

## SUSTAINABILITY REPORT

---

Consolidated non-financial statement pursuant to Legislative Decree 254/2016

# 2019

# Contents

<i>Letter to stakeholders</i> .....	2
<i>Methodological note</i> .....	4
<i>Biesse Group's identity</i> .....	7
Group overview .....	8
Corporate governance.....	15
Business ethics and integrity .....	18
Risk management .....	20
Approach to sustainability.....	23
Stakeholders and materiality analysis.....	27
<i>Economic sustainability</i> .....	35
Economic performance .....	36
Economic value generated and distributed .....	37
Innovation: the pursuit of excellence.....	39
The Group at the service of its customers .....	42
The supply chain.....	45
<i>Social Sustainability</i> .....	48
Our people.....	49
Biesse Group and the communities .....	61
<i>Environmental Sustainability</i> .....	66
Approach to environmental management.....	67
Energy consumption and emissions.....	68
Materials used and waste management.....	72
Management of water resources.....	74
<i>Boundaries and impact of material topics</i> .....	75
<i>GRI Content Index</i> .....	76
<i>Report of the Independent Auditors</i> .....	81

# Letter to stakeholders

Dear stakeholders,

We are pleased to present to you Biesse Group's third consolidated non-financial statement. By reading the document, you will have a chance to gain an understanding of and to analyse the key results achieved and the future scenarios associated with the Group's economic, social and environmental sustainability.

For us, this third edition of the document is a fundamentally important step along the path to a strategic understanding of the impact thereof on all the stakeholders, such as employees, customers, suppliers, shareholders and local communities.

Globally, a new business and production model is increasingly becoming popular that, together with economic growth, recognises the need to combine social development and environmental sustainability, leading to the creation of a new entrepreneurial paradigm.

This path motivates us to encourage strategic shared value decisions aligned with corporate governance that clearly spell out the values associated with our brand.

Customer satisfaction has always been a driver of our commercial strategy and of significant investment in research and development. We are committed to designing and manufacturing technologically advanced machines and systems that facilitate our customers' industrial development process, enabling them to become active protagonists of the fourth industrial revolution.

We are convinced that a business's performance is dependent on attention paid to workers and their wellbeing. We firmly believe in the importance of the development of professional skills and of rewarding individual and collective merit in order to redistribute part of the value created to our people. We are also convinced that creativity and sustainable innovation are, by definition, characteristics that are typical of young people and we are particularly proud to have welcomed to the Group more than 500 under 35 year olds over the last three years.

We encourage a responsible approach to the use of natural resources by preventing waste and by implementing initiatives aimed at greater efficiency in energy consumption. Being aware of global challenges and targets set also at European level based on the Agenda 2030, we have decided to actively contribute to tackling climate change, by purchasing electricity produced from renewable energy sources so as to significantly reduce Biesse Group's indirect emissions of CO<sub>2</sub>, effective 2020.

We believe that the Group can and should actively dialogue with the locality and the community and become a point of reference within the environments in which it operates. With this in mind, we constantly collaborate with trade associations, universities, research centres, trade fair organisers and other parties, which, along with us, actively contribute to the creation of sustainable, widespread value.

This approach, which drives our corporate strategies, increasingly identifies itself with research, innovation and the redistribution of value, which is a key factor for our business, allowing us to be aligned with current global economic and financial policies that will enable us to achieve so-called sustainable success.

At the time of publishing of the present document, national and international scenarios are strongly influenced by the restrictions related to the Corona Virus disease spread. Such scenario will necessarily lead to direct and indirect consequences to the corporate business as well as to the internal and external environment in which our company operates.

Anyway, thanks to our vision, organization, management and financial strength, we are ready to deal with the acute phase of this period. In this framework, sure to be an integral and active part of the

environment in which we operate, we considered it appropriate to support the health facilities which work on the frontline against this virus, to minimize the impacts to the public health.

While thanking you all and hoping you have a good read, I remain committed to continuing our pursuit of excellence and the creation of shared value with a view to the sustainability of the business.

Roberto Selci

*Managing Director of Biesse Group*

# Methodological note

This document constitutes the 2019 consolidated non-financial statement (hereinafter “NFS” or “Statement”), pursuant to Legislative Decree 254/2016 (implementing Directive 2014/95/EU), of the companies pertaining to the Group consisting of Biesse S.p.A. and its fully consolidated subsidiaries (hereinafter “Biesse Group” or the “Group”) and which addresses issues deemed to be significant and as required by Art. 3 of the Decree.

The NFS has been prepared in accordance with the GRI Sustainability Reporting Standards (2016) published by the Global Reporting Initiative (GRI), in accordance with the Core option and in line with the corporate procedure for the preparation of the NFS. The GRI Content Index has been included as an attachment to the document and describes the content that has been addressed in compliance with the GRI Standards. The content addressed by the NFS has been selected based on the results of a materiality analysis, as updated in 2019, that has enabled us to identify topics that are material to the Group and its stakeholders. The materiality matrix resulting from the analysis conducted was approved by the Control and Risks Committee on 30 October 2019 and has been presented in the section of this document headed “Stakeholders and materiality analysis”. It should be noted that, on account of the business sector, there have been no significant pollutant atmospheric emissions other than greenhouse gas emissions.

The scope of the 2019 economic, social and environmental data and information is the same as that of Biesse Group's consolidated financial statements for the year ended 31 December 2019. Any changes in the scope have been appropriately indicated in the document. It should also be noted that there have been no significant changes in 2019 in the Group's size, organisational structure, ownership or supply chain. With regard thereto, the sole change was the liquidation of Biesse Tecno System S.r.l. on 27 December 2018: this has not had any significant impact on the NFS for the year ended 31 December 2019.

To enable the comparability of data over time and to evaluate the Group's performance, where possible, prior year comparatives have been provided. Any restatement of previously published comparative amounts has been clearly stated as such.

Moreover, for the purpose of the correct presentation of performance and to ensure the reliability of the data, the use of estimates has been limited as much as possible and, if used, have been based on the best available methodologies and have been appropriately disclosed.

The non-financial statement is published annually. If any further information is required, please use the following email address: [sustainability@biesse.com](mailto:sustainability@biesse.com). This document is also available on Biesse Group's website [www.biessegroup.com](http://www.biessegroup.com). This Statement was submitted for review and assessment by the Control and Risks Committee on 13 March 2020 and, on the same date, was approved by the Board of Directors of Biesse S.p.A.

This document has been subject to procedures performed in a limited assurance engagement in accordance with the criteria indicated by International Standard on Assurance Engagements (ISAE) 3000 (Revised) by the auditors Deloitte & Touche S.p.A. The limited assurance engagement was conducted by performing the procedures indicated in the “Report of the Independent Auditors” presented at the end of this document.

On account of the increasing importance of sustainability issues within the frame of reference, the Group plans to gradually develop a continuous improvement approach therefor. Specifically, Biesse Group has laid the foundations for project planning as follows:

## Sustainability risks

As disclosed in the NFS, by means of the enterprise risk management (ERM) process, Biesse Group intends to improve the risk/opportunities identification process, by setting up a reliable model for decision-making and strategic planning designed to improve the quality of the business processes. With a view to continuous improvement, the Group has continued its analysis of the most significant risks linked to sustainability issues, relating to the areas identified by Legislative Decree 254/2016, in line with those already identified and agreed with the main control bodies for enterprise risk management purposes. In particular, the Group will perform an increasingly more in-depth analysis of risks concerning climate change in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

## Environment

The Group is committed to the constant pursuit of solutions aimed at ensuring responsible use of natural resources, greater efficiency in energy consumption and the management of atmospheric emissions. For this reason, Biesse Group plans to implement a project aimed at contributing positively to the protection and preservation of the environment through the gradual development of a structured continuous energy carrier monitoring system and the power factor correction of energy intensive machinery, as well as the rationalisation of the exploitation of water resources.

As a sign of the Group's commitment to contribute to a sustainable, decarbonised economy, effective 2020, in addition to strengthening its existing energy efficiency improvement schemes, most of the Italian companies will purchase energy from GO (guarantee of origin) certified renewable sources, with the aim of significantly reducing indirect CO<sub>2</sub> emissions.

Furthermore, the Group has set itself the goal of further disseminating knowledge of environmental issues via the implementation of initiatives aimed at raising internal personnel's awareness of waste reduction and of waste arising from the use of single-use plastic.

During the course of 2019, HSD S.p.A. initiated the process for certification of its Environmental Management System to ISO 14001:2015 standards.

## Personnel related issues

The Group has already developed various initiatives aimed at investment in its human capital, with particular reference to corporate welfare and diversity and social inclusion.

Biesse S.p.A. has implemented a process for the formalisation and certification of the workplace safety management system to ISO 45001 standards. This decision was taken partially based on feedback from stakeholders, who deemed occupational health and safety to be the most predominant of the material issues addressed during the course of stakeholder engagement activities.

## Human rights, supply chain and social issues

The Group plans to further develop the analysis of risks pertinent to human rights along the value chain, in line with industry best practice and the relevant international framework. Biesse Group is attentive to the development of social responsibility initiatives in the localities in which it operates.

## Fight against active and passive corruption

In order to further strengthen the safeguards in place for issues concerning the fight against active and passive corruption, the Group has enhanced the crime risk control plan pursuant to Legislative Decree 231/01 by planning periodic audit cycles involving the performance of specific control tests.

The Group plans to continue such activities with a view to maintaining constant control over these issues.

The development and implementation of the planned project could reasonably take, on account of the size and nature of the Group's operations, between 12 and 36 months.

# Biesse Group's identity

In a nutshell:

- ✓ Year founded: **1969**
- ✓ **38 legal entities, 12 manufacturing sites**, more than **200 registered patents**, customers in approximately **120 countries**, approximately **4200 employees and other workers** around the world
- ✓ Biesse S.p.A. has been **listed on the STAR segment of the Milan Stock Exchange** since 2001
- ✓ **Transparent corporate governance** that complies with legislative requirements and **Borsa Italiana's Corporate Governance Code**
- ✓ Dedicated reporting channels in line with “**whistleblowing**” legislation”
- ✓ Approximately **2500 employees and other workers** involved in **training** courses on topics pertinent to **Legislative Decree 231/2001** during the course of 2019
- ✓ **50% quota** for female board members



## Group overview

Biesse Group is a multinational leader in technology for the processing of wood, glass, stone, metal and technological materials. It designs, manufactures and distributes machinery, integrated systems and software for furniture, windows, doors, building components, nautical and aerospace manufacturers. With its head office located in Pesaro, it operates through 12 manufacturing facilities, 38 companies around the world and selected dealers and counts among its customers prestigious Italian and international design brands. Founded in 1969 by Giancarlo Selci, Biesse S.p.A. has been listed on the STAR segment of the Italian Stock Exchange since June 2001 and is currently included in the FTSE IT Small Cap index. As at 31 December 2019, the Group had approximately 4,200 employees and other workers around the world.

### Vision

Biesse Group's vision is embodied by the term "Think forward": a stimulus to look ahead and anticipate the future by setting new standards to support technological innovation and digital transformation.

### Mission

To create and share innovation through the conception, implementation and dissemination of integrated solutions and advanced services that enable us to produce better, more and safely, thus helping our customers to excel and succeed.

### Values

Biesse Group is a global business with a strong Italian identity and is capable of communicating with its stakeholders based on the core values that characterise the Group: innovation, reliability and respect.

Innovation is the driver of Biesse Group in its continuous pursuit of excellence to support the competitiveness of each customer. It constitutes the continuous development of solutions to provide customers with greater manufacturing efficiency, while simplifying their operations. It also constitutes the pursuit of automation and the simplification of processes designed to create safer working conditions.

Reliability comes not only from the technologies produced and the services offered, but also from a clear and proper relationship with all stakeholders, supported by the sharing of knowledge and experience and founded on a climate of mutual trust and transparency.

Respect is a sense of profound responsibility towards each of the stakeholders in contact with the world of Biesse, as well as being a transversal and intrinsic value in every aspect of one's working life. Respect for workers, which translates into the complete fulfilment of commitments made; respect for the work of our customers, which takes the form of the design and production of efficient and safe solutions and of the commitment to maintain standards of excellence in the level of service; respect for suppliers via the agreements entered into therewith; and respect for the locality and the community in which the business operates.

Respect forms the basis for every activity, in the full awareness that, currently, doing business primarily means a common thought process that contemplates a more sustainable economic, social and environmental future.

The values that guide the Group are also summarised in the ten principles laid down by the founder, Giancarlo Selci:

*"Ten principles to better serve our customers while continuing to grow together"*

- **The business's capital: its people**

An irreplaceable element. Let us go to the people, let us learn with them and let us live with them: let us listen, motivate and involve. Push people to better themselves, to make suggestions and to make decisions, but also to be creative and innovative and to learn to work in teams. Help develop leadership and other skills. Lead them by example and with passion.

- **Tidiness and cleanliness**

We need to keep our workplace clean and tidy: in the factory, in the office, everywhere. A place for everything and everything in its place. We need to clean and we need to create standards and visuals to maintain order via the encouragement of self-discipline.

- **Suppliers, our partners**

Excellent quality, low costs, certainty in delivery times. But also willingness to invest in organisation, innovation and co-design and with strong problem solving skills. We choose partners with these characteristics and invest in them, thus helping them to grow. We respect them, but challenge them to improve.

- **New products**

Standardisation, simplicity, innovation. One less part is one less code to handle and one less code to purchase, to check, to assemble and to store in inventory. We need to bombard new products during the prototype development stage with tests and trials. That which is not validated is not sold nor added to the product price list. Reliability, reliability and... again reliability.

- **Innovation is our engine**

Innovation comes from passion and the desire to realise one's ideas. We make long-term investments in innovation projects. We innovate products, thus setting new standards in the market and innovate sales and marketing with creative ideas. We need to encourage our people to embrace the culture of innovation. Innovation is in our DNA. The past, the present, the future.

- **Communication**

We should talk more and write less. Speaking to a colleague is often faster and more effective than writing lengthy emails. We need to develop the ability to synthesise in any form of communication. We should communicate internally and externally, in a direct, concise and consistent manner.

- **See for yourself**

Do we want to learn something new, solve a problem or check something out? We should go in person to see for ourselves. In the factory, in the office, in a production unit or at a supplier's premises. Even managers and executives should go and see for themselves if they want to fully understand the situation and make the right decisions. Be wary of those who never enter the factory.

- **Waste reduction**

We should question the general situation regarding all business processes to bring out the issues. Scrap is waste par excellence. Obsolete materials, reworking, overproduction and excessive stocks of raw materials and finished products are also a waste, as is the case with interminable meetings without constructive conclusions and unwillingness to accept responsibility. Cost reduction starts with waste reduction in every process.

- **Quality**

Quality is everywhere, quality is in each of us. In the factory, in technical departments, in product departments, in after sales, in purchasing, in sales and marketing and in communication. Quality means keeping the factory clean, having the right tools and the appropriate assembly equipment, the provision of training and information at all levels, ensuring that people work in safety and that machinery complies with the standards required by applicable regulations. It means compliance with product development rules, as well as the inclusion of the exact tolerances in designs. We need to make quality and safety a strength and to encourage it as a corporate culture.

- **We are Biesse**

"Strength lies in differences, not in similarities." Never stop being passionate about your work, never stop wanting to learn new things. Always be proactive and open to change, never polemical. Be curious, get to the root of a problem, be reactive and quick to tackle and resolve it, go and see for yourself, bypass the hierarchy, if need be, and do not be afraid to make a decision. Always be willing to listen and give advice.

## **Biesse Group around the world**

The Group's internationalisation process is one of the aspects of its business strategy that has contributed to its success around the world.

Over the years, the Group has worked on growing its sales network with the intention of covering the global market as extensively as possible and by getting closer to the customer, inclusive of via the expansion of showrooms and campuses, as well as the organisation of events and by being present at the main trade fairs around the world. Moreover, the application of effective tools for sharing and technical-commercial support, combined with a continuous training process, has enabled the Group to consolidate its partnership with a solid distribution network in the various sectors. As far as manufacturing is concerned, in addition to the Italian plants that handle production that generates most of Biesse's sales around the world, the Group has two manufacturing sites in India (Bangalore) and China (Dongguan).

Figure 1. Group structure at 31.12.2019<sup>1</sup>

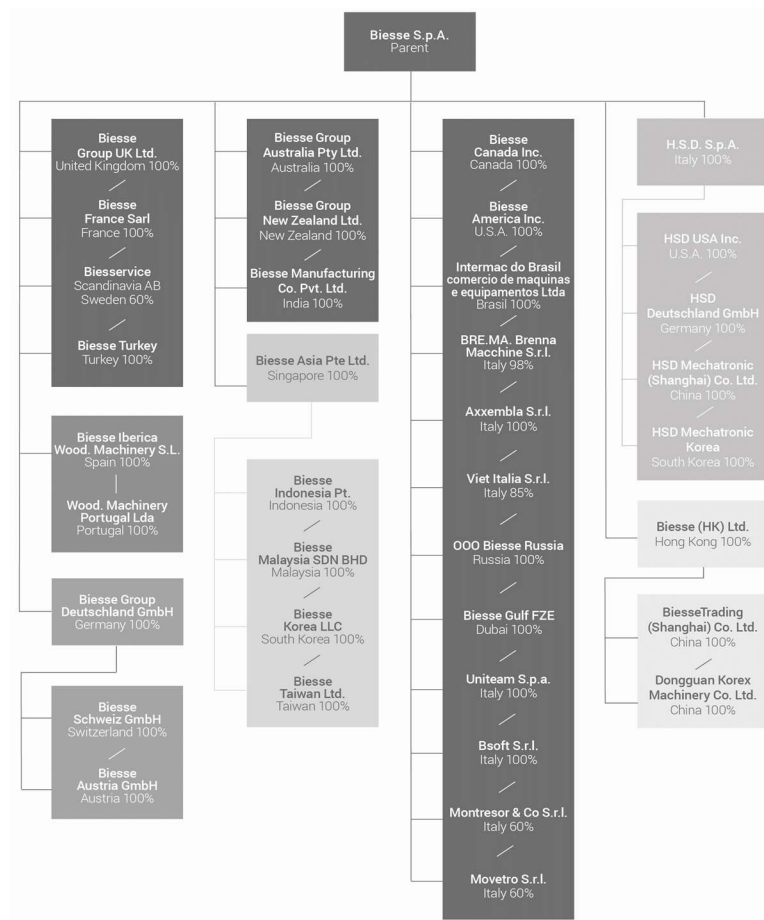


Figure 2. Biesse Group around the world



The machinery and integrated solutions produced by the Group are designed for a heterogeneous target, ranging from joiners to large-scale industry, as well as for furniture, windows, doors, building components, nautical and aerospace manufacturers. Biesse Group operates in the market with the following brands:

<sup>1</sup> The various colours represent the subgroups in the chain of control.

## **Biesse**

Biesse is the specialised brand associated with the manufacture and marketing of wood processing machinery. Since 1969, this business has designed, manufactured and marketed a complete range of technologies and solutions for the furniture, windows and doors and wood building components industries.

The Biesse brand offers solutions for the processing of technological, packaging, construction and visual communication materials, including the processing of expanded and compact plastic materials, composite materials and cardboard.

## **Intermac**

Intermac is the brand under which the Group, since 1987, has designed, manufactured and marketed machinery for the processing of glass, stone and metal for flat glass and stone processing businesses and the furniture, construction and automotive industries. Born from an intuition to transfer the leadership it had acquired in wood processing centres to the glass industry, Intermac has revolutionised this industrial segment, having quickly become one of the most recognised brands in this sector.

## **HSD Mechatronics**

The Group directly designs and manufactures all high-tech components for its machinery. Thanks to its mechatronics division (HSD), the Group manufactures electrospindles, 5-axis heads, bevel gearboxes and drilling units for numerical control processing centres. These are key components that help ensure that customers will benefit from high performance and a competitive advantage. Electrospindles and technologically advanced components for metal, metal alloys, composite materials and wood for automotive, aerospace, consumer electronics, robotics and furniture manufacturers and the construction industry.

## **Diamut**

Under the Diamut brand, the Tooling division manufactures and markets tools for the processing of glass, stone and ceramic. Its synergy with Intermac has enabled it to develop a range of tools, which in terms of reliability, have become a benchmark in the market. For more than 20 years, it has offered a complete range of processing solutions that are used on both the Group's machinery and on competitors' machinery.

Biesse Group not only offers high quality machinery, components and complete systems, but also countless services aimed at fully meeting its customers' expectations. Through dedicated personnel, the Group provides professional pre-sale consulting services, aimed at assisting customers in choosing the best product to meet their needs, and continuous after sales assistance to ensure the correct installation and start-up of machinery, software and systems, as is also the case for the maintenance thereof over the years.

## **Our history**

Biesse was founded in 1969 as a company dedicated to the design, manufacture and distribution of wood processing machinery. In a few years, the company became an integral part and engine of the Italian furniture industry and conquered the entire country. With the opening of the first foreign subsidiary in 1989, a strong internationalisation process was launched that helped to establish the brand around the world.

The Group's history is a journey made of ambitious choices, collaborations and investment in research that have made it possible to manufacture state-of-the-art machinery. Its history was influenced by the genius and foresight of the founder, who surrounded himself over the years with strategic skills

and excellence, thus increasing the Group's knowledge and technology, thanks to the recruitment of talented people and the acquisition of specialised high-tech companies.

