to the issue of the prevention of risks linked to corruption. In general, all those who act in the name and on behalf of the Emak Group are required to adopt an ethical behaviour, respectful of applicable laws, based on full correctness, transparency and integrity, as required by the principles of conduct contained in the Group's Ethic Code.

With particular regard to the relationships and behaviours put in place with external subjects, are prohibited illegal, collusive, or potentially such practices and behaviours, illicit payments, instigations to corruption, corruption, favouritism, solicitations, direct or through third parties, of advantages for themselves or for others, contrary to the laws, regulations and the provisions of the Ethic Code. This prohibition includes the offer, direct or indirect, of goods and services, aimed at influencing decisions or transactions.

In this context, in line with the Organisational Model pursuant to Leg. Dec. 231/2001, the Group is committed to **contrasting every form of corruption**, whether active or passive, implementing all the necessary measures provided for by the Model and through a general policy for the other companies in the Group in which the Model is not adopted.

This Model is aimed at the prevention of offenses belonging to various categories, including corporate crime, extortion, undue inducement to give or promise utilities and corruption. In addition, a system of procedures, both manual and computerised, has been set up as a guideline to follow in relevant company processes and to provide for specific points of control, with the aim of guaranteeing the correctness, effectiveness and efficiency of company activities.

No cases of corruption and/or relevant reports were registered in 2019.

## Human rights

The Emak Group supports and complies with human rights and promotes compliance of applicable employment regulations. The Group considers the impartial treatment of people as a fundamental value within the sphere of every relationship both internal and external and considers the individual, their values and their rights, as values to be safeguarded. The conduct of every employees and freelance worker must conform to the legislative and contractual regulations governing employment relations.

All the companies in the Group are subject to the corporate ethics policy based on the Universal Declaration of Human Rights, the ILO (International Labour Organization) Conventions and the UN Convention on the Rights of the Child.

Through the dissemination of the Ethical Code and of a specific Group policy, the companies have set up a means of oversight with the aim of guaranteeing compliance of human rights, also in areas of greater potential risk with relation to these issues.

In addition, the implementation of an integrated Management System conforming also to the SA8000:2014 demonstrates the concrete commitment of the parent company, Emak S.p.A., to adopt socially responsible behaviours, as well as its focus on quality and continuous improvement and on the protection and safeguarding of human rights, besides mere legal compliance.

## 1.5 Management of risks and opportunities

The Group believes that an effective management of risks is a key factor for the maintenance of value over time. For the purpose of achieving its strategic objectives, the Group establishes guidelines for its risk management policy through its governance structure and Internal Control System.

In the context of its industrial operations, the Emak Group is exposed to a series of risks, the identification, assessment and management of which is assigned to the Managing Directors, also in their capacity as assigned Directors according to the Voluntary Self-Regulatory Code of Borsa Italiana S.p.A., the business area managers, and the Control and Risks Committee.

The Directors in charge of internal control supervise the risk management process, following the guidelines established by the Board of Directors on the issue of risk management and verifying its proper functioning.

With the aim of preventing and managing more significant risks, the Group has a risk classification model, subdividing them on the basis of the company department from which that may derive or from which they can be managed, which provides for an assessment of the risks on the basis of an estimate of economic-financial impacts and the probability of occurrence.

The Board of Directors attributes the Committee the tasks of assisting it, giving advice and making proposals, in the performance of its tasks regarding the internal control system and risk management and, in particular, in the definition of the guidelines for the internal control system and the periodic evaluation of its suitability, efficiency and effective functioning. The Committee supervises Internal Audit activities and examines, more generally, problems relating to the internal control system and risk management.

The Internal Audit department evaluates the appropriateness, the functioning and the suitability of the internal control and risk management System, of which it is an integral part, with respect to the reference context in which the Group operates and pays particular attention to continuous improvement of management policies.

With regards to the risk management process, the different types of risk are classified on the basis of the consequences that the occurrence of certain events may have in terms of shortfalls in strategic, operating, or financial performance, or compliance with laws and/or regulations.

On at least an annual basis, the Internal Audit department carries out an assessment of the internal control systems, following the approach of the COSO 3 international framework, the results of which are shared with the Control and Risks Committee.

Another means for analysing possible internal problem areas are the audits that the companies receive from their customers as suppliers. The results of the audits provide, in fact, an overview of the areas at risk and a list of possible corrective actions to be implemented.

Finally, with regards to operations for the acquisition of new companies, a **Due Diligence** is performed, aimed at identifying the risks associated with such operations. A negative outcome could compromise the outcome of the acquisition negotiations. In addition, in view of the development of new plant, the potential impacts associated with their manufacture are evaluated.

The main risks linked to the issues of sustainability connected with the Group's activity are set out below:

- **strategic product risk:** risks associated with technical and technological obsolescence in relation to new technologies and new legislative requirements. Risks linked to the maintenance of product reliability and to the reduction of customer interest. The Group manages this risk with constant investments in research and development in order to continue to offer innovative and competitive products compared to those of the main competitors in terms of price, quality and functionality.
- **risk linked to liability towards the customer and towards third parties:** the Group is exposed to potential risks of liability towards customers or third parties connected with possible product liability due to potential design or product manufacture defects attributable to the Group and also attributable to third parties such as suppliers and assemblers. In addition, in the event that products are defective, or do not correspond to technical and legal specifications, the Group, also further to the request of the control authorities, could be obliged to withdraw such products from the market. In order to manage

and reduce those risks the Group has entered into a Group master insurance cover that minimizes the risks to insurance deductibles only.

- **risk linked to the supply chain:** risks connected with the conduct of suppliers and the possible lack of visibility and control of suppliers' practices, with particular reference to the issues of compliance with environmental and social legislation and the issues of the quality control of products received. In order to manage this risk the Group conducts periodic audits on its suppliers (a more detailed description of the methods for Suppliers' analysis and evaluation is given in chapter 3.2).
- **risk linked to staff and health and safety in work places:** risks linked to an inadequate management of processes regarding the attraction, selection, development, motivation and retention of key professional figures inside the Group; risks connected with the possible occurrence of accidents and near misses in work places and the onset of professional illnesses. The Group applies personnel-related policies in line with the provisions of the Ethical Code in order to enhance its internal resources and to attract external ones. There are also policies on health and safety in work places in compliance with legislative requirements. Furthermore, there is a specific special part within the Model pursuant to Leg. Dec. 231/01.
- **risk linked to climate change:** in the short to medium term, no significant risks relating to the production processes or markets in which the Group operates have been identified. The Group pays attention to the risk linked to climate change with regard to the potential impacts in the medium to long term. These risks are evaluated in terms of potential impacts due to extreme events (climate change could impact the performance of some product families) but also as an external risk driver linked both to the choices of the regulator (reduction of emission thresholds) and to consumer choices, which may have an effect on the business model. The Group is able to deal quickly with changes in demand thanks to the flexibility of its production structure and to focus quickly its research and development on the basis of any new regulations.
- **compliance risk:** risks connected with failed compliance of current laws, with specific reference to environmental questions, (e.g. environmental damage, noise pollution, emissions, waste and discharges), human rights and corruption. This risk is limited by normative checks, internal procedures and by the presence of a specific special part within the Model pursuant to Leg. Dec. 231/01.
- **risk deriving from COVID-19:** starting from January 2020 the spread of the Covid-19 virus began. The virus initially affected China, then spreading to other countries, including Italy as one of the most affected at the date of this document. The risk to human health and the rapid transmission of the virus led WHO to declare Covid-19 a pandemic. The Group has adopted, for Italian companies, all the necessary measures to protect the safety of its employees, for example by promoting smart-working, and towards external personnel, prohibiting, as far as possible, access to its facilities. The Group is currently still operating. Management will continue to monitor the evolution of the situation in order to implement all the necessary measures both to preserve the health of its employees and to adapt its operations.

The Group is exposed to further risks, more connected to the achievement of its economic and financial objectives. The analysis and management policies for these risks are reported in the Annual Financial Report.

## 2. Approach to Sustainability

In the light of its reference context and with increasing awareness of the importance of adopting an integrated and synergic approach, the Emak Group has embarked upon a programme of assessment and reflection regarding the issues of sustainability with the aim of identifying a set of issues relevant both to the Group and to its stakeholders.

### Identification of the stakeholders

The Group has implemented a mapping and identification process of the main categories of stakeholder, giving rise to the following map of the main reference stakeholders:



The main channels of communication and dialogue with the Group's stakeholders are shown below:

| Stakeholder                               | Thematic area   | Main instruments of dialogue   |
|---|---|--|
| <b>Employees and freelance workers</b>    | <ul style="list-style-type: none"> <li>- Growth, development and training</li> <li>- Health and safety in the workplace</li> <li>- Diversity, equal opportunities and non-discrimination</li> <li>- Human rights and working conditions</li> <li>- Quality of work</li> <li>- Ethics, integrity and compliance</li> <li>- Identity and values</li> <li>- Industrial relations</li> <li>- Company welfare</li> </ul> | <ul style="list-style-type: none"> <li>- Training on values and organisational behaviour</li> <li>- Open day and internal events</li> <li>- Company portal</li> <li>- Survey of internal climate</li> <li>- Periodic newsletters and other communication</li> <li>- Communications to top management</li> <li>- Collective bargaining</li> <li>- Skills assessment process</li> </ul>  |
| <b>University and Research Centres</b>    | <ul style="list-style-type: none"> <li>- Transparency</li> <li>- Research, development and innovation</li> </ul>  | <ul style="list-style-type: none"> <li>- Communications with top management</li> <li>- Financial relations</li> <li>- Scientific publications</li> <li>- Tenders and competitions</li> <li>- Training apprenticeships / internships</li> <li>- Scholarships</li> </ul>   |
| <b>Customers (B2B)</b>                    | <ul style="list-style-type: none"> <li>- Anticipation and understanding of customer expectations and needs</li> <li>- Customer trust and satisfaction</li> <li>- Product quality and safety</li> </ul>  | <ul style="list-style-type: none"> <li>- Institutional website</li> <li>- Assessment of customer satisfaction</li> <li>- Management of claims</li> <li>- Pre and post-sale customer service</li> <li>- Commercial communications</li> <li>- Participation in trade fairs and events</li> </ul>   |
| <b>Consumers (B2C)</b>                    | <ul style="list-style-type: none"> <li>- Consumer trust and satisfaction</li> <li>- Product quality and safety</li> </ul>   | <ul style="list-style-type: none"> <li>- Institutional website</li> <li>- Assessment of consumer satisfaction</li> <li>- Management of claims</li> <li>- Post-sale consumer service</li> <li>- Commercial communications</li> <li>- Participation in trade fairs and events</li> </ul>   |
| <b>General Public</b>                     | <ul style="list-style-type: none"> <li>- Relations with the general public</li> <li>- Attention towards respect of the territory</li> <li>- Support of social initiatives</li> <li>- Support to employment</li> <li>- Legality</li> </ul>   | <ul style="list-style-type: none"> <li>- Institutional website</li> <li>- Meetings and events in the territory</li> <li>- Press releases</li> <li>- Activities to support the artistic-cultural heritage in sites of public interest</li> <li>- National and regional research projects</li> <li>- Cooperation with artistic institutions of public interest</li> <li>- Support to charities and the voluntary sector</li> <li>- Sponsorships</li> </ul> |
| <b>Institutions and regulatory bodies</b> | <ul style="list-style-type: none"> <li>- Corporate Governance</li> <li>- Transparency</li> <li>- Economic-financial performance</li> <li>- Legality</li> <li>- Relations with institutions</li> </ul>   | <ul style="list-style-type: none"> <li>- Institutional website</li> <li>- Information provided further to request</li> <li>- Reports and Statements</li> <li>- Shareholders' meetings</li> <li>- Press releases</li> </ul>   |
| <b>Suppliers</b>                          | <ul style="list-style-type: none"> <li>- Transparency</li> <li>- Ethical responsibility</li> <li>- Human rights and working conditions</li> <li>- Continuity in relations</li> <li>- Qualification and assessment</li> <li>- Negotiating conditions</li> <li>- Development of partnerships</li> </ul>   | <ul style="list-style-type: none"> <li>- Institutional website</li> <li>- Participation in initiatives and events</li> <li>- Negotiation reports</li> </ul>  |
| <b>Shareholders and investors</b>         | <ul style="list-style-type: none"> <li>- Corporate Governance</li> <li>- Transparency</li> <li>- Economic-financial performance</li> <li>- Ethics, integrity and compliance</li> </ul>  | <ul style="list-style-type: none"> <li>- Institutional website</li> <li>- Financial reports</li> <li>- Road shows (meetings with the community)</li> <li>- Shareholders' meetings</li> <li>- Press releases</li> </ul>   |

The Emak Group, moreover, interacts and communicates with various associations, both in Italy and abroad. In particular, Group companies are members of the following associations:

