

SUS TAIN ABI LITY



REPORT 2017

CONSOLIDATED
NON-FINANCIAL STATEMENT
PURSUANT TO THE ITALIAN
LEGISLATIVE DECREE 254/2016

 **BIESSE** GROUP

4	Letter to Stakeholders
6	Methodological note

1/0	BIESSE GROUP'S IDENTITY	11	4/0	SOCIAL SUSTAINABILITY	89
16	1/1 Group overview		96	4/1 Our people	
30	1/2 Corporate governance		116	4/2 Biesse Group and the communities	
34	1/3 Business ethics and integrity				
36	1/4 Risk management				
2/0	APPROACH TO SUSTAINABILITY	38	5/0	ENVIRONMENTAL SUSTAINABILITY	125
44	2/1 Stakeholders and materiality analysis		131	5/1 Approach to environmental management	
			133	5/2 Energy consumption and emissions	
			136	5/3 Materials used and waste management	
			138	5/4 Management of water resources	
3/0	ECONOMIC SUSTAINABILITY	53	6/0	BOUNDARIES AND IMPACT OF MATERIAL TOPICS	141
63	3/1 Economic performance		7/0	GRI CONTENT INDEX	145
66	3/2 Economic value generated and distributed		8/0	REPORT OF THE INDEPENDENT AUDITORS	153
68	3/3 Innovation: the pursuit of excellence				
74	3/4 The Group at the service of its customers				
80	3/5 The supply chain				

Biesse Group's Identity

11 – 51

Economic Sustainability

53 – 87

Social Sustainability

89 – 123

Environmental Sustainability

125 – 139

Letter to Stakeholders

› Dear Stakeholders,

We are pleased to present to you the first consolidated non-financial statement of Biesse Group which has been prepared in accordance with the Global Reporting Initiative (GRI) guidelines. It describes the key results achieved by our Group in the last two years and highlights the economic, social and environmental impact.



Having set out to comply with the requirements of recent applicable legislation, we have taken the opportunity to do more. Both within and outside the Group, we have initiated a process of active reflection on sustainability issues, with a view maximize transparency towards all our stakeholders, by taking notice of the current situation and by starting to forge new paths of sustainability in the short and long term. Thus, our first sustainability report was born.

The commitment of our people and the reliability of our high-tech products have supported Biesse Group in becoming a leader in the sector and a global ambassador for Pesaro's industrial district, as well as one of the most interesting businesses on the stock market. Our customers are the protagonists of this success story: guided by their needs and requirements, we have constantly invested in research and development to enable us to design, manufacture and market state-of-the-art machines and systems and to be among the protagonists of the Fourth Industrial Revolution.

We do not face this challenge alone: we have established collaborative relationships to support continuous growth with more than 800 industrial suppliers, which have been carefully selected to ensure high quality standards. We constantly collaborate with trade associations, universities and research centres, trade fair organisers and many other parties that belong, in varying capacities, to the world of Biesse. Their success is intertwined with ours and is a fundamental indicator of the tangible and intangible contribution generated by the Group's value chain.

We are convinced that sustainability not only constitutes a further element of competitiveness and differentiation with respect to other players in the sector, but it also constitutes a core principle for a healthy and constructive contribution to value creation for shareholders and investors, for the creation of dignified job opportunities for all our talent and for the promotion of the welfare of the communities and ecosystems of which we are an integral part.

Furthermore, the study and research phase that preceded the preparation of this document provided an opportunity to analyse and strengthen our sustainability strategy, based on the guiding principles of quality, business ethics and integrity, respect for people and environmental protection.

We are thus proud to present to you Biesse Group's first sustainability report, in the belief that it will provide a strong stimulus for the development of new scenarios and for the planning of strategies for continuous improvement, together with our partners, and for all of us to focus our attention on increasingly crucial issues for our future and for the world in the third millennium.

Giancarlo e Roberto Selci

Managing Director and Chairman of Biesse Group

Giancarlo Selci *Roberto Selci*

METHODOLOGICAL NOTE

This document represents the first consolidated non-financial statement (hereinafter “NFS” or “Statement”), pursuant to the Italian 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 required by Art. 3 of the Decree.

The 2017 NFS has been prepared in accordance with the new GRI Sustainability Reporting Standards (2016) published by the Global Reporting Initiative (GRI), in accordance with the Core option. The GRI Content Index has been included as an attachment to the document, together with details of where the indicators have been addressed in compliance with GRI. The content addressed by the NFS has been selected on the basis of the results of a preliminary materiality analysis performed in 2017, which made it possible to identify topics that were material to the Group and its stakeholders and that have been included in this document.

The scope of income statement figures is the same as that of Biesse Group’s 2017 consolidated financial statement.

The scope of the social and environmental data and information comprises those companies consolidated on a line-by-line basis in Biesse Group’s consolidated financial statements for the year ended 31 December 2017, except for the following legal entities, which were acquired during the year:

- Movetro S.r.l. (acquired on 27 July 2017)
- Montresor S.r.l. (acquired on 3 August 2017)

Any further exceptions are expressly indicated in the text of this document. Biesse Group intends to include the social and environmental data relating to these legal entities in the scope of the 2018 NFS. Any method of presentation of quantitative data that differs from the above is expressly disclosed in a specific note.

To enable the comparability of data over time and to evaluate the Group’s performance prior year comparatives have been provided where possible.

Moreover, for the purpose of the correct representation and reliability of the performance 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. This document is also available on Biesse Group’s website www.biessegroup.com.

This Statement was submitted for review and assessment by the Control and Risk Committee on 12 March 2018 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 designated 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.

In line with the path of sustainability embarked upon with the publication of this NFS, Biesse Group has started to lay the foundations for project planning aimed at constant improvement as follows:

SUSTAINABILITY RISKS

During the course of 2017, the Group performed an initial mapping of 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. In the near future, it is planned to perform a detailed analysis of sustainability risks relating to the areas identified by the Italian Legislative Decree 254/2016, arising from the Group’s activities and products along the value chain.

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 monitoring system for energy vectors and the power factor correction of energy intensive machinery, as well as the installation of a new water purification system at the Intermac production facility on the Pesaro campus.

PERSONNEL

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. In the near future, it is planned to gradually implement a human resource management system, in order to standardise the HR processes within the Group.

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, there are plans to develop a crime risk control plan pursuant to the Italian Legislative Decree 231/01, as well as to prepare and gradually implement an audit plan designed to perform specific control tests.

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.

2017 HIGHLIGHTS

BIESSE GROUP'S IDENTITY

1969 Year founded: 1969

39 legal entities, 12 manufacturing sites, more than 200 registered patents, customers in approx. 120 countries, approx. 4,000 employees 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

New Anti-corruption Code of Conduct

2,300

Approximately 2,300 employees and other workers involved in training courses on issues pertinent to the Italian Legislative Decree 231/2001 during the course of 2017

ECONOMIC SUSTAINABILITY

660 MLN € Approximately € 660 million of economic value distributed by the Group in 2017

690 MLN € Over € 690 million of total revenue in 2017

+119% 119% rise in Biesse share price since 2016

1 MLD € Stock market capitalisation exceeded € 1 billion in 2017

88% 88% of purchases from local suppliers, as far as manufacturing plants in Italy, India and China are concerned

9 9 manufacturing plants awarded ISO 9001:2015 certification in Italy, India and China

-35% Response time for machinery stoppages at customer premises: -35% compared to 2016

300 Over 300 persons involved in research and development activities, totalling approx. 260,000 working hours

SOPHIA Launch of new SOPHIA Service platform

SOCIAL SUSTAINABILITY

+48% +48% growth in headcount between 2013 and 2017

96% 96% of employees have permanent contracts

1,450 1,450 persons have worked in Biesse Group for more than 10 years

+9% +9% increase in female employees compared to 2016

94% 94% of senior management hired from the local community

Over 100,000 hours of training provided to personnel during the course of 2017

6,500 Approx. 6,500 hours of training dedicated to safety at work

Workplace safety management system of HSD S.p.A. certified to OHSAS 18001 standard

Support for social, cultural, artistic and sports initiatives in the communities

ENVIRONMENTAL SUSTAINABILITY

12,000 12,000 m² of photovoltaic panels installed

280 Over 280 GJ of electricity consumption from renewable energy sources

95% 95% of waste products are non-hazardous

-13% -13% water consumption compared to 2016

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

Biesse Group's Identity

Biesse Group's Identity

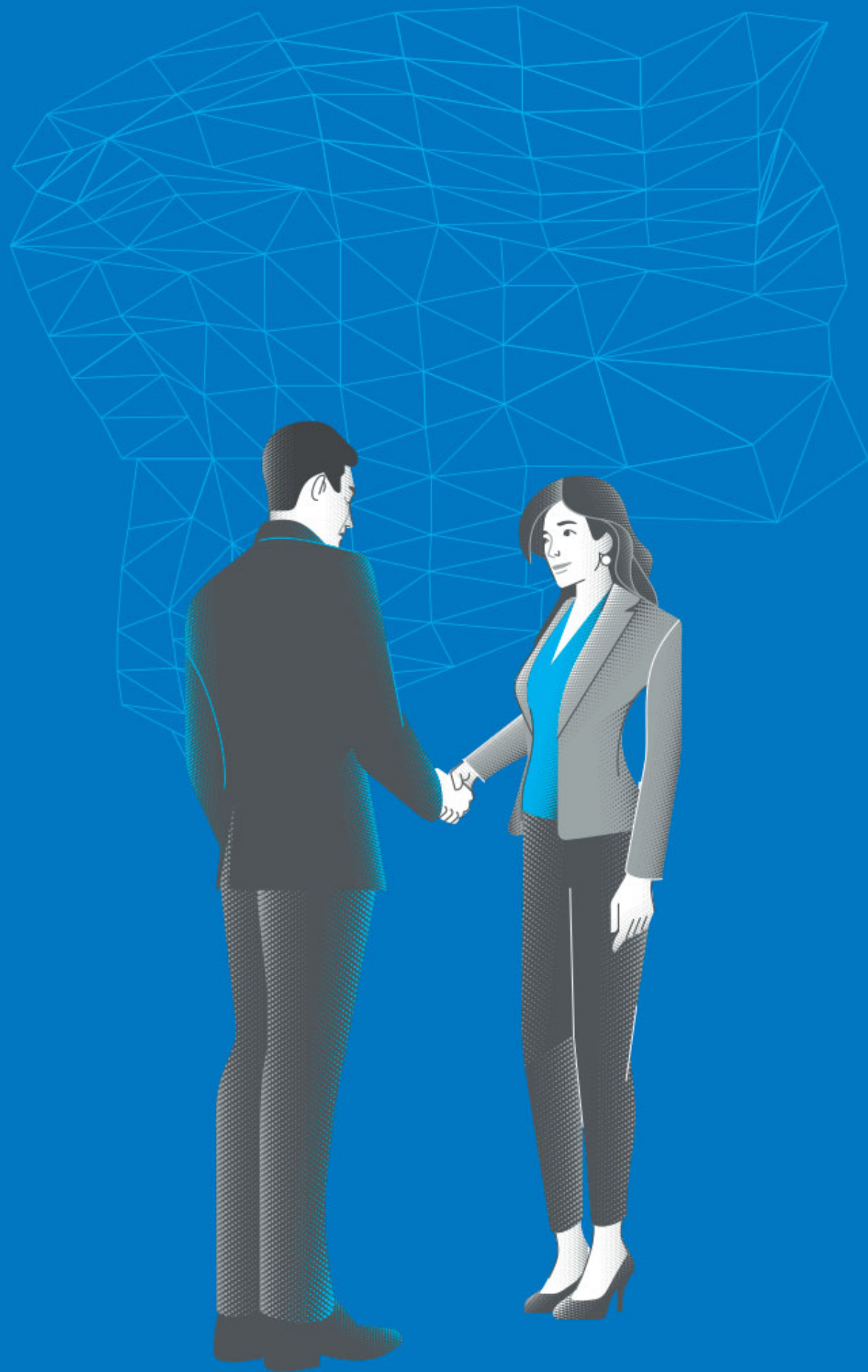
1 / 0

A Group made up of people.

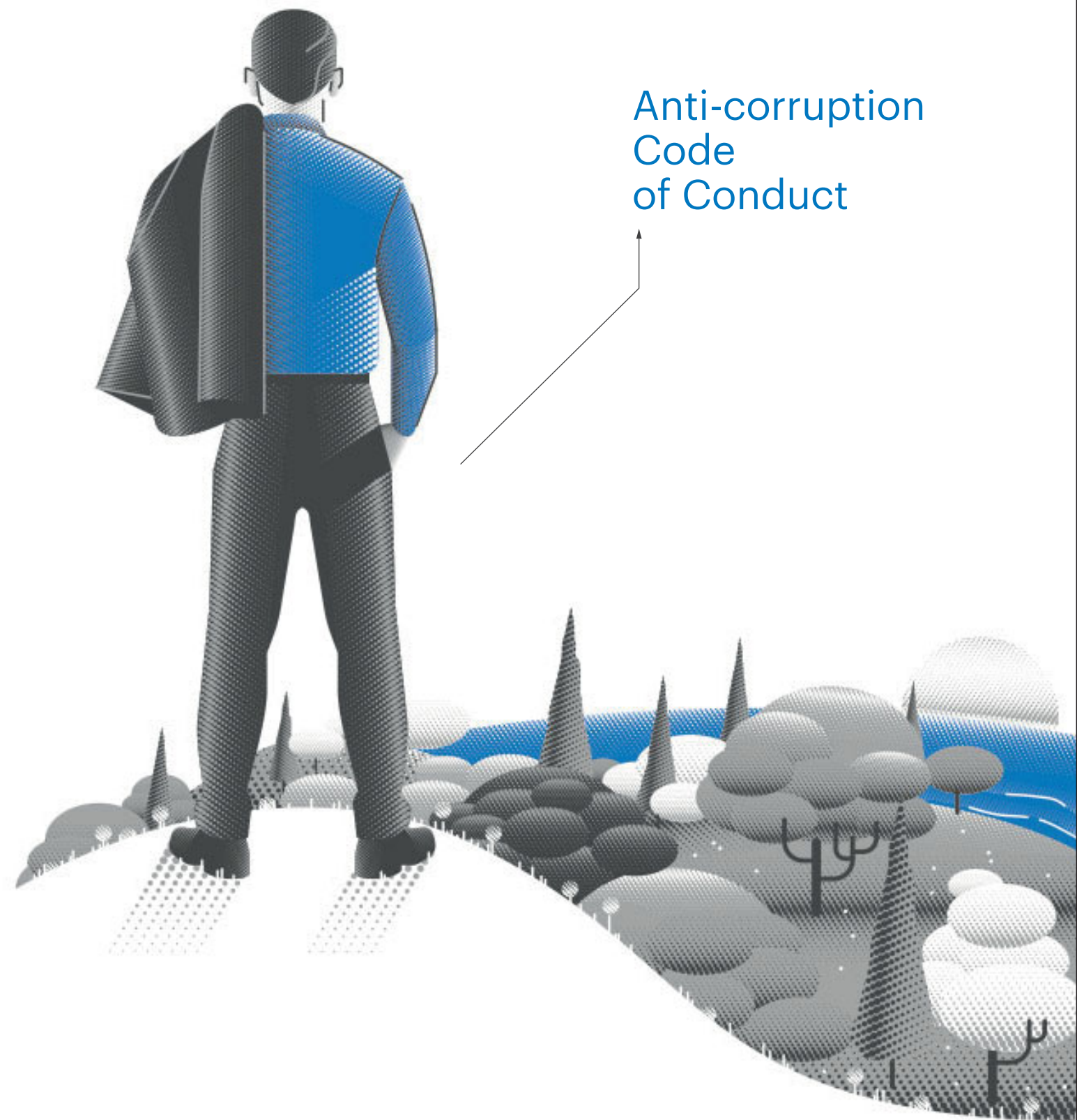
In this way, innovation and business ethics also become economic values.

Transparent relationships with all stakeholders, supported by the sharing of knowledge and experience.





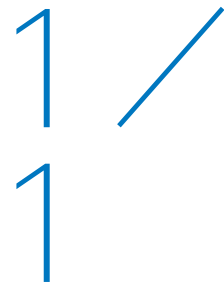
Transparent corporate governance that complies with legislative requirements and Borsa Italiana's Corporate Governance Code



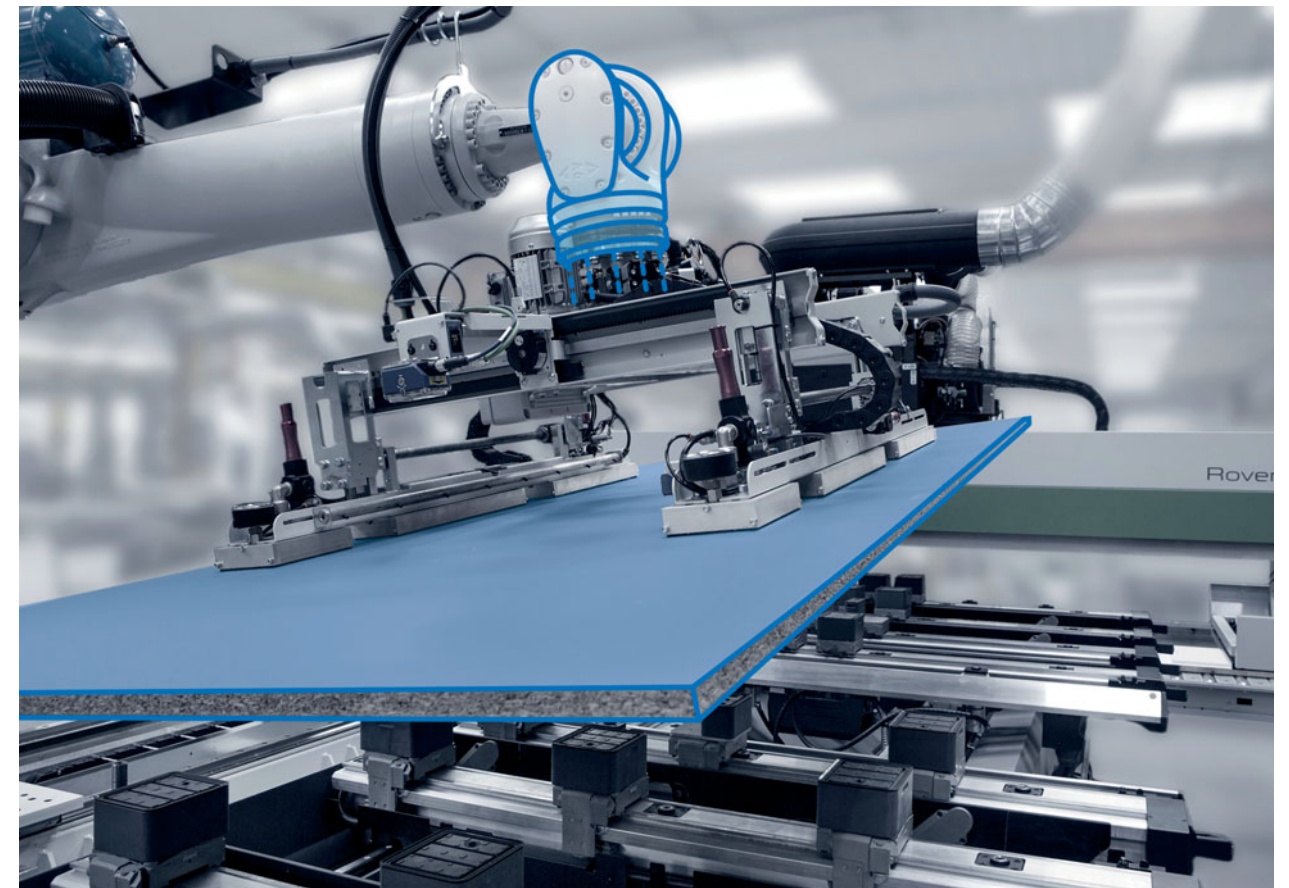
Anti-corruption Code of Conduct

Group overview

- › Biesse Group is a global leader in technologies for processing wood, glass, stone, plastic and metal. It designs, manufactures and distributes machines, integrated systems and software for manufacturers of furniture, door/window frames and components for the construction, ship-building and aerospace industries.
- › With its head office located in Pesaro, it operates through 12 industrial sites, 39 branches and selected dealers¹, serving prestigious Italian and international design brands among its customers.
- › Founded in Pesaro in 1969 by Giancarlo Selci, the company has been listed on the STAR sector of Borsa Italiana since June 2001 and is currently a constituent of the FTSE IT Mid Cap index. As at 31 December 2017, it had approximately 4,000 employees and other workers around the world.



¹ / These figures include information relating to the legal entities Movetro S.r.l. and Montresor S.r.l., which were acquired in 2017.



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 by planning, developing and distributing integrated solutions and advanced services to help our customers produce more, better and with greater safety, supporting them as they achieve excellence and success.

VALORI

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

INNOVATION

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

RELIABILITY

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 relationship of mutual trust and transparency.

RESPECT

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 agreements; 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.

TEN PRINCIPLES TO BETTER SERVE OUR CUSTOMERS WHILE CONTINUING TO GROW TOGETHER

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



1 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.



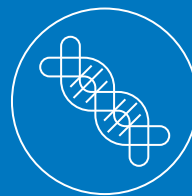
3 SUPPLIERS, OUR PARTNERS

Excellent quality, competitive prices, 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.



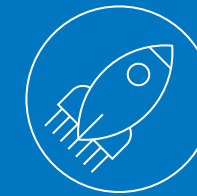
2 TIDINESS AND CLEANLINESS

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.



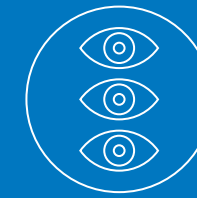
4 NEW PRODUCTS

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 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.



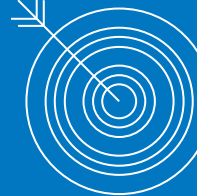
5 INNOVATION IS OUR ENGINE

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.



7 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.



9 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 safely and that machinery complies with the standards required by applicable regulations. It means compliance with product development rules, including the exact tolerances in the design. We need to make quality and safety a strength and to encourage it as a corporate culture.



6 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.



8 WASTE REDUCTION

We should question the general situation regarding all business processes in order to bring out the issues. Scrapping 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.



10 WE ARE BIESSE GROUP

"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. Key factors are an international vocation and a direct presence in many countries so as to contribute towards making businesses that rely on Biesse Group become competitive and global.

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 through 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, have enabled the Group to consolidate its partnership over the years 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).

FIG / 1
BIESSE GROUP AROUND THE WORLD

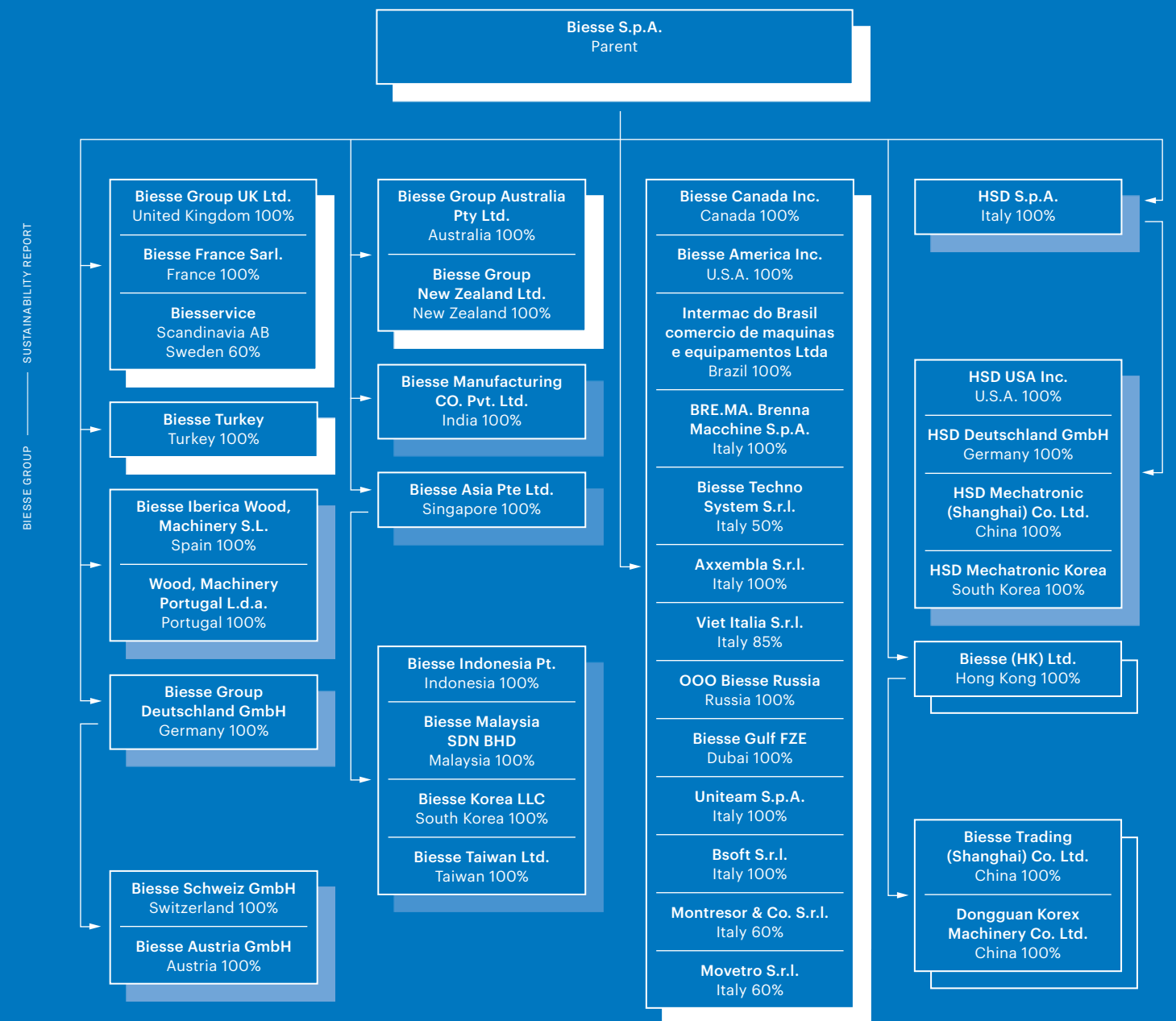
GROUP OVERVIEW



39
around
the world

≈120
in which the Group
offers innovative
solutions

FIG / 2
GROUP STRUCTURE AT 31.12.2017



NOTE / Different colors represent the subgroups of the control chain

BUSINESS' SECTOR

The machinery and integrated solutions produced by the Group are designed for joiners and large-scale industry, as well as for furniture, windows, doors, building components, nautical and aerospace manufacturers. Biesse Group operates in the market with its own key brands:

- WOOD PROCESSING SOLUTIONS:
- CNC ROUTING
 - CNC EDGEBANDING
 - CNC NESTING
 - CNC WINDOWS AND DOORS
 - CNC CONSTRUCTION
 - CNC BORING
 - SIZING / FLEXIBLE CUTTING
 - EDGEBANDING / SQUARING-EDGEBANDING
 - VIET - CALIBRATING AND SANDING
 - VERTICAL BORING AND INSERTING / BORING
 - ASSEMBLY
 - HANDLING
 - PRESSES

- SOLUTIONS FOR PROCESSING ADVANCED MATERIALS:
- CNC PLAST
 - CNC MATERIA
 - VERTICAL MACHINING CENTRE
 - THERMOFORMING
 - WATER JET CUTTING SYSTEMS
 - SIZING
 - CALIBRATING AND SANDING
 - HANDLING

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, doors and wood components for the building industry. Moreover, for several years now, the Biesse brand has offered 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 destined for flat glass and stone processing companies and for 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.

- SOLUTIONS FOR GLASS WORKING:
- MACHINES AND SYSTEMS FOR GLASS CUTTING
 - WATERJET CUTTING SYSTEMS
 - DOUBLE EDGING MACHINES AND SYSTEMS
 - CNC WORKING CENTRES FOR GLASS
 - CNC VERTICAL WORKING CENTRES
- SOLUTIONS FOR STONE WORKING:
- WATERJET CUTTING SYSTEMS
 - CNC WORKING CENTRES FOR STONE

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. These electrospindles and technologically advanced components are designed for the processing of metal, metal alloys, composite materials and wood for automotive, aerospace, consumer electronics, robotics, furniture and building components manufacturers.

- MECHATRONIC SOLUTIONS:
- ELECTROSPINDLES AUTOMATIC TOOLCHANGE
 - ELECTROSPINDLES MANUAL TOOLCHANGE
 - ELECTROSPINDLES ES950/ES951 E-CORE
 - SMART MOTORS
 - 2 AXIS HEADS
 - BORING HEADS FOR CNC MACHINES
 - AGGREGATE FOR ELECTROSPINDLES MULTIFUNCTIONAL MODULAR UNITS
 - MULTIPLE SPINDLE BORING HEADS

- GLASS TOOLS RANGE:
- WET BLADES
 - DRILLS BITS
 - ROUTERS
 - CUP WHEELS
 - GROOVING WHEELS
 - PERIPHERALS WHEELS
 - WRITING AND BAS-RELIEF
- STONE TOOLS RANGE:
- DRY BLADES
 - WET BLADES
 - DRILL BITS
 - ROUTERS
 - PERIPHERAL WHEELS
 - EDGE POLISHING WHEELS
 - RECESS DRAIN TOOLS

DIAMUT

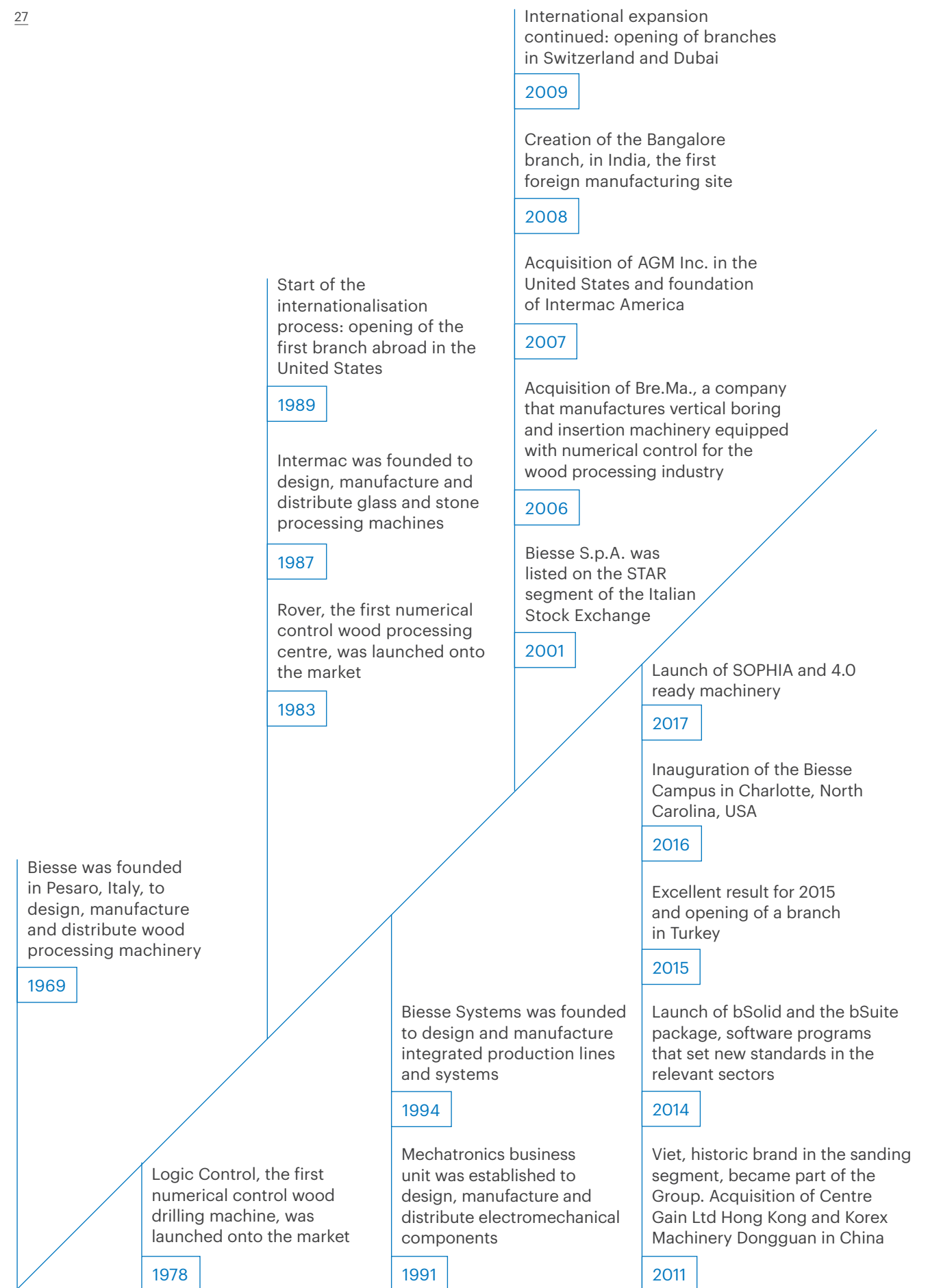
Under the Diamut brand, the Tooling division manufactures and markets tools for the processing of glass, stone and ceramic. Its synergy with Intermac has enabled it to develop a range of tools, which in terms of reliability, have become a benchmark in the market. For more than 20 years, it has offered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

SOPHIA

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, and their maintenance over the years. Since 2017, through the development of the Sophia platform, it has been possible to collect real time data and information on Group technologies being used by customers, in order to optimise their productivity and performance and for the early identification of any malfunctions so as to efficiently plan any maintenance required.