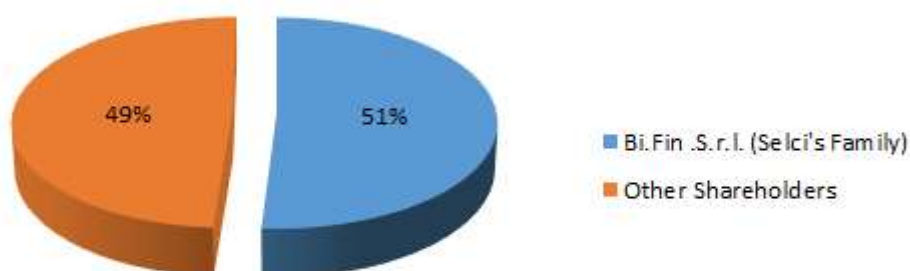
- 1969:** Biesse was founded in Pesaro, Italy, to design, manufacture and distribute wood processing machinery
- 1978:** Logic Control, the first numerical control wood drilling machine, was launched onto the market
- 1983:** Rover, the first numerical control wood processing centre, was launched onto the market
- 1987:** Intermac was founded to design, manufacture and distribute glass and stone processing machines
- 1989:** start of the internationalisation process: opening of the first subsidiary abroad in the United States
- 1991:** Mechatronics business unit was established to design, manufacture and distribute electromechanical components
- 1994:** Biesse Systems was founded to design and manufacture integrated production lines and systems
- 2001:** Biesse S.p.A. was listed on the STAR segment of the Italian Stock Exchange
- 2006:** acquisition of Bre.Ma., a company that manufactures vertical boring and insertion machinery equipped with numerical control for the wood processing industry
- 2007:** acquisition of AGM Inc. in the United States and foundation of Intermac America
- 2008:** construction in Bangalore, India, of the first foreign manufacturing site
- 2011:** Viet, historic brand in the smoothing segment, became part of the Group.
- 2014:** launch of bSolid and the bSuite package, software programs that set new standards in the relevant sectors
- 2016:** inauguration of the Biesse Campus in Charlotte, North Carolina, USA
- 2017:** launch of SOPHIA and *4.0 ready* machinery
- 2018:** Biesse Group prepared its first Sustainability Report

## Shareholders

Biesse S.p.A. has been listed on the STAR segment of the Milan Stock Exchange since 2001. Its share capital amounts to € 27,393,042, consisting of the same number of registered ordinary shares of Euro 1 each.

Set out below is a breakdown of shareholders at 31 December 2019:

*Figure 3. Shareholders of Biesse S.p.A.*



## Corporate governance

Biesse S.p.A.'s corporate governance system is compliant with the principles set out in Borsa Italiana's Corporate Governance Code and with international best practice.

On 13 March 2020, the Board of Directors approved the report on corporate governance and ownership structure pursuant to Art. 123-bis of the Consolidated Finance Act, relating to financial year 2019. This report has been published on the Company's website [www.biessegroupp.com](http://www.biessegroupp.com) in the "Corporate Governance" subsection of the "Investor Relations" section and explicit reference is made thereto as required by law.

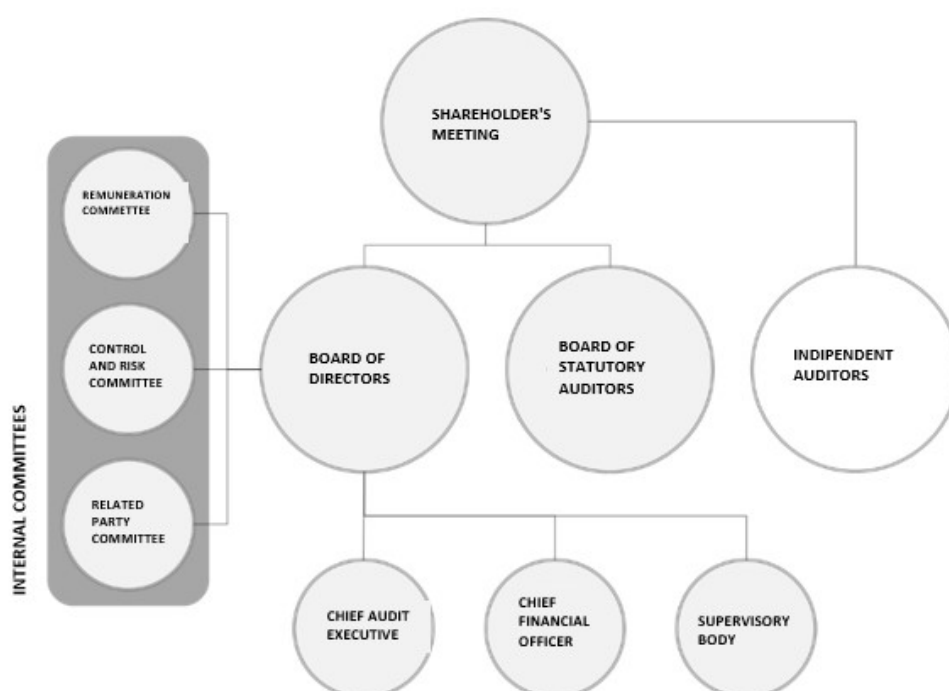
Biesse S.p.A. has adopted a traditional administration and control model, which requires general meetings of shareholders to be held and the appointment of a Board of Directors, a Board of Statutory Auditors and independent auditors. The corporate bodies are appointed by the shareholders in general meeting and have a three year mandate.

The presence of independent directors, as defined by the Corporate Governance Code, and the role performed thereby within the Board of Directors and on corporate committees (Control and Risks Committee, Related Party Transactions Committee and Remuneration Committee), constitutes an appropriate means of ensuring an adequate balancing of interests of all shareholders and a significant level of discussion during meetings of the Board of Directors.

In accordance with the Corporate Governance Code, the Group has also adopted an internal control and risk management system, structured on the basis of the CoSO Report – Internal Control Integrated Framework, an authoritative international standard. The control system is compliant with the main corporate governance regulations and guidelines, such as:

- Law 262/2005 (Savings Law)
- Legislative Decree 231/2001 (Administrative liability of entities)
- Consob Regulations concerning Related Party Transactions
- Law 190/2012 (Anti-corruption)

Figure 4. Biesse S.p.A.'s Administration and Control Model





The **Board of Directors** is the central body of Biesse S.p.A.'s corporate governance system and its current members were appointed by the shareholders in general meeting on 24 April 2018 with a mandate that was due to expire on approval of the financial statements for the year ending 31 December 2020.

The composition of the Board of Directors of Biesse S.p.A.<sup>2</sup> at 31 December 2019 is as follows:

- Giancarlo Selci, Chairman of the Board of Directors
- Roberto Selci, Managing Director
- Alessandra Parpajola, Executive director
- Stefano Porcellini, Executive director and Managing Director
- Silvia Vanini, Executive director and Chief Organisation & HR Officer
- Elisabetta Righini, Lead Independent Director
- Giovanni Chiura, Independent director
- Federica Palazzi, Independent director

As regards the independent directors serving on the Board of Directors of Biesse S.p.A., indicated below is the number of positions held as director or statutory auditor in other companies listed on Italian and foreign regulated markets, in finance-sector companies, banks and insurance companies or in companies of significant size:

- Giovanni Chiura: 3
- Elisabetta Righini: 1

The composition of the Board of Directors of Biesse S.p.A. at 31 December 2019 in terms of gender and age group is as follows:

- 50% men and 50% women
- 25% in the "30-50 age" group and 75% in the "over 50 age" group

As stated previously, in accordance with Borsa Italiana's Corporate Governance Code, Biesse S.p.A. has set up three **Board committees**:

- A **Remuneration Committee**, consisting of two independent directors, the main task of which is to assist the Board of Directors in establishing general remuneration policy for managing directors, executive directors, other directors assigned specific duties and key managers and to monitor the application of decisions taken by the Board of Directors.
- A **Control and Risks Committee**, consisting of two independent directors, which supports the Board of Directors in carrying out its duties relating to the internal control and risk management system, as well as those relating to the approval of periodic financial reports. The Control and Risks Committee has also been assigned the task of supervising sustainability issues related to the conduct of business activities and the dynamics of interaction with all stakeholders.
- A **Related Party Transactions Committee**, consisting of two independent directors, which supports the Board of Directors in the assessment, review and approval of related party transactions.

The composition of the **Board of Statutory Auditors** at 31 December 2019 is as follows:

- Paolo De Mitri, Chairman

---

<sup>2</sup> Directors' curricula vitae are available on the website [www.biessegroup.com](http://www.biessegroup.com) in the "Corporate Governance" subsection of the "Investor Relations" section".

- Dario De Rosa, Acting auditor
- Silvia Cecchini, Acting auditor
- Silvia Muzi, Alternate auditor

The composition of the **Supervisory Body** at 31 December 2019 is as follows:

- Giuseppe Carnesecchi, Chairman (external member)
- Domenico Ciccopiedi, Head of Internal Audit
- Elena Grassetti, Head of legal and corporate affairs

**Head of Internal Audit:**

- Domenico Ciccopiedi

**Financial reporting manager:**

- Pierre Giorgio Sallier de La Tour, Group CFO

**Independent auditors:** Deloitte & Touche S.p.A.

## Business ethics and integrity

All business activities are conducted in line with the **Group's Code of Conduct**, in order to ensure full **compliance** with regulations in force at local, national and international level. The Code of Conduct is the official document that sets out the ethical and behavioural values, commitments and responsibilities to be complied with in the conduct of business affairs by Group companies. Moreover, it governs the body of rights, duties and responsibilities that Biesse expressly assumes in dealings with parties with which it interacts in the conduct of its business activities. The Code of Conduct together with other documents relating to business ethics and integrity are available on the Group's website in the "Corporate Governance" subsection of the "Investor Relations" section.

During the course of 2019, no cases arose of non-compliance or pecuniary sanctions imposed on Biesse Group concerning the following areas:

- Environmental laws and regulations
- Impact on health and safety of products and services offered
- Social and economic laws and regulations

### Organisational, Management and Control Model pursuant to Legislative Decree 231/2001

Biesse S.p.A. and its main Italian subsidiaries<sup>3</sup>, have adopted an **organisational, management and control model** (hereinafter OMCM) in order to prevent, as far as possible, the commission of offences under **Legislative Decree 231/2001**, such as environmental offences, corporate offences, offences arising from a breach of health and safety at work regulations and corruption offences. Biesse S.p.A.'s OMCM is publicly available on the company's website in the "Corporate Governance" subsection of the "Investor Relations" section, whereas the OMCM of the other companies have been made available to employees via the corporate intranet. In order to actively promote business ethics and integrity, the persons most involved and senior management receive periodic training on issues pertinent to Legislative Decree 231/2001. Specifically, in order to reach the largest number of people possible with training courses on the foregoing topic, in 2019, training initiatives were held involving approximately 2500 employees and other external workers.

No matters were reported to the Supervisory Body in 2019 via the reporting channels available to all interested parties for the communication of unlawful conduct pursuant to Legislative Decree 231/2001 and the OMCMs. These channels are designed to ensure the protection of the identity of informants in accordance with Law No. 179 of 2017 (so-called whistleblowing law).

### Fight against active and passive corruption

In order to promote and strengthen its commitment to counter corruption, Biesse Group has adopted an **Anti-bribery Code of Conduct**<sup>4</sup>, which sets out the rules of conduct that all employees and other workers must observe in the conduct of business to ensure compliance with anti-corruption regulations in force.

The Code, which has been distributed to all Group companies, has made it mandatory to apply the relevant principles and rules of conduct for the purpose of the reasonable prevention of active and passive and direct or indirect corruption offences involving Italian or foreign private or public persons.

<sup>3</sup> HSD, S.p.A., BRE.MA, Brenna Macchine S.p.A., Uniteam S.p.A. and Viet Italy S.r.l.

<sup>4</sup> The Anti-bribery Code of Conduct is available on the corporate intranet and has been published on the company's website in the "Corporate Governance" subsection of the "Investor Relations" section.

Specifically, the document sets out the rules of conduct to be observed in connection with various activities, such as:

- Dealings with the public administration
- Facilitation payments
- Loans to political parties
- Donations
- Sponsorships
- Gifts, presents, hospitality and entertainment
- Dealings with third parties

As a sign of their commitment to the fight against corruption, in addition to the Code, the Group companies, which have adopted an OMCM pursuant to Legislative Decree 231/01, have specific procedures that set out the rules of conduct to safeguard against the risk of public sector corruption associated with state funding, hygiene and safety at work and taxation. Furthermore, as a safeguard against the risk of private bribery, these companies are subject to periodic audit cycles. In the last year, no cases of active or passive corruption have been confirmed within the Group.

## Human Rights

The Group recognises the intrinsic value and rights of every person and is committed to guaranteeing the dignity and professional and personal development of its employees and other workers in the conduct of activities carried out in the name of or on behalf of the Group. For this reason, the Group constantly strives to ensure safe, fair and non-discriminatory workplaces, in compliance with the relevant national and international regulatory framework, and inspired by the Universal Declaration of Human Rights proclaimed by the United Nations and by the fundamental International Labour Organization (ILO) conventions). In particular, Biesse Group rejects all forms of forced, compulsory or child labour and is committed to not establishing relationships with suppliers that directly or indirectly exploit and use child labour.

In addition to the Code of Conduct, the Ethics and Values Policies<sup>5</sup> address further the ethical and moral principles that guide business conduct.

The ethnic, religious and cultural diversity that characterises the Group's employees around the world is considered to be a source of competitive advantage. On account of the nature of the risk identified in relation to business activities, during the course of 2019, it was not deemed necessary to perform a further analysis of risks specifically associated with a potential violation of human rights.

## Antitrust

The Group has adopted an **Antitrust Code** to ensure compliance with legislation concerning competition and market protection in the various countries in which it operates. The document is a follow-up to the Code of Conduct and develops, in particular, the section relating to competitive practices, as well as providing guidelines on conduct and omissions that comply with or violate antitrust legislation.

The Group firmly believes in lively competition in the various business sectors in which it operates and its aim is to compete in a legitimate, loyal and ethical manner in full compliance with competition protection rules. The rules set out in the document are designed to contribute to correct competitive market dynamics, in order to strengthen competition and the economic efficiency of a free market.

---

<sup>5</sup> The Ethics and Values Policies are available on the Group's website in the "Corporate Governance" subsection of the "Investor Relations" section.

During the course of 2019, no cases were reported of pending or concluded legal actions regarding anti-competitive behaviour or violations of antitrust and monopoly legislation.

## Risk management

Biesse Group has adopted an Enterprise Risk Management Policy in line with the requirements of Borsa Italiana's Corporate Governance Code. The aim of the Policy is the development of an integrated risk/opportunity management model based on international enterprise risk management standards, encompassing a global business risk model and the determination of risk mapping and risk scoring methodologies for the identification of priority business risks, the early assessment of potential adverse effects and the implementation of the most appropriate mitigating actions.

This model, which has been formalised under the above mentioned Policy, aims to involve not only senior management, but also the heads of the main processes.

This approach extends to all types of risks/opportunities that are potentially significant for the Group, as set out in the risk map that categorises in 4 macro groups the internal or external areas of risk that characterise Biesse Group's business model:

- **Strategic risk:** risks arising from external or internal factors, such as changes in the market environment and business decisions that are wrong and/or implemented inappropriately
- **Compliance and regulatory risk:** risks associated with specific legal regulations that the Group has to comply with, both due to its business model and to the parent's status as a listed company
- **Financial and reporting risk:** risks that impact the financial position and the presentation of the results of operations
- **Operational risk:** risks pertinent to the purely operational part of the business that directly impact the Group's value creation capabilities

By means of enterprise risk management, Biesse Group intends to improve the risk/opportunities identification process, to set up a decision making model and reliable strategic planning and to improve the quality of business flows and the external stakeholders' perception of the Group.

As part of this process, the Group has mapped the most significant risks linked to sustainability issues, in line with those already identified and agreed with the main control bodies for enterprise risk management purposes. Set out below are Biesse Group's main sustainability risks:



KEY – Relationship between identified risk factors and areas of sustainability pursuant to Legislative Decree 254/2016.

● Environmental; ● Social; ● Personnel-related;  
 ● Human rights; ● Fight against active and passive corruption; ● Economic/Financial<sup>6</sup>.

The management and monitoring of these risks is an integral part of the Group's operating business model. The safeguards in place for identified risks, as far as the most significant sustainability issues for Biesse Group and its stakeholders are concerned, relate to organisational and control models and policies developed by the Group. These include: adoption of a Code of Conduct, an Anti-bribery Code of Conduct and an Antitrust Code applicable to all Group companies; adoption by Biesse S.p.A. and the main Italian Group companies of an OMCM pursuant to Legislative Decree 231/01 ("Model 231"); adoption of specific policies concerning sustainability, quality, environment, health and safety, ethics and values applicable to all Group companies; maintenance, with a view to continuous improvement, of a Quality Management System certified to UNI ISO 9001:2015 standards and the gradual implementation of initiatives designed to improve product quality and reliability from a customer satisfaction perspective; constant monitoring of health and safety conditions in the workplace and of any environmental, social or labour law non-compliance and the main impact generated or sustained in connection with the Group's activities; monitoring of energy consumption, implementation of energy efficiency improvement initiatives and, where possible, production/purchase of energy originating

<sup>6</sup> Area not specifically mentioned by Art. 3 of Legislative Decree 254/2016.

from renewable sources. In relation to risks associated with responsible supply chain management, the Group has adopted a Suppliers Quality Manual, which contains specific regulations concerning ethics, quality, health and safety and environmental protection. Further information about specific sustainability policies, procedures and initiatives adopted by the Group, as well as the mitigation of related risks, is provided in this document. The main economic-financial risk mitigation activities are disclosed in the Group's consolidated financial statements, to which reference should be made for further information thereon. There are plans to perform a further in-depth analysis of ESG risks in 2020, with particular reference to climate change risks generated and suffered, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).



# Approach to sustainability

## Background

On 25 September 2015, the General Assembly of the United Nations adopted the **new Agenda 2030 for Sustainable Development**: an action programme to eradicate extreme poverty, reduce inequality and protect the environment. The Agenda identifies **17 Sustainable Development Goals (SDGs)** to be reached by 2030 and recognises the indispensable role of the private sector for their achievement<sup>7</sup>. The SDGs replace the previous Millennium Development Goals (MDGs) and constitute a new global point of reference that will provide guidance for policies, investment and specific projects in the near future for wellbeing for all, respect for the planet and what it provides to us, prosperity in harmony with nature and the promotion of peaceful, just and inclusive societies, as well as global collaboration and solidarity.

Figure 5. The 17 Sustainable Development Goals (SDGs)



As regards progress concerning the achievement of the sustainable development goals (SDGs) published by the United Nations, there are still notable differences between countries regarding the goals. The 2019 Sustainable Development Goals Report highlights notable differences concerning the degree of achievement of the SDGs around the world. Specifically, although there has been some progress globally, such as the fight for the eradication of extreme poverty, there are many areas for which acceleration will be needed, such as the use of natural resources<sup>8</sup>.

As far as Italy is concerned, the report on the status of compliance with the SDGs prepared by Asvis highlights both delays and positive progress in relation to commitments assumed concerning the green economy, the circular economy and the fight against inequality, including gender-related inequality<sup>9</sup>. Regarding occupational health and safety, according to data released by INAIL for 2019,

<sup>7</sup> United Nations General Assembly, A/RES/70/1 - Transforming our world: the 2030 Agenda for Sustainable Development (2015).

<sup>8</sup> United Nations, The Sustainable Development Goals Report 2019 (2019).

<sup>9</sup> ASVIS, Italy and sustainable development goals – Report 2019 (2019).



the number of accident reports in Italy has remained largely unchanged with respect to the same prior year period, including cases with a fatal outcome<sup>10</sup>.

The SDGs, and especially SDG 13 "*Climate Action*", are intertwined with the **Paris Agreement**, which was signed by 195 countries during the course of the conference of that name held in December 2015. The objective of the Paris Agreement was to limit increases in average global temperature to a maximum of 2°C above pre-industrial levels and to ensure efforts were made to limit the increase to a maximum of 1.5°C, in order to significantly reduce the risks and impact arising from climate change<sup>11</sup>.

Thanks, in part, to the Paris Agreement, in recent years increasing attention has been paid to issues concerning climate change. Risks associated with this topic are acknowledged to be increasingly significant and their proper management and mitigation are fundamental for business continuity. Under these circumstances, financial institutions have shown an interest in providing funds to entities that demonstrate they are fully aware of these risks and that they are clearly committed to taking advantage of the related opportunities.

In May 2019, the concentration of CO<sub>2</sub> in the atmosphere had reached 415 parts per million (ppm), an increase of 152% on pre-industrial levels<sup>12</sup>. As pointed out by the Intergovernmental Panel on Climate Change (IPCC), in order to limit the increase in global warming to a maximum of 1.5 °C above pre-industrial levels, by 2030, it will be necessary to reduce global emissions of CO<sub>2</sub> to 45% of levels recorded in 2010 and to then achieve zero net emissions by 2050<sup>13</sup>. The public's attention has been drawn to multiple extreme climatic events; furthermore, movements worldwide have more vigorous in their demands for renewed attention to the fight against climate change.

In line with this frame of reference, in 2019, the European Commission launched the European Green Deal to make Europe the first continent in the world with a zero climatic impact by 2050, thus giving a boost to the economy, improving people's health and quality of life and protecting nature, without anyone being excluded from the process. It has been estimated that additional annual investment will be needed of approximately € 260 billion to achieve the climate and energy related objectives by 2030.

Regarding the economy, we are witnessing a phase of near stagnation, with growth in global GDP having averaged in the region of 2%<sup>14</sup> since 2010. Economic growth and progress can only occur with appropriate expenditure on research and development: For OECD member countries, average expenditure on research and development is in the region of 2.5% of GDP<sup>15</sup>.

Under these circumstances, the private sector has become a sustainability protagonist at local, national and international level and is increasingly more aware of the need to reconcile the achievement of corporate objectives to those of its stakeholders, including shareholders, customers, employees, suppliers and local communities<sup>16</sup>. Recent developments in legislation related to non-financial reporting represents a further opportunity to critically examine the economic, social and environmental performance of enterprises and their contribution to sustainable development.

---

<sup>10</sup> INAIL, 2019

<sup>11</sup> Paris Agreement, Article 2.

<sup>12</sup> NOAA Earth System Research Laboratory (2019).