| Body/Association  | Description   | Company  |
|---|---|--|
| <b>ABIMAQ</b><br><i>Brazilian Association of Machines and Equipment</i>   | Association founded with the objective of strengthening and encouraging the national enterprise of machines and equipment.  | Lemasa<br>Lavorwash Brasil   |
| <b>ABRALIMP</b><br><i>Associação Brasileira do mercado de Limpeza Profissional</i>  | Association founded with the objective of integrating, arranging, encouraging and developing the whole value chain of the professional cleaning market.   | Lavorwash Brasil   |
| <b>AEA</b><br><i>Agricultural Engineers Association</i>   | English Trade Association which represents the manufacturers and importers of machinery for agriculture and green care.   | Emak UK  |
| <b>ALTSTOFF RECYCLING AUSTRIA</b>   | Waste management service in Austria.  | Lavorwash S.p.A.   |
| <b>ANSEMAT</b><br><i>Asociación Nacional de Maquinaria Agropecuaria, Forestal y de Espacios Verdes</i>  | Spanish Association which represents the manufacturers and importers of machinery for agriculture and green care.   | Emak Suministros Espana S.A.   |
| <b>APIINDUSTRIA CONFIMI MANTOVA</b><br><i>Associazione Piccole e Medie Industrie di Mantova</i>   | Association founded with the aim of defending the interests and supporting the needs of small and medium enterprises of Mantua.   | Lavorwash S.p.A.   |
| <b>APLA</b><br><i>Asociación Petroquímica y Química Latinoamericana</i>   | Non-profit organization founded with the purpose of representing the Petrochemical and Chemical Industry of Latin America.  | Lemasa   |
| <b>ARPEL</b><br><i>Regional Association of Oil, Gas and Biofuels Sector Companies in Latin America and the Caribbean</i>  | Non-profit association gathering oil, gas and biofuels sector companies and institutions in Latin America and the Caribbean.  | Lemasa   |
| <b>AXEMA</b><br><i>Union des Industriels de l'Agroéquipements</i>   | Association that brings together French and international producers of machines for agriculture and green care.   | Emak France SAS  |
| <b>BVD</b><br><i>Bundesverband der Datenschutzbeauftragten Deutschlands</i>   | Federal Association of Officers for Data Protection of Germany.   | Emak Deutschland GmbH  |
| <b>CETA</b><br><i>Cleaning Equipment Trade Association</i>  | Association of manufacturers of cleaning machinery  | Valley Industries LLP  |
| <b>CGPME</b><br><i>Confédération Générale des Petites et Moyennes Entreprises</i>   | French organization representing employers of small and medium sized enterprises  | Speed France SAS   |
| <b>CICC</b><br><i>Camera di Commercio Italiana in Cina</i>  | Association of Italian entrepreneurs and professionals and the People's Republic of China, which works to promote the internationalization and localization of Italian companies and to promote Made In Italy in the People's Republic of China.                                      | Tailong (Zhuhai)<br>Jiangmen   |
| <b>EUCCC</b><br><i>European Union Chamber of Commerce in China</i>  | Association representing the different business sectors of the European Union and the European companies operating in China.  | Jiangmen   |
| <b>CONAI</b><br><i>Consorzio Nazionale Imballaggi</i>   | Private consortium that operates non-profit in the recovery and recycling of the six packaging materials: steel, aluminium, paper, wood, plastic and glass.   | Lavorwash S.p.A.   |
| <b>Confcommercio</b><br><i>Confederazione Generale Italiana delle Imprese, delle Attività Professionali e del Lavoro Autonomo</i>   | Italian organization representing companies engaged in commerce, tourism and services (tertiary sector)   | Emak S.p.A.  |
| <b>CONOU</b>  | Italian consortium for the management, collection and treatment of mineral oils used.   | Lavorwash S.p.A.   |
| <b>DER GRUNE PUNKT</b>  | Waste management service in Germany   | Lavorwash S.p.A.   |
| <b>ECOPEL</b>   | National Consortium for the management of Waste of Electrical and Electronic Equipment, batteries and accumulators.   | Lavorwash S.p.A.   |
| <b>EGMF</b><br><i>Federazione dell'industria Europea delle Macchine da Giardinaggio</i>   | Federation representing the interests of European manufacturers of machines for gardening, forestry and green care.   | Emak S.p.A.  |
| <b>FACC</b><br><i>French-American Chamber of Commerce</i>   | Bi-national organization founded to develop business relationships between France and the United States and their respective business communities.  | Speed North America Inc.   |
| <b>FederUnacoma</b><br><i>Federazione Nazionale Costruttori Macchine per l'Agricoltura</i>  | Federation that groups the associations of the Italian manufacturers of agricultural machinery, of self-propelled agricultural machinery, of tractors, of components for the various sectors represented and of machines for gardening.   | Emak S.p.A.<br>Tecomec S.r.l.  |
| <b>ICA</b><br><i>International CarWash Association</i>  | Non-profit commercial group representing the sales and supply segments of the professional car wash industry.   | Valley Industries LLP  |
| <b>IHK</b><br><i>Industrie und Handelskammer</i>  | German Chamber of Industry and Commerce   | Emak Deutschland GmbH  |
| <b>INDICOD-ECR</b>  | Italian association whose objective is the diffusion of barcodes  | Lavorwash S.p.A.   |
| <b>ISSA &amp; AFIDAMP FAB</b><br><i>Worldwide association for the cleaning industry &amp; Italian Association of Manufacturers of Machinery, Products and Equipment for Professional Cleaning and Hygiene</i> | Partnership between the leading worldwide cleaning industry association and the Italian trade association for cleaning industry manufacturers, focused on jointly developing and executing go-to-market opportunities for their members and the industry at-large, on a global scale. | Lavorwash S.p.A.   |
| <b>IVG</b><br><i>Industrieverband Garten</i>  | National German Gardening Association which brings together manufacturers of green care machines  | Emak Deutschland GmbH  |
| <b>MANTOVA EXPORT</b>   | Consultancy Consortium for companies in Mantua for import-export  | Lavorwash S.p.A.   |
| <b>NOVENTIZ GMBH</b>  | Waste management service in Cologne, Germany  | Lavorwash S.p.A.   |
| <b>OPEAA</b><br><i>The Outdoor Power Equipment Aftermarket Association</i>  | Association born with the aim of encouraging the growth and the diffusion of quality spare parts and accessories for machines for the care of the green.  | Speed North America Inc.   |
| <b>OPEESA</b><br><i>Outdoor Power Equipment and Engine Service Association</i>  | US Association that includes manufacturers and distributors of outdoor power equipment and engines.   | Comet USA Inc  |
| <b>OPEI</b><br><i>Outdoor Power Equipment Institute</i>   | International trade association for small engine, utility vehicle & outdoor power equipment manufacturers & suppliers.  | Comet USA Inc  |
| <b>Unindustria Reggio Emilia</b><br><i>Associazione Industriale della Provincia di Reggio Emilia</i>  | Protects the interests of the associated industrial companies, small, medium or large, promoting the requests and guaranteeing representation for every aspect of industrial relevance and entrepreneurial importance.  | Emak S.p.A.<br>Comet S.p.A.<br>Tecomec S.r.l.<br>PTC S.r.l.<br>Sabart S.r.l. |
| <b>WEEE</b><br><i>Waste Electrical and Electronic Equipment recycling</i>   | Waste management for electrical and electronic equipment  | Emak UK  |
| <b>WJTA</b><br><i>Water Jet Technology Association</i>  | Association that includes users, manufacturers, suppliers and distributors of high pressure waterjet products and industrial vacuum equipment.  | Valley Industries LLP<br>Lemasa  |
| <b>WOOSTER AREA CHAMBER OF COMMERCE</b>   | The Wooster Area Chamber of Commerce is a business leadership organization that represents the interests of various sectors of the local community.   | Speed North America Inc.   |

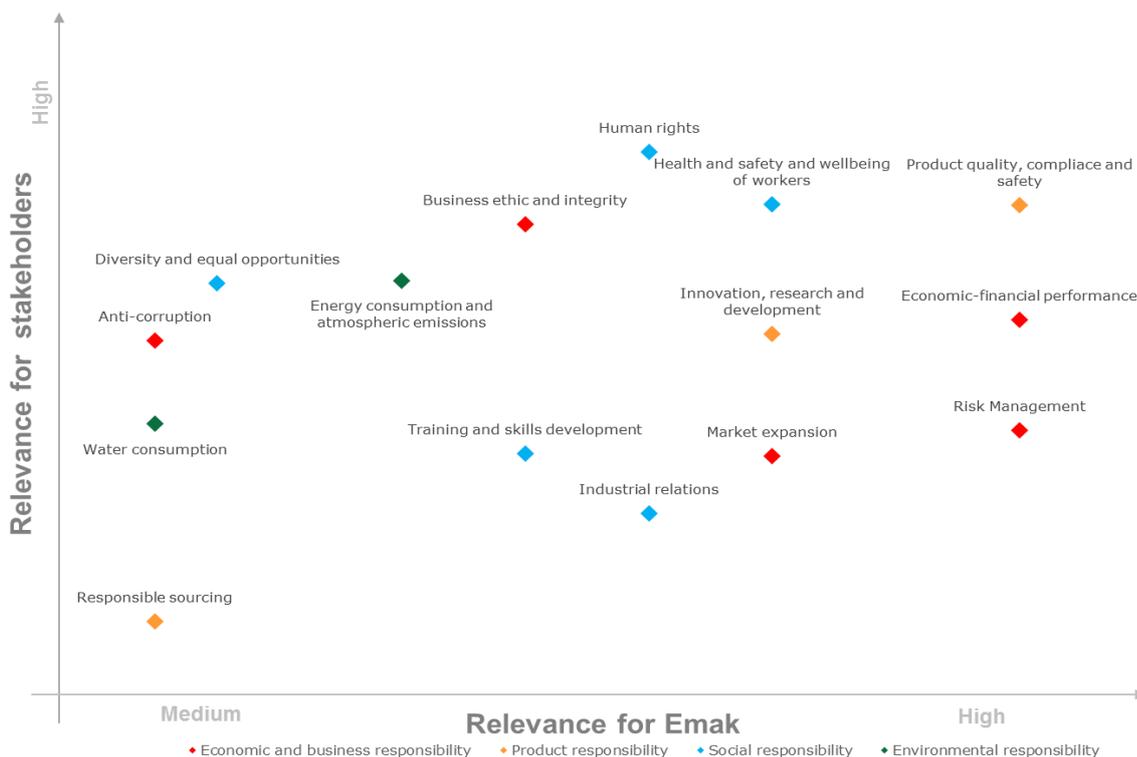
## Analysis of materiality

The process for the identification and assessment of significant issues has been carried out through an analysis of materiality, that makes it possible to identify economic, social and environmental issues that are potentially able to influence the ability to create value in the Group and the interests of the stakeholders involved both directly and indirectly.

Potentially significant aspects have been identified on the basis of the GRI standards and best practices of the sector, taking account also of the issues provided for by Art. 3 of Leg. Dec. 254/2016. With the aim of producing a materiality matrix, these aspects have been subject to evaluation on the part of the Group's management, through an internal survey, and on the part of a sample of stakeholders composed of employees, customers and suppliers through the administration of a questionnaire in 2018. For the purposes of NFS 2019, this analysis has been confirmed and will be updated in 2020. In the next financial years the Group will continue to expand the number of stakeholders involved in the assessment of significant issues so as to constantly monitor and update the matrix.

The final result of the evaluations made is reflected in the following **materiality matrix** which, on the x axis shows the significance of the issues for the Emak Group and on the y axis, their significance for the reference stakeholders.

*Emak Group Materiality matrix*



Specifically:

- a strong interest emerges in the **issues of economic and business responsibility** such as ethics and integrity, the economic-financial performance of the Group, the risk management and prevention systems and the fight against corruption, whether active or passive;
- with regards to **product responsibility**, a fundamental element for Emak's business is the conformity of its products, as well as quality, and the safety of its customers; Emak invests in research and development with the aim of providing consistently efficient, and at the same time, sustainable products. In addition, following an update of the materiality analysis, it should be noted that responsible sourcing was found to be a new material issue;

- among **social issues**, those relating to health and safety and wellbeing of workers, the protection of diversity, equal opportunities and the respect for human rights are particularly important;
- the most significant **environmental issues** are water and energy consumption and atmospheric emissions associated with the Group's production processes.

| Significant issue                           | Description  | Perimeter of impact | Emak's involvement <sup>2</sup>   |
|---|--|---------------------|---|
| <b>Economic and business responsibility</b> |  |                     |   |
| <b>Anti-corruption</b>                      | Group commitment in the fight against corruption, whether active or passive, also in consideration of best practice in the sector.   | Group               | Caused by the Group   |
| <b>Ethics and business integrity</b>        | Promotion of best practice in Corporate Governance and compliance with standards in the area of ethics, integrity and legal and regulatory compliance  | Group               | Caused by the Group   |
| <b>Economic-financial performance</b>       | Achievement of positive economic-financial results in the short-term and economic equilibrium in the medium-long term, consistent with the creation of value for the various categories of Stakeholders                              | Group               | Caused by the Group   |
| <b>Market expansion</b>                     | The presence of the Group at national and international level and expansion of activities into new countries through a strategy identified on the basis of a careful analysis of the different market segments                       | Group               | Caused by the Group   |
| <b>Risk management system</b>               | Implementation of a structured and extensive system aimed at identifying, assessing and managing risks and uncertainties, including environmental, social and/or new emerging risks which are significant for the Group's activities | Group               | Caused by the Group   |
| <b>Social responsibility</b>                |  |                     |   |
| <b>Human rights</b>                         | The respect, promotion and safeguarding of human rights and working conditions in the performance of activities (prohibition of child labour, anti-corruption and compliance with ethical and/or conduct codes)                      | Group<br>Suppliers  | Caused by the Group and directly linked to the Group through its business relationships |
| <b>Diversity and equal opportunities</b>    | Development of work practices and conditions suitable for ensuring equal opportunities, through the removal of every form of discrimination and of moral or psychological violence   | Group               | Caused by the Group   |
| <b>Training and skills development</b>      | Offer of development and training programmes aimed at strengthening  | Group's employees   | Caused by the Group   |

<sup>2</sup> Emak's involvement refers to the type of impact and can be classified as "caused by the Group", "directly linked to the Group through its business relationships", or "to which the Group contributed" on the basis of the role that the organisation has in the generation of the impact.

|   |   |  |   |
|---|---|--|---|
|   | people's skills and consolidating professionalism in the role held  |  |   |
| <b>Industrial relations</b>                       | Promotion of the freedom of association and expression among workers, aimed at guaranteeing them the right to be represented, also through membership of trade unions and/or category associations  | Group                                      | Caused by the Group   |
| <b>Health and safety and wellbeing of workers</b> | Respect of legislative provisions and agreements entered into and the promotion of actions and practices aimed at minimising risks for people's health and safety and at improving employees' well-being  | Group's employees*                         | Caused by the Group   |
| <b>Environmental responsibility</b>               |   |  |   |
| <b>Energy consumption and emissions</b>           | Commitment to increasing the efficiency of energy consumptions and commitment regarding the management and reduction of atmospheric emissions   | Group production sites<br>Energy suppliers | Caused by the Group and directly linked to the Group through its business relationships |
| <b>Water consumption</b>                          | Commitment to a conscious and efficient management of water   | Group production sites                     | Caused by the Group   |
| <b>Product responsibility</b>                     |   |  |   |
| <b>Innovation, research and development</b>       | Research and development activity aimed at the continuous improvement of quality and the development of innovation, guaranteeing the protection of intellectual property  | Group<br>Universities and research centres | Caused by the Group and to which the Group contributed                                  |
| <b>Quality, conformity and product safety</b>     | Identification and reduction of potential risks to the health and safety of a product along its entire value chain  | Group                                      | Caused by the Group   |
| <b>Responsible sourcing</b>                       | Selection of suppliers, collaborators and business partners using fair and transparent processes. Promotion of fair relationships and sustainable behavior in the supply chain, evaluating the performances of the suppliers on the basis of ESG criteria (Environmental, Social and Governance). | Group                                      | Caused by the Group   |

\* The Group has identified the categories of other significant non-employees workers with regard to health and safety issues (temporary workers involved in the production process, stable maintenance staff and shipment/logistic cooperatives) and will evaluate from next year the possibility of reporting accident data for these categories who operate at the Group's premises and / or under the control of the Group, checking the quality and accuracy of such data over which it does not exercise direct control.

### 3. The priorities of the Group

The following chapter focuses on the priorities of the Emak Group, defined on the basis of materiality and the main strategic interests, grouped in the macro areas of social, product, economic and business, environmental responsibility.

#### 3.1 Social responsibility

##### 3.1.1 *The people in the Group*

In line with the values of expertise and team spirit at the basis of its own conduct, the Emak Group aims for excellence through the continuous improvement of its professionalism and the extensive involvement of staff at all levels. The staff and freelance workers involved in the Group's activities are a strategic and precious resource, and for this reason the Group undertakes to guarantee respect of their rights, fostering their wellbeing and promoting their professional development.

Given the organisational structure of the of the Group and its strong presence both in the Italian territory and abroad, in order to manage in a harmonious and homogeneous manner all the activities related to staff's control and management, the Group has set up a committee composed by the members of the Human Resources departments of each Italian company and by the HR international, a cross-departmental body with a specific focus on foreign branches.

At 31 December 2019 the Group's workforce numbered 1,988 persons, a decrease of 0.55% compared to the previous year (1,999 employees in 2018), mainly attributable to the demerger of the company Geoline Electronic. Male employees account for 62.6% of staff (63% in 2018), and female 37.4% (37% in 2018).

Geographically, the majority of the company population is concentrated in Europe, with 1,204 persons employed (1,247 in 2018), equal to 60.6% of the total (62.4% in 2018). In the Americas are employed 340 persons (296 in 2018), equal to 17.1% of the total (14.8% in 2018). In the Rest of the World, lastly, are employed 444 persons (456 in 2018), equal to 22.3% of the total (22.8% in 2018).

