



Consolidated Non-Financial Statement 2020



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Prepared pursuant to Italian legislative decree 254/16

This report was approved by the Board of Directors of Emak S.p.A. on the 16th March 2021.

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Letter to Stakeholders

(GRI 102-14)

Dear all,

The year just ended was unique. The pandemic that has affected the entire world has affected the lives of all of us in ways that no one ever expected. Obviously, our Group was also affected by the epidemic crisis, but was able to react promptly to difficulties.

We immediately activated all the safeguards necessary to first of all guarantee the health and safety of our collaborators, with the activation of smart working, the sanitation of the workplace, compliance with the provisions relating to social distancing, the supply of individual protection devices to all.

In this way, with the collaboration and commendable effort of all, we have been able to continue to serve our customers safely. And our shareholders also accompanied the Group, approving the proposal of the Board not to distribute the dividend, thus guaranteeing additional resources to face the acute phases of the crisis.

The efforts were appreciated by the market and recognized by the results: we have increased turnover in all business areas.

At a time that is still complex, we continue to monitor the situation, safeguard our collaborators, serve our customers and collaborate with our suppliers. All while maintaining our commitment to a process of continuous improvement on all aspects of sustainability, aware of their importance for the sustainable development of the Group in favour of all our stakeholders.

The Chairman
Fausto Bellamico

Method of preparation

(GRI 102-10; 102-45; 102-48; 102-50; 102-51; 102-52; 102-53; 102-54; 102-56)

This document is the Consolidated Non-Financial Statement (hereinafter referred to also as the “NFS”) of the Emak Group pursuant to Legislative Decree no. 254 of 30 September 2016 (“Decree” or “D.lgs 254/2016”).

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

The Emak Group NFS has been drawn up to the extent necessary to ensure understanding of the Group's business, its performance, its results and its impacts. The document covers the issues deemed relevant and envisaged by Art. 3 of Legislative Decree. 254/16, with reference to the 2020 financial year (from 1 January to 31 December). In particular, the definition of the relevant aspects for the Group and its stakeholders took place on the basis of a materiality analysis process described in the chapter “Approach to sustainability”.

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

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

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

The Board of Directors of Emak S.p.A. has approved the report on March 16th, 2021.

The NFS is published within the same terms and in the same manner prescribed for the annual financial report, including the www.emakgroup.it website, in the “Sustainability” section. Clarifications and further information can be requested via the following e-mail address: info@emakgroup.it.

REPORTING STANDARD

This NFS has been prepared in compliance with the “Global Reporting Initiative Sustainability Reporting Standards”, defined by the Global Reporting Initiative (GRI), according to the «in accordance - Core» option. Moreover, where appropriate, the guidelines of the EU 2017/C215/01 Guidelines have also been taken into account. The “GRI Content Index” section, in which full disclosure of coverage of the GRI indicators associated with each issue emerging as material is given, is part of this document.

REPORTING PERIMETER

With regards to economic-financial data, the reporting perimeter is the same as for the Consolidated Financial Statements of the Group. With relation to information regarding social aspects, the parent company and its subsidiaries which are fully consolidated¹ in the Consolidated Financial Statements of the Group have been included in the reporting perimeter.

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

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

The following are the significant non-recurring transactions that occurred in 2020 with an effect on the reporting for the period:

- On January 31, 2020, the controlled company Tecomec S.r.l. completed the purchase of 51% of the share capital of the Swedish company Markusson Professional Grinders AB, active in the development and marketing of professional sharpeners for chainsaw chains. The transaction is part of the Group's external growth strategy through the expansion and completion of its product range, in the specific case of the Components and Accessories segment.
- On October 15, 2020, the subsidiary Tecomec S.r.l. exercised in advance the option to purchase an additional shareholding of 58% of the share capital of Agres, bringing its shareholding to 91%, considering the purchase of a further 3% stake closed on March 16, 2020.
- On January 31, 2020, effective April 1, 2020, an agreement was signed with two independent distributors for the exclusive marketing of Emak OPE products on the German and Austrian markets in order to improve their position on the reference markets, consequently the reorganization of the German subsidiary Emak Deutschland GmbH was initiated.

For the purpose of permitting comparability of the data over time, comparison with data relating to 2019 has been reported. Restatement of previously published comparative data shall be clearly indicated as such. To guarantee the reliability of the data, the use of estimates has been limited as far as possible, and is appropriately indicated in the document where present.

It has to be noted that starting from July 2019 a reporting procedure for the preparation of the Consolidated Non-Financial Statement which defines roles, responsibilities and timelines is in place.

Moreover, in 2019 the Group has formalized a sustainability plan in order to identify its contribution to the implementation of the Global Agenda for Sustainable Development, consisting of 17 Sustainable Development Goals or SDGs, approved in 2015 by the United Nations and to be reached by 2030. For each topic deemed relevant for the Group and its Stakeholders, the commitments and activities currently implemented by the individual companies have been identified, in order to share the best practices, with the aim of continuous improvement in the medium- long term, constantly updating the document on the basis of regulatory changes and evolution of the Group. The material topics and the related implemented activities have then been linked to the SDGs, in order to identify the global goals to which the Group can contribute the most.

SUMMARY OF THE TOPICS PROVIDED FOR BY ART. 3, PARAGRAPH 1, OF LEGISLATIVE DECREE 254/16

The Emak Group has embarked upon a path of continuous improvement as part of the analysis of risks generated or suffered regarding the issues provided for by Art. 3 of Leg. Dec. 254/16 and the development of relative management policies. In this context, the Group updated its Code of Ethics in 2020 which was approved by the Board of Directors of the parent company Emak S.p.A. on February 26, 2021. The document is made available to all internal and external collaborators as well as on the website www.emakgroup.it in both Italian and English.

It stands out in particular:

Environmental issues

The Group oversees the issue by complying with national and international regulations and, if any, with the requirements of specific certifications. Through the work of the Operations & Procurement Committee, the Group oversees and monitors its work in this area.

It should be noted that the company Emak S.p.A. has a Management System certified according to the standard UNI EN ISO 14001: 2015. Emak S.p.A. also has a Mobility Manager: a figure responsible for interfacing with local governments proposing, after internal analyses, solutions and initiatives aimed at promoting a sustainable staff mobility during the home-work journeys, thus reducing their associated emissions. Furthermore, the parent company Emak S.p.A., in order to identify, monitor and reduce the environmental impacts resulting from its activities, has adopted an environmental policy since 2018, as part of the integrated company policy.

Social and staff-related issues

The Group oversees the issue by complying with national and international regulations, and with the provisions of the Code of Ethics.

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

The parent company Emak S.p.A., in order to protect, enhance and optimize personnel management, has adopted a safety policy since 2018, as part of the integrated company policy

Human rights

The Group oversees the issue by complying with national and international regulations, and with the provisions of the Code of Ethics.

As a further confirmation of its commitment, the Group has drawn up a human rights policy to be extended to all subsidiaries, in particular to those located in countries where local legislation is less stringent than Italian. In order to ensure maximum dissemination to all Group companies and to external parties who have relations with it, this policy has been integrated into the Code of Ethics. Furthermore, the parent company Emak S.p.A., in order to declare, disseminate and promote ethics inside and outside the organization, has adopted an ethics policy since 2018, as part of the integrated company policy.

Combatting corruption

The Group oversees the issue by complying with national and international regulations, and with the provisions of the Code of Ethics.


In confirmation of its commitment, the Group has also drawn up an anti-corruption policy with the aim of further strengthening its system for preventing corruption and extortion. In order to ensure maximum dissemination to all Group companies and to external parties who have relations with it, this policy has been integrated into the Code of Ethics.

1. The business of the Group

(GRI 102-1; 102-7)

The Emak Group is composed of 38 companies operating in the development, production and marketing of a wide range of products divided into three business segments: **Outdoor Power Equipment, Pumps and High Pressure Water Jetting** and **Component and Accessories**.

1.1 *The Group at a glance*

38 companies worldwide	479 €m total added value generated	around 6,000 suppliers	around 470 €m of purchases
Market Cap 180 €m	 Emak [®] our power , your passion		2,136 employees
93% of employees with permanent employment contract	159 ML water withdrawal	around 156,000 GJ energy consumption	over 14,000 hours of training provided

Vision and values

(GRI 102-16)

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

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

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

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

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

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

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

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

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

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

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

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

The structure of the Group

(GRI 102-2; 102-4; 102-6)

The Emak Group operates on the global market with a direct presence in 15 countries and a distribution network covering 5 continents.



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

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

The **Outdoor Power Equipment** segment includes activities for the development, manufacture and marketing of products for gardening and forestry activities and small machines for agriculture, such as brush cutters, lawnmowers, garden tractors, chainsaws, motor hoes and walking tractors. The Group distributes its own products with the main trademarks: Oleo-Mac, Efco, Bertolini, Nibbi and, limited to the French market, Staub. The Group's offer is directed to professionals and to private users. The Group mainly operates in the specialised dealer channel, characterized by a high level of pre and post sales service, distributing its products through its own sales branches and, where not present directly, through a network of 150 distributors in more than 115 countries throughout the world. In some countries the Group has commercial relations with the main large-scale distribution chains. Furthermore, over the last few years, a process has been undertaken aimed at developing the online channel, through a dedicated proprietary portal.

This segment represents approximately 34% of the Group's overall sales and almost 90% is developed in Europe, where the main commercial branches are based.

In this sector, the Group focuses its efforts mainly on product innovation (in terms of safety, reduction of emissions, new technologies, comfort) and development of the distribution network (both geographically and in terms of sales channels).

Worldwide the Group's reference market has an estimated value of approximately 8 billion Euros. In mature markets such as North America and Western Europe, demand is predominantly related to replacement: the main driver is the trend of the economy and of the "gardening" culture. In emerging markets such as the Far East, Eastern Europe and South America, demand is predominantly for the "first buy": the main driver in these areas is economic growth, the evolution of agricultural mechanisation and the relative policies of support. A further factor that influences demand is the price of commodities: the trend in the price of agricultural commodities, for example, influences investments in agricultural machinery.

The **Pumps and High Pressure Water Jetting** line brings together activities for the development, manufacture and marketing of three product lines: (i) agriculture, with a complete range of centrifugal pumps, diaphragm pumps, piston pumps and components for applications on spraying and weeding machines; (ii) industry, in which it offers a complete range of low, high and very high pressure piston pumps (up to 2,800 bar), hydrodynamic units and accessories for water blasting, and machines for urban cleaning; (iii) cleaning, with a complete offer of pressure washers, from home to professional use, floor washing-drying machines and vacuum cleaners. The Group distributes its own products with the Comet, HPP, Lemasa, PTC Waterjetting Equipment, PTC Urban Cleaning Equipment and Labor brand names. The Group serves its customers, directly or through independent distributors, in over 130 countries around the world: producers of spraying and weeding machines, OEM's customers and contractors, specialised dealers and the large-scale retail trade, marketplaces for online sales. This segment represents approximately 40% of the Group's overall sales.

In this sector, the Group focuses its efforts mainly on product innovation, on the expansion of its offer, both in terms of product and sectors of use, as well as on maximizing the synergies deriving from the acquisitions completed over the years.

The accessible market for the Group's products has an estimated value of around 3 billion Euros. The demand for agricultural products is strongly connected to the trend of the economic cycle, demographic growth and the consequent increase in the demand for agricultural production, to the development of agricultural mechanisation and relative policies of support. The market of products for the industrial sector is continuously growing and demand is linked to the trend of several sectors/fields of application in which the systems are used, such as: hydro-demolition; water-washing and ship repairs; refineries; mines and quarries; the petroleum industry; underwater washing; the iron and steel industry; foundries; chemical processing plant; energy production; paper mills; transport; municipalities; automobile and engine manufacturing. The demand for cleaning products is mainly linked to the economic cycle trend and the increase in hygienic standards.

The **Components and Accessories** segment includes activities for the development, manufacture and marketing of products for the gardening, forestry, agriculture and *cleaning* sectors. The most representative are line and heads for brush-cutters (which together form the cutting system), accessories for chainsaws (such as sharpeners for chains), pistols, valves and nozzles for high pressure cleaners and for agricultural applications, products and solutions for precision farming. In this segment the Group operates partly through its own brands Tecomec, Geoline, Agres, Mecline, Markusson and Sabart, and partly distributing products for third party brands. The Group sells its products to producers of gardening and forestry, agriculture and cleaning machinery (which together represent approximately 48% of turnover), through a network of specialized distributors (38% of turnover) and finally, in the large-scale distribution channel (14% of turnover). Overall, this segment represents approximately 26% of the Group's overall sales.

In this sector, the Group focuses its efforts mainly on product innovation, on strengthening partnerships with major manufacturers and on expanding its offer.

The accessible market for the Group's products has an estimated value of around 1.5 billion Euros. The demand for components and accessories is mainly related to the performance of the reference sectors of the various applications for which the products offered are intended.

In general, the Group's activity is influenced by seasonality in demand. Sales of products intended for gardening, agriculture and cleaning are concentrated in the first half of the year, a period in which the activities of landscaping, tillage and cleaning of outdoor spaces are carried out. Less seasonal is the demand for products for industry, due to the diversity of the target sectors and the many applications for which they are intended.

Productive structure

The Group concentrates its investments on phases of high added value in the manufacture of its products. From the point of view of economic efficiency and value creation, the Group focuses on Research and Development, engineering, industrialization and assembly activities. The supply chain is strongly integrated and involved in the development of its products according to the principles of the extended factory. The production plants have been subject to specific rationalization projects over the years, with a revision of the production layouts based on a "lean manufacturing" approach, and the involvement of all the employees taking part in various ways in the product creation process, from development to manufacture.

Outdoor Power Equipment

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

Pumps and High Pressure Water Jetting

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

Components and Accessories

The Group has a total of nine factories for manufacturing the products of this segment, located in different countries, focused on specific products and with different production processes. Most of the facilities (France, USA, Chile, Morocco, South Africa) are dedicated to the production of nylon thread for the brush-cutters, in the face of the need to have the production process close to the outlet markets. The production of monofilaments, in fact, follows an entirely vertical process, from the purchase of the raw material to processing to the packaging of the final product.

The Chinese factory is mainly dedicated to the production of heads for brush-cutters and pistols for high-pressure water jet machines. These products require high intensity of internal production, relating to the molding of plastic material and assembly processes.

The line of products intended for *precision farming* is produced in Italy and in Brazil and include the design of both mechanical and electronic parts and software development; the added value activities of the products, all carried out internally.

The significant products of the forest line are designed, developed and produced by the Group, which assembles the components, partly made externally, in the factories located in Italy and Sweden, making use of specific skills.