<sup>13</sup> IPCC, Global warming of 1.5°C (2019).

<sup>14</sup> World Bank, 2019.

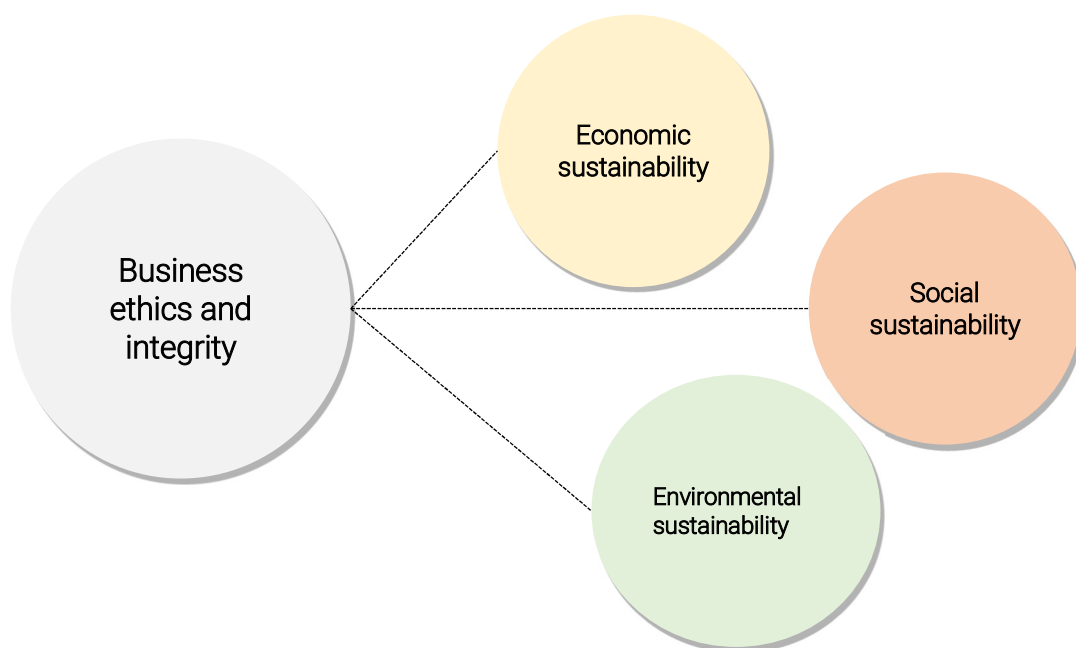
<sup>15</sup> United Nations, The Sustainable Development Goals Report 2019 (2019)

<sup>16</sup> This concept is based on shared value theory. For further information, it is possible to consult: Porter, M. E., & Kramer, M. R. (2011). The big idea: creating shared value. Harvard Business Review, 89 (1), 2.

## Biesse Group's approach

Based on an analysis of the 17 SDGs and of Community and national legislation related to non-financial reporting, the Group has identified the following reference macro areas on which to base its approach to sustainability, as part of an ethical and sustainable business management strategy: **Economic sustainability**, **Social sustainability** and **Environmental sustainability**. Specifically, the path of sustainability embarked upon by the Group aims to gradually gain a strategic understanding of sustainability in these macro areas, in order to identify the actions needed and to expand and extend the positive externalities of its work by implementing innovative solutions to control and mitigate the negative externalities.

Figure 6: Sustainability as seen by Biesse Group



All activities carried out by the Group are performed in **recognition of the moral and social responsibilities that the Company has towards its stakeholders**, in the belief that the achievement of commercial objectives must be accompanied not only by compliance with specific corporate values, but also with regulations in force and general duties of honesty, integrity, fair competition, correctness and good faith. Business ethics and integrity are central to the Group's daily activities and its medium to long term sustainability strategy. As indicated in the previous chapter, the adoption of the **Code of Conduct** and of the **Anti-corruption Code of Conduct**, combined with the numerous other policies, codes and regulations aimed at guaranteeing compliance with business ethics and integrity, reflect the Group's commitment to absolute correctness and maximum transparency in the conduct of its business activities and of its relationships with stakeholders.

During the course of 2019, the Group adopted a **Sustainability Policy** inspired by Agenda 2030 setting out the Sustainable Development Goals (SDGs), by the Paris Agreement (COP21 - Conference of the Parties to the UNFCCC) and by the Ten Principles of the UN Global Compact and by taking account of Community (European Directive No. 95/2014) and national (Legislative Decree 254/2016) legislation concerning non-financial reporting, as well as the principles, values and rules contained in the Group's Code of Conduct and in the other corporate regulations and policies designed to ensure business

ethics and integrity. This document was approved by the Board of Directors of Biesse S.p.A. on 26 February 2019.

Ensuring the economic sustainability of the business is the primary objective of any company. For Biesse Group, economic sustainability is synonymous with the **creation and distribution of value added for shareholders** and for **all other parties that form part of its value chain**, including trade partners, end customers and local communities. To ensure the achievement of such ambitious objectives, the Group strives for continuous improvement of the **reliability, safety and innovation of the products and services offered**, through a **careful selection of its suppliers**, constant investment in **research and development** and the approval of commercial decisions aimed at expansion in state-of-the-art sectors and strategic markets, both in Italy and abroad.



### Economic sustainability



### Social sustainability

Biesse Group believes that **people are the crucial pivot of its success** and that every business activity must be inspired by their protection and the **development of their wellbeing**, while fully **respecting cultural diversity**. In particular, it is essential to pursue **healthy and safe** conditions for employees in the workplace: these, in fact, must be given priority in the management of every activity, from the conception and design of machinery up to its installation and the provision of after-sales services, and must involve co-workers, suppliers, dealers and end customers. In recognition of its strong links to the **local community**, the Group is committed to **social and cultural initiatives** that contribute to the **development of the localities in which it operates**.

The Group is firmly convinced that taking the environment into account when carrying out all business activities is essential to be able to contribute to the creation of a harmonious coexistence among men, technology and nature and that commitment to sustainable development represents an important variable in business management strategy. The Group's environmental management system is inspired by the principles of **energy savings, reduction of the impact of production systems on the environment and compliance with relevant legislation**.



### Environmental sustainability

## Stakeholders and materiality analysis

### Stakeholders

There are numerous persons, customers, partners, organisations and entities that contribute directly or indirectly to the success of the Group and that, due to the role they play, are capable of influencing performance and decisions. As part of the path of sustainability embarked upon, Biesse Group has prepared a mapping of its main stakeholders, driven by the desire to increasingly encourage communication, dialogue and constant attention to relationships based on values of transparency and integrity. The engagement of internal and external stakeholders is an essential element of the Group's sustainability strategy. Thanks to a process of constant listening and discussion, the Group is more aware of the extent to which it is meeting the expectations and interests of its stakeholders and is able to identify the areas for which it needs to strengthen its commitment and those for which the adopted approach may be confirmed. The following figure provides a brief overview of the Group's main stakeholders:

Figure 7: Biesse Group's main stakeholders



The following table sets out the main activities and engagement actions undertaken by Biesse Group in connection with the key stakeholders, including those to meet expectations identified by stakeholder category:

Table 1: The Group's commitments and stakeholder expectations

Stakeholder	Summary of commitments and activities	Summary of engagement actions	Summary of stakeholder expectations
<b>Trade associations</b>	Constant discussions with trade associations ensures a thorough comprehension of market needs and trends, thus facilitating the safeguarding of the interests of businesses involved in the wood, glass, stone and plastic processing industries. The Group is an active member of numerous trade associations and contributes to the organisation of various meetings and round tables to facilitate discussion and contributes to the sector's sustainable growth.	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Focus groups</li> <li>• Round tables</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with attendance requirements</li> <li>• Active participation by the Group in organised events and/or activities</li> <li>• Performance of activities in line with the principles, codes and regulations of the relevant trade associations</li> </ul>
<b>Shareholders and investors</b>	One of the Group's main objectives is the creation of value added for its shareholders. Via the Investor Relations Officer, the Group ensures a constant, clear, accurate and timely dialogue with its shareholders and investors and guarantees fair and transparent access to information relating to the stock market performance and trend of its shares. In particular, the publication of this consolidated non-financial statement forms part of the initiatives undertaken by the Group to encourage transparency towards its shareholders regarding economic, social and environmental issues.	<ul style="list-style-type: none"> <li>• General meetings of shareholders</li> <li>• Channels of dialogue used by the Group's Investor Relations Officer</li> <li>• Company visits</li> </ul>	<ul style="list-style-type: none"> <li>• Share value growth</li> <li>• Transparency in relation to corporate governance, long term objectives and business trends (economic, environmental - climate change and social issues)</li> <li>• Commitment to the fight against climate change</li> </ul>
<b>Customers</b>	In order to fully meet its customers' needs, the Group promotes open and transparent communication, aimed at the comprehension of individual expectations and needs. The Group encourages dialogue with its customers to assist them in the selection and customisation of products and to offer reliable machinery and ad hoc engineering solutions for the creation of complete systems. Customers are frequently invited to events organised by the Group and to visit manufacturing sites, in order to fully understand our corporate culture and production methods.	<ul style="list-style-type: none"> <li>• Direct customer assistance channels (Biesse Service and Biesse Parts)</li> <li>• Company and manufacturing site (showroom) visits</li> <li>• Invitations to institutional events</li> <li>• Participation at trade fairs and organisation of demonstration events</li> </ul>	<ul style="list-style-type: none"> <li>• Reliability, safety and technological innovation of products</li> <li>• Constant pre and after sales assistance and advice</li> <li>• Information on the correct use and regular maintenance of machinery</li> </ul>
<b>Financial community</b>	The Group ensures the timely and precise measurement of economic performance and guarantees accurate and transparent reporting, in line with regulations in force, thus helping to establish a relationship of trust with the financial community. In order to maximise	<ul style="list-style-type: none"> <li>• Participation at events, conventions and conferences</li> <li>• Round tables</li> </ul>	<ul style="list-style-type: none"> <li>• Ability to meet its own financial commitments</li> <li>• Compliance with legislation in force and principles of transparency, clarity,</li> </ul>

	the dialogue with the financial community, the Group participates at events and conferences, as well as round tables and road shows to transmit information relating to the Group's performance and to understand relevant market trends.		<p>correctness and accountability</p> <ul style="list-style-type: none"> <li>• Absence of conflicts of interest</li> <li>• Constant dialogue based on transparency</li> </ul>
<b>Employees and their families</b>	The Group is committed to the promotion of a sense of belonging for its employees by guaranteeing a safe work environment, which is devoid of discrimination and that encourages inclusion and the enhancement of diversity. To this end, initiatives are held to engage with and speak to employees and their families. Furthermore, the Group has opened specific channels of communication to promote reporting by employees of alleged violations of the Codes and Regulations adopted by the Group.	<ul style="list-style-type: none"> <li>• Open day for employees and their families</li> <li>• Channels for the collection of reports of violations of Group regulations</li> <li>• Transparent corporate communication (Corporate intranet)</li> <li>• Round table discussions with unions</li> </ul>	<ul style="list-style-type: none"> <li>• Safe and fair workplaces</li> <li>• Occupational stability and corporate welfare</li> <li>• Opportunities for personal and professional growth paths</li> <li>• Fair remuneration policies and meritocratic systems</li> </ul>
<b>Suppliers and Trade partners</b>	In order to create shared value for itself and for the components of the supply chain, the Group is committed to establishing and maintaining stable and lasting trade partnerships. The Group applies policies aimed at guaranteeing contractual transparency, integrity and fairness and encourages its suppliers to adopt socially responsible conduct. The Group constantly communicates with its suppliers, in order to understand their needs and to encourage continuous improvement of the commercial relationship therewith.	<ul style="list-style-type: none"> <li>• Specific meetings</li> <li>• Round tables</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with contractual conditions</li> <li>• Continuity of supply</li> <li>• Fair and non-discriminatory treatment</li> <li>• Possibility to develop strategic partnerships that improve their business</li> </ul>
<b>Sector-specific media and magazines</b>	Biesse Group constantly collaborates with sector-specific media and magazines, through interviews, presentations and dedicated events. The Group is committed to helping to promote information campaigns relating to technological innovations, new machinery and new developments in the sector or any actions undertaken in the interests of the community and the environment. This is to ensure greater transparency and greater involvement of the main stakeholders within the world of Biesse.	<ul style="list-style-type: none"> <li>• Interviews</li> <li>• Corporate presentations</li> <li>• Corporate events and trade fairs</li> <li>• Press conferences or workshops</li> </ul>	<ul style="list-style-type: none"> <li>• Timely and accurate presentation of the Group's performance</li> <li>• Presentation of initiatives undertaken of a social and cultural nature</li> <li>• Presentation of technological innovations developed</li> </ul>
<b>Trade fair organisers</b>	The Group collaborates with trade fair organisers to share know-how and innovation acquired in the production of its products, through the organisation of events and dedicated stands. Thanks to the effective and continuous relationship with trade fair organisers, the Group has managed to achieve a higher degree of customer and other stakeholder satisfaction.	<ul style="list-style-type: none"> <li>• Participation at trade fairs</li> <li>• Interviews and contacts</li> </ul>	<ul style="list-style-type: none"> <li>• Constant and continuous participation over time</li> <li>• Timely and correct compliance with contractual conditions</li> <li>• Profitable organisation of stands and events</li> </ul>
<b>PA, government entities and control bodies</b>	The Group guarantees the utmost integrity and correctness in relationships with the public administration, government entities and control bodies, based on principles, roles and responsibilities identified in accordance with	<ul style="list-style-type: none"> <li>• Institutional round tables</li> <li>• Formal communications</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with current legislation</li> <li>• Fight against active and passive corruption</li> </ul>



	legislation in force, with the objective of maintaining a constructive collaborative relationship that serves the interests of the community.		<ul style="list-style-type: none"> <li>• Prevention of offences as per Legislative Decree 231/2001</li> <li>• Seriousness and transparency in addressing the needs of PA</li> </ul>
<b>Trade unions</b>	Biesse Group has established a constructive dialogue with the trade unions, aimed at the complete protection of workers' rights in the context of activities carried out in the name of or on behalf of the Group.	<ul style="list-style-type: none"> <li>• Periodic meetings</li> <li>• Round tables</li> </ul>	<ul style="list-style-type: none"> <li>• Preparation of measures to safeguard the health and safety of employees</li> <li>• Compliance with contractual conditions</li> <li>• Respect for and safeguard of human rights</li> </ul>
<b>Locality, local communities and NGOs</b>	The Group is attentive to the needs of the local areas in which it operates and acts with a view to extending the positive externalities of its activities to local communities. Moreover, every year the Group is committed to the promotion of philanthropic initiatives. To this end, it listens to the requests and expectations of organisations active in different areas and collaborates with them in the support of local communities.	<ul style="list-style-type: none"> <li>• Initiatives to engage with local communities</li> <li>• Dialogue with non-profit organisations for the payment of donations, contributions and sponsorships for sport and culture</li> </ul>	<ul style="list-style-type: none"> <li>• Business practices that protect the locality</li> <li>• Promotion of local development</li> <li>• Participation by the Group in and support for cultural development and social inclusion projects</li> </ul>
<b>Universities and research centres</b>	The Group fosters a participatory dialogue with national and international universities, training schools and research centres and develops, with their contribution, projects of common interest to facilitate the entry of young people into the world of work and to seek new technologies and/or business practices.	<ul style="list-style-type: none"> <li>• Workgroups and workshops with university students</li> <li>• Corporate presentations</li> <li>• Career days at partner universities</li> <li>• Partnerships with key universities and schools in Italy and abroad</li> </ul>	<ul style="list-style-type: none"> <li>• Involvement of students in work experience and internships</li> <li>• Promotion of youth employment</li> <li>• Collaboration with universities and research centres in order to develop and disseminate engineering skills and techniques</li> </ul>

## Materiality analysis

Biesse Group has implemented a materiality analysis process to provide a correct presentation and understanding of the activities of Biesse Group, its performance, its results and the impact thereof on environmental, social and personnel-related areas, on respect for human rights and on the fight against active and passive corruption. The analysis was performed by applying the following methodology:

### 1. Identification of sustainability topics

In order to identify the sustainability topics most closely related to the sector in which Biesse Group operates, an analysis was conducted of the main sustainability frameworks recognised internationally, such as UN Global Compact, UN Guiding Principles on Business and Human Rights, Sustainable Development Goals (SDGs) contained in Agenda 2030 for Sustainable Development and GRI Standards.

Consultation was also made of various external and internal as well as the main national and Community regulations and guidelines relating to information of a non-financial nature, such as Legislative Decree 254/2016, European Directive 2014/95/EU, European Commission Communication entitled "Guidelines on non-financial reporting" 2017/C 215/01 and the document entitled "Your guide to ESG reporting" as issued by the London Stock Exchange Group.

### 2. Quantitative and qualitative analysis of identified topics

During the course of 2019, a survey was undertaken with the objective of updating the materiality analysis with reference to the degree of materiality attributed by Biesse Group's stakeholders to the identified sustainability topics. This initiative saw the involvement of various categories of stakeholders (customers, suppliers and trade partners, employees and their families, financial community, universities and research centres, sector-specific media and magazines, public administration, government entities and control bodies and trade unions). The assessment was subsequently supplemented by a qualitative analysis that took account of the environment in which the Group operates and of the results of previous stakeholder engagement initiatives. With respect to the positive and negative economic, environmental and social impacts generated by the Group, it should be noted that the results of internal analysis undertaken in 2018 have been confirmed.

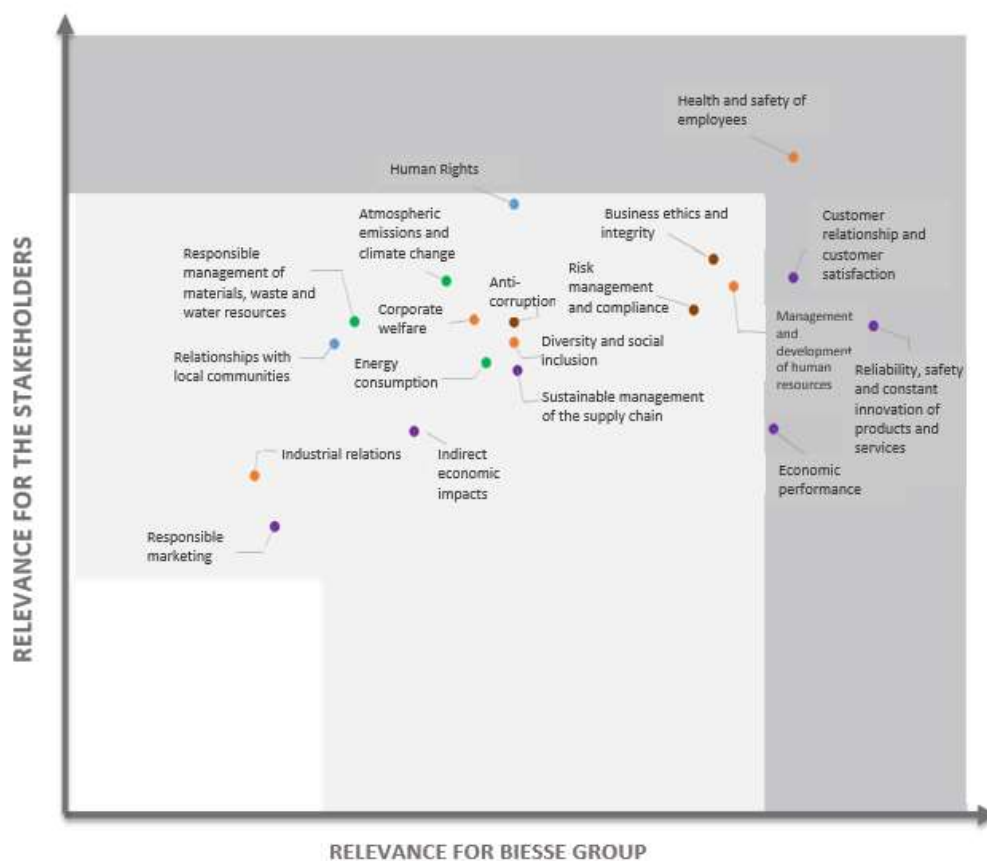
### 3. Preparation and update of the materiality matrix

The assessments made were then presented in a materiality matrix. More specifically, the horizontal axis indicates the materiality of the identified topic to the Group (internal analysis), while the vertical axis indicates materiality to the stakeholders (analysis of outsiders' views). The matrix was submitted for approval by Biesse S.p.A.'s Control and Risks Committee (CCR) on 30 October 2019.




The analysis has indicated the most material topics to be **reliability, safety and constant innovation of products and services, health and safety of employees, business ethics and integrity, customer relationships and customer satisfaction.**



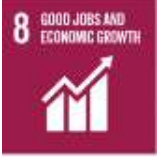




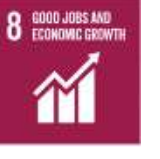

Figure 8. Materiality matrix



The material topics identified have been matched to areas indicated by Legislative Decree 254/2016 and the main risks identified and managed by Biesse Group, as well as to the SDGs most impacted by the Group.