The distribution of employees by business segment and geographical area is shown below:

|                   | OPE        |            | PWJ        |            | C&A        |            | Not allocated |          | Group        |              |
|-------------------|------------|------------|------------|------------|------------|------------|---------------|----------|--------------|--------------|
|                   | 2019       | 2018       | 2019       | 2018       | 2019       | 2018       | 2019          | 2018     | 2019         | 2018         |
| Europe            | 553        | 573        | 420        | 427        | 223        | 238        | 8             | 9        | 1,204        | 1,247        |
| Americas          | 5          | 5          | 212        | 210        | 123        | 81         |               |          | 340          | 296          |
| Rest of the World | 185        | 186        | 99         | 99         | 160        | 171        |               |          | 444          | 456          |
| <b>TOTAL</b>      | <b>743</b> | <b>764</b> | <b>731</b> | <b>736</b> | <b>506</b> | <b>490</b> | <b>8</b>      | <b>9</b> | <b>1,988</b> | <b>1,999</b> |

Below is shown the distribution of employees by country at 31 December 2019 compared to the previous year:

| Employees at | 31.12.2018   | Ch. due to demerger of company branch | Other movements | 31.12.2019   |
|--------------|--------------|---------------------------------------|-----------------|--------------|
| Italy        | 989          | (10)                                  | (17)            | 962          |
| France       | 138          | -                                     | (9)             | 129          |
| UK           | 13           | -                                     | 1               | 14           |
| Spain        | 23           | -                                     | (1)             | 22           |
| Germany      | 19           | -                                     | (5)             | 14           |
| Poland       | 35           | -                                     | 1               | 36           |
| China        | 415          | -                                     | (9)             | 406          |
| Usa          | 118          | -                                     | 37              | 155          |
| Ukraine      | 30           | -                                     | (3)             | 27           |
| South Africa | 10           | -                                     | (1)             | 9            |
| Brasil       | 146          | -                                     | 3               | 149          |
| Mexico       | 17           | -                                     | 1               | 18           |
| Morocco      | 31           | -                                     | (2)             | 29           |
| Chile        | 15           | -                                     | 3               | 18           |
| <b>Total</b> | <b>1,999</b> | <b>(10)</b>                           | <b>(1)</b>      | <b>1,988</b> |

With regards to the breakdown of staff by age band, most employees are concentrated in the 30 to 50 band (62% with 1,233 people); 25% of staff are over 50 years of age (498 people), while 13% are under 30 (257 people).

Confirming the Group's wish to create strong and long-lasting professional relationships, the permanent contract remains predominant with 92% of permanent contracts (compared to 95% in 2018).

The Group is also committed to promoting dialogue with its employees, with the aim of reconciling people's needs with the Group's growth objectives. This commitment means entering into different categories of contracts: from national and/or sector bargaining, to collective and/or company contracts, to individual contracts. 71% of employees were covered by collective bargaining agreements in 2019.

The notice period provided to employees prior to the implementation of significant operational changes is defined in the Italian companies of the Group by the collective bargaining agreements and can vary from a minimum of 7 days to a maximum of 4 months based on the type of collective bargaining agreement applied, the professional category and the seniority. For the foreign companies of the Group, a minimum notice period is applied in compliance with the provisions of local legislation or collective agreements, if any.

### 3.1.2 Training and wellbeing of employees

The Emak Group invests in the development of its people through training and orientation towards precise objectives, through dedicated courses and updating, with the aim of strengthening the specific skills of every member of staff inside the organisation. During 2019, training expenses amounted to around € 300 thousand.

The different companies in the Group periodically carry out an assessment of the performance of employees with the aim of identifying any professional gaps, and which lead, together with an analysis of specific training needs and specific requests for professional updating, to precise training programmes to implement during the following year.

24,195 hours of training and skills development activities have been provided during 2019, increasing compared to 21,028<sup>3</sup> hours of 2018. Average per head has been 12.2 hours, against 10.5 hours in the previous year.

In 2019 23% of the training hours organised related to issues regarding health and safety (30.9% in 2018), 3.5% to issues connected with anti-corruption (0.4% in 2018) and the remaining 73.5% to other areas (68.7% in 2018).

Main types of training and instruction organised include:

- **language training**, aimed at improving language skill, with the awarding of certificates;
- training on **health and safety** issues, that is, relating to the learning of legal and/or company rules and regulations on the issue of safety;
- **training on model 231**, on the issues of **anti-corruption** and on compliance with local legislations;
- **technical and specialist** courses, relating to both IT issues (e.g. courses on Excel, Word and Marketing) aimed at strengthening the skills that enable jobs to be performed with expertise and safety (e.g. the driving and use of forklift trucks or specific training for product development)
- **management development** courses, that is, continuous improvement in managerial skills for employees that hold positions of responsibility or operate in specific areas (such as logistics, sales and accounts);
- **coaching** programmes, for personal and professional development.

With different frequencies for the various companies, analyses of internal climate are carried out to evaluate the level of employee satisfaction and to identify any areas where action could be taken to improve the wellbeing of the people in the Group.

Among the corporate welfare initiatives, some companies offer employees additional health coverage, as well as medical and sports agreements.

### **3.1.3 Diversity and equal opportunities**

The Emak Group, being able to count on a strong global presence, believes that the multiculturalism and heterogeneity that derive from it, represent an important strength.

At 31 December 2019 there were 744 females in the Group, accounting for 37.4% of the workforce, slightly increasing compared to the 37% of the previous year.

The Group is committed to respecting individual dignity and the physical and moral integrity of every person, and to avoiding exercising any form of discrimination, to safeguarding diversity, to guaranteeing equal opportunities and to promoting the personal, professional and cultural development of people.

Group companies, in fulfilment of what is required by national laws, arrange to insert people with disabilities into their businesses and in some cases partnerships with social cooperatives are established with the objective of improving the social integration of disadvantaged people.

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<sup>3</sup> Following a process of improvement of the reporting system and in order to ensure their comparability, the 2018 training figures were restated compared to those published in the previous DNF. For previously published data, please refer to the 2018 non-financial declaration, published in the Sustainability section of the website [www.emakgroup.it](http://www.emakgroup.it).

### 3.1.4 Health and safety

The Group undertakes to safeguard the health and safety of its people in places of work through a **constant activity of analysis, research and training**. The final objective is the creation of a safe and healthy work environment thanks to the adoption of measures and procedures aimed at preventing accidents and damage to health, and at mitigating and reducing potential risks.

With regard to the management of health and safety at work, the Group companies undertake to comply with the requirements of national regulations (for example in Italy the Legislative Decree 81/200) through the adoption of specific management systems that cover all the employees and the internal and external collaborators operating within the Group's workplaces.

In some companies, the implemented system complies with the most stringent requirements provided for by specific certifications (e.g. BS OHSAS 18001: 2007 certification). The Italian companies, in addition, carry out periodically an analysis of their work activities identifying the risks associated with them and the corrective actions to be implemented. The outcome of the analysis is a **risk assessment document**, updated on a three-year basis and in the event of organisational changes. This document is drawn up by the employer representative with the cooperation of members of the Health and Safety Team (Health and Safety Manager), the company doctor and workers' health and safety representatives. The management systems are revised whenever necessary to reflect significant changes in company processes and to comply with related legislative updates. With the aim of improving the health and safety of workers, the necessary human, instrumental and economic resources are made available. In order to prevent accidents, particular attention is paid to the training and awareness of workers on health and safety issues. In particular, trainings related to the handling of loads, the use of machinery (e.g. forklift truck), emergency and fire prevention plans and first aid are organised.

In order to identify any occupational hazards and assess their risks, an assessment is carried out for each type of task, identifying a starting risk, the measures implemented by the company to reduce the risk and the residual risk. From the analysis carried out, an adaptation and improvement plan derives, in which new risks or new situations of potential danger (near misses) are constantly inserted by Health and Safety Manager upon notification made either by persons in charge of health and safety issues or workers' health and safety representatives or workers. The notice and the consequent updating of the improvement measures are analysed during the monthly meetings between the Health and Safety Manager, the workers' health and safety representatives and the company management. Some companies of the Group are supported by external experts in risk prevention to improve the work environment.

The companies also provide Individual Protection Devices (IPDs) to staff operating in work areas where they are required, and each year draw up an evacuation plan for emergencies. Staff participate in training and updating courses on health and safety.

All companies of the Group encourage their employees to report work-related hazards and dangerous situations, mainly through formalized and structured procedures which define the reporting method and the related assessment, analysis and closure process. Each worker has the right/duty to report hazards and dangerous situations: notifications are assessed in order to proceed with the suspension of the activity and/or the immediate removal of the risk. Workers can report through the persons in charge of health and safety issues, the Health and Safety Manager and the workers' health and safety representatives, also anonymously. With the aim of implementing improvement actions, episodes of occupational accidents are monitored, comparing the trend in indices from year to year.

Workers are required to communicate any accident or potentially dangerous situations that will be evaluated by the competent bodies, and eventually by the external consultants, in order to define the improvement measures to be implemented.

All companies of the Group are committed to identifying and eliminating hazards and minimizing risks looking for continuous improvement. For this purpose, various company functions are involved (for example, Health and Safety Manager and workers' health and safety representatives) together with the competent doctor and other competent professionals in the field. Their task is to share the proposed improvement/adaptation actions, to present any critical or new dangers/risks reported by workers, to disclose the progress of the improvement actions discussed, in order to make workers participate in safety and prevention measures.

In addition to the regular training and any mandatory updates, every new employee and every external visitor is trained on specific company risks. Occasional external visitors are always followed by a contact person during their stay in the company, maintenance workers and companies operating with construction sites are placed under regular contracts in compliance with the law.

The companies of the Group undertake to involve and consult workers in the development, implementation and evaluation of the workplace health and safety management system.

Most companies, especially those involved in production activities, have committees dedicated to health and safety at work, in which take part, in the largest composition, the workers' representatives for safety; the employer representative; the production manager; the HR manager. During the meetings, workers' notifications and requests, improvement proposals and the progress of planned activities with regards to health and safety issues are analysed.

Relevant information on occupational health and safety (such as the names of emergency personnel [firefighting; first aid]; safety procedures; emergency numbers; IEP [Internal Emergency Plan]) are made public and available for consultation to all workers on company notice boards, company intranet, company newsletters.

Occupational health and safety training is scheduled annually and provided on the basis of legislative requirements. The most involved companies are the production companies, in consideration of the greater risks inherent in their business. In addition to the mandatory courses, internal training is organised in order to reduce any risk situations reported, training is focused on the activities of individuals. Training activity is addressed to all employees, and in particular to managers, persons in charge of health and safety, emergency teams, workers' health and safety representatives, forklift operators, workers updates, AED, electrical work. Examples of training are the firefighting training, the update for workers' health and safety representatives, training for the use of forklift trucks.

In order to facilitate the access of their workers to medical and health care services, some companies in the Group have developed specific Welfare and health coverage programs which include various agreements with private entities as well as with the national health service.

The Group is strongly committed to avoiding and mitigating the negative impacts on occupational health and safety directly connected to its activities and products through product and component safety tests, the certification of its products and the selection of its suppliers also on the basis of environmental and ethical requirements, which include workers' health and safety issues.

During 2019, in the Group occurred 31 injuries (of which none fatal), with a recordable workplace accident rate of 8.9, decreasing compared to 2018 (13.8).

 For more details about people in the Group, reference should be made to the "Performance Indicators" section of this document.

## 3.2 Product Responsibility

### 3.2.1 Supply chain

EMAK Group's supply is composed of around 4,000 suppliers, subdivided between consolidated suppliers of material for production and suppliers of occasional services. The value of Group purchases in 2019 was around 230 million euros.

Common suppliers account for around 8% of the total. The Group, through the Corporate Purchasing Department, implement synergy and optimisation plans of the supply chain aimed at further increasing and consolidating the perimeter of common suppliers.

Supplies are included in a global Group supply context and are governed by common commercial rules and conditions where possible, regulated by framework Agreements, which take into consideration the specific needs deriving from the particular characteristics of the business sectors in which the Group operates.

With regards to geographical area, 85% of the supply chain lies within the European Union and 15% outside, largely in the Far East directly serving the Group's Chinese production sites. The geographical distribution of the supply chain can vary depending on the specific nature of the single businesses. In Italy the Group maintains part of its suppliers with a site situated at less than 100 km from the Production Site, especially for mechanical processing, surface treatments and assembly works: these are historical suppliers with a longstanding relationship with the company.

The management of the relationship with suppliers in the Far East is assigned to local teams (Purchases and Quality) present in the various factories with the supervision of the relevant Italian staff: both local control on the part of qualified staff and control at various levels on the part of the Head Office, is therefore guaranteed. In case there is no local staff in the single companies, there are intra-group collaboration and synergy agreements aimed at controlling suppliers using the staff available with information sharing or direct visit.

The main suppliers are classified at Corporate level, according to indicators that assess strategic importance, performance, supply characteristics, supplier replaceability and the level of independence, as well as financial risk, into:

- Partners: suppliers that meet high requirements based on an inter-functional scoring;
- Strategic: important suppliers for which the Group is not a strategic customer. The Group works to ensure that suppliers falling into this category become partners or part suppliers;
- Part Suppliers: suppliers without stable relationships from the relational point of view; for the Group they do not represent a high risk.

The main commodities purchased are: plastics, parts made of cast aluminium, parts in moulded and shaped metal, final products, electric induction and brush motors, metal work and spare parts.

The main changes in the year in the Group's supply chain structure are mainly due to the following reasons:

- Changes due to qualitative problems
- Changes due to the high risk of supplies or external factors such as closures/cessation of the supplier's business which could potentially affect the production continuity of the Group's factories
- Changes due to purchases marketing, aimed at obtaining improved technical-commercial conditions

The main activities have affected around 50 suppliers at Group level, including suppliers judged to be at high risk and those with resourcing projects for qualitative problems: the main commodities affected are plastic, cylinders, metalwork, electromechanical components, mechanical processing, and commercial components for the agricultural sector.

In most cases there is a geographical shift of supplies, typically from Europe to Asia. In the case of purchases marketing, the Group's policy is to maintain double sourcing of supplies with reference to risk management. 2019 saw a decrease in the shift of supplies for the consolidation of the initiatives previously launched and for priority given to other activities, mainly on the synergy of the management system.

## Supplier analysis and assessment

An evaluation of environmental and ethical aspects forms part of the assessment of suppliers both upon their initial introduction into Emak's Register of suppliers and in the periodic assessment of performance. The assessment of a potential supplier is carried out with checklists as part of the initial approval process, while the periodic assessment of a supplier already inserted into the Register of suppliers is carried out during supplier visits by a specific team (Quality - Purchases). This type of audit has a qualitative outcome in terms of the reporting of any non-conformities to the Certified Systems Manager and the Purchases Management and the definition of a shared action plan for the investigation and correction of any non-conforming situations. Audits are performed on a periodic basis on the trend of accidents, turnover or aspects relating to safety and ethics through the compilation of questionnaires and/or checklists.

In the perimeter of Italian suppliers, after the training sessions held in 2017 on the sustainability policies developed by the Group, in particular on environmental-social and safety at work issues, it has been decided to proceed with audits on a specific suppliers' panel to be done in 2018 and 2019. A multi-functional internal committee meets every six months to assess progress on these activities.

In a number of supply contracts for certain types of purchase (e.g.: transport), there is a specific section on environmental and ethical tissues.

New suppliers are promptly informed of Emak Ethical Code, invited to visit the Social Responsibility section of the Emak website and to read the Group's integrated policies at the moment of their introduction into the Register of suppliers.

The assessment and classification of suppliers already present in the Register of suppliers, includes a specific section that checks the presence of environmental and ethical certification and evaluates the supplier regarding particular changes or improvements in this area. On the basis of the quality audits received, the Group does not have suppliers at high risk on these issues: partners are mostly structured companies, operating for some time in the market and informed on this issue.

For Extra-European suppliers, is in place a suppliers' introduction and evaluation policy and the sharing of a new check list SA8000 to use during the Purchases – Quality audits. Audits are conducted by the designated and qualified personnel and transmitted for verification and control to the appropriate structure of the Parent Company.

New suppliers are visited and assessed according to the SA8000 checklist and Audit Quality schedules.