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 captured the entire market. With the opening of the first foreign branch 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.



SHAREHOLDERS

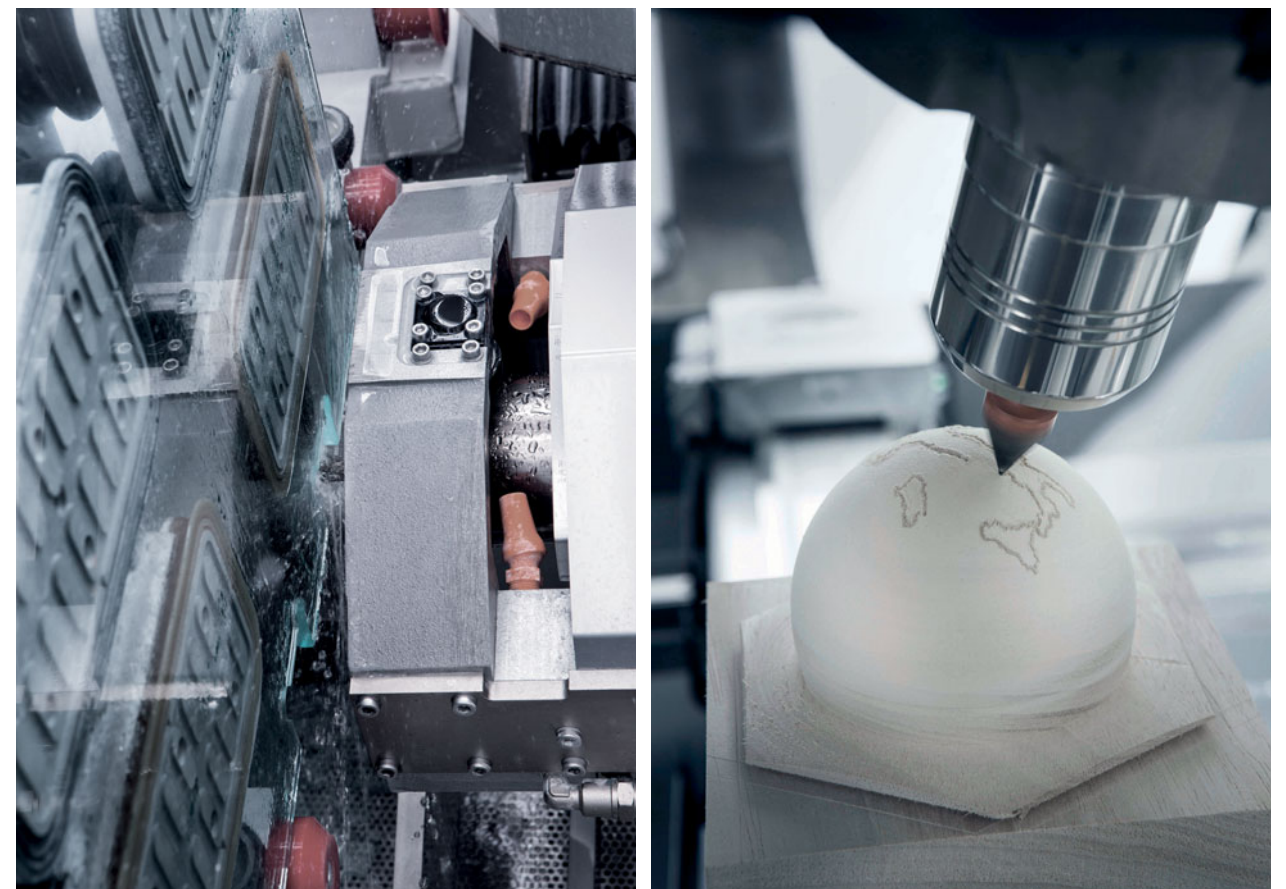
Biesse S.p.A. has been listed on the STAR segment of the Milan Stock Exchange since 2001. Its share capital amounts to € 27,393,042, consisting of the same number of registered ordinary shares of Euro 1 each. Below is a breakdown of shareholders at 31 December 2017:

51%
Bi.Fin. S.r.l.
(Selci's Family)

49%
Other
Shareholders



FIG / 3
SHAREHOLDERS OF BIESSE S.P.A.



CORPORATE GOVERNANCE

1 /
2

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 12 March 2018, 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 2017. This report has been published on the Company's website www.biessegroup.com in the "Corporate Governance" subsection of the "Investor Relations" section as required by law.

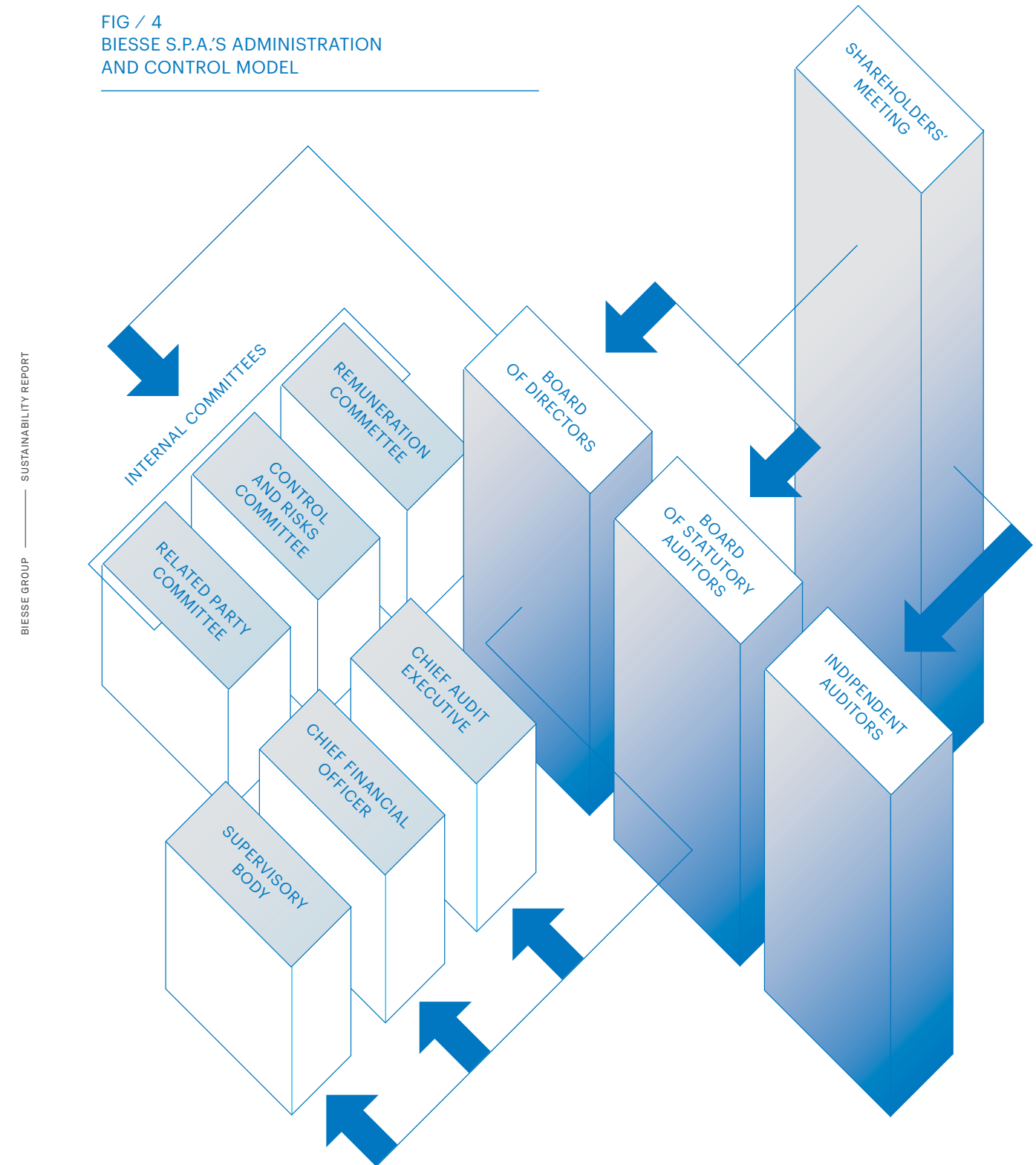
Biesse S.p.A. has adopted a traditional administration and control model, which requires general meetings of shareholders to be held and the appointment of a Board of Directors, a Board of Statutory Auditors and independent auditors. The corporate bodies are appointed by the shareholders in general meeting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

The presence of independent directors, as defined by the Corporate Governance Code, and their role within the Board of Directors and on corporate committees (Control and Risks Committee, Related Party 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, Biesse 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)

FIG / 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 30 April 2015 with a mandate that was due to expire on approval of the financial statements for the year ended 31 December 2017.

The composition of the Board of Directors of Biesse S.p.A.² at 31 December 2017 is as follows:

- Roberto Selci
Chairman of the Board of Directors (Male)
- Giancarlo Selci
Managing Director (Male)
- Alessandra Parpajola
Executive Director (Female)
- Stefano Porcellini
Executive Director and Managing Director (Male)
- Cesare Tinti
Executive Director (Male)
- Salvatore Giordano
Lead independent Director (Male)
- Elisabetta Righini
Independent Director (Female)

Regarding the independent directors serving on the Board of Directors of Biesse S.p.A., below is the number of positions they hold 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:

- Salvatore Giordano: 1
- Elisabetta Righini: 1

At the last reappointment of members of the Board of Directors, gender quotas required by law were complied with. Specifically, the composition of governance bodies³ at 31 December 2017 in terms of gender and age group is as follows:

- 64% men and 36% women;
- 36% in the 30-50 age group and 64% 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 support the Board of Directors in carrying out its duties relating to the internal control and risk management system, as well as the approval of periodic financial reports. The Control and Risks Committee has also been assigned the task of supervising sustainability issues related to both the conduct of business activities and also to the interaction with all stakeholders.
- A Related Party 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 2017 is as follows:

- Giovanni Ciurlo, Chairman
- Cristina Amadori, Acting Auditor
- Riccardo Pierpaoli, Acting Auditor
- Silvia Cecchini, Alternate Auditor
- Nicole Magnifico, Alternate Auditor

The composition of the Supervisory Body at 31 December 2017 is as follows:

- Salvatore Giordano
Lead independent Director, Chairman
- Elisabetta Righini
Independent Director
- Domenico Ciccopiedi
Head of Internal Audit
- Elena Grassetti
Head of Legal and Corporate Affairs

Chief Audit Executive:

- Domenico Ciccopiedi

Chief Financial Officer:

- Cristian Berardi

Designated auditors⁴ with reference to the limited assurance report on the non-financial statement pursuant to the Italian Legislative Decree 254/2016:

- Deloitte & Touche S.p.A.

Independent auditors:

- KPMG S.p.A.

4 / See CONSOB Regulation implementing Legislative Decree 254/2016, relating to non-financial statements

2 / Directors' curricula vitae are available on the website www.biessegroupp.com in the "Corporate Governance" subsection of the "Investor Relations" section.

3 / The figures refer to the composition at 31 December 2017 of Biesse S.p.A.'s Board of Directors, Board of Statutory Auditors and Supervisory Body.

BUSINESS ETHICS AND INTEGRITY

1 / 3

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 followed in the conduct of business and corporate affairs by the companies of the Group. Moreover, it governs the body of rights, duties and responsibilities that Biesse expressly upholds 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 2017, no cases of non-compliance or pecuniary sanctions against Biesse Group were reported for 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 THE ITALIAN LEGISLATIVE DECREE 231/2001

Biesse S.p.A. and its main Italian subsidiaries, have adopted an organisational, management and control model (hereinafter *OMCM*) in order to prevent, as far as possible, the commission of offences under the Italian 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 people 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 this topic, in 2017, on-site

and remote training initiatives were held involving approximately 2300 employees and other external workers, up by approximately 15% compared to 2016.

FIGHT AGAINST ACTIVE AND PASSIVE CORRUPTION

In order to promote and strengthen the Group's commitment to counter corruption, in 2017, Biesse adopted an Anti-corruption Code of Conduct, which sets out the rules of conduct that all employees and other workers of the Company and of the Group must observe in the conduct of business to ensure compliance with anti-corruption regulations in force.

The Code has made it mandatory for all Group companies 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.

Specifically, the Anti-corruption Code of Conduct 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.

During the course of 2017, the Anti-corruption Code of Conduct was introduced in all Group companies by means of a specific communication to 113 recipients (92 men and 21 women, all of whom were white collars). The Code is available on the corporate intranet and has been published on the website of the companies, in the "Corporate Governance" subsection of the "Investor Relations" section.

The Code states that the employees and other workers of Biesse Group, as well as all those who act in the name of or on behalf of the Group, are obliged to report to the Supervisory Body of Biesse (organismodivigilanza@biesse.com) any breach of the Code or of any other relevant regulation in force. To this effect, the Group guarantees that no

discrimination will be made, in any manner, during the work relationship with those who have reported in good faith any issues pertinent to the anti-corruption Code and regulations.

As a sign of the Group's commitment to the fight against corruption, during the course of 2017, updates were made to the risk assessment documents of all the Italian companies that have adopted an *OMCM*, to address issues concerning corruption in the public and private sector.

Specifically, in relation to *private sector* corruption, and considering the peculiarities of the Group's business, some of the main processes at risk of the commission of offences include: marketing of products, handling of dealings with the banks, the purchasing of goods and services and the handling of gifts, donations, sponsorships, promotional activities and charitable donations. As far as public sector corruption is concerned, the main corruption-related risks are associated with state funding, hygiene and safety at work and taxation. For the management of these risks, the company has adopted specific procedures that set out the rules for the handling of the activities in question. During the course of the last two years, 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 as well as the 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, by the fundamental International Labour Organization (ILO) conventions – and by the OECD Guidelines for Multinational Enterprises. 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, which are available on the Group's website in the "Corporate Governance" subsection of the "Investor Relations" section, 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 in line with the motto "*strength lies in differences, not in similarities*". On account of the nature of the risk identified in relation to business activities, during the course of 2017, 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 of Conduct 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 practical 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. During the course of 2017, no cases were reported of pending or concluded legal actions regarding anti-competitive behaviour or violations of antitrust and monopoly legislation.

RISK MANAGEMENT

With a view to sustainable development, Biesse Group adopted an Enterprise Risk Management Policy in 2012. 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 key business risks, the early assessment of potential adverse effects and the implementation of the most appropriate mitigating actions.

This model, which has been formalised within the above mentioned Policy, aims to involve not only senior management via a top-down risk assessment approach, but also the heads of the main processes via a bottom-up risk assessment approach.

This double 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 representation of business-related trends;
- **Operational risk:** risks pertinent to the purely operational part of the business that directly impact the Group's value creation capabilities.

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

In order to develop its corporate social responsibility strategy, during the course of 2017, the Group performed an initial mapping of the most significant risks linked to sustainability issues, in line with those already identified and agreed together with the main control bodies for enterprise risk management purposes.

Set out below are Biesse Group's main sustainability risks:

STRATEGIC

- Trends in the global economy and changes in global geopolitics;
- Competitive environment and cyclical nature of relevant industrial sectors;
- Stakeholder expectations;
- Ability to offer innovative products and services to customers (IoT 4.0);
- Cyber security – Information Security and Privacy;
- Direct and indirect impact of the business on the locality and on the community;
- Business continuity management.

FINANCIAL & REPORTING

- Fluctuation in prices of raw materials and components;
- Ability to source adequate financial resources to meet funding requirements;
- Traceability of data and information relating to sustainability.

OPERATIONAL

- Sustainable management of the supply chain;
- Transparent management of the Group's image and of its products and services;
- Ability to attract and retain talent;
- Development of human resources and skills at all levels;
- Health and safety of people;
- Cooperation with workers' associations and unions;
- Sustainable management of energy consumption and atmospheric emissions (climate change);
- Conscious use of resources and sustainable waste management.

COMPLIANCE

- Ethics and integrity in business management and in the preparation of corporate documents;
- Active and passive corruption in the public and private sector;
- Gestione dei rischi e compliance.

KEY

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

- Environmental
- Social
- Personnel-related
- Human rights
- Fight against active and passive corruption
- Economic/Financial⁵

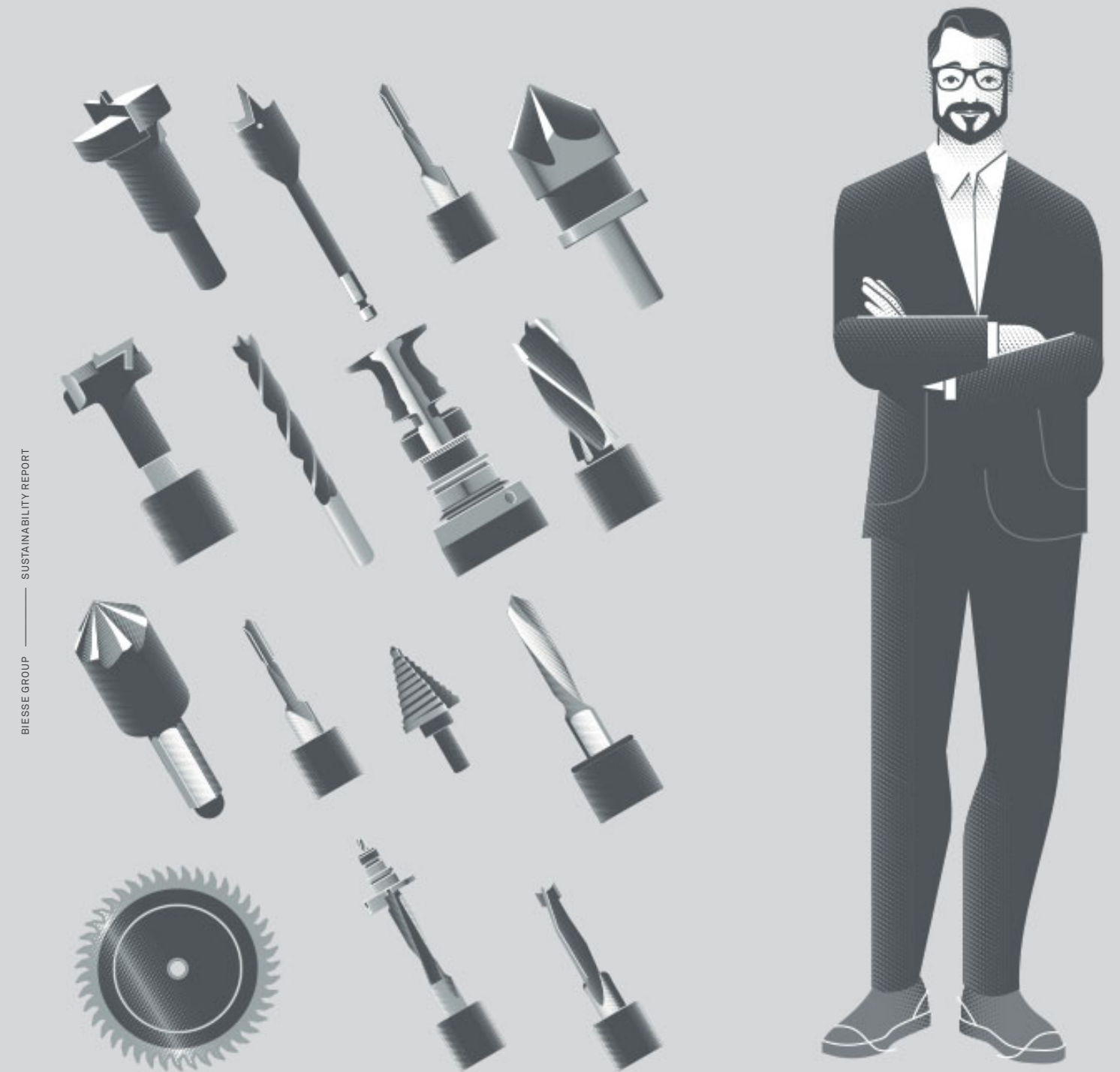
The management and monitoring of these risks is an integral part of business strategy and the Group's approach to sustainability, the main features of which are presented below.

⁵ / Area not specifically mentioned by Art. 3 of the Italian Legislative Decree 254/2016.

Approach to sustainability

2 /
0

- › 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 achievement⁶.



BACKGROUND

The SDGs replace the previous Millennium Development Goals (MDGs) and constitute a new global point of reference that will provide guidance for policies, investments and specific projects in the near future for well-being of 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.

FIG / 5
THE 17 SUSTAINABLE DEVELOPMENT GOALS (SDGS)



The SDGs, and especially SDG 13 “*Climate Action*”, are closely linked with the provisions of the Paris Agreement, which was signed by 195 countries during the course of the conference 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 change⁷.

Under these circumstances, the private sector has to become a sustainability protagonist at local, national and international level and has to be increasingly aware of the need to reconcile the achievement of corporate objectives with those of its stakeholders, including shareholders, customers, employees, suppliers and local communities⁸. 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.

7 / Paris Agreement, Article 2.

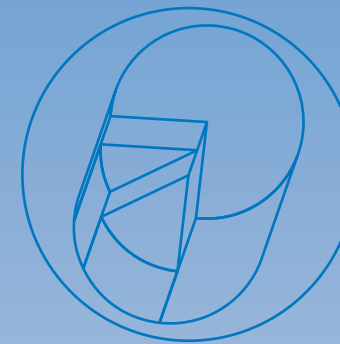
8 / This concept is based on shared value theory. For further information, it is possible to consult: Porter, M. E., & Kramer, M. R. (2011). The big idea: creating shared value. Harvard Business Review, 89 (1), 2.

BIESSE GROUP'S APPROACH

Based on an analysis of the 17 SDGs, the European 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.

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.

FIG / 6
SUSTAINABILITY AS SEEN BY BIESSE GROUP



ECONOMIC SUSTAINABILITY

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 constant 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.



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 well-being, 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 communities in which it operates.



ENVIRONMENTAL SUSTAINABILITY

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 humans, technology and nature and that commitment to sustainable development represents an important consideration 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 and compliance with relevant legislation.

STAKEHOLDERS AND MATERIALITY ANALYSIS

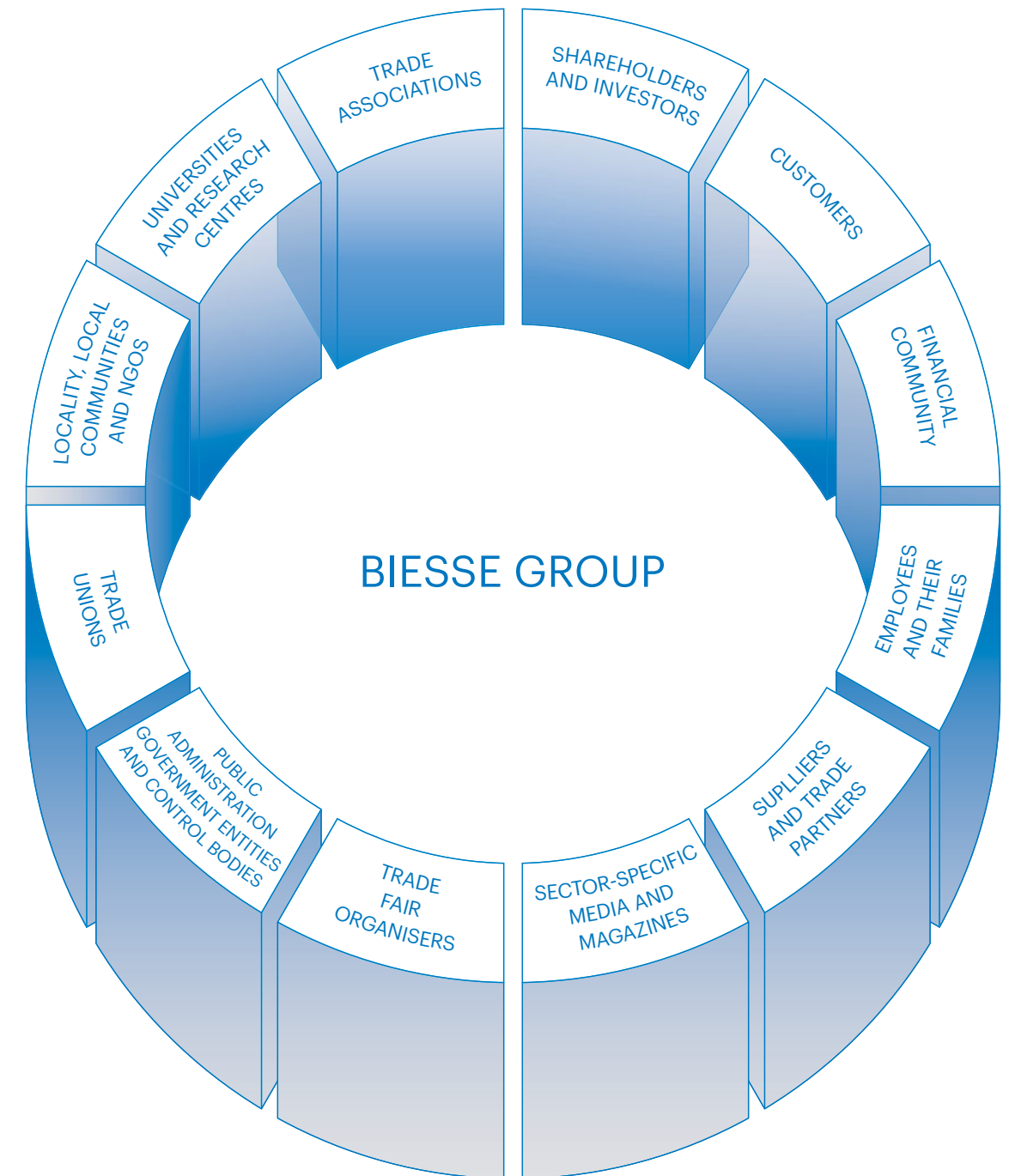
STAKEHOLDERS

There are numerous people, 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 its sustainability journey, 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. It has also enabled the Group 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:

FIG / 7
BIESSE GROUP'S MAIN STAKEHOLDERS

BIESSE GROUP — SUSTAINABILITY REPORT



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 the latter:

TAB / 1
THE GROUP'S COMMITMENTS AND STAKEHOLDER EXPECTATIONS

AT 31.12.2017

Stakeholder	Summary of commitments and activities	Summary of engagement actions	Summary of stakeholder expectations
Trade associations	Constant discussions with trade associations ensures a thorough comprehension of market needs and trends, facilitating the safeguarding of the interests of companies 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 roundtables to facilitate discussion and contributes to the sector's sustainable growth.	<ul style="list-style-type: none"> • Meetings • Focus groups • Round tables 	<ul style="list-style-type: none"> • Compliance with attendance requirements • Active participation by the Group in organised events and/or activities • Performance of activities in line with the principles, codes and regulations of the relevant trade associations
Shareholders and investors	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 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"> • General meetings of shareholders • Channels of dialogue used by the Group's Investor Relations Officer • Company visits 	<ul style="list-style-type: none"> • Share value growth • Transparency in relation to corporate governance, long term objectives and business trends (economic, environmental and social issues)
Customers	In order to fully meet its customers' needs, the Group promotes open and transparent communication, aimed at the comprehension of individual expectations and needs. Through a dedicated area, 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"> • Direct customer assistance channels (Biesse Service and Biesse Parts) • Company and manufacturing site (showroom) visits • Invitations to institutional events • Participation at trade fairs and organisation of demonstration events 	<ul style="list-style-type: none"> • Reliability, safety and technological innovation of products • Constant pre and after post sales assistance and advice • Information on the correct use and regular maintenance of machinery
Financial community	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 the dialogue with the financial community, the Group participates at events and conferences, as well as roundtables and road shows to transmit information relating to the Group's performance and to understand relevant market trends.	<ul style="list-style-type: none"> • Participation at events, conventions and conferences • Roundtables 	<ul style="list-style-type: none"> • Ability to meet its own financial commitments • Compliance with legislation in force and principles of transparency, clarity, correctness and accountability • Absence of conflicts of interest • Constant dialogue based on transparency
Employees and their families	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"> • Open day for employees and their families • Channels for the collection of reports of violations of Group regulations • Transparent corporate communication (Corporate intranet) • Roundtable discussions with unions 	<ul style="list-style-type: none"> • Safe and fair workplaces • Occupational stability and corporate welfare • Opportunities for personal and professional growth paths • Fair remuneration policies and meritocratic systems

Suppliers and Trade partners	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.	<ul style="list-style-type: none"> • Specific meetings • Roundtables 	<ul style="list-style-type: none"> • Compliance with contractual conditions • Continuity of supply • Fair and non-discriminatory treatment • Possibility to develop strategic partnerships that improve their business
Sector-specific media and magazines	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"> • Interviews • Corporate presentations • Corporate events and trade fairs • Press conferences or workshops 	<ul style="list-style-type: none"> • Timely and accurate presentation of the Group's performance • Presentation of social and cultural initiatives undertaken • Presentation of technological innovations developed
Trade fair organisers	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"> • Participation at trade fairs • Interviews and contacts 	<ul style="list-style-type: none"> • Constant and continuous participation over time • Timely and correct compliance with contractual conditions • Profitable organisation of stands and events
Public administration, government entities and control bodies	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 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"> • Institutional roundtables • Formal communications 	<ul style="list-style-type: none"> • Compliance with current legislation • Fight against active and passive corruption • Prevention of offences as per Legislative Decree 231/2001 • Seriousness and transparency in addressing the needs of the Public administration
Trade unions	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"> • Periodic meetings • Roundtables 	<ul style="list-style-type: none"> • Preparation of measures to safeguard the health and safety of employees • Compliance with contractual conditions • Respect of human rights
Locality, local communities and NGOs	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"> • Initiatives to engage with local communities • Dialogue with non-profit organisations for donations, contributions and sponsorships for sport and culture 	<ul style="list-style-type: none"> • Business practices that protect the community • Promotion of local development • Participation by the Group in and support for cultural development and social inclusion projects
Universities and research centres	The Group fosters a participatory dialogue with national and international universities, training schools and research centres and develops, with their contribution, common interest projects to facilitate the entry of young people into the professional world and to seek new technologies and/or business practices.	<ul style="list-style-type: none"> • Workgroups and workshops with university students • Corporate presentations • Career days at partner universities • Partnerships with key universities and schools in Italy and abroad 	<ul style="list-style-type: none"> • Involvement of students in work experience and internships • Promotion of youth employment • Collaboration with universities and research centres in order to develop and disseminate engineering skills and techniques

MATERIALITY ANALYSIS

In order to identify the material topics needed to provide a correct presentation and understanding of the activities of Biesse Group, its performance, its results and the impact on environmental, social, and personnel-related areas, on respect for human rights and on the fight against active and passive corruption, a methodology has been adopted based on the following steps:

1 IDENTIFICATION OF TOPICS

In order to identify topics potentially material to Biesse Group, an analysis was performed 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. Moreover, a specific benchmark analysis was conducted that took into consideration the Group's main competitors and other significant companies in the reference sector. The Group's internal documentation was also consulted as well as the main national and EU regulations and guidelines relating to information of a non-financial nature (Italian 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

The identified topics were subjected to an assessment by a select committee of 18 representatives of the Group (5 women and 13 men), representing various business sectors and functions. The assessment, which was performed based on the materiality of the topics to the Group and its stakeholders (taking account of the positive and negative economic, environmental and social impacts generated by the Group as well as the expectations and decision-making needs of the main stakeholders, regardless of the ability to provide detailed and complete reporting), was subsequently supplemented by a qualitative analysis that took account sector studies recognised at international level and the views of other stakeholders expressed during the course of ad-hoc meetings.