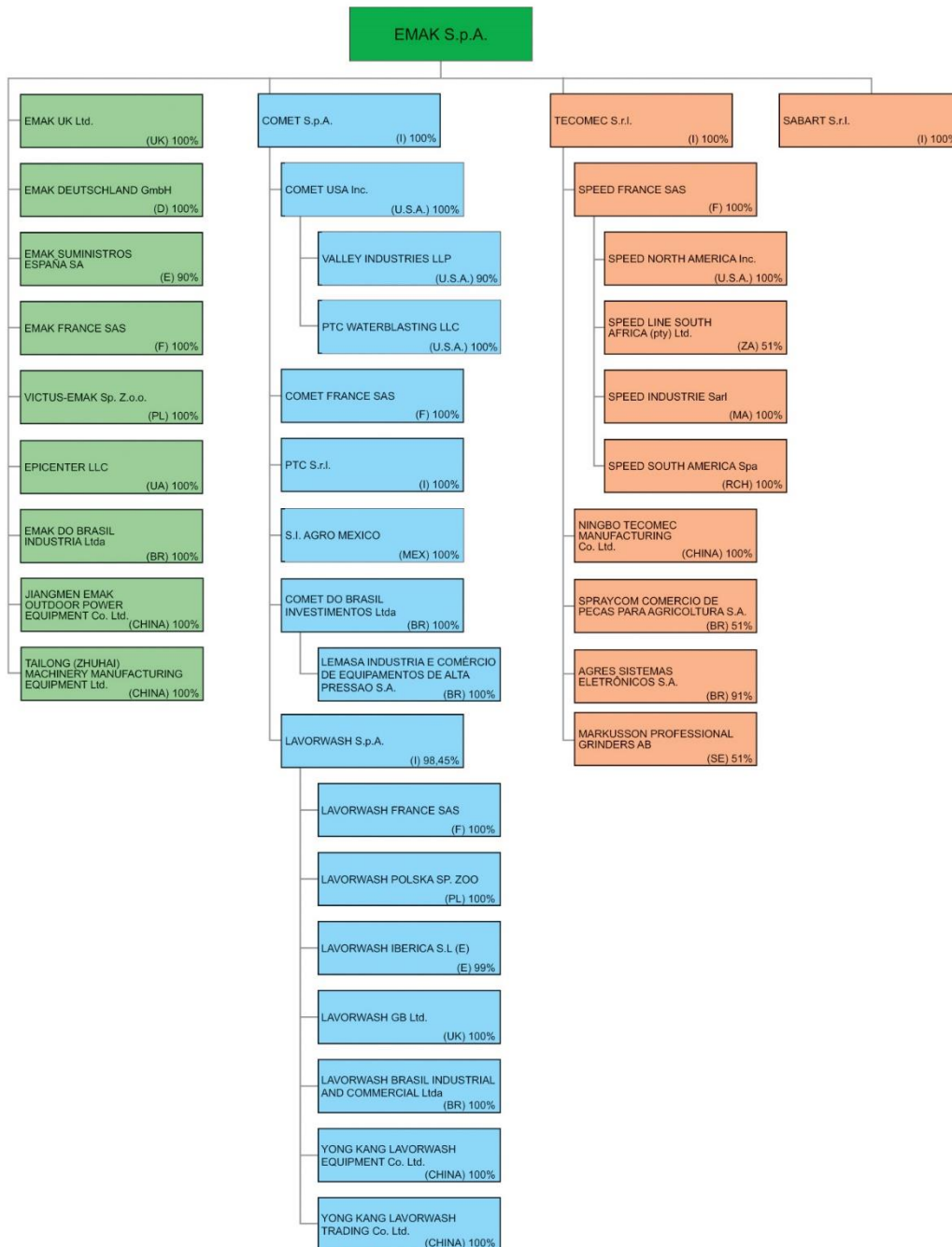
Overall, the production volumes are adjusted to the demand and needs of the market, thanks to the flexibility and functionality of the processes implemented in the various plants.

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

Segment	Company	Location	Output	Total surface (sq.m)
OPE	Emak	Bagnolo in Piano (RE) – Italy	Chainsaws, brushcutters, power cutters, cultivators, flailmowers, battery products, motorpumps, blowers	38,400
		Pozzilli (IS) - Italy	Battery-powered and petrol lawnmowers, transporters, sprayers, rider	24,700
	Emak Tailong	Zhuhai - China	Cylinders for two-stroke engine	4,065
	Emak Jiangmen	Jiangmen - China	Chainsaws and brushcutters for price sensitive segment	18,682
PWJ	Comet	Reggio Emilia - Italy	Pumps, motor pumps and control units for agriculture and industry and pressure washers for the cleaning sector	19,000
	Valley	Paynesville, Minnesota - USA	Production of Sprayers and assembly of agricultural products and accessories	9,800
	P.T.C.	Rubiera (RE) - Italy	High pressure units and machines for urban cleaning	3,500
	Lemasa	Indaiatuba - Brazil	High and ultra high pressure pumps	3,000
	Lavorwash	Pegognaga (MN) – Italy	High pressure washers, vacuum cleaners, industrial and professional cleaning systems	26,000
	Yong Kang Lavorwash Equipment	Yongkang – China	High pressure washers and vacuum cleaners for price sensitive segment	20,000
	Lavorwash Brasil	Indaiatuba - Brazil	High pressure washers for cleaning sector	1,500
C&A	Tecomec	Reggio Emilia - Italy	Accessories and components for gardening machinery, accessories for agricultural machinery for spraying and weeding, accessories and components for pressure washers	17,000
	Speed France	Arnas - France	Nylon line and heads for brushcutters	8,000
	Speed North America	Wooster, Ohio - USA	Nylon line and heads for brushcutters	6,000
	Speed Line South Africa	Pietermaritzburg – South Africa	Nylon line for brushcutters	2,430
	Speed Industrie	Mohammedia - Morocco	Nylon line for brushcutters	900
	Speed South America	Providencia, Santiago - Chile	Nylon line for brushcutters	1,755
	Ningbo	Ningbo - China	Accessories and components for high pressure washing and chainsaws and brushcutters	9,700
	Markusson	Rimbo - Sweden	Accessories for chainsaws: professional sharpeners for chainsaw chains	800
	Agres	Pinhais - Brazil	Components and accessories for agricultural machinery: products and solutions for precision farming	2,500

The composition of the Emak Group at 31/12/2020*

(GRI 102-5)



* The companies included in the reporting perimeter of the NFS 2020 are set out in the “Method of preparation” in this document.

For a more detailed description of the business segments and relative quantitative economic data, reference should be made to the Annual Financial Report 2020 published on the website www.emakgroup.it.

1.2 History

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

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

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

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

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

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

In June 2020 the Group sells its stake in Cifarelli S.p.A. The expansion path in the Components and Accessories segment also continued during the year. In January the Group finalises the acquisition of 51% of the share capital of the Swedish company Markusson Professional Grinders AB ("Markusson"), active in the development and marketing of professional sharpeners for chainsaw chains, and in October increases its shareholding in Agres reaching 91%, strengthening its position as a global supplier in the agricultural sector, enhancing its already extensive product portfolio.

1.3 Governance structure

(GRI 102-18; 405-1)

Emak S.p.A. has a traditional governance structure, which includes the following bodies: the assembly, the board of directors and the board of statutory auditors, governed by the applicable laws respectively. The statutory audit is carried out in accordance with the law by an auditing company. Pursuant to Legislative Decree 231/2001, the Supervisory Body is established. Since 2001, Emak S.p.A. has adhered to the Corporate Governance Code issued by Borsa Italiana, following its evolution over time.

The Board of Directors was elected, in its current composition and until the approval of the financial statements for the year 2021, by the Shareholders' Meeting held on April 30, 2019.

The mechanism provided for the election of directors ensures, among others, compliance with the balance between genders established by the legislation in force from time to time, through appropriate provisions on the composition of the lists and through a specific replacement procedure.

The composition of the Board of Directors is illustrated in the following table:

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

The Board of Directors of the Emak Group is made up of 13 members, including 5 women and 8 men, with an average age of about 62 years and between 41 and 83.

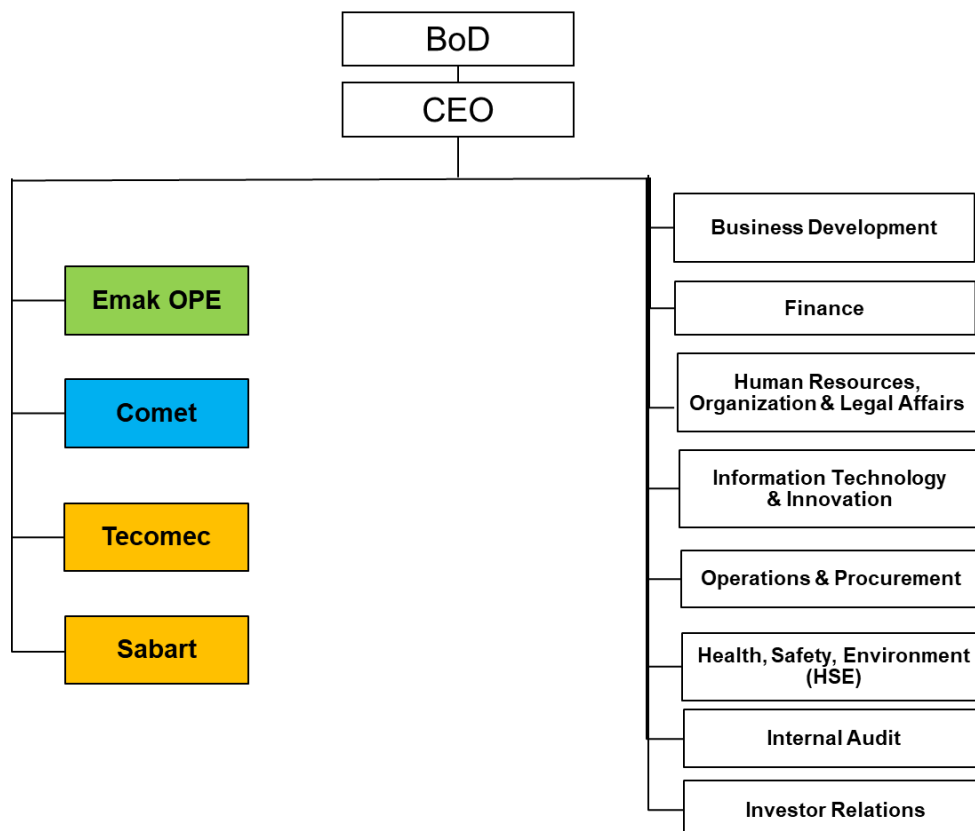
The following table shows the subdivision of the members of the Board by gender and age group updated as of 31/12/2020².

	31 December 2020	
	Male	Female
< 50 years	-	15.38%
50-60 years	15.38%	23.08%
61-70 years	15.38%	-
> 70 years	30.77%	-

The Board of Directors has established four internal committees that support the Board in the respective areas envisaged by the Corporate Governance Code. Specifically, the committees established are: the Remuneration Committee, the Control and Risks Committee (which has been entrusted with the task of supervising the drafting of the NFS), the Related Party Transactions Committee and the Nomination Committee. The committees are composed exclusively of independent Directors and carry out their duties in line with the provisions of the Corporate Governance Code of Borsa Italiana.

For a more detailed description of the Committees in the Emak Group, reference should be made to the Annual Financial Report for the year ended 31 December 2020 and the Corporate Governance Report and Ownership Structure 2020, published on the www.emakgroup.it website.

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



² The subdivision of the Board of Directors by age group was reported according to the age groups <50, 50-60, 61-70,> 70, unlike those provided for by the GRI, as they are more representative of the composition of the administrative body.

The Emak Group is made up of 4 business units: Emak OPE, Comet, Tecomec, Sabart. Group Management is made up of the Group CEO to whom the CEO of each business unit and the heads of the Group Functions (across all BUs) report.

The CEO, with the heads of the Finance, Internal Audit and Investor Relations functions, meets on a monthly basis with the CEOs and CFOs of the individual BUs for the analysis of business performance and management in general.

Functional Committees (HR, Operations & Procurement, Finance, Engineering, Sales & Marketing, IT) are also operational, formed by the heads of the respective Group and BU functions, with the aim of sharing skills, objectives and operating methods more effectively and efficiently, in order to maximize the work of the individual business units in achieving the synergies and strategic objectives of the Group.

1.4 Ethics, integrity and compliance

(GRI 102-12; 102-16)

In the performance of its activities and in the conduct of business, the Emak Group (“the Group” or “Emak”) adopts conduct characterised by high ethical standards, on the basis of absolute correctness, full respect of the rights of others, and in compliance with the laws in force and the principles of Group membership

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

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

In line with the adoption of the Organisation, Management and Control Model, the Parent Company, the Group has adopted an **Ethical Code**, shared with all the companies of the Group, periodically updated and shared with all the employees and the various subjects which collaborate with the companies. The Code establishes the corporate principles and values to which the companies of the Group aspire in the performance of their activities and which form the identity of the enterprise, constantly orienting strategic choices and policies in the businesses in which it operates.

The inspiring corporate principles and values are as follows: fairness, competence, team spirit, innovative spirit, impartiality and honesty, fight against corruption, respect for people, transparency in relationships and confidentiality, combining economic, social and environmental sustainability.

Emak's Code of Ethics also defines the areas of application and the commitments of the Group in internal and external relations. It represents the moral commitment to the various stakeholders, including collaborators, shareholders, customers, suppliers, institutions, the financial community and the Public Administration.

The recipients of the document are all those who work in the name and on behalf of Emak (employees, directors, administrators, consultants, collaborators, etc.), who are required to know its content, to contribute to its implementation and to the dissemination of the principles formalized therein, also requesting respect from all those with whom they have business relations.

The Code of Ethics is widely disseminated to all recipients, also by including it in the "Sustainability" section of the Group website www.emakgroup.it, in Italian and English.

The Code and any future updates thereof are defined and approved by the Board of Directors of the Parent Company Emak S.p.A. based on the context in which the Group operates and its evolution.

The companies that adopt the 231 model undertake to train new hires on the issues set out in the Code of Ethics and in the Model: new hires are given a summary information set that ensures the knowledge considered to be of primary importance.

In companies that have not adopted the Organization, Management and Control Model, full compliance with local regulations and, if more restrictive, with the rules of conduct of the Code is guaranteed.

In compliance with the law, the Italian companies of the Group have adopted a procedure and set up suitable information channels for the communication of any reports of non-compliance regarding the administrative liability of the organization. In compliance with the provisions of current legislation, the Group has also implemented a specific whistleblowing procedure.

It is emphasized that Emak S.p.A. adopts a Management System aligned with the SA 8000: 2014 (Social Accountability) standard with the aim of ensuring the ethics of its production processes and, indirectly, of its

supply chain. The fulfillment of the requirements is verified through internal audits and the expected performance expectations are measured through indicators in line with the standard in question.

Anti-corruption

(GRI 205-3)

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

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

In this context, the Group undertakes to combat all forms of corruption, both active and passive, by implementing all the necessary measures provided for in the Organizational Model pursuant to Legislative Decree 231/2001 and following the provisions contained in the Group's Code of Ethics.

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

No cases of corruption and/or relevant reports were registered in 2020.

Anti-competitive behavior

(GRI 206-1)

In 2020, there were no cases of anti-competitive behavior and / or reports on the matter.

Since February 2021 there has been a dispute related to a hypothesis of violation of industrial property rights concerning a subsidiary company.

The Group, supported by the opinion of its legal advisors, has carried out a preliminary analysis of these findings and believes that there are no objective elements to support the dispute initiated by the counterparty.

However, in consideration of the complexity of the inherent matter and the fact that the question has just arisen, the relative risk of losing is considered possible.