The selection of suppliers and the assignment of business regulated by contracts is carried out through clear, certain and non-discriminatory procedures, based on criteria linked exclusively to the objective competitiveness of the services and products offered and their quality, considering also the supplier's compliance with the SA8000 standard and, in general, the principles set out in the Ethical Code. The periodic check on the part of appointed staff, through checklists and audits, guarantees that the Register of suppliers is constantly updated with approved and useable suppliers. The check of clauses relating to human rights forms part of this procedure.

New suppliers are promptly informed of Emak Ethical Code, invited to visit the Social Responsibility section of the Emak website and to read the Group's integrated policies at the moment of their introduction into the Register of suppliers.

In 2019, **100% of the new suppliers** (15 suppliers mainly linked to projects for the development of new products in the Far East) were assessed and examined on the basis of the social criteria and related to human rights without any evidence being found of non-conformities. Considering, however, the sensitivity of the issues referred to and the lack of complete knowledge of these new suppliers, in the presence or otherwise of any reports, further examination will be carried out through targeted audits on site.

The Group believes it is essential to keep extra-European supplies monitored centrally and to promote training projects for the Purchases-Quality staff so that the issues relating to the environment, safety and ethics are constantly held in consideration in order to limit risk. In this regard, auditors have been made aware of, and formally trained to pay attention to, these aspects and to report any non-conformities, also potential.

It has also been defined a target number of annual audits to share with the Corporate Purchasing Department with a timeline of 2 years (2018-2019). This target has been respected and has been renewed for the 2020-2021 period.

At the moment most of the practices described are being extended to all divisions of the Group and part of the shared supplier assessment procedure has been shared at corporate level during 2018, although general assessments on environmental and social criteria are already widely common within the Group.

### 3.2.2 *Research and development*

Research and development is one of the fundamental pillars on which the Group's continuous growth and success strategy is based. The Group, in fact, considers that investing in research as a tool for obtaining a competitive advantage in national and international markets to be of strategic importance. Whenever possible, the Group covers its products with **international patents**.

R&D is geared towards improving the product in several respects: safety, comfort, ease of use, performance and environmental impact. Particular attention is also paid to the development of new technologies, which guarantee the product, without affecting its performance, greater efficiency, lower consumption and an overall lower environmental impact.

In addition, the Group for some years has set up **partnerships with the academic world** with the objective of an exchange of know-how with a view to continuous improvement of its products and performances.

In 2019 the Group allocated a total of 18 million Euros to Research and Development, of which 10.6 million in investments in tangible and intangible fixed assets and 7.4 million for research costs.

The main activities carried out by the Group companies in 2018, broken down by business lines, are described below.

#### **Outdoor Power Equipment**

The year 2019 saw the consolidation of sales of the products launched in the second half of 2018, including a new line of 50cc and 54cc chainsaws. During the year, numerous new product launches were made, including a 40 cc brush cutter for private and farmer use, a 40cc chainsaw for consumer users and a new hedge trimmer for professional use. The certainly most important introduction was that of a new line of products powered by a 40V battery, characterized by a highly innovative and coordinated design on all the products in the range; during 2019 the first 4 applications were introduced such as brush cutter, hedge trimmer, blower and lawn mower.

The development of important technologies for the future continued during the year, such as:

- **Engine technologies.** After completing and putting into production the first engines with the EGR system in 2019 we started to develop a new technology that allows us to respect the future emission limits that are currently under discussion and which is expected to reduce pollutants by 30% less compared to current limits.
- **Battery technology.** During 2019, development continued in order to complete the range, in particular with the development of two other lawnmowers, one with a 38 cm plastic plate and one with a 44 cm metal plate, a fast charger, and a chainsaw. In parallel, we started a power electronics design activity in order to improve the operating algorithms to increase performance and autonomy. At the same time, we started an activity for the further development of the range in order to have a complete battery product portfolio.
- **IoT,** in 2019, the development of IoT technology continued in order to be able to apply it to products in the OPE segment. In particular, the first design phase and the construction of a first sensor sample was completed. The activity will continue also in the following year with field validation tests. With this technology it will be possible to monitor the activity in the field of the machines and on the one hand to provide useful information to the customer regarding the maintenance of the equipment, on the other to collect data useful to the Group for the improvement and further future development of the products. This is a multi-year project, for which the Group has also obtained funding from the MISE (Ministry of Economic Development) in the coming years.
- **methodological activity.** During 2019, we completed the development of two specific benches, one concerning the optical measurement of cylinders for two-stroke engines and a wear bench for the cylinder linings that allows to evaluate the characteristics of a coating in a few hours on a sample or production piece. These activities are based on a line of improvement in the quality standards of the engines and therefore of the finished products. In addition to this experimental activity, in 2019 an experimental numerical method was developed for the prediction of the characterization of anti-vibration systems. The

methodology consists in combining experimental measurements with accelerometers and numerical simulations. This activity has allowed us to significantly improve the comfort of our products such as the backed brush cutter and the new 25 cc portable blower and at the same time to understand anomalous vibrations on some specific products.

### **Pumps and High Pressure Water Jetting**

As part of the range of products for **agriculture**, a very high-flow diaphragm pump has been put on the market, prepared for use also in tandem and intended for installation on sprayers for the treatment of large extensions. At the same time, a low and medium pressure pump was developed and industrialized, with pipes and heads in technopolymer that with two different settings will be used both in the agricultural sector in spraying for horticulture and for pumping diluted acids in the soft wash. Furthermore, a specific lubricating oil for diaphragm pumps has been developed to be used both as a first filling and as a replacement.

In **industrial products**, in addition to substantial improvements to further increase the performance of the recently introduced axial pump in the range, a new hydraulic head system and related valves have been developed for triplexes, specific for high pressures, in particular in the range from 400 to 700 bar . On the basis of this, the new 35 HP pump in compact dimensions was created, which was then marketed also in the high flow version. By applying the same system, an upgrade of the TW series was made and put on the market with an increase in duration and reliability, fundamental in this professional range.

As regards **cleaning products and hydrodynamic units**, the intense synergic activity between the various companies and product lines continued. In the high-end market, it has led to the creation of two new cold pressure washers, one with an induction electric motor for semi-professional use and one with an internal combustion engine and tubular metal frame for professional use, an extremely compact and efficient hot pressure washer, and one hot water and steam unit for intensive industrial use. Furthermore, the entire range of petrol engine machines has been redesigned, from small high-pressure cleaners to large systems, to make the machines "Stage V compliant" in terms of polluting emissions. In the urban cleaning range, two products have been developed aimed at reducing the environmental impact: a new hybrid engine (diesel-electric) and a new electric washing unit powered by the batteries of the vehicle.

The LVR platform for cold water machines was developed in the consumer high-pressure washers sector, all equipped with both the WPS (Washing Program System) system to regulate the motor speed and the DIGIT electronic selector for the control functions. It has also been extended to pressure washers with an induction motor, creating the new range called Prime. Furthermore, for the foreign market, a complete range of machines with 120 Volt power supply UL certified for the United States and a new hobby pressure washer called DXPW2685 has been developed, with metal frame, new induction motor and pump unit with double seal brass head for the Australian market.

In the suction compartment, the aesthetic restyling of the VAC aspirator, a historic entry level product, was carried out and a new product was developed for the semi-professional / professional range called SUPER WORKER, an extremely versatile and customizable dust / liquid aspirator, with the possibility of selecting the suction power thus optimizing the efficiency of the appliance. Furthermore, the DOZER 20 / 30 liters projects, a new hobby vacuum cleaner intended mainly for the Chinese market, and the 120 Volt PROFESSIONAL DOZER, evolution of the current version with 230 Volt power supply, have been developed.

To complete the current range in the washer-dryer sector, the DART model with 120 Volt power supply was introduced, an evolution of the current 230 Volt version.

### **Components and accessories**

In the **green maintenance sector**; gardening and forestry continued in the development of the brush cutter heads and chainsaw chain maintenance machines, respectively. As regards the brush cutter, the technical development drivers are always what the various OEM customers ask for; reduction of induced vibrations, reduction of noise and energy consumption. Furthermore, the development of the range of heads and wire for large-scale distribution has continued, with particular attention to the US market. In the field of chainsaw chain maintenance machinery, the development of a sharpener that is currently in prototype with battery operation should be noted.

In the **agricultural sector**, the development of computerized systems for controlling the distribution of pesticides continued. They create versions for foliage with sonar detection. In the purely mechanical or electromechanical sector of the range, actuators have been developed for the control of the single nozzle and functional to the so-called precision-farming or the possibility of optimizing and splitting the treatment to the maximum according to the characteristics of the soil.

As far as the **high pressure washing accessories** product line is concerned, the design of the pressure reset valve developed in collaboration with UNIMORE and from which an invention patent originated. Furthermore, the development of ultra-high pressure water guns continued, studying the 1000 bar version and customized versions for the OEM for the consumer sector.

### 3.2.3 Product quality and safety

The Group strongly believes that quality is an essential factor for guiding the company in its corporate mission. All Group companies therefore strive to guarantee the highest quality. In this context, the table below shows the certifications obtained by Group companies, demonstrating the joint efforts to ensure product quality:

| Company   | Certifications                                 |
|---|--|
| Emak S.p.A.                                     | ISO 9001:2015<br>ISO 14001:2015<br>SA8000:2014 |
| Tecomec S.r.l.                                  | ISO 9001 2015                                  |
| Comet S.p.A.                                    | ISO 9001:2015                                  |
| Lavorwash S.p.A.                                | ISO 9001:2015                                  |
| Ningbo Tecomec Manufacturing Co. Ltd.           | ISO 9001:2015                                  |
| P.T.C. S.r.l                                    | ISO 9001:2015                                  |
| Yong Kang Lavorwash Equipment Co. Ltd.          | ISO 9001:2015                                  |
| Lavorwash Brasil Industrial and Commercial Ltda | ISO 9001:2015                                  |

#### **Outdoor Power Equipment**

With regards to the health and safety of the products developed, all **approval** and **certification** activities are carried out internally in laboratories equipped with specific instruments, with the exception of electromagnetic compatibility, which is carried out in laboratories near to the company. Every three months the instrumentation used for checking the quality and safety features of the product is re-certified so as to monitor and correct any wear and tear. The products developed are evaluated with regards to the safety of the mechanical parts, the noise produced, the emissions generated (according to the indications of the Emissions Directive), vibrations and electromagnetic compatibility. The Machines Directive provides the guidelines relating to elements that must be verified with regards to product safety.

During the **production phase**, a sample check is carried out through a functional and safety test aimed at evaluating the machine's conformity. Thanks to the further strengthening of the activity aimed at the evaluation of product conformity, which took place in 2018, the quality and the safety of the machines are guaranteed during the production phase thanks to a constant monitoring throughout the product cycle, from the development to the production.

The department dedicated to product Quality and Safety is particularly active and attentive in relation to the constantly evolving reference legislation context. Emak is a member of EUROMOT, the category association of engine manufacturers at a European level which is involved in supporting the development of future scenarios regarding the reference sector (e.g. emissions, etc.). Emak also follows the evolution of legislation affecting the sector (Emissions Directive, Machines Directive Revision, Noise Directive, WEEE Directive - The Waste Electrical and Electronic Equipment Directive - ISO standards, etc.) in order to be constantly updated and in line with the requirements requested by the current laws in countries where it has production sites.

Finally, Emak takes part in the ISO meetings relating to changes and developments regarding the safety of products in the reference markets.

There were no cases of product non-conformity in 2019.

### **Pumps and High Pressure Water Jetting**

In the Pumps and High Pressure Water Jetting segment, there are various procedures in place to monitor and guarantee quality and safety in the different phases for the design, production and marketing of the product in the market. Specifically, in Comet S.p.A., the reference company for the activities of the segment, there is a procedure that describes the criteria adopted by the technical department for preparing the Technical File of designed, manufactured and marketed Finished Products. Among other things, this document sets out analyses of the risks associated with the use of the developed products, which follows the criteria indicated in the directives/standards which the product has to comply with. The analysis of risks, as well as the use and maintenance booklet, is revised every time a modification makes this necessary (modification of the product and/or the issue of new relevant regulations). The File also shows the results of conformity tests carried out in company or external laboratories.

A further procedure in place relates to the definition and description of the activities, responsibilities and flow of information linked to the product design cycle so as to ensure that the quality requirements of the product are complied with and implemented.

In addition, there is a Technical procedure aimed at defining the production process control requirements for subcontracted suppliers of finished products.

The production processes are subject to a specific Technical Procedure with the aim of defining the operating procedures for structuring the production process and of ensuring that these are implemented in controlled conditions. The organisation provides for specific procedures that accompany the production process of a number of machines subject to a PED Directive (Directive relating to equipment under pressure).

Every product non-conformity found during the design and production phase is registered and any corrective actions are planned.

The Group operates according to the ISO 9001 system and has adopted a procedure that establishes criteria and controls with regards to the design, production and quality control of both incoming and outgoing products.

There were no cases of product non-conformity in 2019.

### **Components and accessories**

To ensure compliance with the aforementioned directives, equipment has been purchased that allows the main material screening to be carried out internally in the company. In any case, collaboration with some internationally recognized institutes and laboratories continues.

With regards to evaluation activities regarding the health and safety of the products developed, there is an internal procedure that establishes the activities and responsibilities regarding the design and engineering phases of new products. Specifically, during the design phase the laws and standards to which the product is subject are reviewed (e.g. the REACH regulation - Registration, Evaluation, Authorisation and Restriction of Chemicals, and the RoHS directive - Restriction of Hazardous Substances Directive) on the basis of the final market of the product. Higher levels of safety are requested for a number of products, such as power tools. In these cases, the well-established procedure imposed by management is the issue of a certification by third party bodies: for the European market, the certification is issued by the TÜV company (Technischer Überwachungsverein), while for the United States market by UL (Underwriters Laboratories). In the event that it is considered necessary internally or is explicitly requested by the customer, an FMEA (Failure Mode and Effect Analysis) risk analysis is applied. Finally, for those products that are not regulated by specific legislation (e.g. accessories), reference is made to the standard to which the finished product is subject.

There were no cases of product non-conformity in 2019.

### 3.3 Economic responsibility

#### 3.3.1 Economic value created and distributed

Added value is the wealth produced by the Emak Group and redistributed to the various stakeholders under various forms.

Through a reclassification of the income statement, the figures regarding the creation and distribution of added value provide an indication of how the Group has created wealth for its stakeholders, highlighting the economic effects produced by business management with reference to the main categories of interested parties.

In 2019, the added value distributed by the Group was 404,683 thousand Euros, in spite of an added value generated of 439,626 thousand Euros.

| Added Value generated                |                |                |
|--------------------------------------|----------------|----------------|
| €/000                                | 2019           | 2018           |
| <i>Sales</i>                         | 433,953        | 452,825        |
| <i>Other operating incomes</i>       | 4,668          | 5,465          |
| <i>Change in inventories</i>         | 854            | 4,621          |
| <i>Financial income</i>              | 1,370          | 5,316          |
| <i>Exchange gains and losses</i>     | 766            | 86             |
| <i>Income from equity investment</i> | 89             | 266            |
| <i>Depreciation</i>                  | -2,074         | -597           |
| <b>Global Added Value generated</b>  | <b>439,626</b> | <b>467,982</b> |

| Added Value distributed   |                |                |
|---|----------------|----------------|
| <b>Employees remuneration</b>   | <b>81,106</b>  | <b>83,310</b>  |
| <i>Personnel expenses</i>   | 81,106         | 83,310         |
| <b>Operating costs</b>  | <b>312,279</b> | <b>330,152</b> |
| <i>Raw materials, consumable and goods</i>                              | 230,213        | 243,182        |
| <i>Other operating costs</i>  | 82,066         | 86,970         |
| <b>Remuneration of the Public Administration</b>                        | <b>5,755</b>   | <b>9,213</b>   |
| <i>Income taxes</i>   | 5,755          | 9,213          |
| <b>Shareholders remuneration</b>  | <b>177</b>     | <b>7,609</b>   |
| <i>Net profit attributable to non controlling interests</i>             | 177            | 250            |
| <i>Net profit attributable to the Group distributed to shareholders</i> | -              | 7,359          |
| <b>Remuneration of financial system</b>                                 | <b>5,366</b>   | <b>4,784</b>   |
| <i>Financial expenses</i>   | 5,366          | 4,784          |
| <b>Global Added Value distributed</b>                                   | <b>404,683</b> | <b>435,068</b> |

| Added Value retained                            |               |               |
|---|---------------|---------------|
| <i>Profit for the year allocated to reserve</i> | 12,949        | 18,038        |
| <i>Amortization</i>                             | 21,994        | 14,876        |
| <b>Global Added Value retained</b>              | <b>34,943</b> | <b>32,914</b> |

Taking into account the "emergency" situation generated due to the known events due to Covid-19, as well as the difficult assessment of the significant effects on the economy that this unprecedented situation is potentially able to produce, the Board of Directors, on March 13 2020, has reserved, in a subsequent meeting to be held before the shareholders' meeting convened for April 29, 2020, to formulate a proposal for the distribution of dividends to the shareholders' meeting, in the hope that the current generalized difficulty situation may resolve or be lessened.