Table 2. Matching of material topics to the main areas of sustainability indicated by Legislative Decree 254/2016, the risks identified and the main relevant SDGs

AREA AS PER LEGISLATIVE DECREE 254/2016	MATERIAL TOPICS	MAIN RISKS IDENTIFIED BY BIESSE GROUP	ALIGNMENT WITH MAIN RELEVANT SDGs
Fight against active and passive corruption	<ul style="list-style-type: none"> <li>Anti-corruption</li> <li>Business ethics and integrity</li> <li>Risk management and compliance</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder expectations (Strategic)</li> <li>Sustainable management of the supply chain (Operational)</li> <li>Transparent management of the Group's image and of its products and services (Operational)</li> <li>Traceability of data and information relating to sustainability (Financial &amp; Reporting)</li> <li>Ethics and integrity in business management and in the preparation of corporate documents(Compliance)</li> </ul>	

		<ul style="list-style-type: none"> <li>Active and passive corruption in the public and private sector(Compliance)</li> <li>Risk management and compliance (Compliance)</li> </ul>	
Personnel-related	<ul style="list-style-type: none"> <li>Management and development of human resources</li> <li>Corporate welfare</li> <li>Diversity and social inclusion</li> <li>Industrial relations</li> <li>Health and safety of employees</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder expectations (Strategic)</li> <li>Cyber security – Information Security and Privacy (Strategic)</li> <li>Direct and indirect impact of the business on the locality and on the community (Strategic)</li> <li>Ability to attract and retain talent (Operational)</li> <li>Development of human resources and skills at all levels (Operational)</li> <li>Health and safety of people (Operational)</li> <li>Cooperation with workers' associations and unions (Operational)</li> <li>Traceability of data and information relating to sustainability (Financial &amp; Reporting)</li> <li>Risk management and compliance (Compliance)</li> </ul>	  
Social	<ul style="list-style-type: none"> <li>Reliability, safety and constant innovation of products and services</li> <li>Indirect economic impacts</li> <li>Sustainable management of the supply chain</li> <li>Customer relationship and customer satisfaction</li> <li>Responsible marketing</li> <li>Relationships with local communities</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder expectations (Strategic)</li> <li>Cyber security – Information Security and Privacy (Strategic)</li> <li>Direct and indirect impact of the business on the locality and on the community (Strategic)</li> <li>Sustainable management of the supply chain (Operational)</li> <li>Transparent management of the Group's image and of its products and services (Operational)</li> <li>Traceability of data and information relating to sustainability (Financial &amp; Reporting)</li> <li>Risk management and compliance (Compliance)</li> </ul>	   
Human rights	<ul style="list-style-type: none"> <li>Human Rights</li> </ul>	<ul style="list-style-type: none"> <li>Stakeholder expectations (Strategic)</li> <li>Cyber security – Information Security and Privacy (Strategic)</li> <li>Direct and indirect impact of the business on the locality and on the community (Strategic)</li> <li>Sustainable management of the supply chain (Operational)</li> <li>Traceability of data and information relating to sustainability (Financial &amp; Reporting)</li> </ul>	 

		<ul style="list-style-type: none"> <li>• Risk management and compliance (Compliance)</li> </ul>	
Environmental	<ul style="list-style-type: none"> <li>• Energy consumption</li> <li>• Responsible management of materials, waste and water resources</li> <li>• Atmospheric emissions and climate change</li> </ul>	<ul style="list-style-type: none"> <li>• Stakeholder expectations (Strategic)</li> <li>• Cyber security – Information Security and Privacy (Strategic)</li> <li>• Direct and indirect impact of the business on the locality and on the community (Strategic)</li> <li>• Sustainable management of the supply chain (Operational)</li> <li>• Sustainable management of energy consumption and atmospheric emissions (Climate Change)</li> <li>• Conscious use of resources and sustainable waste management (Operational)</li> <li>• Traceability of data and information relating to sustainability (Financial &amp; Reporting)</li> <li>• Risk management and compliance (Compliance)</li> </ul>	 
Economic/financial	<ul style="list-style-type: none"> <li>• Economic performance</li> </ul>	<ul style="list-style-type: none"> <li>• Trends in the global economy and changes in global geopolitics (Strategic)</li> <li>• Competitive environment and cyclicity of relevant industrial sectors (Strategic)</li> <li>• Stakeholder expectations (Strategic)</li> <li>• Cyber security – Information Security and Privacy (Strategic)</li> <li>• Ability to offer innovative products and services to customers (IoT 4.0) (Strategic)</li> <li>• Business continuity management (Strategic)</li> <li>• Sustainable management of the supply chain (Operational)</li> <li>• Transparent management of the Group's image and of its products and services (Operational)</li> <li>• Fluctuation in prices of raw materials and components (Financial &amp; Reporting)</li> <li>• Ability to source adequate financial resources to meet funding requirements (Financial &amp; Reporting)</li> <li>• Traceability of data and information relating to sustainability (Financial &amp; Reporting)</li> <li>• Risk management and compliance (Compliance)</li> </ul>	 

# Economic sustainability

In a nutshell:

- ✓ Over **€ 661 million of economic value distributed** by the Group in 2019
- ✓ Approximately **€ 706 million of total revenue** in 2019
- ✓ **89% of purchases from local suppliers**, as far as manufacturing plants in Italy, India and China are concerned
- ✓ **10 manufacturing plants awarded ISO 9001:2015 certification** in Italy, India and China
- ✓ Over 300 persons involved in research and development activities, totalling approximately **276,000 working hours**

## Economic performance

Biesse Group closed 2019 with revenue of € 705,872 million, representing a decrease in the year of 4.8%. The downturn in revenue has impacted EBITDA, which, before non-recurring costs, comes to € 76,732 thousand, being a decrease of 17.2%. There was also a deterioration in the year in EBIT before non-recurring items of € 28,115 thousand (€ 39,554 thousand in 2019 versus € 67,669 thousand in 2018), which, as a percentage of revenue, fell from 9.1% to 5.6%.

The breakdown of revenue by segment shows revenue reported by the Glass & Stone Division to be in line with the previous year (up 0.5% on the 2018 figure), whereas there has been a downturn in the year of the performance of the other divisions. In detail, the largest decreases were reported by the Components and Mechatronics Divisions (-13.7% and -13.2%, respectively), whereas the Wood and Tooling Divisions reported more modest decreases (-4.6% and -2.4%, respectively).

The breakdown of revenue by geographical area, when compared to 2018 figures, shows revenue growth in North America, largely attributable to the delivery and installation of orders received in 2018 for large systems. Western Europe has continued to be the Group's key target market, with revenue of € 333,015 thousand, which, however, was down 5.8% on prior year. Asia - Oceania and Eastern Europe have reported a decrease (-21.5% and -17%, respectively). Lastly, revenue reported by Rest of the World is broadly in line with prior year (€ 27,138 thousand, down by 2.5%).

It should be noted that, once again, the Group's results for the year just ended were adversely affected by "non-recurring events and impairment" totalling € 9,911 thousand. As approved by the Board of Directors on 20 December 2019, the Group will refocus its strategy for China, by concentrating more on the needs of medium to large key accounts for automated technological solutions produced in the Italian and Indian plants. Accordingly, manufacturing operations in China will be redimensioned (they were originally designed for the entry level segment). For this reorganisation, it has been estimated that non-recurring costs of € 4,127 thousand will be incurred. Moreover, based on strategic policy, as confirmed by the 2020-22 business plan approved on 21 February 2020, the Group will continue its focus on technological innovation in order to maintain its leadership in the relevant sectors. Consequently, certain R&D projects associated with technological products and solutions being phased out have been written down by an amount of € 4,070 thousand. Lastly, non-recurring labour costs of € 1,634 thousand have been recognised for redundancy incentives and early retirement packages.

Moving on to the financial position, net operating working capital increased in the year by € 20,901 thousand, mainly due to a sharp decrease in trade payables of approximately € 29.9 million attributable to amounts due to suppliers (slowdown in manufacturing operations). Balances arising from customer relationships (trade receivables and contractual assets/liabilities) are broadly in line with prior year (net decrease of € 2.6 million), whereas inventories have decreased by € 7.3 million.

The Group reports net financial indebtedness at 31 December 2019 of approximately Euro 18.6 million, being a deterioration compared to the December 2018 figure (net cash position of € 25.4 million).

The net cash/debt position has been adversely affected by the initial application of IFRS 16 (due to liabilities associated with right-of-use assets) by an amount of approximately € 26.6 million. Again, following the initial application of IFRS16, the carrying amount of property, plant and equipment at 31.12.2019 has increased by approximately € 26.4 million.

As is well known, since January 2020, the national and international scenario has been characterized by Coronavirus disease spread and the consequent restrictive measures for its containment, decided by the public authorities of the Countries concerned. These circumstances, which are extraordinary in nature and extent, have direct and indirect repercussions on economic activity and have created an environment of general uncertainty, which the evolution and effects of, are not foreseeable. The

potential effects of this phenomenon to the financial statement cannot be predicted to date and will be constantly monitored later in the year.

Biesse, on the basis of these recent events, is putting in place actions aimed at reducing costs, with particular reference to labor costs reduction. The current trend in orders of the business sector (common to all the main competitors of Biesse) suggests that the actions currently in the definition phase should be kept in place at least until mid-year 2020. This will allow to minimize the effects of the reduction in revenues on the Group's profitability, which is however expected to reduce. The Biesse board of directors is however convinced that the company is, by strategy, organization, management and financial strength, ready to overcome this acute phase of the cycle.

## Economic value generated and distributed

Economic value generated and distributed expresses in monetary terms the relationship between Biesse and the relevant socio-economic system, it measures Biesse's economic impact and its ability to create and distribute wealth to the key stakeholder categories, such as personnel, shareholders, lenders, the community and the public administration. **Economic value generated by the Group** in 2019 amounted to over **Euro 715 million**, whereas that **distributed** amounted to over **Euro 661 million**.

Table 3. Determination of economic value generated, distributed and retained by Biesse Group

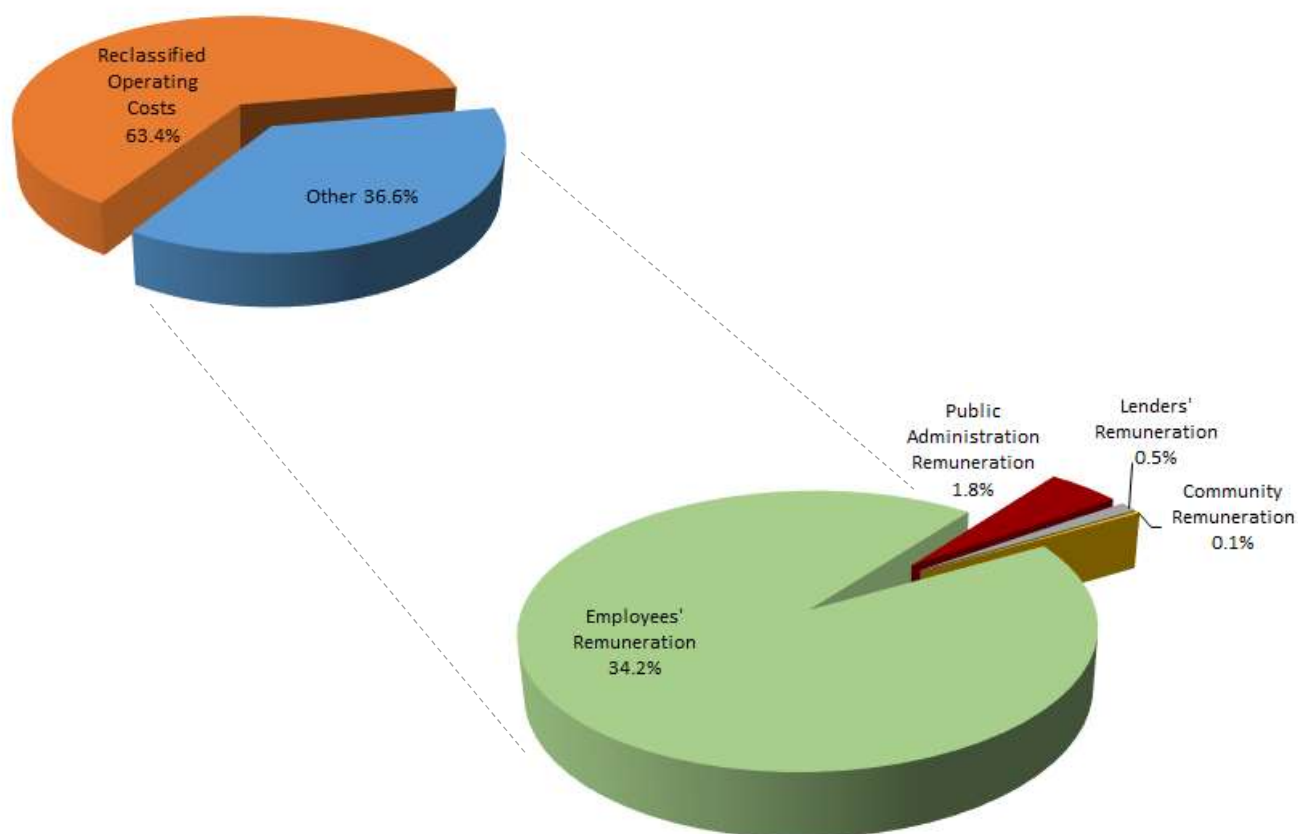
	2019	2018
Economic value generated by the Group	€ 715,393,241	€ 772,810,203
Economic value distributed by the Group	€ 661,236,391	€ 716,330,392
<i>of which: reclassified operating costs</i>	€ 419,354,638	€ 461,793,357
<i>of which: employee remuneration</i>	€ 226,314,671	€ 218,693,781
<i>of which: public administration remuneration</i>	€ 11,980,058	€ 15,425,865
<i>of which: lenders' remuneration</i>	€ 2,987,017	€ 6,362,004
<i>of which: shareholders' remuneration</i>	-	€ 13,148,660
<i>of which: community remuneration</i>	€ 600,006	€ 906,726
Economic value retained by the Group	€ 54,156,851	€ 56,479,811

The portion of economic value attributable to **Reclassified operating costs** amounts to **€ 419,535** and mainly includes costs incurred for the purchase of raw materials, ancillary materials, consumables and goods, cost of services, lease and rental costs, directors' and statutory auditors' remuneration and other operating costs. The portion of economic value distributed to **employees and other workers**

amounts to **€ 226,315 thousand** and accounts for approximately 34% of the total economic value distributed. This portion includes costs incurred for wages and salaries, awards and bonuses, social contributions, charges to pension plan provisions and other employee related costs. A portion of economic value was distributed to the **public administration** in the year amounting to **€ 11,980**. An amount was distributed to **lenders** of **€ 2,987 thousand** resulting from finance costs.

Referring to the remuneration of the **risk capital**, in view of the continuous evolution of the most recent events and the strong acceleration of the negative repercussions affecting all international markets, Biesse's Board of Directors prudently decided not to proceed with the payment of the ordinary dividend. An amount of **€ 600 thousand** was distributed to the community under the form of donations, sponsorships contributions<sup>17</sup> and membership fees. This figure constitutes a further direct and indirect impact on the development of the locality for the benefit of local communities. To conclude, the amount of **€ 54,157 thousand** constitutes the economic value retained by the Group, consisting mainly of profit for the year allocated to reserves, depreciation and amortisation, charges to provisions and impairment.

Figure 9. Economic value distributed by the Group in 2019



<sup>17</sup> The figure for donations, sponsorships and contributions relates solely to Biesse S.p.A.



## Innovation: the pursuit of excellence

The manufacture of tools and machinery that provide customers with greater efficiency from a manufacturing and energy consumption point of view and, at the same time, safely simplify their work is the main objective of Biesse Group in the field of innovation.

The Group has always been focused on the implementation of technological and innovative solutions that are not only capable of constantly improving manufacturing performance and the reliability of the machinery, but that also relieve operators from physical and mental efforts so as to ensure their wellbeing and safety in the workplace and to reduce energy consumption and the environmental impact.

Particular attention has been given to simplicity of use, ergonomics, noise reduction and particles and fumes produced. The high degree of integration of mechanics, electronics and software render the Group's products *"intelligent"* and *"collaborative"*, as well as capable of guaranteeing autonomous functionality without the constant presence of an operator.

### Product innovation

The integration of the functions linked to technological innovation within the Group and the reorganisation of the experimental development function in recent years are instrumental to the gradual centralisation of technological research and development work, making it possible to adopt an approach that is based less on unforeseen circumstances arising from the manufacturing process, in order to be able to make more strategic, wide-ranging decisions. In 2019, over 300<sup>18</sup> persons were involved in research and development activities, totalling approximately 276,000 working hours.

The Research and Development function, which is centralised in Biesse S.p.A., can currently count on the experience of dedicated professionals, mechanical design engineers and software developers, who maintain contact with other professionals within and outwith the Group.

In order to actively contribute to research in the field of technological development, the Group encourages cooperation with other protagonists in the sector through networks and projects that unite experts, research centres and universities, both in Italy and abroad. The main collaborations in the field of technology in 2019 were with the **University of Ancona** (study of vibrations, noise, fluid dynamics and thermodynamics and the development of predictive analysis algorithms to be implemented for advanced technologies for use in Industry 4.0), with **COSMOB** - Furniture consortium (conduct of tests on processed products and materials) and with **MUSP** - Machine Tools and Production Systems Consortium (concerning project cluster pertaining to the mechatronics division) and with the **Smart Factory Cluster**, an association whose objective is to create a stable manufacturing community, which is active in the development and implementation of a strategy based on research and innovation, capable of consolidating and increasing national competitive advantages.

In 2019, Biesse Group became a member of the **Leonardo Committee**, which was founded in 1993 by Sergio Pininfarina and Gianni Agnelli, the Italian Trade Agency, Confindustria and a group of entrepreneurs, with the objective of promoting and establishing Italian excellence around the world.

Moreover, the Group is a member of various consortiums and associations that promote and invest in industrial research in the field of machinery, production systems and the furniture industry, such as **ACIMALL** (Association of Italian manufacturers of machinery and accessories for wood processing), **UCIMU** (Association of Italian manufacturers of machine tools, robots, automation and ancillary

---

<sup>18</sup> This figure relates to the following legal entities: Biesse S.p.A., Bre.Ma Brenna Macchine S.r.l., HSD S.p.A., Viet Italia S.r.l. and Unitem S.p.A.



products), **VDMA** (German association for mechanical engineering in Europe), **GIMAV** (Italian association of suppliers of machinery and accessories for glass processing), **Confindustria Marmomacchine** (Association of manufacturers of ornamental marble, granite and stone and of machinery, tools and equipment for the processing thereof) and **AMAPLAST** (Association of manufacturers of machinery and moulds for plastic and rubber materials).

Biesse Group's ability to innovate and leverage its knowhow for strategic success can be measured by factors such as the number of patents deposited. The Group currently has approximately **200 patents**, which have contributed to the innovation of technological solutions present in the wood, glass and stone processing machinery market. During the course of 2019, further patent applications were filed relating to new functions in machinery being designed and/or systems for the improvement of machinery safety.

The customers, in particular, are protagonists of the process encompassing research, experimental development and implementation of new technologies. Customers' needs and requirements always present us with new technological and design challenges that enable us to constantly customise, update and improve the Group's machinery and solutions.

Some of the main significant innovations in terms of product sustainability generated by the Group are geared towards the implementation of machinery that is safer for the operator, easier to use and more efficient in terms of energy consumption, but which maintain high quality standards.

## From the product to the Industrial Internet of Things

Biesse constantly invests in the world of software and advanced services, by developing easy to use solutions conceived by listening to customers and their needs, with a simple interface, designed to make everyday use of machinery practical. **B-Suite**, in particular, is a coordinated advanced set of software tools that enables anyone to gain access to the latest cutting-edge technologies offered by the Group.

Driven by the basic principle of **Industrial Revolution 4.0**, the Group has introduced notable innovations and achieved significant results in the development of new technologies that enable connectivity between machines, as well as self-diagnosis that helps to identify potential issues and to improve the predictive maintenance process, as part of the **Industrial Internet of Things (IIoT)**.

In this regard, the **SOPHIA** platform is based on the connection of Biesse's machinery to Microsoft's Azure cloud, making it possible to collect real time data and information on technologies being used to optimise the performance and productivity of the machinery and systems. In fact, the data collected makes it possible to analyse the functionality of the systems, to identify any malfunctions and to assist customers with preventive maintenance to prevent breakdowns, thus minimising any interruption to the manufacturing process.

By means of the direct connection to **Parts**, the Group's spare parts portal, the platform facilitates the simple and efficient management of spare parts, guaranteeing constant assistance and quality to all its customers. Accordingly, the **IIoT** solution has become an integral part of Biesse's products in order to offer customers more value from the machinery.

A significant IIoT innovation was the creation, by HSD, of the first **Wi-Fi connected electrospindle (patent pending)**, winner of the "**SMAU Milan Innovation Award 2019**". This electrospindle, which communicates via an app, helps the user to monitor the component, ensuring quicker and cheaper maintenance, accurate and speedy diagnosis and increased safety and flexibility of its use.

## Process innovation

Biesse Group has implemented a Product Lifecycle Management (PLM) platform, as part of an innovation project aimed at improving the management of the lifespan of products through a software solution that enables the integration of data, processes and business systems, in synergy with the user. The PLM Team Centre platform enables the efficient and effective management of information along the entire lifespan of a product, from its conception to its design and from its production to support therefor.

As part of its strategic vision, the adoption of the PLM system forms part of the Group's digital transformation process and is designed to support Lean production and Kaizen principles, which are working methodologies implemented in 2007 and that are being gradually extended within the organisation, in the pursuit of cultural change and constant improvement along the entire value chain, from the factory, to suppliers and to the end customer.

The Group encourages a lean approach and culture along the entire value chain so that everyone is motivated and that processes are lean, timed and consistent with the demands of the market, with the objective of improving quality, guaranteeing certainty in delivery times and waste reduction.

The concept of lean innovation, which is traditionally associated with manufacturing processes, is being increasingly extended to indirect and support functions.

The need to transfer lean methods and tools "from the factory to the offices" has brought about an extension of internal training being offered with the development of a new "Lean Office" course that focuses on white collar staff.

Regarding kaizen measures implemented during the course of 2019 for the Mechatronics Division's supply chain, there has been a decrease in the value of finished product inventory of 11% with a consequent reduction in occupied space of 13% and in internal transport of 44%. At the same time, as regards indirect processes, especially that for the procurement of materials for new products, the measures implemented have led to a recovery of efficiency of 54% and a reduction in lead times of 33% and of tools used of 22%.

