



Consolidated Non-Financial Statement 2018



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Prepared pursuant to article 4 of Italian legislative
decree 254/2016

Sustainability Report 2018

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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 Report is, for us, an important tool for presenting to all our stakeholders – from our employees to our shareholders, and including our suppliers and every interlocutor of the Emak Group in the continents in which we operate – commitment and results in the area of social responsibility, with particular attention on staff, human rights and the environment.

In the last year we have continued to invest in the professional development of our people. We have formalized our commitment with respect to human rights, the fight against corruption and the responsible procurement of supplies through the drawing up of internal policies that are to be disseminated and applied in all Group companies. Finally, our efforts in the development of new products that can more closely meet the needs of our customers have continued, with solutions aimed at meeting the ever increasing expectations of all our stakeholders regarding the reduction of environmental impacts. The fact that a new technology developed by us has received a double recognition at EIMA, the most important Outdoor Power Equipment trade fair in Italy, for technological innovation and as a solution for the reduction of environmental impact, is a clear demonstration.

Over the coming years we will continue to work according to the principles of legality, competence and an innovative spirit, undertaking to share with all our stakeholders our values and results that we will achieve.

The Chairman
Fausto Bellamico

Method of preparation

This document is the consolidated Statement of a Non-Financial nature (hereinafter referred to also as the “Sustainability Report”) of the Emak Group relating to the financial year 2018.

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 Sustainability Report 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 Sustainability Report 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 2018 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 Sustainability Report 2018 has been prepared in compliance with the «GRI Sustainability Reporting Standards», published in 2016 by the Global Reporting Initiative (GRI), according to the «Core» option. 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 qualitative information and to quantitative data regarding social aspects, the parent company and its subsidiaries which are fully consolidated¹ in the consolidated financial statements of the Group have been included in the reporting perimeter, except for 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 qualitative information and quantitative data of an environmental nature, the Group companies that manage production sites have been included; companies with solely commercial offices have, instead, been excluded since they are considered as not significant for the purpose of allowing for an understanding of the Group’s business activities and of the impact they have generated.

With reference to extraordinary operations in the reporting period in question, it should be noted the disposal of the company Raico S.r.l. on the 30th March 2018 and the acquisition of the Brazilian company Spraycom on the 1st August 2018.

For the purpose of permitting comparability of the data over time, comparison with data relating to 2017 has been reported. It should be noted that the social and environmental data and information relating to the Lavorwash Group, acquired on the 3rd July 2017, are included starting from this date. 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.

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.

¹ 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

This report was approved by the Board of Directors of Emak S.p.A. on the 14th March 2019.

The Sustainability Report 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 has been considered for some time 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 to the prevention of illegal practices, in addition to arrange for specific training in relation to these questions, the Group during 2018 has drawn up an anti-corruption policy to extend to the foreign subsidiaries.

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.

The parent company, Emak S.p.A., adopts a Management System conforming to the SA 8000 standard, with the aim of safeguarding, developing and optimising staff management.

With regards to the health and safety of workers, Emak S.p.A. has adopted a safety policy since 2010. In addition, the company Geoline Electronic obtained in 2018 the certification OHSAS 18001.

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. and Yong Kang Lavorwash Equipment Co. Ltd. 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 certification, through which the company undertakes to safeguard human rights along the value chain.

For the purpose of extending the principles of the SA 8000 standard also to subsidiaries, during 2018 has been defined a Group policy on human rights which includes the guidelines to be extended to the subsidiaries, and will be arranged for specific training on these issues, particularly in those countries where local legislation is less strict than in Italy. The implementation of the developed guidelines will take place in the following years.

The Parent Company has also established Group guidelines regarding the process of supplier assessment, arranging for integration of environmental and social aspects in the supply selection process. The implementation of the developed guidelines will take place in the following years.

Environment

In 2018 the Group’s commitment to environmental issues continued, having already set up for some time monitoring processes of consumptions aimed at reducing them both from the point of view of the management of raw materials and of energy, thanks to the efficient use of resources and an optimal management of waste.

In this area the Group will define specific actions to be implemented for the reduction of the impacts of production sites, in line with reference contexts.

It should be noted that the companies Emak S.p.A. and Geoline Electronic S.r.l. have a Management System certified according to the standard UNI EN ISO 14001: 2015. Emak S.p.A. also has a Mobility Manager with the objective of reducing emissions associated with home-work journeys and thereby promoting the sustainable mobility of staff.

The development and implementation of these projects could reasonably be completed by December 2019, compatibly with the evolution of the Group.

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.

Furthermore, for the next reporting year, following the appointment of the new Board of Directors, the Group plans to launch the preparation of a sustainability plan with medium and long-term objectives.

Finally, the company undertakes to formalize, by 2019, the reporting process for the non-financial information within a procedure that defines roles, responsibilities and timing.

The Sustainability Report 2018 is published also on the www.emakgroup.it website in the “Sustainability” section.

Clarifications and further information can be requested via the following e-mail address: info@emakgroup.it

1. The business of the Group

The Emak Group is composed of 37 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 in summary*

37 Companies worldwide	453 €m Net global added value	around 3,700 suppliers	around 240 €m of purchases
3 Business segments	 <p>Emak[®] our power, your passion</p>		1,999 employees
95% of employees with permanent employment contract	109,341 m ³ water consumption	around 130,000 GJ energy consumption	around 20,000 hours of training provided

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. and its subsidiaries, Sabart S.r.l.. Raico S.r.l. had been part of the Group until March 30, 2018.

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 oil can influence the demand for alternative energy sources, such as wood for heating and consequently a demand for chainsaws; the trend in the price of agricultural commodities influences investments ion 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 market has a global value estimated at between 3.5 and 4.5 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), seats and technical parts for tractors. In this sector the Group operates partly through its own brands, Tecomec, Geoline, Mecline, Sabart (Raico for the first quarter 2018), 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 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 Zuhai, 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. 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 extractors 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. The internal manufacture of a number of products is not cost-effective, due to the type of processing required, and so they are manufactured and assembled by specific suppliers on the basis of the designs developed by the Group's R&D department.

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.

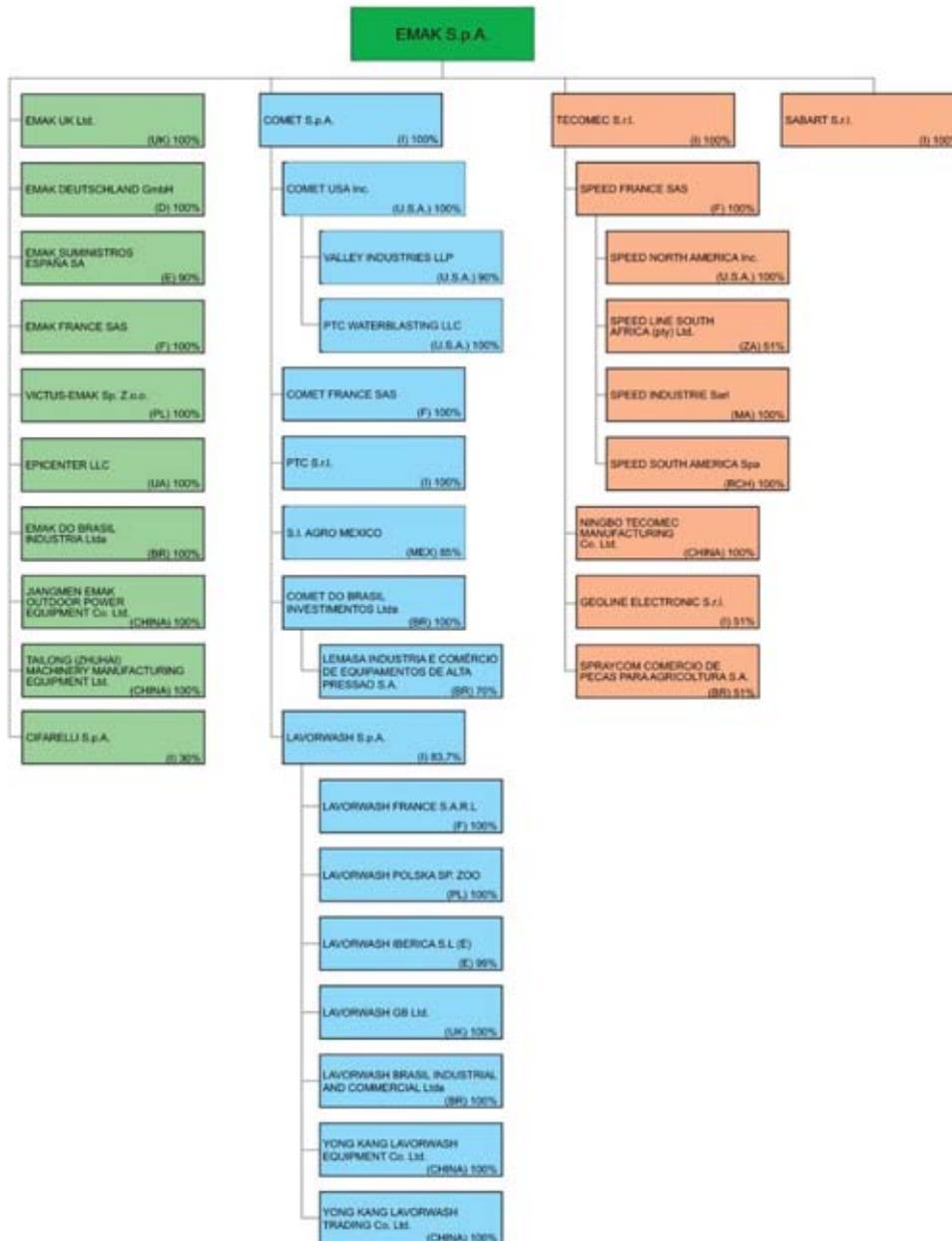
The precision farming line is produced in Italy, with the design of electric parts and the development of software, the added value parts of the products, all carried out internally, as well as the final assembly. The most important products of the forestry line are designed and developed by the Group, 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
OPE	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, bruscutters for price sensitive segment
PWJ	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
C&A	Tecomec	Reggio Emilia - Italy	Accessories for agricultural machinery for spraying and weeding and accessories and components for pressure washers
	Speed France	Amas - 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
	Geoline Electronic	Poggio Rusco (MN) - Italy	Computers, control units and electronic control systems for agricultural machines for spraying and weeding

The composition of the Emak Group at 31.12.2018*



* The companies included in the reporting perimeter of the Sustainability Report 2018 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 2018 published on the website 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.