Prudentially, given the current uncertain situation, the Board of Directors, on March 13, 2020, proposed to the shareholders' meeting to allocate the profit for the year to the legal reserve, for the amount prescribed by law, and to Retained earnings for the entire residual amount.



*For a more detailed description of the Group's economic and financial performance, please refer to the 2019 Annual Financial Report published on the website [www.emakgroup.it](http://www.emakgroup.it).*

### 3.4 Environmental Responsibility

The Group believes that the protection of the environment in which it operates is of fundamental importance, considering the natural environment as an asset to be safeguarded, in harmony with the Group's activities and with due consideration for future generations.

The Group's efforts towards the continuous search for technical solutions with reduced environmental impact involve all the processes in a transversal way, from the first stages of product development to post-sales at service centers. Starting from the design phase, increasingly eco-compatible materials are sought, through research and innovation, technical solutions are studied which allow a lowering of polluting emissions, and suppliers are evaluated and chosen also on the basis of compliance with environmental requirements.

With regards to the creation of responsible products, the parent company, Emak S.p.A., has created a logo that expresses its green vision: **We care**. Emak S.p.A. was, in fact, the first company in the world in the sector to have obtained certifications in three fundamental areas of corporate sustainability, that is, Ethics, Environment and Quality.

Emak S.p.A. implements its commitment to sustainable development through the Integrated Management System, which combines the Quality System ISO 9001, the Ethical System compliant to the principle of SA8000 and the Environmental System ISO14001 standards in a synergistic manner.

The most significant environmental impact for the Group is concentrated in the production companies, which for the most part carry out assembly activities and therefore do not include energy-intensive operations. The timely management of environmental aspects and impacts is delegated to the individual companies and production plants with the greatest impact.

As evidence of the environmental commitment, some Group companies have already adopted projects to reduce the consumption of plastic through the use of paper cups and wooden pallets for coffee and the installation of water dispensers where you can fill bottles distributed free of charge to employees to discourage the use of plastic bottles.

In addition, Emak has adopted a **Mobility Manager**, the figure responsible for collecting data related to the habits of the workforce relative to and from work and to interface with local governments making proposals to reduce transport-related emissions in line with the principles of sustainable mobility (discouraging the use of one's own car for short journeys and choosing alternative forms of transport such as public transport and car pooling).

Starting from the 2019 financial year, the Operation and Procurement Committee has included the mapping and sharing of the initiatives taken by the various companies on environmental issues in its duties so as to be able to better coordinate the Group's activities on the matter.

#### 3.4.1 Energy consumption

In 2019, 89,543 GJ of fuels from non-renewable sources (natural gas, diesel and gasoline) were consumed, while total electricity consumption was 82,739 GJ. The overall energy consumption was therefore equal to 172,282 GJ (129.873<sup>4</sup> GJ in 2018). In percentage terms, most of the consumption is attributable to the use of electricity (about 48%) purchased directly from the network, used for heating / cooling and for the Group's production processes; 41%, on the other hand, is attributable to the consumption of natural gas for heating buildings and factories. In 2019, greater energy consumption emerged mainly due to the expansion of the reporting perimeter of energy consumption to also include commercial companies (in 2019 they affected total energy consumption for 21%), as well as the inclusion of fuel consumption for automotive (in 2019 they

<sup>4</sup> Following a process of improvement of the reporting system and in order to ensure their comparability, the 2018 energy consumption figures were restated compared to those published in the previous DNF. For previously published data, please refer to the 2018 non-financial declaration, published in the Sustainability section of the website [www.emakgroup.it](http://www.emakgroup.it).

contributed 8%) not included in 2018 consumption. With the same perimeter and net of automotive consumption, the total energy consumption is 1.7% lower than last year.

It should be noted that during 2019 the parent company Emak S.p.A. has completed construction work on the new Engineering center, equipped with the latest generation of LED lighting systems and equipped with solar panels. The photovoltaic system has a power of 95.55 kwp. In addition, several Group companies have undertaken a process of replacing neon lamps with LED lamps.

### 3.4.2 Emissions

Direct and indirect CO<sub>2</sub>eq emissions associated with the main consumption activities of the Group can be subdivided into two categories:

- **direct emissions (Scope 1):** emission of greenhouse gases due to direct fuel consumption on the part of the Group (e.g. natural gas, diesel and petrol);
- **indirect emissions (Scope 2):** emissions of greenhouse gases deriving from the consumption of electricity, consumed by the Group.

In 2019, Group's Scope 1 emissions were 5,563 ton CO<sub>2</sub>eq, (3,220 ton CO<sub>2</sub>eq in 2018) while Scope 2 emissions calculated with the market-based method were 9,343 ton CO<sub>2</sub>. (8,487<sup>5</sup> ton CO<sub>2</sub> in 2018). Specifically, 63% of the emissions is attributable to electricity (Scope 2), while 37% is attributable to the use of fuels (Scope 1).

Using instead the location-based method, the Scope 2 emissions were 8,586 ton CO<sub>2</sub> (7,790 ton CO<sub>2</sub> in 2018).

In 2019 there was an increase in emissions compared to 2018 values. This increase is mainly attributable to the inclusion of commercial companies in the scope of consolidation (in 2019 they contributed 20% of total emissions) and fuel consumption for road transport (they contributed about 8%) not included in 2018 consumption.

With regard to the quantification of other atmospheric emissions different from CO<sub>2</sub> emissions, various case studies are reported among the companies of the Group. In particular:

- Companies that are not subject to authorization as they do not produce significant emissions into the atmosphere;
- Companies subject to periodic checks and which have an environmental authorization obligation for emissions into the atmosphere.

For example, at a national level, Emak S.p.A. and Lavorwash S.p.A. monitor their emissions into the atmosphere (PM) pursuant to Legislative Decree 152/06. In particular, the emissions are sampled through sampling of gaseous fluids conveyed in the emission chimney, according to the UNI EN 13284-1: 2003 sampling method. The sampling results are described in specific test reports where the values of the samples sampled (mg / Nm<sup>3</sup>) are compared with the limits established by the reference standard. In 2019 figures the estimated emission for one plant ( via Secchi, Bagnolo in Piano – RE, Italy ) of the Parent Company are equal to 6.93 kg of NO<sub>2</sub>, 3.63 Kg of SO<sub>2</sub>, 122.13 Kg of CO, 9.29 Kg of S.O.V., 0.85 Kg of particulate matter and 0.00184 Kg of lead. These values are not in exceedance of the emission limit values imposed by the AUA<sup>6</sup>.

In some plants subject to environmental authorisation (eg Tailong in China), the emission control is performed by the competent authorities on an annual basis; for an estimate of emissions in the year, the sampled value is then multiplied by the annual working. For the Chinese plant Tailong, the estimated emissions are equal to 65.5 kg of NO<sub>x</sub>, 12.14 kg of Sox.

<sup>5</sup> Following a process of improvement of the reporting system and in order to ensure their comparability, the 2018 emissions figures were restated compared to those published in the previous DNF. For previously published data, please refer to the 2018 non-financial declaration, published in the Sustainability section of the website [www.emakgroup.it](http://www.emakgroup.it).

<sup>6</sup> Autorizzazione Unica Ambientale.

### 3.4.3 *Water withdrawals*

The Group pays particular attention to the consumption of the water resource used and implements actions aimed at reducing and limiting its consumption in the medium-long term, also through constant monitoring.

Water can be used for sanitary or production purposes. In the latter case, it is mainly used in test benches or in test rooms in order to test the products and in the production process of the brushcutter wire. Companies that use water the most in their production processes use water in closed processes in order to reduce its use.

The primary source of withdrawal is the public network, but several Group companies also use wells in the vicinity of their factories for production purposes. The waters are usually discharged into the sewer system.

The companies hold regular water analysis by external bodies, in order to monitor that the quality complies with the regulatory requirements of the various countries. In order to minimize the impacts of suspended and coarse solids and the levels of potentially polluting substances that may be affected, Lavorwash S.p.A. installed cartridge filters downstream of each testing station.

In order to assess its impact in sensitive areas, the Group has identified the companies that are in water stress areas based on the basic water stress indicator provided by the World Resources Institute's Aqueduct Water Risk Atlas tool. The companies that resulted in water stress areas are: Emak S.p.A. limited to the Pozzilli site, Valley, Speed Line South Africa, Speed South America and Ningbo.

For details on water withdrawals, see the table in the "Performance indicators" section.

## 4. Performance indicators

### Figures relating to human resources

Total number of employees by country, gender and type of contract at 31 December

|                          | 31.12.2018   |            |              | 31.12.2019   |            |              |
|--------------------------|--------------|------------|--------------|--------------|------------|--------------|
|                          | Male         | Female     | Total        | Male         | Female     | Total        |
| <b>EUROPE</b>            | <b>838</b>   | <b>409</b> | <b>1,247</b> | <b>804</b>   | <b>400</b> | <b>1,204</b> |
| permanent                | 820          | 403        | 1,223        | 794          | 397        | 1,191        |
| temporary                | 18           | 6          | 24           | 10           | 3          | 13           |
| <b>AMERICAS</b>          | <b>213</b>   | <b>83</b>  | <b>296</b>   | <b>239</b>   | <b>101</b> | <b>340</b>   |
| permanent                | 213          | 82         | 295          | 231          | 97         | 328          |
| temporary                | 0            | 1          | 1            | 8            | 4          | 12           |
| <b>REST OF THE WORLD</b> | <b>208</b>   | <b>248</b> | <b>456</b>   | <b>201</b>   | <b>243</b> | <b>444</b>   |
| permanent                | 157          | 223        | 380          | 141          | 170        | 311          |
| temporary                | 51           | 25         | 76           | 60           | 73         | 133          |
| <b>TOTAL GROUP</b>       | <b>1,259</b> | <b>740</b> | <b>1,999</b> | <b>1,244</b> | <b>744</b> | <b>1,988</b> |
| permanent                | 1,190        | 708        | 1,898        | 1,166        | 664        | 1,830        |
| temporary                | 69           | 32         | 101          | 78           | 80         | 158          |

Total number of employees by region, full-time/part-time and gender at 31 December

|                          | 31.12.2018   |            |              | 31.12.2019   |            |              |
|--------------------------|--------------|------------|--------------|--------------|------------|--------------|
|                          | Male         | Female     | Total        | Male         | Female     | Total        |
| <b>EUROPE</b>            | <b>838</b>   | <b>409</b> | <b>1,247</b> | <b>804</b>   | <b>400</b> | <b>1,204</b> |
| Full-time                | 806          | 304        | 1,110        | 773          | 302        | 1,075        |
| Part-time                | 32           | 105        | 137          | 31           | 98         | 129          |
| <b>AMERICAS</b>          | <b>213</b>   | <b>83</b>  | <b>296</b>   | <b>239</b>   | <b>101</b> | <b>340</b>   |
| Full-time                | 213          | 82         | 295          | 237          | 101        | 338          |
| Part-time                | 0            | 1          | 1            | 2            | 0          | 2            |
| <b>REST OF THE WORLD</b> | <b>208</b>   | <b>248</b> | <b>456</b>   | <b>201</b>   | <b>243</b> | <b>444</b>   |
| Full-time                | 204          | 243        | 447          | 198          | 240        | 438          |
| Part-time                | 4            | 5          | 9            | 3            | 3          | 6            |
| <b>TOTAL GROUP</b>       | <b>1,259</b> | <b>740</b> | <b>1,999</b> | <b>1,244</b> | <b>744</b> | <b>1,988</b> |
| Full-time                | 1,223        | 629        | 1,852        | 1,208        | 643        | 1,851        |
| Part-time                | 36           | 111        | 147          | 36           | 101        | 137          |

### Average number of external workers by professional figure and gender

|                    | 2018       |           |            | 2019      |           |            |
|--------------------|------------|-----------|------------|-----------|-----------|------------|
|                    | Male       | Female    | Total      | Male      | Female    | Total      |
| <b>TOTAL GROUP</b> | <b>112</b> | <b>72</b> | <b>185</b> | <b>97</b> | <b>58</b> | <b>155</b> |
| Agency and other   | 102        | 66        | 168        | 87        | 49        | 136        |
| Stage              | 10         | 6         | 16         | 10        | 9         | 19         |

### Total number of employees by category and gender at 31 December

|                          | 31.12.2018   |            |              | 31.12.2019   |            |              |
|--------------------------|--------------|------------|--------------|--------------|------------|--------------|
|                          | Male         | Female     | Total        | Male         | Female     | Total        |
| <b>EUROPE</b>            | <b>838</b>   | <b>409</b> | <b>1,247</b> | <b>804</b>   | <b>400</b> | <b>1,204</b> |
| Executives               | 57           | 7          | 64           | 59           | 7          | 66           |
| Employees                | 360          | 212        | 572          | 349          | 212        | 561          |
| Workers                  | 421          | 190        | 611          | 396          | 181        | 577          |
| <b>AMERICAS</b>          | <b>213</b>   | <b>83</b>  | <b>296</b>   | <b>239</b>   | <b>101</b> | <b>340</b>   |
| Executives               | 19           | 3          | 22           | 19           | 3          | 22           |
| Employees                | 103          | 45         | 148          | 105          | 48         | 153          |
| Workers                  | 91           | 35         | 126          | 115          | 50         | 165          |
| <b>REST OF THE WORLD</b> | <b>208</b>   | <b>248</b> | <b>456</b>   | <b>201</b>   | <b>243</b> | <b>444</b>   |
| Executives               | 11           | 6          | 17           | 11           | 6          | 17           |
| Employees                | 94           | 60         | 154          | 90           | 58         | 148          |
| Workers                  | 103          | 182        | 285          | 100          | 179        | 279          |
| <b>TOTAL GROUP</b>       | <b>1,259</b> | <b>740</b> | <b>1,999</b> | <b>1,244</b> | <b>744</b> | <b>1,988</b> |
| Executives               | 87           | 16         | 103          | 89           | 16         | 105          |
| Employees                | 557          | 317        | 874          | 544          | 318        | 862          |
| Workers                  | 615          | 407        | 1,022        | 611          | 410        | 1,021        |