Furthermore, in 2019, a new vertical warehouse was installed at the Pesaro campus, resulting in an increase in the efficiency of logistics processes and the optimisation of action, time and space, as well as enabling employees to work in an ergonomic and safe manner.

### **Best Managed Companies Italia 2019**

For the second consecutive year, Biesse has won the international award "Best Managed Companies Italia 2019", supported by ALTIS Università Cattolica, ELITE (London Stock Exchange Group's international business support and capital raising programme for ambitious and fast growing companies) and Confindustria. This award is intended to recognise Italian companies proven to have excelled in strategy, skills and innovation, commitment and corporate culture and governance and measurement of performance, internationalisation and sustainability.

### **European Business Awards**

Biesse Group was nominated as National Winner of the "Business of the Year Award, sales in excess of Euro 150 million" category of the European Business Awards 2019, for its strong contribution to innovation, ethics and financial success.

## The Group at the service of its customers

Customer centrality and satisfaction form the basis of a strategic approach that starts with the sustainable management of the supply chain and continues throughout all stages of the lifespan of the product, by means of advanced industrial consulting, support and maintenance services.

With over 500 Field Engineers and approximately 100 Hotliners in direct contact with its global network, the Group is capable of offering support and technical training services and spare parts for machinery and components on-site and on-line. During the course of 2019, two new positions were introduced to the Group's service function, namely, Customer Care Manager and Service Area Manager, whose duties are to manage customer relationships and the productivity of supplies subsequent to the installation of machinery. Furthermore, surveys of customers and dealers were undertaken with the objective of obtaining a large number of opinions to help identify areas of improvement for services offered by the Group.

In the belief that the provision of training and professional development programmes is essential for the improvement of service quality, the localisation of skills and the development of technical / managerial staff of the highest quality, a Service Academy has been set up to act as a training and support centre for the Group's entire service network. In 2019, the Service Academy was enhanced through the introduction of advanced courses on the entire portfolio of machinery produced by Biesse and through the organisation of troubleshooting courses designed for the Group's technicians and customers, in order to increase their diagnostic skills.

The "Parts" spare parts web portal enables customers to navigate within their personal account, to access all the information related to purchases made, to directly submit an order for spare parts by placing them in an order basket and to monitor the status thereof. The portal is available 24 hours a day, 7 days a week. Parts is a multilingual and multi-platform tool, which is perfectly integrated with the main operating systems, iOS and Android, and runs on desktops, smartphones or tablets, via dedicated apps.

### Quality Management System

With the objective of offering high quality standards to its customers, in 1996, Biesse S.p.A. adopted a **Quality Management System certified to the ISO 9001 international standard**. As at 31 December 2019, the certification had involved 10 of the Group's manufacturing sites in Italy, India and China.

The Group's main processes and activities are formalised in a series of first level documents, such as process and procedure flows, as prepared by the Group's Quality Department. These are backed by operational instructions that set out in detail the Group's most significant activities. To guarantee the standardisation of the processes, most of the Quality System documents are available (in Italian, English and Chinese) and may be accessed by all Group companies via the corporate intranet.

In 2019, all the Group's manufacturing units that had already been certified passed the audit of compliance with the ISO 9001:2015 standard.

Moreover, as regards Biesse Manufacturing India's manufacturing site, the scope of ISO 9001:2015 certification has been extended to include the machinery installation and support process.

Compliance with the ISO 9001:2015 standard is assured through periodic internal audits that involve the processes of all manufacturing units.

Prior to being delivered to the customer, all machinery must pass testing required by regulations in force, as well as specific tests depending on product type. The quality of Biesse's products is subject

to precise measurement of the main values and features of the assembled components. For this reason, all the mechanical and electrical instruments used are subjected to rigorous quality controls, conducted by using approximately 9,000 measuring instruments, which are periodically checked and calibrated by accredited laboratories. The Group also has 15 three-dimensional measuring machines to check strategic components, plus various laser trackers and interferometers that are used during testing that have resulted in an increase in measurement accuracy, a reduction in testing times and the possibility to increase the variables measured.

As regards the improvement in the reliability of the manufacturing sites in India (Bangalore) and China (Dongguan), the testing systems for electrical assemblies have been standardised in line with those currently used by the parent company and have thus been automated. During the course of 2019, a new position of Quality Assurance Tester was also introduced with a mission of continuous improvement of testing systems.

In order to raise its quality standards, Biesse also looks at models associated with other technological sectors. The Quality Manager and other staff involved in any manner in quality management have received training on the IATF 16949:2016 standard (Quality management system requirements for the mass production of automotive spare parts), thus referring to the automotive sector to expand their skills and identify new methods to improve the quality of products and supplies.

## Product reliability

The Group believes the reliability of machinery to be an essential factor for customer and stakeholder satisfaction and strives for constant improvement via a proactive organised system.

The commitment to experimental development and the pursuit of new machinery and technologies is always considered to be a priority factor. For the Group, reliability is linked to the strengthening of the entire production process; the development process for a new product is standardised and formalised via specific procedures and operational instructions, which detail all the stages thereof.

Customer centrality and satisfaction form the basis of a strategic approach implemented through the organisation of and control over the supply chain. The quality department analyses reports related to the replacement of components under warranty and the technical interventions made by the Service function's technicians.

Meetings on reliability issues are held periodically within each production unit and are attended by all the business functions involved; quality meetings are also organised by the head of Quality Management and involve heads of division, factory managers, function managers and general management to share and discuss the Group's key quality indicators.

In recent years, a knowledge management reliability system has been introduced, being a database of reliability issues made available to technical departments to prevent the recurrence of issues common to the various production units already at the product development stage.

## Technology at the service of customers and their safety

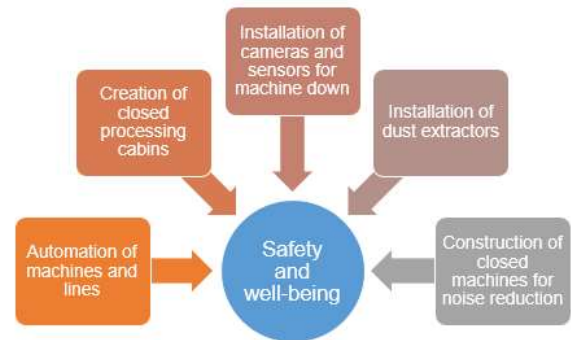
With the objective of guaranteeing its customers the highest machinery safety standards, the Group subjects all models produced to stringent risk analysis at the design phase, with particular attention to risks linked to potential mechanical and electrical factors, as is also the case for operators' behaviour in order to guarantee performance levels that exceed those required by the Machinery Directive 2006/42/EC and other international, Community and national legislation and regulations. In the testing phase, tests are performed of the level of noise emitted during operation and of electromagnetic compatibility with particular reference to radiation emitted and the immunity of

machinery to radiation that it could be subjected to in the relevant industrial environment, plus electrical grounding tests are also performed.

During the course of the last twenty years, the Group has actively participated with its experts in the work that gave rise to the drafting of standards currently in force, both at European level (EN Standards) and at global level (ISO Standards). This work has followed the natural transformation of the sector, having been initially focused on wood processing machinery, prior to moving on to glass and stone processing machinery.

An important technological innovation for the wellbeing and safety of operators, the **B-Pad** is truly a wireless console that allows the operator to perform key Biesse machinery functions, while keeping his distance from moving parts, thus reducing the risk of injuries.

Figure 10: Course of action for wellbeing and the safe use of



## The customer experience: The Biesse Campus

In line with its strategic plan, Biesse Group invests in customer support services through increasingly more active participation at trade fairs and events and with the launch of new Campuses around the world. The traditional showroom has evolved and has transformed itself from a display of machinery to a place to be experienced, by means of seminars and training courses, combined with general and customised technical tests of the Group's machinery. During the course of 2019, Campuses were inaugurated for the Biesse Group Australia and Biesse Group Deutschland subsidiaries, whereas in 2020 a new Campus will be inaugurated for Biesse Russia.

## The supply chain

Of the many components of the Group's technological solutions, quality of supply is an essential element for the development of reliable products.

The Group adopts a responsible approach for the management of the entire supply chain, from small local businesses to large multinational organisations, by creating relationships that go beyond mere trade transactions and by encouraging lasting and mutually satisfactory collaborations with more qualified partners that share the Group's principles.

It is in the Group's interests to make use of evaluation tools to verify the suitability of suppliers with a view to an ongoing relationship; the evaluation takes account of ethical issues and product quality and safety. For this reason, relationships with suppliers are developed in a fully transparent manner, based on **General conditions of supply**, which are applied to all contracts, on **Quality standards**, which are directly referred to on orders and that are pertinent to the activity that the supplier undertakes to carry out to ensure the quality of the finished product and on the **Code of Conduct**, which includes specific references to respect for human rights, environmental protection and the health and safety of workers.

In addition to the above, with a view to a virtuous process of continuous improvement, the Group has adopted a **Suppliers Quality Manual**, which contains key information on the procurement process and on the quality management system. In preparing this document, the intention was to create a tool to clarify in advance the expectations and requirements to be met by the suppliers, in order to facilitate communication with all trade partners and ensure optimal performance of the entire supply chain in accordance with the main sustainability criteria. Specifically, Biesse Group asks its suppliers to guarantee high quality standards, to comply within their own organisation with all regulations governing health and safety in the workplace and with applicable environmental legislation.

The development and retention of suppliers' technical skills is considered to be a technological, innovative and competitive growth factor. Accordingly, the Group encourages its territorial partners to embark on growth paths in terms of skills and organisation.

Within each production unit, inspections are performed of all incoming purchased materials. The accuracy of the inspections depends on the complexity of the part: they may range from simple dimensional and visual checks to the use of three-dimensional measuring machines, hardness testing of materials and checks on the type of material used. To ensure a transparent and reliable process, which guarantees a quality product, the Group also makes use of external laboratories for specific metallography, electron microscopy, chemical analysis, mechanical and destructive tests. All measuring instruments used are periodically calibrated to ensure precise measurement. Moreover, next-generation testing systems have been developed and introduced to improve the inspection process for purchased electrical assemblies and process control methodologies have been introduced in line with the IATF 16949 Automotive Standard and with ISO 9001:2015.

In order to assess the quality and safety of their products, suppliers are subjected to daily monitoring via dedicated software, which takes account of the quality failure rate (INQF), production stoppages, the level of service and the supplier's organisation subsequent to audit. The aforementioned indicators, duly weighted based on the results of the audits conducted at the selection phase, contribute to the determination of the merit rating assigned to each supplier, which also takes account of their internal organisation and the process control methods adopted thereby. An analysis of the causes of production stoppages has led to the implementation of continuous improvement activities, which have achieved a notable decrease in the number of stoppages.

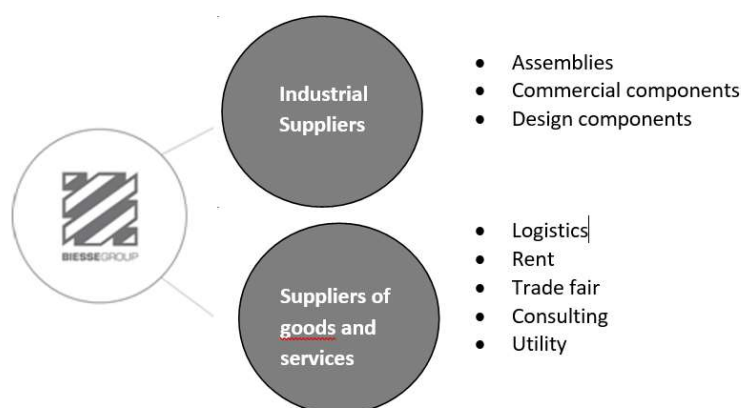


This approach makes it possible to establish relationships with quality suppliers and to develop an increasingly more effective and sustainable process, which leads to the creation of efficient and lasting partnerships.

## Features of the supply chain

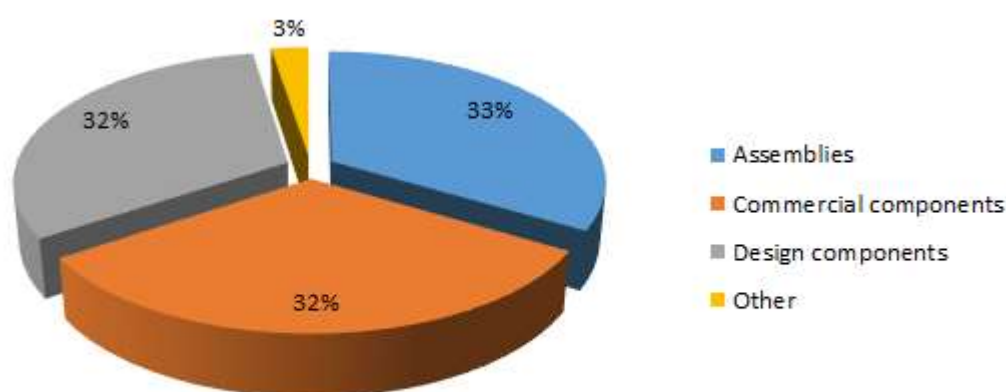
The Group's supply chain consists of two main categories of suppliers: industrial suppliers of manufactured products and suppliers of goods and services.

Figure 11. The main categories of Biesse Group's suppliers



In the conduct of its business activities, Biesse Group collaborates with approximately 800 main **manufacturing suppliers**<sup>19</sup>. During the course of 2019, the Group recorded approximately Euro 250 million of purchases of assemblies, commercial components, design components and other manufacturing supplies, down on the Euro 300 million of purchases of the same supply categories in 2018.

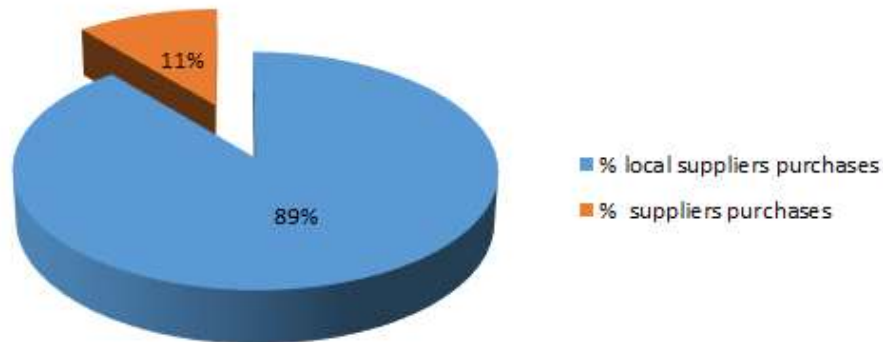
Figure 12. % value of purchases from manufacturing suppliers, by category



<sup>19</sup> In order to provide more representative figures relating to the industrial supply chain, the number of "main suppliers" and the amount of purchases from manufacturing suppliers were calculated based on the consolidation of 99.7% of the information relating to the supply chain of Biesse S.p.A. and HSD S.p.A., and of 90% of that pertaining to Bre.Ma Brenna Macchine Srl, Viet Italia Srl, Biesse Manufacturing Co. Pvt. Ltd., Korex Dongguan Machinery Co. Ltd. and Uniteam S.p.A.

As regards the geographical breakdown of the purchase value, approximately 89% relates to local suppliers<sup>20</sup>. The Group's decision to source most of its supplies locally is not only due to logistical advantages and technical skills, but is also due to the desire to directly and indirectly contribute to the support and social development of the local area and surrounding communities.

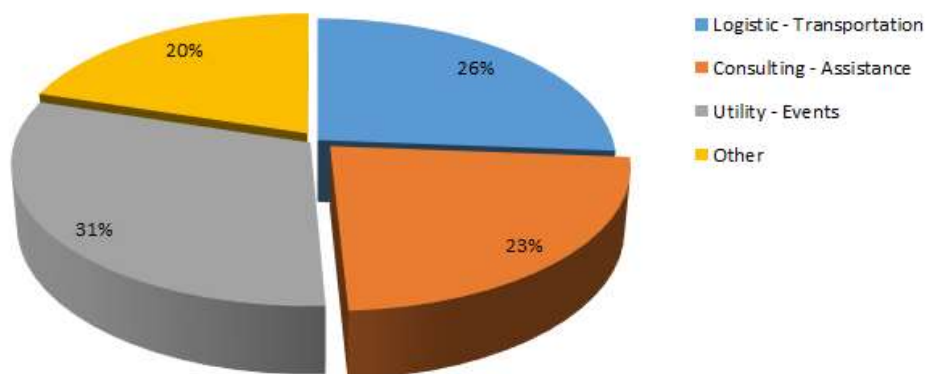
Figure 13. % of purchases from local manufacturing suppliers by the Group's main production hubs<sup>21</sup>



**Non-manufacturing suppliers** are those that the Group turns to for the purchase of goods and services, such as telephony, energy, transport, design, buildings, company fleets, cleaning, installation, consulting, marketing, advertising agencies and IT projects.

Non-manufacturing purchases in 2019 by Biesse S.p.A. on its own amounted to approximately Euro 31.7 million (down on the 2018 figure of Euro 34 million). 80% of this amount was generated by approximately 90 main suppliers.

Figure 14. Purchases from non-manufacturing suppliers, by category



<sup>20</sup> Local suppliers are Italian, Chinese and Indian suppliers, with specific reference to the Group's production hubs. This figure relates to the significant locations of operations: Italy, India and China.

<sup>21</sup> On account of the specific characteristics of the various types of assemblies purchased by the Group, note that part of the amount of purchases from local suppliers for this product category is distributed to multiple subsuppliers located in different geographical areas.



# Social Sustainability

In a nutshell:

- ✓ **95%** of employees have permanent contracts
- ✓ Approximately **1500 persons** have worked in Biesse Group for more than 10 years
- ✓ **95%** of senior management hired from the local community
- ✓ Over **120,000 hours** of training provided to personnel during the course of 2019
- ✓ More than **13,000 hours** of training dedicated to safety at work
- ✓ Workplace safety management system of HSD S.p.A. certified to **UNI ISO 45001:2018** standard.
- ✓ Support for social, cultural, artistic and sports initiatives **at the local level**

## Our people

The Group acknowledges that human resources are indispensable for its success, because the ability to innovate and pursue excellence in the realisation of products is the consequence of the passion and dedication of all those who form part of the Biesse family.

At 31 December 2019, the Group had 3,926 employees, comprised of 3,418 men and 508 women, a decrease of 5% compared to 31 December 2018.

95% of employees have permanent contracts, providing proof that corporate policy is designed to create stable relationships with our workers.

Table 4. Number of employees of Biesse Group, by type of contract (permanent/temporary), gender and geographical area.

Geographical area	Type of contract	AT 31 DECEMBER 2019			AT 31 DECEMBER 2018 <sup>22</sup>		
		Men	Women	Total	Men	Women	Total
Italy	Permanent	2,059	272	2,331	2,010	252	2,262
	Temporary	71	15	86	182	39	221
	<b>Sub-total: Italy</b>	<b>2,130</b>	<b>287</b>	<b>2,417</b>	<b>2,192</b>	<b>291</b>	<b>2,483</b>
Abroad	Permanent	1,198	187	1,385	1,420	237	1,657
	Temporary	90	34	124	-	4	4
	<b>Sub-total: Abroad</b>	<b>1,288</b>	<b>221</b>	<b>1,509</b>	<b>1,420</b>	<b>241</b>	<b>1,661</b>
Total	Permanent	3,257	459	3,716	3,430	489	3,919
	Temporary	161	49	210	182	43	225
	<b>Total</b>	<b>3,418</b>	<b>508</b>	<b>3,926</b>	<b>3,612</b>	<b>532</b>	<b>4,144</b>

The Group has a preference for full-time contracts as opposed to part-time work arrangements. In fact, at 31 December 2019, there were 3,854 full-time contracts in place compared to 72 part-time contracts.

Table 5. Number of employees of Biesse Group, by type of contract (full-time / part-time) and gender.

Type of contract	AT 31 DECEMBER 2019			AT 31 DECEMBER 2018		
	Men	Women	Total	Men	Women	Total
Full-time	3,406	448	3,854	3,599	470	4,069
Part-time	12	60	72	13	62	75
<b>Total</b>	<b>3,418</b>	<b>508</b>	<b>3,926</b>	<b>3,612</b>	<b>532</b>	<b>4,144</b>

In addition to the 3,926 employees at 31 December 2019, there were 262 other workers, in varying capacities, most of whom were temporary male staff, who contribute to the creation of the Group's machinery and technological innovations.

The design and implementation of effective personnel attraction and selection systems is an essential strategy for the sustainable growth of the Group and a guarantee of transparency and fairness, in full respect of equal opportunities and the development of individual skills. Biesse Group strives for continuous improvement in selection processes, aimed at identifying not only the immediately required skills and abilities, but also the potential needed to grow together and to take on other roles over time. The objective is to strengthen all areas of the business, trusting the skills of the more

<sup>22</sup> The 2018 figures have been restated following the refinement of the monitoring system that has led to a new categorisation of employees/co-workers of the Group's Indian legal entity. For this reason, the data on incoming and outgoing turnover for the year 2018 have also been re-examined.

experienced men and women, combined with the enthusiasm of those who are setting out on their professional development path.

In contrast to youth unemployment figures relating to the main countries in which the Group operates, Biesse Group has hired, in the three-year period 2017-2019, 503 young people under the age of 35 that account for approximately 12.8 % of the overall workforce at 31 December 2019.

The recruitment of young people by the Group contributes significantly to the achievement of the following three strategic objectives:

- *digital mindset*: Biesse machinery has a software soul that becomes digital when in contact with customers. Young colleagues that have grown up in a connected world can contribute to nurturing this culture that has been confirmed to be a distinctive feature of the Group's offering;
- *internationality*: 80% of the Group's customers are located abroad. Familiarity with international cultures is essential to be able to establish solid relationships between the central functions, which govern the conception and design of technological solutions, and customers who operate in markets with differing characteristics. The recruitment of resources with international study experience makes it possible to shorten the distance between Biesse and its customers;
- *innovation*: the recruitment of young people facilitates and speeds up the identification of innovative technologies and processes.