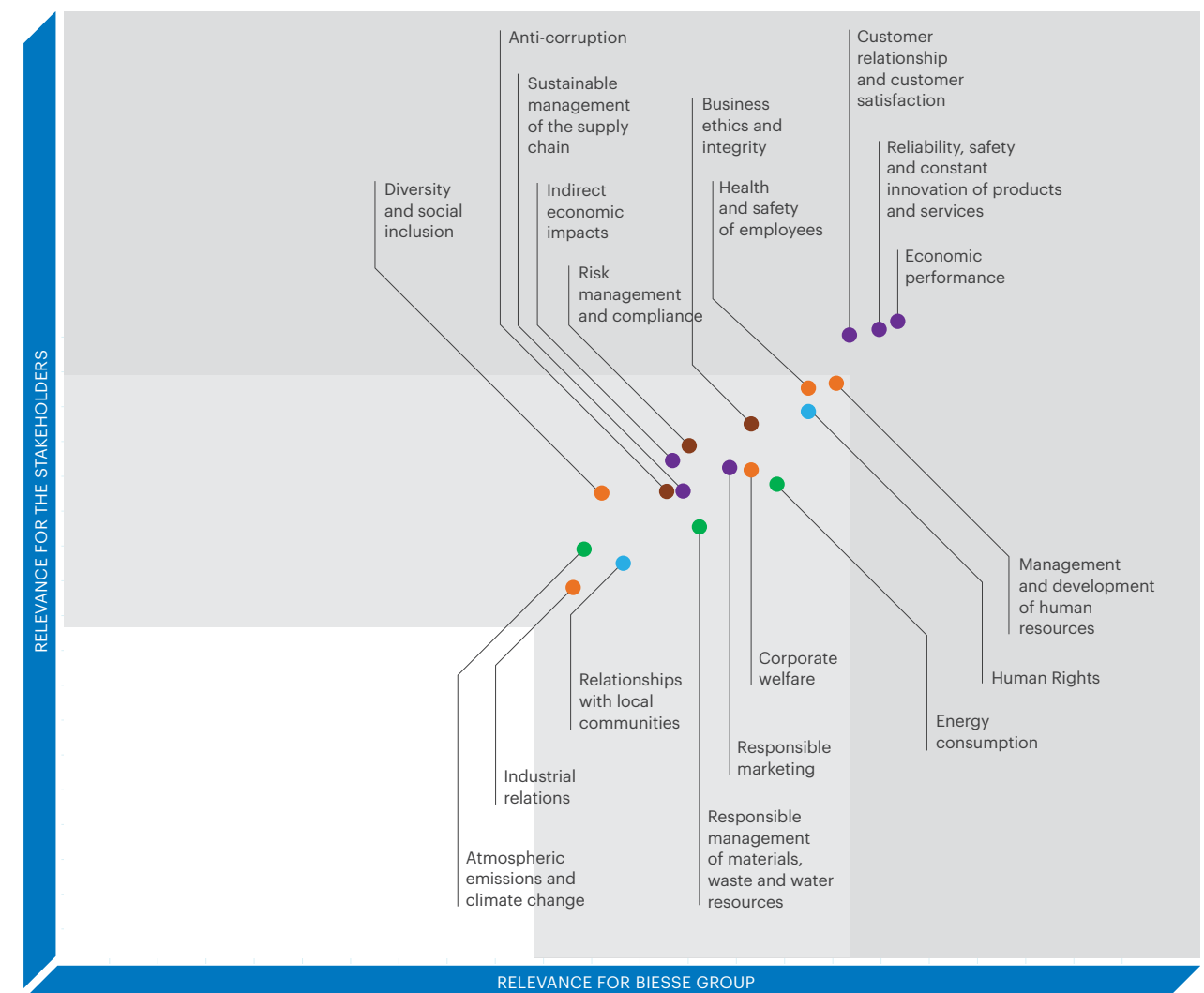
3 PREPARATION OF THE MATERIALITY MATRIX

The assessments made were then summarised in a materiality matrix. 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).

FIG / 8 MATERIALITY MATRIX

As shown below, 19 material topics were identified:

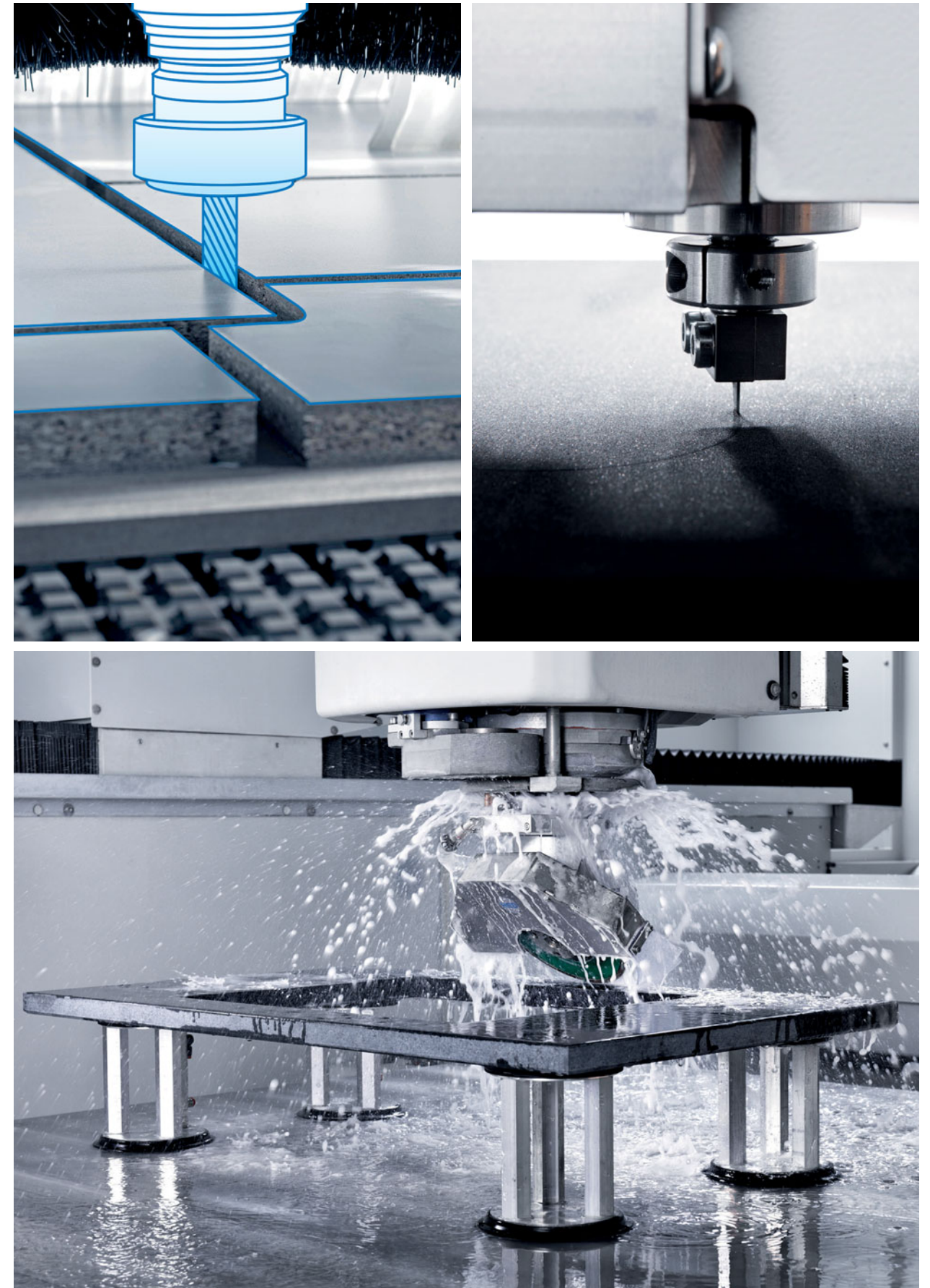
- Governance & Compliance
- Economic responsibility
- Environmental responsibility
- Social responsibility
- Social / Territory responsibility



TAB / 2
RELATIONSHIP BETWEEN MATERIAL TOPICS AND
THE MAIN AREAS OF SUSTAINABILITY IDENTIFIED
BY THE ITALIAN LEGISLATIVE DECREE

AREA AS PER LEGISLATIVE DECREE 254/2016	MATERIAL TOPICS
Fight against active and passive corruption	<ul style="list-style-type: none"> • Anti-corruption • Business ethics and integrity • Risk management and compliance
Personnel-Related	<ul style="list-style-type: none"> • Management and development of human resources • Corporate welfare • Diversity and social inclusion • Industrial relations • Health and safety of employees
Social	<ul style="list-style-type: none"> • Reliability, safety and constant innovation of products and services • Indirect economic impacts • Sustainable management of the supply chain • Customer relationship and customer satisfaction • Responsible marketing • Relationships with local communities
Human Rights	<ul style="list-style-type: none"> • Human Rights
Environmental	<ul style="list-style-type: none"> • Energy consumption • Responsible management of materials, waste and water resources • Atmospheric emissions and climate change
ECONOMIC/FINANCIAL ⁹	<ul style="list-style-type: none"> • Economic performance

9 / Area not specifically mentioned by Art. 3 of the Italian Legislative Decree 254/2016.



Economic Sustainability

Economic Sustainability

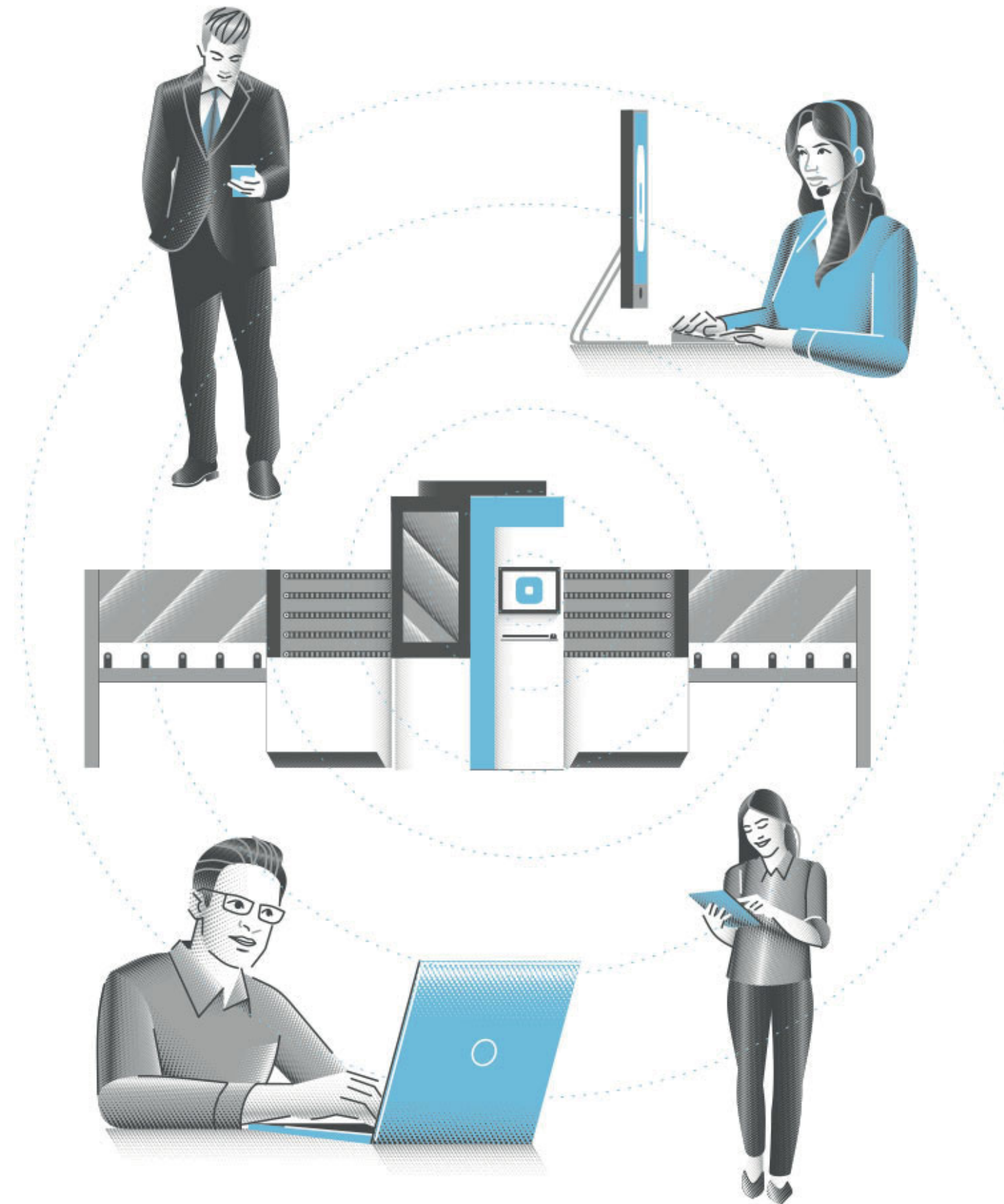
3 / 0

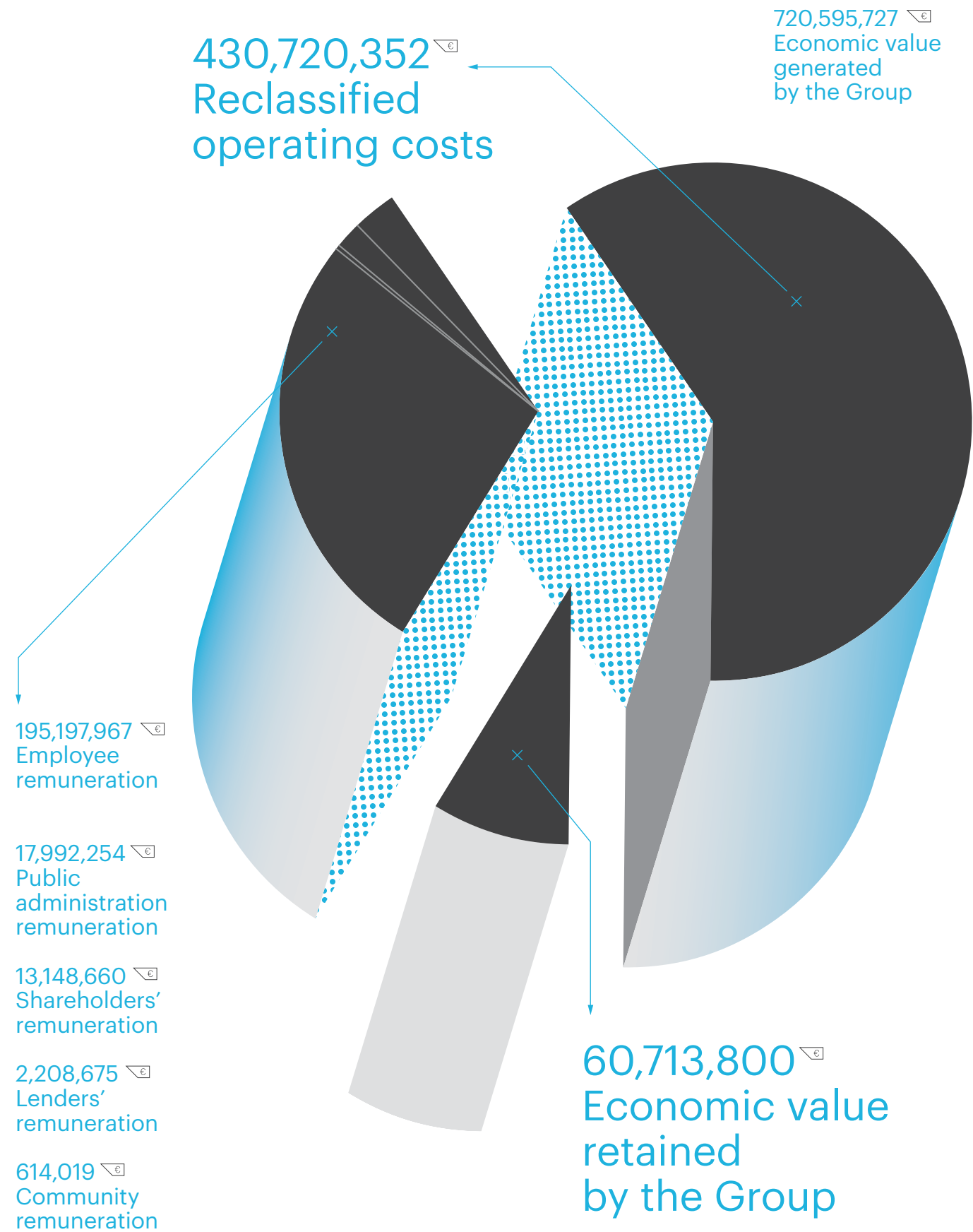
When technology cuts distances.

Industry 4.0 and the irresistible tendency to think about the future.

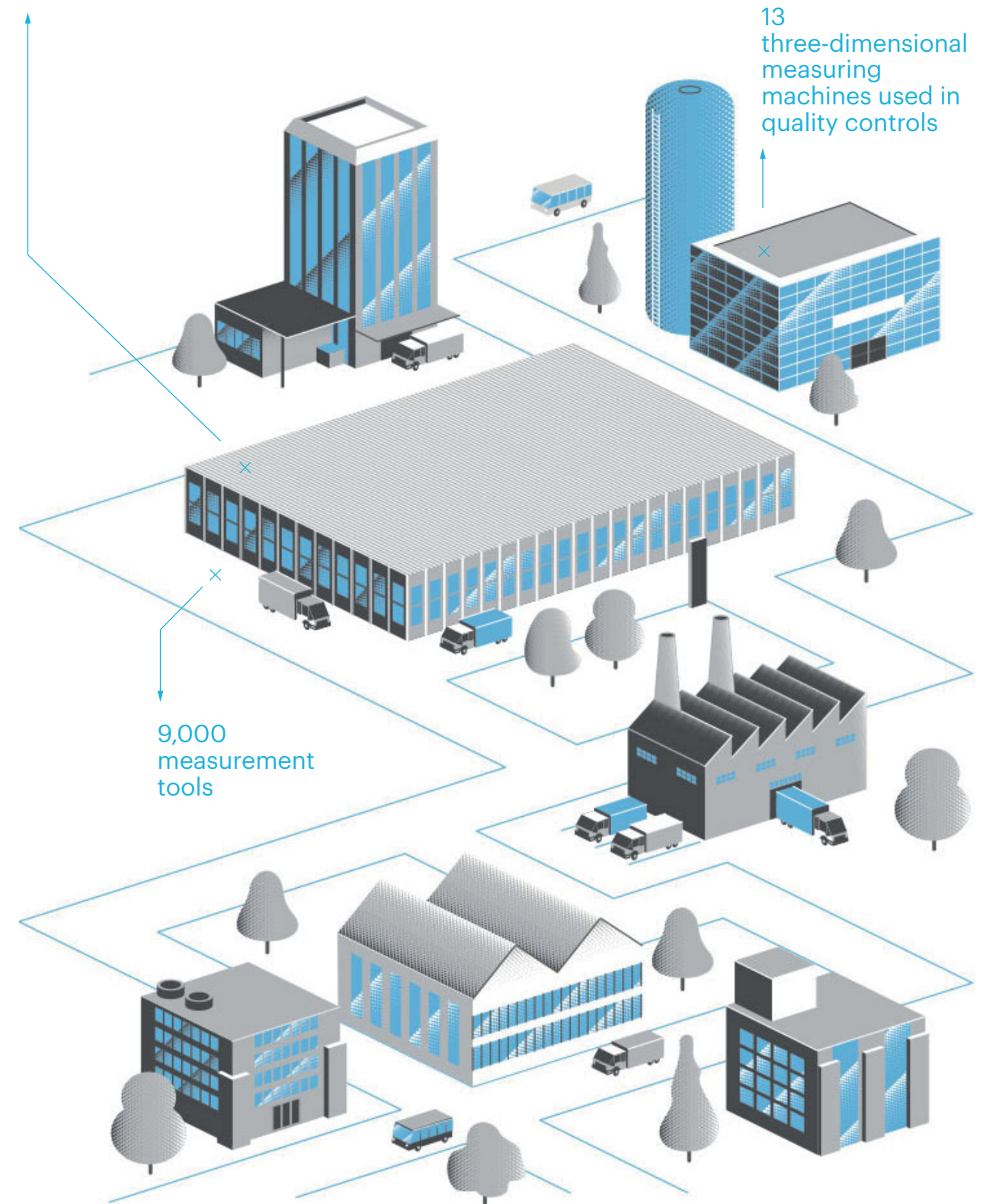
A continuous search for excellence to support the competitiveness of every customer.

Constant technological innovation that generates economic value for stakeholders.



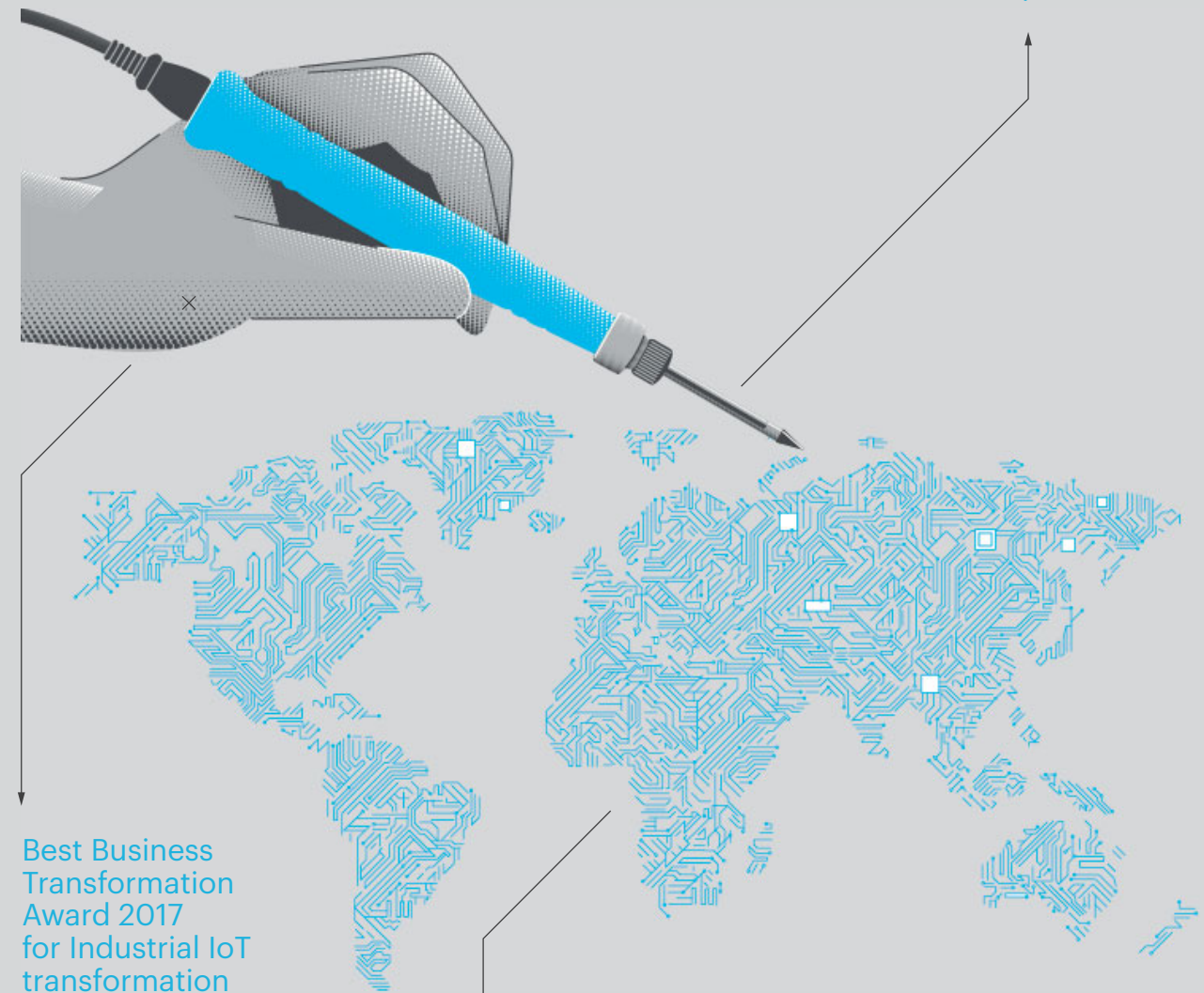
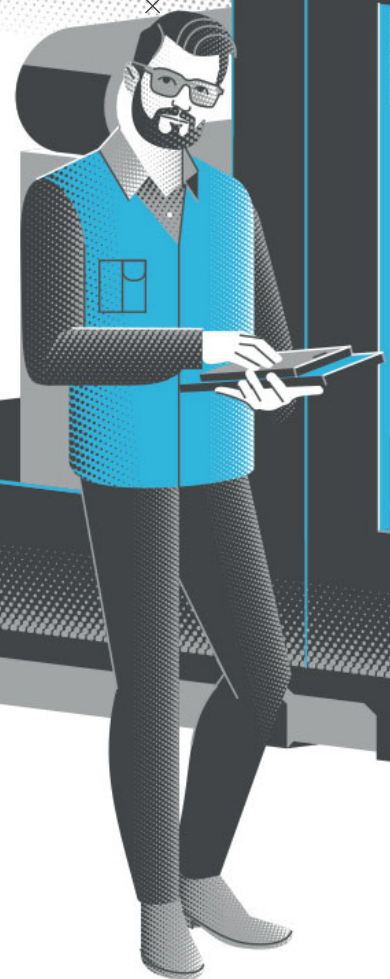


88% of purchases from local suppliers



300+ persons involved in research and development activities, totalling approximately 260,000 working hours

9 manufacturing plants awarded ISO 9001:2015 certification in Italy, India and China



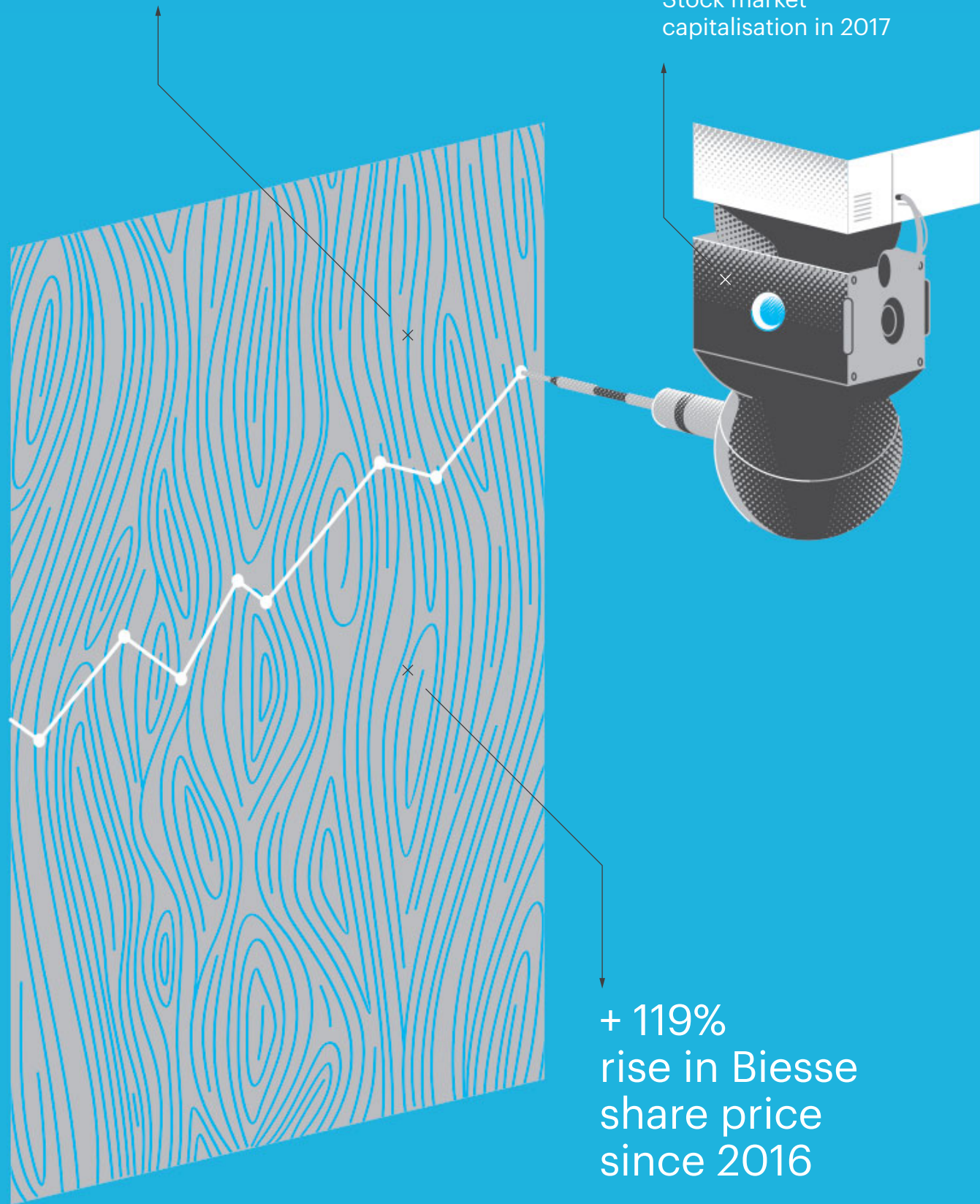
Launch of new SOPHIA Service platform

Best Business Transformation Award 2017 for Industrial IoT transformation

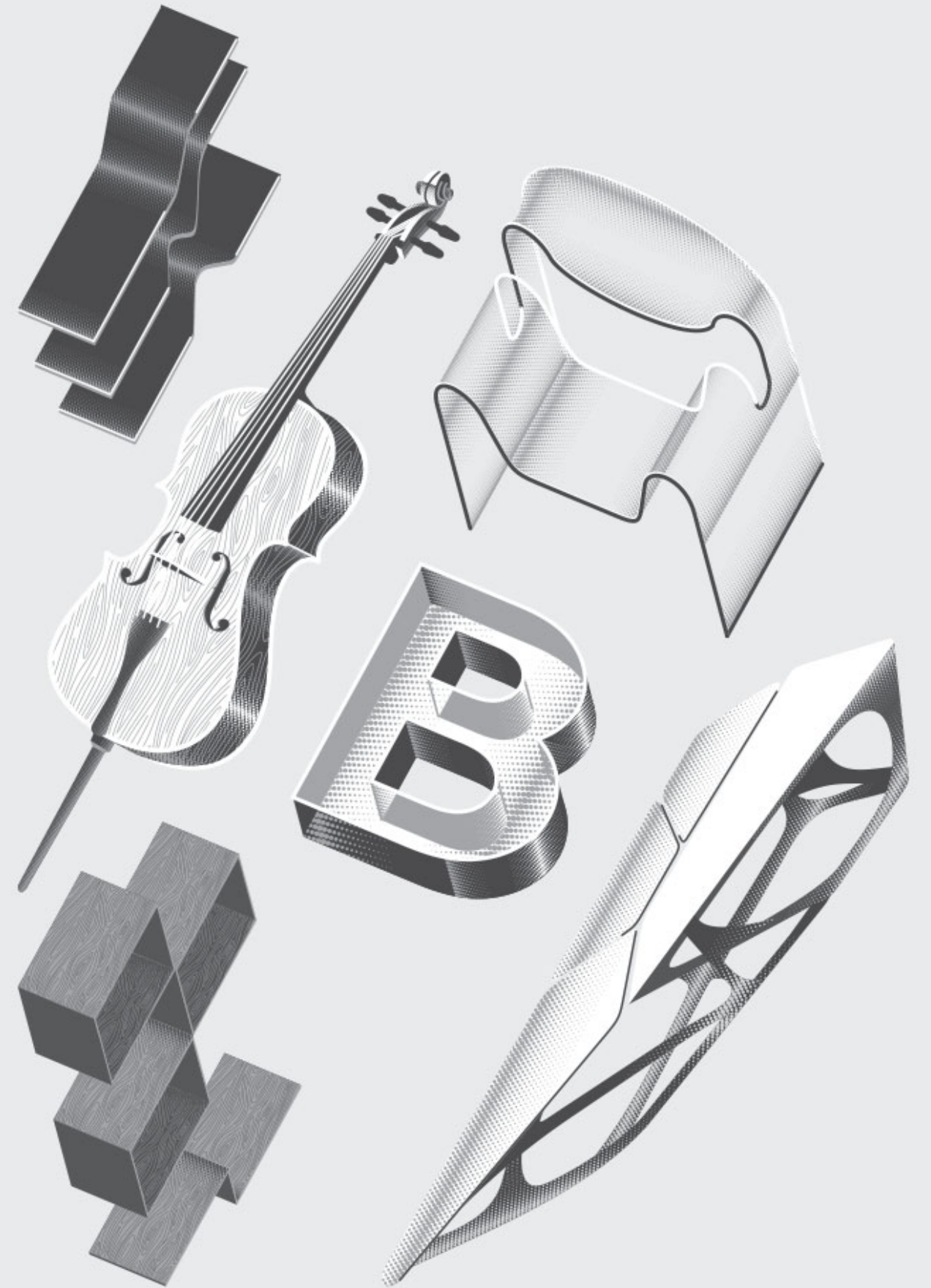
- 35% response time for machinery stoppages at customer premises compared to 2016

690,100,000 €
total revenue in 2017
(+11,6% compared to
2016)

> 1 Mld €
Stock market
capitalisation in 2017



+ 119%
rise in Biesse
share price
since 2016



Economic sustainability

- › The year ended on 31 December 2017 is representative of a year that saw a remarkable increase in consolidated revenues, net profit and which sets the Biesse Group in a favourable financial position.
- › The positive results achieved are the consequence of a Group strategy focused on innovation, distribution, service quality and marketing and of significant investment thereon in the last three years.
- › To continue along these lines the Group has planned further investment in the next three years on personnel and technology to be able to continue to offer quality products and services, which are the protagonists the Fourth Industrial Revolution.

