



Consolidated Non-Financial Statement 2022



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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 2023.

Index

Letter to the Stakeholders.....	3
Method of preparation.....	4
1. The business of the Group	7
1.1 The Group at a glance	7
1.2 History.....	14
1.3 Governance structure	15
1.4 Ethics, integrity and compliance	24
1.5 Climate Change	27
2. Approach to Sustainability	28
3. The priorities of the Group	34
3.1 Social responsibility	34
3.1.1 The people in the Group	34
3.1.2 Training and wellbeing of employees	35
3.1.3 Diversity and equal opportunities	37
3.1.4 Health and safety	38
3.2 Product responsibility.....	41
3.2.1 Supply chain	41
3.2.2 Research and development.....	43
3.2.3 Product quality and safety	46
3.3 Economic responsibility	49
3.3.1 Economic value created and distributed.....	49
3.3.2 Tax system.....	50
3.3.3 EU Taxonomy	51
3.4 Environmental responsibility	56
3.4.1 Energy consumption	56
3.4.2 Emissions.....	57
3.4.3 Water withdrawals	58
3.4.4 Waste.....	59
4. Performance indicators.....	61
GRI Content Index.....	75
Report of the independent auditor	80

Letter to the Stakeholders

(GRI 2-22)

Dear all,

It is with pleasure that I am introducing for the first time Emak's Non-Financial Statement, an important document that gives due importance to aspects that are increasingly significant both within the group and externally. First of all, I would like to thank Fausto Bellamico and Aimone Burani, respectively Chairman and Vice Chairman, who left the Group last year and with whom I have had the pleasure of working alongside in recent years, for all the work performed by them over their careers. Together with the new Chairman, Massimo Livatino, and the new CFO, Cristian Becchi, appointed to their offices in April 2022, I intend to lead the Group in a way marked by continuity, in the wake of the strategic path that has been traced for some time, ready to face the new and interesting challenges that await us, with the shared aim of creating value. It is our ability to manage the business in a sustainable manner that enables us to obtain the necessary resources for continuing to develop new products, safeguard the health of the more than 2000 employees and honour our commitments with all our partners, commercial or otherwise. A healthy business and Group are important for the territory in which they operate; this is something we are well aware and also proud of.

2022 was an exceptional year for our Group. We achieved the highest ever turnover, in a particularly difficult external context: the war in Ukraine, the hike in inflation and the general increase in costs, the pandemic which is not yet over. Nevertheless, we did not stop investing for the future, planning activities and initiatives that will make us even stronger in the market and increasingly efficient. There are many projects planned both in the short and in the long-term to improve the Group's overall impact from an environmental, social and governance point of view, in a continuous improvement process that will bring increasing benefits to all the Group's stakeholders.

Chief Executive Officer
Luigi Bartoli

Method of preparation

(GRI 2-2; 2-3; 2-4; 2-5)

This document is the Consolidated Non-Financial Statement (hereinafter referred to also as the “NFS”) of the Emak Group prepared 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 2022 financial year (from 1 January to 31 December, in line with the Annual Financial Report). 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 sustainability-related 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 perimeter mentioned below.

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, 2023.

The NFS is published on March 30th, 2023 in the same manner prescribed for the annual financial report, including the www.emakgroup.com 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). With regard to the Universal Standards GRI 1 (Foundation), GRI 2 (General Disclosures) and GRI 3 (Material Topics), the most recent 2021 version was adopted. It should be noted that there are no GRI Sector Standards applicable to the sector in which the Group operates. 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,

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

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. Following the materiality analysis carried out during the year, starting from the 2022 reporting, figures relating to waste for the production companies are reported. It is believed that the reporting perimeter is sufficient to ensure a correct representation of the Group.

It should be noted that, on October 13, 2022, the subsidiary Sabart S.r.l., completed the acquisition of 83.33% of Trebol Maquinaria y Suministros S.A., a company based in La Coruna (Spain), active in the marketing of spare parts and accessories in the Garden and Forestry. With this transaction, the Group intends to expand its direct presence in the Components & Accessories segment in one of the main markets at European level as well as to expand its spare parts catalogue, further strengthening its position as a key supplier in the sector. The data relating to the company's personnel are therefore included in this report starting from the acquisition date.

The complete list of significant non-recurring transactions that occurred during 2022 is reported in the Annual Financial Report.

For the purpose of permitting comparability of the data over time, comparison with data relating to 2021 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 should 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.

The Board of Directors of Emak S.p.A. approved the three-year plan of the Group and of the individual business units in December 2022. As an integral part of the plan, the plan of activities foreseen by the main companies of the Group to improve its environmental impact, its social performance and governance was presented to the Board. In fact, the Group has the objective of creating value over the long term in the belief that for sustainable success over time it is necessary to combine economic sustainability with social and environmental sustainability, so as to reconcile the needs of all its stakeholders. The investments and costs incurred in product research and innovation, in interventions aimed at saving energy, in solutions aimed at protecting the health and guaranteeing the safety of employees, in systems and certifications which certify the transparency of governance are proof of the importance of aspects of sustainability in the Group's actions.

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

The Emak Group has undertaken 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.com 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. Furthermore, in order to identify, monitor and reduce the environmental impacts resulting from its activities, the company has adopted an environmental policy C 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 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 extended to all subsidiaries, in particular to those located in countries where local legislation is less stringent than Italian, through its integration into the Group's Code of Ethics disseminated to all companies. 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 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

The Emak Group is composed of 40 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*

40 companies worldwide	626 €m total value generated	over 3,200 suppliers	around 600 €m of purchases
Market Cap 191 €m	 Emak [®] our power , your passion		2,284 employees
93% of employees with permanent employment contract	204 ML water withdrawal	148,887 GJ energy consumption	over 23,000 hours of training provided

Vision and values

(GRI 2-23)

“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 2-1; 2-6)

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., Sabart S.r.l. and their subsidiaries.

The **Outdoor Power Equipment** segment includes activities for the development, manufacture and marketing of products for gardening, 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 over 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 and agreements with sector's market places.

This segment represents approximately 35% 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).

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** segment 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, Lavor and Poli 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 39% 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 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 outdoor power equipment, 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, Sabart and Trebol, and partly distributing products for third party brands. The Group sells its products to the main producers of gardening and forestry, agriculture and cleaning machinery, through a network of specialized distributors and finally, in the large-scale distribution channel. 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 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. 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 the internal assembly of 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 four 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 eight 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, 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 and 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.

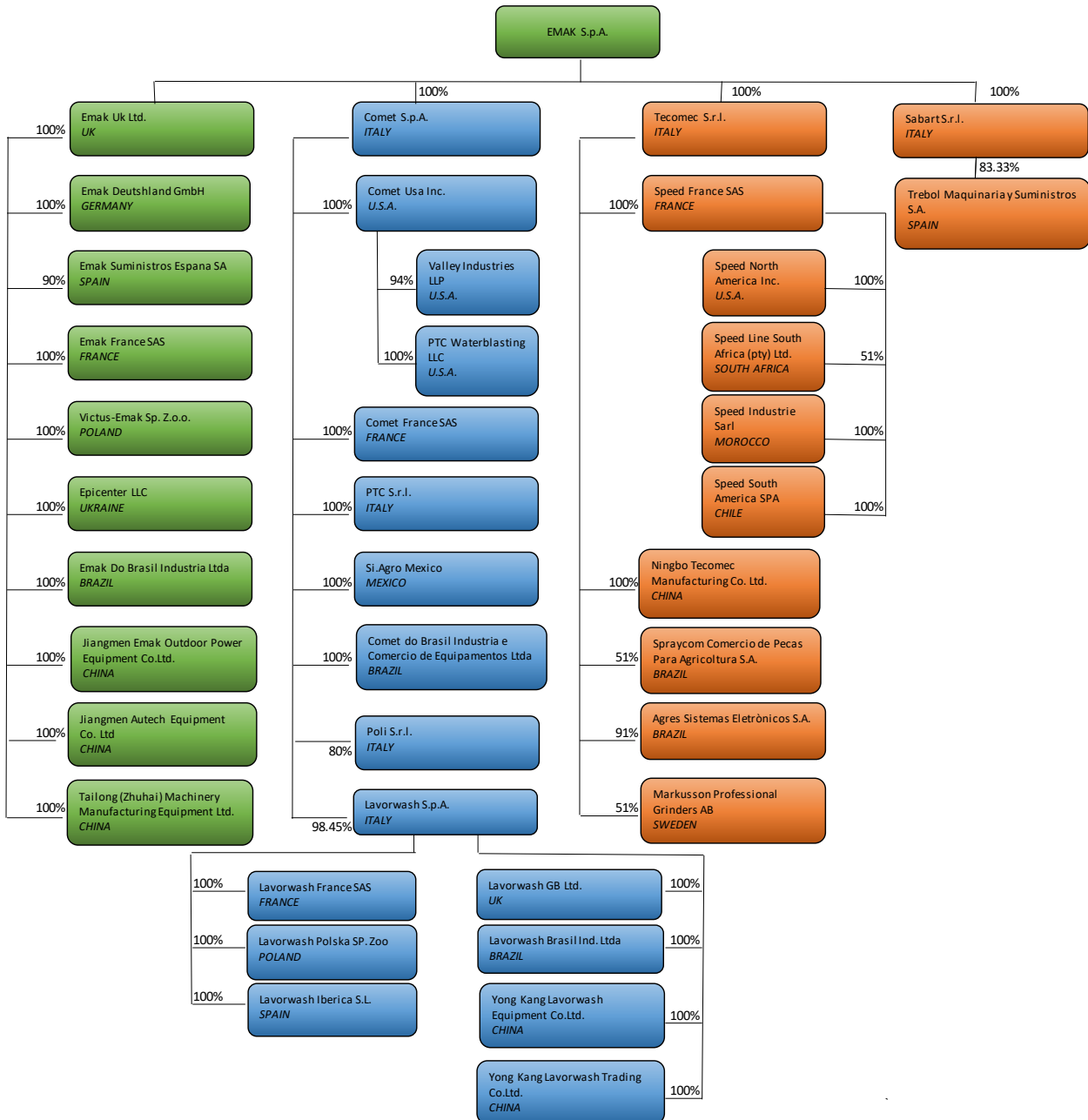
Overall, the production volumes are adjusted to the demand and needs of the market, thanks to the flexibility and functionality of the processes implemented in the various plants.