The main talent attraction and selection strategies implemented by the Group include multiple activities carried out in cooperation with academic institutes at national level. Cooperation with educational institutions enables the Group to make new contacts and to activate a preferential channel for the recruitment of young people. Biesse Group has always cultivated relationships with local technical institutes, in order to select the best resources, who are motivated to undertake a career path after having obtained their diploma. Biesse Group thus acts as a knowledge activator in the locality where most of its design and creation of solutions is undertaken. In this regard, specific recruitment activities are conducted in the main local technical and professional institutes to meet youngsters about to obtain their diploma and to invite them to a selection day for a mini-assessment, which is tailored according to the profiles sought.

Lectures, seminars and career days are some of the activities conducted on the premises of the main Italian universities. The selection of young talent takes place via assessment sessions, in which candidates are subjected to psycho-aptitude tests and self-presentations. After having passed the selection process, new hires receive on-the-job training by working alongside more senior colleagues and attend training courses in specific academies. With a view to future growth and improvement, during the course of 2019, "Internal Job Posting" was launched, being a process designed to encourage the mobility of personnel within the Group and to allow all employees to take advantage of professional opportunities being offered in order to encourage transfers between departments and operating facilities.

Table 6. Number of new hires and new hire turnover rate, by gender, age group and geographical area

NEW HIRES						2019
Geographical area	Gender	<30 years old	30-50 years old	>50 years old	Total	Turnover (based on total workforce)
Italy	Men	23	30	8	61	1.6%
	Women	3	5	1	9	0.2%
	<b>Total</b>	<b>26</b>	<b>35</b>	<b>9</b>	<b>70</b>	<b>1.8%</b>
	Turnover (based on total workforce)	0.7%	0.9%	0.2%	1.8%	-
Abroad	Men	68	66	19	153	3.9%
	Women	11	25	10	46	1.2%
	<b>Total</b>	<b>79</b>	<b>91</b>	<b>29</b>	<b>199</b>	<b>5.1%</b>
	Turnover (based on total workforce)	2.0%	2.3%	0.7%	5.1%	-
Total	Men	91	96	27	214	5.5%
	Women	14	30	11	55	1.4%
	<b>Total</b>	<b>105</b>	<b>126</b>	<b>38</b>	<b>269</b>	<b>6.9%</b>
	Turnover (based on total workforce)	2.7%	3.2%	1.0%	6.9%	-

NEW HIRES						2018
Geographical area	Gender	<30 years old	30-50 years old	>50 years old	Total	Turnover (based on total workforce)
Italy	Men	170	198	18	386	9.3%
	Women	27	17	3	47	1.1%
	<b>Total</b>	<b>197</b>	<b>215</b>	<b>21</b>	<b>433</b>	<b>10.4%</b>
	Turnover (based on total workforce)	4.7%	5.2%	0.5%	10.4%	-
Abroad	Men	192	193	39	424	10.2%
	Women	17	50	7	74	1.8%
	<b>Total</b>	<b>209</b>	<b>243</b>	<b>46</b>	<b>498</b>	<b>12.0%</b>
	Turnover (based on total workforce)	5.0%	5.9%	1.1%	12.0%	-
Total	Men	362	391	57	810	19.6%
	Women	44	67	10	121	2.9%
	<b>Total</b>	<b>406</b>	<b>458</b>	<b>67</b>	<b>931</b>	<b>22.5%</b>
	Turnover (based on total workforce)	9.8%	11.1%	1.6%	22.5%	-

Table 7. Number of leavers and leaver turnover rate, by gender, age group and geographical area

LEAVERS						
						2019
Geographical area	Gender	<30 years old	30-50 years old	>50 years old	Total	Turnover (based on total workforce)
Italy	Men	29	56	31	116	3.0%
	Women	4	5	5	14	0.3%
	<b>Total</b>	<b>33</b>	<b>61</b>	<b>36</b>	<b>130</b>	<b>3.3%</b>
	Turnover (based on total workforce)	0.8%	1.6%	0.9%	3.3%	-
Abroad	Men	121	140	31	292	7.4%
	Women	17	32	16	65	1.7%
	<b>Total</b>	<b>138</b>	<b>172</b>	<b>47</b>	<b>357</b>	<b>9.1%</b>
	Turnover (based on total workforce)	3.5%	4.4%	1.2%	9.1%	-
Total	Men	150	196	62	408	10.4%
	Women	21	37	21	79	2.0%
	<b>Total</b>	<b>171</b>	<b>233</b>	<b>83</b>	<b>487</b>	<b>12.4%</b>
	Turnover (based on total workforce)	4.4%	5.9%	2.1%	12.4%	-

LEAVERS						
						2018
Geographical area	Gender	<30 years old	30-50 years old	>50 years old	Total	Turnover (based on total workforce)
Italy	Men	37	53	24	114	2.8%
	Women	6	6	1	13	0.3%
	<b>Total</b>	<b>43</b>	<b>59</b>	<b>25</b>	<b>127</b>	<b>3.1%</b>
	Turnover (based on total workforce)	1.0%	1.5%	0.6%	3.1%	-
Abroad	Men	41	322	7	370	8.9%
	Women	6	45	2	53	1.3%
	<b>Total</b>	<b>47</b>	<b>367</b>	<b>9</b>	<b>423</b>	<b>10.2%</b>
	Turnover (based on total workforce)	1.1%	8.9%	0.2%	10.2%	-
Total	Men	78	375	31	484	11.7%
	Women	12	51	3	66	1.6%
	<b>Total</b>	<b>90</b>	<b>426</b>	<b>34</b>	<b>550</b>	<b>13.3%</b>
	Turnover (based on total workforce)	2.2%	10.3%	0.8%	13.3%	-

## Training and continuous improvement

Training of employees ensures continuous innovation, reliability and quality of the products and services that the Group offers its customers and is structured in a manner that ensures a differentiated and inclusive range that is targeted at professional members of staff at all levels.

In fact, it is the Group's belief that growth can be solid and continuous over time only through specific investment in the development and refinement of its employees' skills.

In 2019, the Group provided over 120,000 hours of training to its employees, consisting of training for blue collar workers, technicians and field engineers, occupational health and safety, anti-corruption, Legislative Decree 231/2001, cyber security and privacy, soft skills and professional development.

The recruitment and induction of young people requires a significant effort by the Group to provide training on technical and managerial skills. In this regard, the Group has continued with its Future Lab, which is designed for young employees and that aims to provide customised skills development and professional growth paths. During the course of 2019, in addition to having commenced the third edition of Future Lab, which involved approximately 80 young graduates in the year just ended, a new training programme has been launched, namely, Future Lab Master, which is dedicated to certain skills, such as public speaking and time management, marketing and finance. The entire project provided approximately 5,000 hours of training in 2019.

The attention given by Biesse Group to customer satisfaction, the pursuit of service excellence via use of the SOPHIA digital platform and the development of the regional network have required greater investment in terms of training for Service staff. In this regard, the Service Academy acts as a training and support centre for Biesse Group's entire service network, including the Group's technicians and dealers, as well as customers' operators and maintenance personnel. The objective of the Academy is to provide a guided, customised learning path, encompassing classwork, coaching, assessments and certifications, based on standardised methods and documentation. The first recipients of Service training included newly hired technicians originating from local schools and universities with which Biesse Group collaborates.

Specifically, approximately 900 hours of training were provided in 2019 to the Group's hotliners, in order to raise their awareness of the importance of improving not only their technical skills, but also soft skills associated with the ability to communicate with customers and interlocutors. Moreover, advanced courses have been introduced on the entire portfolio of machinery produced by Biesse Group, as well as troubleshooting courses designed for the Group's technicians and customers, in order to increase their diagnostic skills.

Biesse Group organises training weeks held on the Pesaro campus for Group and trade partner employees around the world, dedicated to product innovations and new sales tools. As regards Sales Academy courses targeted at the Group's sales personnel, over 4,500 hours of training were provided during the course of 2019. Sales employee training is periodic and continuous and addresses the technological evolution of products and new developments concerning services offered by the Group, in order to always guarantee value added for customers.

The need to transfer lean methods and tools "from the factory to the offices" has also required the organisation of a new "Lean Office" course, focused on the use of just in time techniques in the office, totalling more than 200 hours. As evidence of the attention given by the Group to all aspects of its business ethics and integrity, during the course of 2019, various on-site and remote involvement, information and training sessions were held on Legislative Decree 231/2001, reporting channels available for the communication of unlawful conduct pursuant to Legislative Decree 231/2001 (so-called whistleblowing law), the Code of Conduct, anti-bribery and human rights that involved approximately 2,800 employees.

In order to be compliant with Regulation (EU) 2016/679 (GDPR), during the course of 2019, a training session was held in a lecture theatre for Biesse Group's privacy contact persons, namely, those responsible for the practical and operational management of processing of personal data in the various functions of the company. As regards the foregoing topic, an e-learning course has also been launched that will gradually be rolled out to all employees of the Group companies. In order to make

employees aware of the importance of data protection, their responsibilities in relation thereto and the Group's reputation, training has continued on cyber security.

Further information concerning key figures relating to training is indicated below.

Table 8. Hours of training provided (broken down by labour category and gender)

2019				2018		
Labour category	Hours Men	Hours Women	Total	Hours Men	Hours Women	Total
White Collar	66,121	5,857	<b>71,978</b>	85,191	5,977	<b>91,168</b>
Blue Collar	52,034	361	<b>52,395</b>	28,868	1,155	<b>30,023</b>
<b>Total Hours (Employees)</b>	<b>118,155</b>	<b>6,218</b>	<b>124,373</b>	<b>114,059</b>	<b>7,132</b>	<b>121,191</b>
of which: Technical training	87,913	1,831	<b>89,745</b>	97,786	4,649	<b>102,435</b>
of which: Professional and management skills training	17,962	3,381	<b>21,342</b>	8,895	1,881	<b>10,776</b>
of which: Health and safety training	12,280	1,006	<b>13,286</b>	7,378	602	<b>7,980</b>
<b>Total Hours (Other workers)</b>	<b>13,288</b>	<b>91</b>	<b>13,379</b>	<b>5,724</b>	<b>31</b>	<b>5,755</b>

Table 8.b Average hours of training provided (broken down by labour category and gender)

2019				2018		
Labour category	Average hours Men	Average hours Women	Total average hours	Average hours Men	Average hours Women	Total average hours
White Collar	31.3	11.9	<b>27.6</b>	38.4	11.9	<b>33.5</b>
Blue Collar	39.9	24.1	<b>39.7</b>	19.5	52.5	<b>19.9</b>
<b>Average hours: Employees</b>	<b>34.6</b>	<b>12.2</b>	<b>31.7</b>	<b>30.8</b>	<b>13.6</b>	<b>28.7</b>
<b>Average hours: Other workers</b>	<b>57.0</b>	<b>3.1</b>	<b>51.1</b>	<b>31.4</b>	<b>2.4</b>	<b>29.5</b>

Table 9. Number of employees who received training or communications on the Code of Conduct and human rights

2019				2018		
Labour category	Men	Women	Total	Men	Women	Total
White Collar	1,279	306	<b>1,585</b>	1,368	329	<b>1,697</b>
Blue Collar	1,139	16	<b>1,155</b>	1,305	63	<b>1,368</b>
Other workers	117	15	<b>132</b>	169	8	<b>177</b>
<b>Total</b>	<b>2,535</b>	<b>337</b>	<b>2,872</b>	<b>2,842</b>	<b>400</b>	<b>3,242</b>

## Evaluation of resources

On completion of the training process, an individual performance and professional development evaluation process then forms part of Biesse Group's personnel development strategy. The Group believes it is important to offer its resources tangible career advancement opportunities and that this is one of the most important determinant factors affecting employee loyalty and the retention of skills.

The fundamental principles underlying the evaluation process adopted by the Group recognise as key factors the setting of objectives and expectations for each employee in line with the corporate vision, the sharing thereof, the evaluation of the results achieved and the preparation of a development plan. In this regard, during the course of 2019, a project was launched concerning the evaluation of resources that involved approximately 1,500 persons, including executives, middle managers and

white collar staff in Italy and abroad. The process involved extensive training and support to management with the aim of increasing transparency and of disseminating a feedback culture throughout the Group. The consolidation of the performance evaluation process fulfils certain objectives, such as the enhancement of Group management's leadership style and the implementation of processes that are deemed by younger employees to be essential for their participation in the current working environment. The adoption of a performance management process facilitates the retention of highly skilled colleagues, who are increasingly motivated by challenging and growth-oriented work environments.

Due to the fact that the Group has grown to a significant size in terms of number of subsidiaries and employees around the world, it is essential to be able to manage the HR processes in an organic manner, via the use of effective tools. For this reason, a dedicated management system has been introduced to integrate and standardise at Group level the human resource management and development processes, including the administration of data relating to personnel and the selection, training and evaluation processes.

## Occupational health and safety

The health and safety of employees are fundamental conditions that merit special attention via prevention, technological development, training and continuous monitoring. All business activities are carried out in line with occupational health and safety regulations in force, as well as with the requirements of the Code of Conduct and the Safety Policy. Moreover, the Group, guarantees the highest safety standards to operators through organisational and operational measures, but also through technical measures, the continuous alignment with new technologies, individual protection devices and the development of training courses.

With reference to the Group's Italian companies, the safety management system requires certain roles to be filled, in line with relevant regulations. To this effect, for each production unit, persons within or outwith the Group have been appointed to the position of health and safety manager and to act as health and safety officers, within the parameters of the law. To guarantee adequate employee representation within the safety management system, employees are asked to elect their employee safety representatives.

As evidence of the sensitivity of Biesse Group personnel to issues concerning safety at work, note that, in 2019, 36 near misses were reported. The issues reported were reviewed to determine the cause thereof and to improve the prevention system in place.

With respect to certification processes, Biesse S.p.A. has implemented a process for the certification of the occupational health and safety management system to ISO 45001:2018 standards, with the aim of creating a culture of health and safety capable of producing continuous improvement of the company's performance.

During the course of 2019, HSD S.p.A., which had already been awarded occupational health and safety management system certification to BS OHSAS 18001 standards, initiated and completed migration to ISO 45001:2018. Renewal of the certification is subject to the execution of specific periodic audits, aimed at verifying compliance over time with the management system implemented.

In 2019, 91 injuries were recorded, of which 70 occurred in the workplace and 21 occurred while commuting, a slight decrease compared to 2018. It should also be noted that no work-related fatalities were recorded. Further information concerning key figures relating to health and safety are indicated below.



Table 10. Number of injuries recorded

Geographical area	Type of injury	2019			2018		
		Men	Women	Total	Men	Women	Total
Italy	Injuries	49	2	51	59	2	61
	→ of which: in the workplace	36	0	36	49	1	50
	→ of which: while commuting	13	2	15	10	1	11
Abroad	Injuries	39	1	40	31	2	33
	→ of which: in the workplace	33	1	34	28	2	30
	→ of which: while commuting	6	0	6	3	0	3
<b>Total</b>	<b>Injuries</b>	<b>88</b>	<b>3</b>	<b>91</b>	<b>90</b>	<b>4</b>	<b>94</b>
	<b>→ of which: in the workplace</b>	<b>69</b>	<b>1</b>	<b>70</b>	<b>77</b>	<b>3</b>	<b>80</b>
	<b>→ of which: while commuting</b>	<b>19</b>	<b>2</b>	<b>21</b>	<b>13</b>	<b>1</b>	<b>14</b>

Table 11. Injury and occupational disease rates<sup>23</sup>

Geographical area	Injury rates	2019			2018		
		Men	Women	Total	Men	Women	Total
Italy	Rates of injury	13.7	4.6	12.7	16.5	4.5	15.2
	Injury severity rate	2.3	0.2	2.1	3.9	0.3	3.5
	Occupational disease rate	0.0	0.0	0.0	0.0	0.0	0.0
Abroad	Rates of injury	14.4	2.2	12.7	10.7	4.2	9.8
	Injury severity rate	0.5	0.0	0.4	0.6	0.0	0.5
	Occupational disease rate	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>Rates of injury</b>	<b>14.0</b>	<b>3.4</b>	<b>12.7</b>	<b>13.9</b>	<b>4.4</b>	<b>12.7</b>
	<b>Injury severity rate</b>	<b>1.6</b>	<b>0.1</b>	<b>1.4</b>	<b>2.6</b>	<b>0.2</b>	<b>2.3</b>
	<b>Occupational disease rate</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

In relation to Biesse Group's other workers (temporary workers), in 2019, 14 injuries were reported, of which 12 were in Italy (8 in the workplace and 4 while commuting) and 2 were abroad (all in the workplace). The overall injury rate for other workers was 27.9<sup>24</sup>. The injuries involved men and none proved fatal.

In line with that mentioned above for the Italian companies, the other foreign Group companies have also implemented a safety management system in compliance with local regulations.

**Biesse Manufacturing** has adopted an occupational health and safety management system and has set up a watchdog committee. During the course of 2019, a dedicated position was introduced with the role of increasing employee awareness of topics concerning occupational health and safety, planning and performance of audits in order to identify and report on any risk situations and conditions, provision of assistance to factory management to help them comply with their obligations related therewith, the preparation of annual targets and support to management for the achievement of established objectives. Moreover, corporate policies were revised and there was an increase in raising awareness, including through the posting of specific signs, and in training in order to prepare employees to act correctly in emergency situations and to reduce the number of accidents.

<sup>23</sup> Rates of injury were calculated using the following formula: (number of injuries / hours worked) x 1,000,000; Injury severity rates were calculated using the following formula: (days lost due to injury, including public holidays / workable hours) x 10,000; Occupational disease rates were calculated using the following formula: (days lost due to occupational disease / workable hours) x 1,000,000; in the two years in question, the injury severity rate coincides with the Lost Day Rate (LDR).

<sup>24</sup> The health and safety data of external employees includes only the category of the Temporary workers and not other types of non-employee workers working at the Group's sites and/or under the control of the Group, in view of their significance and the availability of such data on which the Group does not exercise direct control.

In relation to the employee absence rate, this increased in 2019 by 24% compared to the 2018 figure.

Table 12. Absence rate<sup>25</sup>

Geographical area	2019			2018		
	Men	Women	Total	Men	Women	Total
Italy	257.0	224.4	253.3	235.1	183.3	229.2
Abroad	195.4	147.8	188.7	116.9	126.4	118.3
<b>Total</b>	<b>233.3</b>	<b>190.1</b>	<b>228.0</b>	<b>187.7</b>	<b>156.7</b>	<b>183.8</b>

## Industrial relations

In order to guarantee employees fair, safe, accessible and sustainable workplaces and working conditions, it is essential to maintain an effective industrial relations system. Over the years, the Group has established a fruitful dialogue with the trade unions, in order to find the best solutions to reconcile people's needs with those of the business, guaranteeing every employee a transparent employment relationship and the full protection of his/her rights, regardless of the form of the contract that is characterised by the countries in which he/she works.

Industrial relations between the business and employees' representatives involve periodic meetings, during which a review is conducted of the trend in the Group's results and financial position, as well as of specific issues, such as occupational health and safety (analysis of injuries, near misses and processes for improvement of working conditions), training and the development of skills.

Relations with the unions are characterised by a generally constructive climate, by means of open and dialectical discussions of various issues, in full respect of people and their ideas, with recognition that only the contribution of each person involved would ensure solutions designed to face a rapidly evolving reality such as the current one. During the course of 2019, involvement, the sharing of information and the pursuit of agreements with the trade unions have been instrumental in handling potentially critical emerging issues, associated with the market and certain significant changes to the regulatory framework in which the Group operates.

In addition to their customary role of sitting at negotiating tables, trade union representatives are often directly involved in organisational improvement processes.

As far as the Italian Group companies are concerned, it should be noted that 100% of employees are covered by collective labour agreements.

## Corporate welfare

Due to the fact that the Group is attentive to the wellbeing and quality of life of its employees, it has committed to planning actions to improve employee satisfaction and the corporate climate, by focusing on numerous initiatives concerning corporate welfare.

The preparation of a good welfare plan helps to reward and retain employees, makes the business more attractive to new candidates and guarantees appropriate management of internal relations, thus improving the working environment.

As part of the corporate welfare plan, all Italian employees are offered the chance to choose from a series of tax-exempt services related to health, wellbeing, education, recreation, sport and travel. In addition to the payment of annual amounts due for the three-year period 2017-2019, the corporate welfare plan, which is targeted at all blue collar workers, office workers and middle managers

<sup>25</sup> Absence rates were calculated using the following formula: (days absent / workable days) x 10,000.

employed in Italy, provides for, in accordance with the collective labour agreement for metalworkers, the possibility for each employee to convert his/her corporate performance bonus each year to flexible benefits.

In view of the possibility and the individual choice to convert all or part of the bonus to corporate welfare benefits, the value of the flexible benefits made available on the corporate platform will be increased by the Group to the extent of 13% of the amount of the accrued bonus.

In addition to the foregoing, the Group offers a canteen service to employees in the main production plants in Italy and abroad, a transport service for workers in Pesaro and Bangalore and accommodation for employees of the Chinese production plant.

During the course of 2019, as far as Italian Group employees are concerned, the corporate partnership scheme was revised and extended, with the objective of obtaining beneficial terms for local and nationwide recreational activities. Furthermore, in collaboration with Coldiretti, a weekly market is held on the Pesaro Campus to enable employees to buy seasonal products from local farmers.

## Benefits and remuneration

The Group's remuneration policy is based on incentive schemes designed to recognise the commitment and merits of employees, while, at the same time encouraging a sense of belonging, attracting excellent resources from outwith the Group and aligning employees' interests with the objectives of sustainable value creation for shareholders over a medium to long term time frame.