**Total number of employees by category and age group at 31 December**

|                          | 31.12.2018 |              |            |              | 31.12.2019 |              |            |              |
|--------------------------|------------|--------------|------------|--------------|------------|--------------|------------|--------------|
|                          | < 30       | 30 - 50      | > 50       | Total        | < 30       | 30 - 50      | > 50       | Total        |
| <b>EUROPE</b>            | <b>85</b>  | <b>767</b>   | <b>395</b> | <b>1,247</b> | <b>73</b>  | <b>710</b>   | <b>421</b> | <b>1,204</b> |
| Executives               | 3          | 32           | 29         | 64           | 1          | 33           | 32         | 66           |
| Employees                | 50         | 355          | 167        | 572          | 49         | 337          | 175        | 561          |
| Workers                  | 32         | 380          | 199        | 611          | 23         | 340          | 214        | 577          |
| <b>AMERICAS</b>          | <b>71</b>  | <b>180</b>   | <b>45</b>  | <b>296</b>   | <b>93</b>  | <b>201</b>   | <b>46</b>  | <b>340</b>   |
| Executives               | 1          | 13           | 8          | 22           | 0          | 17           | 5          | 22           |
| Employees                | 33         | 99           | 16         | 148          | 37         | 100          | 16         | 153          |
| Workers                  | 37         | 68           | 21         | 126          | 56         | 84           | 25         | 165          |
| <b>REST OF THE WORLD</b> | <b>104</b> | <b>326</b>   | <b>26</b>  | <b>456</b>   | <b>91</b>  | <b>322</b>   | <b>31</b>  | <b>444</b>   |
| Executives               | 1          | 13           | 3          | 17           | 0          | 13           | 4          | 17           |
| Employees                | 30         | 113          | 11         | 154          | 26         | 111          | 11         | 148          |
| Workers                  | 73         | 200          | 12         | 285          | 65         | 198          | 16         | 279          |
| <b>TOTAL GROUP</b>       | <b>260</b> | <b>1,273</b> | <b>466</b> | <b>1,999</b> | <b>257</b> | <b>1,233</b> | <b>498</b> | <b>1,988</b> |
| Executives               | 5          | 58           | 40         | 103          | 1          | 63           | 41         | 105          |
| Employees                | 113        | 567          | 194        | 874          | 112        | 548          | 202        | 862          |
| Workers                  | 142        | 648          | 232        | 1,022        | 144        | 622          | 255        | 1,021        |

**Employees belonging to protected categories by category and gender at 31 December**

|                    | 31.12.2018 |           |           | 31.12.2019 |           |           |
|--------------------|------------|-----------|-----------|------------|-----------|-----------|
|                    | Male       | Female    | Total     | Male       | Female    | Total     |
| <b>TOTAL GROUP</b> | <b>39</b>  | <b>16</b> | <b>55</b> | <b>39</b>  | <b>18</b> | <b>57</b> |
| Executives         | 0          | 0         | 0         | 0          | 0         | 0         |
| Employees          | 7          | 3         | 10        | 8          | 2         | 10        |
| Workers            | 32         | 13        | 45        | 31         | 16        | 47        |

**New employee hires by gender, age group and region**

|                              | 2018         |              |              |              | 2019         |              |              |              |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                              | Male         | Female       | Total        | %            | Male         | Female       | Total        | %            |
| <b>EUROPE</b>                |              |              |              |              |              |              |              |              |
| <30 years old                | 23           | 8            | 31           | 36.5%        | 16           | 12           | 28           | 38.4%        |
| 30-50 years old              | 32           | 10           | 42           | 5.5%         | 39           | 9            | 48           | 6.8%         |
| > 50 years old               | 13           | 1            | 14           | 3.5%         | 12           | 4            | 16           | 3.8%         |
| <b>Total</b>                 | <b>68</b>    | <b>19</b>    | <b>87</b>    | <b>7.0%</b>  | <b>67</b>    | <b>25</b>    | <b>92</b>    | <b>7.6%</b>  |
| <b>Incoming turnover (%)</b> | <b>8.1%</b>  | <b>4.6%</b>  | <b>7.0%</b>  |              | <b>8.3%</b>  | <b>6.3%</b>  | <b>7.6%</b>  |              |
| <b>AMERICAS</b>              |              |              |              |              |              |              |              |              |
| <30 years old                | 25           | 18           | 43           | 60.6%        | 72           | 38           | 110          | 118.3%       |
| 30-50 years old              | 39           | 13           | 52           | 28.9%        | 64           | 37           | 101          | 50.2%        |
| > 50 years old               | 13           | 6            | 19           | 42.2%        | 11           | 8            | 19           | 41.3%        |
| <b>Total</b>                 | <b>77</b>    | <b>37</b>    | <b>114</b>   | <b>38.5%</b> | <b>147</b>   | <b>83</b>    | <b>230</b>   | <b>67.6%</b> |
| <b>Incoming turnover (%)</b> | <b>36.2%</b> | <b>44.6%</b> | <b>38.5%</b> |              | <b>61.5%</b> | <b>82.2%</b> | <b>67.6%</b> |              |
| <b>REST OF THE WORLD</b>     |              |              |              |              |              |              |              |              |
| <30 years old                | 29           | 11           | 40           | 38.5%        | 15           | 3            | 18           | 19.8%        |
| 30-50 years old              | 20           | 13           | 33           | 10.1%        | 14           | 10           | 24           | 7.5%         |
| > 50 years old               | 1            | 0            | 1            | 3.8%         | 2            | 1            | 3            | 9.7%         |
| <b>Total</b>                 | <b>50</b>    | <b>24</b>    | <b>74</b>    | <b>16.2%</b> | <b>31</b>    | <b>14</b>    | <b>45</b>    | <b>10.1%</b> |
| <b>Incoming turnover (%)</b> | <b>24.0%</b> | <b>9.7%</b>  | <b>16.2%</b> |              | <b>15.4%</b> | <b>5.8%</b>  | <b>10.1%</b> |              |
| <b>GROUP</b>                 |              |              |              |              |              |              |              |              |
| <30 years old                | 77           | 37           | 114          | 43.8%        | 103          | 53           | 156          | 60.7%        |
| 30-50 years old              | 91           | 36           | 127          | 10.0%        | 117          | 56           | 173          | 14.0%        |
| > 50 years old               | 27           | 7            | 34           | 7.3%         | 25           | 13           | 38           | 7.6%         |
| <b>Total</b>                 | <b>195</b>   | <b>80</b>    | <b>275</b>   | <b>13.8%</b> | <b>245</b>   | <b>122</b>   | <b>367</b>   | <b>18.5%</b> |
| <b>Incoming turnover (%)</b> | <b>15.5%</b> | <b>10.8%</b> | <b>13.8%</b> |              | <b>19.7%</b> | <b>16.4%</b> | <b>18.5%</b> |              |

**Employee turnover by gender, age group and region**

|                              | 2018         |              |              |              | 2019         |              |              |              |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                              | Male         | Female       | Total        | %            | Male         | Female       | Total        | %            |
| <b>EUROPE</b>                |              |              |              |              |              |              |              |              |
| <30 years old                | 17           | 3            | 20           | 23.5%        | 17           | 3            | 20           | 27.4%        |
| 30-50 years old              | 41           | 6            | 47           | 6.1%         | 47           | 16           | 63           | 8.9%         |
| > 50 years old               | 30           | 14           | 44           | 11.1%        | 30           | 12           | 42           | 10.0%        |
| <b>Total</b>                 | <b>88</b>    | <b>23</b>    | <b>111</b>   | <b>8.9%</b>  | <b>94</b>    | <b>31</b>    | <b>125</b>   | <b>10.4%</b> |
| <b>Outgoing turnover (%)</b> | <b>10.5%</b> | <b>5.6%</b>  | <b>8.9%</b>  |              | <b>11.7%</b> | <b>7.8%</b>  | <b>10.4%</b> |              |
| <b>AMERICAS</b>              |              |              |              |              |              |              |              |              |
| <30 years old                | 15           | 7            | 16           | 22.5%        | 53           | 33           | 86           | 92.5%        |
| 30-50 years old              | 31           | 10           | 41           | 22.8%        | 54           | 23           | 77           | 38.3%        |
| > 50 years old               | 16           | 6            | 22           | 48.9%        | 14           | 9            | 23           | 50.0%        |
| <b>Total</b>                 | <b>62</b>    | <b>23</b>    | <b>85</b>    | <b>28.7%</b> | <b>121</b>   | <b>65</b>    | <b>186</b>   | <b>54.7%</b> |
| <b>Outgoing turnover (%)</b> | <b>29.1%</b> | <b>27.7%</b> | <b>28.7%</b> |              | <b>50.6%</b> | <b>64.4%</b> | <b>54.7%</b> |              |
| <b>REST OF THE WORLD</b>     |              |              |              |              |              |              |              |              |
| <30 years old                | 22           | 11           | 33           | 31.7%        | 16           | 4            | 20           | 22.0%        |
| 30-50 years old              | 12           | 14           | 26           | 8.0%         | 21           | 11           | 32           | 9.9%         |
| > 50 years old               | 1            | 1            | 2            | 7.7%         | 1            | 4            | 5            | 16.1%        |
| <b>Total</b>                 | <b>35</b>    | <b>26</b>    | <b>61</b>    | <b>13.4%</b> | <b>38</b>    | <b>19</b>    | <b>57</b>    | <b>12.8%</b> |
| <b>Outgoing turnover (%)</b> | <b>16.8%</b> | <b>10.5%</b> | <b>13.4%</b> |              | <b>18.9%</b> | <b>7.8%</b>  | <b>12.8%</b> |              |
| <b>GROUP</b>                 |              |              |              |              |              |              |              |              |
| <30 years old                | 54           | 21           | 69           | 26.5%        | 86           | 40           | 126          | 49.0%        |
| 30-50 years old              | 84           | 30           | 114          | 9.0%         | 122          | 50           | 172          | 13.9%        |
| > 50 years old               | 47           | 21           | 68           | 14.6%        | 45           | 25           | 70           | 14.1%        |
| <b>Total</b>                 | <b>185</b>   | <b>72</b>    | <b>257</b>   | <b>12.9%</b> | <b>253</b>   | <b>115</b>   | <b>368</b>   | <b>18.5%</b> |
| <b>Outgoing turnover (%)</b> | <b>14.7%</b> | <b>9.7%</b>  | <b>12.9%</b> |              | <b>20.3%</b> | <b>15.5%</b> | <b>18.5%</b> |              |

## Hours of training by gender and employee category

| 2019                              |               |                    |              |                    |               |                    |
|-----------------------------------|---------------|--------------------|--------------|--------------------|---------------|--------------------|
|                                   | Male          |                    | Female       |                    | Total         |                    |
|                                   | No, hours     | Average per capita | No, hours    | Average per capita | No, hours     | Average per capita |
| <b>TOTAL GROUP</b>                | <b>15,577</b> | <b>12.5</b>        | <b>8,618</b> | <b>11.6</b>        | <b>24,195</b> | <b>12.2</b>        |
| Executives                        | 953           | 10.7               | 240          | 15.0               | 1,193         | 11.4               |
| Employees                         | 9,827         | 18.1               | 5,879        | 18.5               | 15,706        | 18.2               |
| Workers                           | 4,797         | 7.9                | 2,500        | 6.1                | 7,296         | 7.2                |
| <i>of which anticorruption</i>    | <i>518</i>    | <i>0.42</i>        | <i>334</i>   | <i>0.45</i>        | <i>852</i>    | <i>0.43</i>        |
| <i>of which health and safety</i> | <i>3,890</i>  | <i>3.1</i>         | <i>1,658</i> | <i>2.2</i>         | <i>5,548</i>  | <i>2.8</i>         |

| 2018 <sup>7</sup>                 |               |                    |              |                    |               |                    |
|-----------------------------------|---------------|--------------------|--------------|--------------------|---------------|--------------------|
|                                   | Male          |                    | Female       |                    | Total         |                    |
|                                   | No, hours     | Average per capita | No, hours    | Average per capita | No, hours     | Average per capita |
| <b>TOTAL GROUP</b>                | <b>13,839</b> | <b>11.0</b>        | <b>7,190</b> | <b>9.7</b>         | <b>21,028</b> | <b>10.5</b>        |
| Executives                        | 1,154         | 13.3               | 335          | 20.9               | 1,489         | 14.5               |
| Employees                         | 8,737         | 15.7               | 5,085        | 16.0               | 13,822        | 15.8               |
| Workers                           | 3,948         | 6.4                | 1,771        | 4.4                | 5,718         | 5.6                |
| <i>of which anticorruption</i>    | <i>49</i>     | <i>0.04</i>        | <i>33</i>    | <i>0.04</i>        | <i>81</i>     | <i>0.04</i>        |
| <i>of which health and safety</i> | <i>4,426</i>  | <i>3.5</i>         | <i>2,076</i> | <i>2.8</i>         | <i>6,502</i>  | <i>3.3</i>         |

<sup>7</sup> Following a process of improvement of the reporting system and in order to ensure their comparability, the 2018 training figures were restated compared to those published in the previous DNF. For previously published data, please refer to the 2018 non-financial declaration, published in the Sustainability section of the website [www.emakgroup.it](http://www.emakgroup.it).

## Work-related injuries<sup>8</sup>

|  | 2018 | 2019            |
|--|------|-----------------|
| Number of fatalities as a result of work-related injury                              | 0    | 0               |
| Number of high-consequence work-related injuries <sup>9</sup> (excluding fatalities) | 0    | 1 <sup>10</sup> |
| Number of recordable work-related injuries   | 47   | 30              |
| Rate of fatalities as a result of work-related injury                                | 0    | 0               |
| Rate of high-consequence work-related injuries (excluding fatalities)                | 0.00 | 0.30            |
| Rate of recordable work-related injuries   | 13.8 | 8.9             |

## Main types of work-related injuries

|   | 2018      | 2019      |
|---|-----------|-----------|
| Contusions and lacerations  | 34        | 17        |
| Muscle strains and joint pains                                    | 6         | 8         |
| Sprains and fractures   | 4         | 5         |
| Others (loss of consciousness, burn, fume inhalation, electrical) | 3         | 1         |
| <b>Total number of work-related injuries</b>                      | <b>47</b> | <b>31</b> |

<sup>8</sup> For 2019 it has been decided to proceed with the reporting of injuries using the new Standard GRI 403, published by the Global Reporting Initiative (GRI) in 2018 to replace the version used so far, published in 2016. For comparative purposes, the 2018 figures have therefore been restated with respect to those published in the previous NFS, excluding commuting injuries if transport was not organized by the Group, as required by the new Standard 403. For previously published figures, please refer to the 2018 Non-Financial Statement, published on the website [www.emakgroup.it](http://www.emakgroup.it), in the Sustainability section. The injury rate has been calculated as the ratio between the total number of injuries and the total hours worked, using a multiplication factor of 1,000,000.