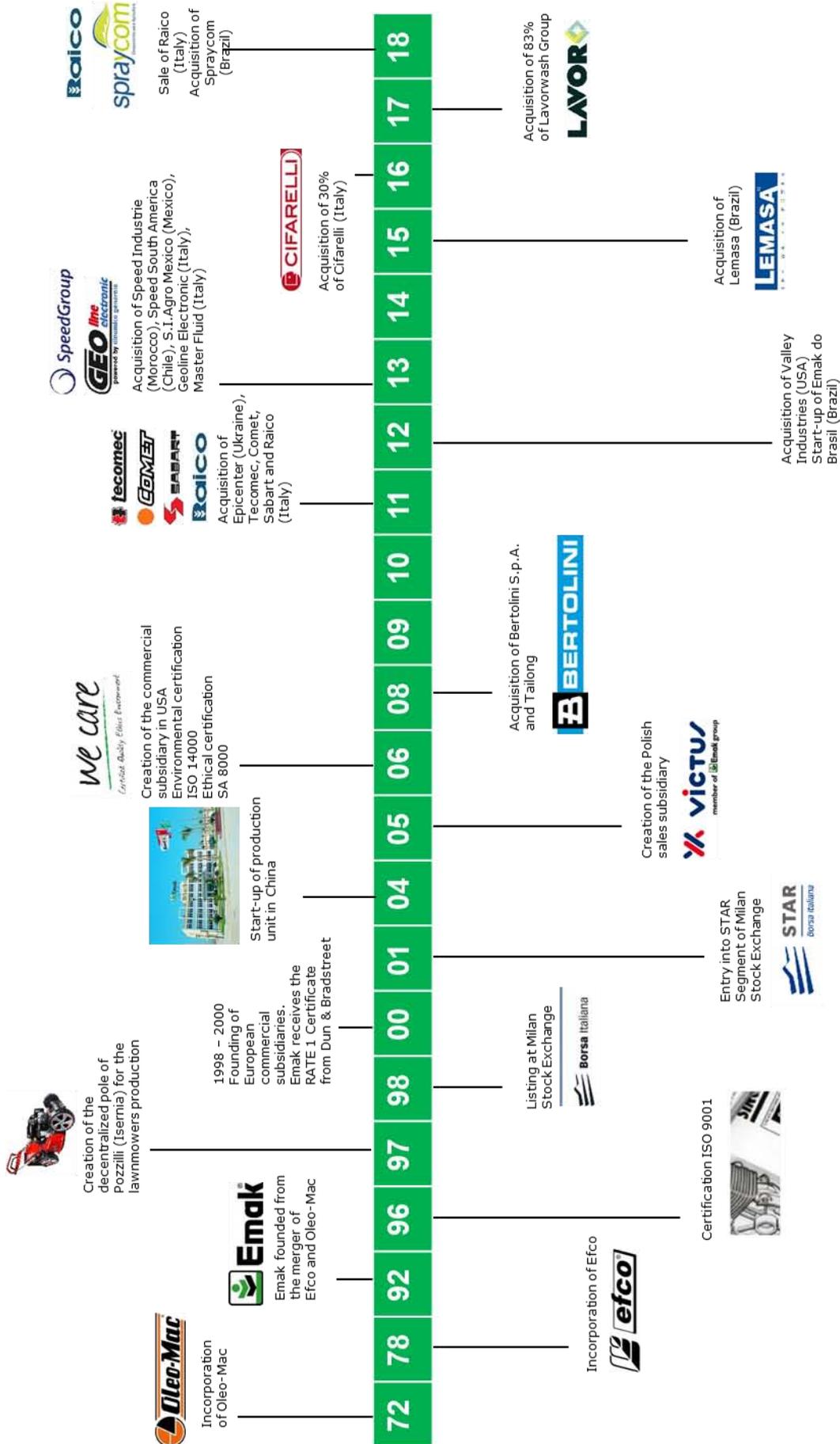
In 1998 the company was quoted on the Milan Stock Exchange. Between 1998 and 2000, the company set up 4 commercial branches in Europe through the acquisition of its own importer in the major markets (Germany, France, United Kingdom and Belgium) completing, together with the already controlled Spanish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



1.3 Governance structure

The Board of Directors of the Emak Group is composed of 14 members, 5 of whom are female and 9 male, with an average age of 60 years and ranging from 39 to 81.

The composition of the Board of Directors at 31 December 2018 is shown in the table below:

Office	Name	Gender	Year of birth	Executive (E) Non-executive (NE)
Chairman and Chief Executive Officer	Bellamico Fausto	M	1949	E
Deputy Chairman; Director with powers	Burani Aimone	M	1956	E
Director with powers	Slanzi Stefano	M	1958	E
Director	Baldi Francesca	F	1969	NE
Director	Bartoli Luigi	M	1966	NE
Director	Bartoli Ariello	M	1937	NE
Director	Becchi Paola	F	1967	NE
Director	Ferrari Giuliano	M	1950	NE
Independent Director	Iotti Elena	F	1979	NE
Independent Director	Lanza Alessandra	F	1971	NE
Lead Independent Director	Livatino Massimo	M	1964	NE
Director	Salsapariglia Marzia	F	1961	NE
Director	Spaggiari Vilmo	M	1940	NE
Director	Zambelli Guerrino	M	1942	NE

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.

	31 December 2018	
	Men	Women
< 50 years	0	3
50-60 years	3	2
61-70 years	3	0
> 70 years	3	0



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 2018 and the Corporate Governance Report and Ownership Structure 2018, published on the www.emakgroup.it website.

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 Parent Company Emak S.p.A. has adopted an **Organisation, Management and Control Model** on the basis of Leg. Dec. 231/2001. 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. Other Italian companies have adopted and implemented the Model considering their dimensions and degree of risk in relation to the violations contemplated by the Decree.

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, 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 Parent Company's Code constitutes the common basis on which, based on their specific characteristics, the other Italian companies have adapted and integrated their own.

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 other 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. has decided, moreover, to voluntarily adopt a **Management System** conforming to the **SA 8000:2014** (Social Accountability) standard, with the objective of certifying the ethicality of its production processes and, indirectly, its own supply chain. Satisfaction of the requirements is verified through independent audits and expected performance levels are measured by means of indicators in line with the legislation in question.

The SA 8000 Management System also provides for the creation of a **Social Performance Team (SPT)**, appointed by company Management, to supervise the organisational aspects of the SA with analyses of data collected and the assessment of potential risks. The SPT must, in fact, periodically (twice 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 parent company, Emak S.p.A., 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 2018.

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 certification 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 of market response;** risks connected with the difficulty of keeping existing customers and in the acquisition of new customers, also in relation to the demands of the reference market. The Group mitigate the risk through a business diversification policy in terms of product, geographical area and through acquisitions.
- **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.
- **external risk of natural events and variable climatic conditions:** risks linked to the management of emergencies and the prompt response to possible extreme natural events. In addition, meteorological conditions can impact the trend of sales of certain families of products. The Group is able to deal quickly with changes in demand thanks to the flexibility of its production structure.
- **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.

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

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
ABIMAQ <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 Lavorwash S.p.A.
ABRALIMP <i>associazione brasiliana del mercato della pulizia professionale</i>	Association founded with the objective of integrating, arranging, encouraging and developing the whole value chain of the professional cleaning market.	Lavorwash S.p.A.
AEA <i>Agricultural Engineers Association</i>	English Trade Association which represents the manufacturers and importers of machinery for agriculture and green care.	Emak UK
ALTSTOFF RECYCLING AUSTRIA	Waste management service in Austria.	Lavorwash S.p.A.
APINDUSTRIA CONFIMI MANTOVA <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.
AFIDAMP <i>Associazione dei Fabbricanti e Distributori Italiani di Macchine, Prodotti e Attrezzi per la Pulizia Professionale e l'Igiene degli ambienti</i>	Associations that brings together the various players in the professional cleaning supply chain in Italy.	Lavorwash S.p.A.
ANSEMAT <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.
AXEMA <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
BITKOM SERVICEGESELLSCHAFT MBH	Digital Association of Germany	Lavorwash S.p.A.
BVD <i>Bundesverband der Datenschutzbeauftragten Deutschlands</i>	Federal Association of Officers for Data Protection of Germany.	Emak Deutschland GmbH
CETA <i>Cleaning Equipment Trade Association</i>	Association of manufacturers of cleaning machinery	Valley Industries LLP
CGPME <i>Confédération Générale des Petites et Moyennes Entreprises</i>	French organization representing employers of small and medium sized enterprises	Speed France SAS
CICC <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) Jiangmen
<i>Camera di Commercio dell'Unione Europea in Cina</i>	Association representing the different business sectors of the European Union and the European companies operating in China.	Jiangmen
CONAI <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.
CONFAPI <i>Confederazione italiana della piccola e media industria</i>	Trade association representing the interests of small and medium-sized Italian companies.	Geoline Electronic S.r.l.
Confcommercio <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.
CONOU	Italian consortium for the management, collection and treatment of mineral oils used.	Lavorwash S.p.A.
DER GRUNE PUNKT	Waste management service in Germany	Lavorwash S.p.A.
ECOPEP	National Consortium for the management of Waste of Electrical and Electronic Equipment, batteries and accumulators.	Lavorwash S.p.A.
EGMF <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.
FederUnacoma <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. Tecomec S.r.l.
ICA <i>International CarWash Association</i>	Non-profit commercial group representing the sales and supply segments of the professional car wash industry.	Valley Industries LLP
IHK <i>Industrie und Handelskammer</i>	German Chamber of Industry and Commerce	Emak Deutschland GmbH
INDICOD-ECR	Italian association whose objective is the diffusion of barcodes	Lavorwash S.p.A.
IVG <i>Industrieverband Garten</i>	National German Gardening Association which brings together manufacturers of green care machines	Emak Deutschland GmbH
MANTOVA EXPORT	Consultancy Consortium for companies in Mantua for import-export	Lavorwash S.p.A.
NOVENTIZ GMBH	Waste management service in Cologne, Germany	Lavorwash S.p.A.
OPEAA <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.
OPEESA <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
OPEI <i>Outdoor Power Equipment Institute</i>	International trade association for small engine, utility vehicle & outdoor power equipment manufacturers & suppliers.	Comet USA Inc
Unindustria Reggio Emilia <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. Comet S.p.A. Tecomec S.r.l. PTC S.r.l. Sabart S.r.l.
WJTA <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
WOOSTER AREA CHAMBER OF COMMERCE	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. These aspects have been initially subject to evaluation on the part of the Group’s management, through an internal survey, with the aim of producing a materiality matrix. During 2018, the Group has expanded its analysis by involving a sample of stakeholders composed of employees, customers and suppliers through the administration of a questionnaire. 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 role ²
Economic and business responsibility			
Anti-corruption	Group commitment in the fight against corruption, whether active or passive, also in consideration of best practice in the sector.	Group	Direct
Ethics and business integrity	Promotion of best practice in Corporate Governance and compliance with standards in the area of ethics, integrity and legal and regulatory compliance	Group	Direct
Economic-financial performance	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	Direct
Market expansion	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	Direct
Risk management system	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	Direct
Social responsibility			
Human rights	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 Suppliers	Direct Contribution
Diversity and equal opportunities	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	Direct
Training and skills development	Offer of development and training programmes aimed at strengthening people's skills and consolidating professionalism in the role held Promotion of the freedom of association and expression among workers, aimed at	Group's employees	Direct
Industrial relations	guaranteeing them the right to be represented, also through membership of trade unions and/or category associations	Group	Direct

² Emak's role refers to the type of impact and can be classified as "direct", "indirect", or "contribution" on the basis of the role that the organisation has in the generation of the impact.