To guarantee fairness and transparency, the Group has designed a remuneration system for executive directors and key managers in line with the size and organisational characteristics of the Group and with the market in which it operates. This remuneration envisages an annual fixed component and a variable component, linked to the achievement of specific earnings based and non-earnings based performance objectives. The variable component of remuneration is paid upon the achievement of predetermined earnings and/or individual targets, by means of two incentive schemes, one of which is short term (MBO) that envisages the award of an annual bonus based on the achievement of quantitative and qualitative objectives, while the other is medium to long term (LTI) and envisages the payment of a three-year bonus subject to the achievement of earnings and financial targets.

As far as benefits are concerned, the Group has committed and continues to commit itself to guaranteeing its employees transparency and clarity. Disbursement mechanisms may vary, not dependent on different contractual forms (full-time, part-time, permanent or temporary), but on different geographical areas, because relevant regulations may include or exclude certain services.

## Diversity and social inclusion

Biesse Group acknowledges the centrality of human resources in the belief that the key factor of success of every enterprise consists of the professional contribution made by its employees, in a climate of loyalty and mutual trust. Accordingly, for the purposes of personnel selection, recruitment and career advancement, the Group performs assessments solely based on a matching of expected profiles to required profiles and on transparent and verifiable considerations of merit, in accordance with established procedures. The management of employment relationships is oriented towards guaranteeing equal opportunities and facilitating the professional development of employees.

The Group is committed not to make any direct or indirect discrimination in the personnel selection and evaluation process, based on trade union, political, religious, racial, language or gender related reasons. Group policies encourage the selection and recruitment of local personnel, including senior management, at all locations where Biesse operates around the world.

Table 13. Percentage of employees by labour category and gender<sup>26</sup>

Labour category	AT 31 DECEMBER 2019			AT 31 DECEMBER 2018		
	Men	Women	Total	Men	Women	Total
White Collar	53.8%	12.6%	66.4%	53.1%	12.3%	65.3%
Blue Collar	33.2%	0.4%	33.6%	34.1%	0.6%	34.7%
<b>Total (%)</b>	<b>87.0%</b>	<b>13.0%</b>	<b>100.0%</b>	<b>87.2%</b>	<b>12.8%</b>	<b>100.0%</b>

Table 14. Percentage of employees by labour category and age group

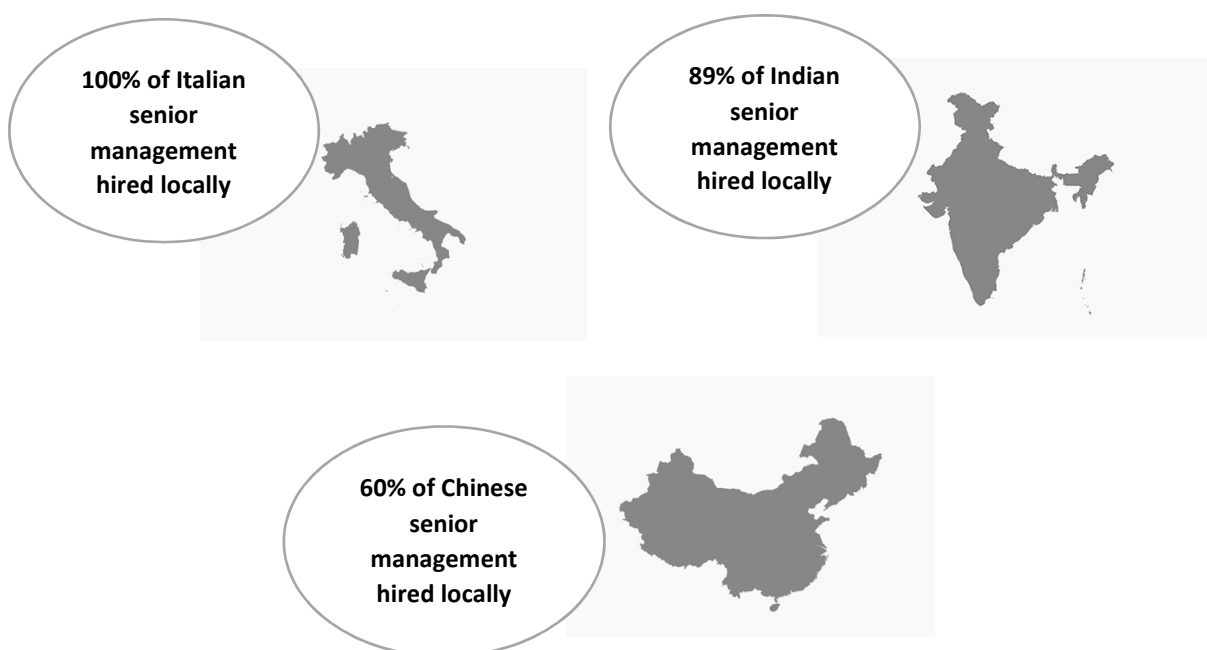
Labour category	AT 31 DECEMBER 2019			
	<30 years old	30-50 years old	>50 years old	Total
White Collar	8.7%	43.4%	14.3%	66.4%
Blue Collar	7.2%	19.9%	6.5%	33.6%
<b>Total (%)</b>	<b>15.9%</b>	<b>63.3%</b>	<b>20.8%</b>	<b>100.0%</b>

Labour category	AT 31 DECEMBER 2018			
	<30 years old	30-50 years old	>50 years old	Total
White Collar	10.7%	42.2%	12.5%	65.3%
Blue Collar	8.5%	20.5%	5.6%	34.7%
<b>Total (%)</b>	<b>19.2%</b>	<b>62.7%</b>	<b>18.1%</b>	<b>100.0%</b>

A sign of the commitment to develop an organisation that is as multicultural as possible and mindful of local sensitivities is the prevalence of senior managers hired locally<sup>27</sup>. Furthermore this approach makes it possible to contribute indirectly to the generation of further value in the regions in which the Group operates.

Figure 15: % of senior management hired from the local community



<sup>26</sup> In order to consistently present Biesse Group's employees, the "white collar" category comprises professional members of staff that hold positions as manager, mid-manager and office staff, whereas the "blue collar" category comprises professional members of staff assigned to workers' functions.

<sup>27</sup> This figure relates to the significant locations of operations: Italy, India and China.

Attentive to the needs of protected categories, the Group acts in line with regulations in force in the countries in which it operates and guarantees the same conditions and the same opportunities offered to other employees.

## Biesse Group and the communities

The Group is in contact with institutions, training bodies and organisations active in the locality, it listens to their requests and expectations and is attentive to the needs of the various local communities in which it operates. It is committed to the promotion of social and cultural initiatives, it has a preference for collaborations aimed at supporting training and the locality, while paying particular attention to projects focused on children, youth and culture.

With a firm belief in the value of constant training, it fosters a participatory dialogue with national and international institutions, universities, training schools and research centres and develops, with their contribution, projects of common interest to facilitate the entry of young people into the world of work, while conducting research for the development of new technologies and business practices. In the year just ended, Biesse Group has supported numerous social, cultural, scientific and sports initiatives, having made contributions and donations of approximately Euro 600,000 and by having collaborated with various national and international non-profit institutions and entities.

### Social commitment

The main social initiatives promoted by the Group in 2019 are the following:

#### The educational value of sport

Biesse Group believes in the importance of promoting sports culture as an educational and aggregative element for young people, thus offering them an opportunity to engage and test themselves, in a healthy and constructive manner. For this reason, the Group has confirmed its support for various local sports clubs, with a particular focus on youth. In 2019, it actively supported Team Vis Sauro Nuoto (swimming team), Victoria Libertas pallacanestro (basketball team), Bees basket, Pesaro rugby, Robursport women's volleyball team, GS Muraglia Calcio (football team), VIS Pesaro (football team) and other sports clubs.

#### Support to "I bambini delle fate"

Via the "I bambini delle fate" association, the Group supports social inclusion projects aimed at families with autism and other disabilities, thus contributing to the dissemination of a new vision for diversity and inclusion.

#### Fight against waste in collaboration with Banco Alimentare and Caritas

Thanks to an active contribution by Banco Alimentare and Caritas, unconsumed food in the company canteen on the Pesaro Campus is recovered under a project inspired by circular economy models, thus fighting waste and making good use of food that would otherwise have been discarded. **Banco Alimentare** recovers hot meals, bread, desserts, fruit and vegetables from the company canteen three times a week and, thanks to its volunteers, it redistributes them locally the same day, thus offering tangible, constant support to the needy. Thanks to a constant relationship with the Group, **Caritas** also collects, on a daily basis, excess food from the canteen, by means of which it provides support to "Casa Tabanelli", an emergency reception centre located in Pesaro, thus guaranteeing a meal every day to the centre's guests. During the course of 2019, approximately **14,000 complete meals** were recovered.

### **Support to Fondazione Francesca Rava N.P.H. Italia Onlus and A.I.D.O.**

At Christmas, Biesse Group renewed its support to the earthquake-hit zones of Central Italy in partnership with **Fondazione Francesca Rava - N.P.H. Italia Onlus**, by supporting a further reconstruction project, a multipurpose centre in Pieve Torina, designed to provide its citizens with safe, beautiful and useful structures for a return to daily life and wellbeing, to be used for school activities and as a civic centre open to its citizens. Moreover, the Group has decided to support via a donation to **A.I.D.O.**, a non-profit organisation, which, for forty years, by means of transplant medicine, contributes to saving the lives of thousands of people.

### **Biesse America – support to the “Operation Sandwich” initiative**

At Christmas, Biesse America supported the “Operation Sandwich” initiative launched by the local authorities to offer a sandwich to the homeless in Uptown Charlotte's surrounding areas. Biesse America contributed by offering the ingredients and by allowing its employees to participate, for a day, during their lunch break, in the preparation of the sandwiches.

### **Biesse America – support to Keystone Montessori School**

Biesse America has provided support to Keystone Montessori School, Charlotte, by donating innovative shelving that has been custom designed for children, thus enabling the school to improve its services.

### **Biesse France - Les Restos du Coeur**

Again this year, Biesse France supported the **Les Restos du Coeur** association over the Christmas period, with its “Opération paquets cadeaux” initiative, providing the subsidiary's employees with a chance to engage in volunteer activities, by taking turns to do so during the working day. The proceeds from the activities are to be donated to the association for its charitable work.

### **Biesse Manufacturing India – CSR & Company Law**

During the course of 2019, Biesse Manufacturing, in collaboration with Bangalore University and SIP Academy (coaching institute dedicated to the development of skills for children in India), organised a walkathon event and contributed to the planting of approximately 1000 fruit trees in the biopark on the Bangalore University campus, as well as having contributed to the construction of wells needed for irrigation of the park.

Again in 2019, the company, which is actively committed to the development of the locality in which it operates, sponsored the construction of a drinking water system as well as wells and a network of pipes close to the village of Jakkasandra, Bangalore, to provide access to drinking water to neighbouring communities. Moreover, Biesse Manufacturing is supporting the construction of a public drinking water system close to the Nelamangala factory in Bangalore, which will provide benefits for the local community. The project will be completed by the end of 2020.

## **Culture, education and instruction**

Again in 2019, the Group collaborated with numerous technical institutes, universities and training institutions. The main initiatives are the following:

### **Partnership with Università Politecnica delle Marche**

The partnership with the University of Ancona has continued; specifically, Biesse has commenced collaboration with the Department of Industrial Engineering and Mathematical Sciences (DIISM), by



supporting the development of additive manufacturing (or 3D printing) projects, a revolutionary Industry 4.0 technology, whose main advantages are greater freedom of design and use of materials strictly necessary for the creation of a product, thus guaranteeing waste reduction and a positive environmental impact. Research will be focused on the optimisation of processes, the development of design software and the pursuit of new materials.

Again in collaboration with DIISM, 2019 saw the completion of a project concerning the study of technologies for the innovation of products and processes that fall within Industry 4.0 scenarios, with a particular focus on predictive maintenance services.

### **Collaboration with Urbino University on communication and business support**

Biesse Group has participated in a business game launched as part of the master's degree in Communication and Advertising for Organisations offered by Urbino University. The second year students challenged each other by presenting five different communication projects focused on competitor analysis, communication strategies and creative ideas. A member of the team that presented the winning project will be selected for an internship with the Group. The project forms part of the Group's collaboration with the academic world and its desire to invest in the development of talent and skills.

### **Biesse Manufacturing India – Institute of Wood Science & Technology**

In line with the global vision of openness and dialogue with the world of education, collaboration has continued in India with the Institute of Wood Science & Technology, which works under the Indian Council of Forestry Research and Education of the Ministry of Environment and Forests. The project is governed by a Memorandum entered into between the Institute and Biesse Group that requires a 5-year commitment to provide infrastructures and financing needed, with the objective of facilitating the dissemination of knowledge of the most innovative wood processing technologies. This collaboration has resulted in the launch of a one year diploma course that focuses on advanced wood processing technologies and of three brief courses aimed at students with basic knowledge, with the aim of training future operators and technicians and, in the long term, of encouraging participants to pursue business and personal growth objectives. The first diploma course was successfully completed in 2019.

### **Biesse Manufacturing India – support to the locality**

During the course of 2019, Biesse Manufacturing India donated books and English dictionaries to the Government Higher Primary School, located near Makali and supported the creation of an IT laboratory at the Moraji Desai Model Residential School in Chikkaballapur.

Lastly, Biesse provided computer equipment to the police station in Nelamangala, making it possible to offer a more efficient service to users in the locality.

### **Institutional communication and transparency**

In order to guarantee the utmost transparency vis-à-vis stakeholders, in recent years Biesse Group has extended and improved its internal and external communication channels and has expanded the traditional range of communications addressing the financial performance of the business.

In pursuit of the same objective, the Group has adopted a policy, which sets out the rules for use of brands and guidelines for the application of visuals, as well as for various communication tools, such as letter heading, trade fairs, product catalogues and digital communication. Furthermore, internal guidelines have been prepared for communication via social networks, in order to enable each



employee to make best use of this communication tool and to make contact, in a responsible manner, with Biesse Group's and the divisions' social media.

The Group issues press releases of a financial and institutional/commercial nature.

Press releases of a **financial nature** are mainly targeted at investors and shareholders, and are handled and prepared by the Group's Investor Relations Officer, who is responsible, together with the Communication and Legal Affairs functions and with General Management, for their content and dissemination through the apposite channels. The financial press releases deemed to be of more value to stakeholders, containing financial data or statements on the Group's performance, are also published on the corporate intranet, in the press review and on the divisional websites.

**Institutional and commercial** press releases, which are prepared by the Communications department, contain information about Group initiatives and are sent to industry sector and non-industry sector journalists, are published on the divisional websites, within the magazine section and are posted on social channels. Press releases of an institutional and commercial nature are used to promote Group initiatives, such as the receipt of an award or a recognition, whereas commercial press releases deal with issues such as attendance at trade fairs and events, the opening of new campuses around the world and the strengths of technological solutions offered.

It should also be noted that no cases arose in 2019 of non-compliance with voluntary regulations and codes concerning communications and marketing.

Aimed at all stakeholders, **Make** is a publication conceived as a new means of discovering Biesse Group, the thoughts of those who lead it, the technological innovation that makes it stand out, the testimonies of those who chose it to grow, the events that animate it and the tales of those who work there every day. This tool, in both its print and online versions, has the objective of divulging useful information to all stakeholders and of offering a transparent relationship and a constantly updated vision of what is happening in the business.

The integration of digital and **social media** into communication strategies completes the Group's commitment to be increasingly attentive to the communication of business activities to its stakeholders in order to engage with them more.

As of today, Biesse Group has a corporate Facebook page and three divisional Facebook pages, a corporate Twitter channel and three divisional channels, a corporate Instagram account and three divisional accounts, a corporate LinkedIn profile, which is used as a talent attraction and recruiting tool, a divisional LinkedIn page on business tooling and a YouTube channel.

The digital strategy adopted makes it possible to improve the Group's range of communications and to take account of feedback obtained from users globally.

As at 31 December 2019, the Group's social media management had achieved the following results on the above channels:

#### Facebook

- number of posts published: 438
- number of fans: 15,875
- Increase in followers (compared to 2018): +18.40%
- Interactions: 94,327

#### Twitter

- number of posts published: 200

- number of fans: 2,349
- Increase in followers (compared to 2018): +16.60%
- Interactions: 2,751

#### LinkedIn

- number of posts published: 285
- number of fans: 34,591
- Increase in followers (compared to 2018): +19.50%
- Interactions: 168,242

#### Instagram

- number of posts published: 104
- number of fans: 9,724
- Increase in followers (compared to 2018): +47.50%
- Interactions: 24,736

#### YouTube

- total channel subscribers 9,390
- Increase in followers (compared to 2018) 24.30%
- Total number of views 618,991
- total viewing time (hours) 22,609
- average viewing time (minutes) 01:49:30
- number of videos published 112

With a view to guaranteeing clear and easy communication for all its customers, the Group offers, in addition to the information provided on the corporate website, a vast range of catalogues translated into several languages (Italian, English, French, Spanish and German and some are in Russian and Polish, while ad hoc translations may be provided based on market needs) that contain product descriptions and highlight for the customer the competitive advantage it may obtain from the technological solutions and the services offered.

During the course of 2019, 321 news articles were published on the Corporate intranet compared to 247 in 2018.

# Environmental Sustainability

In a nutshell:

- ✓ **16,500 m<sup>2</sup>** of photovoltaic panels installed
- ✓ **539 tonnes of CO<sub>2</sub>** saved through the use of photovoltaic panels
- ✓ **92%** of waste products are non-hazardous
- ✓ **-11%** water consumption compared to 2018
- ✓ **Energy audits** conducted on Biesse S.p.A.'s manufacturing plants
- ✓ Various **energy efficiency improvement** schemes implemented and planned as part of the environmental management system

## Approach to environmental management

Biesse Group pursues the objective of contributing positively to the protection and safeguard of the environment through the development of strategies and initiatives aimed at minimising the environmental impact arising from the activities carried out thereby. Accordingly, the Group is committed to the constant pursuit of the most appropriate solutions to ensure responsible use of resources, a decrease in energy consumption and better management of atmospheric emissions.

In line with its Environmental Policy, the Group has identified the following lines of strategic action:

- **Natural resource savings**

Biesse Group is committed to produce better, by consuming less energy and less resources and by optimising the management of environmental aspects (resources, water, waste and commodities) to leave a less impoverished and more liveable environment for future generations.

The commitment comprises a revision of Biesse products by redesigning and studying them with the objective of obtaining a low environmental impact in terms of longer life and greater flexibility, energy savings and increased recyclability of components.

- **Reduction of the impact of production systems**

Biesse Group is committed to reviewing and redesigning processes and technologies that prevent and/or reduce their environmental impact. This will only be possible by applying the best operating techniques and by ensuring rational and efficient use of energy resources and commodities.

- **Compliance with relevant legislation**

Biesse Group's commitment to compliance with environmental legislation constitutes an obligatory passage point and reflects the maturity achieved by Biesse's production facilities and management system, which guarantees a sustainable use of natural resources and waste management.

## Energy consumption and emissions

### Energy management

The Group's focus on efficient management of energy consumption has led Biesse to address the reduction of direct and indirect emissions and to achieve savings in economic terms; to this end, Biesse S.p.A. has voluntarily appointed an Energy Manager, who is a qualified **energy management expert**. In compliance with Legislative Decree 102/2014 (that transposes EU Directive 27/2012 concerning energy efficiency), due to the fact that Biesse S.p.A. is a "Large Enterprise", energy audits are conducted every three years on Biesse S.p.A.'s main manufacturing plants. In 2019, the results of the energy audits for the three year period 2015/2018 were presented. The audits were conducted at the Pesaro campus and at Intermac's plants, making it possible to identify the real trend in energy consumption at the audited sites and areas of potential efficiency gains, such as continuous monitoring of significant energy consumption, upgrading the energy system and improvement of the environmental impact in the choice of energy sources.

Virtuous conduct is encouraged throughout the Group with a view to the reduction of employees' daily energy consumption in the performance of their work; furthermore, investments are constantly made in waste reduction devices, for example, for periods of inactivity (nights, weekends and holidays), and in highly efficient energy systems, which may even involve the replacement of old, less efficient systems.

**Electricity** used by the Group is mainly for the supply of power for manufacturing cycles in manufacturing plants and, to a lesser extent, for offices and services. Total electricity consumed in 2019 corresponds to approximately 66,464 GJ, a decrease of approximately 4% compared to the 2018 figure.

Table 15. Electricity consumption (GJ)

	2019	2018
Nature of consumption <sup>28</sup>	Consumption in GJ	Consumption in GJ
Electricity purchased	63,237	66,662
Electricity self-produced and consumed from renewable energy sources	3,227	2,817
<b>Total electricity consumption</b>	<b>66,464</b>	<b>69,479</b>

The methods adopted by the Group to reduce energy consumption are constantly evolving and consist of a mix of activities ranging from awareness and adoption of responsible behaviour of personnel to investments in new tools and technologies.

Via the photovoltaic plants installed on the Pesaro campus with a total surface area of approximately 12,000 m<sup>2</sup> and with an installed capacity of 770 kW, approximately 1,011 MWh of clean energy was generated in the year, of which approximately 80% was used by the Group for its activities.

During the course of 2019, a new photovoltaic plant was installed within the Pesaro campus that will be brought into use in 2020. It covers a surface area of approximately 4,500 m<sup>2</sup> and has a nominal capacity of approximately 495 kWp. When the plant becomes fully operational, it is expected to generate approximately 575 MWh of power, of which approximately 85% will be used for internal activities.

<sup>28</sup> GJ conversion factors used in 2019 are based on 2019 UK Government GHG Conversion Factors for Company Reporting.

The Group develops initiatives aimed at a more efficient use of energy resources and a reduction of its environmental impact. In this regard, the following initiatives have been implemented:

- completion of the centralised power factor correction for the production plants located on the Pesaro campus and the expansion of the automatic electricity consumption monitoring system;
- gradual replacement of the lighting systems in various production plants and sales subsidiaries with LED lighting systems; replacement of certain cabin transformers and electrical panels with new units equipped with magnetothermic switches with real-time control of energy consumption;
- constant maintenance of existing suction plant;
- installation of IE4 high-efficiency motors in the inverter suction lines for speed modulation in accordance with variations in the quantity of air being sucked in;
- HSD S.p.A has appointed an electrical designer to analysis consumption and to evaluate new projects and layout re-arrangement to support production;
- Bre.Ma. S.r.l. has installed new loading/unloading doors for goods and machinery with excellent sealing quality and fast fold doors have been installed outside each thereof in order to limit the loss of heat from inside the plant.