Human rights

(GRI 412-1)

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

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

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

In addition, the implementation of an integrated Management System aligned to the SA8000:2014 demonstrates the concrete commitment of the parent company Emak S.p.A., to adopt socially responsible behaviours, as well as its focus on quality and continuous improvement and on the protection and safeguarding of human rights, besides mere legal compliance. In consideration of this, in Emak S.p.A 100% of the activities are subject to checks on the respect of human rights or assessment of the impact on human rights.

1.5 Management of risks and opportunities

(GRI 102-11; 102-15)

Effective risk management is a key factor for maintaining and creating value over time. In order to achieve its strategic objectives, the Group, through its governance structure and the Internal Control System, defines the guidelines for its risk management policy.

As part of its industrial activity, the Emak Group is exposed to a series of risks, in the identification, assessment and management of which the Managing Directors are involved, also as Directors appointed pursuant to the Corporate Governance Code of Borsa Italiana SpA, business area managers and the Control and Risks Committee.

The Directors in charge of the internal control system oversee the risk management process by implementing the guidelines defined by the Board of Directors on risk management and verifying their adequacy.

In order to prevent and manage the most significant risks, the Group has adopted a risk classification model, subdividing them according to the corporate function from which they can derive or from which they can be managed which provides for an assessment of the risks based on the estimate economic and financial impacts and the probability of occurrence.

The Board of Directors assigns to the Committee the task of assisting it, with consultative and propositional functions, in the performance of its duties regarding the internal control and risk management system and in particular in defining the guidelines of the internal control system. and in the periodic evaluation of its adequacy, effectiveness and effective functioning. The Committee oversees the Internal Audit activities and examines, more generally, the problems inherent to the internal control and risk management system.

The Internal Audit verifies, both on an ongoing basis and in relation to specific needs and in compliance with international standards, the operation and suitability of the internal control and risk management system, through an audit plan, approved by the Board of Directors.

As part of the risk management process, the different types of risk are classified according to the consequences that the occurrence of certain events may have in terms of non-strategic, operational, financial performance, or compliance with laws and / or regulations.

The Internal Audit communicates the results of its checks, through periodic reports to the Board of Directors, the chairman of the Board of Statutory Auditors, the chairman of the Control and Risks Committee, as well as, for the aspects of their respective competence, to the directors in charge of the internal control system and risk management.

A further moment of verification and control as well as a source of possible improvement initiatives is represented by the audits that some Group companies receive as suppliers of important players in the sectors in which it operates. In turn, the Group carries out checks on its suppliers in order to analyze, and as far as possible prevent, any critical issues along its supply chain.

Particular attention is paid in connection with M & A transactions. In these circumstances it is in fact the practice for the Group, especially when it comes to transactions of significant size, to carry out careful due diligence activities, appointing professionals to verify not only the soundness of the transaction from a financial point of view, but compliance with local regulations, for example in the field of labor law. Based on the outcome of the activity, the Group evaluates whether or not to continue with the operation, any initiatives to be implemented and guarantees to be received.

Finally, it should be noted that on the occasion of the construction of new properties, the potential impacts associated with construction activities are assessed and, as far as possible, the solutions to minimize them.

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

- **technological evolution of products.** The Group operates in sectors in which product development (for example the diffusion of battery-driven products in the OPE sector) in terms of innovation, quality and functionality represents an important driver for the maintenance and growth of its market shares. The Group's products are also subject to regulations on emissions and safety. The Group manages this risk with constant investments in research and development with the use of adequate skills and resources in order to guarantee its customers an offer of innovative and competitive products in line with their requests and expectations.
- **risk linked to liability towards the customer and towards third parties.** The Group is exposed to potential liability risks towards customers or third parties related to any product liability due to potential design and / or manufacturing defects of the Group's products, also attributable to third parties such as suppliers and assemblers. Furthermore, should the products prove to be defective, or do not meet the technical and legal specifications, the Group, even at the request of the supervisory authorities, may be required to withdraw these products from the market. In order to manage and reduce these risks, the Group proceeds with the approval and certification of its products by an independent body and has also entered into a Group master insurance coverage that minimizes the risks to the insurance deductibles only.
- **risk linked to the supply chain.** The Group is exposed to risks associated with the conduct of suppliers and the possible lack of visibility and control over supplier practices, with particular reference to issues of compliance with environmental and social legislation and to issues of quality control on the products received. In order to manage this risk, the Group carries out periodic audits on its suppliers (a more extensive description of the methods of analysis and assessment of suppliers is given in chapter 3.2).
- **risk linked to staff and health and safety in work places.** These are risks linked to inadequate management of the processes of attraction, selection, development, motivation and retention of key professional figures within the Group and risks connected to the possible occurrence of accidents and near misses in the workplace and the onset of occupational diseases. The Group practices policies relating to personnel in line with the provisions of the Code of Ethics in order to enhance its internal resources and attract external ones. There are also workplace health and safety policies aimed at complying with regulatory requirements. There is also a specific special part within the Model pursuant to Legislative Decree 231/01.
- **risk linked to climate change.** Although in the short-medium term there are no significant risks relating to the production processes or the reference markets, the Group pays attention to the risk associated with climate change as regards the potential impacts in the medium-long term. These risks are assessed in terms of potential impacts due to extreme events (climate change could impact the performance of some product families) but also as an external risk driver linked both to the choices of the regulator (reduction of the emission thresholds) and to the consumer choices, which may have an effect on the business model. The Group manages these risks on the one hand by leveraging the flexibility of its production structure, which guarantees a rapid and efficient response to any changes in demand, on the other hand by directing research and development to adaptation (and where possible to anticipation) of its products to the regulatory requirements.
- **compliance risk.** The Group is obliged to comply with regulations not only regarding products, but also with specific reference to environmental issues (eg environmental damage, noise pollution, emissions, waste and discharges), human rights and corruption. The Group manages the risk of compliance with regulations through internal procedures (including, where present, those relating to certifications), compliance with the specific special part within the Model pursuant to Legislative Decree 231/01 and in general the principles set out in of the Code of Ethics.

Further risks, more related to the achievement of economic and financial objectives, the related analysis and management policies, are reported in the Annual Financial Report.

Information on the COVID-19 emergency

At the beginning of January 2020, the World Health Organization (WHO) announced the spread of the Covid-19 infection in China, particularly in the Wuhan district, then declaring on January 30 the state of health emergency at international level. In February, the spread of the virus was recorded in Europe and America, which led to a generalized lockdown during the months of March and April. Since May, the methods and timing of the resumption of social life and economic activities have been differentiated for the various countries. Since October, due to the resumption of infections in many countries, there has been the restoration of some restrictive measures that could have an impact on consumption, extending the time to exit from a recessionary phase in many sectors of the economy.

In order to respond to the emergency, all the operating companies of the Group have set up ad hoc committees for the management of the emergency, with the aim of implementing in the most effective way the obligations in terms of safety at work regulations, as well as the activities for the management of business risks emerging from the contingent situation, with the aim of limiting the impact on human resources, income results and the financial balance of the Group. The companies immediately adopted procedures aimed at least to the implementation of government directives as well as further measures adopted spontaneously by the companies. Among the various initiatives undertaken, remote work has been encouraged as much as possible, especially in the most serious periods of the emergency. In the event of physical presence in the offices and production departments, social distancing was guaranteed. Personal protective equipment and sanitizing gels were made available to employees in the company premises. Some companies have temporarily resorted to the social safety nets. Manufacturing and logistic activities were stopped only in some limited cases and for limited periods, during which the sanitation of the workplaces was carried out by specialized firms.

In a still uncertain and constantly evolving context, the Group continues to monitor the development of the situation and to use the necessary measures to safeguard the health and safety of its employees.

2. Approach to Sustainability

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

Identification of the stakeholders

(GRI 102-43; 102-13; 102-40; 102-42)

The Group has implemented a mapping and identification process of the main categories of stakeholder, through benchmarking and an analysis of the reference context of its activities. This made it possible to define a map showing the main reference stakeholders:



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

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

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

Body/Association	Description	Company
ABIMAQ	Brazilian Association of Machines and Equipment	Lemasa Agres
ABRALIMP	Brazilian Association for professional cleaning market	Lavorwash Brasil
AEA	English Trade Association for manufacturers and importers of agricultural machinery and outdoor power equipment	Emak UK
ALTSTOFF RECYCLING AUSTRIA	Waste management service in Austria.	Lavorwash S.p.A.
ANSEMAT	Spanish Association for manufacturers and importers of machinery for agriculture and green care	Emak Suministros Espana S.A.
APINDUSTRIA CONFIMI MANTOVA	Association for small and medium enterprises of Mantua	Lavorwash S.p.A.
APLA	Latin American Petrochemical and Chemical Association	Lemasa
ARPEL	Association of Oil, Gas and Biofuels Sector Companies in Latin America and the Caribbean	Lemasa
ASSOGREEN	Italian association of garden machinery specialists	Emak S.p.A.
AXEMA	French Association for manufacturers of machinery for agriculture and green care	Emak France SAS
BVD	Federal Association of Officers for Data Protection of Germany	Emak Deutschland GmbH
CETA	Association of manufacturers of cleaning machinery	Valley Industries LLP
CGPME	French association of small and medium sized enterprises	Speed France SAS
CICC	Italian Chamber of Commerce in China	Tailong (Zhuhai) Jiangmen
CONAI	Italian National Packaging Consortium	Lavorwash S.p.A.
Confcommercio	Italian General Confederation of Enterprises, Professions and Self-Employment	Emak S.p.A.
CONOU	Italian consortium for the management, collection and treatment of mineral oils used	Lavorwash S.p.A.
CREA	Regional Council of Engineering, Architecture and Agronomy in Brazil	Agres
DER GRUNE PUNKT	Waste management service in Germany	Lavorwash S.p.A.
ECOPED	National Consortium for the management of Waste of Electrical and Electronic Equipment, batteries and accumulators	Lavorwash S.p.A.
EGMF	Federation of European manufacturers of machines for gardening, forestry and green care	Emak S.p.A.
EUCCC	European Union Chamber of Commerce in China	Jiangmen
EUROMOT	European Association of Internal Combustion Engine Manufacturers	Emak S.p.A.
FACC	French-American Chamber of Commerce	Speed North America Inc.
FederUnacoma	Italian federation of manufacturers of agricultural machinery	Emak S.p.A. Tecomec S.r.l.
FIEP	Federation of Industries of the State of Parana	Agres
Företagarna	Swedish Federation of Business Owners	Markusson
ICA	International CarWash Association	Valley Industries LLP
IHK	German Chamber of Industry and Commerce	Emak Deutschland GmbH
INDICOD-ECR	Italian association for the diffusion of barcodes	Lavorwash S.p.A.
ISSA & AFIDAMP FAB	Worldwide association for the cleaning industry & Italian Association of Manufacturers of Machinery, Products and Equipment for Professional Cleaning and Hygiene	Lavorwash S.p.A.
IVG	National German Gardening Association for manufacturers of green care machines	Emak Deutschland GmbH
MANTOVA EXPORT	Consultancy Consortium for companies in Mantua for import-export	Lavorwash S.p.A.
NOVENTIZ GMBH	Waste management service in Cologne, Germany	Lavorwash S.p.A.
OPEAA	The Outdoor Power Equipment Aftermarket Association	Speed North America Inc.
OPEESA	Outdoor Power Equipment and Engine Service Association	Comet USA Inc
OPEI	Outdoor Power Equipment Institute	Comet USA Inc
SEBRAE	Brazilian Service of Support for Micro and Small Enterprises	Agres
SEDEX	Supplier Ethical Data Exchange	Speed Line South Africa Ltd.
Skog Supply	Swedish industrial network for forestry operators	Markusson
Unindustria Reggio Emilia	Industrial association of Reggio Emilia	Emak S.p.A.; Comet S.p.A.; Tecomec S.r.l.; PTC S.r.l.; Sabart S.r.l.
WEEE	Waste Electrical and Electronic Equipment recycling	Emak UK
WJTA	Water Jet Technology Association	Valley Industries LLP Lemasa PTC S.r.l.
WOOSTER AREA CHAMBER OF COMMERCE	Wooster Area Chamber of Commerce	Speed North America Inc.

Analysis of materiality

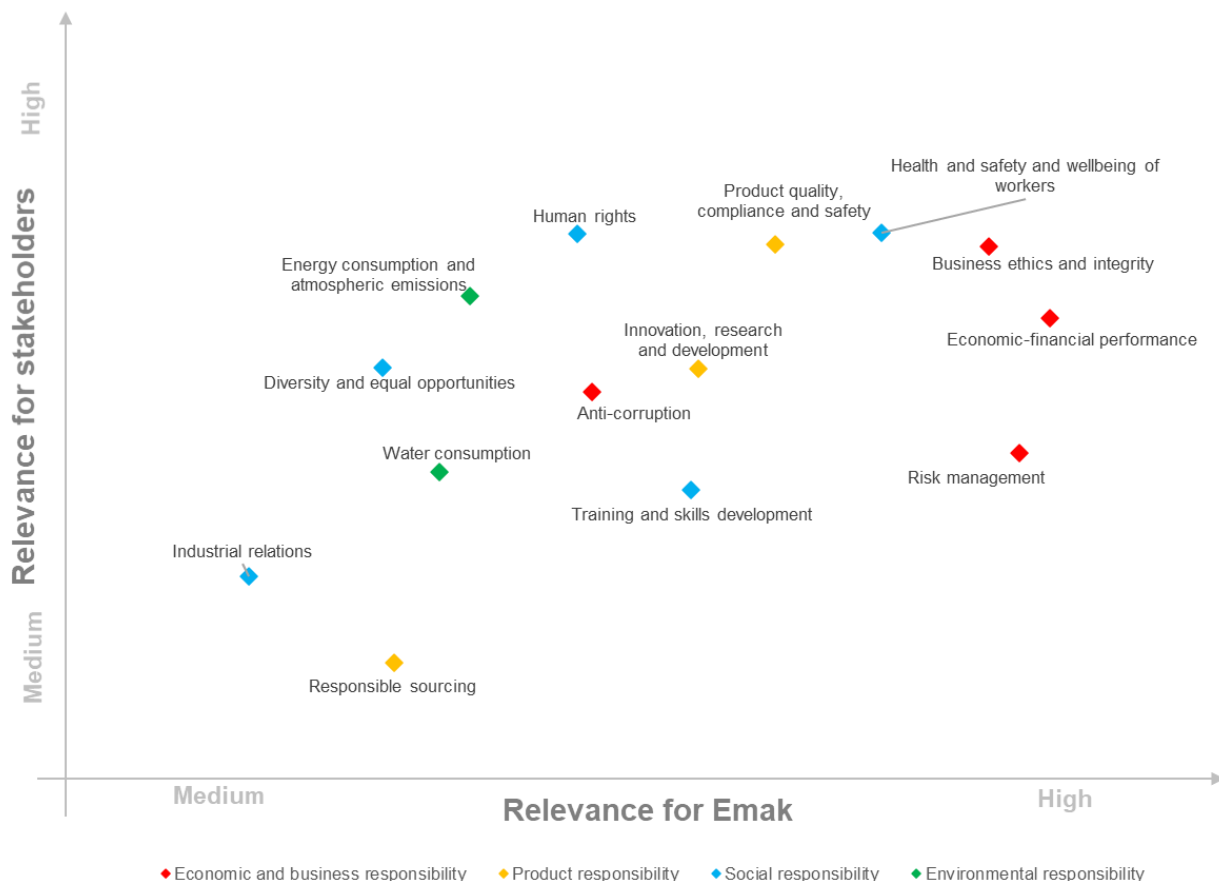
(GRI 102;44; 102-46; 102-47; 102-49)

In order to identify the social, environmental and economic issues to be included in this NFS, the Group carried out a materiality analysis: the issues were selected for their influence on the decisions and assessments of stakeholders and on the basis of impacts of the Group and its ability to create value, also taking into consideration the issues provided for by Art. 3 of Legislative Decree. 254/2016 and the indications of the GRI standards, as well as the best practices of the sector.