<sup>9</sup> work-related injury that results in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months

<sup>10</sup> The high-consequence work-related injury refers to an open fracture in the third phalanx of a finger due to lack of attention when using a cutting machine

## Environmental data<sup>11</sup>

### Group energy consumption

| Energy consumption                     | Unit of measurement | 2018           | 2019           | 2019 productive companies | 2019 commercial companies |
|--|---------------------|----------------|----------------|---------------------------|---------------------------|
| Fuel from non-renewable sources        | GJ                  | 55,717         | 89,543         | 61,608                    | 27,934                    |
| <i>of which for heating</i>            | GJ                  | 51,988         | 71,053         | 49,907                    | 21,146                    |
| <i>of which for productive process</i> | GJ                  | 3,729          | 4,347          | 3,922                     | 425                       |
| <i>of which for automotive</i>         | GJ                  | n.d.           | 14,142         | 7,780                     | 6,363                     |
| Fuel from renewable sources            | GJ                  | 0              | 0              | 0                         | 0                         |
| Electric energy <sup>12</sup>          | GJ                  | 74,156         | 82,739         | 73,880                    | 8,859                     |
| <i>of which renewable</i>              | GJ                  | 0              | 0              | 0                         | 0                         |
| <b>Total energy consumption</b>        | <b>GJ</b>           | <b>129,873</b> | <b>172,282</b> | <b>135,489</b>            | <b>36,793</b>             |

### Details of energy consumption – fuels type

|   | 2018       |                   |               | 2019       |                   |               |
|---|------------|-------------------|---------------|------------|-------------------|---------------|
|   | uom        | Consumption [uom] | GJ            | uom        | Consumption [uom] | GJ            |
| <b>Natural gas</b>                        | <b>m3</b>  | <b>1,472,374</b>  | <b>51,906</b> | <b>m3</b>  | <b>2,017,034</b>  | <b>71,202</b> |
| <b>Gasoline</b>                           | <b>l</b>   | <b>66,460</b>     | <b>2,089</b>  | <b>l</b>   | <b>195,682</b>    | <b>6,152</b>  |
| <i>of which for productive process</i>    |            | 66,460            | 2,089         | l          | 64,309            | 2,022         |
| <i>of which for cars for business use</i> |            | n.d.              | n.d.          | l          | 107,089           | 3,367         |
| <i>of which for cars for mixed use</i>    |            | n.d.              | n.d.          | l          | 24,283            | 763           |
| <b>Diesel</b>                             | <b>l</b>   | <b>47,899</b>     | <b>1,723</b>  | <b>l</b>   | <b>339,156</b>    | <b>12,189</b> |
| <i>of which for productive process</i>    |            | 47,899            | 1,723         | l          | 60,572            | 2,177         |
| <i>of which for cars for business use</i> |            | n.d.              | n.d.          | l          | 153,215           | 5,507         |
| <i>of which for cars for mixed use</i>    |            | n.d.              | n.d.          | l          | 125,369           | 4,506         |
| <b>Electric energy</b>                    | <b>kWh</b> | <b>20,598,908</b> | <b>74,156</b> | <b>kWh</b> | <b>22,983,055</b> | <b>82,739</b> |

<sup>11</sup> With the aim of an improvement process of the reporting system, in 2019 the Emak Group extended the collection of information relating to energy consumption and emissions to all Group companies, while the 2018 reporting perimeter is limited to only productive companies. In the same way, in 2019 the Emak Group extended the reporting perimeter also to the consumption deriving from the car fleet both for business use and for mixed use, not included in the data relating to 2018. It is therefore necessary to take into account these limits to the comparability of the data relating to these periods. Furthermore, following a process of improvement of the reporting system and in order to ensure its comparability, the data relating to energy consumption and Scope 1 emissions in 2018 were restated compared to those published in the previous DNF. For previously published data, please refer to the 2018 non-financial statement, published in the Sustainability section of the website [www.emakgroup.it](http://www.emakgroup.it).

<sup>12</sup> The Group has not made use of certificates of origin for the acquisition of energy from renewable sources.

|   | 2019<br>productive companies |                      |               | 2019<br>commercial companies |                      |               |
|---|------------------------------|----------------------|---------------|------------------------------|----------------------|---------------|
|   | uom                          | Consumption<br>[uom] | GJ            | uom                          | Consumption<br>[uom] | GJ            |
| <b>Natural gas</b>                        | <b>m3</b>                    | <b>1,417,558</b>     | <b>50,044</b> | <b>m3</b>                    | <b>599,476</b>       | <b>21,158</b> |
| <b>Gasoline</b>                           | <b>l</b>                     | <b>161,247</b>       | <b>5,069</b>  | <b>l</b>                     | <b>34,434</b>        | <b>1,082</b>  |
| <i>of which for productive process</i>    | <i>l</i>                     | <i>63,559</i>        | <i>1,998</i>  | <i>l</i>                     | <i>750</i>           | <i>24</i>     |
| <i>of which for cars for business use</i> | <i>l</i>                     | <i>91,221</i>        | <i>2,868</i>  | <i>l</i>                     | <i>15,868</i>        | <i>499</i>    |
| <i>of which for cars for mixed use</i>    | <i>l</i>                     | <i>6,467</i>         | <i>203</i>    | <i>l</i>                     | <i>17,816</i>        | <i>560</i>    |
| <b>Diesel</b>                             | <b>l</b>                     | <b>180,726</b>       | <b>6,495</b>  | <b>l</b>                     | <b>158,430</b>       | <b>5,694</b>  |
| <i>of which for productive process</i>    | <i>l</i>                     | <i>49,714</i>        | <i>1,787</i>  | <i>l</i>                     | <i>10,858</i>        | <i>390</i>    |
| <i>of which for cars for business use</i> | <i>l</i>                     | <i>53,924</i>        | <i>1,938</i>  | <i>l</i>                     | <i>99,291</i>        | <i>3,569</i>  |
| <i>of which for cars for mixed use</i>    | <i>l</i>                     | <i>77,088</i>        | <i>2,771</i>  | <i>l</i>                     | <i>48,280</i>        | <i>1,735</i>  |
| <b>Electric energy</b>                    | <b>kWh</b>                   | <b>20,522,331</b>    | <b>73,880</b> | <b>kWh</b>                   | <b>2,460,724</b>     | <b>8,859</b>  |

#### Details of Scope 1<sup>13</sup> and Scope 2<sup>14</sup> emissions (Location-based method) for the Group

| ton CO2                              | 2018                       |                      |                          | 2019                       |                      |                          |
|--------------------------------------|----------------------------|----------------------|--------------------------|----------------------------|----------------------|--------------------------|
|                                      | Scope 1<br>(ton CO2<br>eq) | Scope 2<br>(ton CO2) | Total<br>(ton CO2<br>eq) | Scope 1<br>(ton CO2<br>eq) | Scope 2<br>(ton CO2) | Total<br>(ton CO2<br>eq) |
| <b>Europe</b>                        | <b>2,940</b>               | <b>2,311</b>         | <b>5,251</b>             | <b>4,293</b>               | <b>2,733</b>         | <b>7,026</b>             |
| <i>of which productive companies</i> | <i>2,940</i>               | <i>2,311</i>         | <i>5,251</i>             | <i>3,215</i>               | <i>2,403</i>         | <i>5,618</i>             |
| <i>of which commercial companies</i> |                            |                      |                          | <i>1,078</i>               | <i>330</i>           | <i>1,408</i>             |
| <b>Americas</b>                      | <b>199</b>                 | <b>2,266</b>         | <b>2,465</b>             | <b>1,080</b>               | <b>2,659</b>         | <b>3,739</b>             |
| <i>of which productive companies</i> | <i>199</i>                 | <i>2,266</i>         | <i>2,465</i>             | <i>368</i>                 | <i>1,960</i>         | <i>2,328</i>             |
| <i>of which commercial companies</i> |                            |                      |                          | <i>712</i>                 | <i>698</i>           | <i>1,410</i>             |
| <b>Rest of the World</b>             | <b>80</b>                  | <b>3,213</b>         | <b>3,293</b>             | <b>190</b>                 | <b>3,194</b>         | <b>3,384</b>             |
| <i>of which productive companies</i> | <i>80</i>                  | <i>3,213</i>         | <i>3,293</i>             | <i>190</i>                 | <i>3,194</i>         | <i>3,384</i>             |
| <i>of which commercial companies</i> |                            |                      |                          | <i>0</i>                   | <i>0</i>             | <i>0</i>                 |
| <b>Total</b>                         | <b>3,220</b>               | <b>7,790</b>         | <b>11,010</b>            | <b>5,563</b>               | <b>8,586</b>         | <b>14,148</b>            |
| <i>of which productive companies</i> | <i>3,220</i>               | <i>7,790</i>         | <i>11,010</i>            | <i>3,772</i>               | <i>7,558</i>         | <i>11,330</i>            |
| <i>of which commercial companies</i> |                            |                      |                          | <i>1,791</i>               | <i>1,028</i>         | <i>2,818</i>             |

<sup>13</sup> For the calculation of Scope 1 emissions, the following emission factors expressed in CO2eq were considered:

- For 2018 data: ISPRA 2018 for emissions in the national territory (Italy), DEFRA 2018 for emissions in non-Italian territories;
- For 2019 data: ISPRA 2019 for emissions in the national territory (Italy), DEFRA 2019 for emissions in non-Italian territories.

<sup>14</sup> For the calculation of Scope 2 emissions (location-based method) average emission factors relating to the national generation of energy for the different countries of operation expressed in CO<sub>2</sub> have been used (source: Terna - international comparisons, 2017).

For the calculation of Scope 2 emissions (market-based method), emission factors expressed in CO<sub>2</sub> relating to the "residual mix" (AIB-2018 European Residual Mix), where available, have been used. Otherwise, the same emission factors used for the location-based method have also been used for the market-based method. Scope 2 emissions are expressed in tons of CO<sub>2</sub>, however the percentage of methane and nitrous oxide has a negligible effect on total greenhouse gas emissions (CO<sub>2</sub> equivalent) as can be deduced from the reference technical literature.

**Details of Scope 1 and Scope 2 emissions (Market-based method) for the Group**

| ton CO2                              | 2018                       |                      |                          | 2019                       |                      |                          |
|--------------------------------------|----------------------------|----------------------|--------------------------|----------------------------|----------------------|--------------------------|
|                                      | Scope 1<br>(ton CO2<br>eq) | Scope 2<br>(ton CO2) | Total<br>(ton CO2<br>eq) | Scope 1<br>(ton CO2<br>eq) | Scope 2<br>(ton CO2) | Total<br>(ton CO2<br>eq) |
| <b>Europe</b>                        | <b>2,940</b>               | <b>3,007</b>         | <b>5,948</b>             | <b>4,293</b>               | <b>3,490</b>         | <b>7,784</b>             |
| <i>of which productive companies</i> | 2,940                      | 3,007                | 5,948                    | 3,215                      | 3,085                | 6,300                    |
| <i>of which commercial companies</i> |                            |                      |                          | 1,078                      | 406                  | 1,484                    |
| <b>Americas</b>                      | <b>199</b>                 | <b>2,266</b>         | <b>2,465</b>             | <b>1,080</b>               | <b>2,659</b>         | <b>3,739</b>             |
| <i>of which productive companies</i> | 199                        | 2,266                | 2,465                    | 368                        | 1,960                | 2,328                    |
| <i>of which commercial companies</i> |                            |                      |                          | 712                        | 698                  | 1,410                    |
| <b>Rest of the World</b>             | <b>80</b>                  | <b>3,213</b>         | <b>3,293</b>             | <b>190</b>                 | <b>3,194</b>         | <b>3,384</b>             |
| <i>of which productive companies</i> | 80                         | 3,213                | 3,293                    | 190                        | 3,194                | 3,384                    |
| <i>of which commercial companies</i> |                            |                      |                          | 0                          | 0                    | 0                        |
| <b>Total</b>                         | <b>3,220</b>               | <b>8,487</b>         | <b>11,706</b>            | <b>5,563</b>               | <b>9,343</b>         | <b>14,906</b>            |
| <i>of which productive companies</i> | 3,220                      | 8,487                | 11,706                   | 3,772                      | 8,240                | 12,012                   |
| <i>of which commercial companies</i> |                            |                      |                          | 1,791                      | 1,104                | 2,894                    |

**Water withdrawal by source**<sup>15</sup>

| Megaliters (ML)  | 2019       |                         | 2018       |                         |
|--|------------|-------------------------|------------|-------------------------|
|  | All areas  | Areas with water stress | All areas  | Areas with water stress |
| <b>Surface water (total)</b>                                   | -          | -                       | -          | -                       |
| <i>Freshwater (≤1,000 mg/L Total Dissolved Solids)</i>         | -          | -                       | -          | -                       |
| <i>Other water (&gt;1,000 mg/L Total Dissolved Solids)</i>     | -          | -                       | -          | -                       |
| <b>Groundwater (total)</b>                                     | <b>26</b>  | <b>1</b>                | <b>25</b>  | <b>0.16</b>             |
| <i>Freshwater (≤1,000 mg/L Total Dissolved Solids)</i>         | 21         | 1                       | 18         | -                       |
| <i>Other water (&gt;1,000 mg/L Total Dissolved Solids)</i>     | 5          | 0.03                    | 8          | 0.16                    |
| <b>Seawater (total)</b>  | -          | -                       | -          | -                       |
| <i>Freshwater (≤1,000 mg/L Total Dissolved Solids)</i>         | -          | -                       | -          | -                       |
| <i>Other water (&gt;1,000 mg/L Total Dissolved Solids)</i>     | -          | -                       | -          | -                       |
| <b>Produced water (total)</b>                                  | -          | -                       | -          | -                       |
| <i>Freshwater (≤1,000 mg/L Total Dissolved Solids)</i>         | -          | -                       | -          | -                       |
| <i>Other water (&gt;1,000 mg/L Total Dissolved Solids)</i>     | -          | -                       | -          | -                       |
| <b>Third-party water (total)</b>                               | <b>102</b> | <b>38</b>               | <b>83</b>  | <b>26</b>               |
| <i>Freshwater (≤1,000 mg/L Total Dissolved Solids)</i>         | 90         | 38                      | 77         | 26                      |
| <i>Other water (&gt;1,000 mg/L Total Dissolved Solids)</i>     | 12         | -                       | 6          | -                       |
| <i>Total third-party water withdrawal by withdrawal source</i> |            | 38                      |            | 26                      |
| <i>    Surface water</i>                                       |            | 0.3                     |            | 1                       |
| <i>    Groundwater</i>   |            | 38                      |            | 26                      |
| <i>    Seawater</i>  |            | -                       |            | -                       |
| <i>    Produced water</i>                                      |            | -                       |            | -                       |
| <b>Total water withdrawal</b>                                  | <b>127</b> | <b>39</b>               | <b>109</b> | <b>26</b>               |
| <i>Freshwater (≤1,000 mg/L Total Dissolved Solids)</i>         | 111        | 39                      | 95         | 26                      |
| <i>Other water (&gt;1,000 mg/L Total Dissolved Solids)</i>     | 16         | 0.03                    | 13         | 0.16                    |

<sup>15</sup> For 2019, it has been decided to proceed with reporting of water withdrawal information using the new Standard GRI 303, published by the Global Reporting Initiative (GRI) in 2018 to replace the version used so far, published in 2016. In order to identify the areas subject to water stress, the Aqueduct Tool developed by the World Resources Institute (WRI) was used. The tool of the WRI is available online at the web page: <https://www.wri.org/our-work/project/aqueduct>. For the analysis, have been taken into consideration the results that emerged in the column "Baseline water stress".