In a broader framework, the Group continues to implement structured continuous energy carrier monitoring systems, such as for electricity, thermal, natural gas and compressed air.

Further energy consumption consists of the use of petrol, diesel and natural gas, as shown by the following table:

Table 16. Classification of energy consumption within Biesse Group

	2019	2018
Energy source <sup>29</sup>	Consumption in GJ	Consumption in GJ
Petrol (for haulage)	5,488	5,471
Diesel	47,554	45,276
<i>of which: for haulage</i>	42,548	40,215
Natural gas (for heating)	52,847	52,333
LPG	1,276	1,719
Total electricity consumed (plant operation, offices and cooling)	66,464	69,479
<i>of which purchased</i>	63,237	66,663
<i>of which self-produced from renewable energy sources</i>	3,988	3,520
<i>→ of which sold</i>	(762)	(704)
<b>Total energy consumption</b>	<b>173,629</b>	<b>174,278</b>
<b>of which: from renewable energy sources</b>	<b>3,227</b>	<b>2,817</b>

Total energy consumption has remained in line with prior year.

<sup>29</sup> GJ conversion factors used in the 2019 are based on 2019 UK Government GHG Conversion Factors for Company Reporting.

## Emissions of CO<sub>2</sub>

Biesse Group, which is aware of the adverse impact arising from climate change, constantly tracks its direct and indirect emissions:

**Direct emissions (Scope 1)** arising from operation of plant and machinery owned by the business, such as heating systems (consumption of natural gas), diesel fuel systems, company pool cars and air conditioning systems.

**Indirect emissions (Scope 2)** arising from the generation of electricity purchased and consumed by the organisation

In particular, as regards direct emissions (Scope 1), Biesse Group produced a total of approximately 6,381 tonnes of CO<sub>2</sub>e, in line with the previous year.

Table 17. Classification of Biesse Group's Scope 1 emissions

	2019	2018
Nature of emission	Emissions (tonnes of CO <sub>2</sub> e)	Emissions (tonnes of CO <sub>2</sub> e)
<b>Total direct emissions (Scope 1)</b> <sup>30</sup>	<b>6,381</b>	<b>6,284</b>
of which: due to natural gas	2,698	2,675
of which: due to diesel	3,250	3,157
→ of which: due to diesel for haulage	2,893	2,768
of which: due to petrol for haulage	357	350
of which: due to LPG	76	102

In relation to indirect emissions (Scope 2), emissions of CO<sub>2</sub> produced amount to approximately 9,100 tonnes (market based method).

Table 18. Classification of Biesse Group's Scope 2 emissions

	2019	2018
Nature of emission <sup>31</sup>	Emissions (tonnes of CO <sub>2</sub> )	Emissions (tonnes of CO <sub>2</sub> )
<b>Total indirect emissions (Scope 2)</b> <sup>32</sup> (location based)	<b>7,634</b>	<b>8,286</b>
<b>Total indirect emissions (Scope 2)</b> <sup>33</sup> (market based)	<b>9,154</b>	<b>9,686</b>

With particular reference to the management of direct emissions, note that the Group has adopted a specific policy on pooled purchasing of company car fleets that requires new car purchases to be assessed based on their average CO<sub>2</sub> atmospheric emissions value.

<sup>30</sup> Conversion factors used for the computation of 2019 Scope 1 emissions are based on 2019 UK Government GHG Conversion Factors for Company Reporting.

<sup>31</sup> Scope 2 emissions are expressed in tonnes of CO<sub>2</sub>, although, according to relevant technical literature, the percentage included for natural gas and nitrous oxide has a negligible effect on total greenhouse gas emissions (CO<sub>2</sub> equivalent).

<sup>32</sup> For the purpose of the computation of 2019 Scope 2 emissions (location based method), use was made of the emission factors indicated by Terna's 2017 International comparison (figures at 31 December).

<sup>33</sup> For the purpose of the computation of 2019 Scope 2 emissions (market based method), use was made of the emission factors indicated by AIB's European Residual Mixes 2018 for European countries and the emission factors indicated in the previous note for the other countries in which Biesse Group operates.

Electricity produced by photovoltaic plants in 2019 made it possible to reduce CO<sub>2</sub> atmospheric emissions by a total of approximately 539 tonnes<sup>34</sup>.

As a sign of the Group's focus on a sustainable, decarbonised economy, effective 2020, in addition to strengthening its existing energy efficiency improvement schemes, most of the Italian companies will purchase energy from GO (guarantee of origin) certified renewable sources, with the aim of significantly reducing Scope 2 market based emissions.

---

<sup>34</sup> To determine the tonnes of CO<sub>2</sub> not emitted into the atmosphere, use was made of emissions factor indicated by AIB's European Residual Mixes 2018. The figure comprises CO<sub>2</sub> saved by the plants owned by Biesse and the unowned plant used by Montresor & Co. S.r.l.



## Materials used and waste management

Greater efficiency of use of materials in production processes translates to a reduction in costs, waste and scrap, all of which benefits the environment. For these reasons, the Group promotes the responsible management of materials and waste, with particular attention to the processing and disposal of hazardous waste.

The maintenance, safety and environment office is responsible for ensuring compliance with current legislation concerning the management of the storage, transport and disposal of hazardous and non-hazardous waste.

With a view to continuous improvement and efficiency gains in production systems, Biesse Group has almost entirely eliminated the disposal of materials at rubbish dumps, through recovery and recycling, as well as by means of the rationalisation of raw materials used. In particular, as regards wood panels used for machinery testing, in order to reduce the quantity that needs to be disposed of, a policy has been implemented, at the Group's main units, for the intelligent and responsible reuse of materials. Moreover, Biesse undertakes, as much as possible, to use ecological, recyclable packaging for the shipment of spare parts, by passing from solutions such as expanded foam and plastic adhesive tape to filler cardboard and paper adhesive tape.

During the course of 2019, Biesse Group produced over 2,700 tonnes of waste, of which approximately 92% consisted of non-hazardous waste.

Table 19. Classification of waste by type and by disposal method<sup>35</sup>

2019				
Disposal method	Unit of measurement	Hazardous	Non-hazardous	Total
Recycling	t	5	215	220
Recycling and disposal	t	12	2,210	2,222
Incineration	t	19	3	21
Rubbish dump	t	5	33	39
Storage	t	60	40	100
Other	t	126	31	158
<b>Total</b>	<b>t</b>	<b>228</b>	<b>2,530</b>	<b>2,758</b>

2018				
Disposal method	Unit of measurement	Hazardous	Non-hazardous	Total
Recycling	t	14	294	308
Recycling and disposal	t	79	2,253	2,332
Incineration	t	76	-	76
Rubbish dump	t	5	51	56
Storage	t	21	-	21
Other	t	131	1	132
<b>Total</b>	<b>t</b>	<b>326</b>	<b>2,599</b>	<b>2,925</b>

<sup>35</sup> A new calculation methodology was adopted in 2018 for amounts relating to waste produced by Biesse Group's foreign non-manufacturing subsidiaries that have been estimated based on prior year average waste figures for the most representative subsidiaries and on employee numbers. By adopting this methodology, approximately 11% of total waste produced is based on estimates.

Our sense of responsibility towards the environment, combined with the desire to offer customers a low-priced product with the same level of quality and reliability of new products, has led the Group to work to give new life to higher value used original components.

Accordingly, starting with a used original component, through a process of disassembly, cleaning, reconditioning, reassembly and final testing, the Group is capable of giving new life to used components, thus offering customers many advantages. In fact, in terms of savings, prices are 50% lower than those for new components and waiting times are much shorter than repair times, given that reconditioned parts are usually already available. As is the case with other components, reconditioned parts are also 100% guaranteed and meet the same quality and reliability standards applicable to new products. Lastly, the reuse of used components is also a gesture of respect for and awareness of the environment in which we live since it translates into energy consumption and material savings.

## Management of water resources

The Group plans to develop strategies to improve the management of water resources, even though it does not need huge quantities of water for its production cycles, as a matter of respect for this precious resource for the wellbeing of the community. The management of water resources is the responsibility of the maintenance, safety and environment function, which, in addition to its other activities, provides legislative support for the implementation of new laws and regulations in relation thereto.

The use of water resources is linked to a large extent to normal consumption for sanitary use. As far as production is concerned, water is mainly used by the Intermac Glass & Stone division for trials and testing of glass and stone processing machinery with water jet cutting systems. During the course of 2019, a new closed circuit purification system was implemented for water used in the production process.

As a further sign of the Group's commitment to responsible management of water resources, at Biesse Manufacturing's plant in Makali, India, sanitary waste water is collected and treated in a purification system and then reused for irrigation of the manufacturing plant's green areas.

In 2019, the amount of water withdrawn decreased by 11% compared to 2018, with an amount recorded of 76,130 m<sup>3</sup> compared to approximately 85,467 m<sup>3</sup> in 2018.

Table 20. Classification of water withdrawn by Biesse Group by source<sup>36</sup>

Source	2019		2018	
	Unit of measurement	Total	Unit of measurement	Total
Well	m <sup>3</sup>	41,114	m <sup>3</sup>	39,412
Water from aqueduct	m <sup>3</sup>	35,016	m <sup>3</sup>	46,055
<b>Total</b>	<b>m<sup>3</sup></b>	<b>76,130</b>	<b>m<sup>3</sup></b>	<b>85,467</b>

<sup>36</sup> A new calculation methodology was adopted in 2018 for amounts relating to water withdrawals by Biesse Group's foreign non-manufacturing subsidiaries that have been estimated based on prior year water withdrawal figures for the most representative subsidiaries and on employee numbers. By adopting this methodology, approximately 8% of total water withdrawals is based on estimates.

# Boundaries and impact of material topics

Material topics	Boundaries of the impact	Role of Biesse Group
Economic performance	Biesse Group	Caused by Biesse Group
Reliability, safety and constant innovation of products and services	Biesse Group, Suppliers, Research Centres, Universities	Caused by Biesse Group Directly associated with Biesse Group through a business relationship
Customer relationship and customer satisfaction	Biesse Group	Caused by Biesse Group
Management and development of human resources	Biesse Group	Caused by Biesse Group
Health and safety of employees	Biesse Group, with particular reference to the production plants <sup>37</sup>	Caused by Biesse Group
Human rights	Biesse Group, Suppliers	Caused by Biesse Group Directly associated with Biesse Group through a business relationship
Business ethics and integrity	Biesse Group	Caused by Biesse Group
Corporate welfare	Biesse Group	Caused by Biesse Group
Energy consumption	Biesse Group, with particular reference to the production plants	Caused by Biesse Group
Responsible marketing	Biesse Group	Caused by Biesse Group
Risk management and compliance	Biesse Group	Caused by Biesse Group
Indirect economic impacts	Biesse Group, Suppliers	Directly associated with the Group through a business relationship
Sustainable management of the supply chain	Biesse Group, with particular reference to manufacturing suppliers	Caused by Biesse Group
Anti-corruption	Biesse Group	Caused by Biesse Group
Sustainable management of materials, waste and water resources	Biesse Group, with particular reference to the production plants	Caused by Biesse Group
Relationships with local communities	Biesse Group	Caused by Biesse Group
Diversity and social inclusion	Biesse Group	Caused by Biesse Group
Atmospheric emissions and climate change	Biesse Group, with particular reference to production plants and Electricity suppliers	Caused by Biesse Group Directly associated with the Group through a business relationship
Industrial relations	Biesse Group, Relations with the unions	To which the Group contributes

<sup>37</sup> The health and safety data of external employees includes only the category of the Temporary workers and not other types of non-employee workers working at the Group's sites and/or under the control of the Group, in view of their significance and the availability of such data on which the Group does not exercise direct control.

# GRI Content Index

GRI Standard	Disclosure	Page	Omission	Notes
<b>GRI 101 FOUNDATION (2016)</b>				
<b>GRI 102 GENERAL DISCLOSURE (2016)</b>				
Organisational profile				
102: General Disclosures (2016)	102-1 Name of the organisation	4		
	102-2 Main brands, products and services	8;11-12		
	102-3 Location of headquarters	8		
	102-4 Location of operations	11-12		
	102-5 Ownership and legal form	4;11;14		
	102-6 Markets served	8;11-10		
	102-7 Scale of the organisation	7;11-12;14;35-38; 49		
	102-8 Information on employees and other workers	49		
	102-9 Supply chain	45-47		
	102-10 Significant changes to the organisation and its supply chain	4;45-47		
	102-11 Precautionary Principle or approach	20-22		
	102-12 External initiatives	19;23;39-40		
	102-13 Membership of associations	39-40		
Strategy				
102: General Disclosures (2016)	102-14 Statement from senior decision-maker	2-3		
Ethics and integrity				
102: General Disclosures (2016)	102-16 Values, principles, standards, and norms of behaviour	8-10;18-19;23-26; 45		
Governance				
102: General Disclosures (2016)	102-18 Governance structure	11;15-17		
Stakeholder engagement				
102: General Disclosures (2016)	102-40 List of stakeholder groups	27-30		
	102-41 Collective bargaining agreements	57		As far as the Italian Group companies are concerned, it should be noted that 100% of employees are covered by collective labour agreements. At Group level, approximately 62% of

				employees are covered by collective labour agreements.
	<b>102-42</b> Identifying and selecting stakeholders	14; 27-30		
	<b>102-43</b> Approach to stakeholder engagement	27-30		
	<b>102-44</b> Key topics and concerns raised	27-34		
Reporting practice				
102: General Disclosures (2016)	<b>102-45</b> Entities included in the consolidated financial statements	4; 10		
	<b>102-46</b> Defining report content and topic boundaries	4;31-34;75		
	<b>102-47</b> List of material topics	32-34		
	<b>102-48</b> Restatements of information	4;49		
	<b>102-49</b> Changes in reporting	4		
	<b>102-50</b> Reporting period	4		
	<b>102-51</b> Date of most recent report	4		
	<b>102-52</b> Reporting cycle	4		
	<b>102-53</b> Contact point for questions regarding the report	4		
	<b>102-54</b> Claims of reporting in accordance with the GRI Standards	4		
	<b>102-55</b> GRI content index	76-80		
	<b>102-56</b> External assurance	4; 81-83		
MATERIAL TOPICS				
Economic performance				
103: Management Approach (2016)	<b>103-1</b> Explanation of the material topic and its boundary	31-32;35-37;75		
	<b>103-2</b> The management approach and its components	35-38		
	<b>103-3</b> Evaluation of the management approach	4;35-38		
201: Economic Performance (2016)	<b>201-1</b> Direct economic value generated and distributed	37-38		
Reliability, safety and constant innovation of products and services				
103: Management Approach (2016)	<b>103-1</b> Explanation of the material topic and its boundary	31-32;39-44;75		
	<b>103-2</b> The management approach and its components	39-47		
	<b>103-3</b> Evaluation of the management approach	4;39-47		
416: Customer health and safety (2016)	<b>416-2</b> Incidents of non-compliance concerning the health and safety impacts of products and services	18		
Customer relationship and customer satisfaction				
103: Management Approach (2016)	<b>103-1</b> Explanation of the material topic and its boundary	31-32;42-44;75		
	<b>103-2</b> The management approach and its components	42-43		
	<b>103-3</b> Evaluation of the management approach	4; 42-44		
Management and development of human resources				

103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	31-32;49;75		
	103-2 The management approach and its components	5; 49-60		
	103-3 Evaluation of the management approach	4; 49-60		
401: Employment (2016)	401-1 New employee hires and employee turnover	51-52		
404: Training and Education (2016)	404-1 Average hours of training per year per employee	54		
Health and safety of employees				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	31-32; 55-56; 75		
	103-2 The management approach and its components	5; 55-57		
	103-3 Evaluation of the management approach	4; 55-57		
403: Occupational health and safety (2016)	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	56-57		
Human Rights				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	19; 31-32; 75		
	103-2 The management approach and its components	5; 19		
	103-3 Evaluation of the management approach	4; 19		
412: Human Rights Assessment (2016)	412-1 Operations that have been subject to human rights reviews or impact assessments	19		
Business ethics and integrity				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	18; 31-32; 75		
	103-2 The management approach and its components	5; 18-22		
	103-3 Evaluation of the management approach	4; 18-22		
206: Anti-competitive behaviour (2016)	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	18-19		
Energy consumption				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	31-32; 67-68; 75		
	103-2 The management approach and its components	5; 67-69		
	103-3 Evaluation of the management approach	4; 67-69		
302: Energy (2016)	302-1 Energy consumption within the organisation	69		
Corporate welfare				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	31-32; 58; 75;		
	103-2 The management approach and its components	5; 58-59		
	103-3 Evaluation of the management approach	4; 58-59		
401: Employment (2016)	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	59		
Responsible marketing				

103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	31-32; 63-64; 75		
	103-2 The management approach and its components	63-65		
	103-3 Evaluation of the management approach	4; 63-65		
417: Marketing and Labeling (2016)	417-3 Incidents of non-compliance concerning marketing communications	64		
Risk management and compliance				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	18-20; 31-32; 75		
	103-2 The management approach and its components	18-22		
	103-3 Evaluation of the management approach	4; 18-22		
307: Environmental Compliance (2016)	307-1 Non-compliance with environmental laws and regulations	18		
419: Socioeconomic Compliance (2016)	419-1 Non-compliance with laws and regulations in the social and economic area	18		
Indirect Economic Impacts				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	31-32; 37; 75		
	103-2 The management approach and its components	23-26; 36-38; 45-47		
	103-3 Evaluation of the management approach	4; 23-26; 36-38; 45-47		
203: Indirect Economic Impacts (2016)	203-2 Significant indirect economic impacts	36-38; 49		
Sustainable management of the supply chain				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	31-32; 45; 75		
	103-2 The management approach and its components	5; 45-47		
	103-3 Evaluation of the management approach	4; 45-47		
204: Procurement Practices (2016)	204-1 Proportion of spending on local suppliers	47		
Sustainable management of materials, waste and water resources				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	31-32; 67; 72; 74; 75;		
	103-2 The management approach and its components	5; 72-74		
	103-3 Evaluation of the management approach	4; 72-74		
303: Water (2016)	303-1 Water withdrawal by source	74		
306: Effluents and Waste (2016)	306-2 Waste by type and disposal method	72		
Anti-corruption				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	18-19; 31-32; 75		
	103-2 The management approach and its components	5; 18-19		
	103-3 Evaluation of the management approach	4; 18-19		
205: Anti-corruption (2016)	205-3 Confirmed incidents of corruption and actions taken	19		
Diversity and social inclusion				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	31-32; 59; 75		
	103-2 The management approach and its components	5; 15-16; 59-60.		
	103-3 Evaluation of the management approach	4; 59-60		



405: Diversity and Equal Opportunity (2016)	405-1 Diversity of governance bodies and employees	16; 59		
202: Market Presence (2016)	202-2 Proportion of senior management hired from the local community	59		
Relationships with local communities				
GRI 103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	31;32; 61; 75		
	103-2 The management approach and its components	5; 23-24; 37-38; 61-65		
	103-3 Evaluation of the management approach	4; 61-65		
413: Local communities (2016)	413-2 Operations with significant actual and potential negative impacts on local communities	-		No operations were recorded with significant actual and potential negative impacts on local communities.
Atmospheric emissions and climate change				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	31-32; 67; 70		
	103-2 The management approach and its components	5; 70-71		
	103-3 Evaluation of the management approach	4; 70-71		
305: Emissions (2016)	305-1 Direct (Scope 1) GHG emissions	70		
	305-2 Energy indirect (Scope 2) GHG emissions	70		
Industrial relations				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	31-32; 57; 75		
	103-2 The management approach and its components	57		
	103-3 Evaluation of the management approach	4; 57		
402: Labour/Management Relations (2016)	402-1 Minimum notice periods regarding operational changes	57		Minimum notice periods are defined within national collective labour contracts, if any, and by laws in force in the countries in which the Group operates.

# Report of the Independent Auditors

**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  
Biesse S.p.A.**

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "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 Biesse S.p.A. and its subsidiaries (hereinafter "Group") as of December 31, 2019 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 13, 2020 (hereinafter "NFS").

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

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and the "*Global Reporting Initiative Sustainability Reporting Standards*" established in 2016 by GRI – Global Reporting Initiative ("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.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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

Codice Fiscale/Registro delle Imprese di Milano Monza Brianza Lodi n. 03049560166 - R.E.A. Milano n. 1720239 | Partita IVA: IT 03049560166

Il nome Deloitte si riferisce a una o più delle seguenti entità: Deloitte Touche Tohmatsu Limited, una società inglese a responsabilità limitata ("DTTL"), le member firm aderenti al suo network e le entità a esse correlate. DTTL e ciascuna delle sue member firm sono entità giuridicamente separate e indipendenti tra loro. DTTL (denominata anche "Deloitte Global") non fornisce servizi ai clienti. Si invita a leggere l'informazione completa relativa alla descrizione della struttura legale di Deloitte Touche Tohmatsu Limited e delle sue member firm all'indirizzo [www.deloitte.com/about](http://www.deloitte.com/about).

© Deloitte & Touche S.p.A.

**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 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 Biesse S.p.A. and with the employees of HSD S.p.A., Biesse Manufacturing Co. Pvt. Ltd. and Biesse Group Deutschland GmbH, 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, Biesse S.p.A. and HSD S.p.A., 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 Group as of December 31, 2019 is not prepared, in all material aspects, in accordance with articles 3 and 4 of the Decree and the GRI Standards.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Fabio Pompei**  
Partner

Rome, Italy  
March 30, 2020

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