

## SUSTAINABILITY REPORT

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

**2020**

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# Letter to stakeholders

Dear stakeholders,

we are pleased to present the 2020 consolidated non-financial statement of Biesse Group, which describes the Group's approach to social responsibility and reports the key results achieved in terms of economic, social and environmental sustainability as well as defining future objectives.

This Statement, like last year's, is being published during the global Covid-19 pandemic, which is still having significant health and socio-economic consequences throughout the world. A year ago we were confident in our ability to deliver a resilient business model, capable of supporting local communities, and with an eye on the future thanks to the Group's strategy, organisation, management and financial solidity. We have acted both internally and externally with the aim of protecting people's health, and that of our employees, suppliers, customers and all those who engage with the Group throughout the world, enhancing digital services and continuing to ensure the continuity of our business. As you will read in this document, this year's economic, social and environmental sustainability achievements reflect the efforts of the people that are the Biesse Group and the network of partners and stakeholders who, in various ways, have contributed to ensuring the continuity of the business and the creation of value - tangible and intangible - that derives from it: our deepest and most heartfelt thanks go to all of them.

The attention given to our stakeholders is also consistent with our desire to be both a global Group, attuned to the new trends in digital transformation and sustainability, and a company with its roots firmly planted in the local community, with a history spanning over fifty years and significant growth and international expansion.

We are convinced that the sustainable success of the business is intrinsically linked to the development of our employees, so that they increasingly see Biesse Group as an organisation that acknowledges their merits and guides them in their personal and professional growth; all this in a context that is ready to achieve ISO 45001 certification, something that HSD S.p.A. has already obtained and which will soon involve other Group locations, thus demonstrating the attention paid to health and safety in the workplace.

With well-trained people who are able to perform to the best of their potential, we are confident that we will be able to foster the drive towards product and process innovation that has always distinguished our Group, recognising the needs of our customers, to whom we want to offer solutions that will allow them to perform at their best, or consolidate their market leadership, while respecting their ethical values.

In these difficult times, we remain convinced that the key to a winning business model lies in the ability to co-generate and distribute the value of our business in synergy with customers and suppliers.

We continue to be committed to a responsible approach to the use of natural resources, avoiding waste and implementing energy efficiency initiatives, in addition to the decision to only purchase electricity from renewable sources for the Group's Italian offices. Our environmental decisions are inspired by the ambitious European plans to reduce CO<sub>2</sub> emissions and make us informed participants in a supply chain that is increasingly focused on striking a balance between economic and environmental sustainability.

As is evident from the pages of this non-financial statement, again this year we have developed partnerships with the local community, with which we have an ongoing dialogue through trade associations, universities, research centres and many others who, like us, are committed to shared and sustainable development. In this regard, we have launched an open innovation model, Open-I, Biesse Group's innovation lab, a place for cultivating relationships with the academic world, research, accelerators and venture capital to gain access to

the culture of innovation around the world. We also wanted to contribute to the “*Insieme per Marche Nord*” (Together for Marche Nord) programme, an initiative that made it possible to purchase the first ventilators and the necessary equipment to set up the intensive care unit of the "Ospedali Riuniti Marche Nord" hospital to deal with the ongoing pandemic.

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

**Roberto Selci**

*Managing Director of Biesse Group*

# Methodological note

This document constitutes the 2020 consolidated non-financial statement (hereinafter “NFS” or “Statement”), pursuant to Legislative Decree 254/2016 (implementing Directive 2014/95/EU), of the companies pertaining to the Group consisting of Biesse S.p.A. and its fully consolidated subsidiaries (hereinafter “Biesse Group” or the “Group”) and which addresses issues deemed to be significant and as required by Art. 3 of the Decree.

The NFS has been prepared in accordance with the GRI Standards: core option, and is in line with the corporate procedure for the preparation of the NFS. The GRI Content Index has been included as an attachment to the document, together with details of where the content has been addressed in compliance with the GRI. The content addressed by the NFS has been selected based on the results of a materiality analysis, as updated in 2020, that has enabled us to identify topics that are material to the Group and its stakeholders. The materiality matrix resulting from the analysis conducted was approved by the Control and Risks Committee on 30 October 2020 and has been presented in the section of this document headed “Stakeholders and materiality analysis”. It should be noted that, on account of the business sector, there have been no significant emissions of pollutants into the atmosphere other than greenhouse gas emissions.

The scope of the 2020 economic, social and environmental data and information is the same as that of Biesse Group's consolidated financial statements for the year ended 31 December 2020. Any changes in the scope have been appropriately indicated in the document. It should also be noted that there have been no significant changes in 2020 in the Group's size, organisational structure, ownership or supply chain. In this regard, it is worth noting Biesse Group's refocusing of its strategy in China, which in 2020 saw a gradual reduction in the activities of Dongguan Korex Machinery Co. LTD based in Dongguan (Guangdong province, China) and, as communicated on 28 January 2021, the signing of an agreement for the sale of the entire company. After the sale, the production facilities and Indian companies will become more involved in meeting the needs of the Chinese market. Also of note is the merger by incorporation of Axxembla S.r.l. into Biesse S.p.A., approved on 9 September 2020: this transaction has not had any significant impact on the NFS for the year ended 31 December 2020.

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

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

The non-financial statement is published annually. If any further information is required, please use the following email address: [sustainability@biesse.com](mailto:sustainability@biesse.com). This document is also available on Biesse Group's website [www.biessegroup.com](http://www.biessegroup.com). This Statement was submitted for review and assessment by the Control and Risks Committee on 15 March 2021 and, on the same date, was approved by the Board of Directors of Biesse S.p.A.

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

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

## **Sustainability risks**

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

Throughout 2020 and in connection with the needs associated with managing with the pandemic emergency, activities focused on analysing the external variables and internal weaknesses of the business areas impacted by the Covid-19 pandemic and the associated risks at a time when the government has issued protocols and regulations for managing the crisis and resuming operations.

## **Environment**

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

As a sign of the Group's commitment to contribute to a sustainable, decarbonised economy, effective 2020, in addition to continuing its existing energy efficiency improvement schemes, all of the Italian companies have purchased electricity from GO (guarantee of origin) certified renewable sources, with the aim of significantly reducing indirect Scope 2 market-based CO<sub>2</sub> emissions.

In 2020, HSD S.p.A. continued the process to obtain the certification of its Environmental Management System to ISO 14001:2015 standards, which is expected to end in 2021 with the obtainment of the certification.

## **Personnel-related issues**

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

During 2020, Biesse S.p.A. continued the process for the formalisation and certification of the workplace safety management system to ISO 45001 standards. This decision was taken partially based on feedback from stakeholders, who deemed occupational health and safety to be the most predominant of the material issues addressed during stakeholder engagement activities. In this regard, the process of evaluating whether to extend the certification perimeter to the Group's main Italian companies was also started.

The main initiatives carried out to provide adequate personnel management during the Covid-19 pandemic included: establishing a central safety management committee aimed at ensuring high standards of workplace safety throughout the Biesse Group; signing of the safety protocol with social partners and institutions; implementation of the "Be Safe" project to inform and communicate to all parties involved the actions taken by the Group to ensure the safety of its personnel; implementation of a safety plan that envisages periodic screening, sanitisation, distribution of protective equipment, extensive use of smart working, as well as changes to working hours to avoid gatherings.

### **Human rights, supply chain and social issues**

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

During 2020, the Group continued to meet its commitments to fair relations with suppliers even in the midst of the full lockdown in March and April, guaranteeing the prompt and uninterrupted flow of payments. As regards the commitment to the local area, among the many activities carried out, it is worth mentioning the fundraising initiative "Let's do more" and the contribution to the "*Insieme per Marche Nord*" (Together for Marche Nord) programme, an initiative that made it possible to purchase the first ventilators and the necessary equipment to set up the intensive care unit of the "Ospedali Riuniti Marche Nord" hospital.

### **Fight against active and passive corruption**

In order to further strengthen the safeguards in place for issues concerning the fight against active and passive corruption, the Group has enhanced the crime risk control plan pursuant to Legislative Decree 231/01 by planning periodic audit cycles involving the performance of specific control tests. The Group plans to continue such activities with a view to maintaining constant control over these issues.

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

## 2020 IN A NUTSHELL

### BIESSE GROUP'S IDENTITY

- ✓ Year founded: **1969**
- ✓ **37 legal entities, 11 manufacturing sites**, more than **250 registered patents**, customers in approximately **120 countries**, approximately **4,000 employees and other workers** around the world
- ✓ Biesse S.p.A. has been **listed on the STAR segment of the Milan Stock Exchange** since 2001
- ✓ **Transparent corporate governance** that complies with legislative requirements and **Borsa Italiana's Corporate Governance Code**
- ✓ Dedicated reporting channels in line with “**whistleblowing**” legislation”
- ✓ More than **2,400 employees and other workers** involved in **training** courses on issues pertinent to **Legislative Decree 231/2001** during the course of 2020

### ECONOMIC SUSTAINABILITY

- ✓ Over **€ 534 million of economic value distributed** by the Group in 2020
- ✓ About **€ 579 million of total revenue** in 2020
- ✓ **89% of purchases from local suppliers**, as far as manufacturing plants in Italy and India are concerned
- ✓ **8 manufacturing plants awarded ISO 9001:2015** certification in Italy and India
- ✓ Over **300** persons involved in research and development activities, totalling approximately **206,000** working hours
- ✓ Launch of Open-I, the Biesse Group's open innovation project
- ✓ HSD becomes a Lighthouse Plant of the Factory Cluster with the Elettrospindle 4.0 project

### SOCIAL SUSTAINABILITY

- ✓ **95%** of employees have permanent contracts
- ✓ **Approximately 1,500 persons** have worked in Biesse Group for more than 10 years
- ✓ **97%** of senior management hired from the local community<sup>1</sup>
- ✓ Approximately **69,000 hours** of training provided to personnel during the course of 2020
- ✓ Approximately **6,000 hours** of training dedicated to safety at work provided to employees

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<sup>1</sup>This figure relates to the significant locations of operations: *Italy and India*



- ✓ Workplace safety management system of HSD S.p.A. certified to **UNI ISO 45001:2018** standard
- ✓ Support for social, cultural, artistic and sports initiatives in the **community**

#### **ENVIRONMENTAL SUSTAINABILITY**

- ✓ **CO<sub>2</sub> emissions -70%** (Scope 2 market-based) compared to 2019
- ✓ **100% of electricity** purchased from renewable sources with guarantees of origin for the Group's Italian companies
- ✓ **4,893 tonnes of CO<sub>2</sub>** avoided through the purchase of electricity from renewable sources with guarantees of origin for the Group's Italian companies (Scope 2 market-based)
- ✓ **16,500 m<sup>2</sup>** of photovoltaic panels installed
- ✓ **560 tonnes of CO<sub>2</sub>** avoided through the use of photovoltaic panels
- ✓ **90%** of waste products are non-hazardous
- ✓ Various **energy efficiency improvement** schemes implemented and planned as part of the environmental management system

#### **MANAGEMENT OF THE COVID-19 PANDEMIC**

##### **Countering the pandemic:**

- ✓ The "Let's do more" initiative and the Euro 100,000 donation to the "*Insieme per Marche Nord*" programme, which was set up at the beginning of the emergency, made it possible to purchase the first ventilators and the necessary equipment to set up the intensive care unit of the "Ospedali Riuniti Marche Nord" hospital.
- ✓ Donation of personal protective equipment "Made in Biesse" manufactured using Biesse machines and a 3D printer.
- ✓ Supply, by Biesse France, of safety barriers cut and machined in its own showroom.

##### **Personal safety:**

- ✓ Central safety management committee to ensure the highest standards of safety in all Biesse workplaces worldwide.
- ✓ Signing of a safety protocol with social partners and institutions.
- ✓ Launch of the "Be Safe" project to inform and communicate to all parties involved the actions implemented by the Group to ensure the safety of its personnel.
- ✓ Innovative, integrated safety plan: periodic screening, sanitisation, distribution of protective equipment, extensive use of smart working, as well as changes to working hours to avoid gatherings.

##### **Supporting customers and the community:**

- ✓ Free video-assistance for customers and increased distance learning projects.

- ✓ Launch of the format “*Tech Talk - Idee per ricominciare*” (Tech Talk - Ideas for a new start).
- ✓ “E-vent: Digital in Action”, the first digital event by Biesse Group to get all the latest news from the wood and technological materials industry.
- ✓ Launch of Digital Arena, an advanced digital environment offering premium content to customers.

**Enhancing dialogue and reducing distances:**

- ✓ Periodic press releases and videos to establish and maintain ongoing relations with all stakeholders and provide direct, clear and timely information in response to the evolving global scenario.
- ✓ Creation of a new "Let's Do More" section of the website to highlight Biesse Group's commitment to combating Covid-19 aimed at promptly dealing with the emergency.
- ✓ Creation of a new internal newsletter "This Week in Biesse Group" with a more attractive graphic format aimed at facilitating communication within the Group.

# Biesse Group's identity

## Group overview

Biesse Group is a multinational leader in technology for the processing of wood, glass, stone, metal and technological materials. It designs, manufactures and distributes machinery, integrated systems and software for furniture, windows, doors, building components, nautical and aerospace manufacturers. With its head office located in Pesaro, as at 31 December 2020, it operates through 11 manufacturing facilities, 37 companies around the world and selected dealers and counts among its customers prestigious Italian and international design brands. Founded in 1969 by Giancarlo Selci, Biesse S.p.A. has been listed on the STAR segment of the Italian Stock Exchange since June 2001 and is currently included in the FTSE IT Mid Cap index. As at 31 December 2020, the Group had approximately 4,000 employees and other workers around the world.

### Vision

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

### Mission

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

### Values

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

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

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

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

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

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

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

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

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

- **Tidiness and cleanliness**

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

- **Suppliers, our partners**

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

- **New products**

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

- **Innovation is our engine**

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

- **Communication**

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

- **See for yourself**

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

- **Waste reduction**

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

- **Quality**

Quality is everywhere, quality is in each of us. In the factory, in technical departments, in product departments, in after sales, in purchasing, in sales and marketing and in communication. Quality means keeping the factory

clean, having the right tools and the appropriate assembly equipment, the provision of training and information at all levels, ensuring that people work in safety and that machinery complies with the standards required by applicable regulations. It means compliance with product development rules, as well as the inclusion of the exact tolerances in designs. We need to make quality and safety a strength and to encourage it as a corporate culture.

- **We are Biesse**

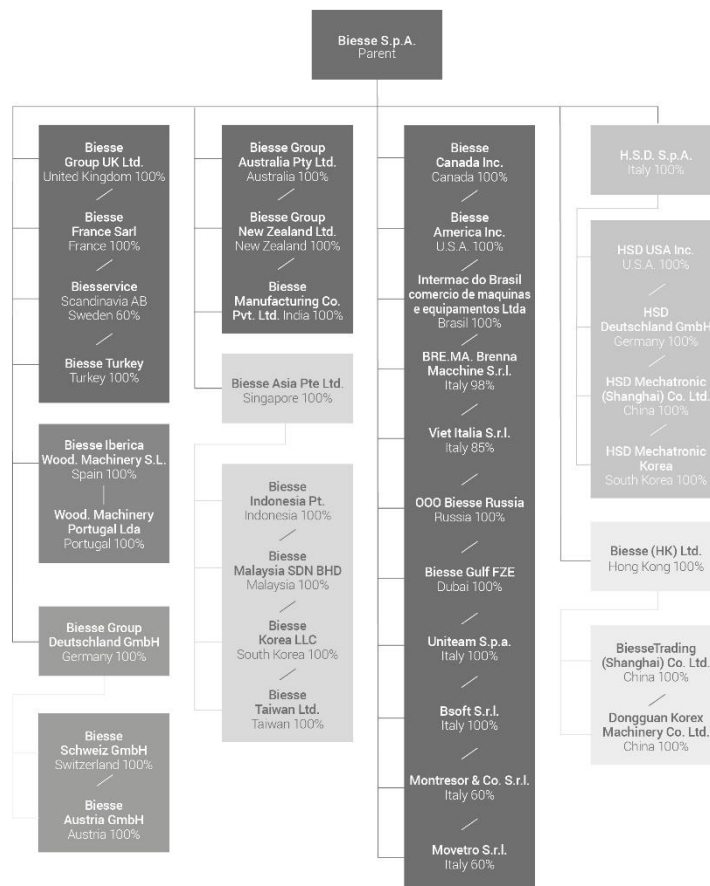
“Strength lies in differences, not in similarities”. Never stop being passionate about your work, never stop wanting to learn new things. Always be proactive and open to change, never polemical. Be curious, get to the root of a problem, be reactive and quick to tackle and resolve it, go and see for yourself,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

## Biesse Group around the world

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

Over the years, the Group has worked on growing its sales network with the intention of covering the global market as extensively as possible and by getting closer to the customer, inclusive of via the expansion of showrooms and campuses, as well as the organisation of events and by being present at the main trade fairs around the world. Moreover, the application of effective tools for sharing and technical-commercial support, combined with a continuous training process, has enabled the Group to consolidate its partnership with a solid distribution network in the various sectors. As far as manufacturing is concerned, in addition to the Italian plants that handle production that generates most of Biesse's sales around the world, the Group also has a manufacturing site in India (Bangalore)<sup>2</sup>.

Figure 1. Group structure at 31.12.2020<sup>3</sup>



<sup>2</sup> It is also worth noting that, over the course of 2020, there was a gradual reduction in the activities of Dongguan Korex Machinery Co. LTD based in Dongguan (Guangdong province, China) and, as communicated on 28 January 2021, an agreement was reached for the sale of the entire company.

<sup>3</sup> The various colours represent the subgroups in the chain of control.

Figure 2. Biesse Group around the world at 31.12.2020



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

### **Biesse**

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

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

### **Intermac**

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

### **HSD Mechatronics**

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

### **Diamut**

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

Biesse Group not only offers high quality machinery, components and complete systems, but also highly advanced services aimed at fully meeting its customers' expectations. Through dedicated personnel, the Group provides professional pre-sale consulting services, aimed at assisting customers in choosing the best product

to meet their needs, and continuous after sales assistance to ensure the correct installation and start-up of machinery, software and systems, as is also the case for the maintenance thereof over the years.

## **Our history**

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

The Group's history is a journey made of ambitious choices, collaborations and investment in research that have made it possible to manufacture state-of-the-art machinery. Its history was influenced by the genius and foresight of the founder, who surrounded himself over the years with strategic skills and excellence, thus increasing the Group's knowledge and technology, thanks to the recruitment of talented people and the acquisition of specialised high-tech companies.

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

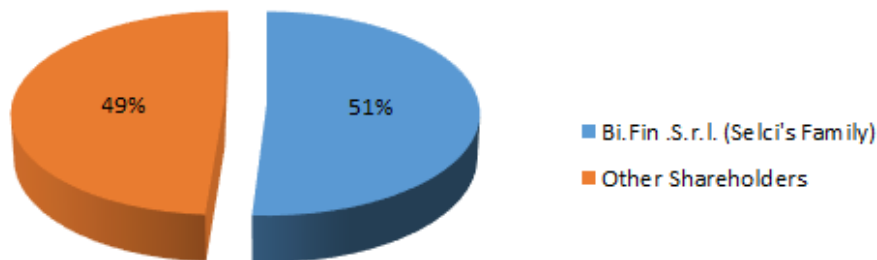


## Shareholders

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

Set out below is a breakdown of shareholders at 31 December 2020:

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



## Corporate governance

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

On 15 March 2021, 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 2020. This report has been published on the Company's website [www.biessegroup.com](http://www.biessegroup.com) in the "Corporate Governance" subsection of the "Investor Relations" section and explicit reference is made thereto as required by law.