## GRI Content Index

The table below shows Group information based on the GRI Standards with reference to Emak's materiality analysis. For all information provided, reference to the section in this NFS is also indicated.

| <b>Universal Standards</b>               |   |   |
|--|---|---|
| <b>GRI Standard</b>                      | <b>Disclosure</b>   | <b>Page number</b>                                  |
| <b>GRI 102: General Disclosures 2016</b> |   |   |
| <b>Organizational profile</b>            |   |   |
| 102-1                                    | Name of the organization  | 4   |
| 102-2                                    | Main brands, products and/or services   | 9-10  |
| 102-3                                    | Location of headquarter   | The Headquarter is in Bagnolo in Piano (RE - Italy) |
| 102-4                                    | Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the NFS | 9-10-11-12  |
| 102-5                                    | Ownership and legal form  | 13  |
| 102-6                                    | Markets served (including geographic locations where products and services are offered, sectors served, types of customers and beneficiaries)                                 | 9-10  |
| 102-7                                    | Scale of the organization   | 7<br>Market cap of 150 million euro at 31/12/2019   |
| 102-8                                    | Total number of employees and other workers by contract and by gender   | 46  |
| 102-9                                    | A description of the organization's supply chain  | 33-34   |
| 102-10                                   | Significant changes in the period to the organization's size and structure, ownership or supply chain   | 4   |
| 102-11                                   | How the organization applies the Precautionary Principle or approach  | 20-21 / 41  |
| 102-12                                   | List of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorse          | 18-19 / 38  |
| 102-13                                   | A list of the main memberships of industry or other associations, and national or international advocacy organizations  | 24  |
| <b>Strategy</b>                          |   |   |
| 102-14                                   | Statement from senior decision-maker  | 3   |
| 102-15                                   | A description of key impacts, risks, and opportunities  | 20-21   |
| <b>Ethics and integrity</b>              |   |   |
| 102-16                                   | Description of the organization's values, principles, standards, and norms of behavior  | 8 / 18-19   |
| <b>Governance</b>                        |   |   |

|                               |   |                        |
|-------------------------------|---|------------------------|
| 102-18                        | Governance structure  | 16-17                  |
| <b>Stakeholder Engagement</b> |   |                        |
| 102-40                        | A list of stakeholder groups engaged by the organization  | 22-23                  |
| 102-41                        | Percentage of total employees covered by collective bargaining agreements   | 29                     |
| 102-42                        | The basis for identifying stakeholders with whom to engage  | 22-23                  |
| 102-43                        | The organization's approach to stakeholder engagement and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process  | 25                     |
| 102-44                        | Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded, including its reporting, List of the stakeholder groups that raised each of the key topics and concerns | 25-27                  |
| 102-45                        | A list of all entities included in the organization's consolidated financial statements or equivalent documents   | 4                      |
| 102-46                        | An explanation of the process for defining the report content and the topic boundaries  | 4 / 25-27              |
| 102-47                        | A list of the material topics identified in the process for defining report content   | 25-27                  |
| 102-48                        | Any restatements of information given in previous reports, and the reasons for such restatements  | 4 / 30 / 41-42 / 49-51 |
| 102-49                        | Significant changes from previous reporting periods in the list of material topics and topic Boundaries   | 4 / 25-27              |
| 102-50                        | Reporting period  | 4                      |
| 102-51                        | The date of the most recent previous report   | March, 2019            |
| 102-52                        | Reporting cycle Periodicità di rendicontazione  | 4                      |
| 102-53                        | The contact point for questions regarding the report or its contents  | 6                      |
| 102-54                        | Claim made by the organization, if it has prepared a report in accordance with the GRI Standards  | 4                      |
| 102-55                        | GRI Content Index   | 55-60                  |
| 102-56                        | External assurance  | 61                     |

| GRI Standard                                   | Disclosure  | Page number                           | Omission |
|--|---|---------------------------------------|----------|
| <b>MATERIAL TOPICS</b>                         |   |                                       |          |
| <b>Economic</b>                                |   |                                       |          |
| <b>ECONOMIC PERFORMANCE</b>                    |   |                                       |          |
| <b>GRI 103: Management Approach 2016</b>       |   |                                       |          |
| 103-1  | Explanation of the material topic and its boundary  | 25-26                                 |          |
| 103-2  | The management approach and its components  | 20-21 / 39-40                         |          |
| 103-3  | Evaluation of the management approach   | 20-21 / 39-40                         |          |
| <b>GRI 201: Economic performance 2016</b>      |   |                                       |          |
| 201-1  | Direct economic value generated and distributed   | 39-40                                 |          |
| <b>ANTI-CORRUPTION</b>                         |   |                                       |          |
| <b>GRI 103: Management Approach 2016</b>       |   |                                       |          |
| 103-1  | Explanation of the material topic and its boundary  | 25-26                                 |          |
| 103-2  | The management approach and its components  | 18-21 / 30                            |          |
| 103-3  | Evaluation of the management approach   | 18-21 / 30                            |          |
| <b>GRI 205: Anti-corruption 2016</b>           |   |                                       |          |
| 205-2  | Communication and training on anti-corruption policies and procedures                             | 30 / 49                               |          |
| 205-3  | Confirmed incidents of corruption and actions taken   | 19                                    |          |
| <b>ANTI-COMPETITIVE BEHAVIOR</b>               |   |                                       |          |
| <b>GRI 103: Management Approach 2016</b>       |   |                                       |          |
| 103-1  | Explanation of the material topic and its boundary  | 25-26                                 |          |
| 103-2  | The management approach and its components  | 18 / 20-21                            |          |
| 103-3  | Evaluation of the management approach   | 18 / 20-21                            |          |
| <b>GRI 205: Anti-competitive behavior 2016</b> |   |                                       |          |
| 206-1  | Legal actions for anti-competitive behavior, anti-trust, and monopoly practices and main outcomes | In 2019 there were no confirmed cases |          |
| <b>Environmental</b>                           |   |                                       |          |
| <b>ENERGY</b>                                  |   |                                       |          |
| <b>GRI 103: Management Approach 2016</b>       |   |                                       |          |
| 103-1  | Explanation of the material topic and its boundary  | 25-27                                 |          |
| 103-2  | The management approach and its components  | 20-21 / 41-42                         |          |
| 103-3  | Evaluation of the management approach   | 20-21 / 41-42                         |          |
| <b>GRI 302: Energy 2016</b>                    |   |                                       |          |
| 302-1  | Energy consumption within the organization  | 41-42 / 51-52                         |          |
| <b>WATER</b>                                   |   |                                       |          |
| <b>GRI 103: Management Approach 2016</b>       |   |                                       |          |
| 103-1  | Explanation of the material topic and its boundary  | 25-27                                 |          |
| 103-2  | The management approach and its components  | 20-21 / 43                            |          |
| 103-3  | Evaluation of the management approach   | 20-21 / 43                            |          |
| <b>GRI 303: Water 2018</b>                     |   |                                       |          |
| 303-1  | Interactions with water as a shared resource  | 43                                    |          |
| 303-2  | Management of water discharge-related impacts   | 43                                    |          |
| 303-3  | Water withdrawal by sources   | 54                                    |          |
| <b>EMISSIONS</b>                               |   |                                       |          |
| <b>GRI 103: Management Approach 2016</b>       |   |                                       |          |

|   |   |  |  |
|---|---|--|--|
| 103-1   | Explanation of the material topic and its boundary                              | 25-27  |  |
| 103-2   | The management approach and its components                                      | 20-21 / 42   |  |
| 103-3   | Evaluation of the management approach   | 20-21 / 42   |  |
| <b>GRI 305: Emissions 2016</b>                      |   |  |  |
| 305-1   | Direct GHG emissions  | 42 / 52-53   |  |
| 305-2   | Energy indirect GHG emissions   | 42 / 52-53   |  |
| 305-7   | Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions | 42   |  |
| <b>ENVIRONMENTAL COMPLIANCE</b>                     |   |  |  |
| <b>GRI 103: Management Approach 2016</b>            |   |  |  |
| 103-1   | Explanation of the material topic and its boundary                              | 25-27  |  |
| 103-2   | The management approach and its components                                      | 20-21  |  |
| 103-3   | Evaluation of the management approach   | 20-21  |  |
| <b>GRI 307: Environmental compliance 2016</b>       |   |  |  |
| 307-1   | Non-compliance with environmental laws and regulations                          | During 2019 the Group didn't receive any significant administrative sanctions. |  |
| <b>Social</b>                                       |   |  |  |
| <b>EMPLOYMENT</b>                                   |   |  |  |
| <b>GRI 103: Management Approach 2016</b>            |   |  |  |
| 103-1   | Explanation of the material topic and its boundary                              | 25-27  |  |
| 103-2   | The management approach and its components                                      | 18 / 28-29   |  |
| 103-3   | Evaluation of the management approach   | 18 / 28-29   |  |
| <b>GRI 401: Employment 2016</b>                     |   |  |  |
| 401-1   | New employee hires and employee turnover  | 47-48  |  |
| <b>LABOR/MANAGEMENT RELATIONS</b>                   |   |  |  |
| <b>GRI 103: Management Approach 2016</b>            |   |  |  |
| 103-1   | Explanation of the material topic and its boundary                              | 25-27  |  |
| 103-2   | The management approach and its components                                      | 18 / 28-29   |  |
| 103-3   | Evaluation of the management approach   | 18 / 28-29   |  |
| <b>GRI 402: Labor/Management Relations 2016</b>     |   |  |  |
| 402-1   | Minimum notice periods regarding operational changes                            | 29   |  |
| <b>OCCUPATIONAL HEALTH AND SAFETY</b>               |   |  |  |
| <b>GRI 103: Management Approach 2016</b>            |   |  |  |
| 103-1   | Explanation of the material topic and its boundary                              | 25-27  |  |
| 103-2   | The management approach and its components                                      | 20-21 / 31-32  |  |
| 103-3   | Evaluation of the management approach   | 20-21 / 31-32  |  |
| <b>GRI 403: Occupational health and safety 2018</b> |   |  |  |
| 403-1   | Occupational health and safety management system                                | 31-32  |  |
| 403-2   | Hazard identification, risk assessment, and incident investigation              | 31-32  |  |
| 403-3   | Occupational health services  | 31-32  |  |

|  |  |  |  |
|--|--|--|--|
| 403-4  | Worker participation, consultation, and communication on occupational health and safety  | 31-32                                  |  |
| 403-5  | Worker training on occupational health and safety  | 31-32                                  |  |
| 403-6  | Promotion of worker health   | 31-32                                  |  |
| 403-7  | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships  | 31-32                                  |  |
| 403-9  | Number and rate of recordable work-related injuries, high-consequence work-related injuries, fatalities as a result of work-related injury. Main types of work-related injury. | 32 / 50                                |  |
| <b>TRAINING</b>                                      |  |  |  |
| <b>GRI 103: Management Approach 2016</b>             |  |  |  |
| 103-1  | Explanation of the material topic and its boundary   | 25-27                                  |  |
| 103-2  | The management approach and its components   | 28-30                                  |  |
| 103-3  | Evaluation of the management approach  | 28-30                                  |  |
| <b>GRI 404: Training and education 2016</b>          |  |  |  |
| 404-1  | Average hours of training per year per employee by gender and employee category  | 30 / 49                                |  |
| <b>DIVERSITY AND EQUAL OPPORTUNITY</b>               |  |  |  |
| <b>GRI 103: Management Approach 2016</b>             |  |  |  |
| 103-1  | Explanation of the material topic and its boundary   | 25-27                                  |  |
| 103-2  | The management approach and its components   | 16 / 18 / 30                           |  |
| 103-3  | Evaluation of the management approach  | 16 / 18 / 30                           |  |
| <b>GRI 405: Diversity and equal opportunity 2016</b> |  |  |  |
| 405-1  | Diversity of governance bodies and employees   | 16                                     |  |
| <b>NON-DISCRIMINATION</b>                            |  |  |  |
| <b>GRI 103: Management Approach 2016</b>             |  |  |  |
| 103-1  | Explanation of the material topic and its boundary   | 25-27                                  |  |
| 103-2  | The management approach and its components   | 18 / 20-21                             |  |
| 103-3  | Evaluation of the management approach  | 18 / 20-21                             |  |
| <b>GRI 406: Non discrimination 2016</b>              |  |  |  |
| 406-1  | Incidents of discrimination and corrective actions taken   | No confirmed episodes occurred in 2019 |  |
| <b>HUMAN RIGHTS</b>                                  |  |  |  |
| <b>GRI 103: Management Approach 2016</b>             |  |  |  |
| 103-1  | Explanation of the material topic and its boundary   | 25-26                                  |  |
| 103-2  | The management approach and its components   | 18-21 / 34                             |  |
| 103-3  | Evaluation of the management approach  | 18-21 / 34                             |  |
| <b>GRI 412: human rights assessment 2016</b>         |  |  |  |
| 412-1  | Operations that have been subject to human rights reviews or impact assessments  | 34                                     |  |
| <b>SUPPLIER SOCIAL ASSESSMENT</b>                    |  |  |  |
| <b>GRI 103: Management Approach 2016</b>             |  |  |  |
| 103-1  | Explanation of the material topic and its boundary   | 25-27                                  |  |
| 103-2  | The management approach and its components   | 18-21 / 34                             |  |
| 103-3  | Evaluation of the management approach  | 18-21 / 34                             |  |
| <b>GRI 414: Supplier social assessment 2016</b>      |  |  |  |

|   |   |   |  |
|---|---|---|--|
| 414-1   | New suppliers that were screened using social criteria  | 34  |  |
| <b>CUSTOMER HEALTH AND SAFETY</b>               |   |   |  |
| <b>GRI 103: Management Approach 2016</b>        |   |   |  |
| 103-1   | Explanation of the material topic and its boundary  | 25-27   |  |
| 103-2   | The management approach and its components  | 20-21 / 37-38   |  |
| 103-3   | Evaluation of the management approach   | 20-21 / 37-38   |  |
| <b>GRI 416: Customer health and safety 2016</b> |   |   |  |
| 416-2   | Incidents of non-compliance concerning the health and safety impacts of products and services | 37  |  |
| <b>SOCIO-ECONOMIC COMPLIANCE</b>                |   |   |  |
| <b>GRI 103: Management Approach 2016</b>        |   |   |  |
| 103-1   | Explanation of the material topic and its boundary  | 25-26   |  |
| 103-2   | The management approach and its components  | 18-21   |  |
| 103-3   | Evaluation of the management approach   | 18-21   |  |
| <b>GRI 419: Socioeconomic compliance 2016</b>   |   |   |  |
| 419-1   | Non-compliance with laws and regulations in the social and economic area                      | During 2019 the Group didn't receive any significant administrative sanctions |  |
| <b>Market expansion</b>                         |   |   |  |
| 103-1   | Explanation of the material topic and its boundary  | 25-26   |  |
| 103-2   | The management approach and its components  | 9-10 / 20-21  |  |
| 103-3   | Evaluation of the management approach   | 9-10 / 20-21  |  |
| <b>Risk management</b>                          |   |   |  |
| 103-1   | Explanation of the material topic and its boundary  | 25-26   |  |
| 103-2   | The management approach and its components  | 20-21   |  |
| 103-3   | Evaluation of the management approach   | 20-21   |  |
| <b>Innovation, research and development</b>     |   |   |  |
| 103-1   | Explanation of the material topic and its boundary  | 25-27   |  |
| 103-2   | The management approach and its components  | 20-21 / 35-37   |  |
| 103-3   | Evaluation of the management approach   | 20-21 / 35-37   |  |

**INDEPENDENT AUDITOR'S REPORT  
ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,  
PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND  
ART. 5 OF CONSOB REGULATION N. 20267 OF JANUARY 2018**

**To the Board of Directors of  
Emak S.p.A.**

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter the "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Emak Group (the "Group") as of December 31, 2019 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 13, 2020 (hereinafter "NFS").

**Responsibility of the Directors and the Board of Statutory Auditors for the NFS**

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and the "*Global Reporting Initiative Sustainability Reporting Standards*" established in 2016 by GRI – Global Reporting Initiative (hereinafter "GRI Standards"), which they have identified as reporting framework.

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 NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

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

**Auditor's Independence and quality control**

We have complied with the independence and 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 auditing firm applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

## Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do 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 NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included 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 light of the provisions of art. 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 with the Decree;
3. comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the Emak Group;
4. understanding of the following matters:
  - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
  - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
  - main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a);

5. understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions with the management of Emak S.p.A. and with the employees of Comet S.p.A., Tecomec S.r.l., Jiangmen Emak Outdoor Power Equipment Co. Ltd. and Ningbo Tecomec Manufacturing Co. Ltd. and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- at the parent company's and subsidiaries' level:
  - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
  - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data;
- for the following companies, Emak S.p.A., Comet S.p.A. and Tecomec S.r.l., which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out visits on site, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

## Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Emak Group as of December 31, 2019 is not prepared, in all material aspects, in accordance with articles 3 and 4 of the Decree and the GRI Standards.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Domenico Farioli**  
Partner

Parma, Italy  
March 27, 2020

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





**Emak S.p.A.**

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