The update of the materiality matrix took place in 2020 through a process that was divided into two phases. The first saw the definition of potentially relevant non-financial issues through a benchmark analysis carried out by analyzing the information reported by competitors, the guidelines defined by international organizations and the publications of some authoritative international sources (RobecoSam, SASB, etc.). The second concerned the prioritization of the topics in order to define which ones were the most priority. In order to determine the importance for the stakeholders, a questionnaire was administered to a sample of stakeholders (investors, consultants), the results of which were then processed considering both the benchmark analysis described above and the survey carried out on another sample of stakeholders in 2018. To define the importance of the issues for the Group, the same questionnaire was submitted to the members of the Board of Directors, the Board of Statutory Auditors and the top management of the Group.

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

Emak Group Materiality matrix



Significant issue	Description	Perimeter of impact	Emak's involvement ³	GRI Aspect
Economic and business responsibility				
Anti-corruption	Group commitment in the fight against corruption, whether active or passive, also in consideration of best practice in the sector.	Group	Caused by the Group	GRI 205
Ethics and business integrity	Promotion of best practice in Corporate Governance and compliance with standards in the area of ethics, integrity and legal and regulatory compliance	Group	Caused by the Group	GRI 206 GRI 307 GRI 419
Economic-financial performance	Achievement of positive economic-financial results in the short-term and economic equilibrium in the medium-long term, consistent with the creation of value for the various categories of Stakeholders	Group	Caused by the Group	GRI 201 GRI 207
Risk management system	Implementation of a structured and extensive system aimed at identifying, assessing and managing risks and uncertainties, including environmental, social and/or new emerging risks which are significant for the Group's activities	Group	Caused by the Group	Topic not related to GRI aspects
Social responsibility				
Human rights	The respect, promotion and safeguarding of human rights and working conditions in the performance of activities (prohibition of child labour, anti-corruption and compliance with ethical and/or conduct codes)	Group Suppliers	Caused by the Group and directly linked to the Group through its business relationships	GRI 407 GRI 408 GRI 409 GRI 412
Diversity and equal opportunities	Development of work practices and conditions suitable for ensuring equal opportunities, through the removal of every form of discrimination and of moral or psychological violence	Group	Caused by the Group	GRI 405 GRI 406
Training and skills development	Offer of development and training programmes aimed at strengthening people's skills and consolidating professionalism in the role held Promotion of the freedom of association and expression among workers, aimed at guaranteeing them the right to be represented, also through membership of trade unions and/or category associations	Group's employees	Caused by the Group	GRI 401 GRI 404
Industrial relations	Respect of legislative provisions and agreements entered into and the promotion of actions and practices	Group	Caused by the Group	GRI 402
Health and safety and wellbeing of	Respect of legislative provisions and agreements entered into and the promotion of actions and practices	Group *	Caused by the Group	GRI 403

³ Emak's involvement refers to the type of impact and can be classified as "caused by the Group", "directly linked to the Group through its business relationships", or "to which the Group contributed" on the basis of the role that the organisation has in the generation of the impact.

workers	aimed at minimising risks for people's health and safety and at improving employees' well-being
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Environmental responsibility

Energy consumption and emissions	Commitment to increasing the efficiency of energy consumptions and commitment regarding the management and reduction of atmospheric emissions	Group production sites Energy suppliers	Caused by the Group and directly linked to the Group through its business relationships	GRI 302 GRI 305
Water consumption	Commitment to a conscious and efficient management of water	Group production sites	Caused by the Group	GRI 303

Product responsibility

Innovation, research and development	Research and development activity aimed at the continuous improvement of quality and the development of innovation, guaranteeing the protection of intellectual property	Group Universities and research centres	Caused by the Group and to which the Group contributed	Topic not related to GRI aspects
Quality, conformity and product safety	Identification and reduction of potential risks to the health and safety of a product along its entire value chain	Group	Caused by the Group	GRI 416
Responsible sourcing	Selection of suppliers, collaborators and business partners using fair and transparent processes. Promotion of fair relationships and sustainable behavior in the supply chain, evaluating the performances of the suppliers on the basis of ESG criteria (Environmental, Social and Governance).	Group	Caused by the Group	GRI 204 GRI 308 GRI 414

**The Group has identified the categories of other significant non-employees workers with regard to health and safety issues (temporary workers involved in the production process, stable maintenance staff and shipment/logistic cooperatives) and starting from NFS 2020 reports the accident data of these workers who operate at the Group's premises and / or under the control of the Group, following the assessment of the quality and accuracy of such data over which it does not exercise direct control.*

3. The priorities of the Group

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

3.1 Social responsibility

3.1.1 The people in the Group

(GRI 102-8; 402-1; 102-41)

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

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

At 31 December 2020 the Group's workforce numbered 2,136 persons, an increase of 7.44% compared to the previous year (1,988 employees in 2019). The acquisitions of Markusson and Agres (included in the *Components and Accessories* segment) led to an increase in the workforce of 4 and 74 employees respectively, while the change in the distribution model in Germany for the *Outdoor Power Equipment* business led to a reduction of 14 people. Excluding these changes, in 2020 the workforce would amount to 2,072 employees, an increase of 4.2%. Most of the increase is attributable to the production companies, as a result of the need to cope with the higher production volumes recorded during the year. Male employees account for 63.6% of staff (62.6% in 2019), and female 36.4% (37.4% in 2019).

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

	OPE		PWJ		C&A		Not allocated		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Europe	536	553	442	420	246	223	8	8	1,232	1,204
Americas	11	5	226	212	209	123			446	340
Asia, Africa, Oceania	191	185	109	99	158	160			458	444
Total	738	743	777	731	613	506	8	8	2,136	1,988

Geographically, the majority of the company population is concentrated in Europe, with 1,232 persons employed (1,204 in 2019), equal to 57.7% of the total (60.6% in 2019). In the Americas 446 persons are employed (340 in 2019), equal to 20.9% of the total (17.1% in 2019). In the Rest of the World, lastly, 458 persons are employed (444 in 2019), equal to 21.4% of the total (22.3% in 2019).

Below is shown the distribution of employees by country at 31 December 2020 compared to the previous year:

Employees at	31.12.2019	Change in scope of consolidation	Other movements	31.12.2020
Italy	962	-	26	988
France	129	-	17	146
UK	14	-	(2)	12
Spain	22	-	-	22
Germany	14	-	(14)	-
Poland	36	-	(1)	35
Sweden	-	4	-	4
China	406	-	13	419
Usa	155	-	17	172
Ukraine	27	-	(2)	25
South Africa	9	-	1	10
Brasil	149	74	14	237
Mexico	18	-	-	18
Morocco	29	-	-	29
Chile	18	-	1	19
Total	1,988	78	70	2,136

With regards to the breakdown of staff by age band, most employees are concentrated in the 30 to 50 band (60% with 1,280 people); 25% of staff are over 50 years old (535 people), while 15% are under 30 (321 employees).

Confirming the Group's wish to create strong and long-lasting professional relationships, the permanent contract remains predominant with 93% of permanent contracts, in slight increase compared to 2019 (92%).

The Group is also committed to promoting dialogue with its employees, with the aim of reconciling people's needs with the Group's growth objectives. This commitment means entering into different categories of contracts: from national and/or sector bargaining, to collective and/or company contracts, to individual contracts. 71% of employees were covered by collective bargaining agreements in 2020.

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

3.1.2 Training and wellbeing of employees

(GRI 404-1; 403-5)

The Emak Group invests in the development of its people through training and orientation towards precise objectives, through dedicated courses and updating, with the aim of strengthening the specific skills of every member of staff inside the organisation. During 2020, training expenses amounted to around € 235 thousand.

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

14,810 hours of training and skills development activities have been provided during 2020. The decrease compared to the 24,195 hours of 2019 is mainly attributable to the Covid-19 pandemic which led to the reduction of physical presence training events, favoring remote training where carried out. Average per head was 6.9 hours, compared to 12.2 hours in the previous year.

In 2020, 34.2% of the training hours provided concerned health and safety issues (22.9% in 2019), 4.1% anti-corruption issues (3.5% in 2019) and the remaining 61.7% other topics (73.5% in 2019).

Main types of training and instruction organised include:

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

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

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

3.1.3 Diversity and equal opportunities

(GRI 405-1)

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

At 31 December 2020 there were 778 women in the Group, with an incidence of 36.4% of the workforce, slightly decreasing compared to the 37.4% of the previous year.

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

In this context, the companies of the Group facilitate the inclusion of people with disabilities within their business activities in accordance with the provisions of their respective national laws, such as Law 68/99 and subsequent amendments in Italy and the indications of the U.S. Equal Employment Opportunity Commission (EEOC) in the United States. In some cases, policies are broader than regulations. The companies Emak S.p.A. and Tecomec, for example, have developed over the years an increasingly close collaboration with a social cooperative that employs disabled people, which consists in the outsourcing of assembly/bagging activities. Tecomec has also implemented an experimental project for the Customer Care & Delivery Service which, through a flexible and coordinated management of schedules and attendance, has allowed both to expand the time slot of customer service, and at the same time to satisfy the needs of care of the family of individuals, mostly women, half of whom have small children.

3.1.4 Health and safety

(GRI 403-1; 403-2; 403-3; 403-4; 403-5; 403-6; 403-7; 403-9)

Occupational health and safety are a priority for the Emak Group. Through continuous risk analysis and training, the Group is committed to creating a safe and healthy work environment for its people, with the adoption of appropriate measures and procedures aimed at preventing accidents and damage to health.

The companies of the Group undertake to comply with the requirements of national regulations on health and safety at work (for example in Italy the Legislative Decree 81/08, in Brazil PCMSO -Programa de Controle Médico de Saúde Ocupacional and PPRA - Programa de Prevenção de Riscos Ambientais) through the adoption of specific management systems that cover all employees, internal and external collaborators who operate within the Group's workplaces. In some companies, the implemented system is based on the most stringent requirements for specific certifications (eg BS OHSAS 18001:2007 certification). The management systems are updated in the event of significant changes in company processes, legislative changes and in any case with the minimum frequency required by current regulations.

Company activities are overall oriented towards preventing accidents, injuries and occupational diseases; therefore, the design, operation and maintenance of equipment and systems, including the cleaning activities of the workplace, are addressed to this purpose. Italian companies periodically carry out an analysis of their work activities, identifying the risks associated with them and the corrective actions to be implemented, which leads to the drafting and updating of the **risk assessment document**. This document is drawn up and updated periodically, and in any case at least every three years, by the employer in collaboration with the members of the Prevention and Protection Service (RSPP - Head of the Prevention and Protection Service), with the competent doctor and with workers' safety representatives (RLS). Companies in which there is no dedicated internal function collaborate with professionals outside the organization in the preparation and implementation of the procedures and activities necessary to comply with local regulations.

The companies of the Group carry out constant evaluations and analysis in order to identify the presence of any hazards at work and assess the related risks. These assessments are carried out for each type of job, identifying a starting risk, the measures implemented by the company to reduce the risk and the residual risk. From the analysis derives the drafting of an adjustment and improvement plan, in which new risks or new situations of potential danger (near misses) are constantly inserted by RSPP, upon notification of supervisors or RLS or workers. The reports and the consequent updating of improvement initiatives are analyzed during periodic meetings between RSPP, RLS and company management or within specific safety committees. In some Group companies the company management is supported by external consultancy firm for the implementation of the occupational health and safety management system. All Group companies are committed to identifying and eliminating dangers and minimizing risks in the pursuit of continuous improvement. To this end, various company functions are involved (for example RSPP and workers' safety representatives), the competent doctor and professionals competent in the matter, who have the task of sharing the proposed improvement/adaptation actions, of bringing any critical or new dangers/risks reported by workers, to disclose the progress of the improvement actions discussed, in order to involve workers on safety and prevention measures. Constant and regular health surveillance is also guaranteed by the Competent Doctor who keeps the anamnestic information anonymously and confidential for the entire duration of the employment relationship, after which the discharged worker receives the original of his health record by post, while a copy is sent in a sealed envelope to the company for archiving and preservation. The companies also provide Personal Protective Equipment (PPE) to personnel who works in workstations where they are required and prepare every year an evacuation plan for emergencies. The staff attends training and refresher courses on health and safety.

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

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

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

All companies of the Group encourage their employees to report work-related hazards and dangerous situations. In most companies there are formalized and structured procedures that define the methods by which the reports must be made and their evaluation, analysis and closure process. Each worker has the right/duty to report hazards and dangerous situations: notifications are assessed in order to proceed with the suspension of the activity and/or the immediate removal of the risk. Workers can report both anonymously and in person, by contacting a specific telephone number or by consigning specific forms in dedicated boxes or by reporting to persons in charge of health and safety issues, the Health and Safety Manager and the workers' health and safety representatives. With the aim of implementing improvement actions and evaluating the efficiency, episodes of occupational accidents are monitored, comparing the trend of indices from year to year. Workers are required to communicate any accident or potentially dangerous situations that will be evaluated by the competent bodies, and eventually by the external consultants, in order to define the improvement measures to be implemented.

The Group supports the continuous improvement of the health and safety of workers by making available the human, instrumental and economic resources necessary to achieve its objectives. Particular attention is paid to the training and awareness of staff on health and safety issues with specific reference to the task performed, such as courses relating to the handling of loads, the use of machinery (e.g. forklift), emergency and fire prevention and training of first aid personnel. In addition to checking the regularity of training and any mandatory updates, every new hire and every external visitor is trained on specific company risks. Occasional external visitors are followed by a contact person during their stay in the company, maintenance workers and companies operating with construction sites are placed under a regular contract in compliance with the law.

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

In order to facilitate the access of their workers to medical and health care services, some companies in the Group have developed specific Welfare and health coverage programs which include various agreements with private entities as well as with the national health service. Some companies also have a wellness committee that promotes various health promotion activities including but not limited to exercise, healthy eating and mental health. In various companies, during safety courses or on specific occasions, topics such as the consequences of bad lifestyles, the risk of injuries and accidents deriving from the lowering of the attention threshold, the risks deriving from smoking (courses to quit smoking) have been covered.

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

During 2020, in the Group occurred 31 injuries (of which none fatal), with a recordable workplace accident rate of 8.2, decreasing compared to 2019 (9.7).

In 2020, with the onset of the Covid-19 pandemic, all the Group's operating companies set up specific emergency management committees, in order to implement measures aimed at guaranteeing safety at work in the most rapid and effective way, in compliance with the regulations that the national authorities have issued on the subject. At the same time, activities were put in place for the management of business risks emerging from the current situation, with the aim of limiting the impact on human resources, income results and the financial balance of the Group. The companies have updated their health management systems by implementing several new procedures, operating instructions and modules relating to the reduction of the risk of infection from Covid-19. The initiatives undertaken include the activation of the remote working system for office employees, respect of social distancing on production lines, the supply of personal protective equipment to all staff in the company, the interruption of travel and business trips, the limitation of access to company premises by personnel external to the companies, the sanitization of the workplace. Some companies, in consideration of the type of activity carried out, have subjected all their employees to

serological tests when returning from summer holidays and Christmas holidays. Others provided remote health checks and counseling services through partnerships with third parties to assist employees in obtaining the mental and physical health services they needed.