3 /
0

ECONOMIC PERFORMANCE

3 /
1

The Group ended 2017 with turnover of Euro 690,120 thousand, representing an increase of 11.6% over the prior year. The Mechatronics Division achieved an excellent result in terms of percentage increase in revenue (+13.7% compared to 2016) that was attributable to an increase in volumes and a different sales mix (greater use of its sales branches and increased weighting of high-end, hi-tech articles). The Glass/Stone and Wood Divisions also achieved an excellent performance in terms of percentage increase in revenue, continuing their upward trend in volumes (+12.7% and + 8.6%, respectively, compared to 2016) and margins.

Sharp growth was reported in gross operating margin (EBITDA) before non-recurring events that rose to Euro 89,452 thousand (+17.9% versus Euro 75,845 thousand in the year ended 31 December 2016). There was also an improvement in operating margin (EBIT) in 2017 of Euro 8,543 thousand, having increased from Euro 55,062 thousand in 2016 to Euro 63,606 thousand in 2017 and, which, as a percentage of revenue, rose from 8.9% to 9.2%.

The breakdown of revenue by geographical area reported a particularly positive performance by Eastern Europe (+18.9%), which increased its share of consolidated revenue (from 12.6% to 13.4%). Asia-Oceania also reported a good performance (+18.9%). Western Europe reported a significant increase of 10.1%, while North America reported an increase of 1.9 percentage points.

It should also be noted that the Group's results were adversely affected by "non-recurring events and impairment" totalling Euro 3,275 thousand, due to phase-outs, extraordinary costs incurred by the Australian branch, non-recurring personnel costs incurred by the Chinese and Indian manufacturing subsidiaries and the impairment of development costs relating to projects no longer deemed strategic. As regards the prior year, such events had adversely affected the operating margin by a total amount of Euro 1,279 thousand.

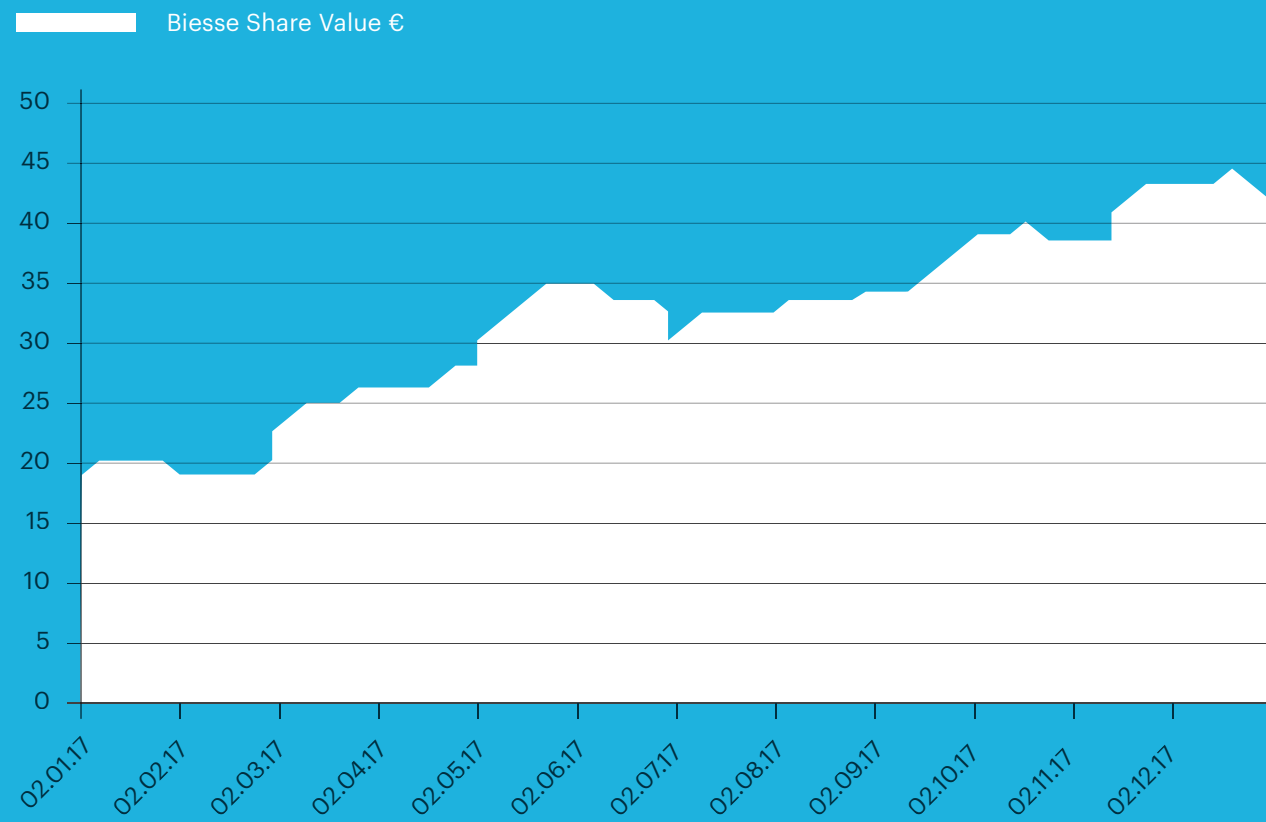
Moving on to the financial position, net operating working capital decreased by Euro 28.2 million due to efficient cash collection that led to a reduction in trade receivables (of approximately Euro 9.4 million) and an increase in inventories (of approximately Euro 12.4 million), driven by the scheduling of deliveries planned for the opening months of 2018; these changes were partially offset by an increase in trade payables (Euro 31.3 million).

As at 31 December 2017, the Group had a net cash position of Euro 30.3 million, an improvement of Euro 34.1 million compared to June 2017 and of € 39.5 million compared to September 2017. Increased profit margins and constant attention to net operating working capital management were again key to cash generation (free cashflow of Euro 35.2 million) that, in fact, generated a net cash position at the end of 2017, net of dividends paid (cash-out of over Euro 9.8 million) and capital expenditure incurred.

BIESSE SHARE PRICE PERFORMANCE

2017 was a record year for Biesse's share price which rose 119% over the year from Euro 19.32 to Euro 42.3 per share. Its stock market capitalisation exceeded € 1 billion for the first time ever.

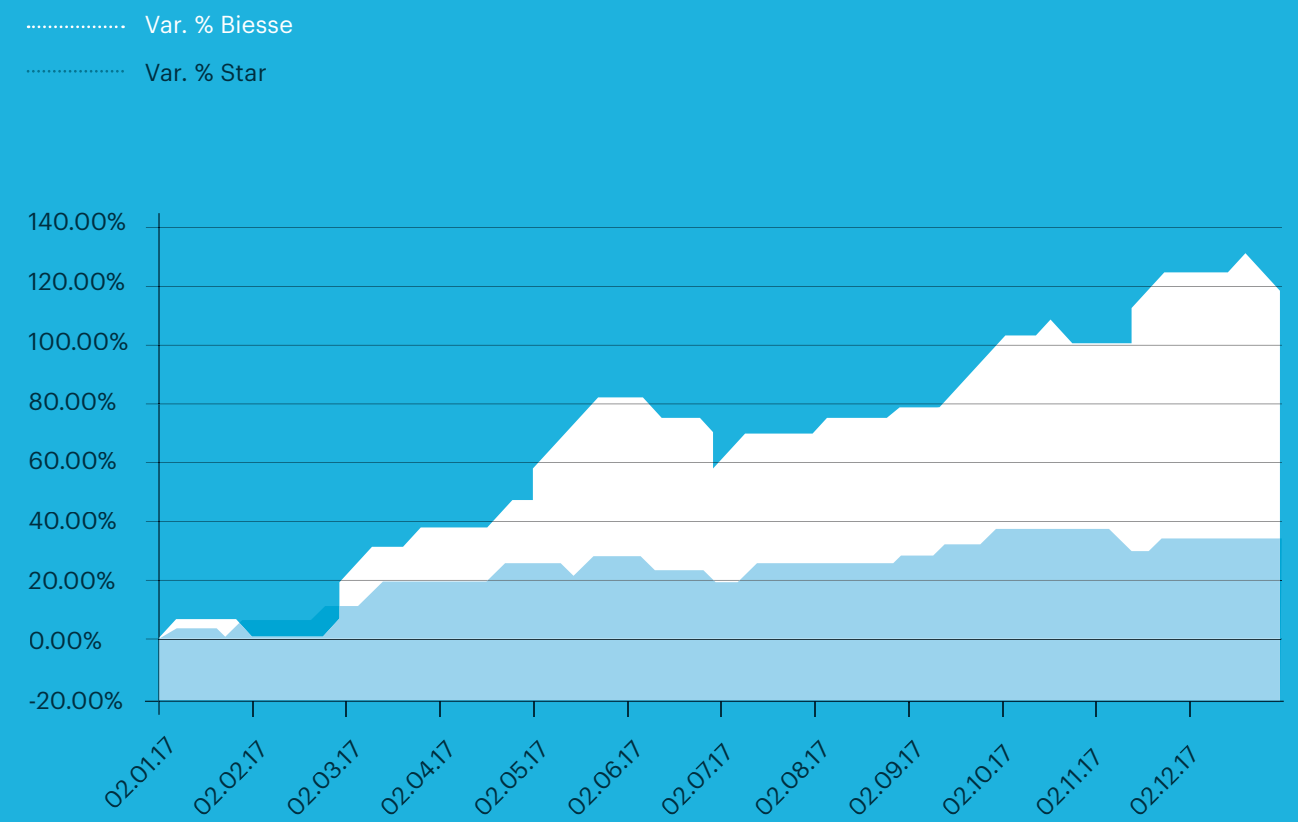
FIG / 9
TREND IN BIESSE SHARE PRICE BETWEEN 1 JANUARY AND 31 DECEMBER 2017



ECONOMIC SUSTAINABILITY

In terms of percentage change, in 2017, the Biesse share price performance was three times better than that of the relevant STAR segment of the Stock Exchange.

FIG / 10
PERFORMANCE OF BIESSE SHARE PRICE IN COMPARISON TO THE PERFORMANCE OF THE FTSE ITALIA STAR INDEX BETWEEN 1 JANUARY AND 31 DECEMBER 2017¹⁰



BILANCIO DI SOSTENIBILITÀ
BIESSE GROUP

¹⁰ / Source: www.borsaitaliana.it.

ECONOMIC VALUE GENERATED AND DISTRIBUTED

3 / 2

The economic value generated and distributed reflects the economic impact that Biesse Group's activities have generated and distributed to the main categories of stakeholders. The economic value generated by the business is calculated as the difference between revenue and the costs incurred for the purchase of external factors of production.

The economic value distributed expresses in monetary terms the relationship between the business and the socio-economic system in which it operates, with reference to certain of its main stakeholders, such as personnel, shareholders, lenders, the community, the public administration and the Group itself.

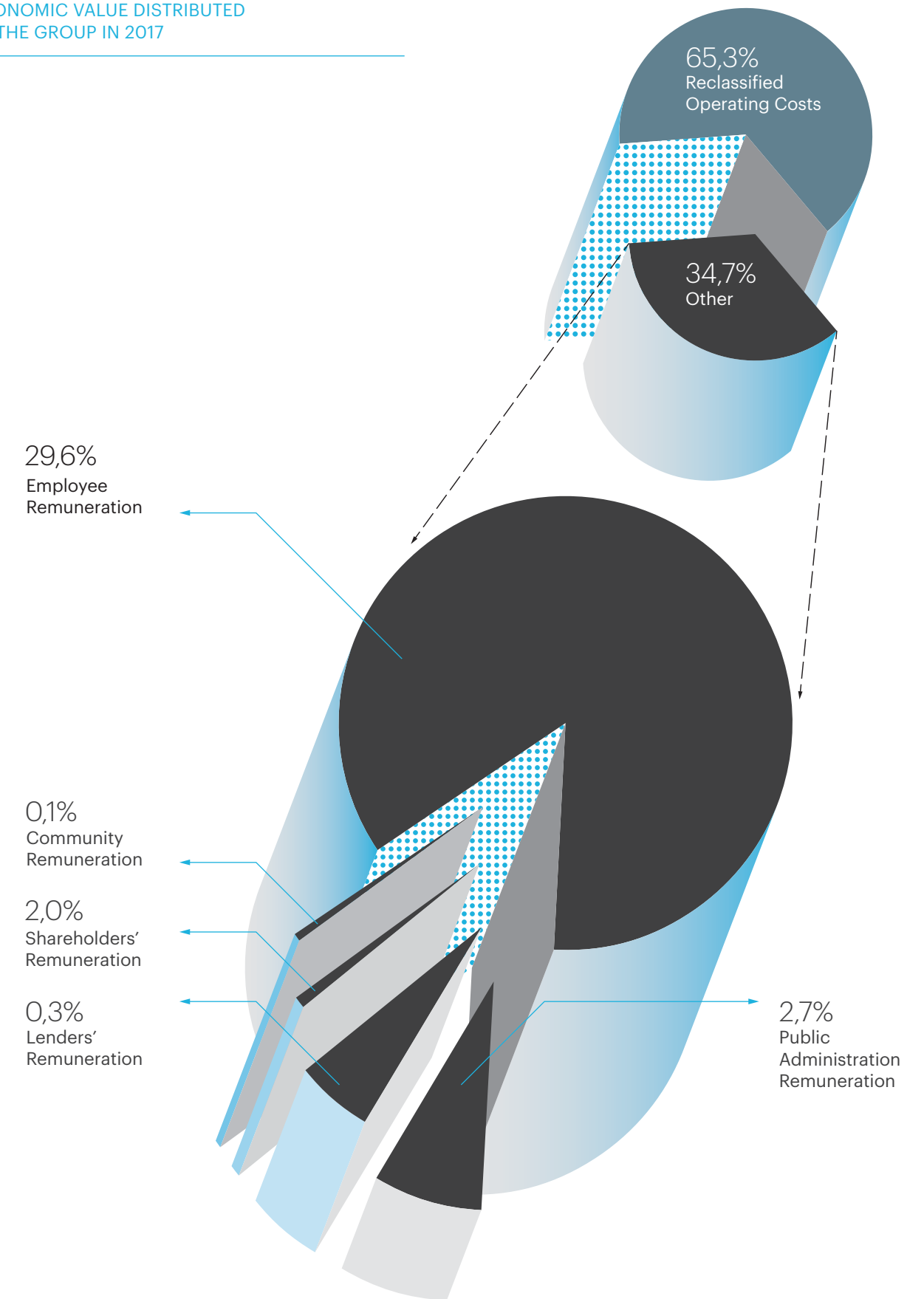
TAB / 3
DETERMINATION OF ECONOMIC VALUE GENERATED, DISTRIBUTED AND RETAINED BY BIESSE GROUP

	2017	2016
Economic value generated by the Group	€ 720,595,727	€ 643,792,069
Economic value distributed by the Group	€ 659,881,927	€ 598,453,915
of which: reclassified operating costs	€ 430,720,352	€ 389,715,245
of which: employee remuneration	€ 195,197,967	€ 173,273,490
of which: public administration remuneration	€ 17,992,254	€ 22,920,607
of which: lenders' remuneration	€ 2,208,675	€ 2,069,812
of which: shareholders' remuneration	€ 13,148,660	€ 9,857,895
of which: community remuneration	€ 614,019	€ 616,867
Economic value retained by the Group	€ 60,713,800	€ 45,338,154

Reclassified operating costs, which amount to € 430,720,352, mainly include 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 € 195,197,967 and accounts for approximately 29.6% of the total economic value distributed. This portion includes costs incurred for wages and salaries, awards and bonuses, social contributions and other employee related costs. A portion of economic value was distributed to the public administration in the year amounting to

€ 17,992,254. An amount was distributed to lenders of € 2,208,675 resulting from finance costs. The remuneration of risk capital of € 13,148,660 corresponds to the proposed distribution of profit for the year¹¹. An amount of € 614,019 was distributed to the community under the form of donations, sponsorships contributions¹² 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 € 60,713,800 constitutes the economic value retained by the Group, consisting of profit for the year allocated to reserves, depreciation and amortisation, allocations to provisions and impairment.

FIG / 11
ECONOMIC VALUE DISTRIBUTED BY THE GROUP IN 2017



BIESSE GROUP — SUSTAINABILITY REPORT

ECONOMIC SUSTAINABILITY

11 / The figure refers to the proposed distribution of profit submitted for approval by the shareholders in general meeting.
12 / 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 manufacturing efficiency and, at the same time, safely simplify their work is the main objective of Biesse Group in the field of innovation.

As far as the Group is concerned, innovation is focused on creating technological solutions that are not only capable of constantly improving manufacturing performance and the reliability of the machinery, but that also relieve the operator from physical and mental efforts so as to ensure their well-being and safety in the workplace. For this reason, 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 during the course of the last two years are instrumental to the gradual centralisation of technological research and development work. This makes 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 2017 over 300¹³ persons were involved in research and development activities, totalling more than 260,000 working hours.

The experimental technological development function, which is centralised in Biesse S.p.A., can currently count on the experience of 10 dedicated professionals (1 department head, 8 mechanical design engineers and 1 software developer) who maintain contact with all the other professionals within and outside 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 are with the University of Ancona in relation to the study of vibrations and the development of predictive analysis algorithms to be implemented for advanced technologies for use in the new *Fourth Industrial Revolution*, with COSMOB, for the conduct of tests on processed products and materials and with the Machine Tools and Production Systems Consortium (Consorzio MUSP) concerning *project cluster* pertaining to the mechatronics division.

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

3 /
3

for wood processing), UCIMU (Association of Italian manufacturers of machine tools, robots, automation and ancillary 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), AMAPLAST (Association of manufacturers of machinery and moulds for plastic and rubber materials), COSMOB (Furniture consortium) and MUSP (Machinery, tools and production systems).

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.

A few examples of patented technologies are given below:

- Patent for independent spindle boring heads;
- Patent for panel loading and unloading system for wood processing centres;
- Patent for automatic saw blade change;
- Patent for automatic tool changer on glass sheet cutting tables;
- Patent for infinite rotating C axis applied to waterjet cutting.

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

TAALM: INNOVATIVE TECHNOLOGY FOR AMBIENT ASSISTED LIVING

With the collaboration of Hyperlean, Biesse participated in a regional call for tender FESR POR Marche 2007-2013 "Promotion of industrial research and experimental development in technological-productive chains", for the development of new technologies for Ambient Assisted Living

Manufacturing, with the objective of creating an innovative, assisted and highly usable work environment for elderly and frail operators. BIESSE S.p.A. participated by designing enclosed machinery in order to reduce particles and noise, thus increasing operators' safety.

FROM THE PRODUCT TO THE INDUSTRIAL INTERNET OF THINGS

Biesse is strongly investing in the world of software and advanced services by developing easy to use solutions conceived by listening to customers and their needs. These have a simple interface designed to make everyday use of machinery practical. bSuite, 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.

The basic principle of the Fourth Industrial Revolution (4IR) is the use of data as a tool to create value, analysis of data collected, communication between machines and other interface tools, change in manufacturing methods based on analysis of data collected and technological communication. By focusing on 4IR the Group has introduced notable technological innovations and achieved significant results in the development of new technologies that enable connectivity between machines as part of the Industrial Internet of Things (IIoT).

In this regard, one of the main innovations introduced by the Group is the SOPHIA platform. The platform was officially presented in October 2017 during the Inside event at which Biesse opens the doors to its Pesaro Campus to all its main customers. It 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. As at 31 December 2017, 76 Biesse machines were connected to the web, representing a great result and the starting point for further commitment to the IIoT.

PROCESS INNOVATION

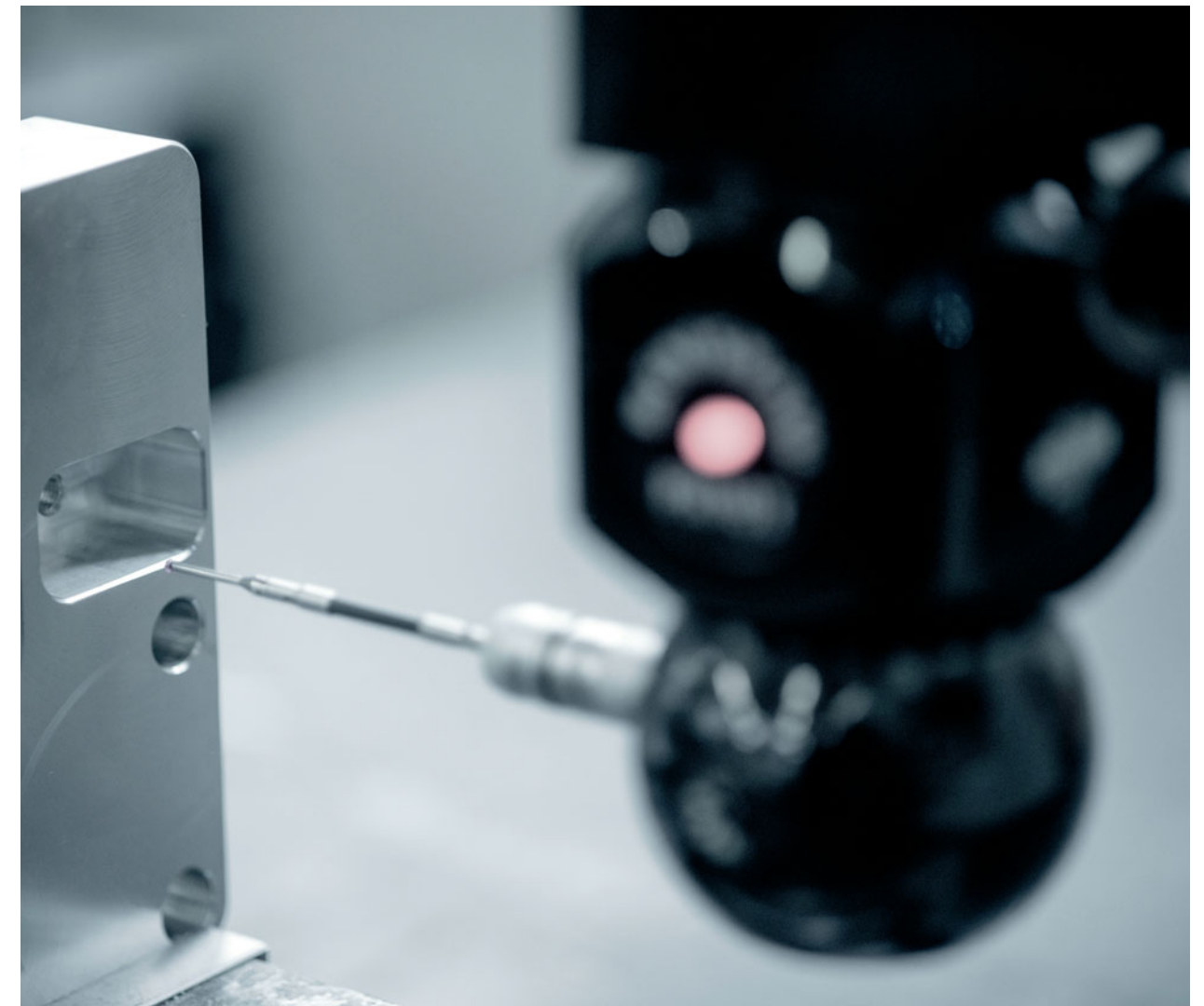
Biesse Group has implemented the Siemens Team Centre Product Lifecycle Management (PLM) platform, as part of an innovation project aimed at improving the management of the lifespan of products through a software solution that enables the integration of data, processes and business systems, in synergy 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 after sales support and maintenance.

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.

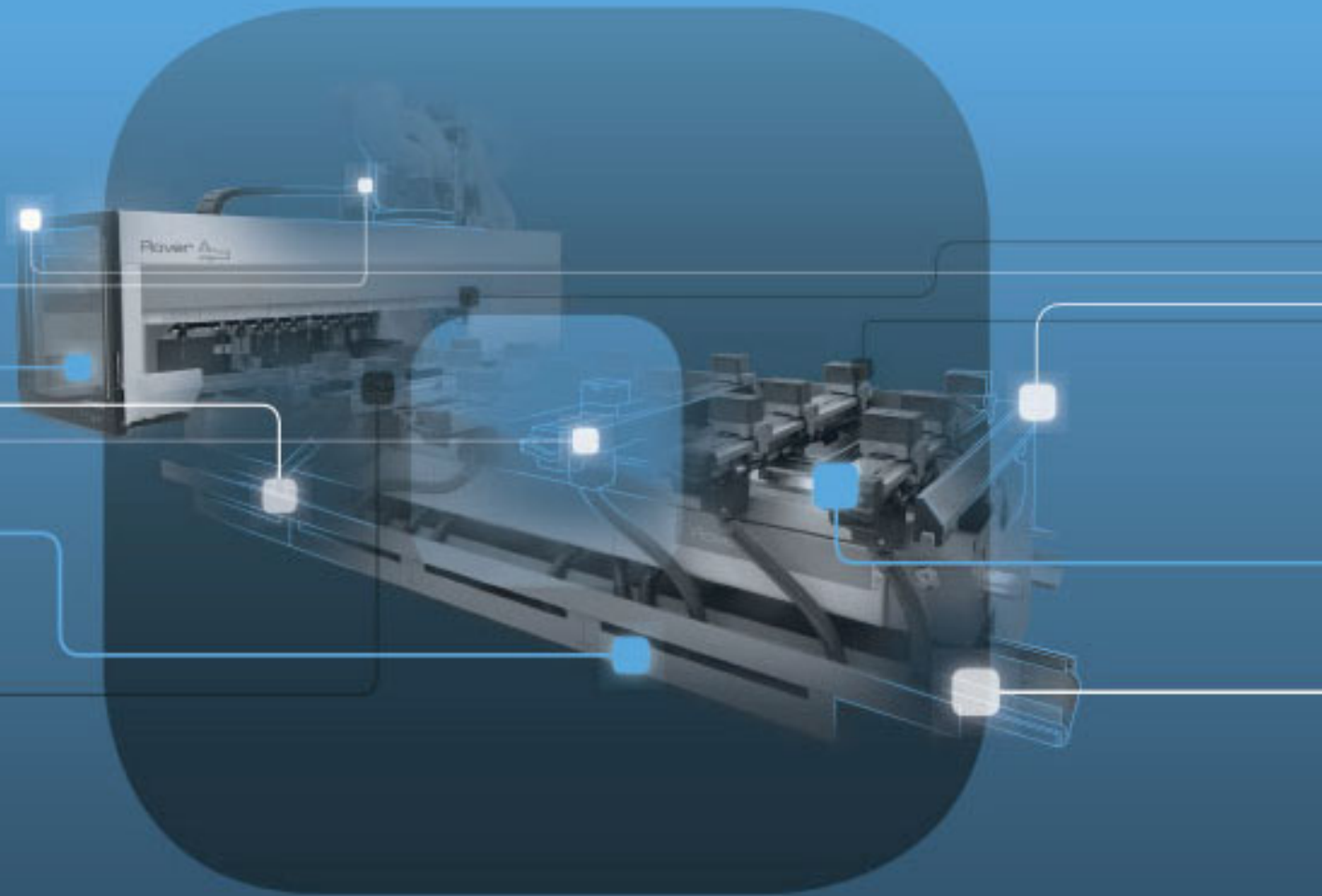
With specific reference to kaizen measures implemented during the course of 2017 within Biesse Manufacturing India's manufacturing facility, a 28% increase in productivity was achieved against a reduction of 15% in occupied spaces, of 43% in transit time and of 22% in the value of stock¹⁴.

¹⁴ / Figure estimated and subject to change based on production needs.



SOPHIA

PIÙ VALORE DALLE MACCHINE



BEST BUSINESS TRANSFORMATION AWARD, IOTS WORLD CONGRESS, BARCELONA

During the course of the IoT Solutions Award Gala on 4 October 2017, Biesse Group won, together with Accenture Digital, the prestigious “*Best Business Transformation Award*”.

Presented by Accenture as a case study of success in Industrial IoT transformation, the Group won recognition on a global scale for its propensity to change thanks to its ability to create innovation through integrated solutions, which enable it to produce better and more, at a lower cost. Accenture’s Connected Asset Management solution on Microsoft Azure IoT, installed on Biesse machines, enables Biesse to access real-time data relating to machines in customers’ factories and to develop in-depth analytics and predictive maintenance based on legacy knowledge and data collected in order to reduce labour costs and improve customer service.

The IoT World Congress is the leading IoT Industry event and each year it brings together hundreds of professionals and industry experts with the aim of encouraging an exchange and sharing of knowledge, skills and operational applications for various industrial sectors, such as Manufacturing, Healthcare, Energy & Utilities, Connected Transport, Buildings & Infrastructure, Retail and Agriculture.

THE GROUP AT THE SERVICE OF ITS CUSTOMERS

3 /
4

Biesse Group promotes and develops direct and constructive relationships with customers, aimed at understanding their needs and ensuring comprehensive quality assistance. In fact, 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.

Bolstered by the professionalism of more than 550 field engineers around the world in direct contact with the global branch network, the Group is capable of offering extensive support services and spare parts for machinery and components on-site and on-line.

The Service team, in particular, is responsible for handling relationships with customers and offers a long list of services comprising installation and start-up of machinery and systems, remote and on-site technical training, servicing, upgrades, repairs and maintenance, remote support, digital services and assistance in the identification of spare parts.

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, in 2017, more than 41,00015 hours of training (+84% on 2016) were provided to the Group's field engineers, for whom a project has been launched for the creation of a Service Academy to provide programmes leading to the certification of specific skills.

Of the many results achieved by this, it is worth mentioning that the response time for machinery stoppages at customer premises fell between 2016 and 2017 by approximately 5%, from 6.9 hours to 4.5 hours. The Group's customers confirm this positive trend. Based on a web survey conducted in 2017 that involved 660 customers, 75% of those interviewed confirmed they were satisfied with the services offered by the Group.

During the course of 2017, the new spare parts web portal "Parts" was also launched. This 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 adopted a Quality Management System certified to the ISO 9001 international standard. The Quality Management System, which is constantly updated, provides specific guidelines to facilitate its adoption in all Group companies, including those recently acquired, and is coordinated centrally by Biesse S.p.A. As at 31 December 2017, the certification had involved 9 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. 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.

Compliance with the ISO 9001 standard is assured through periodic internal audits that involve the processes of all manufacturing units within the scope of the Quality Management System. In 2016, all the Group's manufacturing units that had already been certified passed the audit of compliance with the new ISO 9001:2015 standard, as was the case for Korex Dongguann Machinery (China) in August 2017.

Moreover, during the course of 2017 the certification process commenced for Uniteam S.p.A.'s manufacturing site, and it is expected to be completed in 2018.

The transition to the new ISO 9001:2015 standard provided an opportunity to apply ERM (Enterprise Risk Management) concepts to quality management and to involve all process heads and factory management in the analysis of business risks. The analysis enabled the identification of the main risks associated with manufacturing operations, in order to implement appropriate mitigation actions.

Prior to being delivered to the customer, all machinery must pass testing required by regulations in force, as well as specific tests that are constantly updated based on reliability issues that have arisen in the market. 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 13 three-dimensional measuring machines (11 in Italy, 1 in India and 1 in China) to check strategic components, plus various laser trackers and interferometers that are used during testing, to verify the precision of the machinery produced.