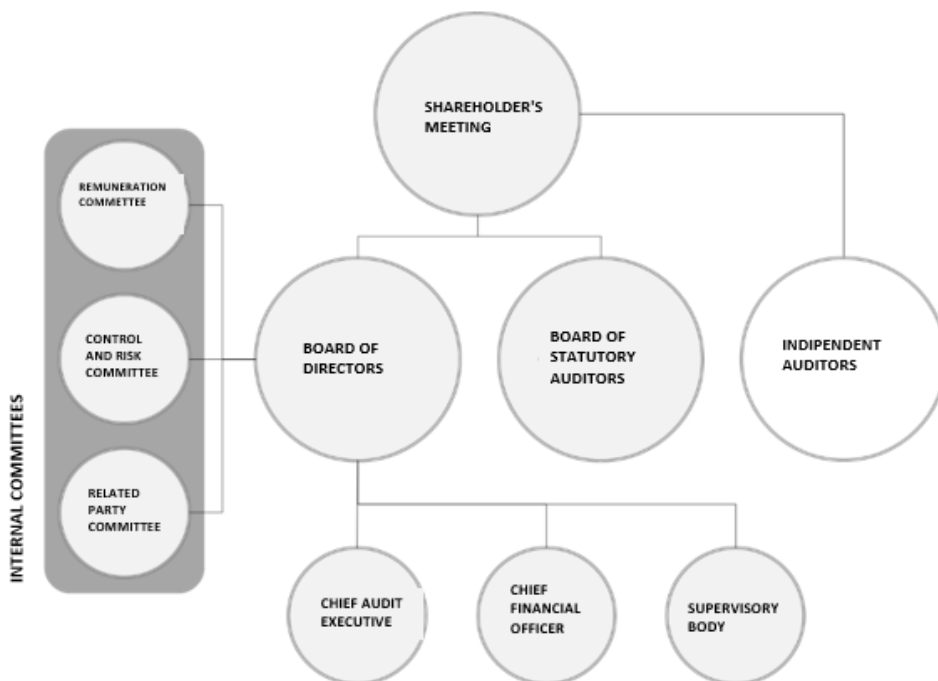
Biesse S.p.A. has adopted a traditional administration and control model, which requires general meetings of shareholders to be held and the appointment of a Board of Directors, a Board of Statutory Auditors and independent auditors. The corporate bodies are appointed by the shareholders in general meeting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

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

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

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

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



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

The composition of the Board of Directors of Biesse S.p.A.<sup>4</sup> at 31 December 2020 is as follows:

- Giancarlo Selci, Chairman of the Board of Directors
- Roberto Selci, Managing Director
- Massimo Potenza, Co-Managing Director
- Alessandra Parpajola, Executive director
- Stefano Porcellini, Executive director
- Elisabetta Righini, Lead Independent Director
- Giovanni Chiura, Independent director
- Federica Palazzi, Independent director

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

- Giovanni Chiura: 3
- Elisabetta Righini: 1

The composition of the Board of Directors of Biesse S.p.A at 31 December 2020 in terms of gender and age group is as follows:

- 62% men and 38% women
- 25% in the 30-50 age group and 75% in the over 50 age group

<sup>4</sup> Directors' curricula vitae are available on the website [www.biessegroup.com](http://www.biessegroup.com) in the "Corporate Governance" subsection of the "Investor Relations" section".

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

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

The composition of the **Board of Statutory Auditors** at 31 December 2020 is as follows:

- Paolo De Mitri, Chairman
- Dario De Rosa, Acting auditor
- Silvia Cecchini, Acting auditor
- Silvia Muzi, Alternate auditor
- Silvia Farina, Alternate auditor

The composition of the **Supervisory Body** at 31 December 2020 is as follows:

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

**Head of Internal Audit:**

- Domenico Ciccopiedi

**Financial reporting manager:**

- Pierre Giorgio Sallier de La Tour, Group CFO

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

## Business ethics and integrity

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

In 2020, no cases arose of non-compliance or pecuniary sanctions imposed on Biesse Group concerning the following areas:

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

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

Biesse S.p.A. and<sup>5</sup> 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 **Legislative Decree 231/2001**, such as environmental offences, corporate offences, offences arising from a breach of health and safety at work regulations and corruption offences. Biesse S.p.A.'s OMCM is publicly available on the company's website in the "Corporate Governance" subsection of the "Investor Relations" section, whereas the OMCM of the other companies have been made available to employees via the corporate intranet. In order to actively promote business ethics and integrity, the persons most involved and senior management receive periodic training on issues pertinent to Legislative Decree 231/2001. Specifically, in order to reach the largest number of people possible with training courses on the foregoing topic, in 2020, training initiatives were held involving over 2,400 employees and other external workers.

No matters were reported to the Supervisory Body in 2020 via the reporting channels available to all interested parties for the communication of unlawful conduct pursuant to Legislative Decree 231/2001 and the OMCMs. These channels are designed to ensure the protection of the identity of informants in accordance with Law No. 179 of 2017 (so-called whistleblowing law).

### Fight against active and passive corruption

In order to promote and strengthen its commitment to counter corruption, Biesse Group has adopted an **Anti-bribery Code of Conduct**<sup>6</sup>, which sets out the rules of conduct that all employees and other workers must observe in the conduct of business to ensure compliance with anti-corruption regulations in force.

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

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

- Dealings with the public administration
- Facilitation payments

<sup>5</sup> HSD. S.p.A., BRE.MA. Brenna Macchine S.r.l., Uniteam S.p.A. and Viet Italy S.r.l.

<sup>6</sup> The Anti-bribery Code of Conduct is available on the corporate intranet and has been published on the company's website in the "Corporate Governance" subsection of the "Investor Relations" section".

- Loans to political parties
- Donations
- Sponsorships
- Gifts, presents, hospitality and entertainment
- Dealings with third parties

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

## **Transparency and approach to taxation**

In line with the Group's Code of Conduct, Biesse's approach in its dealings with the public administration is inspired and aligned with the principles of correctness and honesty. The Group strives to fully comply with current tax legislation in order to adequately meet the expectations of its stakeholders, while also contributing - in accordance with the law - to the sustainable development processes of the countries and communities in which it operates by paying taxes.

The Group's approach to taxation also focuses on taking advantage of the opportunities available to it under the law to drive innovation and the pursuit of continuous excellence, through, for example, the processes linked to the Patent Box tax incentives and the incentives provided for under the Industry 4.0 programme.

In this regard, the Group maintains a fully collaborative, dialogue-based and transparent relationship with the Italian tax authorities and other tax authorities in the countries in which it operates, avoiding any tax advocacy process that might involve monetary or non-monetary contributions to political or similar forces. This approach takes the form of full cooperation with the competent fiscal authorities.

To facilitate the continuous monitoring of tax regulations and ensure regulatory compliance, the Group has a dedicated "Tax Department" which is involved in the identification, management and mitigation of tax risks/opportunities, within the broader context of the Enterprise Risk Management system which, ultimately, is approved by the Board of Directors of Biesse S.p.A. In this regard, tax risks (mainly risks associated with tax practices that could have a negative impact on the organisation's objectives or cause financial or reputational damage) are included in the Group's integrated risk management models.

Other important controls to mitigate risk factors in the tax area are, in addition to the responsible supervisory body, the channels made available by the Group to encourage the reporting of any illegal or suspicious tax-related conduct, as well as the communication of any concerns related to taxation. These include both the reporting channels available for the communication of unlawful conduct pursuant to Legislative Decree 231/2001 (so-called whistleblowing law) and those made available during the broader and more informal stakeholder engagement initiatives organised by the Group, including for the periodic updating of the materiality matrix. Moreover, shareholders and investors can refer to Investor Relations as a permanent point of reference for any discussion and communication, including on tax matters. Finally, the Consolidated Financial Statements of Biesse Group are regularly audited by an independent auditor and provide transparent disclosure concerning the fiscal management of the Group<sup>7</sup>.

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<sup>7</sup> The consolidated financial statements of Biesse Group are available on the Group's website in the "Financial" subsection of the "Investor Relations" section.

## Human Rights

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

In addition to the Code of Conduct, the Ethics and Values Policies<sup>8</sup> address further the ethical and moral principles that guide business conduct.

The ethnic, religious and cultural diversity that characterises the Group's employees around the world is considered to be a source of competitive advantage. Because of the type of risk identified in relation to business activities, in 2020, it was not deemed necessary to perform a further analysis of risks specifically associated with a potential violation of human rights.

## Antitrust

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

The Group firmly believes in lively competition in the various business sectors in which it operates, and its aim is to compete in a legitimate, loyal and ethical manner in full compliance with competition protection rules. The rules set out in the document are designed to contribute to correct competitive market dynamics, in order to strengthen competition and the economic efficiency of a free market. In 2020, no cases were reported of pending or concluded legal actions regarding anti-competitive behaviour or violations of antitrust and monopoly legislation.

## Risk management

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

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

This approach extends to all types of risks/opportunities that are potentially significant for the Group, as set out in the risk map that categorises in four 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

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<sup>8</sup> The Ethics and Values Policies are available on the Group's website in the "Corporate Governance" subsection of the "Investor Relations" section.

- **Financial and reporting risk:** risks that impact the financial position and the presentation of the results of operations
- **Operational risk:** risks pertinent to the purely operational part of the business that directly impact the Group's value creation capabilities

Through the Enterprise Risk Management process, Biesse Group intends to improve the identification of risks and opportunities to set up a model for decision-making and reliable strategic planning and to improve the quality of business flows and the external stakeholders' perception of the Group. As part of this process, the Group has mapped the most significant risks linked to sustainability issues, in line with those already identified and agreed with the main control bodies for enterprise risk management purposes. Set out below are Biesse Group's main sustainability risks:



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

● Environmental; ● Social; ● Personnel-related;

● Human rights; ● Fight against active and passive corruption; ● Economic/Financial<sup>9</sup>.

The management and monitoring of these risks is an integral part of the Group's operating business model. The safeguards in place for identified risks, as far as the most significant sustainability issues for Biesse Group and its stakeholders are concerned, relate to organisational and control models and policies developed by the Group. These include: adoption of a Code of Conduct, an Anti-Bribery Code of Conduct and an Antitrust Code applicable to all Group companies; adoption by Biesse S.p.A. and the main Italian Group companies of an OMCM pursuant to Legislative Decree 231/01 (“Model 231”); adoption of specific policies concerning sustainability, quality, environment, health and safety, ethics and values applicable to all Group companies;

<sup>9</sup> Area not specifically mentioned by Art. 3 of Legislative Decree 254/2016.

maintenance, with a view to continuous improvement, of a Quality Management System certified to UNI ISO 9001:2015 standards and the gradual implementation of initiatives designed to improve product quality and reliability from a customer satisfaction perspective; constant monitoring of health and safety conditions in the workplace and of any environmental, social or labour law non-compliance and the main impact generated or sustained in connection with the Group's activities; monitoring of energy consumption, implementation of energy efficiency improvement initiatives and, where possible, production/purchase of energy originating from renewable sources. In relation to risks associated with responsible supply chain management, the Group has adopted a Suppliers Quality Manual, which contains specific regulations concerning ethics, quality, health and safety and environmental protection. Further information about specific sustainability policies, procedures and initiatives adopted by the Group, as well as the mitigation of related risks, is provided in this document. The main economic-financial risk mitigation activities are disclosed in the Group's consolidated financial statements, to which reference should be made for further information thereon. There are plans to perform a further in-depth analysis of ESG risks in 2021, with particular reference to climate change risks generated and suffered, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the priorities announced by the European Securities and Markets Authority (ESMA).

With specific reference to the Covid-19 pandemic, the main policies, procedures and specific initiatives adopted to mitigate ESG risks related to the health emergency are reported in the various sections of this document. In particular, it should be noted that in 2020, an analysis of the external variables and internal weaknesses of the business areas impacted by the Covid-19 pandemic and the associated risks was carried out at a time when the government had issued protocols and regulations for managing the crisis and resuming operations. Against this backdrop, the Group demonstrated its resilience in interpreting the seriousness of the situation by implementing a set of measures aimed at ensuring the safety of individuals, as well as safeguarding the business. The implementation of smart working, the planning of preventive and periodic serological tests, the strict observance of all the provisions set out in the relevant Ministerial Decrees, as well as the establishment of management committees tasked with constantly monitoring the situation are the most important examples of activities implemented with respect to the above.



## Approach to sustainability

### Background

Since 2015, under the leadership of the United Nations General Assembly, the 2030 Agenda<sup>10</sup> for Sustainable Development has been the blueprint for governments and the private sector to focus their efforts to protect the environment, reduce inequality and eradicate extreme poverty. The cornerstone of the Agenda are the 17 Sustainable Development Goals (SDGs). As illustrated in the following pages, the material topics identified by Biesse Group have been aligned with the related SDGs to better set the company's actions in the global context of Sustainable Development.

Figure 5. The 17 Sustainable Development Goals (SDGs)



As regards progress concerning the achievement of the SDGs, there are still difficulties in achieving the goals among the various countries. The 2020 Sustainable Development Goals Report highlights notable differences concerning the degree of achievement of the SDGs around the world in a scenario where the Covid-19 pandemic has prevented or slowed progress on nearly all goals<sup>11</sup>.

The situation in Italy mirrors the situation described above, requiring economic and political stakeholders to step up their efforts to achieve the goals, taking advantage of opportunities that 2021 may provide at European level, such as the National Recovery and Resilience Plan, which focus primarily on the ecological transition<sup>12</sup>. Regarding occupational health and safety, according to data released by INAIL for 2020, the number of accident reports in Italy has fallen by 13.6% compared to 2019, while the number of fatal accidents increased<sup>13</sup>.

The SDGs, and especially SDG 13 “Climate Action”, are intertwined with the Paris Agreement, which was signed by 195 countries during the course of the conference of that name held in December 2015, and which could see a likely return of the United States in 2021, with its political and environmental influence. The objective of the Paris Agreement was to limit increases in average global temperature to a maximum of 2°C

<sup>10</sup> United Nations General Assembly, A/RES/70/1 - Transforming our world: the 2030 Agenda for Sustainable Development (2015).

<sup>11</sup> United Nations, Progress summary for SDG targets with a 2020 deadline, The Sustainable Development Goals Report 2020 (2020).

<sup>12</sup> ASVIS, Italy and sustainable development goals – Report 2020 (2020).

<sup>13</sup> INAIL, 2020.

above pre-industrial levels and to ensure efforts were made to limit the increase to a maximum of 1.5°C, in order to significantly reduce the risks and impact arising from climate change<sup>14</sup>.

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

In 2020, global greenhouse gas emissions decreased by 6% due to the drastic reduction in economic activity linked to the Covid-19 pandemic. However, this decrease still falls short of meeting the climate goals of the Paris Agreement<sup>15</sup>. The public's attention has been drawn by several extreme climatic events; moreover, movements around the world calling for a renewed focus on combating climate change and biodiversity conservation have been gaining momentum particularly among the younger generations.

In line with this frame of reference, the European Commission launched the European Green Deal to make Europe the first continent in the world to be climate-neutral by 2050, thus giving a boost to the economy, improving people's health and quality of life and protecting nature, without anyone being excluded from the process. This initiative, which is being accelerated even further following the Commission's proposal to cut emissions by at least 55% by 2030 (and not 'only' 40% as originally planned), will require an estimated € 260 billion in additional annual investment to meet the 2030 climate and energy targets.

Economically, the world is facing its 'fourth worst recession in 150 years', just behind the two world wars and the 1929 crash<sup>16</sup>. Major uncertainties hang over future development, and a pre-crisis scenario does not yet seem imminent, with some areas of the planet - particularly South Asia and Sub-Saharan Africa - being especially hard hit economically and socially. Under these circumstances, the private sector rightly continues to play a leading role in sustainability at the local, national and international levels, and is increasingly focused on balancing the achievement of corporate objectives with those of its stakeholders, including shareholders, customers, employees, suppliers and local communities.<sup>17</sup> Recent developments in legislation related to non-financial reporting represents a further opportunity to critically examine the economic, social and environmental performance of enterprises and their contribution to sustainable development.

## Biesse Group's approach

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

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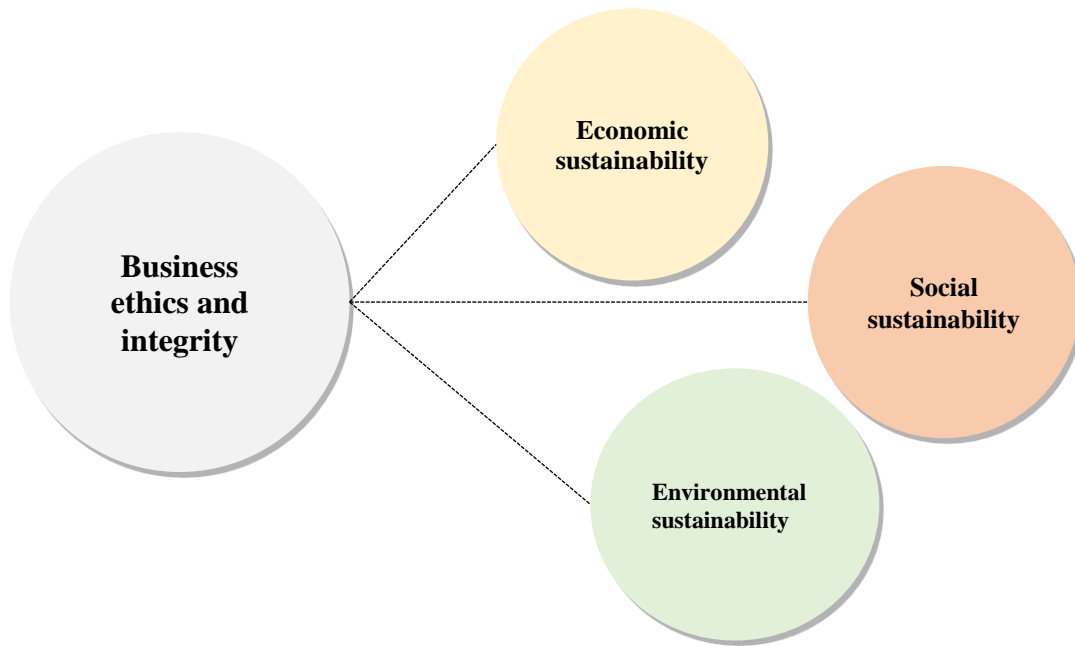
<sup>14</sup> Paris Agreement, Article 2.

<sup>15</sup> United Nations, The Sustainable Development Goals Report 2020.

<sup>16</sup> World Bank, Global Economic Prospect, January 2021 (2021), page 25.

<sup>17</sup> This concept is based on shared value theory. For further information, it is possible to consult: Porter, M. E., & Kramer, M. R. (2011). The Big Idea: Creating Shared Value. Harvard Business Review, 89 (1), 2.

Figure 6: Sustainability as seen by Biesse Group



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

Since 2019, the Group adopted a **Sustainability Policy** inspired by Agenda 2030 setting out the Sustainable Development Goals (SDGs), by the Paris Agreement (COP21 - Conference of the Parties to the UNFCCC) and by the Ten Principles of the UN Global Compact and by taking account of Community (European Directive No. 95/2014) and national (Legislative Decree 254/2016) legislation concerning non-financial reporting, as well as the principles, values and rules contained in the Group's Code of Conduct and in the other corporate regulations and policies designed to ensure business ethics and integrity. This document was approved by the Board of Directors of Biesse S.p.A. on 26 February 2019.