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

3.2 Product responsibility

3.2.1 Supply chain

(GRI 102-9; 102-10; 204-1)

Emak Group's supply chain is composed of around 6,000 suppliers, subdivided between consolidated suppliers of direct materials for production, suppliers of consumables and indirect materials, suppliers of services and suppliers of finished products. In 2020, the aggregate value of Group purchases was around 470 million euros, of which approximately 79% is attributable to production companies. Intercompany purchases represented around 27.5% of the aggregate value in 2020. Smaller commercial companies purchase marketed products mainly by other Group companies, while they use local suppliers for services. Common suppliers among more companies are around 11% of the total. The Group, through the Corporate Purchasing Department, implement synergy and optimisation plans of the supply chain aimed at further increasing and consolidating the perimeter of common suppliers.

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

With regards to geographical area, 71% of the supply chain is located within the European Union and 29% in Extra EU Countries, largely in the China, Brasil and USA directly serving the Group's production sites. The geographical distribution of the supply chain can vary depending on the specific nature of the single businesses. On average, the Group companies rely on local suppliers for about 60% of their purchases, intended as suppliers based in the same country as the individual companies. In Italy the Group maintains part of its suppliers with a site situated at less than 150 km from the Production Site, especially for mechanical processing, surface treatments and assembly works: these are historical suppliers with a longstanding relationship with the company.

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

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

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

The main commodities purchased are those typical for the metal-mechanical sector: plastics, parts made of cast aluminium, parts in moulded and shaped metal, finished products, electric induction and brush motors, metal work, electrical and electronic components and spare parts.

The main changes occurred during the year in the Group's supply chain structure are mainly attributable to the actions taken to face the Covid-19 pandemic and guarantee the continuity of supplies to the plants through double sourcing. In order to guarantee supplies and monitor deliveries, some Group companies have also created specific cross-functional working teams.

Changes in the year in the Group's supply chain structure are also due, to a lesser degree, to the following reasons:

- Changes due to qualitative problems
- Changes due to the high risk of supplies or external factors such as closures/cessation of the supplier's business which could potentially affect the production continuity of the Group's factories

- Changes due to purchases marketing, aimed at obtaining improved technical-commercial conditions
- Changes due to optimization of the purchasing process.

Changes in the supply chain can also be determined by the outsourcing of some production stages, as for the company PTC S.r.l., which has started some years ago the process of outsourcing the carpentry in order to focus on the true core business of the company which is linked to the assembly of Water Jetting and Urban Cleaning machines.

The main activities have affected around 100 suppliers at Group level, including suppliers judged to be at high risk and those with resourcing projects for qualitative problems: the main commodities affected are plastic, metalwork, rubber and mechanical processing.

In the case of purchases marketing, the Group's policy is to maintain double sourcing of supplies with reference to risk management.

With regard to purchasing policies, Comet S.p.A. started a process of change through KANBAN logic, with the help of a new software, which involved 5 suppliers in 2020.

Supplier analysis and assessment

(GRI 414-1; 308-1; 407-1; 408-1; 409-1)

The selection of suppliers and the assignment of business regulated by contracts is carried out through clear, certain and non-discriminatory procedures, using only criteria linked to the objective competitiveness of the services and products offered and their quality, considering also the supplier's performance with regards to environmental and social issues and its compliance with the principles expressed in the Ethical Code. The presence of Ethical-Environmental-Quality certification is a plus in the choice of the supplier and in the application of strategic sourcing. The evaluation of environmental and ethical aspects forms part of the assessment of suppliers both upon their initial introduction into Emak's Register of suppliers and in the periodic assessment of performance.

Supplier assessment is carried out both through checklists, in order to verify the compliance with quality standards and with the SA8000 ethical standard, and through visits to the supplier's headquarters by the team in charge (Quality - Purchasing). This type of audit has a more qualitative outcome in terms of the reporting of any non-conformities to the Certified Systems Manager and the Purchases Management and the definition of a shared action plan for the investigation and correction of any non-conforming situations. The assessment and classification of suppliers already present in the Register of suppliers, is included in a specific section that checks the presence of environmental and ethical certification and evaluates the supplier regarding particular changes or improvements in this area. In some supply contracts for certain types of purchase (e.g.: transport), there is a specific section on environmental and ethical issues.

Audits are performed on a periodic basis on the trend of accidents, turnover or aspects relating to safety and ethics through the compilation of questionnaires and/or checklists.

In 2020, due to the Covid-19 pandemic, several companies temporarily suspended their audits almost completely and, in the case of new suppliers, asked them to fill in self-assessment forms or explicitly accept the Group policy.

Emak's integrated policies are promptly shared with new suppliers, together with the ethical and environmental commitment notice they are required to comply with. They are also invited to visit the Emak website for more details on these issues.

As regards European suppliers, and Western suppliers in general, the Group believes that the probability of having suppliers at risk with regard to environmental, social and respect for human rights issues is minimal, as they are subject to the stringent regulations in force in these countries.

On the basis of the quality audits received, the Group does not have suppliers at high risk on these themes: partners are mostly structured companies, operating for some time in the market and informed on this issue.

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

New suppliers are visited and assessed according to the SA8000 checklist and Quality Audit forms. The periodic check on the part of appointed staff, through checklists and audits, guarantees that the Register of suppliers is constantly updated with approved and useable suppliers. The check of clauses relating to human rights forms part of this procedure.

The Group believes it is essential to keep extra-European supplies monitored centrally and to promote training projects for the Purchases-Quality staff so that the issues relating to the environment, safety and ethics are constantly held in consideration in order to limit risk. In this regard, auditors have been made aware of, and formally trained to pay attention to, these aspects and to report any non-conformities, also potential. It has also been defined a target number of annual audits to share with the Corporate Purchasing Department with a timeline of 2 years (2018-2019). This target has been respected and has been renewed for the 2020-2021 period.

Speed Line South Africa, in order to raise the awareness of its suppliers on social and human rights issues, has communicated to its suppliers that they adhere to the ETI Base Code, an internationally recognised code of labour practice based on the conventions of the International Labour Organization (ILO) on working conditions and workers' rights, encouraging them to consider this initiative.

In 2020, the Chinese company Ningbo assessed 100% of the new suppliers on the basis of social and environmental criteria, without any evidence of non-conformities.

At the moment most of the practices described are being extended to all divisions of the Group as part of the updated Ethical Code which will be shared at corporate level during 2021, although general assessments on environmental and social criteria are already widely common within the Group.

3.2.2 Research and development

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

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

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

In 2020 the Group allocated a total of 19.1 million Euros to Research and Development, of which 12 million Euros for product innovations and adaptation of production capacity and process innovation and 7.1 million Euros for research costs allocated directly to the income statement.

The main activities carried out by the Group companies in 2020, broken down by business lines, are described below.

Outdoor Power Equipment

The year 2020 saw the consolidation of sales of the products launched in the second half of 2019, including the first applications (brush cutter, hedge trimmer and blower) of the new battery line, a new line of 40cc chainsaws for consumer users and a 40cc brush cutter for private and farmer use.

During the year new battery-powered lawnmowers with a 46cm cutting width, a new 25cc brushcutter for private users and a new 25cc hand blower model, characterized by a reduced weight and size, at the top of the category, were launched.

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

- **Engine technologies.** In 2020 development of new technologies applied to two-stroke engines such as stratified charge systems continued with the aim of respecting the future emission limits that are currently under discussion and which is expected to reduce pollutants by 30% less compared to current limits.
- **Battery technology.** During 2020, development continued in order to complete the range, in particular with the development of three other lawnmowers, one with a 38 cm cutting deck in plastic, one self-propelled with a 44 cm cutting deck in metal and another with a 48cm cutting deck in metal, and lastly of a chainsaw for private users. In 2020 we started testing the first samples of machines equipped with new electronics, confirming the expected improvement in performance. Two solutions have been developed: one for brush motors and one for BLDC (Brushless Direct Current) motors. In parallel, new batteries with cells that allow to increase the energy density by 30% have been studied.
- **IoT.** In 2020, the development of IoT technology continued in order to be able to apply it to products in the OPE segment. In 2020 we made the first sensor samples that we are field-testing. In parallel, algorithms for predictive maintenance and a first App as user interface were developed. We have also started to develop, both in terms of mechanics and electronics, a new sensor with much smaller dimensions. The activity will continue also in the following year with field validation tests and with the evolution of algorithms and user interfaces. With this technology it will be possible to monitor the activity in the field of the machines and on the one hand to provide useful information to the customer regarding the maintenance of the equipment, on the other to collect data useful to the Group for the improvement and further future development of the products. This is a multi-year project, for which the Group has also obtained funding from the MISE (Ministry of Economic Development) in the coming years.
- **Methodological activity.** During 2020, further improvement activities were carried out on the two specific test benches completed in 2019, one concerning the optical measurement of the cylinders for two-stroke engines and a wear bench for the cylinder linings which allows to evaluate the characteristics of a coating in a few hours on a sample or production piece. These activities are based on a line of improvement in the quality standards of the engines and therefore of the finished products. In 2020 we also continued to develop the experimental numerical method for the prediction and characterization of anti-vibration systems. The methodology consists in combining experimental measurements with accelerometers and numerical simulations. This activity has allowed us to significantly improve the comfort of our products such as the backed brush cutter and the new 25 cc portable blower and at the same time to understand anomalous vibrations on some specific products.

Pumps and High Pressure Water Jetting

As part of the range of products for **agriculture**, in addition to the low pressure pump with pipes and heads in technopolymer for use with acids and soft wash, two series of electric backpack and wheelbarrow sprayers for disinfestation and sanitation were put on the market. Furthermore, the project for the high pressure compensated control unit was finalized and will go into production next year.

In **industrial products**, special versions for aggressive applications and hydraulic motors and a new low-flow single-pump pump for misting or nebulization use were created.

As regards **cleaning products and hydrodynamic units**, as for last year, the intense synergic activity between the various companies and product lines continued.

Following the sanitation needs related to the Covid 19 emergency, some machines dedicated to this specific use have been designed. EGONVAC, combined machine with steam and suction function intended mainly for domestic use. Equipped with accessories for the distribution of sanitizing solution through steam. XXS IDS, scrubber dryer with operator on board. This project integrates traditional cleaning systems with an apparatus for the distribution of sanitizing solution on the floor. K WB, wheelbarrow pressure washer with tank, axial pump and specific accessories for small drop nebulization.

In addition to this, in the consumer sector two models of cold pressure washers have been placed on the market and the LVR platform of cold water machines has been expanded by introducing the induction motor both for a version with standard ON / OFF operation and in a version with control. digital. Furthermore, a control / regulation system has been designed using radio frequency electronics, this system can be configured to various models of the current ranges with universal motors.

In the professional sector, four cold and two hot models with steel frame were launched. The redesign of the internal-combustion engine range was completed, from small pressure washers to large plants, for the use of "Stage V compliant" engines in terms of polluting emissions. In the urban cleaning range, a PLC unit was also introduced to control the machine functions and endothermic engine, replacing the two previous electromechanical panels.

In the suction compartment, the VACDOZER project was developed which involves the creation of a new hobby product range. The category of industrial vacuum cleaners was also further expanded.

Components and accessories

In the **gardening and forestry**, a patent for trimmer heads has been revised, which consists in being able to place a pre-wound coil of special line called Biline in the head. The reinterpretation consists in creating a head that is not only dedicated to this type of line but has a double seat to accommodate both the pre-wound and the standard line sold in spool. During the year, an additional head for brushcutters was developed, sized to minimize the vibrations induced by the machine. This represents one of the main design guidelines for these products dedicated above all to battery-powered brushcutters, in order to guarantee comfort of use and energy saving. In the forestry sector, a so-called utility machine for sharpening cutting accessories that are not chainsaw chains has been developed and improved. These are discs for brushcutters and blades for hedge trimmers.

In the **high pressure washing accessories**, a line of products for the hydroexcavation sector has been studied. The main of these consists of a rotating nozzle which has a higher flow rate than those normally produced and a cap in anti-wear and antistatic material. A range of spray guns with flow inlet and outlet aligned for specific uses, such as for cleaning surfaces that are otherwise not accessible. Finally, a whole range of consumer products was created: spray guns, lances and nozzle holder heads. This completely plastic range maintains high safety and performance standards, combined with a low cost for a massive diffusion.

In the **agricultural sector**, the use of digital technologies has accelerated to speed up the ecological conversion of machines for the application of pesticides; in this context, investments in unified components for ISOBUS tractors and in electronic control systems for the single nozzle are significant.

Important investments were also dedicated to controlling the volume of product applied with the complete overhaul of the "flow meters" range.

3.2.3 Product quality and safety

(GRI 416-2)

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

Segment	Company	Certifications
Outdoor Power Equipment	Emak S.p.A.	ISO 9001:2015 ISO 14001:2015
	Comet S.p.A.	ISO 9001 2015
Pumps and High Pressure Water Jetting	Lavorwash S.p.A.	ISO 9001:2015
	P.T.C. S.r.l.	ISO 9001:2015
	Yong Kang Lavorwash Equipment Co. Ltd.	ISO 9001:2015
	Lavorwash Brasil Industrial and Commercial Ltda	ISO 9001:2015
	Tecomec S.r.l.	ISO 9001:2015
Components & Accessories	Ningbo Tecomec Manufacturing Co. Ltd.	ISO 9001:2015
	Agres Sistemas Eletrônicos SA	ISO 9001:2015

Outdoor Power Equipment

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

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

The department dedicated to product Quality and Safety is particularly active and attentive in relation to the constantly evolving reference legislation context. Emak is a member of EUROMOT, the category association of engine manufacturers at a European level which is involved in supporting the development of future scenarios regarding the reference sector (e.g. emissions, etc.) and of EGMF, association of European agricultural machinery manufacturers which aims, among other things, to support the development of future scenarios on all directives concerning products and market monitoring. Emak also follows the evolution of legislation affecting the sector (Emissions Directive, Machines Directive Revision, Noise Directive, WEEE Directive - The Waste Electrical and Electronic Equipment Directive - ISO standards, etc.) in order to be constantly updated and in line with the requirements requested by the current laws in countries where the Group operates. Finally, Emak takes part in the ISO meetings relating to changes and developments regarding the safety of products in the reference markets.

There were no cases of product non-conformity in 2020.

Pumps and High Pressure Water Jetting

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

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

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

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

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

ISO 9001 certified companies operate according the requirements of the standard and have adopted a procedure that establishes criteria and controls with regards to the design, production and quality control of both incoming and outgoing products. In some cases, where required for commercial reasons, certification is issued by third parties such as TÜV (Technischer Überwachungsverein), KEMA (Keuring Electrotechnisch Materieel Arnhem) and UL (Underwriters Laboratories).

Products are also subject to the safety requirements established by the directives or regulations applicable in the various countries, such as the EU/EC directives for the European market or the INMETRO certification, necessary for household appliances in the Brazilian market.

There were no cases of product non-conformity in 2020.