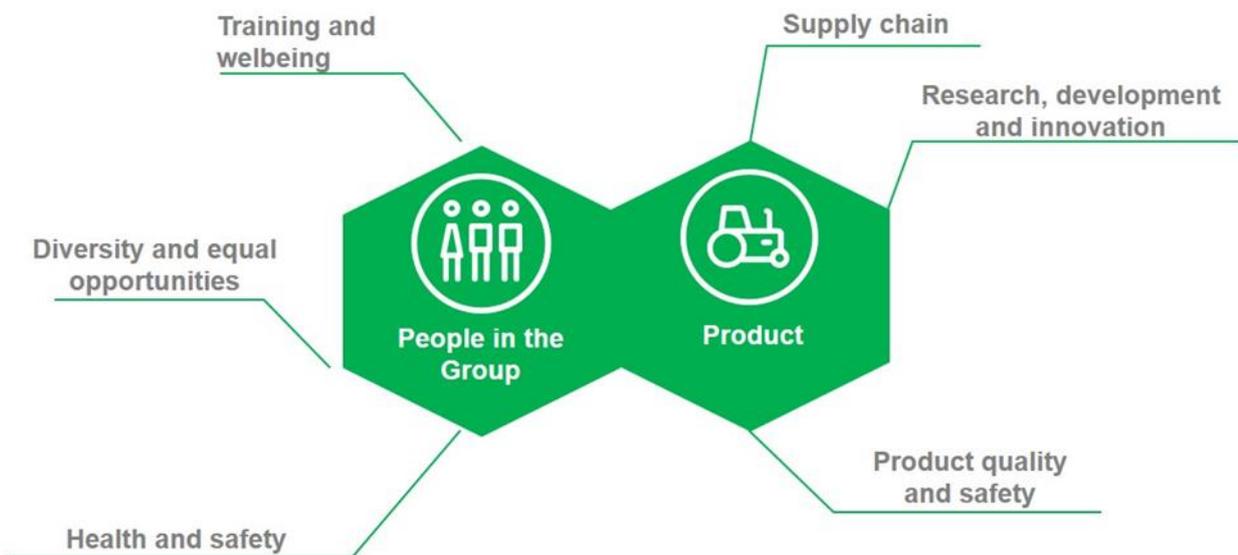
Health and safety and wellbeing of workers	Respect of legislative provisions and agreements entered into and the promotion of actions and practices aimed at minimising risks for people's health and safety and at improving employees' well-being	Group's employees*	Direct
Environmental responsibility			
Energy consumption and emissions	Commitment to increasing the efficiency of energy consumptions and commitment regarding the management and reduction of atmospheric emissions	Group production sites Energy suppliers	Direct Indirect
Water consumption	Commitment to a conscious and efficient management of water	Group production sites	Direct
Product responsibility			
Innovation, research and development	Research and development activity aimed at the continuous improvement of quality and the development of innovation, guaranteeing the protection of intellectual property	Group Universities and research centres	Direct Contribution
Quality, conformity and product safety	Identification and reduction of potential risks to the health and safety of a product along its entire value chain	Group Suppliers	Direct Indirect
Responsible sourcing	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 Suppliers	Direct Indirect

* The Group will enhance the analysis about the significance of other external workers, in order to assess the need to collect data from employers of external collaborators and suppliers operating at Group offices and / or under the control of the Group, evaluating 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 of major strategic interests, grouped together into two clusters:

- the people in the Group;
- the product.



3.1 The people in the Group

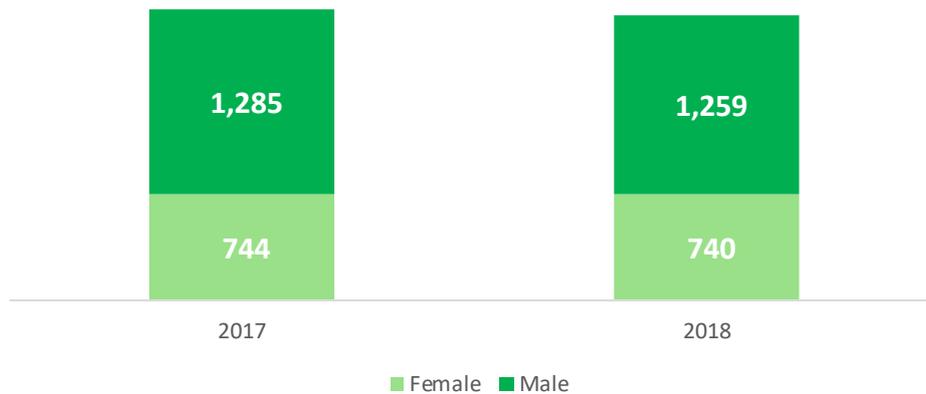
The Emak Group aims for excellence through the continuous improvement of its professionalism and the extensive involvement of staff at all levels. The staff and freelance workers involved in the Group's activities are a strategic and precious resource, and for this reason the Group undertakes to guarantee 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 2018 the Group's workforce numbered 1,999 people, a decrease of 1.5% compared to the previous year (2,029 employees in 2017). Male employees account for 63% of staff, and female 37%.

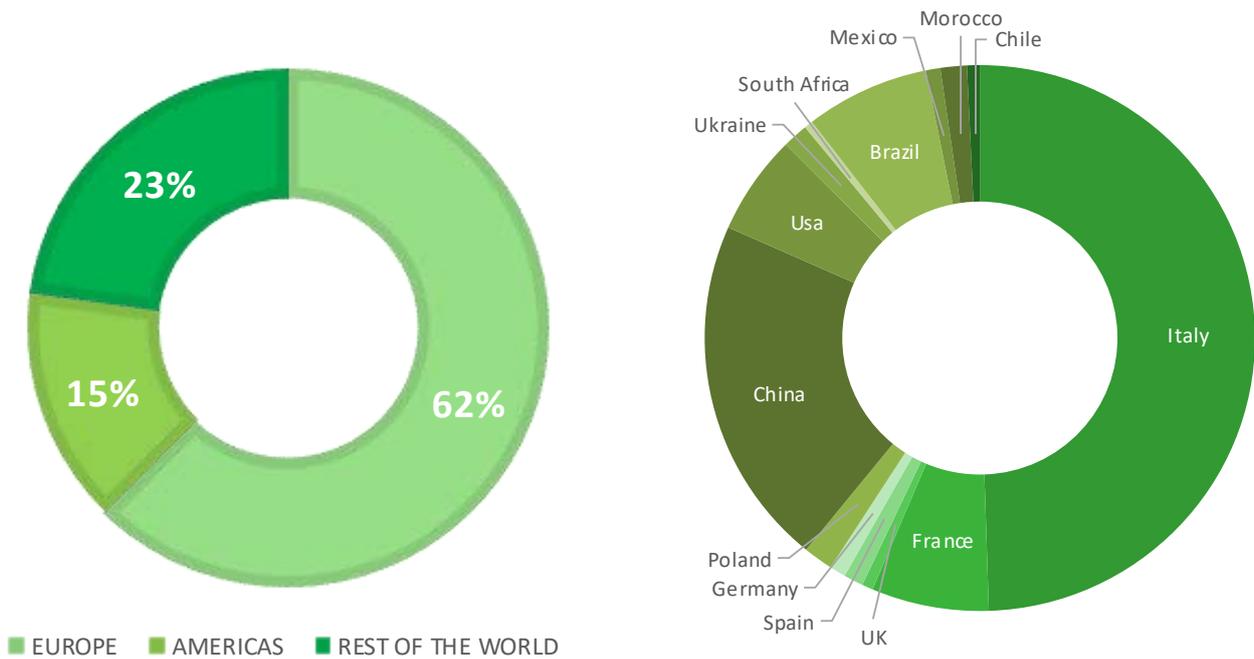
The following graph shows employees' distribution by gender at 31 December 2018.

Distribution by gender at 31/12/2018



The company population is largely concentrated in Europe (62% with 1,247 employees), while the remaining part is distributed in the Americas (15% with 296 people) and other countries classified as “rest of the world” (23% with 456 employees). The distribution by country shows a higher concentration of employees in Italy (49% of employees), followed by China (21%), France and Brazil (7%) and Usa (6%). In detail, the distribution of employees by geographical area at 31 December 2018 shows a small decrease in Europe against an increase in the Americas and in the rest of the world if compared to last year.

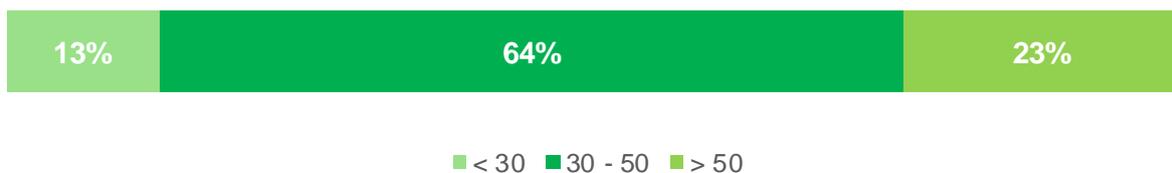
**Distribution by geographical area and by country
(at 31/12/2018)**



With regards to the breakdown of staff by age band, most employees are concentrated in the 30 to 50 band (64% with 1,273 people); 23% of staff are over 50 years of age (466 people), while 13% are under 30 (260 people).

The following graph shows the distribution of employees by age group at 31 December 2018.