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

Segment	Company	Location	Output
OPE	Emak	Bagnolo in Piano (RE) – Italy	Chainsaws, brushcutters, power cutters, cultivators, flailmowers, battery products, motorpumps, blowers
		Pozzilli (IS) - Italy	Battery-powered and petrol lawnmowers, transporters, sprayers, rider
	Emak Tailong	Zhuhai - China	Cylinders for two-stroke engine
	Emak Jiangmen	Jiangmen - China	Chainsaws and brushcutters for price sensitive segment
PWJ	Comet	Reggio Emilia - Italy	Pumps, motor pumps and control units for agriculture and industry and pressure washers for the cleaning sector
	Valley	Paynesville, Minnesota - USA	Production of Sprayers and assembly of agricultural products and accessories
	P.T.C.	Rubiera (RE) - Italy	High pressure units, machines for urban cleaning and high pressure pumps
	Poli	Colorno (PR) - Italy	Motorsweepers for industrial and civil use
	Lemasa	Indaiatuba - Brazil	High and ultra high pressure pumps
	Lavorwash	Pegognaga (MN) – Italy	High pressure washers, vacuum cleaners, industrial and professional cleaning systems
	Yong Kang Lavorwash Equipment	Yongkang – China	High pressure washers and vacuum cleaners for price sensitive segment
	Lavorwash Brasil	Indaiatuba - Brazil	High pressure washers for cleaning sector
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
	Speed France	Arnas - France	Nylon line and heads for brushcutters
	Speed North America	Wooster, Ohio - USA	Nylon line and heads for brushcutters
	Speed Line South Africa	Pietermaritzburg – South Africa	Nylon line for brushcutters
	Speed South America	Providencia, Santiago - Chile	Nylon line for brushcutters
	Ningbo	Ningbo - China	Accessories and components for high pressure washing and chainsaws and brushcutters
	Markusson	Rimbo - Sweden	Accessories for chainsaws: professional sharpeners for chainsaw chains
	Agres	Pinhais - Brazil	Components and accessories for agricultural machinery: products and solutions for precision farming

The composition of the Emak Group at 31/12/2022*

(GRI 2-1)



* The companies included in the reporting perimeter of the NFS 2022 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 2022 published on the website www.emakgroup.com.

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.

In October 2021 the group finalises the acquisition of 80% of Poli S.r.l., an Italian company based in Colorno (PR), active in the production and marketing of motorsweepers. With this operation, the Group acquires specific know-how that integrates perfectly into its range and expands its cleaning catalog (PWJ), further strengthening its position as a key supplier in the sector.

In order to expand its direct presence in the Components & Accessories segment in one of the main outlet markets at European level and to expand its spare parts catalogue, in October 2022 the subsidiary Sabart S.r.l. concludes the acquisition of 83.33% of Trebol Maquinaria y Suministros S.A., a Spanish company based in La Coruna, active in the marketing of spare parts and accessories in the Garden and Forestry sector.

1.3 Governance structure

(GRI from 2-9 to 2-21)

1.3.1 Governance structure and composition

(Disclosure 2-9)

Emak has a traditional type of governance structure, characterised by the presence of the following bodies: the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors, regulated by the relative applicable laws. The statutory audit is performed, in accordance with the law, by an audit firm.

The Board of Directors in office was appointed by the Shareholders' Meeting upon the approval of the financial statements for the year ended 31 December 2021. On that occasion, the shareholders established the number of directors as 13 (thirteen) and the period of office (2022-2024). It should be noted that among the appointed directors 2 are executive directors, 3 are non-executive and independent and 8 are non-executive and non-independent.

Qualification	Members	Year of birth	Gender	Date first appointed	In office since	In office until	Executive	Non executive	Independent	No. other offices
Chairman	Livatino Massimo	1964	M	23/04/2013	29/04/2022	App. Financial Statements 2024		X		9
CEO	Bartoli Luigi	1966	M	30/04/2004	29/04/2022	App. Financial Statements 2024	X			1
Director with powers	Becchi Cristian	1973	M	29/04/2022	29/04/2022	App. Financial Statements 2024	X			-
Director	Iotti Elena	1979	F	22/04/2016	29/04/2022	App. Financial Statements 2024		X	X	5
Director	Lanza Alessandra	1971	F	23/04/2013	29/04/2022	App. Financial Statements 2024		X	X	1
Director	Grappi Silvia	1976	F	29/04/2022	29/04/2022	App. Financial Statements 2024		X	X	-
Director	Baldi Francesca	1969	F	23/04/2013	29/04/2022	App. Financial Statements 2024		X		-
Director	Bartoli Ariello	1937	M	24/04/1998	29/04/2022	App. Financial Statements 2024		X		1
Director	Becchi Paola	1967	F	30/04/2004	29/04/2022	App. Financial Statements 2024		X		1
Director	Ferrari Giuliano	1950	M	30/04/2004	29/04/2022	App. Financial Statements 2024		X		-
Director	Salsapariglia Marzia	1961	F	22/04/2016	29/04/2022	App. Financial Statements 2024		X		-
Director	Spaggiari Vilmo	1940	M	30/04/2004	29/04/2022	App. Financial Statements 2024		X		1
Director	Zambelli Paolo	1973	M	29/04/2022	29/04/2022	App. Financial Statements 2024		X		1

All the members of the Board of Directors were proposed by the majority shareholder Yama S.p.A., which still held 65.181% of the share capital. In the last electoral round, no shareholder with a qualified shareholding presented alternative lists.

The list submitted obtained a favourable vote of 96.042% of the share capital represented in the Shareholders' Meeting.

None of the directors has ceased to hold office subsequent to the renewal of the management body.

The Board of Directors of Emak is composed of directors with adequate skills and professionalism for the tasks entrusted to them. The Board of Directors, with its resolution of 29/4/2022, immediately after their appointment, assessed the independence requirements with relation to three non-executive directors, Elena Iotti, Silvia Grappi and Alessandra Lanza, providing information through a press release.

With regards to the independence requirements, Emak applies what is prescribed for statutory auditors by art. 148, third paragraph, of the Consolidated Finance Law. At the same time, it adopts the criteria established by the Civil Code, interpreting and applying them taking account of the substance rather than the form, evaluating any possible disapplication in consideration of the position and individual and professional characteristics of the individual director. In this last regard, the Company considers a director to be non-independent:

- if they are a significant shareholder of the company;
- if they are, or have been, in the previous three financial periods, an executive director or an employee:
 - of the company, of its subsidiary with strategic importance or of a company subject to shared control;
 - of a significant shareholder of the company;
- if, directly or indirectly (for example, through subsidiaries or of which they are an executive director or, as a partner of a professional firm or of a consultancy firm), they have, or have had in the last three financial periods, a significant commercial, financial or professional relationship:
 - with the company or with its subsidiaries, or with the relative executive directors or top management;
 - with a party that, also together with others through a shareholder agreement, controls the company; or, if the controlling party is a company or a body, with the relative executive directors or top management;
- if they receive, or have received in the previous three financial periods, from the company, its subsidiary or the parent company, a significant remuneration in addition to the fixed fee for the office and that

- envisaged for participation in the committees recommended by the Civil Code or provided for by the laws in force;
- e) if they have been a director of the company for more than nine financial periods, also non-consecutive, in the last twelve financial periods;
 - f) if they hold the office of executive director in another company in which an executive director of the company holds the office of director;
 - g) if they are a shareholder or director of a company or body belonging to the network of companies appointed for the statutory audit of the company;
 - h) if they are a close family member of a person who is in one of the situations referred to in the previous points.

The quantitative and qualitative criteria for evaluating pertinent circumstances pursuant to letters c) and d) above have been defined by the Board of Directors in the regulations for its operation. Unless specific circumstances occur, to be concretely evaluated at the beginning of its mandate, the Board:

- considers, as a rule, commercial, financial or professional relationships to be significant the consideration invoiced for which per year, also in only one of the three previous financial periods with respect to the verification date, exceeds at least 15% of the personal annual income of the director or the annual turnover of the company over which said director has control, or 20% of the annual turnover of the company whose Top Management they are a member of or of the professional firm or consultancy firm of which they are a partner or associate;
- considers an additional remuneration to be significant if it is greater than the fee fixed for the office and that for taking part in Committees.

EMAK's Board of Directors establishes a maximum limit of the number of offices that every director may hold in other companies. This is in order to safeguard the significance, effectiveness and continuity of the contribution of the activities and expertise of each director, as well as to guarantee that their role is covered by individuals able to dedicate the necessary time to the performance of the duties assigned. The criterion adopted for defining the limit conforms exactly to that which current law envisages for each member of the board of statutory auditors that holds offices in more than one enterprise.