Components and accessories

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

With regards to evaluation activities regarding the health and safety of the products developed, there is an internal procedure that establishes the activities and responsibilities regarding the design and engineering phases of new products. Specifically, during the design phase the laws and standards to which the product is subject are reviewed (e.g. the REACH regulation - Registration, Evaluation, Authorisation and Restriction of Chemicals, and the RoHS directive - Restriction of Hazardous Substances Directive) on the basis of the final market of the product. Higher levels of safety are requested for a number of products, such as power tools. In these cases, the well-established procedure imposed by management is the issue of a certification by third party bodies: for the European market, the certification is issued by the TÜV company (Technischer Überwachungsverein), while for the United States market by UL (Underwriters Laboratories). In the event that it is considered necessary internally or is explicitly requested by the customer, an FMEA (Failure Mode and Effect Analysis) risk analysis is applied. Finally, for those products that are not regulated by specific legislation (e.g. accessories), reference is made to the standard to which the finished product is subject. For example, for the trimmer heads, the Chinese company Ningbo Tecomec carries out its tests on the basis of the UNI EN ISO 11806 standard, indicating the safety requirements and testing for portable, hand-held, powered brush-cutters and lawnmowers.

There were no cases of product non-conformity in 2020.

3.3 Economic responsibility

3.3.1 Economic value created and distributed

(GRI 201-1)

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

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

In 2020, the added value distributed by the Group was 444,329 thousand Euros, in spite of an added value generated of 478,962 thousand Euros.

Added Value generated		
€/000	2020	2019
Sales	469,778	433,953
Other operating incomes	4,152	4,668
Change in inventories	9,996	854
Financial income	727	1,370
Exchange gains and losses	-3,547	766
Income from/(expenses on) equity investment	-2,144	89
Depreciation	0	-2,074
Global Added Value generated	478,962	439,626

Added Value distributed		
Employees remuneration	84,588	81,106
Personnel expenses	84,588	81,106
Operating costs	343,563	312,236
Raw materials, consumable and goods	258,006	230,213
Other operating costs	85,557	82,023
Community investments	141	43
Charities and contributions	141	43
Remuneration of the Public Administration	3,202	5,755
Income taxes	3,202	5,755
Shareholders remuneration	7,671	177
Net profit attributable to non controlling interests	312	177
Net profit attributable to the Group distributed to shareholders*	7,359	-
Remuneration of financial system	5,164	5,366
Financial expenses	5,164	5,366
Global Added Value distributed	444,329	404,683

Added Value retained		
Profit for the year allocated to reserve	11,941	12,949
Amortization	22,692	21,994
Global Added Value retained	34,633	34,943

“Net profit attributable to the Group distributed to shareholders” corresponds to the allocation of the operating result of Emak S.p.A. as dividend that the Board of Directors will propose to the Shareholders' Meeting called for April 29, 2021. It should be noted that in order to support the financial solidity of the Group and not to preclude the possibility of resorting to the facilitated conditions for access to credit, the Shareholders' Meeting of April 29, 2020 approved the proposals of the Board of Directors to allocate the 2019 profit to reserve.

During 2020, the Group focused on liquidity risk management, which consists of the ability to find the resources necessary for operations, applying the following strategies:

- Maintaining adequate amounts of credit lines;
- Access to new funding;
- Request for suspension of installments relating to existing loans with the banking system, falling due in 2020;
- Increase of controls to safeguard the solvency of counterparties and compliance with the contractual terms of collection;
- Containment of operating costs;
- Remodeling of the investment plan;
- Monitoring of the quality and level of warehouse stocks.

Management believes that the application of these strategies has allowed and will allow the Group to manage short-term cash requirements.

For more details on the economic and financial effects of the epidemiological emergency and the related responses of the Group, please refer to the 2020 Annual Financial Report.

3.3.2 Tax system

(GRI 207-1; 207-2; 207-3)

The economic contribution that the Group provides at a fiscal level to the countries where it operates is divided into various types of taxes:

- income taxes;
- property taxes;
- labor taxes, including taxes collected and paid to the tax authorities on behalf of employees;
- indirect taxes collected on the production and consumption of goods and services (VAT, customs duties, etc.).

In carrying out its business, the Group follows the principle of fairness, understood as respect for rules and regulations, and a contribution to the development of the communities of the countries in which it operates. Aware of its role within the socio-economic context, the Group complies with the national tax regulations in force in the 15 countries in which its companies are based, with the awareness that taxes are important sources of revenue for public administrations, essential for guaranteeing investments in infrastructures and public services in the area. At the same time, the belief that compliance with regulations is one of the factors that contribute decisively to the goal of corporate sustainability is strongly rooted in the Group.

The supervision of the tax compliance of the group is entrusted to the Corporate CFO, who is supported by the CFOs of the individual Group companies for the correct fulfillment of tax obligations. The Group makes use of adequate consultancy support, participates in committees promoted by associations, spontaneous trade groups and research bodies, organises continuous training of personnel, both in individual entities and at group level, and choices on tax matters are shared with both Corporate CEO and with the respective managing directors. The compliance of the individual entities is harmonized in the group tax policy, through coordination and validation.

The results of the coordination consist on the one hand in a coherent and efficient approach to the recurring issues of taxation, such as tax consolidation, the patent box, transfer pricing, the various forms of incentives for businesses; on the other hand in a basic setting for a strict compliance with tax regulations. This principle of legality has always remained inherent in the development of each of the conglomerate entities, right from its first aggregation.

From this principle arise the absence of the Group from non-cooperative countries, the rejection of aggressive tax planning practices and a tradition of excellent relations with public administrations, in particular with the Italian one. With specific reference to the latter, in terms of taxation, only the size limits have precluded the parent company from accessing the Cooperative Compliance regime.

With the expansion and proliferation of structures, the progressive generational alternation of management and an increasingly stringent legislative frame, the group is committed to constantly adapting, also on an administrative and fiscal level, its governance system, including the Ethical Code and the procedures pursuant to Legislative Decree 231/01, which provide for reporting mechanisms relating to unethical or illegal behavior, the convinced and dynamic adherence to the Corporate Governance Code promoted by Borsa Italiana, and the system of programmatic and control procedures, which extensively regulate all the relevant areas of their actions, in particular in terms of taxation.

For a more detailed description of the Group's economic and financial performance, please refer to the 2020 Annual Financial Report published on the website www.emakgroup.it.

3.4 Environmental responsibility

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

The Group's efforts in the reduction of environmental impact affect all business processes across the board, starting from the design of its products, aiming to use increasingly eco-compatible materials, and technical solutions that permit a lowering of polluting emissions and a reduction in consumptions, guaranteeing, at the same time, customer satisfaction from a performance point of view.

The most significant environmental impact for the Group is concentrated in the production companies, which for the most part carry out assembly activities and therefore do not include energy-intensive operations. Although the timely management of environmental aspects and impacts is delegated to the individual companies, starting from the 2019 financial year, the Operation and Procurement Committee has included the mapping and sharing of the initiatives taken by the various companies on environmental issues in its duties so as to be able to better coordinate the Group's activities on the matter.

In line with the environmental commitment of the Group, some Italian companies have adopted projects to reduce the consumption of plastic through the use in the company refreshment areas of paper cups and wooden pallets for coffee and the installation of water dispensers where you can fill bottles distributed free of charge to employees to discourage the use of plastic bottles. This initiative made it possible to save over 2,700 kg of plastic, for an equivalent of 6,056 kg of CO₂, by replacing it with biodegradable materials that have less impact on the environment and reusable water bottles.

It should be noted that the parent company Emak S.p.A. implements its commitment to sustainable development through the Integrated Management System, which combines the Quality System UNI EN ISO 9001:2015, the Ethical System compliant to the principle of SA8000 and the Environmental System UNI EN ISO14001:2015 standards in a synergistic manner.

With regards to the creation of responsible products, the parent company, Emak S.p.A., has created a logo that expresses its green vision: **We care.**

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

3.4.1 Energy consumption

(GRI 302-1)

In 2020, 74,537 GJ of fuels from non-renewable sources (natural gas, diesel, gasoline and LPG) were consumed, while total electricity consumption was 83,328 GJ. The overall energy consumption was therefore equal to 157,865 GJ (157,323⁴ GJ in 2019). In percentage terms, most of the consumption is attributable to the use of electricity (about 53%) purchased directly from the network, used for heating / cooling and for the Group's production processes; 37%, on the other hand, is attributable to the consumption of natural gas for heating buildings and factories. In 2020 there was an increase in energy consumption in GJ equal to 0.3% compared to 2019 (+0.2% on a like-for-like basis). The trend in consumption was influenced on the one hand by the restrictive measures adopted to face the Covid-19 pandemic and on the other by the increase in production volumes. Considering the data in units of measurement, in fact, there is a reduction in the consumption of natural gas for heating (-8.2% compared to 2019) and fuel for cars (-26,9% compared to

⁴ Following a process of improvement of the reporting system, the 2019 energy consumption figures were restated compared to those published in the previous NFS. For previously published data, please refer to the 2019 non-financial statement, published in the Sustainability section of the website www.emakgroup.it.

2019). On the other hand, there is a greater consumption of electricity (+8.4% compared to 2019) and diesel for production processes (+19.3% compared to 2019), which recorded an increase in volumes in 2020.

Several companies have adopted procedures and solutions aimed at monitoring and reducing energy consumption such as:

- Installation in the production departments of systems that manage lighting according to work shifts and motion sensors in some rooms for the automatic switching on and off of the lights;
- management of plant heating taking into account the external and internal temperatures, with variable adjustments based on the day of the week and according to the season;
- use of energy-intensive machinery outside peak hours;
- installation of new high energy efficiency boilers;
- revision of the general electrical system and of the transformer substations which will lead to an increase in efficiency regarding dispersions;
- progressive replacement of neon lamps with LED lamps.

It should be noted that 100% of the electricity purchased by the company Markusson comes from renewable sources (hydroelectricity).

3.4.2 Emissions

(GRI 305-1; 305-2; 305-7)

Direct and indirect CO₂eq emissions associated with the main consumption activities of the Group can be subdivided into two categories:

- **direct emissions (Scope 1):** emission of greenhouse gases due to direct fuel consumption on the part of the Group (e.g. natural gas, diesel and petrol);
- **indirect emissions (Scope 2⁵):** emissions of greenhouse gases deriving from the consumption of electricity, consumed by the Group.

In 2020, Group's Scope 1 emissions were 4,342 ton CO₂eq (4,854 ton CO₂eq in 2019), while Scope 2 emissions calculated with the market-based method were 8,878 ton CO₂ (8,672 ⁶ ton CO₂ in 2019). Specifically, 67% of the emissions is attributable to electricity (Scope 2), while 33% is attributable to the use of fuels (Scope 1).

Using instead the location-based method, the Scope 2 emissions were 8,095 ton CO₂ (7,911 ton CO₂ in 2019).

In 2020, in line with the trend in energy consumption, there was a reduction in Scope 1 emissions (-11% compared to 2019) and an increase in Scope 2 emissions both according to the location-based method (+2.3% compared to 2019) and market-based (+2.4% compared to 2019).

With regard to the quantification of other atmospheric emissions different from CO₂ emissions, various case studies are reported among the companies of the Group. In particular:

⁵ Scope 2 emissions are provided according to both location-based and market-based methods. For the location-based method, average emission factors relating to the generation of national energy were used for the various countries of operation expressed in CO₂ (source: Terna - international comparisons, 2018), while for the calculation of Scope 2 emissions with the market-based method, emission factors expressed in CO₂ relating to the "residual mix" (AIB-2019 European Residual Mix) were used. Scope 2 emissions are expressed in tons of CO₂, however the percentage of methane and nitrous oxide has a negligible effect on the total emissions of greenhouse gases (CO₂ equivalent) as can be deduced from the reference technical literature.

⁶ Following a process of improvement of the reporting system, the 2019 emissions figures were restated compared to those published in the previous NFS. For previously published data, please refer to the 2019 non-financial statement, published in the Sustainability section of the website www.emakgroup.it.

- Companies that are not subject to authorization as they do not produce significant emissions into the atmosphere;
- Companies subject to periodic checks and which have an environmental authorization obligation for emissions into the atmosphere. For example, at a national level, Emak S.p.A., Lavorwash S.p.A., Comet S.p.A and P.T.C. monitor their emissions into the atmosphere (PM) pursuant to Legislative Decree 152/06. In particular, the emissions are sampled through sampling of gaseous fluids conveyed in the emission chimney, according to the UNI EN 13284-1: 2003 sampling method. The sampling results are described in specific test reports where the values of the samples sampled (mg/Nm³) are compared with the limits established by the reference standard. These values are not in exceedance of the emission limit values imposed by the AUA⁷. In 2020 the estimated emission for the plant of the Parent Company in via Secchi, Bagnolo in Piano (RE) are equal to 5.32 kg of NO₂, 12.78 Kg of SO₂, 41.07 Kg of CO, 53.47 Kg of S.O.V., 11.7 Kg of particulate matter and 0.0029 Kg of lead; while for the Lavorwash S.p.A. plant are equal to 0.306 kg of Particulate Matter (PM). For the aforementioned plants subject to AUA, for the purpose of calculating emissions into the atmosphere, the sampled value (in mg/Nm³) is multiplied by the hours worked and by the flow rate of the chimney itself. In some plants subject to environmental authorisation (eg Tailong in China), the emission control is performed by the competent authorities on an annual basis; for an estimate of emissions in the year, the sampled value is then multiplied by the annual working. For the Chinese plant Tailong, the estimated emissions are equal to 7.34 kg of NO_x, 20.97 kg of Sox.

At the end of 2020, the US company Valley signed a ten-year subscription contract for a share of the capacity of a solar park equivalent to its average annual electricity needs. Thanks to this agreement, Valley will on the one hand get a discount on the supply from its supplier, on the other hand it will contribute to the reduction of CO₂eq emissions by approximately 450,000 pounds⁸ (equal to approximately 204,000 kg) per year for the next ten years.

3.4.3 Water withdrawals

(GRI 303-1; 303-2; 303-3)

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

Water can be used for sanitary or production purposes. In the latter case, it is mainly used in test benches or in test rooms in order to test the products and in the production process of the brushcutter wire. Companies that use water the most in their production processes use water in closed processes in order to reduce its use. Furthermore, although it is a practice only encouraged and not regulated by local authorities, Speed Line South Africa Ltd. uses collected rainwater in its production.

The primary source of withdrawal is the public network, but several companies of the Group also use wells in the vicinity of their plants, within the limits granted by the public authorities, both for production purposes and for the irrigation of green spaces. The waters are usually discharged into the sewer system.

The companies hold regular water analysis by external bodies, in order to monitor that the quality complies with the regulatory requirements of the various countries.

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

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

⁷ Autorizzazione Unica Ambientale.