In order to raise its quality standards, Biesse also looks at standards associated with other technological sectors. In 2017, the Quality Manager and other staff not involved in quality management attended a course 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 by specific procedures which detail all the phases to be followed.

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 constantly analyses reports related to the replacement of components under warranty and the technical interventions made by the Service function's technicians.

Periodic meetings on reliability issues are held within each production unit and are attended by all the business functions involved (quality, service, technical department, factory manager, etc.); periodic 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.

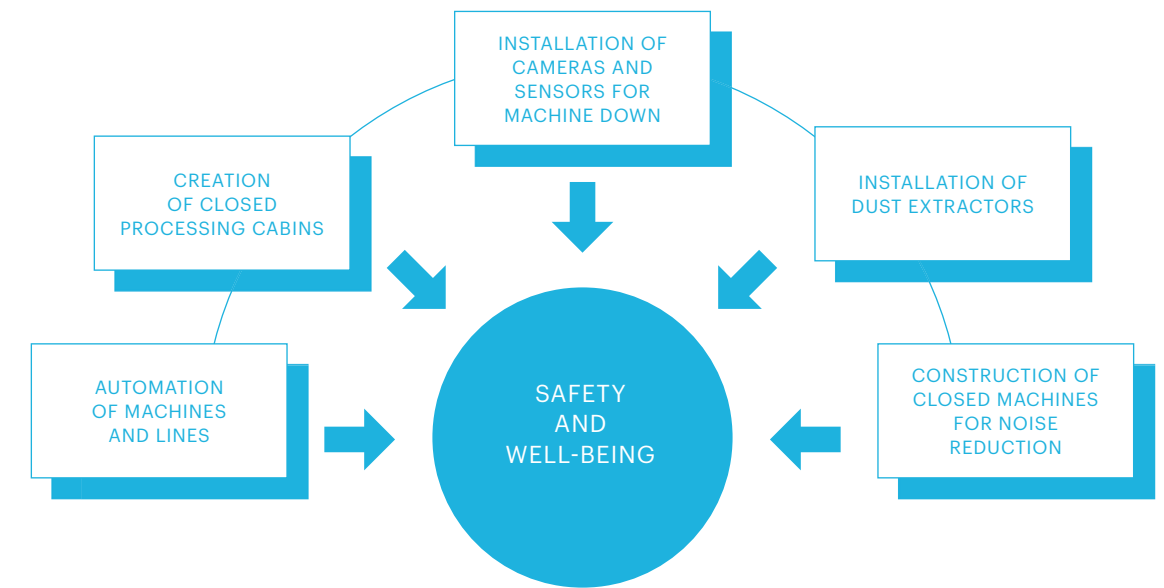
In recent years, a knowledge management reliability system has been introduced, being a database of reliability issues made available to technical departments to prevent the recurrence of issues common to the various production units already at the product development stage.

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, and also to the risks associated with operators' behaviour in order to guarantee performance levels that exceed those required by the Machinery Directive 2006/42/EC and other international, European 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 tests on electrical grounding.

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.

FIG / 12
COURSE OF ACTION FOR WELL-BEING AND THE SAFE USE OF MACHINERY



BPAD

An important technological innovation for the well-being and safety of operators, the bPad is a wireless console that allows the operator to perform key Biesse machinery functions, while keeping their distance from moving parts, thus reducing the risk of injuries.



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, in recent years, 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 of experience, by means of seminars and training courses, combined with general and customised technical tests of the Group's machinery. Great results have been achieved in the last four years due to enormous efforts by and the notable determination of all those involved, as well as due to specific regional investment, an increase in local services and the strengthening of marketing and communication strategies at international level.



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 occupational health and safety.

In addition to the above, with a view to a virtuous process of constant 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.

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.

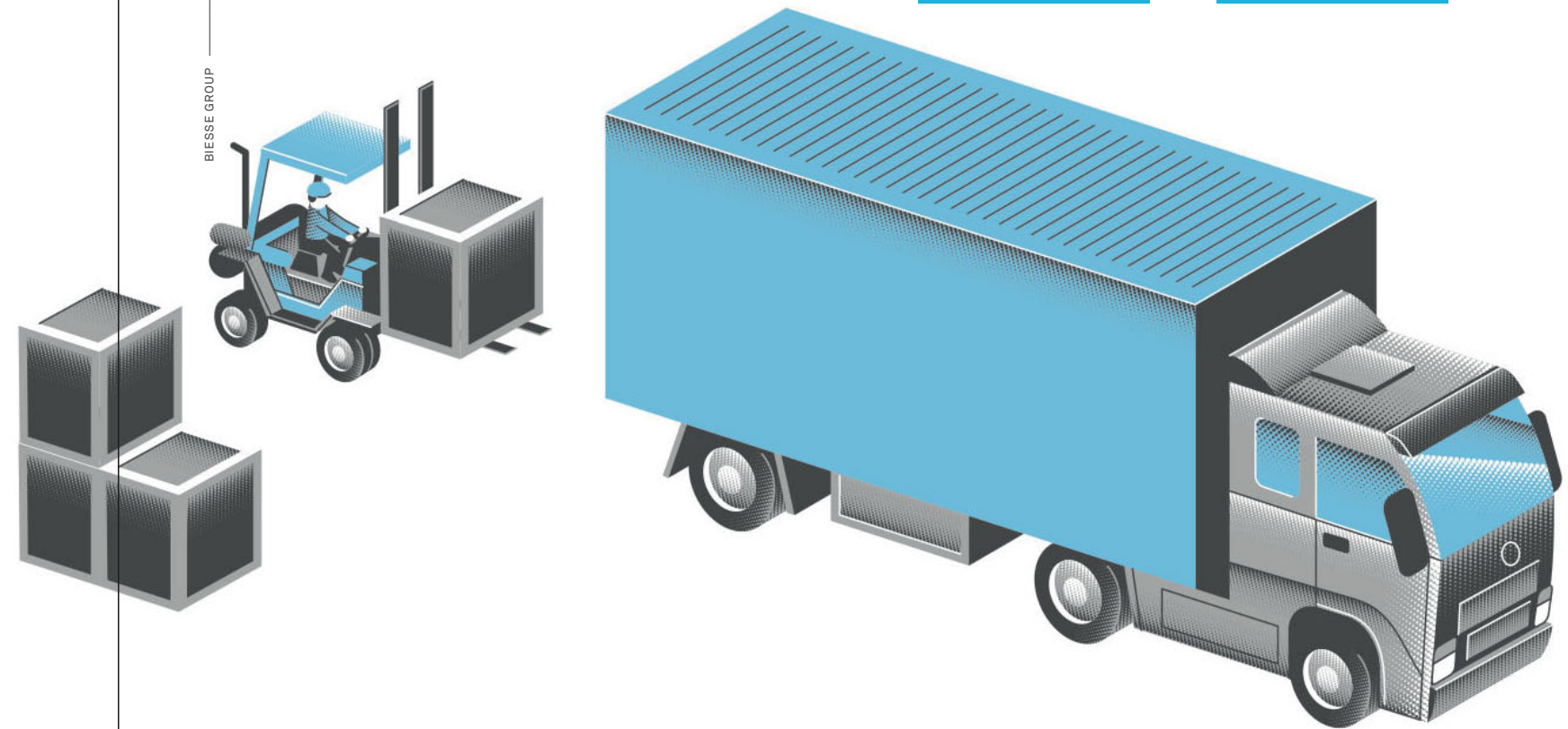
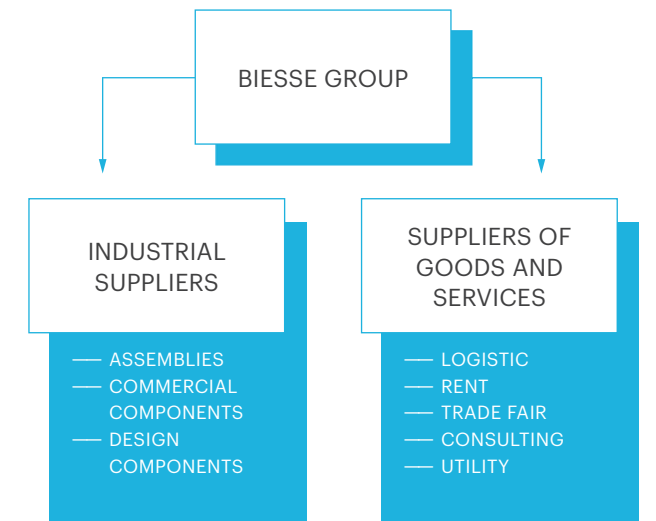
This approach makes it possible to establish relationships with quality suppliers and to develop an increasingly more effective and sustainable process, which leads to the creation of efficient and lasting partnerships.

3 /
5

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.

FIG / 13
THE MAIN CATEGORIES OF BIESSE GROUP'S SUPPLIERS



MANUFACTURING SUPPLIERS

During the course of 2017, Biesse Group had commercial relationships with approximately 880 main manufacturing suppliers¹⁶ and recorded more than Euro 260 million of purchases of assemblies, commercial components, design components and other manufacturing supplies, up by Euro 239 million on purchases of the same supply categories in 2016.

As regards to the geographical breakdown of the purchase value, approximately 88% relates to local suppliers¹⁷. 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.

¹⁶ / 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 80% 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.

¹⁷ / 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.

FIG / 14
% VALUE OF PURCHASES FROM MANUFACTURING SUPPLIERS, BY CATEGORY

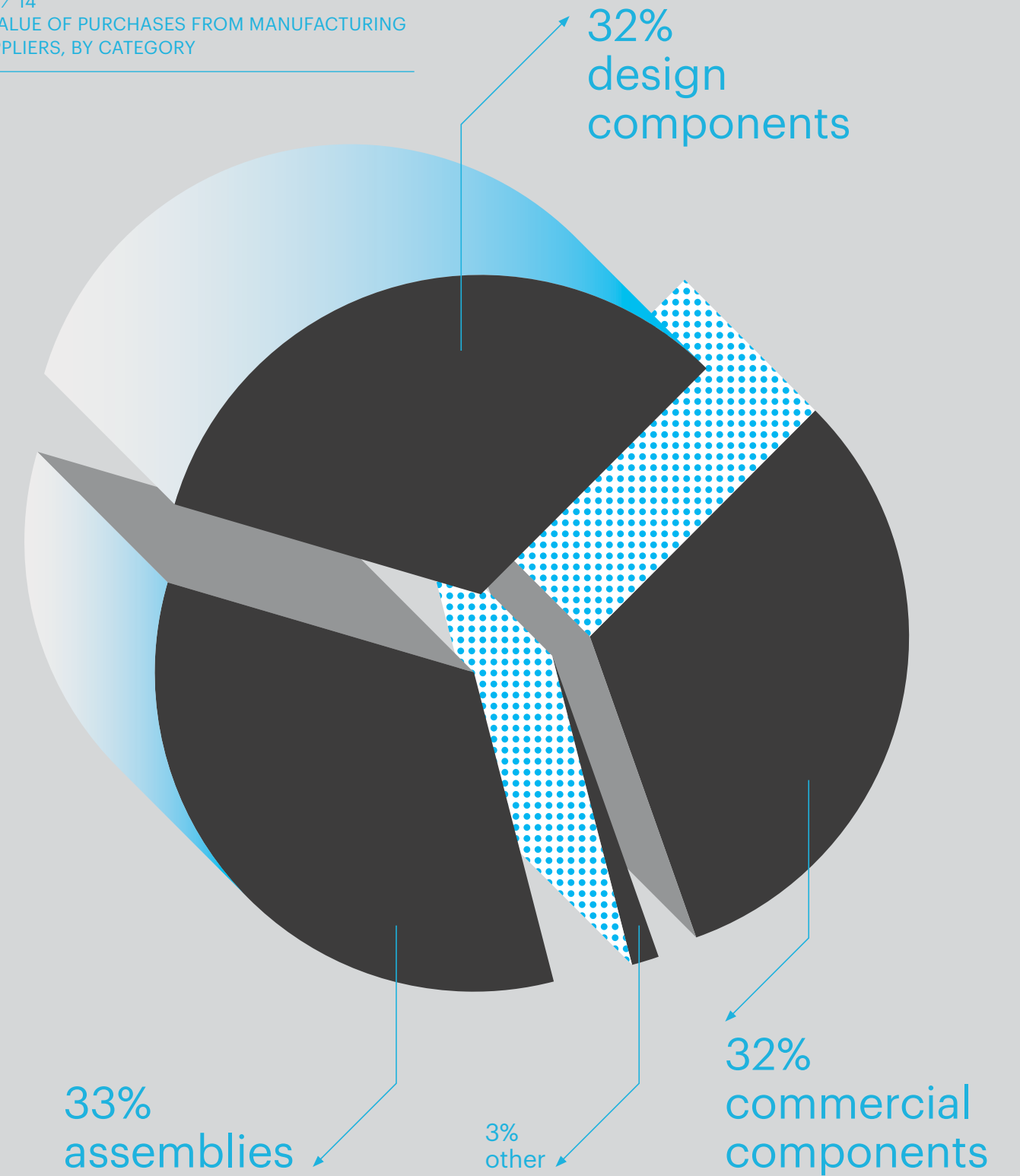
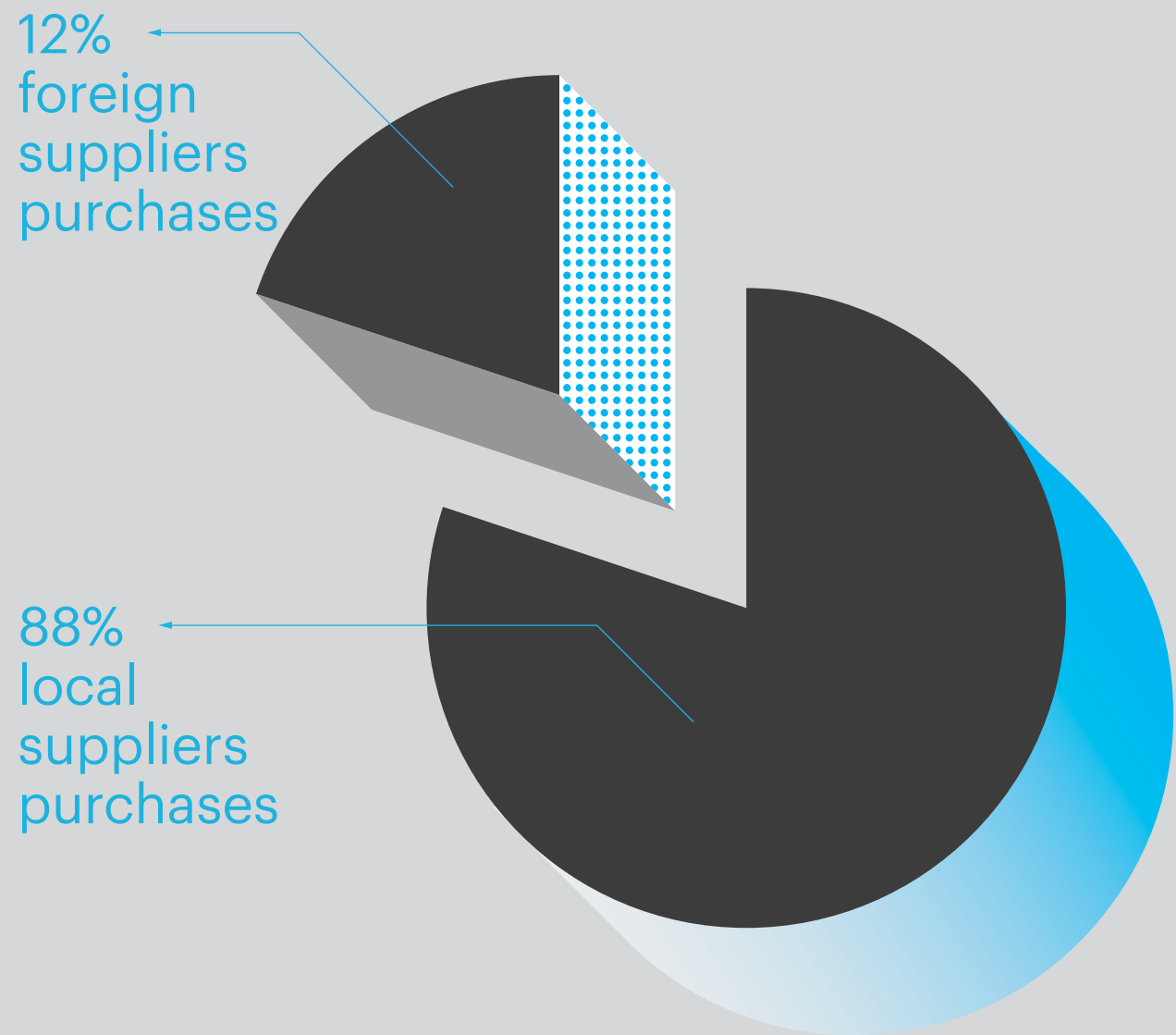


FIG / 15
% OF PURCHASES FROM LOCAL
MANUFACTURING SUPPLIERS BY THE
GROUP'S MAIN PRODUCTION HUBS¹⁸

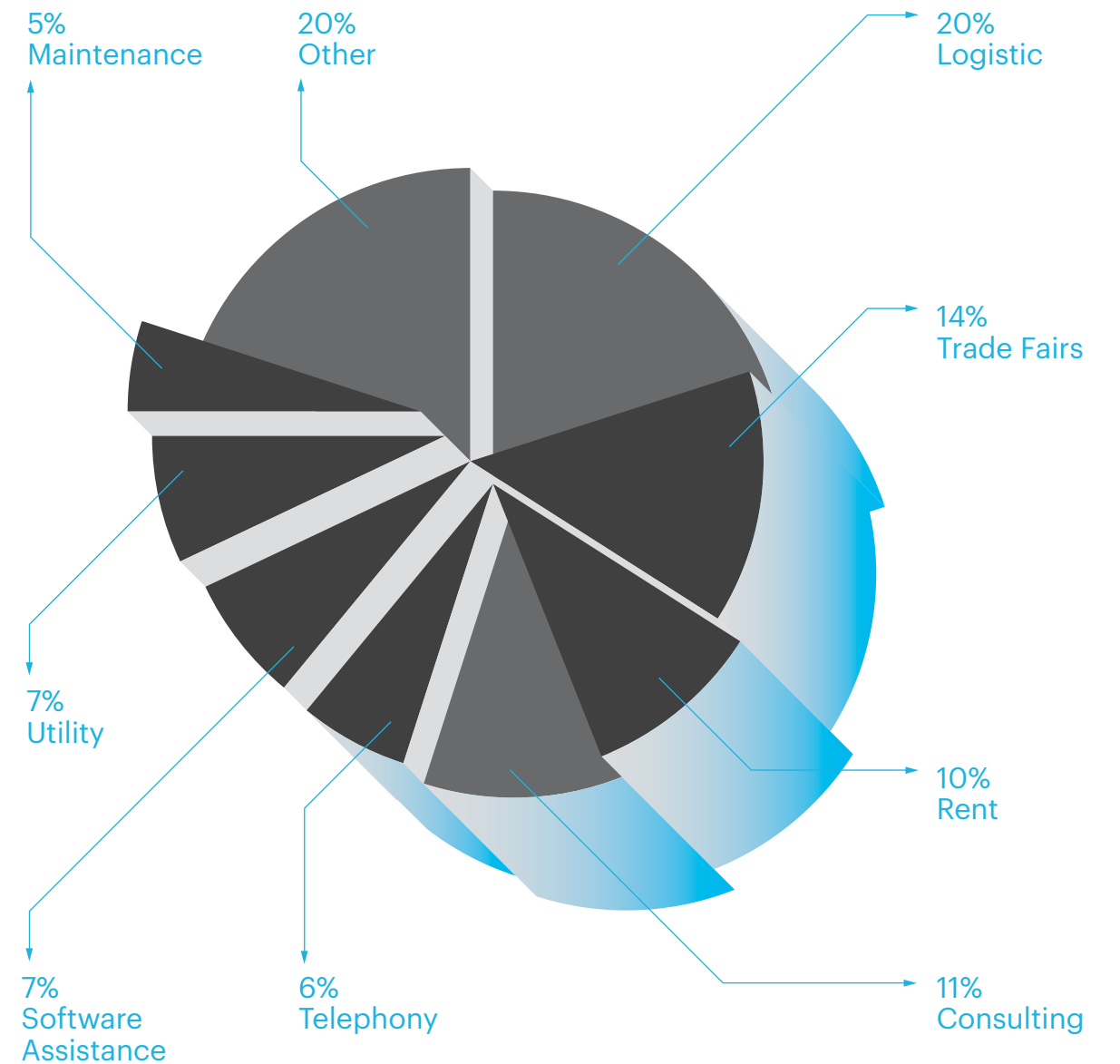


18 / On account of the specific characteristics of the various types of assemblies purchased by the Group, note that part of the amount of purchases from local suppliers for this product category is distributed to multiple sub-suppliers located in different geographical areas.

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 2017 by Biesse S.p.A. on its own amounted to approximately Euro 30.6 million (up compared to Euro 27 million in 2016) from more than 100 suppliers. 80% of this amount was generated by approximately 90 main suppliers, 8 of which were foreign.

FIG / 16
PURCHASES FROM NON-MANUFACTURING
SUPPLIERS, BY CATEGORY



SUPPLY CHAIN MANAGEMENT GUIDELINES

1 VALUE WITH SUPPLIERS

The best commercial relationships have been established with the objective of maximising value with suppliers with a particular focus on quality, innovation, service and competitiveness, thus enabling the Group to unite with the best national and international groups, which are leaders in their own markets, building fruitful collaborations, sharing objectives and creating value.

2 DEVELOPMENT AND RETENTION OF SKILLS

Biesse Group has always believed the development and retention of technical manufacturing skills in its own manufacturing district to be a technological, innovative and competitive growth factor and, accordingly, has always encouraged the best local organisations to embark on virtuous growth paths in terms of skills and organisation. The Group has also encouraged its suppliers to join with small and medium-sized regional artisan businesses so as not to lose the skills offered by smaller, more specialised businesses.

3 POOLING AND STANDARDISATION

The pooling of purchases and the standardisation of strategic decisions concerning components and groups of selected partners has made it possible over the years to maximise the development and growth of virtuous relationship with the best suppliers.

4 LONG-TERM AGREEMENTS

The Group firmly believes that a loyal and honest long-term relationship with its suppliers is the best way of doing business: clarity and the sharing of objectives and commitment are the mainstays of long-term agreements entered into with suppliers and they have facilitated the streamlining of the number thereof, making it possible to focus the best opportunities on a limited number of partners for each product group, by selecting those that are best structured from a point of view of quality, technological innovation and skills.

5 CONSTANT DIALOGUE WITH SUPPLIERS

The Group has always based its relationships on open dialogue and cooperation with suppliers in the belief that this increases economic and productive efficiency, improves quality and encourages innovation. The numerous meetings organised with suppliers, in which the main partners have an opportunity to show the design engineers any new developments in terms of innovation, quality and sustainability, facilitate a high level of integration between the Group and its suppliers, thus making it possible to reduce the risks associated with investment, to guarantee the continuity of supply and to improve the sustainability of the supply chain.

6 SUPPORT TO SUPPLIERS IN DIFFICULTY

Biesse Group has strengthened the structures and mechanisms existing for the management of suppliers in financial difficulty, by focusing on the prompt identification of high risk situations and the stabilisation thereof through adequate measures to guarantee the continuity of supply. The guaranteed financial strength of the Group helps small/medium-sized businesses to obtain credit from banks, thus creating the circumstances for new investment.

7 CIRCULAR ECONOMY

The Group has always striven for improvement in sustainability in a circular economy and, in recent years, collaborative and innovative projects have been implemented involving the best suppliers on energy savings and efficiency improvement projects.

SELECTION OF SUPPLIERS

In the process of developing an increasingly sustainable supply chain, the Group sets itself the goals of spreading responsible business practices, which comply with ethical, economic, environmental and social principles along the entire value chain and of identifying methodologies needed for the development and creation of products that meet established requirements.

Suppliers are subjected to daily monitoring via dedicated software, which takes account of the *quality failure rate* and *production stoppages*. 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.

The main objectives that the Group sets for its suppliers relate to growth and the improvement of organisational aspects, of quality and of the meeting of delivery times. During the course of 2016, with a particular focus on design providers and assembly suppliers, the Group formalised and implemented a specific project that enables close monitoring of supplies, more efficient management of the improvement processes of less structured suppliers and focus on growth activities and new business opportunities for the best performing suppliers and those with the highest potential.



Social Sustainability

Social Sustainability

4/0

Continuous training and improvement.

Growth and development of skills as an appreciation of differences.

The Group provides the highest standards of safety for operators.

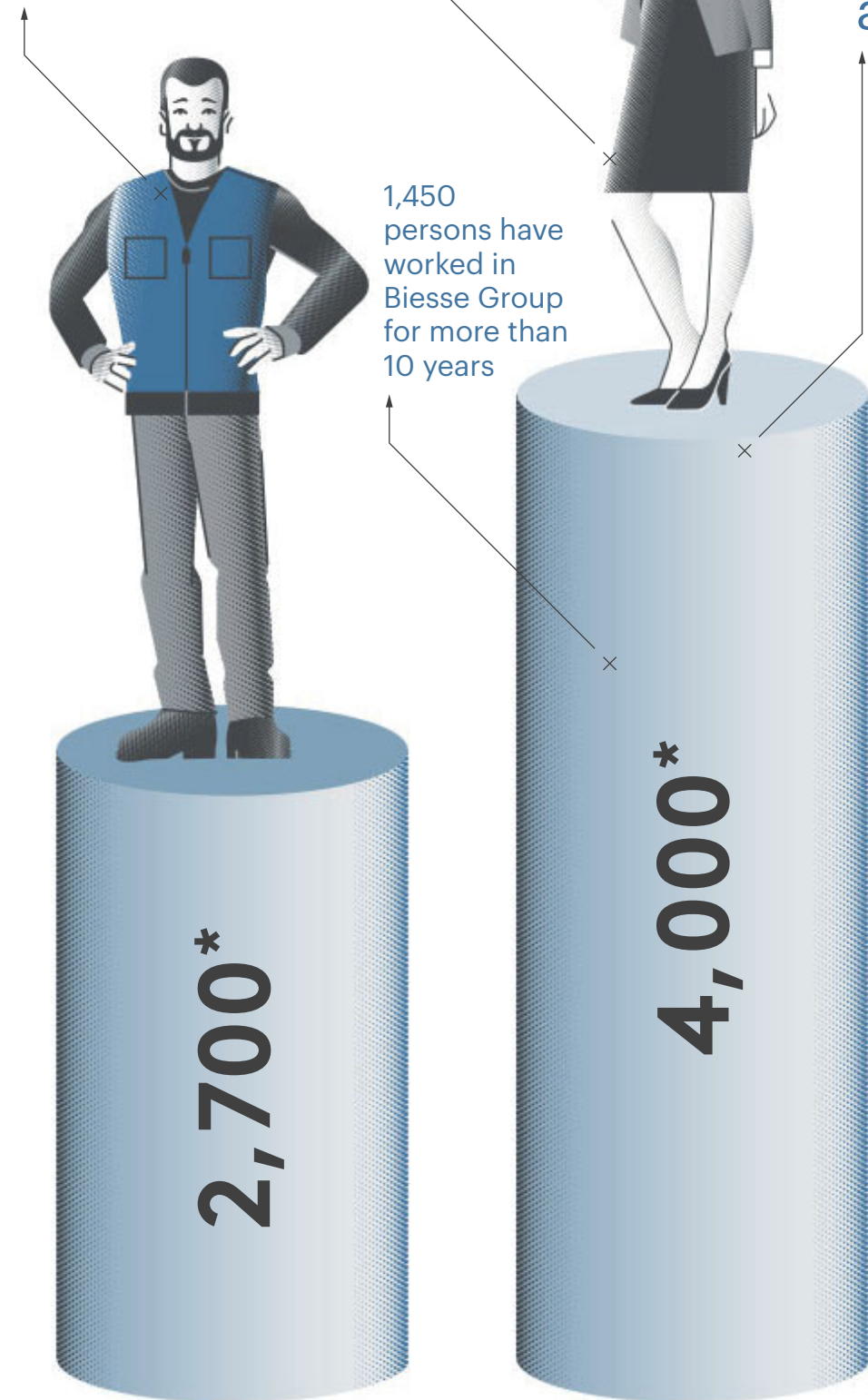
It provides contributions and donations in support of the region.