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

**Economic  
sustainability**

**Social  
sustainability**

Biesse Group believes that **people are the lynchpin 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 localities in which it operates**.

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

**Environmental  
sustainability**

## Stakeholders and materiality analysis

### Stakeholders

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

Figure 7: Biesse Group's main stakeholders



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

Table 1: The Group's commitments and stakeholder expectations

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

|   |   |   |   |
|---|---|---|---|
|   | channels of communication to promote reporting by employees of alleged violations of the Codes and Regulations adopted by the Group.  | <ul style="list-style-type: none"> <li>• Transparent corporate communication (Corporate intranet)</li> <li>• Round table discussions with unions</li> </ul>                             |   |
| <b>Suppliers and Trade partners</b>               | In order to create shared value for itself and for the components of the supply chain, the Group is committed to establishing and maintaining stable and lasting trade partnerships. The Group applies policies aimed at guaranteeing contractual transparency, integrity and fairness and encourages its suppliers to adopt socially responsible conduct. The Group constantly communicates with its suppliers, in order to understand their needs and to encourage continuous improvement of the commercial relationship therewith. | <ul style="list-style-type: none"> <li>• Specific meetings</li> <li>• Round tables</li> </ul>   | <ul style="list-style-type: none"> <li>• Compliance with contractual conditions</li> <li>• Continuity of supply</li> <li>• Fair and non-discriminatory treatment</li> <li>• Possibility to develop strategic partnerships that improve their business</li> </ul>                          |
| <b>Sector-specific media and magazines</b>        | Biesse Group constantly collaborates with sector-specific media and magazines, through interviews, presentations and dedicated events. The Group is committed to helping to promote information campaigns relating to technological innovations, new machinery and new developments in the sector or any actions undertaken in the interests of the community and the environment. This is to ensure greater transparency and greater involvement of the main stakeholders within the world of Biesse.                                | <ul style="list-style-type: none"> <li>• Interviews</li> <li>• Corporate presentations</li> <li>• Corporate events and trade fairs</li> <li>• Press conferences or workshops</li> </ul> | <ul style="list-style-type: none"> <li>• Timely and accurate presentation of the Group's performance</li> <li>• Presentation of initiatives undertaken of a social and cultural nature</li> <li>• Presentation of technological innovations developed</li> </ul>                          |
| <b>Trade fair organisers</b>                      | The Group collaborates with trade fair organisers to share know-how and innovation acquired in the production of its products, through the organisation of events and dedicated stands. Thanks to the effective and continuous relationship with trade fair organisers, the Group has managed to achieve a higher degree of customer and other stakeholder satisfaction.  | <ul style="list-style-type: none"> <li>• Participation at trade fairs</li> <li>• Interviews and contacts</li> </ul>   | <ul style="list-style-type: none"> <li>• Constant and continuous participation over time</li> <li>• Timely and correct compliance with contractual conditions</li> <li>• Profitable organisation of stands and events</li> </ul>  |
| <b>PA, government entities and control bodies</b> | The Group guarantees the utmost integrity and correctness in relationships with the public administration, government entities and control bodies, based on principles, roles and responsibilities identified in accordance with legislation in force, with the objective of maintaining a constructive collaborative relationship that serves the interests of the community.  | <ul style="list-style-type: none"> <li>• Institutional round tables</li> <li>• Formal communications</li> </ul>   | <ul style="list-style-type: none"> <li>• Compliance with current legislation</li> <li>• Fight against active and passive corruption</li> <li>• Prevention of offences as per Legislative Decree 231/2001</li> <li>• Seriousness and transparency in addressing the needs of PA</li> </ul> |
| <b>Trade unions</b>                               | Biesse Group has established a constructive dialogue with the trade unions, aimed at the complete protection of workers' rights in the context of activities carried out in the name of or on behalf of the Group.  | <ul style="list-style-type: none"> <li>• Periodic meetings</li> <li>• Round tables</li> </ul>   | <ul style="list-style-type: none"> <li>• Preparation of measures to safeguard the health and safety of employees</li> <li>• Compliance with contractual conditions</li> <li>• Respect for and safeguard of human rights</li> </ul>  |

|  |  |   |   |
|--|--|---|---|
| <p><b>Locality, local communities and NGOs</b></p> | <p>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.</p> | <ul style="list-style-type: none"> <li>• Initiatives to engage with local communities</li> <li>• Dialogue with non-profit organisations for the payment of donations, contributions and sponsorships for sport and culture</li> </ul>                                 | <ul style="list-style-type: none"> <li>• Business practices that protect the locality</li> <li>• Promotion of local development</li> <li>• Participation by the Group in and support for cultural development and social inclusion projects</li> </ul>  |
| <p><b>Universities and research centres</b></p>    | <p>The Group fosters a participatory dialogue with national and international universities, training schools and research centres and develops, with their contribution, projects of common interest to facilitate the entry of young people into the world of work and to seek new technologies and/or business practices.</p>  | <ul style="list-style-type: none"> <li>• Workgroups and workshops with university students</li> <li>• Corporate presentations</li> <li>• Career days at partner universities</li> <li>• Partnerships with key universities and schools in Italy and abroad</li> </ul> | <ul style="list-style-type: none"> <li>• Involvement of students in work experience and internships</li> <li>• Promotion of youth employment</li> <li>• Collaboration with universities and research centres in order to develop and disseminate engineering skills and techniques</li> </ul> |



## Materiality analysis

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

### 1. Identification of sustainability topics

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

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

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

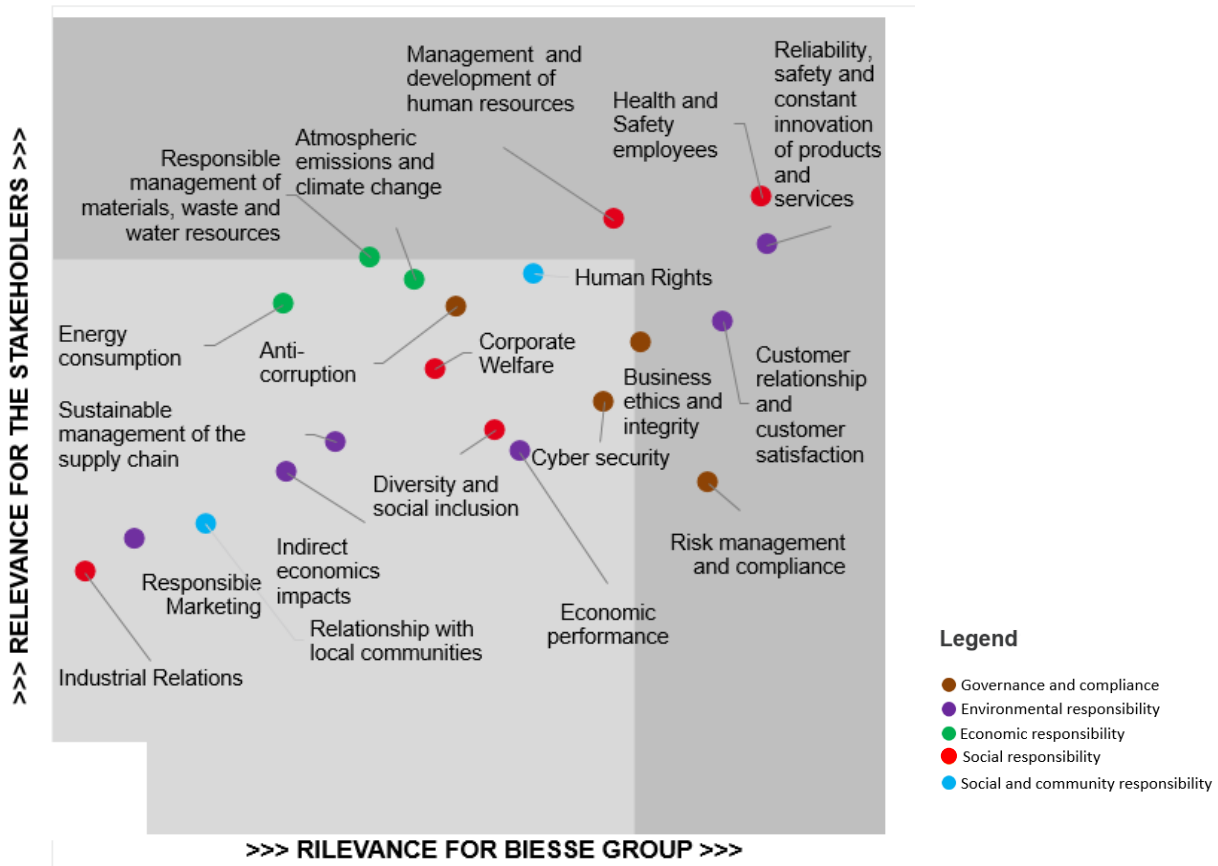
In 2020, a survey was undertaken with the objective of updating the materiality analysis with reference to the degree of materiality attributed by Biesse Group's stakeholders to the identified sustainability topics. This initiative saw the involvement of various categories of stakeholders (customers, suppliers and trade partners, employees and their families, financial community, shareholders, universities and research centres, sector-specific media and magazines, public administration, government entities and control bodies and trade unions). The assessment was subsequently supplemented by a qualitative analysis that took account of the environment in which the Group operates and of the results of previous stakeholder engagement initiatives. In order to update the degree of materiality attributed by Biesse Group to these issues, a special survey was carried out involving the Group's top management.

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

The assessments made were then presented in a materiality matrix. More specifically, the horizontal axis indicates the materiality of the identified topic to the Group (internal analysis), while the vertical axis indicates materiality to the stakeholders (analysis of outsiders' views). The matrix was submitted for approval by Biesse S.p.A.'s Control and Risks Committee (CCR) on 30 October 2020.


The analysis confirmed, compared to the previous year, the importance of the topics of **reliability, safety and constant innovation of products and services, health and safety of employees, business ethics and integrity, customer relationships and human resources development**. Moreover, the topic of **cyber security**, which was included for the first time in 2020, warrants special attention in the overall picture, as it reflects the new challenges linked to innovation and digitalisation.







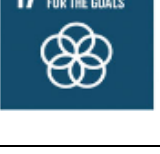


Figure 8. Materiality matrix



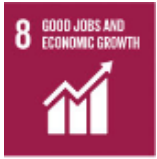



The material topics identified have been matched to areas indicated by Legislative Decree 254/2016 and the main risks identified and managed by Biesse Group, as well as to the SDGs most impacted by the Group.

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

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

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

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

# Economic sustainability

In a nutshell:

- ✓ Over **€ 534 million of economic value distributed** by the Group in 2020
- ✓ About **€ 579 million of total revenue** in 2020
- ✓ **89% of purchases from local suppliers**, as far as manufacturing plants in Italy and India are concerned
- ✓ **8 manufacturing plants awarded ISO 9001:2015** certification in Italy and India
- ✓ Over **300** persons involved in research and development activities, totalling approximately **206,000** working hours
- ✓ Launch of Open-I, the Biesse Group's open innovation project
- ✓ HSD becomes a Lighthouse Plant of the Factory Cluster with the Elettrospidle 4.0 project

## Economic performance

The 2020 financial year was significantly impacted by the global crisis brought on by the Covid-19 epidemic. The lockdown measures imposed by governments starting in March that were adopted by the local administrations where Group operations are located led to a reduction in both production and commercial activities.

The intensity and the periods of time during which the Group's companies experienced this phenomenon varied. Where these measures have been loosened, operations have partially returned to normal, although there are still significant restrictions on movement and attendance at promotional events and trade fairs. However, the Group's extremely international nature allowed it to limit the impact of these restrictions by being able to draw on its local sales and service network located in the relevant markets.

As observed at the end of the first half of 2020, the Group responded immediately and capably to the situation, adopting operational measures that made it possible to continue building relationships with customers while providing safe working conditions for our employees. From a management perspective, the manufacturing plants in Italy and India had to suspend operations for about 5 weeks in March and April, while the sales branches continued to carry out basic operations to ensure service to customers.

At the end of the 2020 financial year, the Group can affirm that it managed to overcome the most critical phase of the crisis, keeping the economic and financial impacts under control, while seeking to preserve employment levels, and securing ample sources of financing to be ready to seize the opportunities that may arise from the eventual recovery of its sector. The recovery started to emerge during the summer and strengthened during the winter months when the trend in orders began showing encouraging signs, both for the second half of 2020 and for the first few months of 2021.

Against this backdrop, Biesse Group revenue for the year ended 31 December 2020 amounted to Euro 578,789 thousand, down 18% from 2019.

The decline in volumes described above is reflected in the operating profitability for the period, as indicated by EBITDA, which came in at Euro 55,985 thousand before non-recurring costs, a decrease of 27%. Also of note is the decline in operating profit before non-recurring items (EBIT) (Euro 14,227 thousand in 2020 compared to Euro 39,554 thousand in 2019) which dropped by Euro 25,327 thousand with the margin on revenue falling from 5.6% to 2.5%.

This new economic environment, with the recovery in orders, resulted in operations partially returning to normal, despite still having to contend with restrictions on movements and difficulties that are beginning to emerge in the supply chain. This led to an increase in sales volumes with respect to previous quarters and contributed positively to the Group's performance. Operating profitability in the fourth quarter of 2020 was in line with the corresponding period of the previous year. Despite the decline in sales (which amounted to Euro 182,359 thousand in the quarter, down 6.4% compared to the same period of the previous year), EBITDA before non-recurring items came to Euro 18,507 thousand or 10.1% of sales, unchanged compared to the same period of the previous year, when margin came in at Euro 19,623 thousand. Operating profit before non-recurring events (EBIT) was positive for the quarter at Euro 4,054 thousand (2.2% of sales), down 60.2% compared to the same period of 2019 (which reported a profit of Euro 10,188 thousand); the reduction was due to the decline in volumes and to higher provisions for future charges related to legal disputes.

The order backlog amounted to approximately Euro 204 million, an increase over December 2019 (+3.8%), with differing trends among the divisions: except for the Wood Division, which recorded a decrease of 1.7% (mainly attributable to the sale of integrated production plants and systems), all other divisions are improving (Glass Division +27.5%, Mechatronics Division +16.2%, Tooling Division +26.5%).

In terms of the statement of financial position, net operating working capital decreased by Euro 44,518 thousand with respect to December 2019. Trade Receivables and Contractual Assets, amounting to Euro 102,875 thousand, decreased by Euro 14,098 thousand (-12%), reflecting the reduction in sales volumes.

Inventories, amounting to Euro 129,848 thousand, decreased by Euro 25,650 thousand, primarily due to the reduction in stocks of finished products and spare parts (respectively -Euro 15,605 thousand and -Euro 2,552 thousand), while stocks of raw materials and semi-finished products decreased by Euro 7,493 thousand. This change was due to the strong recovery in demand from customers and the resulting need to draw on inventories. Trade Payables (amounting to Euro 132,790 thousand), whose trend is linked to the production cycle, remained substantially unchanged, while Contract Liabilities (amounting to Euro 72,189 thousand), which are normally linked to order intake, increased by Euro 4,653 thousand compared to 31 December 2019 (+7%).

The Group reports net cash at 31 December 2020 of approximately Euro 49,543 thousand, an improvement Euro 68,152 thousand compared to the December 2019 figure. The increase is mainly due to the contribution from operations, the improvement in the net working capital and the postponement of some capital expenditure projects.

It is worth mentioning that in view of the climate of uncertainty that emerged immediately after the pandemic began, the Directors deemed it necessary to provide the Group with financial resources over 2 times the maximum expected requirement. The decision to take out these types of medium-/long-term loans has led to a corresponding increase in the liquidity available in the company's coffers as the worsening economic conditions initially and prudently forecast have not yet materialised.

In 2020, BNL BNP Paribas Group also granted the Group a "positive loan" of Euro 50 million: this is an innovative loan whose economic conditions improve when specific environmental, social and sustainability goals, which are constantly monitored and measured, are achieved. For our Group, the sustainability parameters of this loan include the ambitious objectives mentioned previously regarding the reduction of CO<sub>2</sub> emissions by improving energy efficiency and sourcing energy from renewable sources, as well as employee health and safety in connection with the ISO 45001 certification process.

## Economic value generated and distributed

Economic value generated and distributed expresses in monetary terms the relationship between Biesse and the relevant socio-economic system, it measures Biesse's economic impact and its ability to create and distribute wealth to the key stakeholder categories, such as personnel, shareholders, lenders, the community and the public administration. **Economic value generated** by the Group in 2020 amounted to over **Euro 573 million**, whereas the value **distributed** amounted to over **Euro 534 million**.

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

|   | 2020                 | 2019                 |
|---|----------------------|----------------------|
| <b>Economic value generated by the Group</b>        | <b>€ 573,565,841</b> | <b>€ 715,393,241</b> |
| <b>Economic value distributed by the Group</b>      | <b>€ 534,031,965</b> | <b>€ 661,236,391</b> |
| <i>of which: reclassified operating costs</i>       | € 327,006,424        | € 419,354,638        |
| <i>of which: employees' remuneration</i>            | € 197,462,498        | € 226,314,671        |
| <i>of which: public administration remuneration</i> | € 5,773,356          | € 11,980,058         |
| <i>of which: lenders' remuneration</i>              | € 3,189,815          | € 2,987,017          |
| <i>of which: shareholders' remuneration</i>         | -                    | -                    |
| <i>of which: community remuneration</i>             | € 599,871            | € 600,006            |
| <b>Economic value retained by the Group</b>         | <b>€ 39,533,876</b>  | <b>€ 54,156,851</b>  |

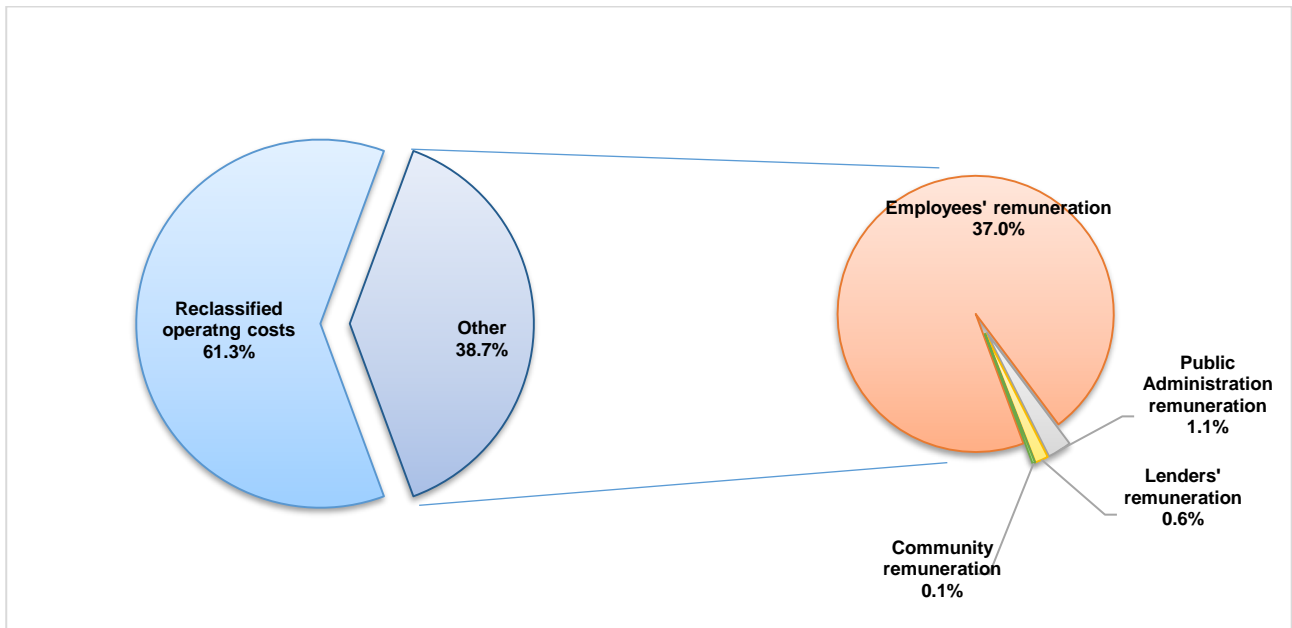
The portion of economic value attributable to **Reclassified operating costs** amounts to **€ 327,006** and mainly includes costs incurred for the purchase of raw materials, ancillary materials, consumables and goods, cost of services, lease and rental costs, directors' and statutory auditors' remuneration and other operating costs. The portion of economic value distributed to **employees and other workers** amounts to **€ 197,462 thousand** and accounts for approximately 37% of the total economic value distributed. This portion includes costs incurred for wages and salaries, awards and bonuses, social contributions, charges to pension plan provisions and other employee related costs. A portion of economic value was distributed to the **public administration** in the year amounting to **€ 5,773 thousand**. An amount was distributed to **lenders** of **€ 3,189 thousand** resulting from finance costs. In relation to the remuneration of **risk capital**, given the steady deterioration of the situation at the time this document was approved, with evident and growing economic and social uncertainty, the Board of Directors of Biesse has prudentially decided not to proceed with the payment of an ordinary dividend. An amount of **€ 600 thousand** was distributed to the community under the form of donations, sponsorships contributions<sup>18</sup> and membership fees. This figure constitutes a further direct and indirect impact on the development of the locality for the benefit of local communities. To conclude, the amount of **€ 39,533**

<sup>18</sup> The figure for donations, sponsorships and contributions relates solely to Biesse S.p.A.