⁸ Emission factor source: U.S. Energy Information Administration (EIA) of 2018

4. Performance indicators

Figures relating to human resources

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

	31.12.2019			31.12.2020		
	Men	Women	Total	Men	Women	Total
Europe	804	400	1,204	820	412	1,232
Permanent	794	397	1,191	806	403	1,209
Temporary	10	3	13	14	9	23
Americas	239	101	340	321	125	446
Permanent	231	97	328	317	122	439
Temporary	8	4	12	4	3	7
Asia, Africa, Oceania	201	243	444	217	241	458
Permanent	141	170	311	152	180	332
Temporary	60	73	133	65	61	126
Group	1,244	744	1,988	1,358	778	2,136
Permanent	1,166	664	1,830	1,275	705	1,980
Temporary	78	80	158	83	73	156

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

	31.12.2019			31.12.2020		
	Men	Women	Total	Men	Women	Total
Europe	804	400	1,204	820	412	1,232
Full-time	773	302	1,075	785	318	1,103
Part-time	31	98	129	35	94	129
Americas	239	101	340	321	125	446
Full-time	237	101	338	317	120	437
Part-time	2	-	2	4	5	9
Asia, Africa, Oceania	201	243	444	217	241	458
Full-time	198	240	438	217	240	457
Part-time	3	3	6	-	1	1
Group	1,244	744	1,988	1,358	778	2,136
Full-time	1,208	643	1,851	1,319	678	1,997
Part-time	36	101	137	39	100	139

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

	31.12.2019			31.12.2020		
	Men	Women	Total	Men	Women	Total
Group	97	58	155	132	71	203
Agency and other	87	49	136	120	60	180
Trainee	10	9	19	12	11	23

Percentage of employees by region, employee category and gender at 31 December

	31.12.2019			31.12.2020		
	Men	Women	Total	Men	Women	Total
Europe	67%	33%	100%	67%	33%	100%
Executives	89%	11%	5%	90%	10%	5%
Employees	62%	38%	47%	62%	38%	46%
Workers	69%	31%	48%	69%	31%	49%
Americas	70%	30%	100%	72%	28%	100%
Executives	86%	14%	6%	83%	17%	7%
Employees	69%	31%	45%	72%	28%	51%
Workers	70%	30%	49%	71%	29%	43%
Asia, Africa, Oceania	45%	55%	100%	47%	53%	100%
Executives	65%	35%	4%	63%	38%	3%
Employees	61%	39%	33%	62%	38%	34%
Workers	36%	64%	63%	39%	61%	63%
Group	63%	37%	100%	64%	36%	100%
Executives	85%	15%	5%	84%	16%	5%
Employees	63%	37%	43%	64%	36%	44%
Workers	60%	40%	51%	61%	39%	51%

Percentage of employees by region, employee category and age group at 31 December

	31.12.2019				31.12.2020			
	<30	30_50	>50	Total	<30	30_50	>50	Total
Europe	6%	59%	35%	100%	7%	57%	36%	100%
Executives	2%	50%	48%	5%	2%	51%	48%	5%
Employees	9%	60%	31%	47%	8%	59%	33%	46%
Workers	4%	59%	37%	48%	7%	55%	38%	49%
Americas	27%	59%	14%	100%	29%	58%	13%	100%
Executives	0%	77%	23%	6%	0%	76%	24%	7%
Employees	24%	65%	10%	45%	23%	67%	10%	51%
Workers	34%	51%	15%	49%	40%	45%	15%	43%
Asia, Africa, Oceania	20%	73%	7%	100%	23%	70%	7%	100%
Executives	0%	76%	24%	4%	0%	81%	19%	3%
Employees	18%	75%	7%	33%	19%	75%	6%	34%
Workers	23%	71%	6%	63%	26%	67%	6%	63%
Group	13%	62%	25%	100%	15%	60%	25%	100%
Executives	1%	60%	39%	5%	1%	62%	37%	5%
Employees	13%	64%	23%	43%	13%	64%	23%	44%
Workers	14%	61%	25%	51%	18%	56%	26%	51%

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

	31.12.2019			31.12.2020		
	Men	Women	Total	Men	Women	Total
Group	41	16	57	42	17	59
Executives	-	-	-	-	-	-
Employees	8	2	10	8	4	12
Workers	33	14	47	34	13	47

New employee hires by gender and age group

	2019				2020			
	Men	Women	Total	%	Men	Women	Total	%
Europe								
<30	16	12	28	38.4%	26	10	36	41.9%
30-50	39	9	48	6.8%	31	22	53	7.6%
>50	12	4	16	3.8%	13	2	15	3.4%
Total	67	25	92	7.6%	70	34	104	8.4%
Incoming turnover (%)	8.3%	6.3%	7.6%		8.5%	8.3%	8.4%	
Americas								
<30	72	38	110	118.3%	49	29	78	60.0%
30-50	64	37	101	50.2%	79	30	109	42.2%
>50	11	8	19	41.3%	19	12	31	53.4%
Total	147	83	230	67.6%	147	71	218	48.9%
Incoming turnover (%)	61.5%	82.2%	67.6%		45.8%	56.8%	48.9%	
Asia, Africa, Oceania								
<30	15	3	18	19.8%	29	8	37	35.2%
30-50	14	10	24	7.5%	12	13	25	7.8%
>50	2	1	3	9.7%	-	1	1	3.2%
Total	31	14	45	10.1%	41	22	63	13.8%
Incoming turnover (%)	15.4%	5.8%	10.1%		18.9%	9.1%	13.8%	
Group								
<30	103	53	156	60.7%	104	47	151	47.0%
30-50	117	56	173	14.0%	122	65	187	14.6%
>50	25	13	38	7.6%	32	15	47	8.8%
Total	245	122	367	18.5%	258	127	385	18.0%
Incoming turnover (%)	19.7%	16.4%	18.5%		19.0%	16.3%	18.0%	

Employee turnover by gender and age group

	2019				2020			
	Men	Women	Total	%	Men	Women	Total	%
Europe								
<30	17	3	20	27.4%	2	3	5	5.8%
30-50	47	16	63	8.9%	25	9	34	4.9%
>50	30	12	42	10.0%	28	11	39	8.7%
Total	94	31	125	10.4%	55	23	78	6.3%
Outgoing turnover (%)	11.7%	7.8%	10.4%		6.7%	5.6%	6.3%	
Americas								
<30	53	33	86	92.5%	44	29	73	56.2%
30-50	54	23	77	38.3%	62	30	92	35.7%
>50	14	9	23	50.0%	14	4	18	31.0%
Total	121	65	186	54.7%	120	63	183	41.0%
Outgoing turnover (%)	50.6%	64.4%	54.7%		37.4%	50.4%	41.0%	
Asia, Africa, Oceania								
<30	16	4	20	22.0%	10	2	12	11.4%
30-50	21	11	32	9.9%	13	21	34	10.6%
>50	1	4	5	16.1%	2	1	3	9.7%
Total	38	19	57	12.8%	25	24	49	10.7%
Outgoing turnover (%)	18.9%	7.8%	12.8%		11.5%	10.0%	10.7%	
Group								
<30	86	40	126	49.0%	56	34	90	28.0%
30-50	122	50	172	13.9%	100	60	160	12.5%
>50	45	25	70	14.1%	44	16	60	11.2%
Total	253	115	368	18.5%	200	110	310	14.5%
Outgoing turnover (%)	20.3%	15.5%	18.5%		14.7%	14.1%	14.5%	

Hours of training by gender and employee category

2020						
	Men		Women		Total	
	No, hours	Average per capita	No, hours	Average per capita	No, hours	Average per capita
Group	9,861	7.3	4,949	6.4	14,810	6.9
Executives	1,056	11.6	326	19.1	1,382	12.8
Employees	6,156	10.2	3,152	9.3	9,307	9.9
Workers	2,649	4.0	1,472	3.5	4,121	3.8
<i>of which anticorruption</i>	420	0.3	187	0.2	607	0.3
<i>of which health and safety</i>	3,150	2.3	1,914	2.5	5,064	2.4

2019						
	Men		Women		Total	
	No, hours	Average per capita	No, hours	Average per capita	No, hours	Average per capita
Group	15,577	12.5	8,618	11.6	24,195	12.2
Executives	953	10.7	240	15.0	1,193	11.4
Employees	9,827	18.1	5,879	18.5	15,706	18.2
Workers	4,797	7.9	2,500	6.1	7,296	7.1
<i>of which anticorruption</i>	518	0.4	334	0.4	852	0.4
<i>of which health and safety</i>	3,890	3.1	1,658	2.2	5,548	2.8

Work-related injuries ⁹

	2019	2020
Number of fatalities as a result of work-related injury	-	-
<i>of which employees</i>	-	-
<i>of which external workers</i>	N.A.	-
Number of high-consequence work-related injuries¹⁰ (excluding fatalities)	1	-
<i>of which employees</i>	1	-
<i>of which external workers</i>	N.A.	-
Number and rate of recordable work-related injuries	33	31
<i>of which employees</i>	33	31
<i>of which external workers</i>	N.A.	-
Number of hours worked	3,395,085	3,777,529
<i>of which employees</i>	3,395,085	3,549,434
<i>of which external workers</i>	N.A.	228,095
Rate of fatalities as a result of work-related injury	-	-
<i>of which employees</i>	-	-
<i>of which external workers</i>	N.A.	-
Rate of high-consequence work-related injuries (excluding fatalities)	0.29	-
<i>of which employees</i>	0.29	-
<i>of which external workers</i>	N.A.	-
Rate of recordable work-related injuries	9.72	8.21
<i>of which employees</i>	9.72	8.73
<i>of which external workers</i>	N.A.	-

Main types of work-related injuries

	2019	2020
Contusions and lacerations	18	24
Sprains and fractures	5	4
Muscle strains and joint pains	9	2
Others	1	1
Total number of work-related injuries	33	31

⁹ Starting from 2020 injury figures include non-employees workers, significant with regard to health and safety issues (temporary workers involved in the production process, stable maintenance staff and shipment/logistic cooperatives), who operate at the Group's premises and / or under the control of the Group.

The 2019 figures have been revised in order to include also low-severity injuries that didn't have particular consequences.

The injury rate has been calculated as the ratio between the total number of injuries and the total hours worked, using a multiplication factor of 1,000,000. The injury figures include commuting injuries only if transport was organized by the Group.

¹⁰ Work-related injury that results in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months.

The high-consequence work-related injury of 2019 refers to an open fracture in the third phalanx of a finger due to lack of attention when using a cutting machine.

Environmental data ¹¹

Group energy consumption

	Unit of measurement	2019	2020
Fuel from non-renewable sources	GJ	80,485	74,537
<i>of which for heating</i>	GJ	61,295	57,739
<i>of which for productive process</i>	GJ	5,986	6,702
<i>of which for automotive</i>	GJ	13,204	10,097
Fuel from renewable sources	GJ	-	-
Electric energy	GJ	76,838	83,328
<i>of which renewable</i>	GJ	-	124
Total energy consumption	GJ	157,323	157,865

	Unit of measurement	2019 Production Companies	2020 Production Companies	2019 Commercial Companies	2020 Commercial Companies
Fuel from non-renewable sources	GJ	62,462	59,361	18,023	15,176
<i>of which for heating</i>	GJ	48,446	45,879	12,849	11,860
<i>of which for productive process</i>	GJ	5,959	6,670	28	32
<i>of which for automotive</i>	GJ	8,058	6,812	5,146	3,284
Fuel from renewable sources	GJ	-	-	-	-
Electric energy	GJ	73,980	80,670	2,858	2,658
<i>of which renewable</i>	GJ	-	124	-	-
Total energy consumption	GJ	136,442	140,031	20,881	17,834

¹¹ Following a process of improvement of the reporting system, the 2019 energy consumption and emission figures were restated compared to those published in the previous NFS. For previously published data, please refer to the 2019 non-financial statement, published in the Sustainability section of the website www.emakgroup.it.

The figures relating to other polluting emissions into the atmosphere other than greenhouse gas emissions and water consumption refer only to companies that carry out production activities, excluding therefore commercial companies, as they are considered not relevant in order to ensure an understanding of the Group's business activity and its impact.

Details of energy consumption – fuels type¹²

	2019			2020		
	uom	Consumption [uom]	GJ	uom	Consumption [uom]	GJ
Natural Gas	m³	1,789,429	63,172	m³	1,653,334	59,836
<i>of which for heating</i>	<i>m³</i>	<i>1,736,244</i>	<i>61,295</i>	<i>m³</i>	<i>1,593,877</i>	<i>57,739</i>
<i>of which for productive process</i>	<i>m³</i>	<i>53,185</i>	<i>1,878</i>	<i>m³</i>	<i>59,457</i>	<i>2,098</i>
Gasoline	l	203,782	6,406	l	179,297	6,098
<i>of which for productive process</i>	<i>l</i>	<i>63,559</i>	<i>1,998</i>	<i>l</i>	<i>62,472</i>	<i>2,082</i>
<i>of which for cars for business use</i>	<i>l</i>	<i>115,939</i>	<i>3,645</i>	<i>l</i>	<i>102,508</i>	<i>3,531</i>
<i>of which for cars for mixed use</i>	<i>l</i>	<i>24,283</i>	<i>763</i>	<i>l</i>	<i>14,318</i>	<i>484</i>
Diesel	l	294,440	10,582	l	223,710	8,298
<i>of which for productive process</i>	<i>l</i>	<i>49,714</i>	<i>1,787</i>	<i>l</i>	<i>59,327</i>	<i>2,218</i>
<i>of which for cars for business use</i>	<i>l</i>	<i>142,825</i>	<i>5,133</i>	<i>l</i>	<i>71,783</i>	<i>2,698</i>
<i>of which for cars for mixed use</i>	<i>l</i>	<i>101,901</i>	<i>3,662</i>	<i>l</i>	<i>92,601</i>	<i>3,383</i>
Electric energy	KWh	21,343,922	76,838	KWh	23,146,621	83,328
Gas LPG	l	13,550	324	l	11,670	305

¹² Below are the conversion factors used to calculate energy consumption in GJ relating to 2020 data:

- Natural gas: 0.035281 GJ / m³ (Ministry of the Environment 2020, Table of National Standard Parameters)
- Electric energy: 0.0036 GJ / Kwh (constant)
- Gasoline: 0.7342 Kg / l for the international perimeter (Defra, 2020); for the national perimeter 0.0428 GJ / kg (Ministry of the Environment 2020, Table of National Standard Parameters)
- Diesel: for the international perimeter 0.8382 kg / l (Defra, 2020); for the national perimeter 0.0429 GJ / kg (Ministry of the Environment 2020, Table of National Standard Parameters)
- LPG: for the international scope 0.5293 kg / l (Defra, 2020); for the national perimeter 0.0461 GJ / kg (Ministry of the Environment 2020, Table of National Standard Parameters)

	2019 Production Companies			2020 Production Companies		
	uom	Consumption [uom]	GJ	uom	Consumption [uom]	GJ
Natural Gas	m ³	1,425,465	50,323	m ³	1,343,428	47,976
<i>of which for heating</i>	m ³	1,372,280	48,446	m ³	1,283,971	45,879
<i>of which for productive process</i>	m ³	53,185	1,878	m ³	59,457	2,098
Gasoline	l	170,097	5,347	l	155,701	5,283
<i>of which for productive process</i>	l	63,559	1,998	l	62,472	2,082
<i>of which for cars for business use</i>	l	100,071	3,146	l	86,269	2,970
<i>of which for cars for mixed use</i>	l	6,467	203	l	6,961	230
Diesel	l	180,726	6,495	l	158,913	5,829
<i>of which for productive process</i>	l	49,714	1,787	l	59,327	2,218
<i>of which for cars for business use</i>	l	53,924	1,938	l	30,489	1,117
<i>of which for cars for mixed use</i>	l	77,088	2,771	l	69,097	2,495
Electric energy	KWh	20,550,057	73,980	KWh	22,408,315	80,670
Gas LPG	l	12,384	296	l	10,448	273