Distribution of employees by age group (at 31/12/2018)



The Parent Company, following an assessment aimed at improving the organization at the Bagnolo in Piano (RE) headquarters, due to the logic of efficiency and renewal, on 13 December 2017, signed with the Trade Unions and company RSU an Agreement, aimed primarily at employees who have acquired the right to a pension within 24 months following the termination of the employment relationship, envisaging a plan to early retirement on voluntary basis referred to in articles 4, 5 and 24 of law n. 223/91, for 32 people.

In line with the previous year, permanent contracts remain predominant (95% against 5% of temporary contracts), confirming the Group's wish to create strong and long-lasting professional relationships.

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. 73% of employees were covered by collective bargaining agreements in 2018.

Specifically, National Collective Bargaining Agreements (NCBA) are widely applied in Italy: staff are fully covered by the NCBA of the Engineering and Plant Installation industries, the NCBA of Small and Medium Engineering and Plant Installation Industries, the NCBA of the trade industry, by specific contracts for executives and supplementary company agreements that regulate industrial relations.

At a European and extra-European level, local laws are generally followed and, where applicable, a number of specific collective agreements of the operating country are followed.

For example, in France the "*convention collective industrie textiles*" and the "*convention collective nationale des entreprises de commission de courtage et de commerce intra-communautaire et d'importation - exportation de france metropolitaine*" are applied.

In China Chinese employment law is followed and any negotiations are agreed directly with the managers.

In South Africa the companies come under the Metal and Engineering Industries Bargaining Council (MEIBC). Employees subscribe therefore to the agreement between the SEIFSA (the name of the employers' association) and MEIBC. This agreement covers all employment aspects, from working hours, to remuneration, holidays, training, allowances and termination of employment.

In Brazil, all the procedures are based on the CLT (Consolidation of Labour Laws) and on the collective agreement with the National Union of Machinery Industries.

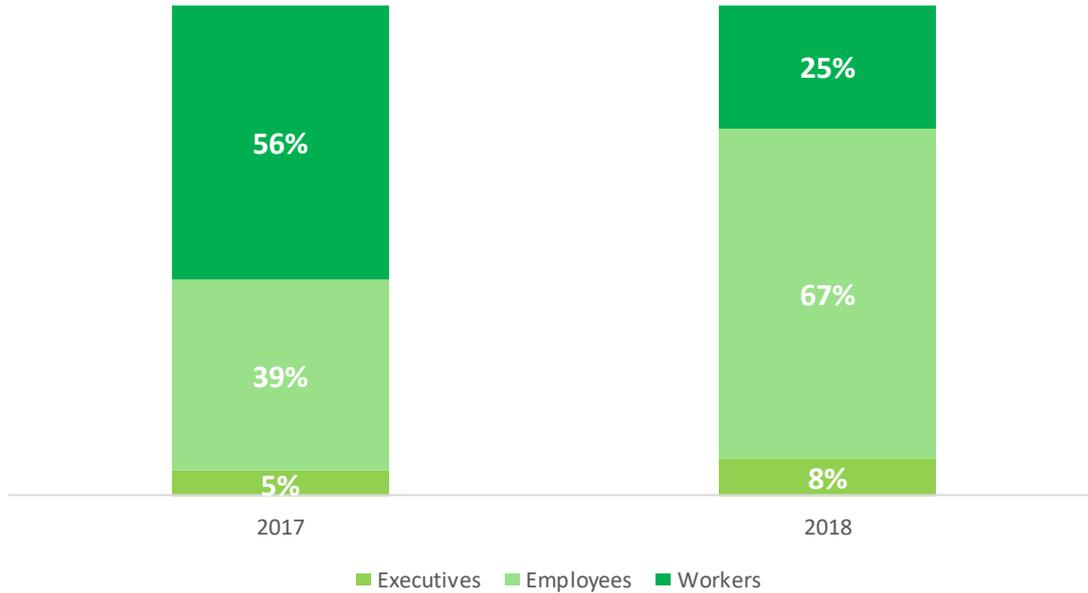
Training and wellbeing of employees

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.

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.

19,918 hours of training and skills development activities were organised in 2018, with an average per head of 10 hours, in line with the previous year. In detail, the training hours by different categories of employee can be broken down as follows:

Professional training by type of contract



Some examples of the 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.

Specifically, in 2018 32.6% of the training hours organised related to issues regarding health and safety, 0.4% to issues connected with anti-corruption and the remaining 67% to the other aforementioned areas. In 2018 hours of training in health and safety increased in percentage terms comparison with the other types of training.

The following graph shows the hours of training by type organised in 2018.

Hours of training by type (2018)

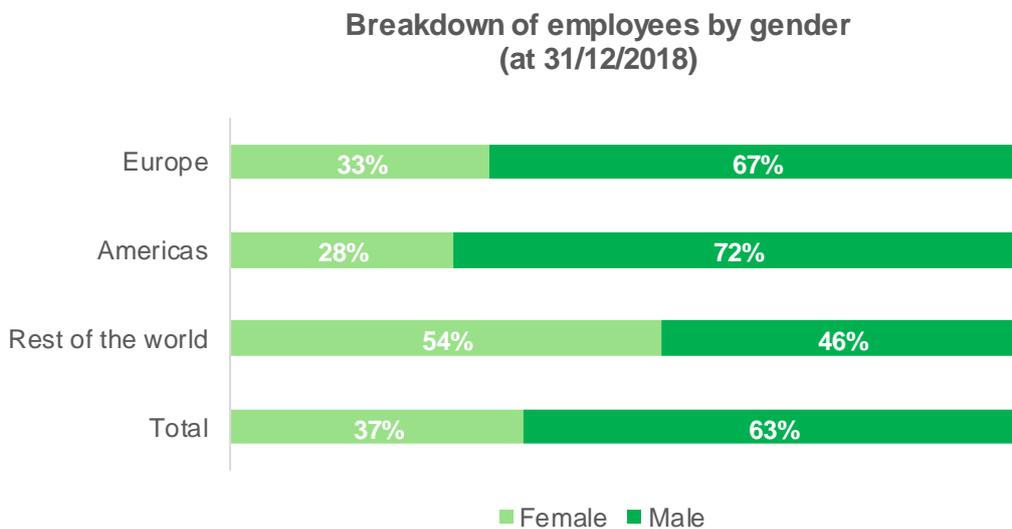


In addition, with different frequencies for the various companies, analyses of internal climate are carried out to evaluate the level of employee satisfaction and to identify any areas where action could be taken to improve the wellbeing of the people in the Group.

Diversity and equal opportunities

Emak, being able to count on a strong global presence, favours a multicultural approach and the presence of people of different ethnic groups as an important element of diversity within the Group. In addition, the Group fosters and supports gender equal opportunities. At 31 December 2018 there were 740 females in the Group, accounting for 37% of the workforce, in line with the previous year.

The following graph shows the breakdown of employees by gender at 31 December 2018.



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.

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 and research**. 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.

The main activities set up to create a safe work environment refer to the assessment of work-related risks and the consequent preparation of prevention and corrective action plans (e.g. the 5s methodology, a systematic method for the effectiveness and optimisation of operating performances, and the provision of Individual Protection Devices), the monitoring of accidents and injuries (e.g. through a database) and the drawing up of annual reports. In some cases Group companies are supported by expert external consultants in the prevention of risks to further improve the work environment.

The Italian companies in the Group undertake, moreover, to comply with what is required by national health and safety regulations (e.g. Leg. Dec. 81/200) receiving legal compliance audits on the part of an independent certification body.

The Group's commitment to preventing accidents is also reflected in the provision of health and safety training and awareness programmes for staff. Specifically, courses are given relating to the handling of loads, the use of machinery (e.g. forklift truck), emergency plans and fire-prevention and the training of staff in first aid.

The Italian companies in the Group have embarked upon a series of improvement actions that go beyond what is required by the current laws on the matter (Leg. Dec. 81 of 2008). The companies, in fact, periodically carry out 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 companies also provide Individual Protection Devices (IPDs) to staff operating in work areas where they are required, and each year draws up an evacuation plan for emergencies. Staff participate in training and updating courses on health and safety. For the purpose of implementing improvement actions, episodes of occupational accidents and illness are monitored, comparing the trend in indices from year to year.

During 2018, the company, Geoline Electronic has obtained the certification for the management system of health and safety of workers according to the standard BS OHSAS 18001 (Occupational Health and Safety Assessment Series).

In 2018 there were 57 injuries at Group level (of which none are fatal), with a lost day rate of 0.36

 For more information regarding the people in the Group, reference should be made to the "Performance indices" section of this document.

3.2 The product

Supply chain

EMAK Group's supply is composed of around 3,700 suppliers, subdivided between consolidated suppliers of material for production and suppliers of occasional services. The value of Group purchases in 2018 was around 240 million euros.

Common suppliers account for around 12% of the total. The Group, through the Corporate Purchasing Department, has set up synergy and optimisation plans aimed at further increasing and consolidating the perimeter of common suppliers.

Supplies are inserted within the context of global Group supply 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, 70% of the supply chain lies within the European Union and 30% 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 100km 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 95 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.

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 2018, **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).

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.

Research and development

Research and development is a fundamental activity underpinning the Group's strategy for continuous growth and success. 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**.

The activity focuses on product innovation, understood as the development of new, more efficient technologies in terms of improved performance, lower energy consumption and 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 2018 the Group allocated a total of 18.5 million Euros to Research and Development, of which 11.2 million in investments in tangible and intangible fixed assets and 7.3 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

2018 saw consolidation of the sales of the products launched in the second half of 2017; these products include a new professional 35 cc top handle chainsaw (developed for the precise pruning of olive and fruit trees and characterised by an excellent weight/power ratio), new 21 cc brush-cutters with the best weight/power ratio on the market, a 40 cc brush-cutter for the professional sector, and another 40 cc brush-cutter for private use. Over the year there was also (i) the launch of 35, 40 and 44 cc chainsaws which, compared to the previous models, besides a number of new features, have an improved weight/power ratio; (ii) a new hedge-cutter for professional use and (iii) the complete renewal of the range of metal lawnmowers. Significant efforts were dedicated to the renewal of the design of the new machines, making a break with the past, developing, through an external partnership, completely new and distinctive lines compared to what was currently available on the market. Specifically regarding the new battery-powered range, while composed of very different products, a common "line" was developed for all the machines, allowing for the creation of a strong brand identity.

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

- **Motor technologies**

RTS (*Rotary Transfer Scavenge*) is a new technology for two-stroke motors, for which the Group has filed a patent, aimed at reducing the polluting emissions of the motors through the introduction of fresh charge into the combustion chamber with suitably phased disc valves. This technology is currently in the experimental phase on a 45 cc motor in order to understand the level of emission reduction.