The Board of Directors periodically verifies that all its current Members comply with the established limit. This evaluation has been carried out with a favourable outcome, the last occasion being on 27.1.2023.

During the 2022 financial year, four Committees with information gathering functions have operated within the Board of Directors, set up in order to provide, in the respective contexts provided for and defined by the Corporate Governance Code and by the respective regulations for operation, a proactive and consultative contribution. They are the Remuneration Committee, the Control, Risks and Sustainability Committee, the Transactions with Related Parties Committee and the Appointments Committee.

The Control, Risks and Sustainability Committee has the task of supporting, with adequate information gathering activity, the evaluations and decisions of the Board with regards to the internal control and risk management system, as well as the relating to the approval of reports of a financial and non-financial nature. The Committee is composed exclusively of three independent (and non-executive) directors. Its members as a whole possess adequate expertise in the sector in which the Group operates, necessary to assess the relative risks; by virtue of the professionalism of its members, the Committee has specific experience in accounting and finance and risk management, considered amply adequate by the Board of Directors upon appointment.

The Control, Risks and Sustainability Committee, first and foremost, assists the Board in the performance of the latter's assigned tasks with relation to internal control and risks management. It is also assigned the following tasks:

- a) evaluate, having heard the Manager responsible for drawing up the corporate accounting documents, the external auditor and the Board of Statutory Auditors, the correct application of accounting principles and, with reference to the Group, their uniformity for the purpose of drawing up the consolidated financial statements;
- b) evaluate the suitability of periodic financial and non-financial information, to correctly represent the business model, the Company's strategies, the impact of its activities and the performances achieved;
- c) examine the contents of periodic information of non-financial nature;
- d) express opinions on specific aspects relating to the identification, measurement, management and monitoring of the main business risks;

- e) examine periodic reports relating to an evaluation of the internal control and risk management system, and those of particular importance drawn up by the internal audit department;
- f) monitor the autonomy, adequacy, effectiveness and efficiency of the internal audit department;
- g) request the internal audit department, at its discretion, the carrying out of checks on specific operating areas, simultaneously informing the Chairman of the Board of Statutory Auditors;
- h) report to the Board, on a half-yearly basis, with reference to the adequacy of the internal control and risk management system.

1.3.2 Appointment of the highest governance body

(Disclosure 2-10)

The provisions that regulate the composition, appointment and replacement of directors are set out in article 12 of the current articles of association.

In full compliance with current legal provisions, the articles of association regulations for the appointment of the Board of Directors are based on the list voting mechanism and provides, inter alia, as follows:

- the Company is managed by a Board of Directors composed, at the choice of the Shareholders' Meeting, of 9 (nine) to 15 (fifteen) members;
- the shareholding required for the presentation of lists is that established by Consob as per art. 144-*quater*, RE, currently established for EMAK at 2.5% of the total share capital (CONSOB management decisions no. 76 of 30/01/2023);
- for the purpose of the group of directors to be elected, account is not taken of lists that have not reached in the Shareholders' Meeting a percentage of votes at least equal to that required for the submission of lists;
- the mechanism prescribed for the election of directors ensures respect of the balance between genders established by law, through appropriate rules on the composition of the lists and through a specific replacement procedure, to be adopted if the mechanism does not naturally lead to a Board composition that complies with legal requirements; by virtue of what is laid down by art-147-*ter*, paragraph 1-*ter*, Consolidated Finance Law, at least two fifths of the elected members are assigned to the less represented gender;
- the mechanism ensures that one member of the Board is elected by designation of the minority, limiting the appointment of candidates by the majority list, in the event of a number of lists, to all places available less one, the remaining one being reserved to the most voted minority list;
- through appropriate rules on the composition of lists, the mechanism guarantees the election of a number of independent directors at least equal to that required by art. 147-*ter*, paragraph 4, Consolidated Finance Law.

For the appointment of the directors, the Articles of Association do not prescribe independence, honourability or professionalism requirements other than those required by applicable legislation. There is also no possibility for the outgoing Board of Directors to present a list.

The report for the shareholders' meeting drawn up by the Board of Directors pursuant to art. 125-*ter*, Consolidated Finance Law, regarding its periodic renewal, traditionally bears the invitation to the shareholders to insert into the lists a sufficient number of independent candidates to meet the more stringent number requirements required as a result of the company's membership of the Euronext STAR Milan segment. For relevant segment companies, it is prescribed that if the Board is composed of up to fourteen members, at least three independent members must sit on the Board.

The majority shareholder, in the formation of its lists of candidates, has always complied with these requirements, respecting in its designations the most stringent conditions of independence prescribed by the codes of behaviour adopted over time by *Borsa Italiana*, having regard for substance over form.

Except for provisions resulting from its status as a STAR issuer, with regards to the composition of its Board, the Company is not subject to further legislative or regulatory constraints with respect to those prescribed by current regulations for listed issuers in general.

It is confirmed that the diversification of gender in the composition of corporate bodies is a criterion already incorporated in EMAK's policy, which has always been in line with the provisions of the law and regulations in force on the matter at the time. The Board of Directors of the Company, in its current composition, fulfils all the most stringent legal provisions aimed at the promotion of gender balance, which provide that at least two fifths of the elected directors must be of the less represented gender.

With regards to other aspects of diversity such as age and educational and professional record, the Company has not adopted specific policies on the question. It is normal practice for EMAK, however, that at the Shareholders' Meeting convened to renew the corporate bodies, the Board of Directors, having also heard the opinion of the Appointments Committee, recommends to the Shareholders, and in particular the controlling shareholder, Yama S.p.A., in the explanatory report on the agenda, to submit candidates that guarantee a significant, effective and continuous contribution, as well as suitable diversification from the point of view of age, managerial and professional skills and, in the event of reconfirmation, seniority in office. The Shareholders' Meeting, traditionally, has always accepted said indications.

The means of application of the diversification criteria in the composition of the Board of Directors can be deduced from the information relating to each director given above.

With regards to the expertise of single Directors, these are reported in the attachment to the acceptance of the position on the part of individual directors and in the Report on Corporate Governance drawn up annually by the company.

1.3.3 Chairman of the highest governance body

(Disclosure 2-11)

Emak's Board of Directors, with resolution of 29 April 2022, appointed Massimo Livatino as Chairman of the BoD, and Luigi Bartoli as Vice Chairman.

The newly appointed Chairman is not the primary figure responsible for managing the Company, has not received management delegations or delegations for the drawing up of company strategies and is not a controlling shareholder of EMAK. He performs the role of liaising between executive and non-executive directors, and exercises the functions provided for by the law and regulations in force, as well as by the company's Articles of Association, by the Regulations on the operation of the Board of Directors and by the Corporate Governance Code.

1.3.4 Role of the highest governance body in the control of the management of impacts

(Disclosure 2-12)

The Emak Group has set itself the objective of the creation of value over the long term for all its shareholders in the firm belief that for sustainable success over time it is necessary to combine economic sustainability and social and environment sustainability, so as to reconcile the needs that emerge from the materiality analysis of all its stakeholders (for more information, see paragraph 2). In guiding the Group in achieving its objectives, the Board of Directors examines its industrial plans and annual budgets drawn up taking account of the development of the business, the possible strategic risks identified in a structured enterprise risk management process and the initiative and investments aimed at improving its performance in environmental and social terms. In the performance of its activities, the Board of Directors makes use of the contribution of the managing directors of the businesses in which the Group operates and the information gathering activity carried out by the internal board committees, in particular, the Control, Risks and Sustainability Committee. This activity was last performed during the meetings of the BoD of 22/12/2022 and 27/1/2023, with the approval of the budget for the 2023 financial year of the Group, of the parent company and of the single business units and of the three-year plan drawn up on a consolidated basis. The Board of Directors, moreover, approves annually the list of non-financial issues – including sustainable development issues – which are significant and subject to reporting in the Non-Financial Statement. This last occurred during the board meeting of 11/11/2022, in which the Board approved the list emerging from the analysis of materiality carried out during the year updating and revising the last one carried out in 2020.

During the financial period, the Board monitors on a quarterly basis the implementation of the industrial plan, assessing the general operating trend and comparing the results achieved with those planned, deduced from the annual budget approved by the BoD before the end of the financial period.

The Board of Directors establishes the nature and level of risk compatible with the Group's strategic objectives, including in its evaluations all the elements that may be significant with a view to the sustainable success of the Company and its subsidiaries. To this end, the ERM of the Company and of its subsidiaries of strategic importance is updated periodically, with a precise assessment of the impending strategic risks and of the actions for their mitigation and management. Relative assessments, proposals and opinions are provided by the risk owners directly in the management of the different risks; in-depth discussions of the main risks also occur in the meetings of the Control, Risks and Sustainability Committee, as well as in board meetings.

The risks considered significant and connected with the Group's activities and more closely linked to the issues dealt with in this document are set out below.

Technological evolution of products - Time to market and new technologies; Compliance with product regulations.

The Group operates in sectors in which product development in terms of innovation, reliability, safety and functionality is an important driver for the maintenance and growth of its market shares. The Group's products are also subject to different regulations, including those regarding emissions and safety. The Group manages said 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 requirements and expectations.

Liability to customers and third parties.

The Group is exposed to potential risks of liability to customers and third parties connected with possible 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. In addition, if the products are defective, or do not conform to technical and legal specifications, the Group, also further to the request of supervisory authorities, could be obliged to withdraw said products from the market. With the aim of managing and reducing said risks, the Group arranges for the type approval and certification of its products by an independent body and has also taken out a master Group insurance coverage which minimizes the risks to the insurance deductibles only.