**thousand** constitutes the economic value retained by the Group, consisting mainly of profit for the year allocated to reserves, depreciation and amortisation, charges to provisions and impairment.

Figure 9. Economic value distributed by the Group in 2020



## **Innovation: The pursuit of excellence**

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

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

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

In 2020, the Group broadened its approach to innovation. To accelerate the development of innovative processes and solutions, relying solely on in-house expertise is no longer enough. Instead, it is important to venture beyond the confines of the company to seek productive collaborations with other parties and encourage the exchange and proliferation of innovative solutions.

An important step in this direction was the launch of Open-I, the Biesse Group's innovation lab - an important new project focused on research, development and innovation - which acts as an accelerator for new ideas and outstanding start-ups. Open-I provides a stimulating and dynamic environment in which to cultivate relationships with the academic world, universities and research centres, with other accelerators, with venture capital and with other companies, thus further enhancing the Group's innovation ecosystem.

Biesse Group's Open-I was founded with high-level objectives in terms of innovation, with the aim of seeking solutions not only within the organisation but also externally, in complete synergy with its points of reference in Israel and Italy. Open-I has, in fact, a dual identity: in Israel it will be developed through the partnership with AdlerInLight Technology Observatory, an observatory created to unite industry and innovation in Italy; in Italy it will be developed with the support of Manifattura, a company with expertise in implementing Open Innovation and managing innovation projects for the manufacturing sector.

In October 2020, as part of the Open-I project, Biesse Group signed a technological and commercial agreement with Massivit 3D Printing Technologies, a leading supplier of high-volume 3D printing solutions. The partnership covers the use and commercialisation of the Large Format 3D Printer in the technological materials sector, as well as the joint development of sustainable and next-generation materials, facilitating new and advanced hybrid manufacturing solutions for the automotive, marine, composite materials, furniture, construction and aerospace sectors.

### **Product innovation**

The integration of the functions linked to technological innovation within the Group and the reorganisation of the experimental development function in recent years are instrumental to the gradual centralisation of technological research and development work, making it possible to adopt an approach that is based less on unforeseen circumstances arising from the manufacturing process, in order to be able to make more strategic,

wide-ranging decisions. In 2020, over 300<sup>19</sup> persons were involved in research and development activities, totalling approximately 206,000 working hours.

The Research and Development function, which is centralised in Biesse S.p.A., can currently count on the experience of dedicated professionals, mechanical design engineers and software developers, who maintain contact with other professionals inside 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 in 2020 were with the **University of Ancona** (study of vibrations, noise, fluid dynamics and thermodynamics and the development of predictive analysis algorithms to be implemented for advanced technologies for use in Industry 4.0), with **COSMOB** - Furniture consortium (conduct of tests on processed products and materials) and with **MUSP** - Machine Tools and Production Systems Consortium (concerning project cluster pertaining to the mechatronics division) and with the **Smart Factory Cluster**, an association whose objective is to create a stable manufacturing community, which is active in the development and implementation of a strategy based on research and innovation, capable of consolidating and increasing national competitive advantages.

Moreover, the Group is a member of various consortiums and associations that promote and invest in industrial research in the field of machinery, production systems and the furniture industry, such as **ACIMALL** (Association of Italian manufacturers of machinery and accessories for wood processing), **UCIMU** (Association of Italian manufacturers of machine tools, robots, automation and ancillary products), **VDMA** (German association for mechanical engineering in Europe), **GIMAV** (Italian association of suppliers of machinery and accessories for glass processing), **Confindustria Marmomacchine** (Association of manufacturers of ornamental marble, granite and stone and of machinery, tools and equipment for the processing thereof) and **AMAPLAST** (Association of manufacturers of machinery and moulds for plastic and rubber materials).

Biesse Group's ability to innovate and leverage its knowhow for strategic success can be measured by factors such as the number of patents deposited. The Group currently has approximately **250 patents** which have contributed to the innovation of technological solutions present in the processing machinery market.

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

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

## **From the product to the Industrial Internet of Things**

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

Driven by the basic principle of **Industrial Revolution 4.0**, the Group has introduced notable innovations and achieved significant results in the development of new technologies that enable connectivity between

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<sup>19</sup> This figure relates to the following legal entities: Biesse S.p.A., Bre.Ma Brenna Macchine S.r.l., HSD S.p.A., Viet Italia S.r.l. and Uniteam S.p.A.

machines, as well as self-diagnosis that helps to identify potential issues and to improve the predictive maintenance process, as part of the **Industrial Internet of Things (IIoT)**.

In this regard, the **SOPHIA** platform is based on the connection of 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 the products in order to offer customers more value from the machinery.

A significant IIoT innovation was the creation, by HSD, of the first **Wi-Fi connected electrospindle (patent pending)**, winner of the “**SMAU Milan Innovation Award 2019**”. This electrospindle, which communicates via an app, helps the user to monitor the component, ensuring quicker and cheaper maintenance, accurate and speedy diagnosis and increased safety and flexibility of its use. HSD Mechatronics has taken a very significant step for the future development of manufacturing 4.0. In fact, with the Elettrospindle 4.0 project, HSD becomes the first Italian medium-sized company to be the Lighthouse Plant of the Intelligent Factory Cluster, following the likes of big names such as Ansaldo Energia, ABB, Hitachi Rail and Tenova-Ori Martin. This was made official in December 2020 when the Minister for Economic Development signed the decree authorising the special Agreement for Innovation, which envisages investments towards the realisation of the super-innovative Zero Defects Manufacturing project. Financial contributions from the Italian Ministry of Economic Development and the Regions of Marche, Lazio and Umbria will be made to support the Elettrospindle 4.0 project, the interconnected electrospindle. For HSD, the objective is to establish a digitalised, interconnected, intelligent, resilient supply chain focused on quality and time-to-market: for this reason, this Lighthouse Plant aims to become the first Zero Defect Lighthouse Plant: a centralised control room capable of detecting defects at any stage of construction and operation of the tools produced, and providing excellent use and design models. This journey will allow HSD to realise its projects at the frontier of technological innovation more quickly and efficiently, becoming a "lighthouse" company, an innovator for the entire manufacturing community, infecting, through its technologies, the companies in the region and its supply chain.

## Cyber security

Biesse Group considers the protection of the assets and information that make up the Group's information resources to be of fundamental importance. The Group has embarked on a process of continuous development and growth through the careful management of security topics aimed at preserving the availability, integrity and confidentiality of data, as well as the continuity of the services provided and protection against fraud.

These topics are included within the "ICT End User Global Policy", issued in 2019, and which constitutes a reference for all Group employees for using the ICT tools made available by the Company. The above policy places a significant focus on the "secure" management of Company data and assets and on the importance of the conduct of each employee to ensure that their complete availability, integrity and confidentiality are preserved.

Within the Biesse Group organisational structure, the Information Systems Department periodically conducts assessments aimed at identifying any vulnerabilities or gaps that need to be addressed in order to eliminate or mitigate the resulting risks or deficiencies. Moreover, in collaboration with Internal Audit, a risk assessment and remediation process for IT and cyber security issues is carried out annually. The ICT Security Manager is responsible for managing cyber security projects and matters throughout the Group.

Among the primary risks identified and managed by the Group are the risk of mishandling of data and tools, the risk of phishing and fraud, and the risk of malware. These risks are managed through specific platforms and technological infrastructures and by continuously providing information and training to employees. A

SIEM infrastructure is also in place featuring technology that collects and correlates all security events generated by devices connected to the Company network. This tool forms the basis of security monitoring activities that are conducted 24 hours a day with the support of a dedicated SOC (Security Operation Centre) structure.

With a view towards continuous improvement and as a result of the last assessment, an improvement plan was prepared which forms the basis of the cyber security initiatives for the two-year period 2021-2022. This plan also includes OT initiatives, that is everything that involves the equipment used within the connected "factory".

In relation to the Covid-19 pandemic and the effects it has on work activities, a number of steps were taken to increase the effectiveness of monitoring with regard to breaches of Company accounts. These initiatives are particularly important in a situation, such as lockdowns, in which various functions performed their duties by connecting to company systems from remote locations via VPN.

Biesse Group complies with the existing regulatory framework governing the processing of personal data, including but not limited to the General Data Protection Regulation "GDPR" (EU Regulation No. 2016/679). This Regulation, based on the principle of accountability, makes each personal data controller responsible for implementing regulatory, organisational and technological steps to appropriately comply, using a risk-based approach, with the regulatory principles of the GDPR.

In 2020, there were no complaints or substantiated incidents of privacy breaches or data loss with respect to customers or employees.

## **Process innovation**

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

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

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

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

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

In 2019, the Group installed a vertical warehouse on the Pesaro campus which has made it possible to streamline logistics processes and to optimise work times and areas, as well as providing operators with an ergonomic and safe working environment.

### **Biesse Group is listed among Italy's Best Employers by Statista and Corriere della Sera**

Biesse Group is recognised among Italy's Best Employers by Statista and Corriere della Sera. The Group ranked second in Italy, after ABB and before Ima, in the "mechanical and plant engineering" sector. The

ranking compiled by Statista, a German digital platform, in collaboration with Il Corriere della Sera, identifies the best companies to work for in Italy. 400 companies were included in the ranking.

### **Biesse Group featured among Deloitte's "Best Managed Companies"**

The winning companies in this third edition have not only proved their excellence but also their ability and resilience in dealing with the current Covid-19 pandemic. Evaluation of the nominees took longer than expected specifically to gain a better understanding of how the nominees handled the emergency. The evaluations for 2020 were specifically focused on the abilities of companies to successfully navigate a period of unprecedented uncertainty.

### **Biesse Group takes the podium in the Marche region of Italy in the ESG89 Group rankings**

The ESG89 Group, publisher of the *Annuario Economico*, has, once again, published its annual ranking of companies in the Marche region based on an analysis of the financial statements of the region's top companies (FY 2019). Biesse Group placed third with Euro 705,872,000 and a net profit of Euro 13,002,000, coming in behind ARISTON THERMO in first place, and TOD'S in second. The ranking is based on an analysis of the financial statements of the region's top corporations for the 2019 financial year.

### **German Innovation Award 2020**

IOT SOPHIA - winning technology: Biesse Group's digital platform wins the German Innovation Award 2020. Biesse Deutschland has been recognised in the category "Excellence in Business to Business - Connectivity".

## The Group at the service of its customers

Customer centrality and satisfaction form the basis of a strategic approach that starts with the sustainable management of the supply chain and continues throughout all stages of the lifespan of the product, by means of advanced industrial consulting, support and maintenance services. With over 500 Field Service Engineers and over 100 Hotliners in various markets, the Group is capable of offering machine installation and commissioning services, remote support, diagnostics and maintenance, technical training services and procurement of spare parts for machinery and components on-site and on-line. Throughout 2020, investments continued to be made to improve the customer experience by providing dedicated personnel on the ground such as Service Area Managers and through the development of new digital channels. Furthermore, surveys of markets and dealers were developed with the objective of obtaining a large number of opinions to help identify areas of improvement for services offered by the Group. In the belief that providing training and opportunities for professional growth are essential for improving service quality, the localisation of skills, diagnostic knowledge and the development of top-quality technical and managerial personnel, the Service Academy has established a training centre to support the Group's entire Service network. In 2020, the Service Academy succeeded in making its knowledge digital by introducing a portfolio of online courses and digital events to meet the needs of a changing world.

### Digitalisation

The Sophia digital platform was an excellent example of how the digitalisation of services initiated by Biesse Group made it possible to guarantee continuity and quality in customer support even during the pandemic. The Sophia IOT and Sophia Parts portals enable customers to navigate within their personal account, to access all the information related to past purchases, to submit a new order for spare parts or putting them directly into their online shopping cart. The Sophia platform is available 24 hours a day, 7 days a week. The platform and its apps are multilingual, multi-platform everyday tools that are perfectly integrated with the most widely used operating systems.

The rollout of the CRM Services Salesforce platform throughout the Group was also completed in 2020 to standardise methods of interaction and knowledge and to offer the most efficient and highest quality service to customers throughout the world.

### Training and innovation

Training is an essential resource. The Service Academy aims to improve technical skills and optimise product performance. Classrooms, machines used exclusively for training and workshops for hands-on learning are available to customers, dealers and Biesse personnel. A catalogue of online courses is available to explore the world of software, to become a programming master and to learn about product updates. The full range of Biesse 2020 training featured a wide selection of courses from the catalogue designed to meet the demands of the market. These courses integrate troubleshooting and simple and advanced maintenance courses, also offering certification of learning for participants.

In 2020, 250 online training modules were made available involving over 1,800 participants in addition to the over 8,500 hours of classroom training spread over 400 courses offered. Training has never stopped; instead, the way it is used by customers, dealers and technicians in the market has changed, further enhancing its value and importance.

## Quality Management System

With the objective of offering high quality standards to its customers, in 1996, Biesse S.p.A. adopted a Quality Management System certified to the ISO 9001 international standard. As at 31 December 2020, the certification had involved eight of the Group's manufacturing sites in Italy and India.

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

In 2020, all the Group's manufacturing units that had already been certified passed the audit of compliance with the ISO 9001:2015 standard.

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

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

Prior to being delivered to the customer, all machinery must pass testing required by regulations in force, as well as specific tests depending on product type. The quality of Biesse's products is subject to precise measurement of the main values and features of the assembled components. For this reason, all the mechanical and electrical instruments used are subjected to rigorous quality controls, conducted by using approximately 9,000 measuring instruments, which are periodically checked and calibrated by accredited laboratories. The Group also has 14 three-dimensional measuring machines to check strategic components, plus various laser trackers and interferometers that are used during testing that have resulted in an increase in measurement accuracy, a reduction in testing times and the possibility to increase the variables measured.

## Product reliability

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

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

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

Meetings on reliability issues are held periodically within each production unit and are attended by all the business functions involved; quality meetings are also organised by the head of Quality Management and involve Division Managers, 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.

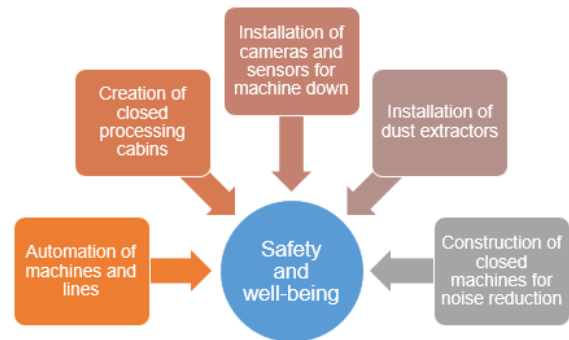


In order to improve reliability and with the aim of emphasising VoC (Voice of the Customer), the PCP product creation and development process has been updated, improving the testing phases of machine validation and the qualification and validation of products and processes.

## Technology at the service of customers and their safety

With the objective of guaranteeing its customers the highest machinery safety standards, the Group subjects all models produced to stringent risk analysis at the design phase, with particular attention to risks linked to potential mechanical and electrical factors, as is also the case for operators' behaviour in order to guarantee performance levels that exceed those required by the Machinery Directive 2006/42/EC and other international, Community and national legislation and regulations. In the testing phase, tests are performed of the level of noise emitted during operation and of electromagnetic compatibility with particular reference to radiation emitted and the immunity of machinery to radiation that it could be subjected to in the relevant industrial environment, plus electrical grounding tests are also performed. During the course of the last twenty years, the Group has actively participated with its experts in the work that gave rise to the drafting of standards currently in force, both at European level (EN Standards) and at global level (ISO Standards). This work has followed the natural transformation of the sector, having been initially focused on wood processing machinery, prior to moving on to glass and stone processing machinery. An important technological innovation for the well-being and safety of operators, the **B-Pad** is truly a wireless console that allows the operator to perform key Biesse machinery functions, while keeping his distance from moving parts, thus reducing the risk of injuries.

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



During the course of the last twenty years, the Group has actively participated with its experts in the work that gave rise to the drafting of standards currently in force, both at European level (EN Standards) and at global level (ISO Standards). This work has followed the natural transformation of the sector, having been initially focused on wood processing machinery, prior to moving on to glass and stone processing machinery. An important technological innovation for the well-being and safety of operators, the **B-Pad** is truly a wireless console that allows the operator to perform key Biesse machinery functions, while keeping his distance from moving parts, thus reducing the risk of injuries.

## The customer experience: The Biesse Campus

In line with its strategic plan, Biesse Group invests in customer support services through increasingly more active participation at trade fairs and events and with the launch of new Campuses around the world.

Direct and immediate contact with technology, anywhere in the world, is guaranteed by Biesse showrooms which have always been exceptional vantage points for discovering new products, observing them up close and testing out their potential. The desire to bring the customer closer to technology is best expressed in the strategy of upgrading showrooms and in the events. The traditional showroom virtuously transforms itself from a mere display of machines to a veritable Campus where customers can obtain all the advice they need to develop the future of their business. The Campuses invariably feature seminars and training courses to help customers better understand Biesse Group technology. During the course of 2019, Campuses were inaugurated for the Biesse Group Australia and Biesse Group Deutschland subsidiaries, whereas in 2020 a new Campus was inaugurated for Biesse Russia.

During the Covid-19 emergency, the Group expanded the services offered, giving customers the opportunity to choose how and where to experience Biesse technology: in the showroom, with customised services and a personalised reception, or directly from home, with the same level of professionalism, thanks to a team capable of handling every request, from personalising the demo to testing the materials.

## **Customer relations and customer satisfaction**

To improve plant productivity and service level efficiency, the concept of the Key Account was enhanced and a pilot for customer relationship management was developed in Italy. Also strengthened was the model used for Service Area Managers who oversee the areas and work with customers to identify areas for improvement and to strengthen partnerships and improve customer retention.