96% of employees have permanent contracts

+9% increase in female employees compared to 2016

+48% growth in headcount between 2013 and 2017

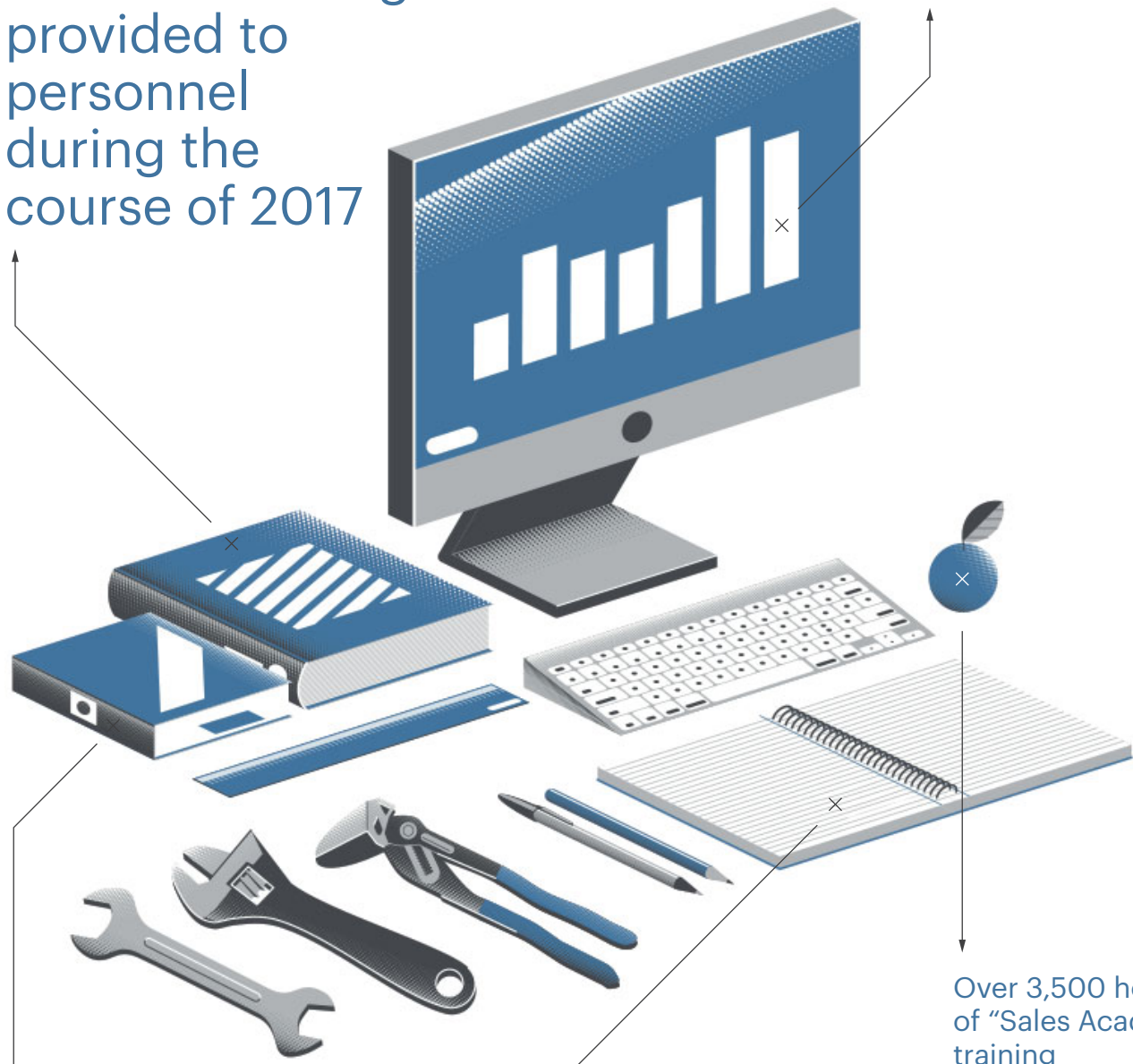
BIESSE GROUP — SUSTAINABILITY REPORT



*Value referred to personnel in staff

100,000+ hours of training provided to personnel during the course of 2017

Over 95,000 hours of technical training



Over 3,500 hours of "Sales Academy" training

Approximately 2,500 employees involved in training and information on the Code of Conduct and human rights

Over 8,500 hours of Professional and Managerial Training

SOCIAL SUSTAINABILITY

94% of senior management hired from the local community

Support for social, cultural, artistic and sports initiatives in the communities

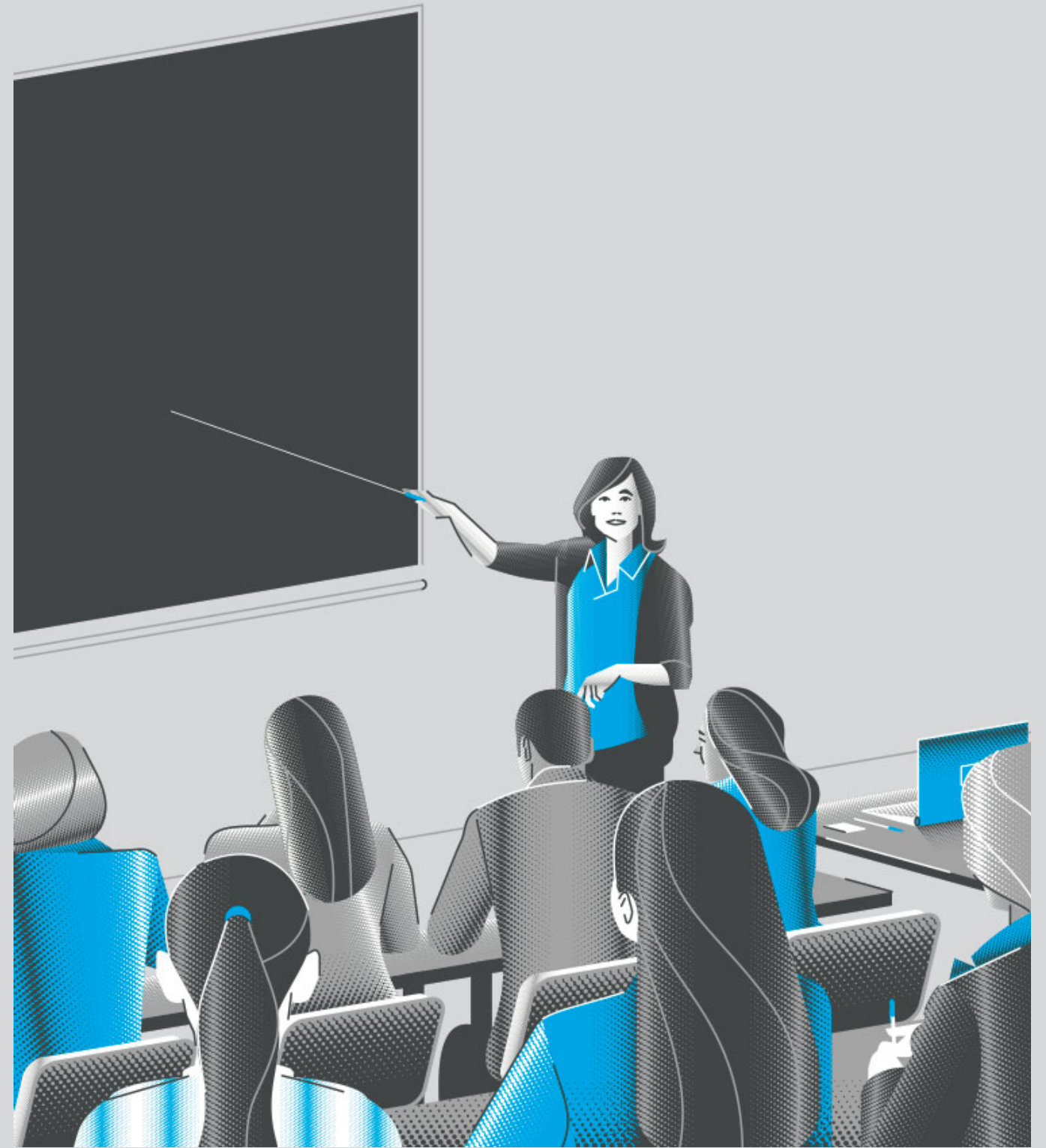


BIESSE GROUP — SUSTAINABILITY REPORT

Workplace safety management system of HSD S.p.A. certified to OHSAS 18001 standard

46 near miss reported and registered in 2017

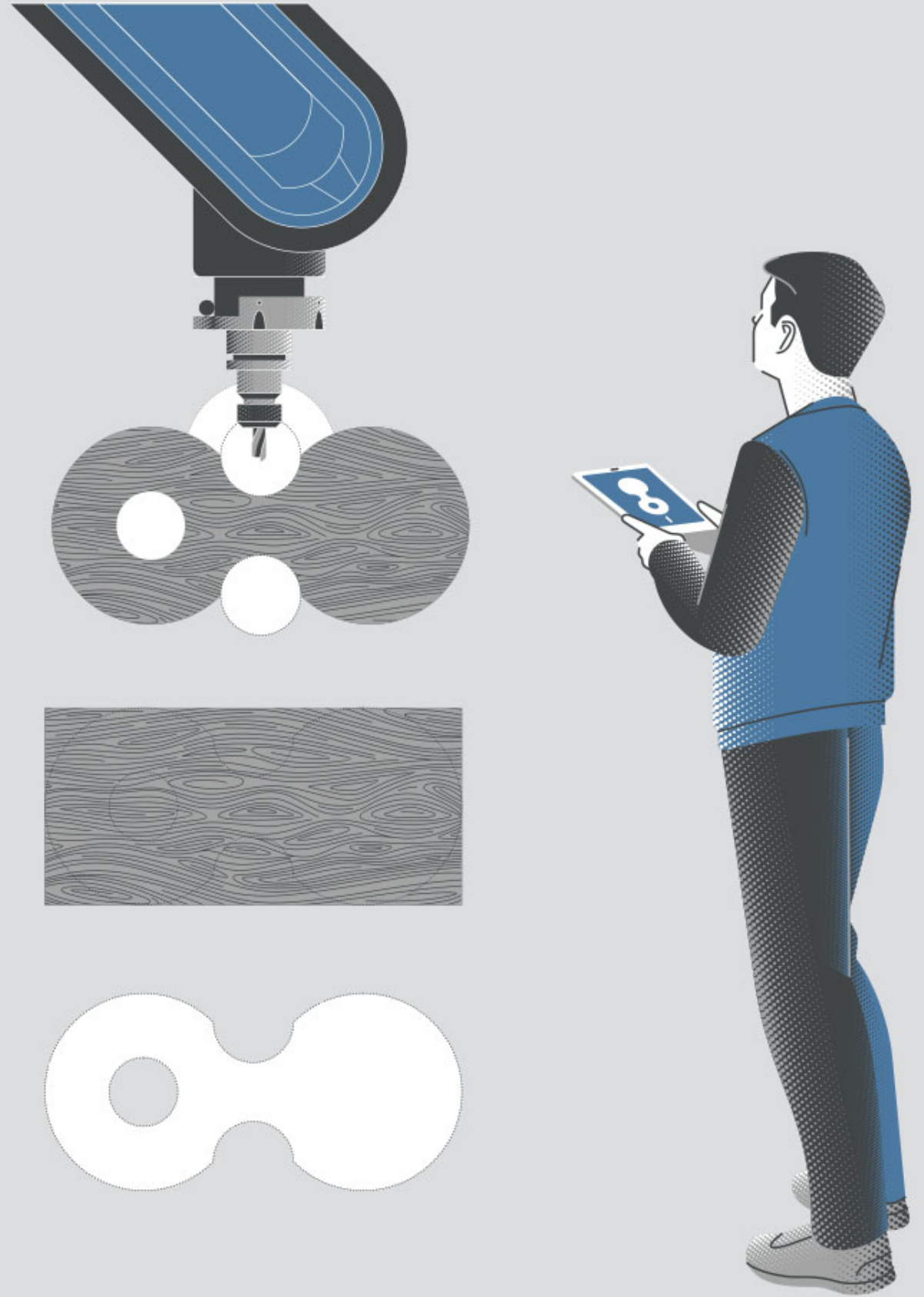
6,500 ≈ hours of training dedicated to safety at work



Our people

- › Biesse Group acknowledges that human resources are essential to its development, 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.

4 / 1



In line with its general growth, at 31 December 2017, the Group had 3,846 employees, comprised of 3,372 men and 474 women, an increase of 6.3% compared to 31 December 2016.

Of particular relevance is the 9% increase in female employees in the two years in question: this result partly reflects our commitment to the employment of women and to equal opportunities between men and women.

TAB / 4
NUMBER OF EMPLOYEES OF BIESSE GROUP,
BY TYPE OF CONTRACT (PERMANENT/TEMPORARY),
GENDER AND GEOGRAPHICAL AREA

		AT 31.12.2017			AT 31.12.2016		
Geographical area	Type of contract	Men	Women	Total	Men	Women	Total
ITALY	Permanent	1,798	223	2,021	1,683	214	1,897
	Temporary	128	27	155	98	14	112
	sub-total: ITALY	1,926	250	2,176	1,781	228	2,009
ABROAD	Permanent	1,446	224	1,670	1,401	203	1,604
	Temporary	0	0	0	1	4	5
	sub-total: ABROAD	1,446	224	1,670	1,402	207	1,609
TOTAL	Permanent	3,244	447	3,691	3,084	417	3,501
	Temporary	128	27	155	99	18	117
	TOTAL	3,372	474	3,846	3,183	435	3,618

96% of employees have permanent contracts, proving that our corporate policy is designed to create stable working relationships with our workers.

The Group has a preference for full-time contracts as opposed to part-time working arrangements. In fact, at 31 December 2017, there were 3,776 full-time contracts in place compared to 70 part-time contracts.

TAB / 5
NUMBER OF EMPLOYEES OF BIESSE GROUP, BY TYPE
OF CONTRACT (FULL-TIME / PART-TIME) AND GENDER

		AT 31.12.2017			AT 31.12.2016		
Type of contract	Men	Women	Total	Men	Women	Total	
Full-time	3,362	414	3,776	3,175	383	3,558	
Part-time	10	60	70	8	52	60	
TOTAL	3,372	474	3,846	3,183	435	3,618	

In addition to the 3,846 employees at 31 December 2017, there were approximately 250 other workers, in various capacities most of whom were temporary staff, who contribute to the creation of the Group's machinery and technological innovations.

TAB / 6
PERCENTAGE OF EMPLOYEES
BY LABOUR CATEGORY AND GENDER¹⁹

		AT 31.12.2017			AT 31.12.2016		
Labour category	Men	Women	Total	Men	Women	Total	
White Collar	55.6%	11.9%	67.5%	55.3%	11.6%	66.9%	
Blue Collar	32.1%	0.4%	32.5%	32.7%	0.4%	33.1%	
TOTAL (%)	87.7%	12.3%	100%	88.0%	12.0%	100%	

¹⁹ / 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.

TAB / 7
PERCENTAGE OF EMPLOYEES BY LABOUR
CATEGORY AND AGE GROUP²⁰

AT 31.12.2017				
Labour category	<30 years old	30-50 years old	50> years old	Total
White Collar	8.9%	45.2%	13.4%	67.5%
Blue Collar	5.0%	21.7%	5.8%	32.5%
TOTAL (%)	13.9%	66.9%	19.2%	100%

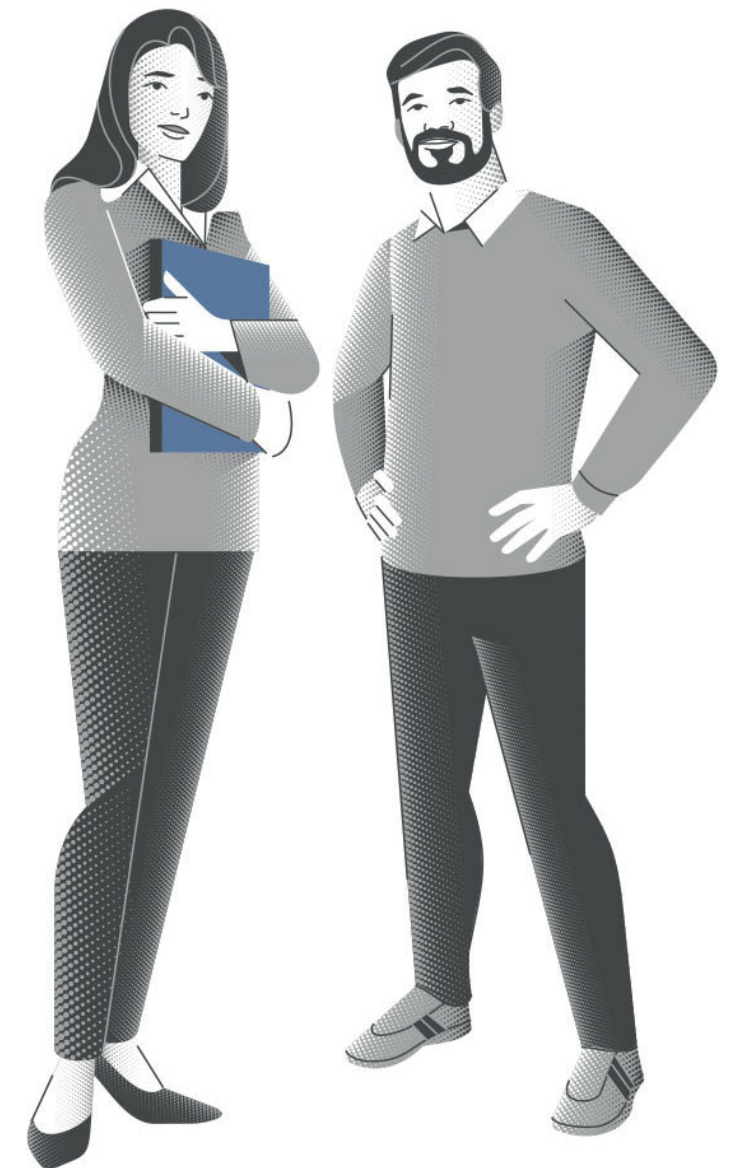
AT 31.12.2016				
Labour category	<30 years old	30-50 years old	50> years old	Total
White Collar	9.9%	44.9%	12.0%	66.9%
Blue Collar	5.5%	21.8%	5.8%	33.1%
TOTAL (%)	15.4%	66.7%	17.8%	100%

EMPLOYEE TURNOVER

As the Group continues to grow and as the number of branches and of employees continues to increase, it is essential to be able to manage the HR processes in a consistent and organic manner, by using the most effective tools. To this end, in 2017 an HR project was launched to integrate at Group level the procedure for the retention of data relating to personnel, including through the use of new dedicated software. The objective is to enable employees to promptly access the information and materials made available from the Group and to provide the Group's divisions with innovative tools capable of optimising team management processes, thus increasing efficiency.

The design and implementation of effective personnel 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 enhancement of individual skills. Biesse Group strives to constantly improve the selection processes, aimed at identifying not only the skills and abilities required immediately, 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 experienced men and women, combined with the enthusiasm of those who are setting out on their professional development path.

A success factor for the Group is the ability to identify, attract and retain young talent within the business, by offering a stimulating work environment with a great opportunities for professional development. The number of new hires and their turnover rate are positive for all geographical regions in which Biesse operates and are an indicator of strong growth and the ability to attract people.



20 / The figures relating to the breakdown by age group of employees of foreign branches are based on estimates.

TAB / 8
NUMBER OF NEW HIRES AND NEW HIRE
TURNOVER RATE, BY GENDER²¹

NEW HIRES					
AT 31.12.2017			AT 31.12.2016		
Gender	No. of new hires	Turnover (based on total workforce at 31.12)	No. of new hires	Turnover (based on total workforce at 31.12)	
Men	612	15.9%	703	19.4%	
Women	94	2.4%	84	2.3%	
TOTAL	706	18.3%	787	21.7%	

TAB / 9
NUMBER OF NEW HIRES AND NEW HIRE
TURNOVER RATE, BY GENDER AND AGE GROUP - ITALY

NEW HIRES						
AT 31.12.2017						
Geographical area	Gender	No. of new hires			Total	Turnover (based on total workforce)
		<30 years old	30-50 years old	>50 years old		
Italy	Men	108	114	14	236	6.1%
	Women	21	8	2	31	0.8%
	Total	129	122	16	267	6.9%
	Turnover (based on total workforce)	3.3%	3.2%	0.4%	6.9%	
AT 31.12.2016						
Geographical area	Gender	No. of new hires			Total	Turnover (based on total workforce)
		<30 years old	30-50 years old	>50 years old		
Italy	Men	126	93	48	267	7.4%
	Women	10	8	7	25	0.7%
	Total	136	101	55	292	8.1%
	Turnover (based on total workforce)	3.8%	2.8%	1.5%	8.1%	

21 / Details by age group are only available for Italian Group companies

TAB / 10
NUMBER OF NEW HIRES AND NEW HIRE
TURNOVER RATE, BY GENDER - ABROAD

NEW HIRES					
AT 31.12.2017			AT 31.12.2016		
Geographical area	Gender	No. of new hires	Turnover (based on total workforce)	No. of new hires	Turnover (based on total workforce)
Abroad	Men	376	9.8%	436	12.1%
	Women	673	1.6%	59	1.6%
	Total	439	11.4%	495	13.7%

With regards to negative turnover, this has remained below 10% for all Italian legal entities. Total employee turnover was positive in the reference period.

TAB / 11
NUMBER OF LEAVERS AND LEAVER
TURNOVER RATE, BY GENDER²²

LEAVERS				
AT 31.12.2017			AT 31.12.2016	
Gender	No. of leavers	Turnover (based on total workforce)	No. of leavers	Turnover (based on total workforce)
Men	422	11%	337	9.3%
Women	56	1.5%	48	1.3%
Total	478	12.5%	385	10.6%

22 / Details by age group are only available for Italian Group companies.

TAB / 12
NUMBER OF LEAVERS AND LEAVER TURNOVER RATE,
BY GENDER AND AGE GROUP - ITALY

LEAVERS						
AT 31.12.2017						
Geographical area	Gender	No. of leavers			Total	Leaver turnover rate (based on total workforce)
		<30 years old	30-50 years old	>50 years old		
Italy	Men	38	30	23	91	2.4%
	Women	2	5	2	9	0.2%
	TOTAL	40	35	25	100	2.6%
	Turnover based on total workforce	1.0%	0.9%	0.7%	2.6%	
AT 31.12.2016						
Geographical area	Gender	No. of leavers			Total	Leaver turnover rate (based on total workforce)
		<30 years old	30-50 years old	>50 years old		
Italy	Men	16	22	19	57	1.6%
	Women	2	2	2	6	0.2%
	TOTAL	18	24	21	63	1.8%
	Turnover based on total workforce	0.5%	0.7%	0.6%	1.8%	

TAB / 13
NUMBER OF LEAVERS AND LEAVER TURNOVER RATE,
BY GENDER AND AGE GROUP - ABROAD

LEAVERS					
Geographical area	Gender	AT 31.12.2017		AT 31.12.2016	
		No. of leavers	Leaver turnover rate (based on total workforce)	No. of leavers	Leaver turnover rate (based on total workforce)
Abroad	Men	331	8.6%	280	7.7%
	Women	47	1.2%	42	1.2%
	TOTAL	378	9.8%	322	8.9%

OCCUPATIONAL HEALTH AND SAFETY

The health and safety of employees are fundamental conditions that require 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 outside 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, whose duty is to represent employees at union meetings to discuss relevant issues and any action needed.

As evidence of the sensitivity of Biesse Group personnel to issues concerning safety at work, in 2017, 46 near misses were reported and registered. The issues reported were reviewed to determine the cause thereof and to improve the prevention system in place.

Furthermore, in 2017, HSD Spa implemented an Occupational Health and Safety Management System that complies with the highest accredited international standard, the British Standard, OHSAS 18001, and was awarded certification by one of the main entities specialised in this area. The renewal of the certification, which was obtained on 05/05/2017, depended on the execution of specific periodic audits, aimed at verifying compliance over time with the management system implemented.

In 2017, 88 injuries were recorded, of which 71 occurred in the workplace and 7 occurred while commuting, an increase of 17.3% compared to 2016. 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.

TAB / 14
NUMBER OF INJURIES RECORDED

AT 31.12.2017				
Geographical area	Number of cases	Men	Women	Total
Italy	Injuries	49	3	52
	of which: in the workplace	41	-	41
	of which: while commuting	8	3	11
Abroad	Injuries	31	5	36
	of which: in the workplace	26	4	30
	of which: while commuting	5	1	6
Total	Injuries	80	8	88
	of which: in the workplace	67	4	71
	of which: while commuting	13	4	17

AT 31.12.2016				
Geographical area	Number of cases	Men	Women	Total
Italy	Injuries	46	1	47
	of which: in the workplace	34	-	34
	of which: while commuting	12	1	13
Abroad	Injuries	28	-	28
	of which: in the workplace	19	-	19
	of which: while commuting	9	-	9
Total	Injuries	74	1	75
	of which: in the workplace	53	-	53
	of which: while commuting	21	1	22

TAB / 15
INJURY AND OCCUPATIONAL DISEASE RATES
AT 31.12.2017 AND 31.12.2016²³

AT 31.12.2017					AT 31.12.2016		
Geographical area	Injury rates	Men	Women	Total	Men	Women	Total
Italy	Injury rate	15.5	8	14.7	15.1	2.7	13.8
	Injury severity rate	2.7	0.6	2.4	2.5	-	2.3
	Occupational disease rate	-	-	-	0.3	-	0.3
Abroad	Injury rate	11	11.2	11	10.9	-	9.5
	Injury severity rate	1.3	0.2	1.1	0.8	-	0.7
	Occupational disease rate	-	-	-	-	-	-
Total	Injury rate	13.3	9.8	12.9	13.2	1.3	11.8
	Injury severity rate	2.0	0.4	1.8	1.8	-	1.5
	Occupational disease rate	-	-	-	0.2	-	0.2

In line with what mentioned above for the Italian companies, the other foreign Group companies have also implemented a safety management system in compliance with local regulations. Biesse America has strict safety standards based on health and safety targets laid down by the Occupational Safety and Health Act (OSHA) and is committed to the performance of activities, such as the preparation of accident at work reports, the communication to the Occupational Safety and Health Administration of accident data and the identification of possible causes of injuries and the related action to be taken to ensure employee safety.

In order to raise employee awareness, Biesse Group UK has prepared and issued to all employees a health and safety at work manual and provides relevant legislative updates via email.

Furthermore, Biesse Manufacturing has adopted an occupational health and safety management system and has set up a committee of guarantors consisting of a general management representative, three operating management representatives and three health and safety officers. The committee's main tasks include increasing employee awareness, identification of and reporting on any risk situations and conditions, the preparation of annual targets and support to management for the achievement of established objectives.

With regards to employee absenteeism rate, this increased in 2017 by 3.1% compared to the 2016, with an improved trend recorded in Italy.

²³ / 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 / 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).

TAB / 16
ABSENCE RATE AT 31.12.2017 AND 31.12.2016²⁴

Geographical area	Indicators	AT 31.12.2017			AT 31.12.2016		
		Men	Women	Total	Men	Women	Total
Italy	Absenteeism rate	207.1	206.3	207.1	225.8	152.4	287.3
Abroad	Absenteeism rate	134.1	210.2	144	121.5	116.7	120.8
Total	Absenteeism rate	175.1	208.2	179.1	178.8	134.5	173.4

²⁴ / Absence rates were calculated using the following formula: (days absent / workable days) x 10,000.

TRAINING AND CONTINUOUS IMPROVEMENT

Training of Group employees forms the basis for continuous innovations, reliability and quality of the products and services that the Group offers to its customers and is structured in a manner that ensures a differentiated and inclusive range that is engages professional 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 improvement of the skills of its employees. In 2017, the Group provided over 100,000 hours of training to its employees, divided between professional training, workers, technicians and field engineers training, occupational health and safety, anti-corruption, Legislative Decree 231/2001, soft skills and professional development²⁵.

In the belief that continuous learning is the key to future success, each year Biesse Group organises several weeks of training at its headquarters for branch and trade partner employees around the world: these courses are dedicated to product innovations and new sales tools. With regards to Sales Academy courses targeted at sales personnel of the Group's branches, over 3,500 hours of training were provided during the course of 2017. 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 guarantee value added for customers.

As part of the organisation and continuous improvement of production processes and main business activities, during the course of 2017 more than 1,400 hours of training were dedicated to Quality and Kaizen. As evidence of the attention given by the Group to all aspects of its business ethics and integrity, during the course of 2017 various on-site and remote information and training sessions were held on Legislative Decree 231/2001, the Code of Conduct, anti-corruption and human rights attended by approximately 2,500 employees.

²⁵ / The 2017 and 2016 training figures relate to most of the training provided to employees, but are incomplete due to the fact that it was not possible to locate certain figures for specific business areas. In 2018, a process will be implemented to collect data for all categories of training provided within the Group.

With the aim of training young talent, the Future Lab project was presented in July 2017: an initiative dedicated to approximately 100 young people hired in recent years. They were given the opportunity to participate in discussions and training on project management and leadership, with sessions dedicated to listening to their professional expectations, motivations and ambitions. The objective of this project is to design customised skills development and professional growth paths within the Group. During the course of 2017, in connection with Future Lab, a total of over 1,520 hours of training were provided. In 2018, Future Lab will involve young talent belonging to all areas of the business, including production. Further information concerning key figures related to training is indicated below.

TAB / 17
HOURS OF TRAINING PROVIDED (BROKEN DOWN BY
LABOUR CATEGORY AND GENDER) AT 31.12.2017 AND
31.12.2016

TOTAL HOURS OF TRAINING PROVIDED						
Labour category	AT 31.12.2017			AT 31.12.2016		
	Hours Men	Hours Women	Total	Hours Men	Hours Women	Total
White Collar	61,790	3,623	65,413	43,372	1,257	44,629
Blue Collar	44,962	54	45,016	34,514	93	34,607
Total Hours (Employees)	106,752	3,677	110,429	77,886	1,350	79,236
of which: Technical training	93,794	1,634	95,428	63,847	359	64,206
of which: Professional and management skills training	7,198	1,474	8,672	12,126	853	12,979
of which: Health and safety training	5,760	569	6,329	1,913	138	2,051
Total Hours (Other workers)	9,209	3	9,212	19,404	-	19,404

TAB / 17B
AVERAGE HOURS OF TRAINING PROVIDED (BROKEN
DOWN BY LABOUR CATEGORY AND GENDER) AT
31.12.2017 AND 31.12.2016

AVERAGE HOURS OF TRAINING PROVIDED						
Labour category	AT 31.12.2017			AT 31.12.2016		
	Average hours Men	Average hours Women	Total average hours	Average hours Men	Average hours Women	Total average hours
White Collar	28.9	7.9	25.2	21.7	3	18.4
Blue Collar	36.5	3.1	36	29.2	5.8	28.9
Average hours: Employees	31.7	7.8	28.7	24.5	3.1	21.9
Average hours: Other workers	41.5	0.1	37.1	93.7	-	85.9

TAB / 18
NUMBER OF EMPLOYEES THAT RECEIVED TRAINING OR
COMMUNICATIONS ON THE CODE OF CONDUCT AND
HUMAN RIGHTS IN 2017 AND 2016

TRAINING ON CODE OF CONDUCT AND HUMAN RIGHTS						
Labour category	AT 31.12.2017			AT 31.12.2016		
	Number Men	Number Women	Total	Number Men	Number Women	Total
White Collar	1,210	301	1,511	1,154	302	1,456
Blue Collar	1,021	19	1,040	823	11	834
Other workers	240	19	259	282	19	301
Total	2,471	339	2,810	2,259	332	2,591

With regards to Biesse Manufacturing India, in 2017 over 4 thousand hours of training were provided in the form of multiple training courses designed to improve the capabilities, know-how and soft skills of employees. In particular, a course was provided for apprentices entitled "Trainee skill Development programme for Technical and Non-Technical areas" aimed at developing their know-how and meeting the requirements of their respective departments, thus increasing the possibility of career growth within the Group. For the Team Leaders, a "Supervisory Development Programme" was organised to develop and improve their management skills and to lay the foundations for future career advancement. Furthermore, blue collar employees took part in multiple courses on soft skills, safety and first aid and quality.

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 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 their rights, regardless of the specific labor contract for the countries in which they operate.

Industrial relations between the business and employees' representatives involve periodic meetings, during which a review is conducted of the trend of the Group's results and financial position, as well as 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.

During the course of 2017 relations with the unions were characterised by a constructive climate, by means of open and dialectical discussions of various issues, in full respect of people and their ideas, with recognition by the respective parties that only through the contribution of each person involved could solutions be designed to face the rapidly changing reality, as the one we witness today.

Again during the course of 2017, no strike hours were recorded and 40 agreements or meeting minutes were signed. In 2016, 38 agreements or meeting minutes were signed and organised strike initiatives were solely linked to the renewal of the collective labour agreement for metalworkers, in line with events at national level.

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

CORPORATE WELFARE

Due to the fact that the Group is attentive to the well-being 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 encourages employee loyalty, makes the business more attractive to new candidates and guarantees appropriate management of internal relations, which improves the overall working environment.

As part of the corporate welfare plan, all Italian employees are offered the chance to choose from a series of tax-exemption services related to health, well-being, education, recreation, sport and travel. The corporate welfare plan is targeted at all blue collar workers, office workers and middle managers employed in Italy and can be accessed through a specific internal platform.

In addition to the payment of annual amounts for 2017, 2018 and 2019, the corporate welfare plan provides, in accordance with the collective labour agreement for metalworkers, the possibility for each employee to convert the corporate performance bonus each year to flexible benefits. In accordance with current legislation, the corporate performance bonus, which is based on earnings, quality and productivity targets to be met, may be converted to corporate welfare benefits if at least one of the results achieved has exceeded that recorded in the previous year; otherwise, it may only be paid in cash.

In order to ensure the possibility to convert all or part of the bonus to corporate welfare benefits, the value of the flexible benefits made available on the corporate platform is increased by 13% by the Group based on the amount of the accrued bonus.

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 talent from outside 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, organisational characteristics of the Group, and the market in which it operates. This remuneration envisages an annual fixed component and a variable component linked to the achievement of specific performance targets, including those of a non-economic nature. The variable component of remuneration is paid when economic results and/or individual targets are achieved, through two incentive mechanisms, one of which is short term (MBO) that envisages the allocation of an annual bonus based on the achievement of quantitative and qualitative objectives, and a medium to long term mechanism (LTI), which envisages the distribution of cash bonuses and free allocation of portfolio shares subject to the achievement of economic and financial objectives.

As far as benefits are concerned, the Group has committed and continues to commit itself to guaranteeing transparency and clarity towards its employees. The delivery mechanisms may vary depending on the geographical area as specific regulations may include or exclude certain services. The delivery mechanisms does not vary depending on the different contractual forms (full time, part time, temporary, or permanent).

EQUAL OPPORTUNITIES 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 based on trade union, political, religious, racial, language or gender related reasons in the context of personnel selection procedures. Group policies encourage the selection and recruitment of local personnel, including senior management, at all locations where Biesse operates around the world.

The prevalence of senior managers hired locally is a sign of the commitment to develop an organisation that is as multicultural as possible and mindful of local sensitivities²⁶. Furthermore this approach makes it possible to contribute indirectly to the generation of further value in the regions in which the Group operates.