Supply chain.

The Gruppo is exposed to risks connected with the conduct of suppliers and the possible lack of visibility and control over suppliers' practices, with particular reference to questions of compliance with environmental and social legislation and to questions regarding the quality control of products received. With the aim of managing said risk, the Group performs periodic audits on its suppliers (a more detailed description of the methods of analysis and assessment of suppliers is reported in chapter 3.2).

Personnel and workplace health and safety

This area concerns the risks linked to a non-adequate management of the processes for the attraction, selection, development, motivation and retention of key professional figures inside the Group and risks connected with the possible occurrence of injuries and near misses in workplaces and the accidents and the occurrence of occupational diseases. The Group applies personnel policies in line with what is prescribed in the Ethical Code for the purpose of evaluating its internal human resources and to attract external ones. With regards to health and safety in the workplace, policies are in force aimed at complying with legislative requirements. With particular reference to jobs more linked to production, measures are adopted to facilitate the work of operators, and go beyond legislative provisions. There is also a specific special part within the Model pursuant to Leg. Dec. 231/01.

Compliance

The Group is obliged to comply with legislation not only regarding products, but also with specific reference to environmental issues (e.g., environmental damage, acoustic pollution, emissions, waste and discharges), human rights and corruption. The Group manages the risk of non-compliance with legislation through internal procedures (including, where present, those relating to certifications), and compliance with the specific special part of the Model pursuant to Leg. Dec. 231/01 and, in general, the principles set out within the Ethical Code.

Further risks, principally connected with the achievement of economic-financial objectives, relative analysis and management policies, are set out in the Annual Financial Report.

With the support of the Control, Risks and Sustainability Committee, the Board has evaluated the adequacy of the organisational, management and accounting structure of EMAK and its subsidiaries with strategic significance, according to the guidelines it has established, with particular reference to the internal control and risk management system, as implemented by the managing directors.

1.3.5 Delegation of responsibility for the management of impacts

(Disclosure 2-13)

Emak and its subsidiaries have an internal control and management system which is considered by the Board of Directors of the parent Company to be adequate for the dimension and nature of the activity exercised,

suitable for effectively monitoring the main areas of risk typical of the activity and appropriate for contributing to the sustainable success of the Group.

EMAK's Board of Directors, with the resolution passed on 29/4/2022, confirmed two executive directors assigned with supervising the functioning of the internal control and risk management system, with the aim of better monitoring the respective areas of responsibility:

- Luigi Bartoli (CEO) with regards to all the governance of all the controls that make up the internal control system and, in particular, those relating to the management of strategic, operating, compliance, protection of corporate assets and the reliability of information of a financial nature, supplied to the corporate bodies and to the market, with the exception of the area of responsibility indicated below;
- Cristian Becchi (CFO) with regards to the risks linked to the reliability of financial disclosures.

Each assigned director, each according to their area of competence,

- takes care of the identification of the major risks, taking account of the activities of the Issuer and of its subsidiaries, submitting them to the examination of the Board of Directors, which is supported in this activity by the Control, Risks and Sustainability Committee (Recommendation 34, a);
- implements the guidelines established by the Board of Directors, taking care of the design, development and management of the control and risk management system, constantly verifying its adequacy and effectiveness (Recommendation 34, b);
- adapts the system to take account of operating dynamics and legislative and regulatory evolution (Recommendation 34, b);
- assigns the Internal Audit department the performance of checks on specific operating areas and on compliance with internal rules and procedures in the execution of business operations, simultaneously informing the Chairman of the Board of Directors, the Chairman of the Control, Risks and Sustainability Committee and the Chairman of the Board of Statutory Auditors (Recommendation 34, c);
- promptly refers to the Control, Risks and Sustainability Committee with regards to significant issues emerging in the performance of their activity or which he has become aware of, so that the committee can take appropriate initiatives (Recommendation 34, d);
- proposes to the Board of Directors, in agreement with the assigned colleague, the appointment, removal and remuneration of the internal audit department manager.

1.3.6 Role of the highest governance body in sustainability reporting

(Disclosure 2-14)

The Board of Directors annually examines and approves the list of significant issues reported in the document, and on a two-year basis, its updating on the basis of the results of the materiality analysis. The consolidated report of a non-financial nature is approved by the management body with the same timing as envisaged for the approval of the annual financial statements. In the fulfilment of its prerogatives, the Board is supported by the information gathering activity performed by the Control, Risks and Sustainability Committee, which has the task of examining the contents of periodic information of a non-financial nature. The Investor Relations office is assigned with the drawing up of the Non-Financial Statement through the gathering and analysis of data and information provided by the individual companies in the Group. The process of drawing up Emak's Non-Financial statement is regulated by a specific procedure, which prescribes the necessary steps and the parties involved.

1.3.7 Conflicts of interest

(Disclosure 2-15)

The Board of Directors has approved for some time specific procedures aimed at ensuring that operations in which directors have an interest in conflict with the Company are resolved following a transparent and correct procedure, in both formal and substantial terms. The identification of operations in conflict of interest is facilitated by the personal acquaintance that exists between the members of the Board, and by periodic monitoring by the board itself of the significant relationships held by each director with other companies inside and outside the Group of which Emak is a member.

Emak has established identification, approval, control and communication procedures for transactions entered into with related parties both directly and through subsidiaries.

The procedures were originally approved on 12 November 2010 and last updated by resolution of the Board of Directors on data 12 May 2021 and are available on the company website in the section: "Investor relations" – "Corporate governance" – "Other documents", at the address: <https://www.Emakgroup.it/it-it/investor-relations/corporate-governance/altri-documenti/>.

The procedures deal, firstly, with extraordinary transactions, that is, non-recurring, of major or minor importance according to the law, entered into with related Parties, both when set up by Emak and when set up by subsidiaries. The various preliminary phases, the methods of approval and transparency of operations are all regulated.

When carrying out transactions of greater importance with related parties, the Group is obliged, according to the regulations, to draw up an informative document to make available to the public at the company's registered office, on the company website and on storage mechanisms, within seven days from approval of the operation on the part of the competent body or, if the competent body resolves to present a contractual proposal, when the contract, also of a preliminary nature, is concluded on the basis of the applicable regulations. Observations made by the independent directors and by the independent experts are disclosed together with the document. With regards to ordinary operations with and between Related parties, EMAK has adopted a second level procedure which takes the form of a framework resolution, approved by the Board of Directors, which identifies the dynamics, programmatically defines the goals and regulates the conditions under which current, that is, usual, operations are carried out, forming part of ordinary industrial activity, regulated at conditions aligned with those of the market.

1.3.8 Communication of critical areas

(Disclosure 2-16)

The Group's activities are subject to continuous monitoring by the Board of Directors through the activity performed by internal committees and through the reporting of executive directors on the exercise of their powers. As well as updates of business trends, any extraordinary activities and significant initiatives, any critical areas emerging and detected in daily work activities and worthy of attention on the part of the Board as a whole, are subject to board discussion.

No critical areas requiring a specific resolution by the management body have been reported to the Board during the financial period.

1.3.9 Collective expertise of the highest governance body

(Disclosure 2-17)

The Chairman of the Board of Directors, in their role of liaising between the executive and non-executive directors, ensures that all members of the management and control bodies can participate in initiatives aimed at their adequate knowledge of the sectors in which the Group operates, of the business dynamics and their evolution, also with a view to sustainable success as well as to the principle of the correct management of risk and to the reference legislative and self-regulatory framework.

1.3.10 Performance appraisal of the highest governance body

(Disclosure 2-18)

The self-appraisal of the Board of Directors refers to the dimension, composition and concrete functioning of the Board and of its Committees, considering also the role that it has played in the definition of strategies and in the monitoring of the operating trends and the adequacy of the internal control and risk management system. Self-appraisal occurs in Emak on a three-yearly basis, in view of the renewal of the Management Body.

The last self-appraisal, performed by the retiring Board of Directors, was completed on 28.2.2022 following an information-gathering exercise conducted by the Appointments Committee. It was performed, without making use of external consultants, on the basis of a questionnaire submitted to each director.

In the first section of the questionnaire, submitted to all members of the Board, the following areas were referred to:

- the characteristics of the directors, the Board and the Committees;
- the adequacy of the board induction activity on significant issues;
- the programming of board meetings;
- the information provided before the holding of board meetings;
- the proceedings of the board meetings.

The questions included in the second section, reserved for executive and independent directors, referred, instead, to the functioning of each advisory Committee and the coordination between the parties involved in the Internal Control and Risks Management System.

At the conclusion of the above-described self-appraisal process, the Board evaluated positively the dimension, composition and functioning of its structure and its activity; similar conclusions were reached with reference to

its Committees. The overall favourable evaluation expressed by the Board of its structure and its functioning accompanies a similarly positive evaluation on the frequency, significance and productivity of board discussions, as well as on the level of reciprocal and constructive control that the different components of the Board exercise on each other.

1.3.11 Remuneration rules

(Disclosure 2-19)

The goals pursued by Emak's Board of Directors in the definition of remuneration policy is that of attracting, retaining and motivating company management, so as to align with its interests in the sustainable success of the enterprise, which takes the form of long-term value creation to the benefit of the shareholders, taking account of the interests of other significant stakeholders for the company.

The specific strategic objectives, which the shareholders' meeting has traditionally assigned to the Board of Directors and which are traditionally shared by it, are aimed at a balanced, lasting and constant development, pursued in compliance with the ethical principles that has traditionally guided the company's actions.