The digitalisation of training at the Academy made it possible to broaden the pool of customers interested in training courses, in addition to extending coverage to territories that, due to the pandemic, could not have taken part in classroom training.

The rollout of the Sophia platform continued with new functions introduced to optimise customer interaction. The intelligent management of analytics was strengthened to build up information to support diagnostics and optimise machine performance.

The consolidation of BCabinet Four as a virtual navigator for managing production processes (also on competitors' machines) is intended to provide solutions that are more integrated between machines, processes and day-to-day needs, making it possible to optimise production cycles based on the components to be manufactured.

## 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.

In a market that is increasingly mindful of and focused on creating value for the customer, the most innovative and dynamic organisations have to focus on continuous improvement as their core strength.

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 activities that the supplier undertakes to carry out to ensure the quality of the finished product and on the **Code of Conduct**, which includes specific references to respect for human rights, environmental protection and the health and safety of workers.

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

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

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

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

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

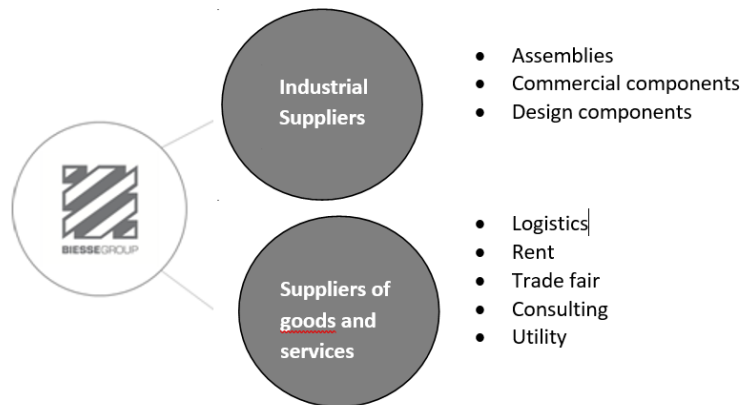
In 2020, particularly during the Covid-19 emergency, the Biesse Group further strengthened its ties with its suppliers, seeking to find common solutions to deal with this particular moment of difficulty together. To meet its commitments to fair relations with suppliers, Biesse Group guaranteed the prompt and uninterrupted flow of payments even in the midst of the full lockdown in March and April. During the emergency, Biesse Group has always carefully verified that the commitments made, and the challenging targets agreed were achievable and sustainable.

The Biesse Group periodically contacted and monitored its chain of suppliers to ensure that they were in good health; the ability of suppliers to quickly manage a particularly complex organisational and production situation in a flexible manner was verified and the ability of suppliers to obtain sufficient resources to deal with the emergency economic situation was carefully monitored.

## Features of the supply chain

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

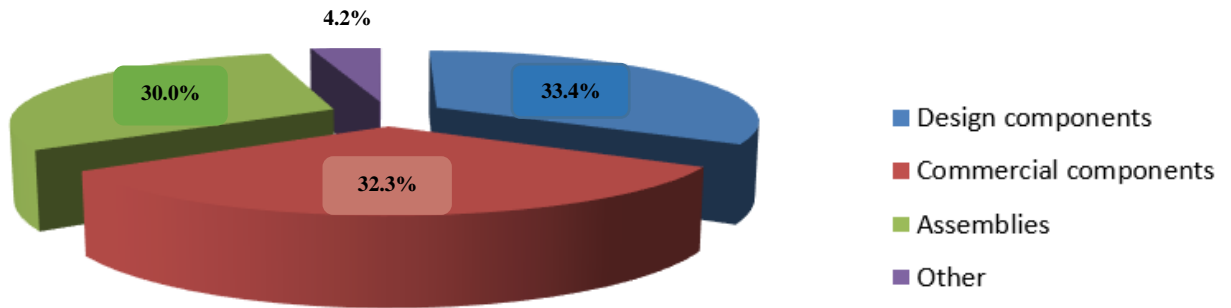
Figure 11. The main categories of Biesse Group's suppliers



Suppliers of custom-engineered and standard components are clearly in the majority in terms of number; in fact, the main industrial suppliers used by the Group in the last year number around 1,000<sup>20</sup> and accounted for approximately Euro 206 million of purchases in 2020 (compared to Euro 300 million in 2019). Biesse Group develops trusting relationships with its suppliers which are based on collaboration and the quality of professional services.

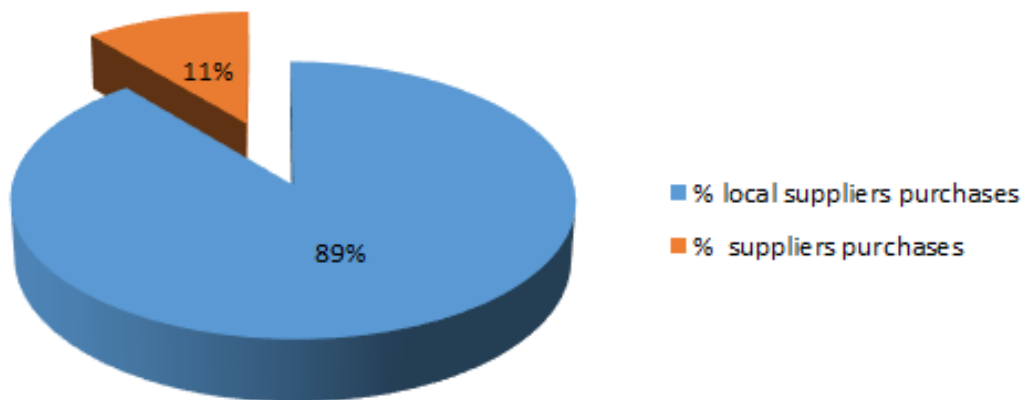
<sup>20</sup> In order to provide more representative figures relating to the industrial supply chain, the number of “main suppliers” and the amount of purchases from manufacturing suppliers were calculated based on the consolidation of 99.7% of the information relating to the supply chain of Biesse S.p.A. and HSD S.p.A., and of 95% of that pertaining to Bre.Ma Brenna Macchine Srl, Viet Italia Srl, Biesse Manufacturing Co. Pvt. Ltd., and Uniteam S.p.A.

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



As regards the geographical breakdown of the purchase value, approximately 89% relates to local suppliers<sup>21</sup>. The Group's decision to source most of its supplies locally is not only due to logistical advantages and technical skills but is also due to the desire to contribute to the support and social development of the local area and surrounding communities directly and indirectly.

Figure 13. % of purchases from local manufacturing suppliers by the Group's main production hubs<sup>22</sup>



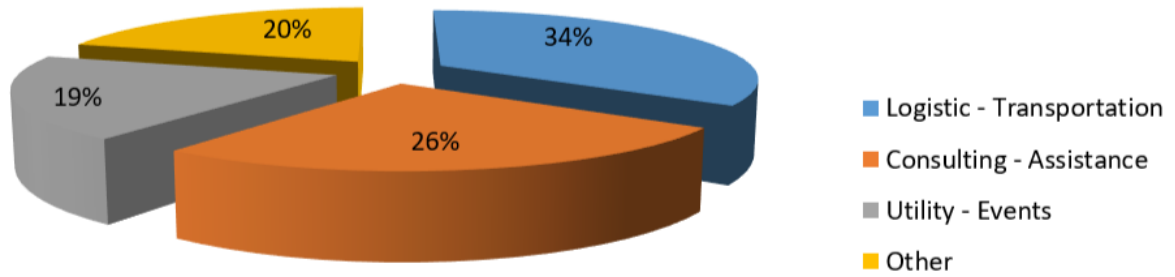
**Non-manufacturing suppliers** are those that the Group turns to for the purchase of goods and services, such as telephony, energy, transport, design, buildings, company fleets, cleaning, installation, consulting, marketing, advertising agencies and IT projects. The supplier evaluation is carried out using a model that considers merits and costs and is applied to all product categories with an emphasis on areas having high economic impact.

<sup>21</sup> Local suppliers are Italian and Indian suppliers, with specific reference to the Group's production hubs. This figure relates to the significant locations of operations: *Italy and India*.

<sup>22</sup> Due to the specific characteristics of the various types of assemblies purchased by the Group, note that part of the amount of purchases from local suppliers for this product category is distributed to multiple subsuppliers located in different geographical areas.

Non-manufacturing purchases in 2020 by Biesse S.p.A. alone amounted to approximately Euro 25.3 million (down approximately 20% compared to Euro 31.7 million in 2019). 80% of this amount was generated by approximately 99 suppliers, of which 20 are foreign.

Figure 14. Purchases from non-manufacturing suppliers of Biesse S.p.A. by category



# Social Sustainability

In a nutshell:

- ✓ **95%** of employees have permanent contracts
- ✓ **Approximately 1,500 persons** have worked in Biesse Group for more than 10 years
- ✓ **97%** of senior management hired from the local community<sup>23</sup>
- ✓ Over **69,000 hours** of training provided to personnel during the course of 2020
- ✓ Approximately **6,000 hours** of training dedicated to safety at work provided to employees
- ✓ Workplace safety management system of HSD S.p.A. certified to **UNI ISO 45001:2018** standard
- ✓ Support for social, cultural, artistic and sports initiatives in the **community**

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<sup>23</sup> This figure relates to the significant locations of operations: *Italy and India*

## Its people

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

At 31 December 2020, the Group had 3,763 employees, comprised of 3,285 men and 478 women, a decrease of 4% compared to 31 December 2019 primarily related to the reduction in the number of employees at the manufacturing facility in China in connection with refocusing the company's strategy in that country.

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

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

| Geographical area | Type of contract         | AT 31 DECEMBER 2020 |            |              | AT 31 DECEMBER 2019 <sup>24</sup> |            |              |
|-------------------|--------------------------|---------------------|------------|--------------|-----------------------------------|------------|--------------|
|                   |                          | Men                 | Women      | Total        | Men                               | Women      | Total        |
| Italy             | Permanent                | 2,052               | 271        | 2,323        | 2,060                             | 272        | 2,332        |
|                   | Temporary                | 51                  | 9          | 60           | 71                                | 15         | 86           |
|                   | <b>Sub-total: Italy</b>  | <b>2,103</b>        | <b>280</b> | <b>2,383</b> | <b>2,131</b>                      | <b>287</b> | <b>2,418</b> |
| Abroad            | Permanent                | 1,074               | 180        | 1,254        | 1,190                             | 195        | 1,385        |
|                   | Temporary                | 108                 | 18         | 126          | 90                                | 34         | 124          |
|                   | <b>Sub-total: Abroad</b> | <b>1,182</b>        | <b>198</b> | <b>1,380</b> | <b>1,280</b>                      | <b>229</b> | <b>1,509</b> |
| Total             | Permanent                | 3,126               | 451        | 3,577        | 3,250                             | 467        | 3,717        |
|                   | Temporary                | 159                 | 27         | 186          | 161                               | 49         | 210          |
|                   | <b>Total</b>             | <b>3,285</b>        | <b>478</b> | <b>3,763</b> | <b>3,411</b>                      | <b>516</b> | <b>3,927</b> |

The Group has a preference for full-time contracts as opposed to part-time work arrangements. In fact, at 31 December 2020, there were 3,683 full-time contracts in place compared to 80 part-time contracts.

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

| Type of contract | AT 31 DECEMBER 2020 |            |              | AT 31 DECEMBER 2019 |            |              |
|------------------|---------------------|------------|--------------|---------------------|------------|--------------|
|                  | Men                 | Women      | Total        | Men                 | Women      | Total        |
| Full-time        | 3,271               | 412        | 3,683        | 3,399               | 456        | 3,855        |
| Part-time        | 14                  | 66         | 80           | 12                  | 60         | 72           |
| <b>Total</b>     | <b>3,285</b>        | <b>478</b> | <b>3,763</b> | <b>3,411</b>        | <b>516</b> | <b>3,927</b> |

In addition to the 3,763 employees at 31 December 2020, there were 307 other workers, in varying capacities, most of whom were temporary male staff, who contribute to the creation of the Group's machinery and technological innovations.

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

<sup>24</sup> Due to a refinement in the collection and consolidation process, the 2019 data has been restated from that published within the 2019 non-financial statement. Consequently, the average training hours and diversity data presented below were also restated. These changes did not result in any significant changes.



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

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

The main talent attraction and selection strategies implemented by the Group include multiple activities carried out in cooperation with academic institutes at national level. Cooperation with educational institutions enables the Group to make new contacts and to activate a preferential channel for the recruitment of young people. Biesse Group has always cultivated relationships with local technical institutes, in order to select the best resources, who are motivated to undertake a career path after having obtained their diploma. Biesse Group thus acts as a knowledge activator in the locality where most of its design and creation of solutions is undertaken. In this regard, specific recruiting events are conducted at the main local technical and vocational schools to meet young people nearing graduation and invite them to the company for mini assessments, days organised specifically for the profile being sought.

Lectures, seminars and career days are some of the activities conducted on the premises of the main Italian universities. The selection of young talent takes place via assessment sessions, in which candidates are subjected to psycho-aptitude tests and self-presentations. New recruits receive on-the-job training by working alongside senior colleagues as well as participating in specific academies. With a view to future growth and improvement, in 2019 internal job postings were introduced, a process designed to encourage the mobility of personnel within the Group and to allow all employees to take advantage of professional opportunities being offered in order to encourage transfers between departments and operating facilities.

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

| NEW HIRES         |                                     |               |                 |               |            |                                     |
|-------------------|-------------------------------------|---------------|-----------------|---------------|------------|-------------------------------------|
|                   |                                     |               |                 |               |            | 2020                                |
| Geographical area | Gender                              | <30 years old | 30-50 years old | >50 years old | Total      | Turnover (based on total workforce) |
| Italy             | Men                                 | 36            | 21              | 3             | 60         | 1.6%                                |
|                   | Women                               | 2             | 2               | 0             | 4          | 0.1%                                |
|                   | <b>Total</b>                        | <b>38</b>     | <b>23</b>       | <b>3</b>      | <b>64</b>  | <b>1.7%</b>                         |
|                   | Turnover (based on total workforce) | 1.0%          | 0.6%            | 0.1%          | 1.7%       |                                     |
| Abroad            | Men                                 | 110           | 35              | 9             | 154        | 4.1%                                |
|                   | Women                               | 15            | 16              | 4             | 35         | 0.9%                                |
|                   | <b>Total</b>                        | <b>125</b>    | <b>51</b>       | <b>13</b>     | <b>189</b> | <b>5.0%</b>                         |
|                   | Turnover (based on total workforce) | 3.3%          | 1.4%            | 0.3%          | 5.0%       |                                     |
| Total             | Men                                 | 146           | 56              | 12            | 214        | 5.7%                                |
|                   | Women                               | 17            | 18              | 4             | 39         | 1.0%                                |
|                   | <b>Total</b>                        | <b>163</b>    | <b>74</b>       | <b>16</b>     | <b>253</b> | <b>6.7%</b>                         |
|                   | Turnover (based on total workforce) | 4.3%          | 2.0%            | 0.4%          | 6.7%       |                                     |

**NEW HIRES**

2019

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

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

**LEAVERS**

2020

| Geographical area | Gender                              | <30 years old | 30-50 years old | >50 years old | Total      | Turnover (based on total workforce) |
|-------------------|-------------------------------------|---------------|-----------------|---------------|------------|-------------------------------------|
| Italy             | Men                                 | 19            | 34              | 35            | 88         | 2.4%                                |
|                   | Women                               | 3             | 4               | 4             | 11         | 0.3%                                |
|                   | <b>Total</b>                        | <b>22</b>     | <b>38</b>       | <b>39</b>     | <b>99</b>  | <b>2.6%</b>                         |
|                   | Turnover (based on total workforce) | 0.6%          | 1.0%            | 1.0%          | 2.7%       |                                     |
| Abroad            | Men                                 | 78            | 137             | 37            | 252        | 6.7%                                |
|                   | Women                               | 13            | 46              | 7             | 66         | 1.8%                                |
|                   | <b>Total</b>                        | <b>91</b>     | <b>183</b>      | <b>44</b>     | <b>318</b> | <b>8.5%</b>                         |
|                   | Turnover (based on total workforce) | 2.4%          | 4.9%            | 1.2%          | 8.5%       |                                     |
| Total             | Men                                 | 97            | 171             | 72            | 340        | 9.1%                                |
|                   | Women                               | 16            | 50              | 11            | 77         | 2.0%                                |
|                   | <b>Total</b>                        | <b>113</b>    | <b>221</b>      | <b>83</b>     | <b>417</b> | <b>11.1%</b>                        |
|                   | Turnover (based on total workforce) | 3.0%          | 5.9%            | 2.2%          | 11.1%      |                                     |

**LEAVERS**

2019

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

## Training and continuous improvement

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

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

In 2020, the Group provided about 69,000 hours of training to its employees, consisting of training for blue collar workers, technicians and field engineers, occupational health and safety, anti-corruption, Legislative Decree 231/2001, cyber security and privacy, soft skills and professional development. The decrease in the number of hours compared to the previous year is mainly attributable to the effects of the Covid-19 pandemic.

The recruitment and induction of young people requires a significant effort by the Group to provide training on technical and managerial skills. In this regard, the Group has continued with its Future Lab, which is designed for young employees and that aims to provide customised skills development and professional growth paths.

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

Specifically, approximately 1,200 hours of training were provided in 2020 to the Group's hotliners, in order to raise their awareness of the importance of improving not only their technical skills, but also soft skill associated with the ability to communicate with customers and interlocutors. Moreover, advanced courses have been introduced on the entire portfolio of machinery produced by Biesse Group, as well as troubleshooting courses designed for the Group's technicians and customers, in order to increase their diagnostic skills.

Biesse Group organises training weeks held on the Pesaro campus for Group and trade partner employees around the world, dedicated to product innovations and new sales tools. As regards Sales Academy courses targeted at the Group's sales personnel, over 1,800 hours of training were provided during the course of 2020.

Sales employee training is periodic and continuous and addresses the technological evolution of products and new developments concerning services offered by the Group, in order to always guarantee value added for customers. During 2020, 800 hours of training were provided to the sales force and sales back office functions on the use of the new sales configurator on the Salesforce platform. The ability to take full advantage of these sales tools provided by the Group is considered to be of fundamental importance in identifying the most suitable solutions for the needs of our customers and guaranteeing them the best possible service. Because of the Covid-19 pandemic, there was a decrease in the number of hours dedicated to this activity in 2020 compared to previous years.

As evidence of the attention given by the Group to all aspects of its business ethics and integrity, during the course of 2020, various on-site and remote involvement, information and training sessions were held on Legislative Decree 231/2001, reporting channels available for the communication of unlawful conduct pursuant to Legislative Decree 231/2001 (so-called whistleblowing law), the Code of Conduct, anti-bribery and human rights that involved approximately 3,000 employees.

To comply with the Regulation (EU) 2016/679 (GDPR), courses were organised to raise employees' awareness of privacy issues. In order to make employees aware of the importance of data protection, their responsibilities in relation thereto and the Group's reputation, training has continued on cyber security.

In 2020, the Training Lab was established in HSD. Its purpose is to design and deliver standardised and customised training courses and to increase the efficiency of the human resources.