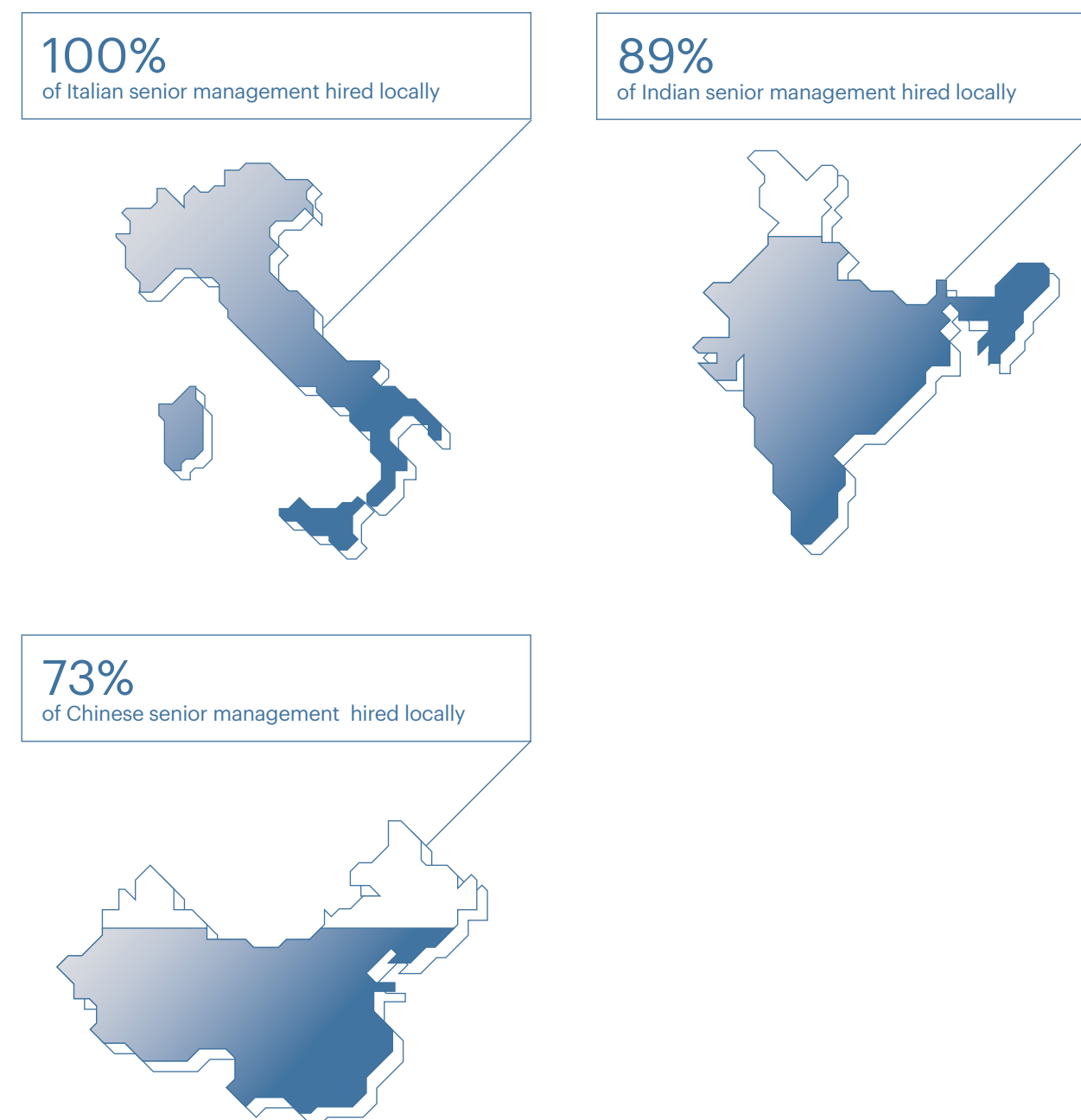
Attentive to the needs of protected categories, the Group acts in line with regulations in force in the countries in which it operates and guarantees the same conditions and opportunities offered to other employees.

TAB / 19
NUMERO DI DIPENDENTI APPARTENENTI ALLE CATEGORIE PROTETTE (SUDDIVISE PER INQUADRAMENTO E GENERE)

Labour category	AL 31 DICEMBRE 2017			AL 31 DICEMBRE 2016		
	Men	Women	Total	Men	Women	Total
Blue collar	29	49	78	25	53	78
White collar	40	2	42	33	1	34
Total	69	51	120	58	54	112

²⁶ / With respect to the significant locations of operations: Italy, India and China.

FIG / 17
% OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY



Biesse Group and the communities

- › The Group is constantly committed to the promotion of social and cultural initiatives in the communities in which it operates. Aware of its strong ties with the local community, the Groups intends to contribute to the well-being of current and future generations.
- › In the last two years Biesse Group has demonstrated this commitment by supporting numerous social, cultural, scientific and sports initiatives, by making contributions and donations of more than Euro 600,000 in 2017, and by collaborating with various national and international non-profit institutions and entities.



SOCIAL COMMITMENT

The main social initiatives promoted by the Group during the two year period 2016/2017 include the following:

FIGHT AGAINST WASTE IN COLLABORATION WITH BANCO ALIMENTARE

Biesse Group supports Banco Alimentare (Food Bank) NPO, a close collaboration formed some time ago aimed at minimising food waste in the Pesaro company canteen. Moreover, it supports Banco Alimentare on the occasion of the "Giornata Nazionale della Colletta Alimentare" (National Food Collection Day) by providing visibility to the initiative on the corporate intranet and with active participation in the initiative by some employees as food collector volunteers.



BIESSE TOGETHER WITH YOUNG PEOPLE WHO LOVE SPORTS

Biesse Group believes in the importance of sport as an educational and socializing element for young people. For this reason, it is firmly committed to sponsoring a number of youth teams in the local area, such as Vis Sauro Nuoto Team (swimming team), which can boast that its members include several established champions at world level, VL pallacanestro Pesaro (basketball team), VIS Pesaro (soccer team) and other local sports clubs of various disciplines.

80G "UNA VITA IN MOVIMENTO" (A LIFE IN MOTION) – GALA EVENT

A gala dinner was organised to celebrate the eightieth birthday of Giancarlo Selci and to present the book "Machine made" that talks about the achievements of Biesse Group through the eyes of its founder. Numerous guests and authorities participated in the evening event, which was held in the company's premises. During the course of the event, funds were collected for the "Villaggio dei Ragazzi sorridenti" (Village of smiling kids) NPO for the construction of a school in Ethiopia.



80G FESTIVAL

This was a corporate celebration for all Group employees and their families that was held to meet the wishes of the Selci family in the year of the eightieth birthday of the founder. It was a way to thank all those who with their work, dedication and commitment, have made the Group a major global player. During the course of the evening, funds were collected to help the communities hit by the earthquake in 2016. All funds collected from employees were donated to the "Croce Rossa Italiana" (Italian Red Cross). Furthermore, the food that was not consumed during the course of the evening was donated to the "Banco Alimentare Marche" (Marche Food Bank) NPO, which has been committed for years to the fight against food waste.



"UNA NUOVA SCUOLA PER CASCIA" (A NEW SCHOOL FOR CASCIA) CHARITY DINNER

Biesse Group was the promoter, in collaboration with Fiam Italia and Fondazione Mediolanum NPO, of a charity dinner held on 15 June 2017 to support the programme launched by Fondazione Francesca Rava – NPH Italia NPO, which strives to help children in difficult circumstances in Italy and around the world. Thanks to their work and the communications handled by the Group for the realisation and promotion of the initiative, it was possible to combine the efforts of local businesses, suppliers, guests and partners which enabled the collection of Euro 35,000 during the course of the evening. This figure was doubled by Fondazione Mediolanum, bringing the total collected to Euro 70,000. The funds collected made it possible to contribute towards the financing of the reconstruction of a school in the municipality of Cascia. The event was followed by other initiatives to help the earthquake victims, particularly children. For example, at Christmas, the company decided to give its employees a solidarity gift to support the reconstruction of two new nursery schools in Central Italy.



BIESSE MANUFACTURING INDIA – CSR & COMPANY LAW

During the course of 2016, Biesse Manufacturing India launched various local area development projects, by investing over € 38,000. In particular, three wells were constructed along with a network of water supply pipes of approximately 1.2 km to facilitate community access to water. Of these three wells, two are already functioning. A further effort undertaken by the Group concerned the preservation of local flora and fauna with plans to plant approximately 300 plants.

BIESSE AMERICA – WALK FOR WISHES

In the United States, team Biesse America participated in the event entitled "Make-A-Wish Walk for Wishes", a continuation of the "GIVE" campaign launched by the Group during the course of the AWFS Fair and collected over USD 13,000. These funds enabled three children suffering from serious illnesses to make their dreams come true.



CULTURE, EDUCATION AND INSTRUCTION

Again during the course of the two year period 2016/2017, the Group has continued to support and collaborate with numerous technical institutes, universities and training institutions:

— PARTNERSHIP WITH ROSENHEIM UNIVERSITY
Over 50 students from the prestigious Rosenheim University of Applied Sciences arrived in the Marche, during the course of their annual learning trip, to gain an understanding of the latest mechatronic technologies applied to the wood processing machinery offered by the Group.

— PARTNERSHIP WITH UNIVERSITÀ POLITECNICA DELLE MARCHE (UNIVPM)
Thirty agriculture, economics, engineering, science and medicine students from the Università Politecnica delle Marche participated at a learning day at the Pesaro headquarters. During the course of the day, the students were able to learn details of the principles of Kaizen and Lean Production from company representatives. The initiative is part of the Contamination Lab project, which was born from an initiative promoted by the Ministry of Education, Universities and Research (MIUR) in 2013 that envisages the “contamination” among students from various

academic disciplines, academic worlds and socio-economic backgrounds. By means of the collaboration and involvement of national and international businesses, entities and institutions, the students have the possibility to embark on dynamic learning paths, which envisage the development and proposal of business ideas, seminars and workshops, in order to develop soft skills, problem solving and results-oriented mindset.

— PARTNERSHIP WITH LYCÉE VINCENT AURIOL
The Group’s headquarters hosted a group of 40 graduate school students from the BTS Development Wood Construction programme and the BTS Technical-commercial programme with specialisation in wood and derivatives. The objective of the visit was to provide the students with new tools and stimuli for the acquisition of theoretical, practical knowledge to complete their training, thus facilitating the transition from an academic approach to professional life.

— COMPAGNONS DU DEVOIR
Biesse France, in collaboration with Compagnons du Devoir, opened the doors to its showroom to a large group of students, enabling them to discover the numerous

possibilities and advantages offered by the Group’s CNC (computer numerical control) machinery as well as to interface with the bSuite software range. During the course of 2016, Biesse France sponsored Compagnons du Devoir via a contribution of € 2,000 towards the costs of their annual conference and by providing machinery for demo and training purposes.

— WUNDERKAMMER ORCHESTRA
In addition to undertaking and promoting numerous initiatives in partnership with educational institutions, the Group encourages the promotion of art and culture, by sponsoring events of national interest. In particular, the Palazzo Ducale (Urbino), with the splendid setting of the Cortile d’Onore, was the debut stage in the Marche for the WunderKammer Orchestra, namely “chamber of wonders orchestra”, with a concert that played the notes of Beethoven, Schubert and Rossini. WunderKammer Orchestra is a musical association based in Pesaro with over 80 members comprising professionals, entrepreneurs, students and civil society personalities who support the knowledge and dissemination of musical culture in all its artistic forms and promote it as part of the educational system, instruction and society.



INSTITUTIONAL COMMUNICATION AND TRANSPARENCY

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

The communication tools at the Group's disposal include press releases of a financial and institutional/commercial nature.

Financial press releases 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, drafting, publication and dissemination through the appropriate channels. The financial press releases which are deemed more valuable to stakeholders, containing financial data or statements on the Group's performance, are then published on the corporate intranet, in the press review and on the divisional websites. During the course of 2017, 25 documents, encompassing press releases and notices, were published in the Investor Relations section of Biesse Group's website, as opposed to 15 that were published in 2016.

The institutional and commercial press releases, on the other hand, are published mainly on the divisional websites, within the magazine section or on the home page of the divisional websites or are disseminated via the trade press with which the headquarters and branches are directly and constantly in touch. These press releases deal with more commercial issues, such as attendance at trade fairs and events, or the opening of new campuses around the world.

It should also be noted that, in 2017, no cases arose of non-compliance with voluntary regulations and codes concerning communications and marketing.



MAKE

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 successful people, the events that animate it and the stories of those who work there every day with competence and dedication. This tool, in both its print and online (biessegroup.com/make) versions, has the objective of presenting useful information to all stakeholders, enabling them to have a look at what is happening in the business in a transparent and timely manner.

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 and, lastly, a corporate LinkedIn profile, which also serves as a recruiting tool. The digital strategy adopted makes it possible to improve the Group's range of communications and to take note of the feedback obtained from users.

As at 31 December 2017, the Group's social media management had achieved the following results on the above mentioned channels:

FACEBOOK

- Number of posts published: 597
- Number of likes for the page: 9,996
- Number of likes for individual posts on the page: 35,550
- Shares of posts recorded: 5,159

TWITTER

- Number of followers: 1,454
- Number of re-tweets: 539

LINKEDIN

- Number of contacts: 21,060
- Number of job offers published: 15
- Biesse Group's page was ranked by LinkedIn as one of the top 10 best company pages of 2017

INSTAGRAM

- Followers: 3,459
- Posts published: 210
- Total likes for the posts: 10,937

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 (all are in 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 general information on products and highlights for the customer the competitive advantage they can achieve from the technological solutions and the services offered.

Communication plays an essential role in the work realm. Biesse Group is particularly attentive to communication with its employees and other workers and has an internal communication process designed to share and to improve the efficiency and quality of work. In particular, the Group has a Corporate intranet that contains its corporate policies and procedures and the latest developments concerning the world of Biesse. During the course of 2017, 247 news articles were published on the Corporate intranet compared to 143 in 2016.

Environmental Sustainability

Environmental Sustainability

5 / 0

Savings and respect.

The environmental strategies implemented.

Centralised overhaul of all Biesse SpA plants.

Extension of the automatic electricity consumption monitoring system.

BIESSE GROUP — SUSTAINABILITY REPORT

95% of waste products are non-hazardous

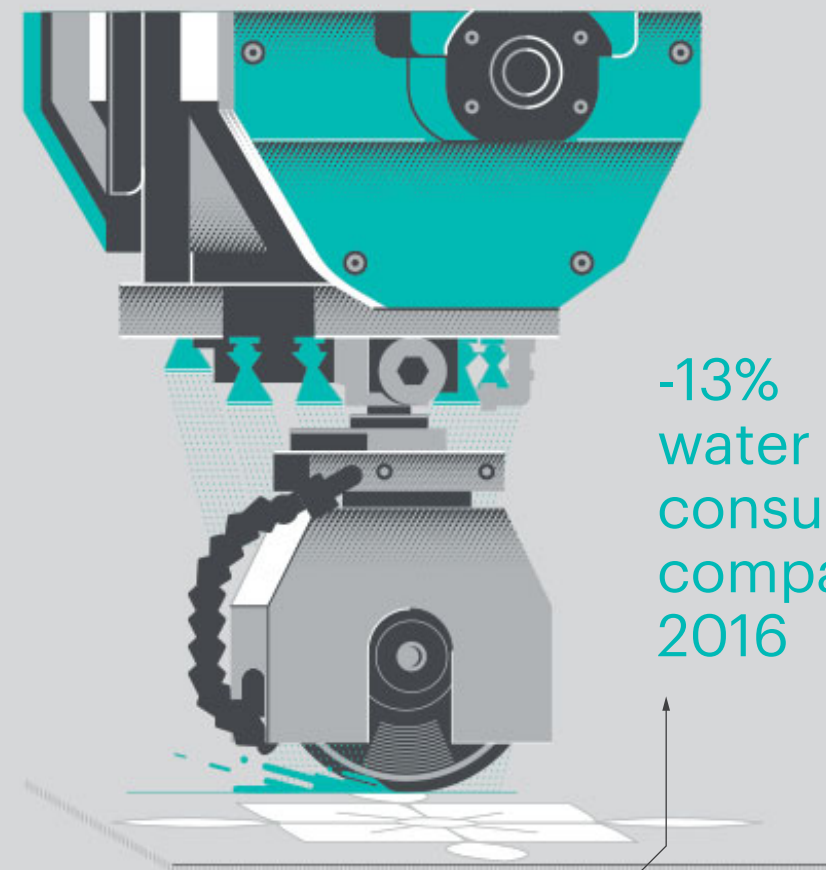
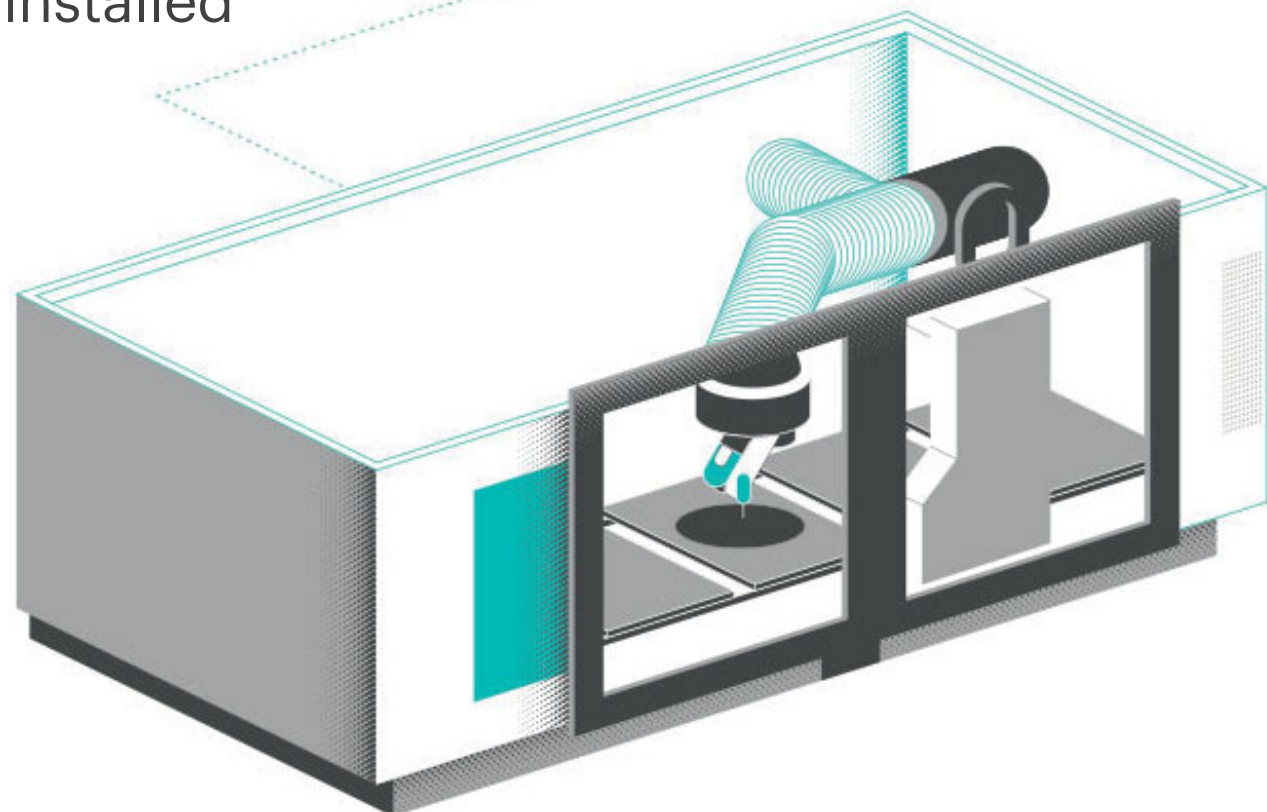
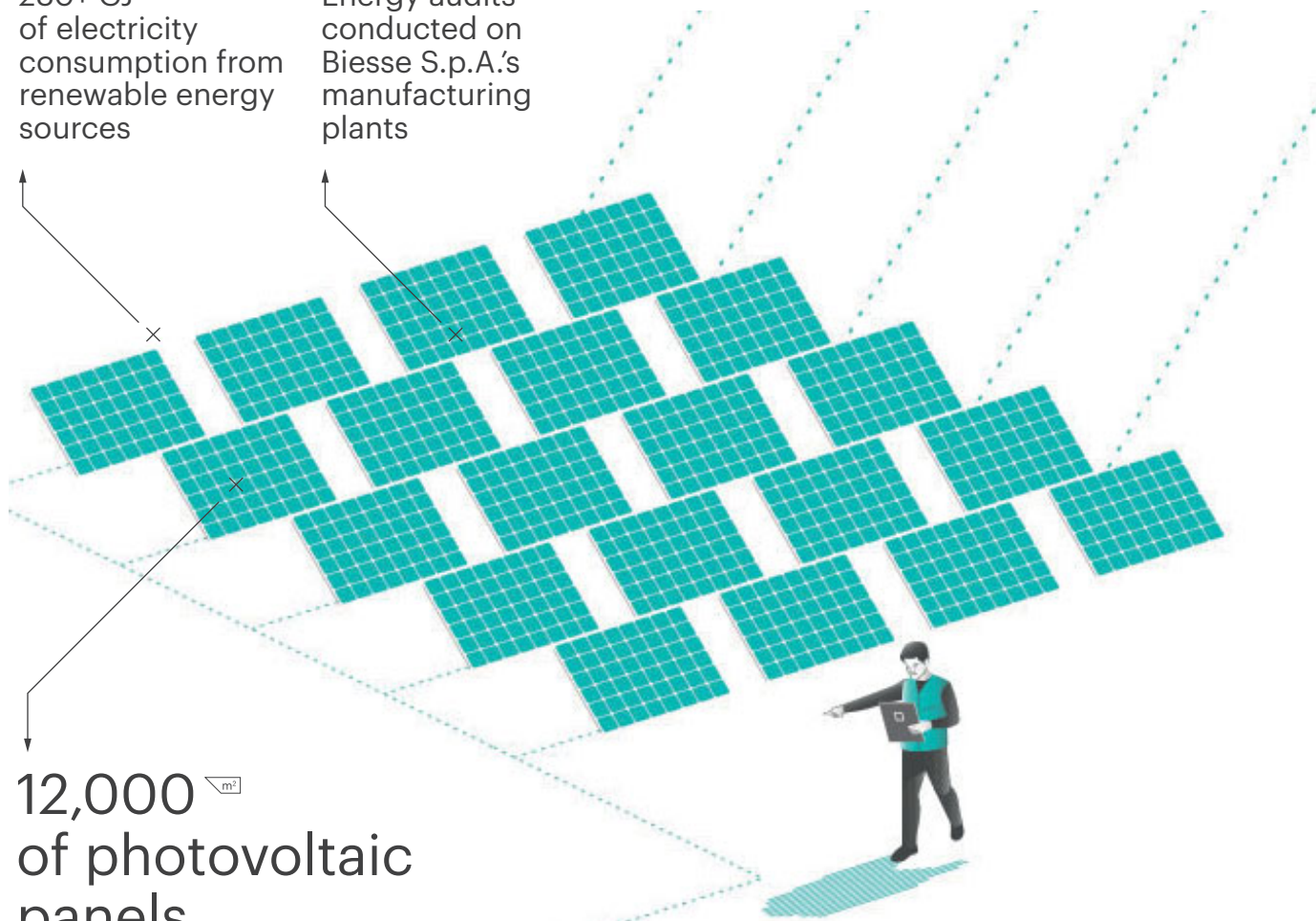
Various energy efficiency improvement schemes implemented and planned as part of the environmental management system



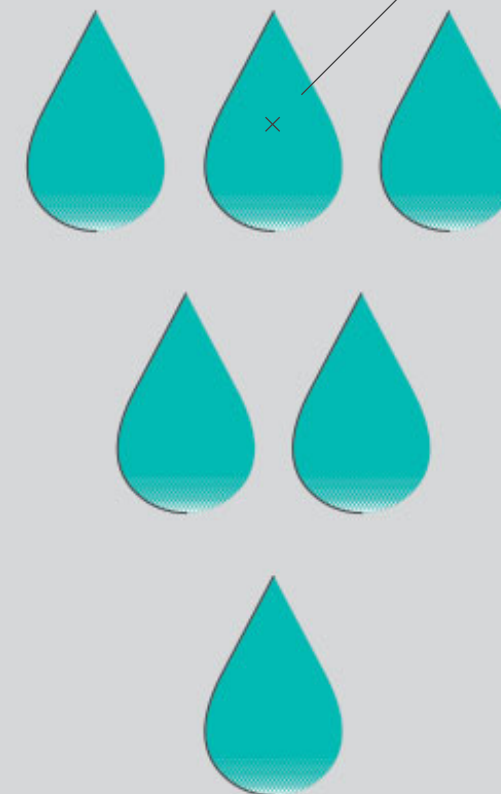
280+ GJ of electricity consumption from renewable energy sources

Energy audits conducted on Biesse S.p.A.'s manufacturing plants

12,000 ^{m²} of photovoltaic panels installed



-13% water consumption compared to 2016



Environmental Sustainability

- › Biesse Group pursues the objective of contributing positively to the protection and safeguarding of the environment through the development of strategies and initiatives aimed at minimising the environmental impact arising from the activities undertaken.
- › Accordingly, the Group is committed to the constant pursuit of the most appropriate solutions to ensure responsible use of resources, the reduction of energy consumption and better management of atmospheric emissions.

5 / 0

APPROACH TO ENVIRONMENTAL MANAGEMENT

5 / 1

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

Protection of natural resources

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 is to revise Biesse products by redesigning and studying them with the objective of obtaining a low environmental impact in terms of greater durability, 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 raw materials.

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

5 / 2

ENERGY CONSUMPTION

In recent years, attention to the environment has focused on efficient management of energy consumption. In order to address the reduction of direct and indirect emissions and to achieve savings in economic terms, Biesse S.p.A. has voluntarily appointed an Energy Manager, who is a qualified energy management expert.

Electricity used by the Group is mainly utilised for the supply of power for manufacturing cycles in manufacturing plants and, to a lesser extent, for offices and services. Total electricity consumed in 2017 corresponds to approximately 64,350 GJ, an increase of approximately 10% compared to 2016. This increase is mainly due to a higher number of machines produced and to the expansion of a number of production facilities during the course of 2017, in line with the Group's growth.

TAB /20
ELECTRICITY CONSUMPTION (GJ)

	2017	2016
Nature of consumption	GJ	GJ
Electricity purchased or self-produced from non-renewable sources	64,073	58,125
Electricity self-produced from renewable energy sources ²⁷	285	145
Total electricity consumption (plant operation, offices and cooling)	64,358	58,270

27 / Electricity consumption relating to the legal entities Intermac do Brasil comercio de maquinas e equipamentos Ltda, HSD Mechatronic Korea, OOO Biesse Russia, BSoft Srl and Axxembla S.r.l. were calculated based on consumption recorded by similar legal entities.

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 from personnel to investments in new tools and technologies. The Group embarked on this path some time ago: already in 2014, 55 energy efficiency certificates were awarded for efficiency improvement schemes.

During the course of 2017, in order to reduce energy consumption and the related adverse impacts on the environment, the Group undertook several initiatives, such as the completion of three photovoltaic plants installed on the Pesaro campus – with a total surface area of approximately 12,000 m² and with a capacity of 770 kWp – that generated approximately 35 thousand kWh²⁸ in the course of the year that was fully absorbed by the production cycle.

Moreover, in order to reduce energy network consumption and to facilitate the identification of any leaks or problems along the production line, in 2017 Biesse S.p.A. took steps to:

- complete the centralised power factor correction of all production plants and expand the automatic electricity consumption monitoring system to cover approximately 10% of the lines to be monitored;
- replace the lighting system in various production plants with LED lighting systems;
- install two new more energy efficient boilers to replace the same number of pre-existing boilers, with an estimated decrease of consumption of 8%;
- install inverter compressors in two production units, with an estimated saving in electricity consumption of approximately 80,000 Kwh;
- install a swarf suction system with an inverter fed motor, with an estimated decrease in consumption of 25%;
- install a (warm/cold) heat pump to replace another less efficient (cold) pump;
- install a heat recovery system in the newly built facility.

Uniteam has taken steps to insulate the Thiene facility and to install a heat pump.

A further action to improve energy efficiency has been taken in Italy via project “printing”, consisting of the purchase of more energy efficient printers from the same supplier.

Outside Italy, Biesse America has started replacing neon lighting in its offices with LED lighting systems; Biesse Manufacturing India has launched an employee awareness process, by inviting employees to keep the lighting switched off during the day and to turn off the air conditioning if not needed; and Biesse UK has taken steps to replace a boiler with a more energy efficient one, which will generate energy savings in the years to come.

Furthermore, the Group plans to implement a structured continuous energy carrier monitoring system, such as electricity, thermal, natural gas and compressed air over the course of the coming years.

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

28 / This figure relates to electricity produced by the three photovoltaic panels installed in the Pesaro campus during the period of testing that lasted about a month. It is expected that the figure will significantly increase in 2018, on account of the planned twelve months of functionality of the panels.

TAB / 21
CLASSIFICATION OF ENERGY CONSUMPTION
WITHIN BIESSE GROUP

	AT 31.12.2017	AT 31.12.2016
Energy source	Consumption in GJ	Consumption in GJ
Petrol (haulage ²⁹)	2,448	1,534
Diesel	5,803	6,673
of which: diesel (heating)	1,732	1,980
of which diesel (haulage ³⁰)	4,070	4,694
Natural gas (heating)	60,668	53,016
LPG	1,329	245
Electricity ³¹ (plant operation, offices and cooling)	64,358	58,270
TOTAL ENERGY CONSUMPTION	134,605	119,738
of which: from renewable energy sources	285	145

GJ CONVERSION FACTORS USED

Electricity	GJ/kWh	0.0036	Source: DEFRA: 2017 UK Government GHG Conversion Factors for Company Reporting
Diesel for heating	GJ/ton	45.28596	Source: DEFRA: 2017 UK Government GHG Conversion Factors for Company Reporting
Diesel for haulage	GJ/ton	45.47573	Source: DEFRA: 2017 UK Government GHG Conversion Factors for Company Reporting
Petrol for haulage	GJ/ton	46.16456	Source: DEFRA: 2017 UK Government GHG Conversion Factors for Company Reporting
Natural gas	GJ/ton	55.00765	Source: DEFRA: 2017 UK Government GHG Conversion Factors for Company Reporting
LPG	GJ/ton	49.34776	Source: DEFRA: 2017 UK Government GHG Conversion Factors for Company Reporting

EMISSIONS OF CO₂

The Group constantly tracks its direct and indirect emissions:

Direct emissions (Scope 1)

arising from the 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.

29 / The figures relate to consumption by the cars owned by the Group.
 30 / The figures relate to consumption by the cars owned by the Group.
 31 / Electricity consumption relating to the legal entities Intermac do Brasil comercio de maquinas e equipamentos Ltda, HSD Mechatronic Korea, OOO Biesse Russia, BSoft Srl and Axxembla S.r.l. were calculated based on consumption recorded by other legal entities.

In particular, with regards direct emissions (scope 1), during the course of 2017 Biesse Group produced a total of approximately 3,750 tonnes of CO₂e, up by approximately 14% from 2016.

TAB / 22
CLASSIFICATION OF BIESSE GROUP'S SCOPE 1 EMISSIONS

	AT 31.12.2017	AT 31.12.2016
Nature of emission	ton CO ₂ e	ton CO ₂ e
Total direct emissions (Scope 1)³²	3,749	3,296
of which: due to natural gas	3,104	2,712
of which: due to diesel for heating	133	152
of which: due to diesel for haulage	277	320
of which: due to petrol for haulage	156	98
of which: due to LPG	79	15

In relation to indirect emissions (scope 2), emissions of CO₂ produced amount to approximately 8,300 tonnes (location based method).

TAB / 23
CLASSIFICATION OF BIESSE GROUP'S SCOPE 2 EMISSIONS

	AT 31.12.2017	AT 31.12.2016
Nature of emission	ton CO ₂	ton CO ₂
Total indirect emissions (Scope 2)³³ (location based)	8,302	7,523
Total indirect emissions (Scope 2)³⁴ (market based)	9,298	8,447

With particular reference to the management of direct emissions, in 2016 the Group introduced a specific policy on pooled purchasing of company car fleets that requires new car purchases to be assessed based on their average CO₂ atmospheric emissions value. In this manner, the emissions value for new models being used has been reduced to approximately 107 gr/km.

32 / For the purpose of the computation of Scope 1 emissions, use was made of the conversion factors indicated by the document entitled 2017 UK Government GHG Conversion Factors for Company Reporting.

33 / For the purpose of the computation of Scope 2 emissions (location based method), use was made of the conversion factors indicated by Terna's 2016 International comparison (figures at 31 December 2015).

34 / For the purpose of the computation of Scope 2 emissions (market based method), use was made of the conversion factors indicated by AIB's European Residual Mixes 2016 for European countries and the conversion factors indicated in note 33 for the other countries in which Biesse Group operates.