EGR (*Exhaust Gas Recirculation*) which, through the recirculation of exhaust gases, permits reductions in consumption and emissions. This technology, for which the Group has filed a patent, was launched on the market on a new 44 cc chainsaw. A 50 cc brush-cutter for professional use will be launched on the market in 2019 and will have this new technical solution. The Group has received a double recognition for the development and application of this technology from EIMA, the most important trade fair for the sector in Italy, for technology innovation and as a solution for reducing environmental impact.



- **“Engine Management” electronic control system for motors:** self-adapting motors able to stabilise on optimal efficiency conditions, reducing energy consumption and, therefore, emissions. The reasons leading to the development of this technology are the following:

- reduction of emissions (estimated reduction - 5%);
 - elimination of any manual correction of the carburation;
 - simplicity of use;
 - optimisation of performance in all conditions.
- **electric battery technology** for the reduction of emissions generated by combustion engines. In 2018 production started on the first three models and a further three machines fitted with this technology will be launched on the market in 2019. The Group has developed specific algorithms that allow for machine performance to always stay at maximum level also when the battery is low.
 - **IoT**, development of IoT started in 2018 in order to be able to apply it to all the products in the OPE segment. The project will also allow for a retrofit of current machines. This technology will make it possible to offer advantages to the final user but also for the Group, opening up new possibilities for new business models. It will be possible, in fact, to monitor machines in the field, on the one hand providing useful information to the customer regarding maintenance of the equipment, and on the other hand, collecting data useful to the Group for the improvement and further future development of the products. It's a multi-year project, for which the Group has also obtained funding from the MISE (Ministry for Economic Development) which will lead to the introduction of the first products on the market in three years' time.
 - **methodological activity** (based on numerical simulations) with the aim of creating cutting-edge tools in research, design and product development. In 2018, a mono-dimensional code for the simulation of motors was carried together with the University of Bologna, and an optimisation methodology based on experimental calculations and measurements for reducing machine vibrations was implemented with the support of the University of Ferrara. This latter activity led to the development of an ant-vibration system for the new 25 cc blower and a new backpack for the 50 cc brush-cutter for professional use.

Pumps and High Pressure Water Jetting

With regards to the range of products for **agriculture**, different versions, connections and accessories of membrane pumps and centrifuges have been developed. These developments have offered the customer improvements in the machine which is, therefore, able to work better and in a more efficient way in the field. In addition, two high pressure command units have been launched on the market, improved in terms of duration, precision and ergonomics. Their regulation is therefore further enhanced, reducing, therefore, the dispersion of the product into the environment to a minimum.

With regards to **industrial products**, the process of continuous improvement and optimisation of the pumps in the range continued, using the latest structural and fluid-dynamics simulation software. Two new pump models, one axial and one triplex, intended for the United States washing market, were also developed with the same tools. Besides the high level of performance, they are characterized by high efficiency and compactness. These results have been achieved thanks to an innovative heads and valves system, which is protected by an international industrial patent. A new robotised system has also been developed for the cleaning of industrial plant, which offers the operator the possibility of working away from the water jet and the high pressure tubes. This robot focuses on safety and ergonomics for the operator.

With regards to **washing products**, two new cold-water high pressure water jet machines have been developed for amateur use fitted with the WPS (*washing program system*), an electronic system to regulate the speed of the motor which, through a 3-position rotating selector, makes it possible to select the washing programme and, in this way, limit energy consumption and water wastage. A high pressure cold water jet machine with an innovative patented digital control system (DIGIT), a technical evolution of the WPS system, for complete control of the machine, was also launched on the market: the user accesses the washing program selection and the control function menu using the digital control keyboard. The system integrates, moreover, a series of safety measures to protect the machine and the consumer. Three new high pressure cold water jet machines in the professional range have been launched on the market, characterised by new solutions that improve the efficiency of the machine while ensuring the same performance levels as the previous models. A new 15l-capacity professional washer/dryer, ideal for small/medium areas, developed with the aim of extending the product range, was also launched on the market in the year. The development of a new range of nebulizers continued, planned for launch in 2019, designed to clean mould and mildew from roofs and the coverings of commercial and residential buildings. A partnership with a chemical company was set up to supply equipment

that can apply a chemical compound to be sprayed on foundation walls (and in many other applications) to stop water penetration.

Components and accessories

The development and implementation of cutting systems for brush-cutters, electric and battery trimmers continued during the year, in partnership with major world manufacturers. Efforts were mainly focused on the search for solutions for reducing energy consumption, noise and vibrations in the use of plastic wire-heads, blades and discs, as requested by new international standards. With regards to machines and accessories dedicated to the maintenance of chainsaws, the completion of new range of professional products renews and integrates the current offer for OEMs and distributors.

Research and development of the line of accessories intended for the agricultural sector was further directed towards projects to strengthen the offer of electronic control systems for spraying and weeding, besides the completion of the range of flowmeters and sensors. In addition, cooperation with specialised partners and universities for the development of IoT applications on cloud platforms continued. The range of the main plastic components (filters, covers and nozzle supports) was updated and revised.

With regards to the development of products for the industrial washing sector, further investments were made in research aimed at improving performances and at extending the range of pressure regulation valves. The activity was again this year carried out in cooperation with the University of Modena and Reggio Emilia, which advised and supported internal technical staff in the study and experimentation phases. A number of the technical solutions identified have been registered with industrial patents. Moreover, activities for the implementation of the professional range continued in 2018 with the introduction of a catalogue of new products for high pressure and high capacity industrial uses; specifically, the new line of heads and rotating nozzles, regulation valves and pistols.

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 ISO 14001:2015 SA8000:2014
Tecomec S.r.l.	ISO 9001 2015
Comet S.p.A.	ISO 9001:2015
Geoline Electronic S.r.l.	ISO 9001:2015 ISO 14001:2004 BS OHSAS 18001:2007
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 Equipement Co. Ltd.	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 2018.

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 2018.

Components and accessories

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 2018.

3.3 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.

The net global added value of distributed by the Group in 2018 is 435.1 million euros.

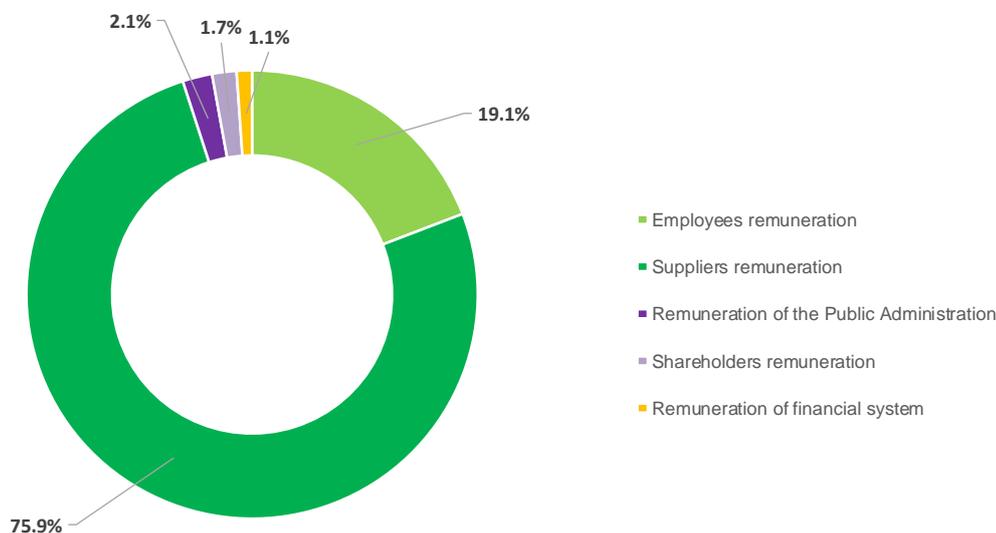
Most of this value, equal to 75.9%, is represented by the “remuneration of suppliers”; this heading is mainly composed of costs for services and raw materials. This is followed by the “remuneration of staff” (19.1%), represented by salaries, employee severance indemnity and social security costs. Then there is “remuneration of the Public Administration”, composed of tax on income, “remuneration of the financial system” and “remuneration of the shareholders”, composed of the profit attributable to minority interests and distributed profits.

Prospectus for determining the Added Value		
€/000	2017	2018
Sales	422,155	452,825
Other operating incomes	3,684	5,465
Change in inventories	14,168	4,621
Income from equity investment	389	266
Financial income	1,807	5,316
Exchange gains and losses	-4,218	86
Global gross Added Value	437,985	468,579
Amortization, depreciation and impairment losses	13,955	15,473
Global net Added Value	424,030	453,106

Prospectus for the allocation of the Added Value		
Employees remuneration	80,055	83,310
Personnel expenses	80,055	83,310
Suppliers remuneration	316,020	330,152
Raw materials, consumable and goods	234,565	243,182
Other operating costs and provisions	81,455	86,970
Remuneration of the Public Administration	6,700	9,213
Income taxes	6,700	9,213
Shareholders remuneration	5,994	7,609
Profit (loss) attributable to non controlling interests	270	250
Dividend distributed to shareholders*	5,724	7,359
Remuneration of financial system	4,820	4,784
Financial expenses	4,820	4,784
Global net Added Value distributed	413,589	435,068
Profit for the year allocated to reserve	10,441	18,038
Global net Added Value retained	10,441	18,038

*The profit distributed to shareholders for the financial year 2018 corresponds to the destination of the economic result for the year of Emak S.p.A. as dividend that the Board of Directors will propose to the Shareholders' Meeting.

Emak Group added value distribution (2018)



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 SA8000 and the Environmental System ISO14001 standards in a synergistic manner.

In addition, Emak has a **Mobility Manager** with the objective of collecting data on the company's workforce and of drawing up a plan of home-work journeys, thereby reducing the emissions linked to transport in line with the principles of sustainable mobility (discouraging personal car use for short journeys and choosing alternative means of transport such as public transport and car-pooling).

The most significant environmental aspect for the Group is energy consumption for the operation of the plants and locations. Most production activities are aimed at the assembly of components and do not include operations with high energy use.

The figures reported below refer to the Group's plants in Italy and the factories located in China, France, United States, Chile, Brazil, South Africa and Morocco.