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

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

| Labour category                                       | 2020          |              |               | 2019           |              |                |
|---|---------------|--------------|---------------|----------------|--------------|----------------|
|   | Hours Men     | Hours Women  | Total         | Hours Men      | Hours Women  | Total          |
| White Collar  | 36,437        | 1,484        | <b>37,921</b> | 66,121         | 5,857        | <b>71,978</b>  |
| Blue Collar   | 30,542        | 482          | <b>31,024</b> | 52,034         | 361          | <b>52,395</b>  |
| <b>Total Hours (Employees)</b>                        | <b>66,979</b> | <b>1,966</b> | <b>68,945</b> | <b>118,155</b> | <b>6,218</b> | <b>124,373</b> |
| of which: Technical training                          | 56,941        | 679          | <b>57,620</b> | 87,913         | 1,831        | 89,745         |
| of which: Professional and management skills training | 4,635         | 759          | <b>5,394</b>  | 17,962         | 3,381        | 21,342         |
| of which: Health and safety training                  | 5,403         | 528          | <b>5,931</b>  | 12,280         | 1,006        | 13,286         |
| <b>Total Hours (Other workers)</b>                    | <b>1,737</b>  | <b>65</b>    | <b>1,802</b>  | <b>13,288</b>  | <b>91</b>    | <b>13,379</b>  |

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

| Labour category                     | 2020              |                     |                     | 2019              |                     |                     |
|-------------------------------------|-------------------|---------------------|---------------------|-------------------|---------------------|---------------------|
|                                     | Average hours Men | Average hours Women | Total average hours | Average hours Men | Average hours Women | Total average hours |
| White Collar                        | 18.9              | 3.3                 | <b>15.9</b>         | 31.3              | 11.9                | <b>27.6</b>         |
| Blue Collar                         | 22.6              | 21.9                | <b>22.5</b>         | 39.9              | 24.1                | <b>39.7</b>         |
| <b>Average hours: Employees</b>     | 20.4              | 4.1                 | <b>18.3</b>         | 34.6              | 12.2                | <b>31.7</b>         |
| <b>Average hours: Other workers</b> | 6.0               | 3.4                 | <b>5.9</b>          | 57.0              | 3.1                 | <b>51.1</b>         |

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

| Labour category | 2020         |            |              | 2019         |            |              |
|-----------------|--------------|------------|--------------|--------------|------------|--------------|
|                 | Men          | Women      | Total        | Men          | Women      | Total        |
| White Collar    | 1,280        | 315        | <b>1,595</b> | 1,279        | 306        | <b>1,585</b> |
| Blue Collar     | 1,361        | 25         | <b>1,386</b> | 1,139        | 16         | <b>1,155</b> |
| Other workers   | 97           | 16         | <b>113</b>   | 117          | 15         | <b>132</b>   |
| <b>Total</b>    | <b>2,738</b> | <b>356</b> | <b>3,094</b> | <b>2,535</b> | <b>337</b> | <b>2,872</b> |

In addition to the reported training hours, 22,700 hours of shadowing and on-the-job training were also organised in 2020 (mainly technical training).

## Evaluation of resources

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

The fundamental principles underlying the evaluation process adopted by the Group recognise as key factors the setting of objectives and expectations for each employee in line with the corporate vision, the sharing thereof, the evaluation of the results achieved and the preparation of a development plan. The consolidation of the performance evaluation process in recent years fulfils certain objectives, such as the enhancement of Group management's leadership style and the implementation of processes that are deemed by younger employees to be essential for their participation in the current working environment. The adoption of a performance management process facilitates the retention of highly skilled colleagues, who are increasingly motivated by challenging and growth-oriented work environments.

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

## Occupational health and safety

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

The focus on the health of our employees is continually reinforced by a constant dialogue with the trade unions, and with the communities where the Group operates. Proof of this is the workplace safety protocol, signed by Biesse Group and trade union representatives, in anticipation of the gradual, safe resumption of production activities in an environment marked by the pandemic. The protocol was approved quickly (April 2020) and was welcomed by all parties involved, setting an example for other companies in the area to follow.

Regarding 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 internal or external to 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. Regularly, employees undergo a medical examination in line with applicable regulatory requirements.

As evidence of the sensitivity of Biesse Group personnel to issues concerning safety at work, note that, in 2020, 24<sup>25</sup> near misses were reported. The issues reported were reviewed to determine the cause thereof and to improve the prevention system in place.

In 2020, the system for recording near misses was implemented using the management system used by the company. This system allows all authorised parties to report dangerous situations, optimising how health and safety conditions in the workplace are managed.

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

HSD S.p.A. has an Occupational Health and Safety Management System which is certified to the UNI ISO 45001:2018 standard. Renewal of the certification is subject to the execution of specific periodic audits, aimed at verifying compliance over time with the management system implemented.

In 2020, 60 workplace injuries were recorded, down from 70 in 2019<sup>26</sup>. It should also be noted that there were no accidents with serious consequences or fatalities. Further information concerning key figures relating to health and safety are indicated below.

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<sup>25</sup> Includes near misses at Biesse S.p.A., HSD S.p.A. and Biesse Manufacturing Co. Pvt. Ltd.

<sup>26</sup> Injury data and related injury rates are reported in a manner consistent with the instructions in the new topic-specific disclosure GRI 403-9 (2018) "Work-related injuries". As a result, the 2019 data have been restated to be consistent with the new guidelines to facilitate the comparability of information.

Table 10. Number of injuries recorded

| Geographical area | Type of injury                      | 2020      | 2019      |
|-------------------|-------------------------------------|-----------|-----------|
| Italy             | Injuries                            | 32        | 35        |
|                   | → of which: in the workplace        | 0         | 0         |
|                   | → of which: while commuting         | 0         | 0         |
| Abroad            | Injuries                            | 28        | 35        |
|                   | → of which: in the workplace        | 0         | 1         |
|                   | → of which: while commuting         | 0         | 0         |
| <b>Total</b>      | <b>Injuries</b>                     | <b>60</b> | <b>70</b> |
|                   | <b>→ of which: in the workplace</b> | <b>0</b>  | <b>1</b>  |
|                   | <b>→ of which: while commuting</b>  | <b>0</b>  | <b>0</b>  |

Table 11. Injury rates<sup>27</sup>

| Geographical area | Injury rates                     | 2020             | 2019             |
|-------------------|----------------------------------|------------------|------------------|
| Italy             | Rates of injury                  | 9.5              | 8.7              |
|                   | Injury severity rate             | 0.0              | 0.0              |
|                   | Occupational disease rate        | 0.0              | 0.0              |
|                   | Total worked hours               | 3,368,037        | 4,023,474        |
| Abroad            | Rates of injury                  | 10.5             | 11.1             |
|                   | Injury severity rate             | 0.0              | 0.3              |
|                   | Occupational disease rate        | 0.0              | 0.0              |
|                   | Total worked hours               | 2,659,967        | 3,158,844        |
| <b>Total</b>      | <b>Rates of injury</b>           | <b>10.0</b>      | <b>9.6</b>       |
|                   | <b>Injury severity rate</b>      | <b>0.0</b>       | <b>0.1</b>       |
|                   | <b>Occupational disease rate</b> | <b>0.0</b>       | <b>0.0</b>       |
|                   | <b>Total worked hours</b>        | <b>6,028,005</b> | <b>7,182,318</b> |

The main types of injury are lacerations and contusions. In relation to Biesse's other workers (temporary workers, interns), in 2020, there were two recorded injuries in Italy that did not result in serious consequences. The overall injury rate for other workers was 2.4<sup>28</sup>.

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

**Biesse Manufacturing** has adopted an Occupational Health and Safety Management System and has set up a watchdog committee. Within the facility there is a designated person tasked with raising staff awareness on occupational health and safety issues, planning and conducting audits to identify and report on any risk situations and conditions, assisting plant management in fulfilling its obligations in this area, setting annual targets and supporting management in achieving the established objectives. Moreover, corporate policies were revised and there was an increase in raising awareness, including through the posting of specific signs, and in training in order to prepare employees to act correctly in emergency situations and to reduce the number of accidents.

<sup>27</sup> Rates of injury were calculated using the following formula: (number of injuries / hours worked) x 1,000,000.

<sup>28</sup> Data on the health and safety of external workers include only the "temporary employee" category and not other types of non-employee personnel working at the Group's sites and/or under the Group's control because of their significance and the availability of such data over which the Group does not exercise direct control.

## Industrial relations

Over the years, the Biesse Group has put in place an effective industrial relations system based on sharing with workers' representatives the management of organisational and economic issues related to the variability in demand, efficiency and productivity, the management of internal or external issues, the work environment, safety, and the introduction of company welfare tools for improving working conditions and work-life balance.

The trade unions participate at different levels, ranging from periodic or specific briefings, to consultations and participatory activities, to agreements that need to be finalised to plan work activities or to deal with specific issues.

Industrial relations between the company and workers' representatives consists of periodic meetings held approximately every 40 days during which discussions are held on the Group's results and financial position, the organisation of work, issues such as health and safety in the workplace (analysing injuries, near misses and processes to improve working conditions), professional training and skills development.

The main issues faced in 2020 can be summarised as follows:

- Slowdown in the target market in 2019;
- Health emergency caused by the Covid-19 pandemic beginning at the end of February;
- Use of the ordinary layoff benefits fund citing Covid as the reason to deal with the health emergency and the drop in demand, starting from March;
- Need to increase production to try to make up for the delay in orders during the peak of the pandemic, starting in September;
- A national strike in the metalworking and mechanical engineering industry starting in October;
- Extension of the supplementary company agreement and setting of the corporate performance bonus.

The past year has highlighted the need to establish an industrial relations system that focuses on corporate objectives to create a unity of purpose aimed at ensuring a high level of competitiveness.

The Covid-19 emergency not only calls for rethinking the organisation, but also for building a sense of belonging and commitment to one's work to build an organisation that is prepared to respond in terms of productivity, efficiency, quality and flexibility, to meet the expectations placed on the Group as it becomes increasingly international.

The renewal of the company's supplementary agreement covering the period 2020-2022 is intended to be a means of jointly achieving these objectives.

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

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

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

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



## Corporate welfare

Because the Group is attentive to the well-being and quality of life of its employees, it has committed to planning actions to improve the employee satisfaction and the corporate climate, by focusing on numerous initiatives concerning corporate welfare.

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

As part of the corporate welfare plan, all Italian employees are offered the chance to choose from a series of tax-exempt services related to health, well-being, education, recreation, sport and travel. In addition to the payment of annual amounts due for 2020, the corporate welfare plan, which is targeted at all blue collar workers, office workers and middle managers employed in Italy, provides for, in accordance with the collective labour agreement for metalworkers, the possibility for each employee to convert his/her corporate performance bonus each year to flexible benefits.

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

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

In 2020, as far as Italian Group employees are concerned, the corporate partnership scheme was revised and extended, with the objective of obtaining beneficial terms for local and nationwide recreational activities.

Unfortunately, the effects of the pandemic have had a negative impact on the corporate welfare plan because the contraction in the company's performance will not make it possible to transform bonuses into goods and services. Also, some services such as the canteen and changing rooms have been repeatedly closed because of the risk of spreading the virus.

Other forms of welfare aimed at protecting the health of workers and work-life balance, such as the introduction of flexible working arrangements and periodic analyses of the risk of Covid-19 infection through serological tests and molecular and antigen swab tests, were also introduced as a result of the health crisis.

Finally, in 2020, welfare services regulated by the second-tier of the collective labour agreement were confirmed including pension fund supplements, reimbursements for day care services, schools, universities, school textbook reimbursements, summer camp reimbursements and the use of spending vouchers.

## Benefits and remuneration

The Group's remuneration policy is based on incentive schemes designed to recognise the commitment and merits of employees, while, at the same time encouraging a sense of belonging, attracting excellent resources from 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 and organisational characteristics of the Group and with the market in which it operates. This remuneration envisages an annual fixed component and a variable component, linked to the achievement of specific earnings based and non-earnings based performance objectives. The variable component of remuneration is paid upon the achievement of predetermined earnings and/or individual targets, by means of two incentive schemes, one of which is short term (MBO) that envisages the award of an annual bonus based on the achievement of quantitative and qualitative objectives, while the other is medium to long term (LTI) and envisages the payment of a three-year bonus subject to the achievement of earnings and financial targets.

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

## Diversity and social inclusion

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

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

Table 13. Percentage of employees by labour category and gender<sup>29</sup>

| Labour category  | AT 31 DECEMBER 2020 |              |               | AT 31 DECEMBER 2019 |              |               |
|------------------|---------------------|--------------|---------------|---------------------|--------------|---------------|
|                  | Men                 | Women        | Total         | Men                 | Women        | Total         |
| White Collar     | 51.3%               | 12.1%        | 63.4%         | 53.6%               | 12.8%        | 66.4%         |
| Blue Collar      | 36.0%               | 0.6%         | 36.6%         | 33.2%               | 0.4%         | 33.6%         |
| <b>Total (%)</b> | <b>87.3%</b>        | <b>12.7%</b> | <b>100.0%</b> | <b>87.0%</b>        | <b>13.0%</b> | <b>100.0%</b> |

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

| Labour category  | AT 31 DECEMBER 2020 |                 |               |               |
|------------------|---------------------|-----------------|---------------|---------------|
|                  | <30 years old       | 30-50 years old | >50 years old | Total         |
| White Collar     | 6.7%                | 40.8%           | 15.9%         | 63.4%         |
| Blue Collar      | 8.6%                | 20.8%           | 7.2%          | 36.6%         |
| <b>Total (%)</b> | <b>15.3%</b>        | <b>61.6%</b>    | <b>23.1%</b>  | <b>100.0%</b> |

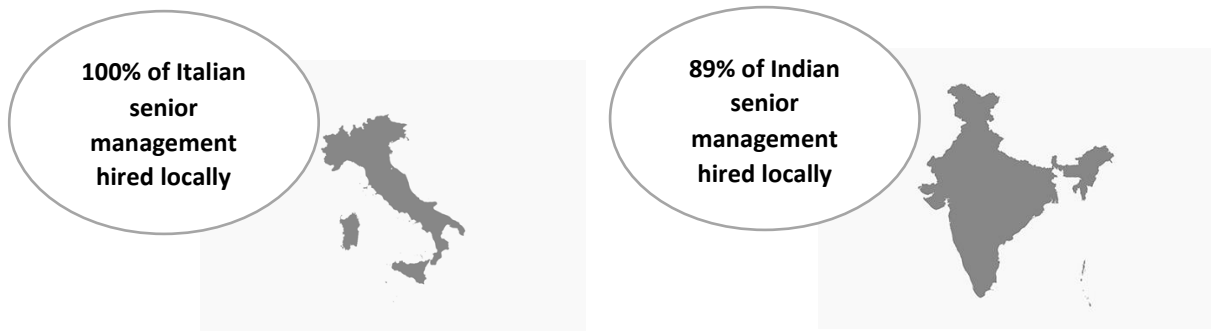
| Labour category  | AT 31 DECEMBER 2019 |                 |               |               |
|------------------|---------------------|-----------------|---------------|---------------|
|                  | <30 years old       | 30-50 years old | >50 years old | Total         |
| White Collar     | 8.7%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

A sign of the commitment to develop an organisation that is as multicultural as possible and mindful of local sensitivities is the prevalence of senior managers hired locally<sup>30</sup>. Furthermore, this approach makes it possible to contribute indirectly to the generation of further value in the regions in which the Group operates.

<sup>29</sup> In order to consistently present Biesse Group's employees, the "white collar" category comprises professional members of staff that hold positions as manager, mid-manager and office staff, whereas the "blue collar" category comprises professional members of staff assigned to workers' functions.

<sup>30</sup> This figure relates to the significant locations of operations: *Italy and India*.

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



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

## Covid-19 Emergency: Building a Safer Future Together



**"Building a Safer Future Together"** consists of a series of initiatives undertaken by the Group in response to the Coronavirus pandemic, both at the project level aimed at the main stakeholders, and in terms of communications aimed at sharing details of the activities undertaken and strengthening digital relations. The following actions were taken:

- Preparation of press releases and videos to establish and maintain ongoing relations with all stakeholders and provide direct, clear and timely information in response to the evolving global scenario.
- The "Be Safe" project to inform and communicate to the parties involved, through online and offline tools, the actions implemented by the Group to ensure the safety of its personnel.
- A new section on the corporate website, called "Let's Do More", has been created to illustrate Biesse Group's commitment to fight Covid-19, to deal promptly with the emergency and to ensure the safety of people through communications. The same has been implemented for internal communication; in fact, the Group has created a newsletter for employees aimed at facilitating and supporting communication during a dramatic situation in which social distancing is the norm.
- The company became a member of *"Insieme per Marche Nord"*, an association set up to deal with the Covid-19 emergency. Biesse donated Euro 100,000 which, together with other contributions from local businesses coordinated by Confindustria Pesaro Urbino, made it possible for the "Ospedali Riuniti Marche Nord" hospital to purchase the first ventilators and devices with a system for measuring vital signs, an essential piece of technology for managing the most critical patients. The Group also coordinated a fundraising campaign, inviting local businesses to raise awareness of the project so that we could achieve, working together, other important objectives to support healthcare.
- Creation of personal protective equipment which Biesse Group donated to the Ospedali Riuniti Marche Nord. The Group donated visors manufactured entirely by Biesse: the visor frame is 3D printed at the Via della Meccanica plant and the transparent protective shield is produced by Axxembla, a unit of the Group that manufactures protective structures for machine safety, using Rover A Plast FT, a Biesse solution for processing high-tech materials.
- Regarding corporate governance, the Group signed a workplace safety protocol, even before the ministerial directives were issued, in complete synergy with the social partners and institutions. An

innovative and comprehensive safety plan was also introduced, which includes an extensive smart working programme, periodic serological screening for employees, a plan for the periodic sanitisation of work areas, new working hours to avoid gatherings, monitoring of temperatures at the entrances to the workplace, mandatory use of personal protective equipment, training and more.

- A central safety management committee has been set up to ensure the highest standards, not only at the head office but also at the subsidiaries around the world, and that can quickly intervene when the situation changes.

### **From traditional events to digital meetings - how the company organised itself to continue connecting with customers.**

Following the spread of the Covid-19 pandemic in Italy and around the world which led to the cancellation or postponement of scheduled trade fairs, the Group quickly rethought and implemented new strategies to ensure business continuity and to continue to cultivate its relationships with customers, offering them new content and new ways of interacting with the company, specialists and the technologies.

Remote demos were set up to allow customers to watch technology demonstrations from home. The format "*Tech Talk - Idee per ricominciare*" (Tech Talk - Ideas for a new start) was also launched with live webinars covering a variety of topics ranging from specialised information on a technology, to advice and ideas on how to manage the emergency and take advantage of every opportunity offered by the restart, making the Group's expertise available to customers.

In June 2020, the Group organised "E-vent: Digital in Action", Biesse Group's first digital event and a unique opportunity to learn about all the latest innovations in the wood and technological materials industry. Biesse Group, through an innovative digital platform, offered training webinars and live demonstrations; major innovations in terms of technologies, software and training activities, which are the result of continuous investments in innovation, research and development and training.

"Inside in action", which ran from 5 to 30 October at the Pesaro campus and on the Group's website, is the physical and virtual event through which customers and visitors were presented with the latest machining solutions. A *Digital Arena* was created and offered to customers. This is a virtual venue dedicated to the wood, technological materials, glass and stone industries, where customers will find content, share inspiring updates and be encouraged to exchange ideas.

## Biesse Group and the communities

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

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

### Social commitment

The main social initiatives promoted by the Group in 2020 are the following:

#### ***Insieme per Marche Nord: Biesse Group joins in to support the “Ospedali Riuniti Marche Nord” hospital***

The company joined the initiative "Insieme per Marche Nord" (Together for Marche Nord), an association set up by local entrepreneurs and private citizens, in agreement with the "Ospedali Riuniti Marche Nord" hospital, to support the hospital in dealing with the Coronavirus emergency. Through this initiative, the first ventilators and other equipment needed to set up the intensive care unit of the Marche Nord hospital were purchased.