Attention is particularly focused on a constant and balanced improvement in results, in a dynamic and highly competitive context, with the requirement to obtain significant resources sufficient to foster both organic growth and external growth in the diversified sectors in which the Group carries on its business.

Emak's remuneration policy has been defined according to a time period of three financial periods, coinciding with the duration of the current board mandate and the timescale of the industrial plan used to establish objectives.

In the context of its Board of Directors, Emak attributes variable remuneration components to only executive directors. In their favour, in line with current best practices on the question and on the basis of a benchmark analysis, for the remuneration of executive directors, the following has been established:

- a fixed component, recognized in composite form as executive remuneration and position allowance;
- a short-term variable component;
- a medium-term variable component.

The criteria established for a correct balance between the fixed component and the variable component, which is adequate and consistent with the Company's strategic objectives and risk management policy, provide, however, that the variable part represents a significant part of the overall remuneration; maximum limits to the disbursement of the variable components; predetermined performance targets, measurable and linked to a large degree to a medium-long-term timeframe, consistent with the company's strategic objectives and aimed at promoting sustainable success; an adequate deferment period – with respect to the time of accrual – for the payment of a significant part of the variable component, consistent with the characteristics of the enterprise and with the connected risk profiles.

The medium-long term incentive remuneration involves two mechanisms for ex post corrections of fees previously set aside:

- the subjection of the annual incentives set aside in the financial periods of the three-year plan to a final adjustment, upon the expiry of the directors' mandate, so that the medium-long-term (three-year) incentive component is calculated definitively on the basis of final data at the end of the three-year period;
- the provision that the resignation or forfeiture of a director occurring before the natural expiry of the mandate implies the revocation of the long-term incentive benefit.

No reimbursement mechanisms are envisaged for incentives already accrued, as it is considered that there are sufficient safeguards against the undeserved receipt of rewards.

The variable components of the remuneration of executive directors correspond to the achievement of certain short and medium-long term financial objectives.

Specifically, the indicators chosen for determining the variable component of remuneration are the following:

- short-term financial objectives: turnover, EBITDA, working capital;
- medium-long-term objectives: the creation of value generated on the basis of the relative three-year plan coinciding with the board mandate. The reference value at the beginning and end of the period is measured in terms of a multiple of EBITDA, +/- the net financial position, with relative adjustments for non-recurring and/or extraordinary transactions.

Considering the characteristics of the sectors in which EMAK operates, the profitability targets that its management must aim for are linked to the consistency of results, rather than their momentary intensity, as well as the consolidation of the conditions necessary for preserving their stable future consistency. As a result, emphasis is given in the plans to product and process investments, to the control of costs and funding, to growth for external lines. The relationship, constantly confirmed over the years, between incentivising rewards

to top management on the one hand, and gross profitability and net financial position, on the other hand, reflected in the plans, is considered to be for Emak a strategic factor for success.

1.3.12 Procedure for determining remuneration

(Disclosure 2-20)

The remuneration policy currently adopted by EMAK was introduced following the renewal of the corporate bodies resolved by the shareholders' meeting of 29 April 2022, applying to the entire mandate which will terminate with the approval of the financial statements for the 2024 financial year. On the same occasion, the shareholders' meeting established the maximum remuneration of the control body with a unanimous vote.

In complying with the remuneration limits set by the shareholders' meeting, the remuneration committee subsequently drew up a detailed proposal for the distribution between the directors of fixed fees and the attribution of variable fees; it then submitted it to the board, taking account:

- of the general and specific aims of the different types of remuneration;
- with regards to the distribution of the fixed components of remuneration between directors, of the specific offices and attributions assigned to each of them, and the level of commitment, responsibility and professionalism respectively required of each of them, in particular, of the independent directors, in the performance of their tasks;
- with regards to the incentivising variable components, of the Board of Directors' chosen policy on the question of targets as represented in the multi-year plan, drawn up for the 2022-2024 term of office;
- of the practices in use within the Company;
- of the personality of the executive directors, of the respective professional profile, of the values and management style characterizing each one.

The Board of Directors evaluated the proposals of the committee and resolved, with regards to the distribution of fixed fees attributable to the directors for the entire term of office on the board, on 15/5/2022. On the same date, the Board of Directors has extended the incentivising medium-long-term remuneration model provided for executive directors also to certain top-level managers, although not holders of strategic responsibilities, engaged in various corporate functions.

During the shareholders' meeting that last examined Emak's remuneration policy, held with the intervention of only one designated representative, it was not possible to develop any sort of discussion on the issue. No questions had been made to the company before the meeting, however. The only indication that the Shareholders expressed on that occasion was, therefore the vote on the proposals formulated by the board. The shareholders' meeting, by a unanimous vote, expressed its binding opinion in favour of the remuneration policy; it also approved with a unanimous constitutive vote the second section of the report regarding a description of the fees effectively paid during the financial period.

1.3.13 Total annual remuneration ratio

(Disclosure 2-21)

For the purpose of calculating the annual pay ratio, the basic salary and any allowances, bonuses, commissions and variable MBOs disbursed during the year to employees in force as at December 31, 2022, net of hires in 2022, were considered. Long-term incentives according to the accrual basis, even if not yet accrued, were also included.

Ratio of the annual total compensation for the organization's highest-paid individual ² to the median annual total compensation for all employees (excluding the highest-paid individual)	19.6
Ratio ³ of the percentage increase in annual total compensation for the organization's highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual)	16.2

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 2022 and the Corporate Governance Report and Ownership Structure 2022, published on the www.emakgroup.com website.

² The highest-paid individual was appointed as Group Chief Executive Officer on April 29, 2022. The related percentage increase in the annual total compensation is therefore influenced by this change in position.

³ For the calculation of the median percentage increase in annual total compensation of employees, employees hired in 2021 and 2022 were excluded, in order to be able to compare the remuneration of employees in force in both years.

1.4 Ethics, integrity and compliance

(GRI 2-23; 2-24; 2-25; 2-26)

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, in 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 Group companies have activated preventive insurance coverage and put in place at least the measures required by the applicable legislation to cover the possible emergence of negative impacts related to the material topics.

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 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 that inspire the companies of the Group 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. Group companies adopt adequate measures to promptly discover and eliminate risk situations, preventing illicit behavior or in any case contrary to the principles expressed in the Code of Ethics by any person acting for the Group.

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. A correct and effective application of the Ethical Code is possible only through the commitment and contribution of the entire structure of the Group, which has the task of making all conduct consistent with the principles expressed.

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

Each recipient who finds or suspects a breach of the Ethical Code is obliged to report to the Department Head, to the Supervisory Body of the respective Parent Company or to use the channels specifically set up for the communication of reports relating to breaches of the Ethical Code. Communication and dialogue channels are also active, through which Stakeholders can send reports or complaints to Group companies, which are then

examined by the competent internal functions. 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** inspired to 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 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 2022.

Anti-competitive behavior

(GRI 206-1)

In 2022, 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.

Human rights

(GRI 2-23)

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 provisions of the Code of Ethics 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 Code of Ethics, 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 inspired 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.

The company Speed Line South Africa adheres to the ETI Base Code, an internationally recognized code based on the conventions of the International Labor Organization (ILO) on working conditions and workers' rights, available for consultation on the company notice board.

1.5 Climate Change

Climate change carries with it two types of risk: (i) transition and (ii) physical.

Transition risks derive from the transition towards a new low carbon and climate-resilient economy (policy, legal, technological, market and reputational risks). The main transition risks include, by way of example and not in exhaustive terms: transfer to alternative energy sources; electrification of buildings and industrial activities; technological change; change in consumer preferences towards more sustainable products; carbon pricing.

Physical risks derive from the physical effects of climate change (acute and chronic).

Transition risks open up, at the same time, interesting opportunities from both the point of view of business development (e.g., development of electric/battery-run products, growth of the agriculture sector) and with regards to efficiency (e.g., reduction in energy consumption).

Said risks are managed inside the Group in day-to-day business activities. The regulatory evolution of group products is followed and monitored by the technical structures through membership and participation in meetings of trade associations which provide information on what will be the requirements of the products in the years to come. The Group's research and development activity (see the specific paragraph) is directed on the basis of the regulatory evolution. The evolution of consumer preferences is monitored through the commercial and marketing structure, with constant contact with the distribution network and through the category associations in which the Group participates. With regards to aspects linked to energy procurement, this area is monitored by the purchasing department.

With regards to physical risk, the management is carrying out scenario analyses aimed at developing evaluation methodologies better able to monitor this risk. So far, the analysis has been performed taking into consideration, among alternatives, two possible future scenarios: one more challenging in terms of transition risks (limiting the increase in global temperatures to 1.5°C), the other more challenging in terms of physical risks (increase in temperatures to 3.0°C). Subsequently, the possible consequences on the Group's activities in relation to some risks identified as potentially significant were explored. The analysis considered as time horizons 2030 and 2050 and took into consideration all the Group's company sites. The scenarios examined and the risks considered show how possible critical issues could arise in a time period of 30 years, with the result of making any planning of mitigation measures today less effective. Through dedicated departments, the Group will continue its monitoring of the scenarios and their evolution so as to always have updated bases for risk assessment and any implementation of mitigating actions.