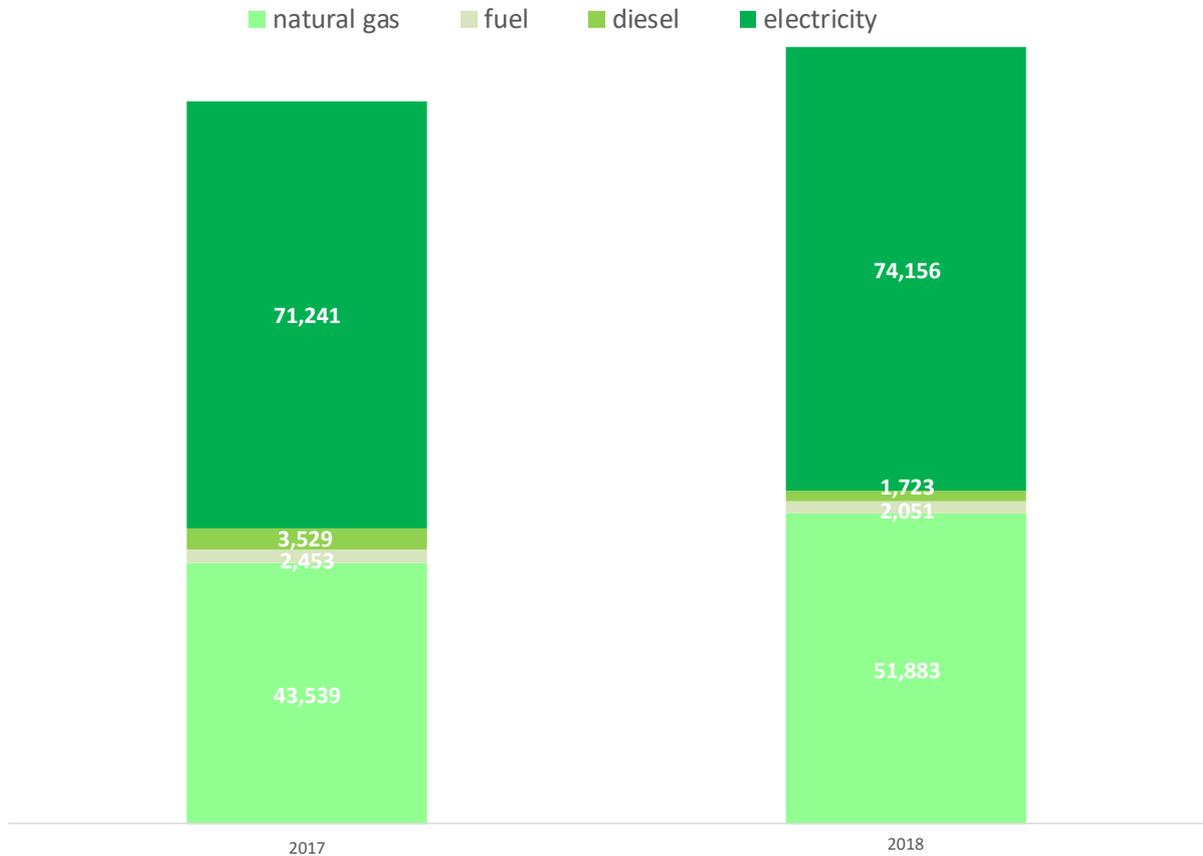
Currently, a single environmental policy has not been defined for the entire Group and the management of environmental aspects has been delegated to individual companies and production plants with greater impact. The companies that have obtained the environmental management system according to the standard ISO14001 certification have defined their own environmental policy which outlines the objectives and guidelines of the environmental management system.

Energy consumption

The Group's energy consumption mainly relates to the use of electricity acquired directly from the network and used for heating/cooling and for the Group's production processes, besides natural gas and other fuels for heating buildings and factories and for the production processes.

The following graph shows Group energy consumption by source in GJ in 2018.

Group energy consumption by source in GJ



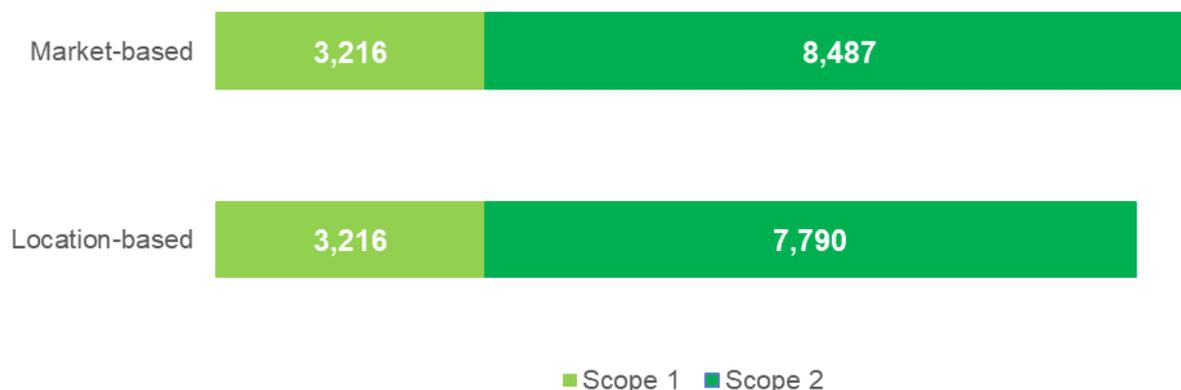
Specifically, 55,657 GJ of fuel from non-renewable sources (natural gas, diesel and petrol) were consumed in 2018, while the total consumption of electricity was 74,156 GJ. Overall energy consumption was therefore 129,813 GJ. In terms of percentages, most of the consumption is attributable to the use of electricity (around 57%); 40%, instead, is attributable to the consumption of natural gas for internal heating. There was an increased in the consumption of energy in 2018 caused by the full consolidation of the Italian and Chinese production companies of the Lavorwash Group, entered in the consolidation scope in July 2017, besides an increase in production activities.

Emissions

Direct and indirect CO₂eq 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.

2018 Group's Emission Scope 1 Scope 2 (ton CO₂ eq)



In 2018, Group's Scope 1 emissions were 3,216 ton CO₂eq, (2,884 ton CO₂eq in 2017) while Scope 2 emissions calculated with the market-based method were 8,487 ton CO₂. (7,870 ton CO₂). Specifically, 73% of the emissions is attributable to electricity (Scope 2), while 27% is attributable to the use of fuels (Scope 1).

Using instead the location-based method, the Scope 2 emissions were 7,790 ton CO₂ (7,204 ton CO₂).

In 2018 there was an increase in emission compared to the values for 2017³. This increase is attributable to the full consolidation of new production sites of the Lavorwash Group. In addition, there was an increase in production activities.

With regard to the quantification of other atmospheric emissions different from CO₂ 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;
- Company subject to periodic inspections and they have the obligation to air emissions permit. 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 / Nm³) are compared with the limits established by the reference standard. In 2018 the estimated emission for one plant (via Secchi, Bagnolo in Piano – RE, Italy) of the Parent Company are equal to 3.16 kg of NO₂, 2.43 Kg of SO₂, 47.03 Kg of carbon oxide, 8.53 Kg of V.O.C., 0.95 Kg of particulate matter and 0.48 Kg of lead. These values are not in exceedance of the emission limit values imposed by the AUA⁴.

In some establishments subject to environmental authorisation (eg Ningbo and 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 plants Tailong and Ningbo, the estimated emissions are equal to 648 kg of NO_x, 480 kg of SO_x and 136 kg of particulate matter.

³ It should be noted that following a process to improve the CO₂eq emission reporting system and, in particular, the updating of the sources of the emission factors used to calculate the 2018 data, the 2017 data have been restated compared to those published in the previous Non-Financial Statement, using the new emission factors. For previously published data, please refer to the 2017 Sustainability Report, published in the Sustainability section of the website www.emakgroup.it.

⁴ Autorizzazione Unica Ambientale

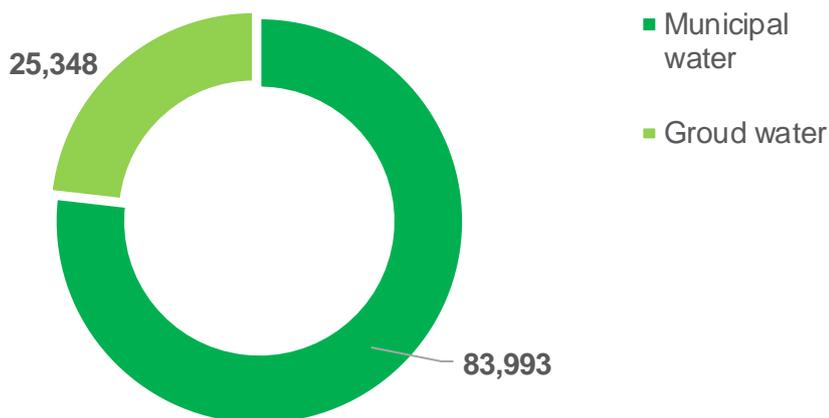
Water consumption

The Group pays particular attention to the consumption of water resources and implements actions aimed at reducing water consumption along the entire life cycle of the product from the design phase to the production phase.

Actions taken relate, for example, to the continuous monitoring of any losses from pipes in the water network so as to promptly take action and avoid high losses, the recovery and re-use of water collected in appropriate tanks, and the use of water in closed cycles with regards to production processes.

The total quantity of water consumption in 2018 was 109,341 m³: supplies were mainly taken from aqueducts (77% of the total), while a lower quantity derives from wells situated near the production sites (23%). Overall, water consumption increased by 15% compared to 2017. A fault in the irrigation system at the construction site for a plant of the Parent Company, significantly affected this growth.