#### **Let's Do More: Biesse Group donates Euro 100,000 to the San Salvatore Hospital in Pesaro and launches a fundraising campaign to support the surrounding area**

During the Covid-19 emergency, Biesse donated Euro 100,000 which, together with other contributions from local businesses organised by Confindustria Pesaro Urbino, made it possible for the San Salvatore Hospital in Pesaro to purchase devices with a system for measuring vital signs, an essential piece of technology for managing the most critical patients. At the same time, the Group sponsored a fundraising campaign, the proceeds of which were used to purchase new equipment for the San Salvatore Hospital.

The group shared its expertise and technology to internally produce, using a 3D printer, personal protection visors that protect the face against infection which were donated to the Ospedali Riuniti Marche Nord group of hospitals.

### **Biesse Manufacturing India**

In 2020, Biesse Manufacturing India contributed to the construction of a new school near Nelamangala, Bangalore, which aims to increase and improve the education of future generations.

### **Biesse America**

Employees participated in the eighth annual Blessing Box project, donating food for a complete Christmas dinner to over 200 local families.

## The educational value of sports

Biesse Group believes in the importance of promoting sports culture as an educational and aggregative element for young people, thus offering them an opportunity to engage and test themselves, in a healthy and constructive manner. For this reason, the Group has confirmed its support for various local sports clubs, focusing particularly on youth. In 2020, it actively supported Team Vis Sauro Nuoto (swimming team), Victoria Libertas Pallacanestro (basketball team), Bees Basketball, Pesaro rugby, Robursport women's volleyball team, GS Muraglia Calcio (football team), VIS Pesaro (football team) and other sports clubs.

## Support for the "Amici dell'ippoterapia" equine therapy association

Through "Amici dell'ippoterapia" equine therapy association, the Group supports projects and courses for people of all ages with mental, physical or relational problems, be they specific or general, who may benefit from such an activity.

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

Thanks to an active contribution by Banco Alimentare and Caritas, unconsumed food in the company canteen on the Pesaro campus is recovered under a project inspired by circular economy models, thus fighting waste and making good use of food that would otherwise have been discarded. **Banco Alimentare** recovers hot meals, bread, desserts, fruit and vegetables from the company canteen three times a week and, thanks to its volunteers, it redistributes them locally the same day, thus offering tangible, constant support to the needy. Thanks to a constant relationship with the Group, **Caritas** also collects, on a daily basis, excess food from the canteen, with which it provides support to "Casa Tabanelli", an emergency reception centre located in Pesaro, thus guaranteeing a meal every day to the centre's guests. Although activities in 2020 were limited by the closure of the company canteen for most of the year, approximately **1,920 full meals** were recovered.

## Synergy between school and business

Biesse has established a partnership with the Professional Institute "Industry and Craftsmanship for Made in Italy", Wood-Furnishings Sector, Bramante-Genga of Pesaro to train and support the craftsmen of the future. The project is a practical demonstration of how school and industry can seamlessly work together in perfect harmony. The collaboration between these organisations, which focuses on the sharing of technologies, human resources and expertise to confront the many challenges of change, began in early 2020 with the aim of launching the Woodworker and Design Draftsman (IeFP) course. There are already two classes underway in the Professional "Wood-Furnishings" programme which continue to be held, albeit in a completely different setting due to the pandemic, using new collaboration tools such as virtual visits, technological platforms and much more. Over the course of the school year, and in the years following qualification and specialisation, the project features meetings with companies, a focus on technological solutions and machine management programmes, and much more.

## Institutional communication and transparency

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

In pursuit of the same objective, the Group has adopted a policy, which sets out the rules for use of brands and guidelines for the application of visuals, as well as for various communication tools, such as letter heading, trade fairs, product catalogues and digital communication. Furthermore, internal guidelines have been prepared for communication via social networks, in order to enable each employee to make best use of this communication tool and to make contact, in a responsible manner, with Biesse Group's and the divisions' social media.

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

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 and dissemination through the appropriate channels. The financial press releases deemed to be of more value to stakeholders, containing financial data or statements on the Group's performance, are also published on the internal communications channels.

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

It should be noted that, in 2020, no cases arose of non-compliance with voluntary regulations and codes concerning communications and marketing.

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

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

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

As at 31 December 2020, the Group's social media management had achieved the following results on the above channels:

**Facebook**

- Number of posts published: 405
- Number of followers: 18,396
- Increase in followers (compared to 2019): +16%
- Interactions: 68,518

**Twitter**

- Number of posts published: 237
- Number of followers: 2,584
- Increase in followers (compared to 2019) +10%
- Interactions: 2,476

**LinkedIn**

- Number of posts published: 361
- Number of followers: 42,139
- Increase in followers (compared to 2019) +22%
- Interactions: 73,711

**Instagram**

- Number of posts published: 146



- Number of followers: 13,944
- Increase in followers (compared to 2019) +43%
- Interactions: 51,015

### **YouTube**

- Total channel subscribers: 11,954
- Increase in followers (compared to 2019): +19.73%
- Total number of views: 599,488
- Total viewing time (hours): 20,977
- Average viewing time (minutes): 01:54:00
- Number of videos published: 70

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

# Environmental Sustainability

In a nutshell:

- ✓ **CO<sub>2</sub> emissions -70%** (Scope 2 market-based) compared to 2019
- ✓ **100% of electricity** purchased from renewable sources with guarantees of origin for the Group's Italian companies
- ✓ **4,893 tonnes of CO<sub>2</sub>** avoided through the purchase of electricity from renewable sources with guarantees of origin for the Group's Italian companies (Scope 2 market-based)
- ✓ **16,500 m<sup>2</sup>** of photovoltaic panels installed
- ✓ **560 tonnes of CO<sub>2</sub>** avoided through the use of photovoltaic panels
- ✓ **90%** of waste products are non-hazardous
- ✓ Various **energy efficiency improvement** schemes implemented and planned as part of the environmental management system

## Approach to environmental management

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

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

- **Natural resource savings**

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

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

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

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

- **Compliance with relevant legislation**

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

## Energy consumption and emissions

### Energy management

The focus on efficient management of energy consumption has led Biesse Group to address the reduction of direct and indirect emissions and to achieve savings in economic terms; 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. In compliance with Legislative Decree 102/2014 (that transposes EU Directive 27/2012 concerning energy efficiency), due to the fact that Biesse S.p.A. is a “Large Enterprise”, energy audits are conducted every three years on Biesse S.p.A.'s main manufacturing plants.

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

**Electricity** used by the Group is mainly for the supply of power for production cycles in manufacturing plants and, to a lesser extent, for offices and services. Total electricity consumed in 2020 corresponds to approximately 56,219 GJ, a decrease of approximately 15% compared to the 2019 figure. As a sign of the Group's commitment to contribute to a sustainable, decarbonised economy, effective 2020, all of the Italian companies of the Group have purchased electricity from GO (guarantee of origin) certified renewable sources, with the aim of significantly reducing indirect Scope 2 market-based CO<sub>2</sub> emissions. Thanks to this commitment, in 2020 approximately 65% of the total electricity purchased by the Biesse Group came from renewable sources.

Table 15. Electricity consumption (GJ)

|  | 2020              | 2019              |
|--|-------------------|-------------------|
| Nature of consumption <sup>31</sup>                                  | Consumption in GJ | Consumption in GJ |
| Electricity purchased  | 53,362            | 63,237            |
| <i>Of which from renewable sources</i>                               | <i>35,208</i>     | <i>0</i>          |
| Electricity self-produced and consumed from renewable energy sources | 2,857             | 3,227             |
| <b>Total electricity consumption</b>                                 | <b>56,219</b>     | <b>66,464</b>     |

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

In 2020, a new photovoltaic system was commissioned on the Pesaro campus. This system now covers a total area of approximately 16,500 m<sup>2</sup> and has a total installed capacity of 1,265 KWp. The expansion of the photovoltaic systems allows the Group to further reduce its dependence on the grid for its energy purchases and lower the impact on costs. In 2020 about 1,000 MWh of clean energy was generated, providing 11.8% of Biesse S.p.A.'s electricity requirements.

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

- completion of the centralised power factor correction for the production plants located on the Pesaro campus and the expansion of the automatic electricity consumption monitoring system;

<sup>31</sup> GJ conversion factors used in 2020 are based on 2020 UK Government GHG Conversion Factors for Company Reporting.

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

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

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

Table 16. Classification of energy consumption within Biesse Group

|   | 2020              | 2019              |
|---|-------------------|-------------------|
| Energy source <sup>32</sup>                                       | Consumption in GJ | Consumption in GJ |
| Petrol (for haulage)  | 4,909             | 5,488             |
| Diesel  | 35,803            | 47,554            |
| <i>of which: for haulage</i>                                      | <i>31,950</i>     | <i>42,548</i>     |
| Natural gas (for heating)   | 54,899            | 52,847            |
| LPG   | 1,484             | 1,276             |
| Total electricity consumed (plant operation, offices and cooling) | 56,219            | 66,464            |
| <i>of which purchased</i>   | <i>53,362</i>     | <i>63,237</i>     |
| <i>of which purchased from renewable sources</i>                  | <i>35,208</i>     | <i>0</i>          |
| <i>of which self-produced from renewable energy sources</i>       | <i>4,140</i>      | <i>3,988</i>      |
| <i>→ of which sold</i>  | <i>(1,283)</i>    | <i>(762)</i>      |
| <b>Total energy consumption</b>                                   | <b>153,314</b>    | <b>173,629</b>    |
| <b>of which: from renewable energy sources</b>                    | <b>38,065</b>     | <b>3,227</b>      |

Total energy consumption decreased compared to the previous year.

<sup>32</sup> GJ conversion factors used in the 2020 are based on 2020 UK Government GHG Conversion Factors for Company Reporting.

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

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

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

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

In particular, as regards direct emissions (Scope 1), Biesse Group produced a total of approximately 5,600 tonnes of CO<sub>2</sub>e, a decrease of 12% compared to last year.

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

|   | 2020                                    | 2019                                    |
|---|---|---|
| Nature of emission                                    | Emissions (tonnes of CO <sub>2</sub> e) | Emissions (tonnes of CO <sub>2</sub> e) |
| <b>Total direct emissions (Scope 1)</b> <sup>33</sup> | <b>5,613</b>                            | <b>6,381</b>                            |
| of which: due to natural gas                          | 2,802                                   | 2,698                                   |
| of which: due to diesel                               | 2,410                                   | 3,250                                   |
| → of which: due to diesel for haulage                 | 2,135                                   | 2,893                                   |
| of which: due to petrol for haulage                   | 313                                     | 357                                     |
| of which: due to LPG                                  | 88                                      | 76                                      |

In relation to indirect emissions (Scope 2), emissions of CO<sub>2</sub> produced in 2020 amount to approximately 2,712 tonnes (market-based method), a decrease of 70% compared to 2019. Moreover, in 2020, 4,893 tonnes of CO<sub>2</sub> (Scope 2 - market-based method) were avoided through the purchase of electricity from renewable sources with guarantees of origin for the Group's Italian companies. This is in line with the Group's commitment to progressively contribute to the transition towards a sustainable and decarbonised economy. Furthermore, electricity produced by photovoltaic plants in 2020 made it possible to reduce CO<sub>2</sub> atmospheric emissions by a total of approximately 560 additional tonnes<sup>34</sup>. The reduction in atmospheric CO<sub>2</sub> emissions recorded in 2020 is also linked, though minimally, to the performance of the Group's operations, particularly in relation to the impact of the Covid-19 pandemic and the gradual reduction in operations at the Chinese production facility.

<sup>33</sup> Conversion factors used for the computation of 2020 Scope 1 emissions are based on 2020 UK Government GHG Conversion Factors for Company Reporting.

<sup>34</sup> To determine the tonnes of CO<sub>2</sub> not emitted into the atmosphere, use was made of conversion coefficients indicated by AIB's European Residual Mixes 2019. The figure comprises CO<sub>2</sub> avoided as a result of self-produced energy by the plants owned by Biesse and the unowned plant used by Montresor & Co. S.r.l.

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

| Nature of emission <sup>35</sup>  | 2020                                   | 2019                                   |
|---|--|--|
|   | Emissions (tonnes of CO <sub>2</sub> ) | Emissions (tonnes of CO <sub>2</sub> ) |
| <b>Total indirect emissions (Scope 2)<sup>36</sup><br/>(location based)</b> | <b>6,052</b>                           | <b>7,634</b>                           |
| <b>Total indirect emissions (Scope 2)<sup>37</sup><br/>(market based)</b>   | <b>2,712</b>                           | <b>9,154</b>                           |

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

<sup>35</sup>Scope 2 emissions are expressed in tonnes of CO<sub>2</sub>, although, according to relevant technical literature, the percentage included for natural gas and nitrous oxide has a negligible effect on total greenhouse gas emissions (CO<sub>2</sub> equivalent).

<sup>36</sup> For the purpose of the computation of 2020 Scope 2 emissions (location based method), use was made of the emission factors indicated by Terna's 2018 International comparison (figures at 31 December).

<sup>37</sup> For the purpose of the computation of 2020 Scope 2 emissions (market based method), use was made of the emission factors indicated by AIB's European Residual Mixes 2019 for European countries and the emission factors indicated in the previous note for the other countries in which Biesse Group operates.

## Materials used and waste management

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

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

With a view to continuous improvement and efficiency gains in production systems, Biesse Group has almost entirely eliminated the disposal of materials at rubbish dumps, through recovery and recycling, and through the rationalisation of raw materials used. With specific reference to wood panels used for machinery testing, in order to reduce the quantity that needs to be disposed of, a policy has been implemented, at the Group's main units, for the intelligent and responsible reuse of materials.

Moreover, Biesse undertakes, as much as possible, to use ecological, recyclable packaging for the shipment of spare parts, by passing from solutions such as expanded foam and plastic adhesive tape to filler cardboard and paper adhesive tape.

In 2020, Biesse Group produced over 2,100 tonnes of waste, of which approximately 90% consisted of non-hazardous waste.

Table 19. Classification of waste by type and by disposal method<sup>38</sup>

|                        |                     |            |               | 2020         |
|------------------------|---------------------|------------|---------------|--------------|
| Disposal method        | Unit of measurement | Hazardous  | Non-hazardous | Total        |
| Recycling              | t                   | 0          | 265           | 265          |
| Recycling and disposal | t                   | 100        | 1,638         | 1,738        |
| Incineration           | t                   | 38         | 0             | 38           |
| Rubbish dump           | t                   | 3          | 5             | 8            |
| Storage                | t                   | 54         | 27            | 81           |
| Other                  | t                   | 18         | 32            | 50           |
| <b>Total</b>           | <b>t</b>            | <b>213</b> | <b>1,967</b>  | <b>2,180</b> |

|                        |                     |            |               | 2019         |
|------------------------|---------------------|------------|---------------|--------------|
| Disposal method        | Unit of measurement | Hazardous  | Non-hazardous | Total        |
| Recycling              | t                   | 5          | 215           | 220          |
| Recycling and disposal | t                   | 12         | 2,210         | 2,221        |
| Incineration           | t                   | 19         | 3             | 21           |
| Rubbish dump           | t                   | 5          | 33            | 38           |
| Storage                | t                   | 60         | 40            | 100          |
| Other                  | t                   | 126        | 31            | 158          |
| <b>Total</b>           | <b>t</b>            | <b>228</b> | <b>2,530</b>  | <b>2,758</b> |

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 can give 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

<sup>38</sup> A new calculation methodology was adopted in 2018 for amounts relating to waste produced by Biesse Group's foreign non-manufacturing subsidiaries that have been estimated based on prior year average waste figures for the most representative subsidiaries and on employee numbers. By adopting this methodology, approximately 13% of total waste produced is based on estimates.



available. As with other components, reconditioned parts are also 100% guaranteed and meet the same quality and reliability standards applicable to new products. Lastly, the reuse of used components is also a gesture of respect for and awareness of the environment in which we live since it translates into energy consumption and material savings.

## Management of water resources

The Group plans to develop strategies to improve the management of water resources, even though it does not need huge quantities of water for its production cycles, as a matter of respect for this precious resource for the well-being of the community.

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. Biesse S.p.A. uses a closed circuit purification system for the water used in the production process so that it can be reused in the process itself and reduce water withdrawals for process purposes to a minimum.

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

In 2020, the amount of water withdrawn decreased by 21% to 60.14 ML compared to approximately 76.13 ML in 2019.

All the water withdrawn comes from aqueducts or wells. With regard to the management of impacts related to water discharges, the Group complies with the standards required by the regulations in force in each place where it operates.

Table 20. Classification of water withdrawn by Biesse Group by source<sup>39</sup>

| Unit of measurement ML |              | 2020                          |              | 2019                          |  |
|------------------------|--------------|-------------------------------|--------------|-------------------------------|--|
| Source                 | Total        | Of which water-stressed areas | Total        | Of which water-stressed areas |  |
| Well                   | 37.19        | 19.30                         | 41.11        | 22.46                         |  |
| Water from aqueduct    | 22.95        | 10.52                         | 35.02        | 15.16                         |  |
| <b>Total</b>           | <b>60.14</b> | <b>29.82</b>                  | <b>76.13</b> | <b>37.62</b>                  |  |

<sup>39</sup> A new calculation methodology was adopted in 2018 for amounts relating to water withdrawals by Biesse Group's foreign non-manufacturing subsidiaries that have been estimated based on prior year water withdrawal figures for the most representative subsidiaries and on employee numbers. By adopting this methodology, approximately 9% of total water withdrawals is based on estimates. Water withdrawal data are reported in a manner consistent with the instructions in the new topic-specific disclosure GRI 303-3 (2018) "Water withdrawal". As a result, the 2020 data have been restated to be consistent with the new guidelines to facilitate the comparability of information. The World Resource Institute's online 'Aqueduct' tool was used to assess the level of water stress. With respect to water withdrawals, based on available information, it is estimated that all water withdrawn is freshwater ( $\leq 1,000$  mg/L total dissolved solids) and that for third-party water resources in water-stressed areas, approximately 95% is groundwater and the remaining 5% is surface water.