Management carries out assessments regarding the impacts on business activities of risks linked to climate change, both regarding the transitional and physical types. Within its Enterprise Risk Management model, the main risks associated with climate change have been mapped, figures responsible for their monitoring have been identified and initiatives to combat any negative impacts have been implemented. The model, as a living management tool for Group activities, is periodically updated by the Risk Management department, shared with the Control, Risks and Sustainability Committee and, finally, subject to examination by the Board of Directors. It should be noted that in the drawing up of its industrial plans, the Group formalizes specific sections dedicated to the risks associated with climate change in which the planned initiatives are set out and, where the data is available, the expected investments, costs and revenues are quantified for the planned initiatives. To date, on the basis of the analyses performed and on the nature of the Group's activities, particular attention is focused on the mitigation of transition risks, considered more probable to occur and those with the greatest potential impact. In the Management's view, on the basis of prospectively observable information, said risks can have impacts mainly on the Outdoor Power Equipment segment, which represents 35% of Group revenues.

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 undertaken 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 2-29; 2-28)

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:



For each category of stakeholder, the Group has identified the thematic areas of specific interest and the main communication channels in order to establish a constructive relationship between the parties capable of satisfying each other's needs in the medium to long term. The following table summarizes the results of this process.

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 - Support to employees' recreational facility
University and Research Centres	<ul style="list-style-type: none"> - Transparency - Research, development and innovation 	<ul style="list-style-type: none"> - Communications with top management - Financial relations - Scientific publications - Tenders and competitions - Training apprenticeships / internships/ thesis preparation support
Customers (B2B)	<ul style="list-style-type: none"> - Anticipation and understanding of customer expectations and needs - Customer trust and satisfaction - Product quality and safety 	<ul style="list-style-type: none"> - Institutional website - Assessment of customer satisfaction - Management of claims - Pre and post-sale customer service - Commercial communications - Participation in trade fairs and events
Consumers (B2C)	<ul style="list-style-type: none"> - Consumer trust and satisfaction - Product quality and safety 	<ul style="list-style-type: none"> - Institutional website - Assessment of consumer satisfaction - Management of claims - Post-sale consumer service - Commercial communications - Participation in trade fairs and events
General Public	<ul style="list-style-type: none"> - Relations with the general public - Attention towards respect of the territory - Support of social initiatives - Support to employment - Legality 	<ul style="list-style-type: none"> - Institutional website - Meetings and events in the territory - Press releases - Activities to support the artistic-cultural heritage in sites of public interest - National and regional research projects - Support to charities and the voluntary sector - Sponsorships
Institutions and regulatory bodies	<ul style="list-style-type: none"> - Corporate Governance - Transparency - Economic-financial performance - Legality - Relations with institutions 	<ul style="list-style-type: none"> - Institutional website - Information provided further to request - Reports and Statements - Shareholders' meetings - Press releases
Suppliers	<ul style="list-style-type: none"> - Transparency - Ethical responsibility - Human rights and working conditions - Continuity in relations - Qualification and assessment - Negotiating conditions - Development of partnerships 	<ul style="list-style-type: none"> - Institutional website - Participation in initiatives and events - Negotiation reports
Shareholders and investors	<ul style="list-style-type: none"> - Corporate Governance - Transparency - Economic-financial performance - Ethics, integrity and compliance 	<ul style="list-style-type: none"> - Institutional website - Financial reports - Road shows (meetings with the community) - Shareholders' meetings - Press releases

The Emak Group, both in Italy and abroad, participates in the activities of various associations and organizations in order to stay up-to-date on the latest developments and trends in the sector. After evaluating the strategic interest, the Group plays an active role in the projects or committees promoted by the various entities.

Specifically, the Group companies participate in the following associations:

Body/Association	Description	Company
ABIMAQ	Brazilian Association of Machines and Equipment	Lemasa; Agres; Tecomec S.r.l Lavorwash Brasil
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
AEF	Agricultural Industry Electronics Foundation	Agres
AEFIMIL	Spanish Association of Manufacturers and Importers of Industrial Cleaning Equipment	Lavorwash Iberica
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
AXEMA	French Association for manufacturers of machinery for agriculture and green care	Emak France SAS
CCI-Competence Center ISOBUS	Association for cross-manufacturer co-operation in the field of high-tech and agriculture	Agres
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 Lavorwash Equipment Lavorwash Trading
ConectarAGRO	Association that aims to guarantee 4G internet access in all rural areas in Brazil, thus promoting Agriculture 4.0	Agres
CREA	Regional Council of Engineering, Architecture and Agronomy in Brazil	Agres
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
Highway 23 Coalition	Group of community leaders advocating for the connection of commerce in Greater Minnesota through improved roadways	Valley Industries LLP
ICA	International CarWash Association	Valley Industries LLP
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.
MANTOVA EXPORT	Consultancy Consortium for companies in Mantua for import-export	Lavorwash S.p.A.
OPEAA	The Outdoor Power Equipment Aftermarket Association	Speed North America Inc.
Paynesville Area Chamber of Commerce	Paynesville Area Chamber of Commerce	Valley Industries LLP
PCASA	Plastics Convertors Association of South Africa	Speed Line South Africa Ltd.
SEBRAE	Brazilian Service of Support for Micro and Small Enterprises	Agres
SEDEX	Supplier Ethical Data Exchange	Speed Line South Africa Ltd.
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.
WJTA	Water Jet Technology Association	Lemasa; PTC S.r.l.
Wooster Area Chamber of Commerce	Wooster Area Chamber of Commerce	Speed North America Inc.

Materiality analysis

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

The Group periodically carries out a materiality analysis, which is subject to specific approval by the Board of Directors, in order to identify the social, environmental and economic topics to be included in the NFS.

The topics are selected taking into consideration their influence on stakeholder decisions and assessments and on the basis of actual and potential, positive and negative impacts on the economy, the environment and people, including impacts on human rights, deriving from the activities of the Group and its business relationships. The list of topics thus selected includes what is specifically required by the applicable legislation on NFS (Article 3 of Legislative Decree 254/2016), by the indications of the GRI standards and by sector best practices. It also takes into account the relevance given to the various topics by the current external context.

The list of material topics was updated during 2022 through a process that was divided into two phases.

The first phase concerned the definition of potentially significant non-financial topics for the Group. This definition took place through a benchmark analysis, aimed at identifying the main impacts generated by the Group, conducted by examining the reporting guidelines and publications of the main international organizations (S&P Global, SASB, GRI, etc.); this analysis was completed by integrating it with the information reported in public documents by the ten main players in the sectors in which the Group operates. In addition, global sustainability trends were also considered, taking into consideration, for example, press reports and regulatory updates, as well as the Group's business relationships.

The second concerned the prioritization of the topics to be reported.

To this end, both the stakeholders and the governance bodies of the Group were involved in a survey. Both categories were asked to answer the questions contained in a specific questionnaire, updated and enriched on the basis of the results of the benchmark analysis carried out and the evaluations and suggestions provided by the Control, Risks and Sustainability Committee. The questionnaire was administered to both categories of respondents at the same time, so that their assessments were not influenced by a particular sensitivity of the moment to the topics covered.

As for the stakeholders, the questionnaire was administered to employees and collaborators, customers, suppliers, investors and consultants. The responses received were analyzed together with the results of the benchmark analysis described above.

As for the governance bodies, the same questionnaire was administered to the members of the Board of Directors, the Board of Statutory Auditors and the Group's top management.

The joint analysis of the results revealed a marked coherence between the topics considered to be priorities by the Stakeholders and those on which the Group focuses mainly. The topics most closely connected with Emak's business, strategy, mission and values were in fact assessed by both categories as those with the greatest impact: "Economic value creation and distribution", "Technology development and innovation", "Product quality and efficiency", "Occupational health and safety protection" and "Product safety".

It should be noted that, compared to the previous reporting year, from the analysis emerged as a new material topic "Waste reduction and circular economy".

The following table shows the list of material topics, their description, the Group's involvement in the impacts and the reference GRI Aspect. 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.

Material topic	Impact's description	Emak's involvement	Aspect GRI
Economic and business responsibility			
Economic value creation and distribution	Positive impacts deriving from the creation and distribution of economic value among the various categories of Stakeholders through the achievement of positive economic-financial results in the short/medium/long term	Caused by the Group	201
Compliance with tax legislation	Positive impacts deriving from the contribution to the economies of the countries in which the Group operates through compliance with current tax legislation and the adoption of good tax practices	Caused by the Group	207
Fight against corruption	Corruption incidents	Caused by the Group	205 206
Sustainable procurement practices	Positive impacts deriving from the selection of suppliers on the basis of fair and transparent procedures, supporting local suppliers where possible	Caused by the Group	204
Social responsibility			
Occupational health and safety protection	Promotion of workers' health and safety through compliance with regulatory requirements and signed agreements and the promotion of dedicated interventions and practices	Caused by the Group	403
Employment creation and maintenance	Creating and maintaining jobs, attracting new talent, and providing fair working conditions	Caused by the Group	401
Training and instruction for workers	Improvement of the skills of staff and consolidation of the required professionalism through the offer of development and training programmes	Caused by the Group	404
Improvement of employee well-being	Improvement of the well-being of employees through the promotion of dedicated interventions and practices	Caused by the Group	N/A
Supplier assessment applying social criteria	Negative impacts related to the procurement of goods and services from suppliers, in particular the impacts generated by them on social aspects	Directly linked to the Group through its business relationships	414
Promotion of diversity and equal opportunities	Diversity, inclusion and equal opportunity in the workplace	Caused by the Group	405
Fight against episodes of discrimination	Potentially negative impacts deriving from episodes of discrimination in its operations involving internal and/or external stakeholders	Caused by the Group	406
Respect for human rights in business activities	Respect and protection of human rights and working conditions in carrying out the activities	Caused by the Group and directly linked to the Group through its business relationships	408 409
Prevention and fight against child labor	Potentially negative impacts deriving from the exploitation of child labor in the context of its activities	Caused by the Group and directly linked to the Group	408

	and through its relationships with third parties (e.g. customers, suppliers)	through its business relationships	
Prevention and fight against forced or compulsory labor	Potentially negative impacts deriving from any form of forced or compulsory labor within the scope of its activities and through its relationships with third parties (e.g. customers, suppliers)	Caused by the Group and directly linked to the Group through its business relationships	409
Protection of freedom of association and collective bargaining	Potentially negative impacts deriving from the failure to protect workers' rights to exercise freedom of association and collective bargaining	Caused by the Group	407 402