Group water consumption in m3 (2018)



4. Performance indicators

Figures relating to human resources

Total number of employees by country, gender and type of contract at 31 December⁵

	31.12.2017			31.12.2018		
	Male	Female	Total	Male	Female	Total
EUROPE	900	422	1,322	838	409	1,247
permanent	885	414	1,299	820	403	1,223
temporary	15	8	23	18	6	24
AMERICAS	192	72	264	213	83	296
permanent	191	69	260	213	82	295
temporary	1	3	4	0	1	1
REST OF THE WORLD	193	250	443	208	248	456
permanent	142	230	372	157	223	380
temporary	51	20	71	51	25	76
TOTAL GROUP	1,285	744	2,029	1,259	740	1,999
permanent	1,218	713	1,931	1,190	708	1,898
temporary	67	31	98	69	32	101

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

	31.12.2017			31.12.2018		
	Male	Female	Total	Male	Female	Total
EUROPE	900	422	1,322	838	409	1,247
Full-time	867	309	1,176	806	304	1,110
Part-time	33	113	146	32	105	137
AMERICAS	192	72	264	213	83	296
Full-time	192	72	264	213	82	295
Part-time	0	0	0	0	1	1
REST OF THE WORLD	193	250	443	208	248	456
Full-time	193	249	442	204	243	447
Part-time	0	1	1	4	5	9
TOTAL GROUP	1,285	744	2,029	1,259	740	1,999
Full-time	1,252	630	1,882	1,223	629	1,852
Part-time	33	114	147	36	111	147

⁵ Following a process to improve the reporting system, the 2017 data relating to the breakdown of employees by type of contract have been restated compared to those published in the previous Non-Financial Statement in order to reclassify certain types of contracts under Chinese law. For previously published data, please refer to the 2017 Non-Financial Declaration, published in the Sustainability section of the website www.emakgroup.it

Total number of external workers by professional figure and gender at 31 December

	31.12.2017			31.12.2018		
	Male	Female	Total	Male	Female	Total
TOTAL GROUP	113	71	184	112	72	185
Agency and other	113	71	184	102	66	168
Stage	0	0	0	10	6	16

Total number of employees by category and gender at 31 December

	31.12.2017			31.12.2018		
	Male	Female	Total	Male	Female	Total
EUROPE	900	422	1,322	838	409	1,247
Executives	64	9	73	57	7	64
Employees	395	219	614	360	212	572
Workers	441	194	635	421	190	611
AMERICAS	192	72	264	213	83	296
Executives	17	1	18	19	3	22
Employees	94	40	134	103	45	148
Workers	81	31	112	91	35	126
REST OF THE WORLD	193	250	443	208	248	456
Executives	9	6	15	11	6	17
Employees	82	55	137	94	60	154
Workers	102	189	291	103	182	285
TOTAL GROUP	1,285	744	2,029	1,259	740	1,999
Executives	90	16	106	87	16	103
Employees	571	314	885	557	317	874
Workers	624	414	1,038	615	407	1,022

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

	31.12.2017				31.12.2018			
	< 30	30 - 50	> 50	Total	< 30	30 - 50	> 50	Total
EUROPE	95	837	390	1,322	85	767	395	1,247
Executives	2	39	32	73	3	32	29	64
Employees	55	384	175	614	50	355	167	572
Workers	38	414	183	635	32	380	199	611
AMERICAS	64	160	40	264	71	180	45	296
Executives	0	6	12	18	1	13	8	22
Employees	30	93	11	134	33	99	16	148
Workers	34	61	17	112	37	68	21	126
REST OF THE WORLD	102	309	32	443	104	326	26	456
Executives	1	12	2	15	1	13	3	17
Employees	27	100	10	137	30	113	11	154
Workers	74	197	20	291	73	200	12	285
TOTAL GROUP	261	1,306	462	2,029	260	1,273	466	1,999
Executives	3	57	46	106	5	58	40	103
Employees	112	577	196	885	113	567	194	874
Workers	146	672	220	1,038	142	648	232	1,022

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

	31.12.2017			31.12.2018		
	Male	Female	Total	Male	Female	Total
TOTAL GROUP	43	20	63	39	16	55
Executives	0	0	0	0	0	0
Employees	8	4	12	7	3	10
Workers	35	16	51	32	13	45

New employee hires by gender, age group and region

	2017			2018		
	Male	Female	Total	Male	Female	Total
EUROPE						
<30 years old	13	9	22	23	8	31
30-50 years old	31	3	34	32	10	42
> 50 years old	3	1	4	13	1	14
Total	47	13	60	68	19	87
Incoming turnover (%)	5.9%	4.6%	5.4%	8.1%	4.6%	7.0%
AMERICAS						
<30 years old	13	6	19	25	18	43
30-50 years old	24	8	32	39	13	52
> 50 years old	4	2	6	13	6	19
Total	41	16	57	77	37	114
Incoming turnover (%)	24.7%	26.7%	25.2%	36.2%	44.6%	38.5%
REST OF THE WORLD						
<30 years old	17	9	26	29	11	40
30-50 years old	20	18	38	20	13	33
> 50 years old	4	2	6	1	0	1
Total	41	29	70	50	24	74
Incoming turnover (%)	27.0%	15.2%	20.4%	24.0%	9.7%	16.2%
GROUP						
<30 years old	43	24	67	77	37	114
30-50 years old	75	29	104	91	36	127
> 50 years old	11	5	16	27	7	34
Total	129	58	187	195	80	275
Incoming turnover (%)	11.6%	10.0%	11.1%	15.5%	10.8%	13.8%

Employee turnover by gender, age group and region

	2017			2018		
	Male	Female	Total	Male	Female	Total
EUROPE						
<30 years old	8	3	11	17	3	20
30-50 years old	34	5	39	41	6	47
> 50 years old	15	12	27	30	14	44
Total	57	20	77	88	23	111
Outgoing turnover (%)	7.2%	6.1%	6.9%	10.5%	5.6%	8.9%
AMERICAS						
<30 years old	16	0	16	15	7	22
30-50 years old	12	9	21	31	10	41
> 50 years old	9	0	9	16	6	22
Total	37	9	46	62	23	85
Outgoing turnover (%)	22.3%	15.0%	20.4%	29.1%	27.7%	28.7%
REST OF THE WORLD						
<30 years old	31	15	46	22	11	33
30-50 years old	31	25	56	12	14	26
> 50 years old	2	0	2	1	1	2
Total	64	40	104	35	26	61
Outgoing turnover (%)	42.1%	20.9%	30.3%	16.8%	10.5%	13.4%
GROUP						
<30 years old	55	18	73	54	21	75
30-50 years old	77	39	116	84	30	114
> 50 years old	26	12	38	47	21	68
Total	158	69	227	185	72	257
Outgoing turnover (%)	14.3%	11.9%	13.5%	14.7%	9.7%	12.9%

Average hours of training by gender and employee category

2017						
	Male		Female		Total	
	No, hours	Average per capita	No, hours	Average per capita	No, hours	Average per capita
TOTAL GROUP	12,801	10.0	8,043	10.8	20,708	10.2
Executives	986	11.0	114	7.1	1,100	10.4
Employees	5,810	10.2	2,326	7.4	8,000	9
Workers	6,005	9.6	5,603	13.5	11,608	11.2
<i>of which anticorruption</i>	85	0.10	120	0.20	205	0.10
<i>of which health and safety</i>	3,878	3.0	1,939	2.6	5,777	2.8

2018						
	Male		Female		Total	
	No, hours	Average per capita	No, hours	Average per capita	No, hours	Average per capita
TOTAL GROUP	13,062	10.4	6,857	9.3	19,918	10.0
Executives	1,148	13.2	335	20.9	1,483	14.4
Employees	8,440	15.2	4,957	15.7	13,397	15.3
Workers	3,474	5.6	1,566	3.8	5,039	4.9
<i>of which anticorruption</i>	49	0.04	33	0.04	81	0.04
<i>of which health and safety</i>	4,416	3.5	2,076	2.8	6,492	3.2

Injuries and absenteeism

	2017								
	EUROPE			AMERICAS			REST OF THE WORLD		
	M	F	Tot	M	F	Tot	M	F	Tot
Injuries	23	12	35	1	5	6	7	5	12
of which fatal	-	-	-	-	-	-	-	-	-
Occupational disease	1	0	1	0	0	0	0	0	0
Lost days	7,697	4,306	12,003	790	421	1211	213	301	514
Lost day rate	0.32	0.4	0.35	0.23	0.07	0.19	0.22	0.19	0.2
Injury rate	17	23	18.7	2.6	35.7	11.6	20.1	10.3	14.4
Occupational disease rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Absenteeism rate	3.80%	5.20%	4.20%	1.60%	2.40%	1.90%	0.50%	0.50%	0.50%

	2018								
	EUROPE			AMERICAS			REST OF THE WORLD		
	M	F	Tot	M	F	Tot	M	F	Tot
Injuries	26	5	31	6	4	10	12	4	16
of which fatal	0	0	0	0	0	0	0	0	0
Occupational disease	1	1	2	0	0	0	0	0	0
Lost days	9,003	5,962	14,964	806	348	1154	445	220	665
Lost day rate	0.50	0.70	0.56	0.03	0.17	0.07	0.13	0.05	0.09
Injury rate	19.3	8.6	16.1	13.2	22.5	15.8	28.7	7.5	16.8
Occupational disease rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Absenteeism rate	4.8%	6.8%	5.4%	1.5%	1.6%	1.5%	0.9%	0.4%	0.6%

	2017			2018		
	GROUP			GROUP		
	M	F	Tot	M	F	Tot
Injuries	31	22	53	44	13	57
of which fatal	-	-	-	0	0	0
Occupational disease	1	0	1	1	1	2
Lost days	8,700	5,028	13,728	10,254	6,529	16,783
Lost day rate	0.29	0.28	0.29	0.34	0.39	0.36
Injury rate	14.9	19.2	16.5	19.8	10.1	16.2
Occupational disease rate	0.0	0.0	0.0	0.0	0.0	0.0
Absenteeism rate	3.0%	3.1%	3.0%	3.5%	3.8%	3.6%

The injury rate has been calculated as the relationship between the total number of employees injuries (including in itinere) and the total hours worked, using a multiplication factor of 1,000,000.

The lost day rate has been calculated as the relationship between the total number of employees days lost for injury (including in itinere) and the total hours worked, using a multiplication factor of 1,000.

The occupational disease rate has been calculated as the relationship between the total number of employees recognised cases of occupational disease and the total number of hours worked,

The absenteeism rate has been calculated as the relationship between the total number of employees' days absent and the total workable days,

Environmental data

Group energy consumption

Energy consumption	Unit of measurement	2017	2018
Fuel from non-renewable sources	GJ	49,521	55,657
<i>of which for heating</i>	GJ	45,121	51,965
<i>of which for productive process</i>	GJ	4,400	3,692
Fuel from renewable sources	GJ	0	0
Total electric energy consumption ⁶	GJ	71,241	74,156
Total energy consumption	GJ	120,762	129,813

Details of energy consumption – fuels type

	2017			2018		
	Unit of measurement	Consumption [uom]	GJ	Unit of measurement	Consumption [uom]	GJ
Natural gas	m ³	1,237,022	43,539	m ³	1,471,727	51,883
Gasoline	l	74,924	2,453	l	65,260	2,051
Diesel	l	98,007	3,529	l	47,899	1,723
Electric energy	kWh	19,789,047	71,241	kWh	20,598,908	74,156

⁶ It should be noted that the Group has not made use of certificates of origin for the acquisition of energy from renewable sources.