# Boundaries and impact of material topics

| Material Topics  | Boundaries of the impact   | Role of Biesse Group  |
|--|--|---|
| Economic Performance   | Biesse Group   | Caused by Biesse Group  |
| Reliability, safety and constant innovation of products and services | Biesse Group, Suppliers, Research Centres, Universities                                | Caused by Biesse Group<br>Directly associated with Biesse Group through a business relationship |
| Customer relationship and customer satisfaction                      | Biesse Group   | Caused by Biesse Group  |
| Management and development of human resources                        | Biesse Group   | Caused by Biesse Group  |
| Health and safety of employees                                       | Biesse Group, with particular reference to the production plants <sup>40</sup>         | Caused by Biesse Group  |
| Human rights   | Biesse Group, Suppliers  | Caused by Biesse Group<br>Directly associated with Biesse Group through a business relationship |
| Business ethics and integrity  | Biesse Group   | Caused by Biesse Group  |
| Corporate Welfare  | Biesse Group   | Caused by Biesse Group  |
| Energy consumption   | Biesse Group, with particular reference to the production plants                       | Caused by Biesse Group  |
| Responsible marketing  | Biesse Group   | Caused by Biesse Group  |
| Risk management and compliance                                       | Biesse Group   | Caused by Biesse Group  |
| Cyber security   | Biesse Group   | Caused by Biesse Group<br>Directly associated with Biesse Group through a business relationship |
| Indirect economic impacts  | Biesse Group, Suppliers  | Directly associated with the Group through a business relationship                              |
| Sustainable management of the supply chain                           | Biesse Group, with particular reference to manufacturing suppliers                     | Caused by Biesse Group  |
| Anti-corruption  | Biesse Group   | Caused by Biesse Group  |
| Sustainable management of materials, waste and water resources       | Biesse Group, with particular reference to the production plants                       | Caused by Biesse Group  |
| Relationships with local communities                                 | Biesse Group   | Caused by Biesse Group  |
| Diversity and social inclusion                                       | Biesse Group   | Caused by Biesse Group  |
| Atmospheric emissions and climate change                             | Biesse Group, with particular reference to production plants and Electricity suppliers | Caused by Biesse Group<br>Directly associated with the Group through a business relationship    |
| Industrial relations   | Biesse Group, Relations with the unions  | To which the Group contributes  |

<sup>40</sup> Data on the health and safety of external workers include only the "temporary employee" category and not other types of non-employee personnel working at the Group's sites and/or under the Group's control because of their significance and the availability of such data over which the Group does not exercise direct control.

# GRI: Content index

| GRI Standard                             | Disclosure   | Page                                | Omission | Notes  |
|--|--|-------------------------------------|----------|--|
| <b>GRI 101 FOUNDATION (2016)</b>         |  |                                     |          |  |
| <b>GRI 102 GENERAL DISCLOSURE (2016)</b> |  |                                     |          |  |
| <b>ORGANISATIONAL PROFILE</b>            |  |                                     |          |  |
| <b>102: General Disclosures (2016)</b>   | <b>102-1</b> Name of the organisation                                      | 4                                   |          |  |
|  | <b>102-2</b> Main brands, products and services                            | 10; 13-15                           |          |  |
|  | <b>102-3</b> Location of headquarters                                      | 10                                  |          |  |
|  | <b>102-4</b> Location of operations  | 13-15                               |          |  |
|  | <b>102-5</b> Ownership and legal form                                      | 4; 13; 16                           |          |  |
|  | <b>102-6</b> Markets served  | 10; 13-16                           |          |  |
|  | <b>102-7</b> Scale of the organisation                                     | 13-14;<br>16; 37-40; 55             |          |  |
|  | <b>102-8</b> Information on employees and other workers                    | 55                                  |          |  |
|  | <b>102-9</b> Supply chain  | 50-53                               |          |  |
|  | <b>102-10</b> Significant changes to the organisation and its supply chain | 4; 50-53                            |          |  |
|  | <b>102-11</b> Precautionary Principle or approach                          | 21-23                               |          |  |
|  | <b>102-12</b> External initiatives   | 6; 24; 41-43; 45                    |          |  |
|  | <b>102-13</b> Membership of associations                                   | 42-43                               |          |  |
| <b>STRATEGY</b>                          |  |                                     |          |  |
| <b>102: General Disclosures (2016)</b>   | <b>102-14</b> Statement from senior decision-maker                         | 2                                   |          |  |
| <b>ETHICS AND INTEGRITY</b>              |  |                                     |          |  |
| <b>102: General Disclosures (2016)</b>   | <b>102-16</b> Values, principles, standards, and norms of Behaviour        | 10-12;<br>19-21;<br>24-27;<br>50-51 |          |  |
| <b>GOVERNANCE</b>                        |  |                                     |          |  |
| <b>102: General Disclosures (2016)</b>   | <b>102-18</b> Governance structure   | 13; 16-18                           |          |  |
| <b>STAKEHOLDER ENGAGEMENT</b>            |  |                                     |          |  |
| <b>102: General Disclosures (2016)</b>   | <b>102-40</b> List of stakeholder groups                                   | 28-31                               |          |  |
|  | <b>102-41</b> Collective bargaining agreements                             | 63                                  |          | As far as the Italian Group companies are concerned, it should be noted that 100% of employees are covered by collective labour agreements. At Group level, approximately 62% of employees are |

|   |  |                 |  |  |
|---|--|-----------------|--|--|
|   |  |                 |  | covered by collective labour agreements. |
|   | <b>102-42</b> Identifying and selecting Stakeholders   | 15; 28-31       |  |  |
|   | <b>102-43</b> Approach to stakeholder engagement   | 28-31           |  |  |
|   | <b>102-44</b> Key topics and concerns raised   | 28-35           |  |  |
| <b>REPORTING PRACTICE</b>   |  |                 |  |  |
| <b>102: General Disclosures (2016)</b>                                      | <b>102-45</b> Entities included in the consolidated financial statements                                   | 4-5; 13         |  |  |
|   | <b>102-46</b> Defining report content and topic boundaries   | 4-5             |  |  |
|   | <b>102-47</b> List of material topics  | 33; 81          |  |  |
|   | <b>102-48</b> Restatements of information  | 4-5; 55; 61; 80 |  |  |
|   | <b>102-49</b> Changes in reporting   | 4-5             |  |  |
|   | <b>102-50</b> Reporting period   | 4-5             |  |  |
|   | <b>102-51</b> Date of most recent report   | 4-5             |  |  |
|   | <b>102-52</b> Reporting cycle  | 4-5             |  |  |
|   | <b>102-53</b> Contact point for questions regarding the report   | 4-5             |  |  |
|   | <b>102-54</b> Claims of reporting in accordance with the GRI Standards                                     | 4-5             |  |  |
|   | <b>102-55</b> GRI content index  | 82-87           |  |  |
|   | <b>102-56</b> External assurance   | 4-5; 88-90      |  |  |
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|   | <b>103-2</b> The management approach and its components  | 36-40           |  |  |
|   | <b>103-3</b> Evaluation of the management approach   | 4-6; 36-40      |  |  |
| <b>201: Economic Performance (2016)</b>                                     | <b>201-1</b> Direct economic value generated and distributed   | 39-40           |  |  |
| <b>RELIABILITY, SAFETY AND CONSTANT INNOVATION OF PRODUCTS AND SERVICES</b> |  |                 |  |  |
| <b>103: Management Approach (2016)</b>                                      | <b>103-1</b> Explanation of the material topic and its boundary  | 33; 81          |  |  |
|   | <b>103-2</b> The management approach and its components  | 41-49           |  |  |
|   | <b>103-3</b> Evaluation of the management approach   | 4-6; 41-49      |  |  |
| <b>416: Customer health and safety (2016)</b>                               | <b>416-2</b> Incidents of non-compliance concerning the health and safety impacts of products and services | 19              |  |  |
| <b>CUSTOMER RELATIONSHIP AND CUSTOMER SATISFACTION</b>                      |  |                 |  |  |
| <b>103: Management Approach (2016)</b>                                      | <b>103-1</b> Explanation of the material topic and its boundary  | 33; 81          |  |  |
|   | <b>103-2</b> The management approach and its components  | 46-49           |  |  |
|   | <b>103-3</b> Evaluation of the management approach   | 46-49           |  |  |
| <b>MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES</b>                        |  |                 |  |  |
| <b>103: Management Approach (2016)</b>                                      | <b>103-1</b> Explanation of the material topic and its boundary  | 33; 81          |  |  |
|   | <b>103-2</b> The management approach and its components  | 54-66           |  |  |

|   |  |              |   |  |
|---|--|--------------|---|--|
|   | <b>103-3</b> Evaluation of the management approach   | 4-6; 54-66   |   |  |
| <b>401: Employment (2016)</b>                     | <b>401-1</b> New employee hires and employee turnover  | 56-58        |   |  |
| <b>404: Training and Education (2016)</b>         | <b>404-1</b> Average hours of training per year per employee   | 59-60        |   |  |
| <b>HEALTH AND SAFETY OF EMPLOYEES</b>             |  |              |   |  |
| <b>103: Management Approach (2016)</b>            | <b>103-1</b> Explanation of the material topic and its boundary  | 33; 81       |   |  |
|   | <b>103-2</b> The management approach and its components  | 61-62        |   |  |
|   | <b>103-3</b> Evaluation of the management approach   | 4-6; 61-62   |   |  |
| <b>403: Occupational health and safety (2018)</b> | <b>403-1</b> Occupational health and safety management system  | 61-62        |   |  |
|   | <b>403-2</b> Hazard identification, risk assessment, and incident investigation  | 61-62        |   |  |
|   | <b>403-3</b> Occupational health services  | 61-62        |   |  |
|   | <b>403-4</b> Worker participation, consultation, and communication on occupational health and safety                       | 62-63        |   |  |
|   | <b>403-5</b> Worker training on occupational health and safety   | 58-59; 62-63 |   |  |
|   | <b>403-6</b> Promotion of worker health  | 61-64        |   |  |
|   | <b>403-7</b> Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | 41-42; 61-62 |   |  |
|   | <b>403-9</b> Work-related injuries   | 62           |   |  |
| <b>HUMAN RIGHTS</b>                               |  |              |   |  |
| <b>103: Management Approach (2016)</b>            | <b>103-1</b> Explanation of the material topic and its boundary  | 33; 81       |   |  |
|   | <b>103-2</b> The management approach and its components  | 21           |   |  |
|   | <b>103-3</b> Evaluation of the management approach   | 4-6; 21      |   |  |
| <b>412: Human Rights Assessment (2016)</b>        | <b>412-1</b> Operations that have been subject to human rights reviews or impact assessments                               | 21           |   |  |
| <b>BUSINESS ETHICS AND INTEGRITY</b>              |  |              |   |  |
| <b>103: Management Approach (2016)</b>            | <b>103-1</b> Explanation of the material topic and its boundary  | 33; 81       |   |  |
|   | <b>103-2</b> The management approach and its components  | 19-21        |   |  |
|   | <b>103-3</b> Evaluation of the management approach   | 4-6; 19-21   |   |  |
| <b>206: Anticompetitive behavior (2016)</b>       | <b>206-1</b> Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices                              | 21           |   |  |
| <b>207: Tax (2019)</b>                            | <b>207-1</b> Approach to tax   | 20           |   |  |
|   | <b>207-2</b> Tax governance, control, and risk management  | 20           |   |  |
|   | <b>207-3</b> Stakeholder engagement and management of concerns related to tax  | 20           |   |  |
|   | <b>207-4</b> Country-by-country reporting  | -            | The Group is developing the reporting of the GRI 207-4 "Country-by-Country Reporting" specific disclosure. This disclosure is expected to be included in the financial year |  |

|  |   |                         | 2021 consolidated non-financial statement. |  |
|--|---|-------------------------|--|--|
| <b>ENERGY CONSUMPTION</b>                                |   |                         |  |  |
| <b>103: Management Approach (2016)</b>                   | <b>103-1</b> Explanation of the material topic and its boundary   | 33; 81                  |  |  |
|  | <b>103-2</b> The management approach and its components   | 75-76                   |  |  |
|  | <b>103-3</b> Evaluation of the management approach  | 4-6; 75-76              |  |  |
| <b>302: Energy (2016)</b>                                | <b>302-1</b> Energy consumption within the organisation   | 76                      |  |  |
| <b>CORPORATE WELFARE</b>                                 |   |                         |  |  |
| <b>103: Management Approach (2016)</b>                   | <b>103-1</b> Explanation of the material topic and its boundary   | 33; 81                  |  |  |
|  | <b>103-2</b> The management approach and its components   | 64-65                   |  |  |
|  | <b>103-3</b> Evaluation of the management approach  | 4-6; 64-65              |  |  |
| <b>401: Employment (2016)</b>                            | <b>401-2</b> Benefits provided to full-time employees that are not provided to temporary or part-time employees | 65                      |  |  |
| <b>RESPONSIBLE MARKETING</b>                             |   |                         |  |  |
| <b>103: Management Approach (2016)</b>                   | <b>103-1</b> Explanation of the material topic and its boundary   | 33; 81                  |  |  |
|  | <b>103-2</b> The management approach and its components   | 70-72                   |  |  |
|  | <b>103-3</b> Evaluation of the management approach  | 4-6; 70-72              |  |  |
| <b>417: Marketing and Labeling (2016)</b>                | <b>417-3</b> Incidents of non-compliance concerning marketing communications                                    | 71                      |  |  |
| <b>RISK MANAGEMENT AND COMPLIANCE</b>                    |   |                         |  |  |
| <b>103: Management Approach (2016)</b>                   | <b>103-1</b> Explanation of the material topic and its boundary   | 33; 81                  |  |  |
|  | <b>103-2</b> The management approach and its components   | 19-23                   |  |  |
|  | <b>103-3</b> Evaluation of the management approach  | 4-6; 19-23              |  |  |
| <b>307: Environmental Compliance (2016)</b>              | <b>307-1</b> Non-compliance with environmental laws and regulations   | 19                      |  |  |
| <b>419: Socioeconomic Compliance (2016)</b>              | <b>419-1</b> Non-compliance with laws and regulations in the social and economic area                           | 19                      |  |  |
| <b>INDIRECT ECONOMIC IMPACTS</b>                         |   |                         |  |  |
| <b>103: Management Approach (2016)</b>                   | <b>103-1</b> Explanation of the material topic and its boundary   | 33; 81                  |  |  |
|  | <b>103-2</b> The management approach and its components   | 37-40; 50-53            |  |  |
|  | <b>103-3</b> Evaluation of the management approach  | 4-6; 37-40; 50-53       |  |  |
| <b>203: Significant indirect economic impacts (2016)</b> | <b>203-2</b> Significant indirect economic impacts  | 25-26; 39-40; 55; 69-72 |  |  |
| <b>SUSTAINABLE MANAGEMENT OF THE SUPPLY CHAIN</b>        |   |                         |  |  |
| <b>103: Management Approach (2016)</b>                   | <b>103-1</b> Explanation of the material topic and its boundary   | 33; 81                  |  |  |
|  | <b>103-2</b> The management approach and its components   | 49-52                   |  |  |
|  | <b>103-3</b> Evaluation of the management approach  | 4-6; 50-53              |  |  |
| <b>204: Procurement Practices (2016)</b>                 | <b>204-1</b> Proportion of spending on local suppliers  | 52                      |  |  |

| SUSTAINABLE MANAGEMENT OF MATERIALS, WASTE AND WATER RESOURCES |   |            |  |  |
|--|---|------------|--|--|
| <b>103: Management Approach (2016)</b>                         | <b>103-1</b> Explanation of the material topic and its boundary                                     | 33; 81     |  |  |
|  | <b>103-2</b> The management approach and its components   | 79-80      |  |  |
|  | <b>103-3</b> Evaluation of the management approach  | 4-6; 79-80 |  |  |
| <b>303: Water and Effluents (2018)</b>                         | <b>303-1</b> Interactions with water as a shared resource   | 80         |  |  |
|  | <b>303-2</b> Management of water discharge-related impacts  | 80         |  |  |
|  | <b>303-3</b> Water withdrawal   | 80         |  |  |
| <b>306: Effluents and Waste (2016)</b>                         | <b>306-2</b> Waste by type and disposal method  | 79         |  |  |
| ANTI-CORRUPTION  |   |            |  |  |
| <b>103: Management Approach (2016)</b>                         | <b>103-1</b> Explanation of the material topic and its boundary                                     | 33; 81     |  |  |
|  | <b>103-2</b> The management approach and its components   | 19-20      |  |  |
|  | <b>103-3</b> Evaluation of the management approach  | 4-6; 19-20 |  |  |
| <b>205: Anti-corruption (2016)</b>                             | <b>205-3</b> Confirmed incidents of corruption and actions taken                                    | 20         |  |  |
| DIVERSITY AND SOCIAL INCLUSION                                 |   |            |  |  |
| <b>103: Management Approach (2016)</b>                         | <b>103-1</b> Explanation of the material topic and its boundary                                     | 33; 81     |  |  |
|  | <b>103-2</b> The management approach and its components   | 65-66      |  |  |
|  | <b>103-3</b> Evaluation of the management approach  | 4-6; 65-66 |  |  |
| <b>405: Diversity and Equal Opportunity (2016)</b>             | <b>405-1</b> Diversity of governance bodies and employees   | 17; 65     |  |  |
| <b>202: Market Presence (2016)</b>                             | <b>202-2</b> Proportion of senior management hired from the local community                         | 66         |  |  |
| RELATIONSHIPS WITH LOCAL COMMUNITIES                           |   |            |  |  |
| <b>GRI 103: Management Approach (2016)</b>                     | <b>103-1</b> Explanation of the material topic and its boundary                                     | 33; 81     |  |  |
|  | <b>103-2</b> The management approach and its components   | 69-70      |  |  |
|  | <b>103-3</b> Evaluation of the management approach  | 4-6; 69-70 |  |  |
| <b>413: Local communities (2016)</b>                           | <b>413-2</b> 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                       |   |            |  |  |
| <b>103: Management Approach (2016)</b>                         | <b>103-1</b> Explanation of the material topic and its boundary                                     | 33; 81     |  |  |
|  | <b>103-2</b> The management approach and its components   | 77-78      |  |  |
|  | <b>103-3</b> Evaluation of the management approach  | 4-6; 77-78 |  |  |
| <b>305: Emissions (2016)</b>                                   | <b>305-1</b> Direct (Scope 1) GHG emissions   | 77         |  |  |
|  | <b>305-2</b> Energy indirect (Scope 2) GHG emissions  | 78         |  |  |
| INDUSTRIAL RELATIONS   |   |            |  |  |
| <b>103: Management Approach (2016)</b>                         | <b>103-1</b> Explanation of the material topic and its boundary                                     | 33; 81     |  |  |
|  | <b>103-2</b> The management approach and its components   | 63         |  |  |
|  | <b>103-3</b> Evaluation of the management approach  | 4-6; 63    |  |  |

|   |   |         |  |  |
|---|---|---------|--|--|
| <b>402: Labor/Management Relations (2016)</b> | <b>402-1</b> 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. |
| <b>CYBER SECURITY</b>                         |   |         |  |  |
| <b>103: Management Approach (2016)</b>        | <b>103-1</b> Explanation of the material topic and its Boundary   | 33; 81  |  |  |
|   | <b>103-2</b> The management approach and its components   | 43-44   |  |  |
|   | <b>103-3</b> Evaluation of the management approach  | 4-6; 44 |  |  |
| <b>418: Customer Privacy (2016)</b>           | <b>418-1</b> Substantiated complaints concerning breaches of customer privacy and losses of customer data | 44      |  |  |



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

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

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Biesse S.p.A. and its subsidiaries (hereinafter "Biesse Group" or "Group") as of December 31, 2020 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 15, 2021 (hereinafter "NFS").

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

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

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

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

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

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

### Auditor's Independence and quality control

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

### Auditor's responsibility

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

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

Specifically we carried out the following procedures:

1. analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art.3 of the Decree and taking into account the adopted reporting standard;
2. analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree;
3. comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the Group;
4. understanding of the following matters:
  - business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
  - policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
  - main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

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

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

In particular, we carried out interviews and discussions with the management of Biesse S.p.A. and with the employees of HSD S.p.A., Biesse Manufacturing Co. Pvt. Ltd. and Biesse 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., HSD S.p.A. and Biesse Manufacturing Co. Pvt. Ltd., which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out remote meetings, 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 Biesse Group as of December 31, 2020 is not prepared, in all material aspects, in accordance with articles 3 and 4 of the Decree and the GRI Standards.

DELOITTE & TOUCHE S.p.A.

Signed by  
**Jessica Lanari**  
Partner

Ancona, Italy  
March 30, 2021

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