	2019 Commercial Companies			2020 Commercial Companies		
	uom	Consumption [uom]	GJ	uom	Consumption [uom]	GJ
Natural Gas	m ³	363,964	12,849	m ³	309,906	11,860
<i>of which for heating</i>	m ³	363,964	12,849	m ³	309,906	11,860
<i>of which for productive process</i>	m ³	-	-	m ³	-	-
Gasoline	l	33,684	1,059	l	23,595	815
<i>of which for productive process</i>	l	-	-	l	-	-
<i>of which for cars for business use</i>	l	15,868	499	l	16,239	561
<i>of which for cars for mixed use</i>	l	17,816	560	l	7,356	254
Diesel	l	113,714	4,087	l	64,797	2,469
<i>of which for productive process</i>	l	-	-	l	-	-
<i>of which for cars for business use</i>	l	88,901	3,195	l	41,294	1,581
<i>of which for cars for mixed use</i>	l	24,813	892	l	23,503	888
Electric energy	KWh	793,865	2,858	KWh	738,306	2,658
Gas LPG	l	1,166	28	l	1,222	32

Details of Scope 1¹³ and Scope 2¹⁴ emissions (Location-based method) for the Group

	2019			2020		
	Scope 1 (ton CO2 eq)	Scope 2 (ton CO2)	Total (ton CO2 eq)	Scope 1 (ton CO2 eq)	Scope 2 (ton CO2)	Total (ton CO2 eq)
Europe	4,178	2,742	6,919	3,716	2,646	6,363
<i>Production Companies</i>	3,128	2,412	5,540	2,904	2,346	5,249
<i>Commercial Companies</i>	1,050	330	1,379	813	301	1,113
Americas	467	1,974	2,441	439	2,112	2,552
<i>Production Companies</i>	397	1,960	2,357	397	2,100	2,497
<i>Commercial Companies</i>	70	13	83	42	13	55
Asia, Africa, Oceania	209	3,196	3,405	186	3,337	3,523
<i>Production Companies</i>	209	3,196	3,405	186	3,337	3,523
<i>Commercial Companies</i>	-	-	-	-	-	-
Total	4,854	7,911	12,766	4,342	8,095	12,437
<i>Production Companies</i>	3,734	7,569	11,303	3,487	7,782	11,269
<i>Commercial Companies</i>	1,120	343	1,463	855	313	1,168

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

- For 2019 data: ISPRA 2019 for emissions on national territory (Italy), DEFRA 2019 for emissions originating on non-Italian territory;
- For 2020 data: ISPRA 2020 for emissions on national territory (Italy), DEFRA 2020 for emissions originating on non-Italian territory.

¹⁴ For the calculation of Scope 2 emissions (Location-based method), average emission factors relating to the generation of national energy were used for the various countries of operation expressed in CO₂ (source: Terna - international comparisons, 2018). For the calculation of Scope 2 emissions (Market-based method), emission factors expressed in CO₂ relating to the "residual mix" (AIB-2019 European Residual Mix) were used. Scope 2 emissions are expressed in tonnes of CO₂, however the percentage of methane and nitrous oxide has a negligible effect on the total emissions of greenhouse gases (CO₂ equivalent) as can be deduced from the reference technical literature.

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

	2019			2020		
	Scope 1 (ton CO2 eq)	Scope 2 (ton CO2)	Total (ton CO2 eq)	Scope 1 (ton CO2 eq)	Scope 2 (ton CO2)	Total (ton CO2 eq)
Europe	4,178	3,502	7,680	3,716	3,429	7,145
<i>Production Companies</i>	3,128	3,097	6,225	2,904	3,091	5,994
<i>Commercial Companies</i>	1,050	406	1,455	813	338	1,151
Americas	467	1,974	2,441	439	2,112	2,552
<i>Production Companies</i>	397	1,960	2,357	397	2,100	2,497
<i>Commercial Companies</i>	70	13	83	42	13	55
Asia, Africa, Oceania	209	3,196	3,405	186	3,337	3,523
<i>Production Companies</i>	209	3,196	3,405	186	3,337	3,523
<i>Commercial Companies</i>	-	-	-	-	-	-
Total	4,854	8,672	13,526	4,342	8,878	13,219
<i>Production Companies</i>	3,734	8,253	11,988	3,487	8,527	12,014
<i>Commercial Companies</i>	1,120	419	1,539	855	350	1,205

Water withdrawal by source¹⁵

Megaliters	2019		2020	
	All areas	Areas with water stress	All areas	Areas with water stress
Surface water (total)	-	-	28	-
<i>Freshwater (≤1,000 mg/L Total Dissolved Solids)</i>	-	-	28	-
<i>Other water (>1,000 mg/L Total Dissolved Solids)</i>	-	-	0.1	-
Groundwater (total)	26	1	21	0.2
<i>Freshwater (≤1,000 mg/L Total Dissolved Solids)</i>	21	1	16	0.2
<i>Other water (>1,000 mg/L Total Dissolved Solids)</i>	5	0.03	5	-
Seawater (total)	-	-	-	-
<i>Freshwater (≤1,000 mg/L Total Dissolved Solids)</i>	-	-	-	-
<i>Other water (>1,000 mg/L Total Dissolved Solids)</i>	-	-	-	-
Produced water (total)	-	-	-	-
<i>Freshwater (≤1,000 mg/L Total Dissolved Solids)</i>	-	-	-	-
<i>Other water (>1,000 mg/L Total Dissolved Solids)</i>	-	-	-	-
Third-party water (total)	102	38	111	50
<i>Freshwater (≤1,000 mg/L Total Dissolved Solids)</i>	90	38	106	50
<i>Other water (>1,000 mg/L Total Dissolved Solids)</i>	12	-	5	-
Total third-party water withdrawal by withdrawal source	-	38	-	50
Surface water	-	0.3	-	-
Groundwater	-	38	-	50
Seawater	-	-	-	-
Produced water	-	-	-	-
Total water withdrawal	127	39	160	50
<i>Freshwater (≤1,000 mg/L Total Dissolved Solids)</i>	111	39	150	50
<i>Other water (>1,000 mg/L Total Dissolved Solids)</i>	16	0.03	11	-

¹⁵ In order to identify the areas subject to water stress, the Aqueduct Tool developed by the World Resources Institute (WRI) was used. The tool of the WRI is available online at the web page: <https://www.wri.org/our-work/project/aqueduct>. For the analysis, have been taken into consideration the results that emerged in the column "Baseline water stress".

For 2020, the following companies were found to be in water stress: Emak S.p.A. limited to the Pozzilli plant, Speed Industrie, Speed South America, Lemasa and Lavorwash Brasil.

For 2019, the following companies were found to be in water stress: Emak S.p.A. limited to the Pozzilli plant, Valley, Speed Line South Africa, Speed South America and Ningbo.

GRI Content Index

(GRI 102-55)

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

Universal Standards		
GRI Standard	Disclosure	Page number
GRI 102: General Disclosures 2016		
Organizational profile		
102-1	Name of the organization	7
102-2	Activities, brands, products, and services	9-12
102-3	Location of headquarters	The Headquarter is in Bagnolo in Piano (RE - Italy)
102-4	Location of operations	9-12
102-5	Ownership and legal form	13
102-6	Markets served	9-12
102-7	Scale of the organization	7
102-8	Information on employees and other workers	30-31 / 49-50
102-9	Supply chain	36-37
102-10	Significant changes to the organization and its supply chain	5 / 36-37
102-11	Precautionary Principle or approach	21-23 / 41-42
102-12	External initiatives	19
102-13	Membership of associations	26
Strategy		
102-14	Statement from senior decision-maker	3
102-15	Key impacts, risks, and opportunities	21-23
Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	8 / 18-19
Governance		
102-18	Governance structure	15-17
Stakeholder Engagement		
102-40	List of stakeholder groups	24
102-41	Collective bargaining agreements	31
102-42	Identifying and selecting stakeholders	24
102-43	Approach to stakeholder engagement	25
102-44	Key topics and concerns raised	27-29
Reporting practice		
102-45	Entities included in the consolidated financial statements	4

102-46	Defining report content and topic Boundaries	4 / 27-29
102-47	List of material topics	27-29
102-48	Restatements of information	46-47 / 56
102-49	Changes in reporting	4 / 27
102-50	Reporting period	4
102-51	Date of most recent report	March 2020
102-52	Reporting cycle	4
102-53	Contact point for questions regarding the report	4
102-54	Claims of reporting in accordance with the GRI Standards	4
102-55	GRI content index	62-67
102-56	External assurance	4 / 68

SPECIFIC STANDARDS			
GRI Standard	Disclosure	Page number	Omission
Economic and business responsibility			
Material topic: Economic-financial performance			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	27-29	
103-2	The management approach and its components	21-23 / 43-45	
103-3	Evaluation of the management approach	21-23 / 43-45	
GRI 201: Economic performance 2016			
201-1	Direct economic value generated and distributed	43	
GRI 207: Tax 2019			
207-1	Approach to tax	44-45	
207-2	Tax governance, control and risk management	44-45	
207-3	Stakeholder engagement and management concerns related to tax	44-45	
207-4	Country-by-country reporting		Data not available. Adjustment in 2021.
Material topic: Anti-corruption			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	27-29	
103-2	The management approach and its components	18-23	
103-3	Evaluation of the management approach	18-23	
GRI 205: Anti-corruption 2016			
205-3	Confirmed incidents of corruption and actions taken	19	
Material topic: Business ethics and integrity			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	27-29	
103-2	The management approach and its components	18-23	
103-3	Evaluation of the management approach	18-23	
GRI 206: Anti-competitive behavior 2016			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices and main outcomes	19	
GRI 307: Environmental compliance 2016			
307-1	Non-compliance with environmental laws and regulations	During 2020 the Group didn't receive any significant administrative sanctions.	
GRI 419: Socioeconomic compliance 2016			
419-1	Non-compliance with laws and regulations in the social and economic area	During 2020 the Group didn't receive any significant administrative sanctions.	
Social responsibility			
Material topic: Human rights			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	27-29	

103-2	The management approach and its components	18-23	
103-3	Evaluation of the management approach	18-23	
GRI 407: Freedom of association and collective bargaining 2016			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	According the procedures in place for supplier selection and audit, we believe that there is no significant risk relating the freedom of association and collective bargaining in the main suppliers of the Group.	
GRI 408: Child labor 2016			
408-1	Operations and suppliers at significant risk for incidents of child labor	According the procedures in place for supplier selection and audit, we believe that there is no significant risk relating child labor in the main suppliers of the Group.	
GRI 409: Forced or compulsory labor 2016			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	According the procedures in place for supplier selection and audit, we believe that there is no significant risk relating forced or compulsory labor in the main suppliers of the Group.	
GRI 412: Human rights assessment 2016			
412-1	Operations that have been subject to human rights reviews or impact assessments	20	
Material topic: Diversity and equal opportunities			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	27-29	
103-2	The management approach and its components	15 / 18-20 / 32	
103-3	Evaluation of the management approach	15 / 18-20 / 32	
GRI 405: Diversity and equal opportunity 2016			
405-1	Diversity of governance bodies and employees	15 / 32 / 50-51	
GRI 406: Non-discrimination 2016			
406-1	Incidents of discrimination and corrective actions taken	In 2020 there were no confirmed cases	
Material topic: Training and skills development			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	27-29	
103-2	The management approach and its components	30-32	
103-3	Evaluation of the management approach	30-32	
GRI 401: Employment 2016			
401-1	New employee hires and employee turnover	52-53	
GRI 404: Training and education 2016			
404-1	Average hours of training per year per employee, by gender and employee category	31 / 54	

Material topic: Industrial relations			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	27 - 29	
103-2	The management approach and its components	18 / 30-31	
103-3	Evaluation of the management approach	18 / 30-31	
GRI 402: Labor/management relations 2016			
402-1	Minimum notice periods regarding operational changes	31	
Material topic: Health and safety and wellbeing of workers			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	27-29	
103-2	The management approach and its components	21-23 / 33-35	
103-3	Evaluation of the management approach	21-23 / 33-35	
GRI 403: Occupational health and safety 2018			
403-1	Occupational health and safety management system	33-35	
403-2	Hazard identification, risk assessment, and incident investigation	33-35	
403-3	Occupational health services	33-35	
403-4	Worker participation, consultation, and communication on occupational health and safety	33-35	
403-5	Worker training on occupational health and safety	33-35	
403-6	Promotion of worker health	33-35	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	33-35	
403-9	Number and rate of recordable work-related injuries, high-consequence work-related injuries, fatalities as a result of work-related injury. Main types of work-related injury.	34 / 55	
Environmental responsibility			
Material topic: Energy consumption and emissions			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	27-29	
103-2	The management approach and its components	21-23 / 46-48	
103-3	Evaluation of the management approach	21-23 / 46-48	
GRI 302: Energy 2016			
302-1	Energy consumption within the organization	46-47 / 56-58	
GRI 305: Emissions 2016			
305-1	Direct (Scope 1) GHG emissions	47 / 59-60	
305-2	Energy indirect (Scope 2) GHG emissions	47 / 59-60	
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	48	
Material topic: Water consumption			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	27-29	
103-2	The management approach and its components	21-23 / 48	
103-3	Evaluation of the management approach	21-23 / 48	

GRI 303: Water and effluents 2018			
303-1	Interactions with water as a shared resource	48	
303-2	Management of water discharge-related impacts	48	
303-3	Water withdrawal by sources	48 / 61	
Product responsibility			
Material topic: Product quality, compliance and safety			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	27-29	
103-2	The management approach and its components	21-23 / 41-42	
103-3	Evaluation of the management approach	21-23 / 41-42	
GRI 416: Customer health and safety 2016			
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	41	
Material topic: Responsible sourcing			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	27-29	
103-2	The management approach and its components	18-23 / 37	
103-3	Evaluation of the management approach	18-23 / 37	
GRI 204: Procurement practices 2016			
204-1	Proportion of spending on local suppliers	36	
GRI 414: Supplier social assessment 2016			
414-1	New suppliers that were screened using social criteria	38	
GRI 308: Supplier environmental assessment 2016			
308-1	New suppliers that were screened using environmental criteria	38	
Material topics not covered by GRI			
Material topic: Innovation, research and development			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	27-29	
103-2	The management approach and its components	21-23 / 38-40	
103-3	Evaluation of the management approach	21-23 / 38-40	
Material topic: Risk management			
GRI 103: Management Approach 2016			
103-1	Explanation of the material topic and its boundary	27-29	
103-2	The management approach and its components	21-23	
103-3	Evaluation of the management approach	21-23	

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

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

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Emak S.p.A. and its subsidiaries (hereinafter "Emak 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 16, 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* (hereinafter "GRI Standards"), which they have identified as reporting framework.

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

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

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

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

Auditor's Independence and quality control

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

Auditor's responsibility

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

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

Specifically we carried out the following procedures:

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

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

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

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

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

- at the parent company's and subsidiaries' level:
 - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
 - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data;
- for the following companies, Emak S.p.A., Lavorwash S.p.A. and Jiangmen Emak Outdoor Power Equipment Co. 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 Emak 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
Domenico Farioli
Partner

Parma, Italy
March 30, 2021





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