MATERIALS USED AND WASTE MANAGEMENT

5 / 3

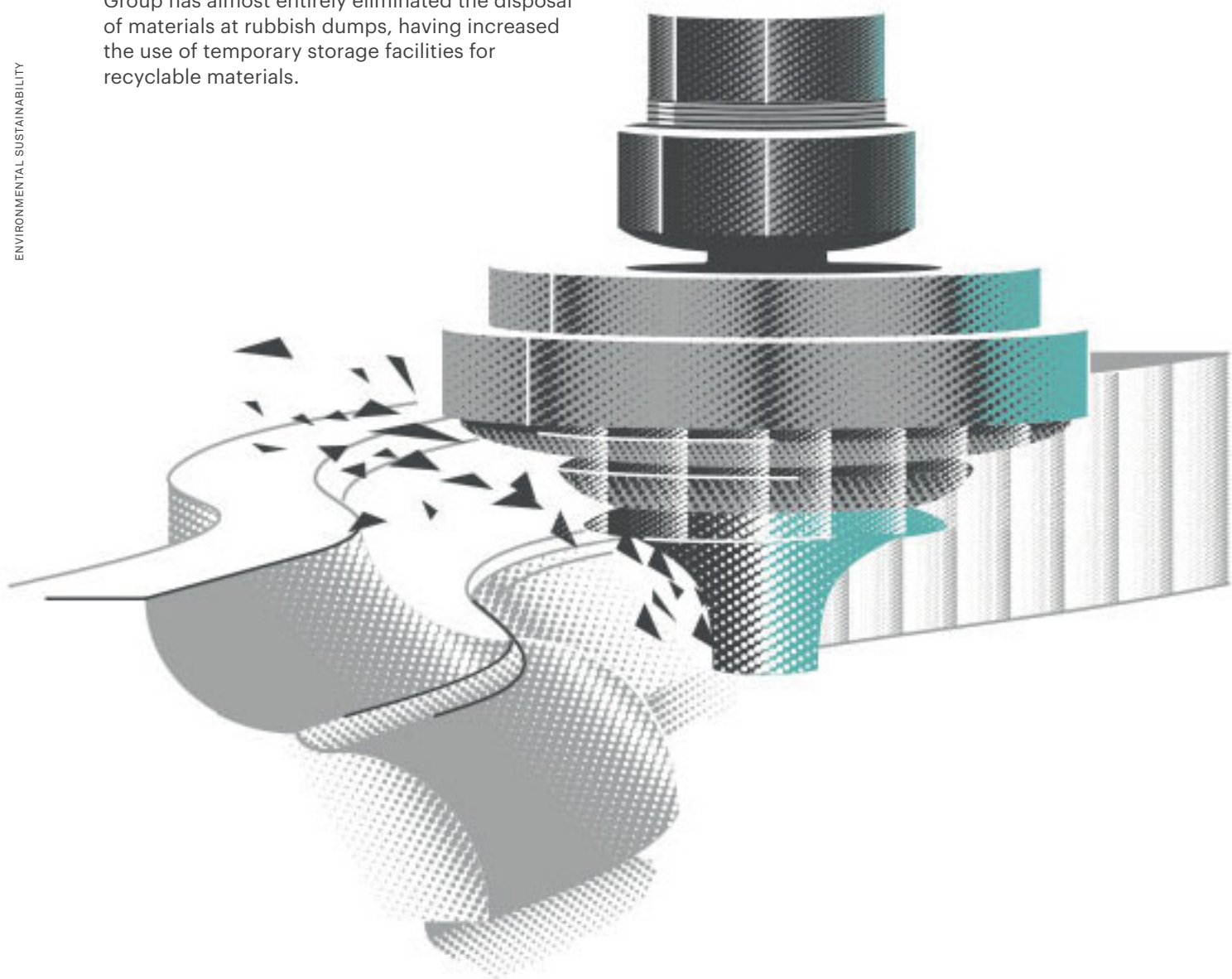
Greater efficiency of use of materials in production processes translates to a reduction in costs, waste and processing wastage, all of which benefits the environment. For these reasons, the Group promotes the responsible management of materials and waste, with particular attention to the processing 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 constant improvement and efficiency gains in production systems, Biesse Group has almost entirely eliminated the disposal of materials at rubbish dumps, having increased the use of temporary storage facilities for recyclable materials.

One of the Group's objectives for the coming years is to increase the collection of recyclable waste not currently covered by the collection service and to rationalise raw materials used, including wood panels used for machinery testing, by assessing the provenance of origin and the manufacturing process.

During the course of 2017, Biesse Group produced over 3,820 tonnes of waste, of which approximately 169 consisted of hazardous waste.



ENVIRONMENTAL SUSTAINABILITY

TAB / 24
CLASSIFICATION OF WASTE BY TYPE
AND BY RECYCLING METHOD³⁵

AT 31.12.2017				
Disposal method	Unit of measurement	Hazardous	Non-hazardous	Total
Recycling	t	19	55	74
Recycling and disposal	t	16	1,746	1,762
Incineration	t	21	20	40
Rubbish dump	t	6	397	403
Storage	t	27	-	27
Other	t	81	1,437	1,518
Total	t	169	3,655	3,824

AT 31.12.2016				
Disposal method	Unit of measurement	Hazardous	Non-hazardous	Total
Recycling	t	-	34	34
Recycling and disposal	t	47	1,706	1,754
Incineration	t	25	6	31
Rubbish dump	t	4	499	503
Storage	t	-	-	-
Other	t	90	36	126
Total	t	166	2,281	2,447

BIESSE GROUP — SUSTAINABILITY REPORT

RECONDITIONED PARTS

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.

³⁵ / The figures relating to the waste produced by the legal entities Interamac do Brasil comercio de maquinas e equipamentos Ltda, Biesse (HK) Ltd, Biesse Trading (Shanghai) Co. Ltd, HSD Mechatronics (Shanghai) Co. Ltd., Biesse Iberian Wood. Machinery S.L, Biesse Schweiz GmbH, Biesse Turkey, OOO Biesse Russia, Biesse Austria GmbH, BSoft Srl and Axxembla S.r.l. were calculated based on waste produced by other legal entities. Moreover, note that the figures include estimates and have been compiled based on available information communicated by appointed suppliers.

MANAGEMENT OF WATER RESOURCES

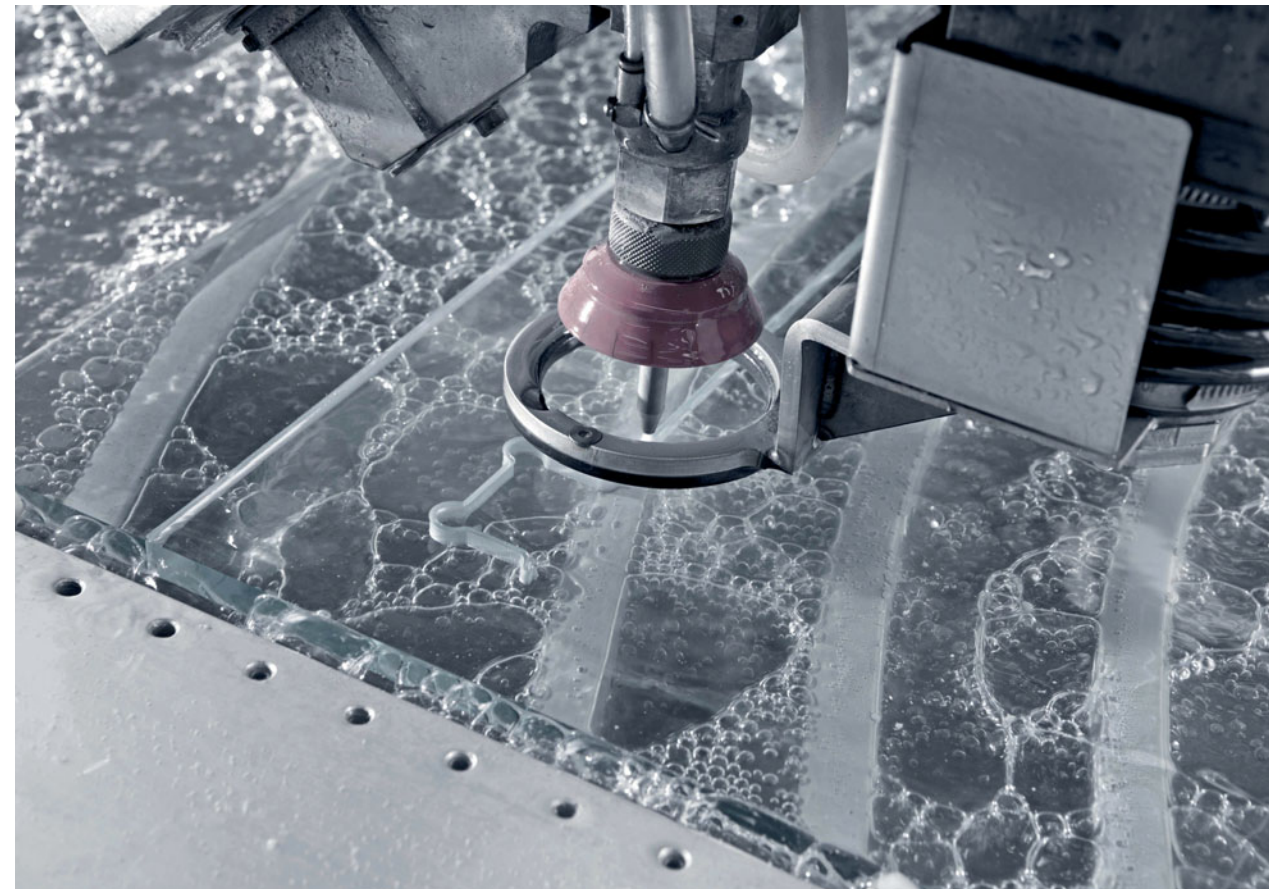
5 / 4

The Group plans to develop strategies to improve the responsible 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 well-being of the community. The management of water resources is the responsibility of the Maintenance, safety and environment office, 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.

Currently, water used in the production process is reused and then disposed of by specialised firms. One of the Group's objectives for 2018 is the purchase of a new water purification system for the Intermac production plant in Pesaro, in order to enable the reintroduction of purified water into the natural water cycle.

In 2017, the amount of water withdrawn decreased by 13% compared to 2016, with an amount recorded of approximately 97,600 m³ compared to approximately 112,250 m³ in 2016.



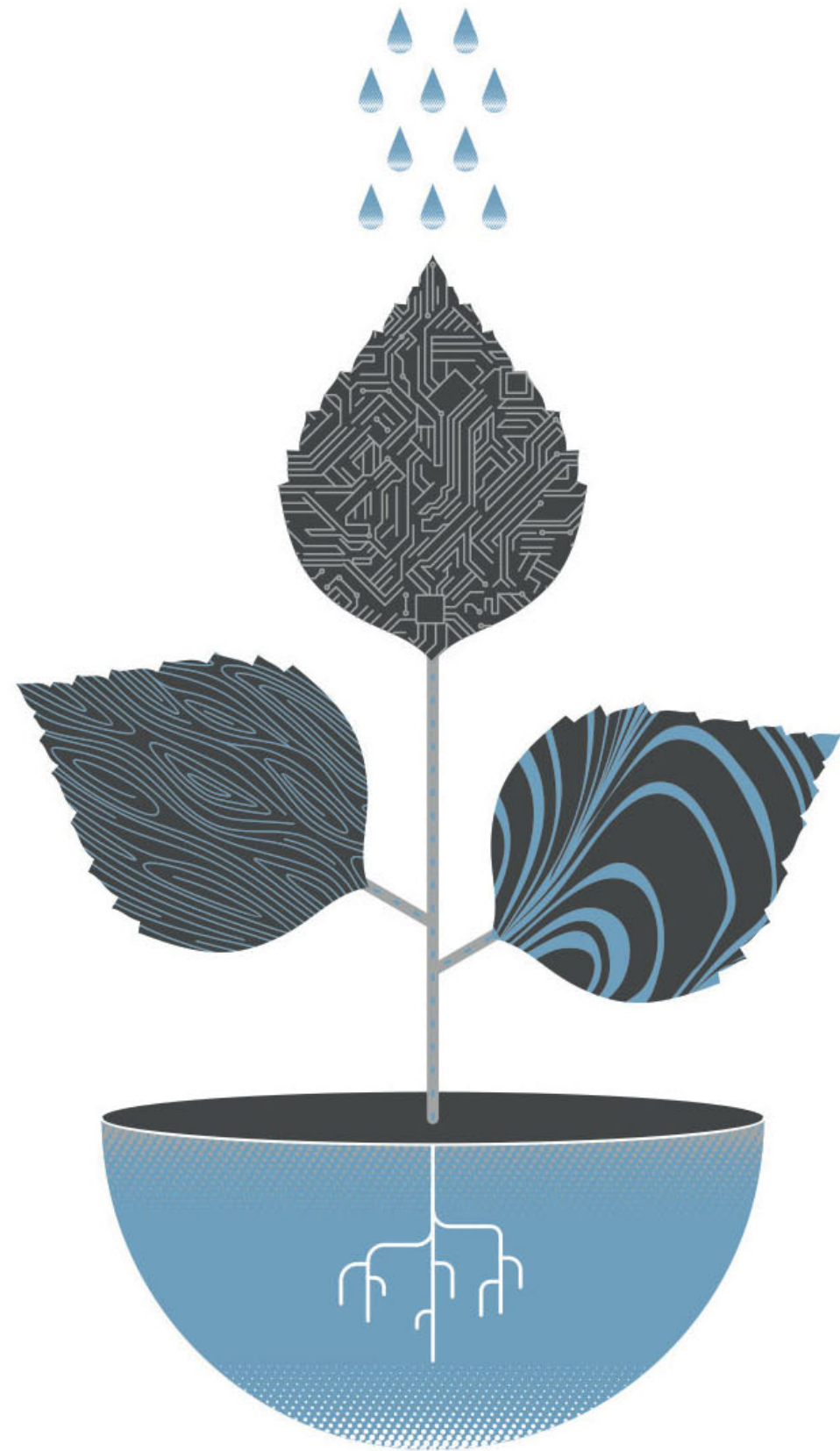
TAB / 25
CLASSIFICATION OF WATER WITHDRAWN
BY BIESSE GROUP BY SOURCE

WATER WITHDRAWN ³⁶				
	AT 31.12.2017		AT 31.12.2016	
Source	Unit of measurement	Volume	Unit of measurement	Volume
Well	m ³	41,878	m ³	48,028
Water from aqueduct	m ³	55,784	m ³	64,220
TOTAL	m³	97,662	m³	112,248

³⁶ / The figures relating to the water withdrawn by the legal entities Intermac do Brasil comercio de maquinas e equipamentos Ltda, Biesse (HK) Ltd, Biesse Schweiz GmbH, Biesse Austria GmbH, OOO Biesse Russia, HSD Mechatronics Korea, BSoft Srl and Axxemlea S.r.l. were calculated based on water withdrawn by other legal entities. Moreover, it should be noted that the figures include estimates.

Boundaries and impact of material topics

BOUNDARIES AND IMPACT OF MATERIAL TOPICS



Material topics	Boundaries of material topics ³⁷	Role of Biesse Group
Economic performance	Biesse Group	Direct – Caused by Biesse Group and directly related to its activities
Reliability, safety and constant innovation of products and services	Biesse Group, Suppliers, Research Centres, Universities	Direct – Caused by Biesse Group and directly related to its activities
Customer relationship and customer satisfaction	Biesse Group, Customers	Direct – Caused by Biesse Group
Management and development of human resources	Biesse Group	Direct – Caused by Biesse Group
Health and safety of employees	Biesse Group, with particular reference to the production plants ³⁸	Direct – Caused by Biesse Group and directly related to its activities
Human rights	Biesse Group, Suppliers	Contributory – Related to Biesse Group's activities
Business ethics and integrity	Biesse Group	Direct – Caused by Biesse Group
Corporate welfare	Biesse Group	Direct – Caused by Biesse Group
Energy consumption	Biesse Group, with particular reference to the production plants	Direct – Caused by Biesse Group and directly related to its activities
Responsible marketing	Biesse Group, Sector-specific media and magazines	Direct – Caused by Biesse Group
Risk management and compliance	Biesse Group	Direct – Caused by Biesse Group
Indirect economic impacts	Biesse Group, Suppliers, Customers	Indirect – Related to Biesse Group's activities
Sustainable management of the supply chain	Biesse Group, with particular reference to the production plants	Direct – Caused by Biesse Group and directly related to its activities
Anti-corruption	Biesse Group	Direct – Caused by Biesse Group
Sustainable management of materials, waste and water resources	Biesse Group, with particular reference to the production plants	Direct – Caused by Biesse Group and directly related to its activities
Relationships with local communities	Biesse Group, Suppliers, Local communities	Direct – Caused by Biesse Group
Diversity and social inclusion	Biesse Group	Direct – Caused by Biesse Group
Atmospheric emissions and climate change	Biesse Group, with particular reference to the production plants	Direct – Caused by Biesse Group and directly related to its activities
Industrial relations	Biesse Group, Relations with the unions	Contributory – Related to Biesse Group's activities

³⁷ / Any impact generated by the stakeholders of the Group has not been reported in this document.

³⁸ / The organisation is evaluating the possibility of collecting data from the employers of other external workers and from suppliers that operate at the Group's facilities, in order to be able to report any injuries and occupational diseases relating thereto.

GRI Content Index

145 — 151

GRI CONTENT INDEX

GRI 101 FOUNDATION (2016)				
GRI 102 GENERAL DISCLOSURE (2016)				
ORGANISATIONAL PROFILE				
GRI Standard	Disclosure	Page	Omission	Notes
102: General Disclosures (2016)	102-1 Name of the organisation	6, 7		
	102-2 Main brands, products and services	16, 24		
	102-3 Location of headquarters	16		
	102-4 Location of operations	6, 7, 22		
	102-5 Ownership and legal form	6, 7, 23		
	102-6 Markets served	16, 22, 24		
	102-7 Scale of the organisation	23, 24, 49, 98		
	102-8 Information on employees and other workers	98		
	102-9 Supply chain	80, 81, 82, 83, 84, 85, 86, 87		
	102-10 Significant changes to the organisation and its supply chain	6, 7, 63, 80, 81, 82, 83, 84, 85, 86, 87		
	102-11 Precautionary Principle or approach	36, 37		
	102-12 External initiatives	35		
	102-13 Membership of associations	68		
STRATEGY				
102: General Disclosures (2016)	102-14 Statement from senior decision-maker	4		
ETHICS AND INTEGRITY				
102: General Disclosures (2016)	102-16 Values, principles, standards, and norms of behaviour	16, 19, 34, 35, 36, 40, 41, 86, 87		
GOVERNANCE				
102: General Disclosures (2016)	102-18 Governance structure	23, 30, 31, 32, 33		
	102-23 Chair of the highest governance body	32		
STAKEHOLDER ENGAGEMENT				
102: General Disclosures (2016)	102-40 List of stakeholder groups	45		
	102-41 Collective bargaining agreements	112		
	102-42 Identifying and selecting stakeholders	28, 44, 45, 46, 47		
	102-43 Approach to stakeholder engagement	46, 47, 48		
	102-44 Key topics and concerns raised	46, 47		

GRI Standard	Disclosure	Page	Omission	Notes
REPORTING PRACTICE				
102: General Disclosures (2016)	102-45 Entities included in the consolidated financial statements	6, 7		
	102-46 Defining report content and topic boundaries	6, 7, 143		
	102-47 List of material topics	49, 50		
	102-48 Restatements of information	6, 7		n/a
	102-49 Changes in reporting	6, 7		n/a
	102-50 Reporting period	6, 7		
	102-51 Date of most recent report	6, 7		n/a
	102-52 Reporting cycle	6, 7		
	102-53 Contact point for questions regarding the report	6, 7		
	102-54 Claims of reporting in accordance with the GRI Standards	6, 7		
	102-55 GRI content index	146		
	102-56 External assurance	6, 7		
	MATERIAL TOPICS			
ECONOMIC PERFORMANCE				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	46, 47, 62, 63, 143		
	103-2 The management approach and its components	45, 62, 63, 64, 65		
	103-3 Evaluation of the management approach	6, 7, 62, 63		
201: Economic Performance (2016)	201-1 Direct economic value generated and distributed	66, 67		
RELIABILITY, SAFETY AND CONSTANT INNOVATION OF PRODUCTS AND SERVICES				
GRI 103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	48, 68, 69, 70, 71, 72, 73, 143		
	103-2 The management approach and its components	46, 68, 69, 70, 71, 72, 73		
	103-3 Evaluation of the management approach	6, 7, 68, 69, 70, 71, 72, 73		
GRI 201: Economic Performance (2016)	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	34		

GRI Standard	Disclosure	Page	Omission	Notes
--------------	------------	------	----------	-------

CUSTOMER RELATIONSHIP AND CUSTOMER SATISFACTION

103: Management Approach (2016)	103-1	Explanation of the material topic and its boundary	48, 68, 69, 70, 71, 72, 73, 143		
	103-2	The management approach and its components	46, 47, 68, 69, 70, 71, 72, 73		
	103-3	Evaluation of the management approach	6, 7, 68, 69, 70, 71, 72, 73		

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

103: Management Approach (2016)	103-1	Explanation of the material topic and its boundary	48, 96, 98, 99, 100, 109, 110, 111, 143		
	103-2	The management approach and its components	46, 47, 96, 98, 99, 100, 109, 110, 111		
	103-3	Evaluation of the management approach	6, 7, 96, 98, 99, 100, 109, 110, 111		
404: Training and Education (2016)	404-1	Average hours of training per year per employee	110		

HEALTH AND SAFETY OF EMPLOYEES

103: Management Approach (2016)	103-1	Explanation of the material topic and its boundary	48, 105, 106, 143		
	103-2	The management approach and its components	46, 47, 105, 106		
	103-3	Evaluation of the management approach	6, 7, 46, 47, 105, 106, 143		
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	106, 107, 108	The data relate solely to employees	With the gradual implementation of IT systems steps will be taken to improve the extent of this disclosure

HUMAN RIGHTS

103: Management Approach (2016)	103-1	Explanation of the material topic and its boundary	35, 48, 143		
	103-2	The management approach and its components	35, 46, 47, 76, 84, 85		
	103-3	Evaluation of the management approach	6, 7, 35, 80, 87		
412: Human Rights Assessment (2016)	412-1	Operations that have been subject to human rights reviews or impact assessments	35		

GRI Standard	Disclosure	Page	Omission	Notes
--------------	------------	------	----------	-------

BUSINESS ETHICS AND INTEGRITY

103: Management Approach (2016)	103-1	Explanation of the material topic and its boundary	34, 35, 48, 143		
	103-2	The management approach and its components	34, 35, 46, 47		
	103-3	Evaluation of the management approach	6, 7, 34, 35, 46, 47		
206: Anti-competitive behavior (2016)	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	35		

ENERGY CONSUMPTION

103: Management Approach (2016)	103-1	Explanation of the material topic and its boundary	48, 131, 143		
	103-2	The management approach and its components	46, 47, 131		
	103-3	Evaluation of the management approach	6, 7, 131		
302: Energy (2016)	302-1	Energy consumption within the organisation	131, 132		

CORPORATE WELFARE

103: Management Approach (2016)	103-1	Explanation of the material topic and its boundary	48, 112, 143		
	103-2	The management approach and its components	46, 112		
	103-3	Evaluation of the management approach	6, 7, 112		

RESPONSIBLE MARKETING

103: Management Approach (2016)	103-1	Explanation of the material topic and its boundary	48, 120, 143		
	103-2	The management approach and its components	46, 47, 120, 122, 123		
	103-3	Evaluation of the management approach	6, 7, 120, 122, 123		
	417-3	Incidents of non-compliance concerning marketing communications	122, 123		

RISK MANAGEMENT AND COMPLIANCE

103: Management Approach (2016)	103-1	Explanation of the material topic and its boundary	36, 37, 48, 143		
	103-2	The management approach and its components	36, 37, 46, 47		
	103-3	Evaluation of the management approach	6, 7, 36, 37		

GRI Standard	Disclosure	Page	Omission	Notes
--------------	------------	------	----------	-------

INDIRECT ECONOMIC IMPACTS

103: Management Approach (2016)	103-1	Explanation of the material topic and its boundary	34, 35, 40, 41, 48, 67, 84, 85, 113, 143		
	103-2	The management approach and its components	34, 35, 40, 41, 46, 47, 67, 84, 85, 113		
	103-3	Evaluation of the management approach	6, 7, 34, 35, 40, 41, 67, 84, 85, 113		
203: Indirect Economic Impacts (2016)	203-2	Significant indirect economic impacts	34, 35, 40, 41, 67, 84, 85, 113		

SUSTAINABLE MANAGEMENT OF THE SUPPLY CHAIN

103: Management Approach (2016)	103-1	Explanation of the material topic and its boundary	48, 80, 81, 82, 83, 84, 85, 86, 87, 143		
	103-2	The management approach and its components	47, 80, 81, 82, 83, 84, 85, 86, 87		
	103-3	Evaluation of the management approach	6, 7, 80, 81, 82, 83, 84, 85, 86, 87		
204: Procurement Practices (2016)	204-1	Proportion of spending on local suppliers	84, 85		

SUSTAINABLE MANAGEMENT OF MATERIALS, WASTE AND WATER RESOURCES

103: Management Approach (2016)	103-1	Explanation of the material topic and its boundary	48, 131, 136, 138, 143		
	103-2	The management approach and its components	46, 47, 131, 136, 138		
	103-3	Evaluation of the management approach	6, 7, 131, 136, 138		
303: Water (2016)	303-1	Water withdrawal by source	139		
306: Effluents and Waste (2016)	306-2	Waste by type and disposal method	137		

ANTI-CORRUPTION

103: Management Approach (2016)	103-1	Explanation of the material topic and its boundary	34, 35, 48, 143		
	103-2	The management approach and its components	34, 35, 46, 47		
	103-3	Evaluation of the management approach	6, 7, 34, 35		
205: Anti-corruption (2016)	205-3	Confirmed incidents of corruption and actions taken	35		

GRI Standard	Disclosure	Page	Omission	Notes
--------------	------------	------	----------	-------

DIVERSITY AND SOCIAL INCLUSION

103: Management Approach (2016)	103-1	Explanation of the material topic and its boundary	48, 113, 114, 143		
	103-2	The management approach and its components	46, 47, 113, 114		
	103-3	Evaluation of the management approach	6, 7, 113, 114		
405: Diversity and Equal Opportunity (2016)	405-1	Diversity of governance bodies and employees	32, 99		
202: Market Presence (2016)	202-2	Proportion of senior management hired from the local community	115		

RELATIONSHIPS WITH LOCAL COMMUNITIES

103: Management Approach (2016)	103-1	Explanation of the material topic and its boundary	48, 116, 117, 118, 119, 120, 143		
	103-2	The management approach and its components	47, 116, 117, 118, 119, 120		
	103-3	Evaluation of the management approach	6, 7, 116, 117, 118, 119, 120		
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	29, 67, 70, 71, 75		
	103-2	The management approach and its components	26, 27, 28, 67, 70, 71		
	103-3	Evaluation of the management approach	4, 67, 70, 71		
413: Local communities (2016)	305-1	Direct (Scope 1) GHG emissions	70		

INDUSTRIAL RELATIONS

103: Management Approach (2016)	103-1	Explanation of the material topic and its boundary	29, 57, 75		
	103-2	The management approach and its components	27, 57		
	103-3	Evaluation of the management approach	4, 57		
402: Labor/Management Relations (2016)	402-1	Minimum notice periods regarding operational changes	-		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

153 — 156



Deloitte & Touche S.p.A.
Via della Camilluccia, 589/A
00135 Roma
Italia

Tel: +39 06 367491
Fax: +39 06 36749282
www.deloitte.it

**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**

**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 the "Decree") and to article 5 of the CONSOB Regulation n. 20267, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Biesse S.p.A. and its subsidiaries (hereinafter the "Biesse Group" or the "Group") as of December 31, 2017 prepared on the basis of article 4 of the Decree, and approved by the Board of Directors on March 12, 2018 (hereinafter the "NFS").

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

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

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

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

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

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

Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Verona
Sede Legale: Via Tortona, 25 - 20144 Milano | Capitale Sociale: Euro 10.328.220,00 I.v.
Codice Fiscale/Registro delle Imprese Milano n. 03049560166 - R.E.A. Milano n. 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'informativa completa relativa alla descrizione della struttura legale di Deloitte Touche Tohmatsu Limited e delle sue member firm all'indirizzo 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 article 3 of the Decree and taking into account the adopted reporting standard.
2. Analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance 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 some companies of the Group, including H.S.D. S.p.A., Biesse Group UK Ltd., Biesse Turkey Makine Ticaret Ve Sanayi A.S., Biesse Manufacturing Co. Pvt. Ltd. and Biesse America Inc., 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 H.S.D. 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, 2017 is not prepared, in all material aspects, in accordance with article 3 and 4 of the Decree and the GRI Standards.

Other Matter

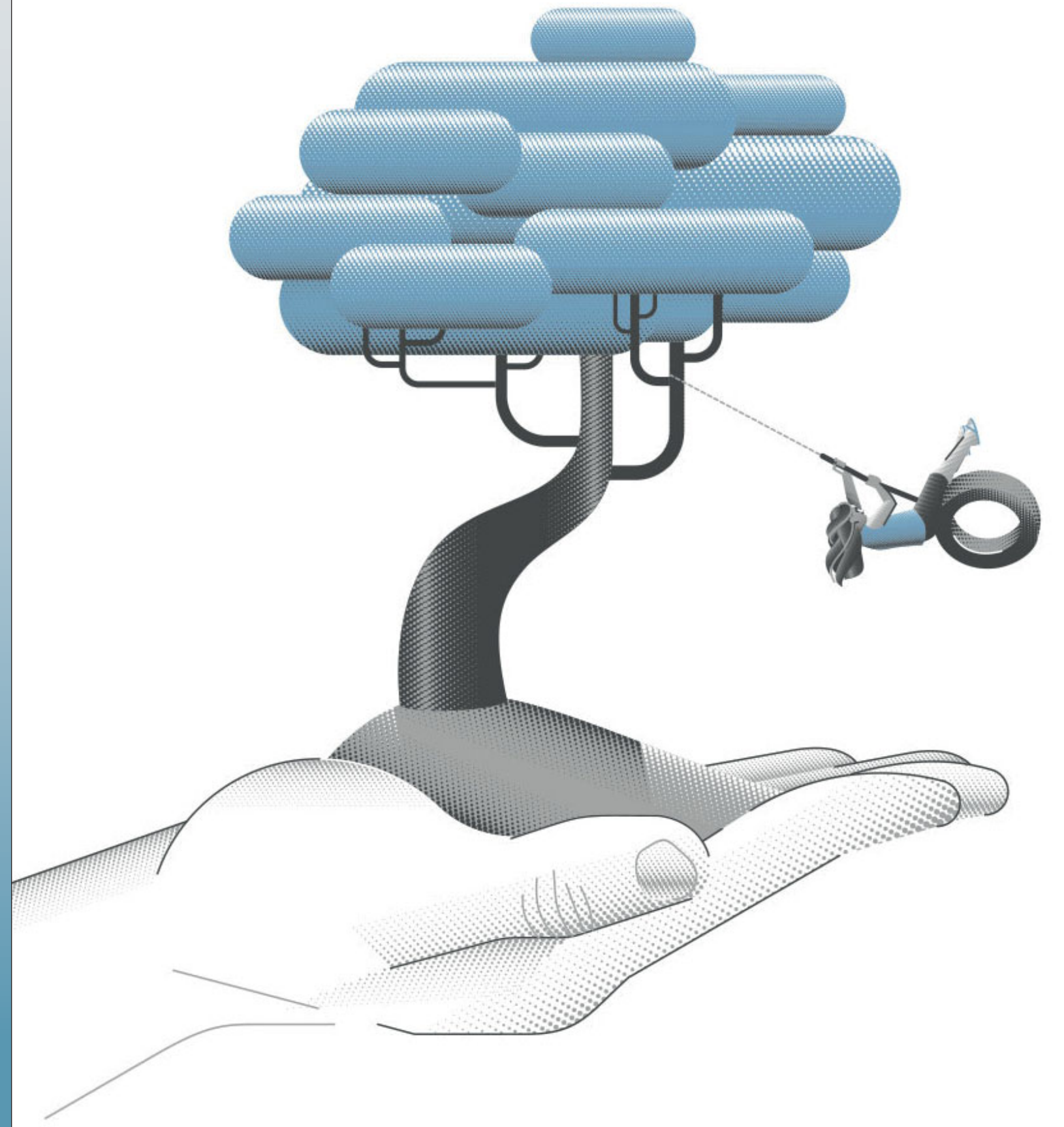
The data for the year ended December 31, 2016 presented for comparative purposes in the NFS have not been subject to a limited or to a reasonable assurance engagement.

DELOITTE & TOUCHE S.p.A.

Signed by
Fabio Pompei
Partner

Rome, Italy
March 29, 2018

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





© **Biesse S.p.A.**

Via della Meccanica, 16
61122 Pesaro - PU - Italy
Tel. +39 0721 439100
sustainability@biesse.com
biessegroup.com

A project edited by:
Internal Audit Department
Marketing & Communication Department

Graphic design and illustrations by:
Zup Design

Printing:
BIEFFE s.a.s.

Printed:
July 2018

Printed on certified
recycled paper FSC®