Details of scope 1⁷ and scope 2⁸ emissions (Location-based method)

	2017 ⁹			2018		
	Scope 1	Scope 2	Total ¹⁰	Scope 1	Scope 2	Total ¹⁰
	ton CO ₂ eq	ton CO ₂	ton CO ₂ eq	ton CO ₂ eq	ton CO ₂	ton CO ₂ eq
Europe	2,620	2,245	4,865	2,938	2,311	5,249
Americas	188	1,767	1,955	198	2,266	2,464
Rest of the World	76	3,192	3,269	80	3,213	3,293
Total	2,884	7,204	10,089	3,216	7,790	11,006

Details of scope 1⁷ and scope 2⁸ emissions (Market-based method) for the Group

	2017 ⁹			2018		
	Scope 1	Scope 2	Total ¹⁰	Scope 1	Scope 2	Total ¹⁰
	ton CO ₂ eq	ton CO ₂	ton CO ₂ eq	ton CO ₂ eq	ton CO ₂	ton CO ₂ eq
Europe	2,620	2,910	5,531	2,938	3,007	5,945
Americas	188	1,767	1,955	198	2,266	2,464
Rest of the World	76	3,192	3,269	80	3,213	3,293
Total	2,884	7,870	10,754	3,216	8,487	11,702

Water withdrawal by source of supply

	2017	2018
	Consumption [m ³]	Consumption [m ³]
Municipal water	76,564	83,993
Groudwater (e.g. wells)	16,742	25,348
Total water withdrawal	93,306	109,341

⁷ 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 2017 data: ISPRA 2017 for emissions in the national territory (Italy), DEFRA 2017 for emissions in non-Italian territories.

⁸ 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 CO₂ have been used (source: Terna - international comparisons, 2016).

For the calculation of Scope 2 emissions (market-based method), emission factors expressed in CO₂ relating to the "residual mix" (AIB-2017 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.

⁹ It should be noted that following a process to improve the CO₂eq emission reporting system and, in particular, the updating of the sources of the emission factors used to calculate the 2018 data, the 2017 data have been restated compared to those published in the previous Non-Financial Statement, using the new emission factors. For previously published data, please refer to the 2017 Sustainability Report, published in the Sustainability section of the website www.emakgroup.it.

¹⁰ Energy indirect GHG emissions (Scope 2) are expressed in tons of CO₂, however the percentage of methane and nitrous oxide has a negligible effect on total greenhouse gas emissions (CO₂ eq) as inferred from the technical literature of reference.

Table of GRI standards

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 Sustainability Report is also indicated.

Universal Standards		
GRI Standard	Disclosure	Page number
GRI 102: General Disclosures 2018		
Organizational profile		
102-1	Name of the organization	4
102-2	Activities, brands, products and 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 Sustainability Report	9-10
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 Market cap of 205 million euro at 31/12/2018
102-8	Total number of employees and other workers by contract and by gender	46-47
102-9	A description of the organization's supply chain	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	19-20 / 42-43
102-12	List of externally-developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes, or which it endorse	17-18 / 38
102-13	A list of the main memberships of industry or other associations, and national or international advocacy organizations	23
Strategy		
102-14	Statement from senior decision-maker	3
102-15	A description of key impacts, risks, and opportunities	19-20
Ethics and integrity		
102-16	Description of the organization's values, principles, standards, and norms of behavior	8 / 17
Governance		

102-18	Governance structure	16
Stakeholder Engagement		
102-40	A list of stakeholder groups engaged by the organization	22
102-41	Percentage of total employees covered by collective bargaining agreements	30
102-42	The basis for identifying stakeholders with whom to engage	21-22
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	24
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	24-26
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 / 24-26
102-47	A list of the material topics identified in the process for defining report content	24-26
102-48	Any restatements of information given in previous reports, and the reasons for such restatements	44 / 46 / 53
102-49	Significant changes from previous reporting periods in the list of material topics and topic Boundaries	4 / 24-26
102-50	Reporting period	4
102-51	The date of the most recent previous report	March, 2018
102-52	Reporting cycle	4
102-53	The contact point for questions regarding the report or its contents	6
102-54	Specify if the organization has prepared the report in accordance with the GRI Standards	4
102-55	GRI Content Index	54-59
102-56	External assurance	60-62

GRI Standard	Disclosure	Page number	Omission
MATERIAL TOPICS			
Economic			
ECONOMIC PERFORMANCE			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	24-25	
103-2	The management approach and its components	19-20 / 40-41	
103-3	Evaluation of the management approach	19-20 / 40-41	
GRI 201: Economic performance 2016			
201-1	Direct economic value generated and distributed	40-41	

ANTI-CORRUPTION			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	24-25	
103-2	The management approach and its components	17-20 / 30	
103-3	Evaluation of the management approach	17-20 / 30	
GRI 205: Anti-corruption 2016			
205-2	Communication and training on anti-corruption policies and procedures	31-32 / 50	
205-3	Confirmed incidents of corruption and actions taken	18	
ANTI-COMPETITIVE BEHAVIOR			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	24-25	
103-2	The management approach and its components	17 / 19-20	
103-3	Evaluation of the management approach	17 / 19-20	
GRI 205: Anti-competitive behavior 2016			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices and main outcomes	In 2018 there were no confirmed cases	
Environmental			
ENERGY			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	24 / 26	
103-2	The management approach and its components	19-20 / 42-43	
103-3	Evaluation of the management approach	19-20 / 42-43	
GRI 302: Energy 2016			
302-1	Energy consumption within the organization	43 / 52	
WATER			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	24 / 26	
103-2	The management approach and its components	19-20 / 45	
103-3	Evaluation of the management approach	19-20 / 45	
GRI 303: Water 2016			
303-1	Water withdrawal by source	45 / 53	
EMISSIONS			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	24 / 26	
103-2	The management approach and its components	19-20 / 42-44	
103-3	Evaluation of the management approach	19-20 / 42-44	
GRI 305: Emissions 2016			
305-1	Direct GHG emissions	44 / 53	
305-2	Energy indirect GHG emissions	44 / 53	
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	44	
ENVIRONMENTAL COMPLIANCE			
GRI 103: Management Approach 2016			

103-1	Explanation of the material topic and its boundary	24-25	
103-2	The management approach and its components	19-20	
103-3	Evaluation of the management approach	19-20	
GRI 307: Environmental compliance 2016			
307-1	Non-compliance with environmental laws and regulations	During 2018 the Group didn't receive any significant administrative sanctions.	
Social			
EMPLOYMENT			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	24-25	
103-2	The management approach and its components	17 / 28-30	
103-3	Evaluation of the management approach	17 / 28-30	
GRI 401: Employment 2016			
401-1	New employee hires and employee turnover	48-49	
LABOR/MANAGEMENT RELATIONS			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	24-25	
103-2	The management approach and its components	17 / 28-30	
103-3	Evaluation of the management approach	17 / 28-30	
GRI 402: Labor/Management Relations 2016			
402-1	Minimum notice periods regarding operational changes	The Group complies with what defined from local legislations and applied contracts	
OCCUPATIONAL HEALTH AND SAFETY			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	24 / 26	
103-2	The management approach and its components	19-20 / 32-33	
103-3	Evaluation of the management approach	19-20 / 32-33	
GRI 403-2: occupational health and safety 2016			
403-2	Types of injury and rates of injury, occupational diseases, lost days, absenteeism and number of work-related fatalities by region and gender.	33 / 51	
TRAINING			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	24-25	
103-2	The management approach and its components	28-31	
103-3	Evaluation of the management approach	28-31	
GRI 404: Training and education 2016			
404-1	Average hours of training per year per employee by gender and employee category	50	

DIVERSITY AND EQUAL OPPORTUNITY			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	24-25	
103-2	The management approach and its components	16-17 / 32	
103-3	Evaluation of the management approach	16-17 / 32	
GRI 405: Diversity and equal opportunity 2016			
405-1	Diversity of governance bodies and employees	16 / 47-48	
NON-DISCRIMINATION			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	24-25	
103-2	The management approach and its components	17 / 19-20	
103-3	Evaluation of the management approach	17 / 19-20	
GRI 406: Non discrimination 2016			
406-1	Incidents of discrimination and corrective actions taken	No confirmed episodes occurred in 2018	
HUMAN RIGHTS			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	24-25	
103-2	The management approach and its components	17-20 / 35	
103-3	Evaluation of the management approach	17-20 / 35	
GRI 412: human rights assessment 2016			
412-1	Operations that have been subject to human rights reviews or impact assessments	35	
SUPPLIER SOCIAL ASSESSMENT			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	24 / 26	
103-2	The management approach and its components	17-20 / 35	
103-3	Evaluation of the management approach	17-20 / 35	
GRI 414: Supplier social assessment 2016			
414-1	New suppliers that were screened using social criteria	35	
CUSTOMER HEALTH AND SAFETY			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	24 / 26	
103-2	The management approach and its components	19-20 / 39-40	
103-3	Evaluation of the management approach	19-20 / 39-40	
GRI 416: Customer health and safety 2016			
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	39-40	
SOCIOECONOMIC COMPLIANCE			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	24-25	
103-2	The management approach and its components	17-18 / 19-20	
103-3	Evaluation of the management approach	17-18 / 19-20	

GRI 419: Socioeconomic compliance 2016			
419-1	Non-compliance with laws and regulations in the social and economic area	During 2018 the Group didn't receive any significant administrative sanctions	
Market expansion			
103-1	Explanation of the material topic and its boundary	24-25	
103-2	The management approach and its components	9-10 / 19-20	
103-3	Evaluation of the management approach	9-10 / 19-20	
Risk management			
103-1	Explanation of the material topic and its boundary	24-25	
103-2	The management approach and its components	19-20	
103-3	Evaluation of the management approach	19-20	
Innovation, research and development			
103-1	Explanation of the material topic and its boundary	24 / 26	
103-2	The management approach and its components	19-20 / 36-38	
103-3	Evaluation of the management approach	19-20 / 36-38	

**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. 20267/2018**

**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, 2018 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 14, 2019 (hereinafter the "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.

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Sede Legale: Via Tortona, 25 – 20144 Milano | Capitale Sociale: Euro 10.328.220,00 i.v.

Codice Fiscale/Registro delle Imprese Milano n. 03049560166 – R.E.A. Milano n. 172039 | Partita IVA IT 03049560166

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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., Speed France SAS, 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 Speed France SAS, which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out site visits, 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, 2018 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 28, 2019





Emak S.p.A.
42011 Bagnolo in Piano (RE) Italy
www.emakgroup.com
www.linkedin.com/company/emak-s-p-a-