Environmental responsibility

Sustainable energy management	Negative impacts caused by the use of energy	Caused by the Group and directly linked to the Group through its business relationships	302
Waste reduction and circular economy	Negative impacts caused by the generation of hazardous and non-hazardous waste	Caused by the Group	306
Emissions reduction	Generation of direct and indirect energy GHG emissions	Caused by the Group	305
Sustainable water management	Use of water in production processes with consequent negative impacts on the environment	Caused by the Group	303
Supplier assessment applying environmental criteria	Negative impacts associated with the procurement of goods and services from suppliers, in particular the impacts generated by them on environmental aspects	Directly linked to the Group through its business relationships	308

Product and service responsibility

Technology development and innovation	Design of innovative products through targeted research and development activities	Caused by the Group and to which the Group contributed	N/A
Product quality and efficiency	Offer of products with high quality and efficient characteristics with consequent positive impacts on customer satisfaction	Caused by the Group	N/A
Product safety	Incidents of non-compliance in the field of product safety	Caused by the Group	416
Customer service	Offer a good level of customer service	Caused by the Group	N/A
Sustainable products	Offer of increasingly sustainable products both in terms of materials and consumption, and implementation of product life cycle analyzes to quantify potential impacts on the environment	Caused by the Group	305

**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 2-7; 402-1; 2-30)

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 collaborators 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. Since 2021 the global HR platform is being implemented, a software solution that will allow the standardization and improvement of the Human Resources management process at Group level, in particular as regards training, performance evaluation, merit review and career development policies, selection and onboarding of staff. The platform will also increase the Group's identity and the sense of belonging of people, who will be able to communicate globally through a common tool.

At 31 December 2022 the Group's workforce numbered 2,284 persons, an increase of 2.65% compared to the previous year (2,225 employees in 2021). The acquisitions of Trebol (included in the *Components and accessories* segment) led to an increase in the workforce of 13 employees. Excluding this change, in 2022 the workforce would amount to 2,271 employees, an increase of 2.07%. Most of the increase is attributable to the production companies. Male employees account for 65.3% of staff (64.0% in 2021), and female 34.7% (36.0% in 2021). It should be noted that the Group headed by Lavorwash S.p.A. records a percentage of women of around 50%.

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

	OPE		PWJ		C&A		Not allocated		Group	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Europe	552	545	498	486	288	272	9	8	1,347	1,311
Americas	15	13	274	248	248	223			537	484
Asia, Africa, Oceania	180	200	101	103	119	127			400	430
Total	747	758	873	837	655	622	9	8	2,284	2,225

Geographically, the majority of the company population is concentrated in Europe, with 1,347 persons employed (1,311 in 2021), equal to 59.0% of the total (58.9% in 2021). In the Americas 537 persons are employed (484 in 2021), equal to 23.5% of the total (21.8% in 2021). In the Rest of the World, lastly, 400 persons are employed (430 in 2021), equal to 17.5% of the total (19.3% in 2021).

Below is shown the distribution of employees by country at 31 December 2022 compared to the previous year:

Employees at	31.12.2021	Change in scope of consolidation	Other movements	31.12.2022
Italy	1,040	-	32	1,072
France	167	-	(4)	163
UK	12	-	(2)	10
Spain	23	13	(1)	35
Poland	39	-	(1)	38
Sweden	5	-	-	5
China	421	-	(31)	390
Usa	169	-	(31)	138
Ukraine	25	-	(1)	24
South Africa	9	-	1	10
Brasil	273	-	83	356
Mexico	20	-	-	20
Morocco	-	-	-	-
Chile	22	-	1	23
Total	2,225	13	46	2,284

With regards to the breakdown of staff by age group, most employees are concentrated in the 30 to 50 group (57% with 1,291 people); 28% of staff are over 50 years old (648 people), while 15% are under 30 (345 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 line with the previous year.

Some companies have an ongoing employer branding campaign in order to increase the company's attractiveness towards the outside and reduce turnover.

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. 80% of employees were covered by collective bargaining agreements in 2022.

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.

During 2022 no disputes relating to employees were reported.

3.1.2 Training and wellbeing of employees

(GRI 404-1; 404-2; 403-6)

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 2022, training expenses amounted to around € 471 thousand.

The definition of training and skills development projects is defined on the basis of the corporate strategies to be pursued. 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.

23,895 hours of training and skills development activities have been provided during 2022, an increase compared to the 20,651 hours of 2021. Average per head was 10.5 hours, compared to 9.3 hours in the previous year.

In 2022, 37.0% of the training hours provided concerned health and safety issues (40.1% in 2021), 2.4% anti-corruption issues (3.3% in 2021) and the remaining 60.5% other topics (56.6% in 2021).

Main types of training and instruction organised include:

- **language training**, aimed at improving language skills 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 and tools for employees that hold positions of responsibility or operate in specific areas (such as logistics, sales and accounts);
- **coaching** programmes, both individual and in group, for personal and professional development.

With different frequencies and methods for the various companies, internal climate surveys 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. Company organization, belonging to the company, relationship with managers, professional development possibilities, health and safety and environmental aspects are among the issues addressed in the analysis.

As regards 2022 in particular, the following should be noted:

- the company Tecomec S.r.l. carried out two surveys: one with the aim of detecting the current level of digital leadership and related effective management of the issue; one to analyze the perception of employees with respect to projects related to sustainability issues;
- the company Sabart S.r.l. carried out a climate survey during the year on the following topics: company, organisation, belonging to the company, communication, relationship with the boss, professional development. The results revealed many positive aspects (e.g. corporate solidity, commitment to sustainable development and a safe workplace) and some points for improvement (e.g. feedback culture and team spirit) on which the company's management already undertook improvement activities;
- in Lavorwash S.p.A., following the analysis carried out at the end of 2021, the related results report was prepared;
- Agres has become a Great Place to Work (GPTW) certified company. The GPTW Climate Survey is a globally recognized tool that measures the level of trust within a workplace. The survey also collects information on employee satisfaction with benefits, work-life balance, and opportunities for personal and professional growth. When it comes to climate change, some GPTW surveys may include questions related to the organization's efforts to reduce its carbon footprint and promote sustainability. This information can provide valuable insights into workforce attitudes and values and help organizations understand how to create a more environmentally responsible workplace culture.



Among the corporate welfare initiatives, some companies offer employees additional health coverage and access to preventive health services, 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 2022 there were 793 women in the Group, with an incidence of 34.7% out of the total workforce, slightly decreasing compared to the 36.0% of the previous year.

The Group is committed to respecting the individual dignity and the physical and moral integrity of every person, to safeguarding diversity, to guaranteeing equal opportunities and to promoting the personal, professional and cultural development of people, without exercising or supporting any form of discrimination. This commitment, pervasive in daily operations within the Group, is formalized in the procedure "The ethical management of human resources" in force at the parent company Emak S.p.A.. The procedure, aimed at describing the ways in which Emak applies its social responsibility in the management of human resources and at defining the operating methods that govern the entire process, applies to all aspects related to human resources management, both with regard to the employment relationship and with reference to professional development (from skill assessment to training needs analysis).

The Group carries out recruitment and selection processes that provide for the inclusion of female candidates in all cases where the profiles are consistent with the ongoing research. For example, when searching for temporary workers, the company Tecomec requires recruiting agencies to receive at least mixed applications and, for greater fairness, the selection part is sometimes carried out through practical tests to verify the specific and technical competence of the candidates.

In order to allow individuals to satisfy the family care needs, especially in the case of parents with small children, various companies recognize part-time if requested and have activated individual smart working agreements. During 2022, the individual smart working agreements for employees with compatible jobs were updated, transforming them into open-ended agreements, to facilitate work-life balance. For the same purpose, in some companies there is time flexibility for start and end the workday.

Another example of the Group's attention to its employees comes from Agres. In fact, the Brazilian company offers employees who are parents of children with special needs a bonus equivalent to an additional salary, organizes an event to collect essential items and makes work rules more flexible according to specific needs: all measures that go beyond the provisions of the local legislation.

Agres is also enrolled in the "Programa Empresa Cidadã". The Program, established by Law no. 11.770/2008, is intended to extend the duration of maternity leave by sixty days and by fifteen days, in addition to the five already established, the duration of paternity leave (Law no. 13.257/2016). The track record shows that the return to work after leave is 100%.

The companies of the Group facilitate also 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., Tecomec and Comet, 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. Furthermore, during 2022 Comet S.p.A. joined a project funded by the Emilia-Romagna Region and hosted for three months in internship a student of the ENAIP "Don Magnani" Foundation course in Reggio Emilia, aimed at the social inclusion of young people with disabilities.

In line with the Group's commitment to enhancing diversity and promoting equal opportunities, in 2022 the companies Emak, Comet, Tecomec and Sabart supported with a donation the activity of "Università Ventuno" Onlus, an association based in Reggio Emilia that allows people with cognitive-behavioral disabilities to fully experience the academic world, transforming the University into a space of inclusion through personalized university pathways.

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 ISO 45001:2018 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. In some Group companies the company management is supported by external consultancy firm for the implementation of the occupational health and safety management system. In order to ensure full compliance with the regulations, internal audits of legislative compliance are carried out on the basis of defined checklists and with reference to the various company procedures.

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. In some cases, Italian safety standards have also been applied in countries with less stringent regulations.

All Group companies are committed to identifying and eliminating dangers and minimizing risks, pursuing continuous improvement. For each type of job constant evaluations and analysis are carried out, from which derives the drafting of an adjustment and improvement plan, in which new risks or new situations of potential danger (near misses), the measures implemented by the company to reduce the risk and the residual risk are constantly inserted by RSPP. The reports and the consequent updating of improvement initiatives are analyzed during periodic meetings between the Head of the Prevention and Protection Service (RSPP), workers' safety representatives (RLS) and company management or within specific safety committees. The degree of priority of the interventions is established according to the probability and severity of the possible injury. The functions involved 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.

Italian companies draft the **risk assessment document**, that is 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, ASPP), 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.

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.

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. 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. 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. 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.

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. In order to facilitate work activities, in particular in the production departments, improvement actions on ergonomics and risk reduction are continuously implemented, exceeding the legal requirements. Several companies are introducing machines in their production departments to automate certain activities and reduce the manual labor of people. Workplace improvement initiatives are aimed at any type of worker, both employees and temporary workers and trainees.

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.

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 workers. Examples of training are the firefighting training, the update for workers' health and safety representatives, training for the use of forklift trucks.

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.

In order to increase employee awareness and create a culture of safety within the organization, in 2022 the Brazilian company Agres carried out a week dedicated to the prevention of work-related accidents, organising training sessions and workshops which included for example demonstrations on proper lifting techniques, presentations on ergonomics and fire drills. These were alternated with more interactive moments such as quizzes and competitions between employees.

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.

With regard to issues relating to health and safety, and in particular training, health surveillance and the provision of PPE, temporary workers are treated in the same way as employees. In case of contracting companies operating within Group's premises, it is constantly checked that workers are up to date with training, health surveillance and insurance, also with the support of specific management software that automates the collection and control of the related documentation.

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. For example, the Brazilian company Agres undertakes to raise employee awareness of the importance of health and personal care by organizing meetings with experts during road accident and cancer prevention campaigns. Some companies have activated agreements for the delivery of healthy and balanced dishes, designed in collaboration with doctors, nutritionists and personal trainers, that workers can eat during their lunch break. 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. Furthermore, the machine tools owned by Group's companies that are at the suppliers' premises comply with the safety requirements set by the regulations and are certified. For the maintenance or any critical issues, the company intervenes, directly or through competent external personnel, to restore safety or for specific maintenance of the machine.

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. During 2022, in the Group occurred 44 injuries (of which none fatal), with a recordable workplace accident rate of 10.0, slightly increasing compared to 2021 (7.5).

In 2022 all Group's companies carried on the initiatives undertaken for the management of the emergency caused by Covid-19 pandemic, 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 for the management of business risks emerging from the current situation continued, with the aim of limiting the impact on human resources, income results and the financial balance of the Group. Based on the evolution of the epidemiological situation, the companies have punctually updated their procedures, operating instructions and modules relating to the reduction of the risk of infection from Covid-19. The initiatives carried on include 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 limitation of travel and business trips, the limitation of access to company premises by personnel external to the companies, the sanitization of the workplace.

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 2-6; 204-1)

Emak Group's supply chain is composed of over 3,200 suppliers of direct materials for production, of consumables and indirect materials, of packaging and of finished products. In 2022, the aggregate value of Group purchases was around 600 million euros, of which almost 80% is attributable to production companies. Intercompany purchases represented around 25% of the aggregate value in 2022. 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 17% 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, almost 60% of the supply chain is located within the European Union and the remaining part 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, the mix and the quantity of purchased products. On average, the Group companies rely on local suppliers for about 48% 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. Plastic components are usually purchased from local suppliers.

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 raw materials purchased are aluminium, brass, copper and steel. These are purchased in slabs from the producer, or managed through contracts that provide for the purchase of a certain quantity fixed at the raw material cost at a given time.

The main changes occurred during the year in the Group's supply chain structure are mainly attributable to the actions taken to face the increase in energy costs and the effects deriving from the Covid-19 pandemic, and to contain the risks associated with the difficulties in procuring raw materials and semi/finished products. In order to guarantee supplies and monitor deliveries, some Group companies have also created specific cross-functional working teams.

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

- Changes due to qualitative or service 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;
- Expansion of the range of offers.

In the case of purchases marketing, the Group's policy is to maintain double sourcing of supplies with reference to risk management. The supply chain risk is mapped according to parameters that include assessments on financial aspects, supplier replaceability, integration with technical department, service level and vendor rating. For critical suppliers or strategic purchases, the percentage of multiple sourcing is high. This represents an advantage for Group's companies, as they are able to respond more quickly to the problems of shortage of materials and the increase in transport costs.

In the purchasing process, several Group companies use KANBAN logics, which allow to manage the supply chain in a leaner way and to reduce stock.

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 ethical principles, according to the SA8000 model, 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.

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 relating to compliance with ethical principles in personnel management 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 checklist based on SA8000 model 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.

As in the previous year, supplier audits were also limited in 2022 due to the Covid-19 pandemic. In 2022 Emak S.p.A. evaluated 71% of new material suppliers according to social and environmental criteria through self-assessment forms and the explicit acceptance of the Group's policy. The Chinese company Jiangmen has evaluated 7 suppliers in order to verify their compliance with ethical human resource management standards.

Most of the practices described have been extended to all divisions of the Group through their inclusion in the updated Ethical Code which has been shared at corporate level during 2021, although general assessments on environmental and social criteria were already widely common within the Group.

3.2.2 *Research and development*

Research and development is one of the cornerstones on which we base the Group's strategy of continuous growth and success. The Group, in fact, considers investing in research to be fundamental as a means for obtaining competitive advantage in national and international markets. For this reason, where possible, the Group covers its products with **international patents**.

R&D is oriented towards the improvement of the product under various aspects: safety, comfort, practicality of use, performance and environmental impact. Particular attention is focused on the development of new technologies, which guarantee for the product greater efficiency, lower consumption and an overall lower environmental impact, without affecting performance.

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

During 2022 the Group dedicated a total of 22.5 million Euros to Research and Development, of which 13.2 million Euros for product innovation and adjustment of production capacity and process innovation and 9.3 million Euros for research costs charged directly to the income statement.

The main activities carried out by Group companies in 2022 are set out below, subdivided by business lines.

Outdoor Power Equipment

Research and development in the outdoor power equipment segment is pursued in various directions.

The development of new products is an activity common to all the projects that the Group undertakes (an average of 10-12 projects every year): from the definition of the concept, to the design, industrialization, validation, certification and start of production. In order to improve and accelerate the process of new product development, the Group has implemented the use of 3D printers and mixed and virtual reality solutions. Work is under way to introduce PLM (Product Lifecycle Management), tools that are integrated with the ERP system in order to manage the entire life of the product, from the concept to the disposal. In 2022, the construction of a 27,000 m² area for field tests began in order to be able to fully validate the products.

2022 saw a consolidation of a strategic product line for the Group: the H series line. Specifically, the H series has been extended with a new 25cc pruning chainsaw, the introduction of the BCH50 for the USA market and the introduction of a 4-stroke brushcutter for the Far East market. The family of petrol machines was renewed with a new professional model of 62cc sprayer equipped with a new engine, and a new 30cc pruner. To these

were added the special versions of the 45cc chainsaw, 40cc brushcutter and lawnmower in a limited version with new colors and technical contents.

New products were also introduced for green care activities, such as a new professional 215 motor hoe.

Sorting projects are preliminary studies for the development of a product, sometimes with drawings, at sometimes with prototypes, aimed at assessing the convenience and feasibility of finalizing projects emerging from dialogue with customers.

Research and innovation relate to a wide range of areas, and are directed towards the development of a technology or a methodology. The most important projects on which the Group is currently working are as follows:

- Low-emission motors: the identification and development of technologies applied to two-stroke petrol motors with the aim of adjusting to future directives relating to emission limits that are expected to impose a reduction of 30% compared to what is provided for in current legislation. Specifically, innovative stratified charging technologies are under study, also through the use of external consultancy services.
- Methodological activities: generally, with the external collaboration of research centres or universities, these activities are focused on calculation/experimental calculation methodologies for use in a systematic way in the product development process. The aim is to create predictive models that, once refined, can be applied in the context of new product development. For example, mathematical models for simulating drop tests are under development. The test has always been carried out in an experimental way; today a numeric model that will make it possible to carry out the tests through simulation with 3D models is under development. In addition, a methodology aimed at achieving IPX4 certification (even though not mandatory) of the new battery-powered range under study.
- Research on materials: the Group has started studies for the introduction on its products of 100% or partially recycled plastics: it's a multi-year project for which the Group is seeking to obtain a form of financing and which has already seen the preliminary involvement of suppliers of raw materials and semi-finished products. In 2022 the Group started processing components to be validated.
- Introduction of new design methodologies with a KBE (Knowledge Base Engineering) approach to accelerate and enhance the product development process.

Pumps and High-Pressure Water Jetting

Product development is an articulated process, which involves all company functions, and which includes some main phases: from the need/request for a new product, to the definition of a specification, to then move on to the implementation phase, with the definition of a concept, the design, industrialization, validation and certification, up to the production of the finished product. To improve project management, with objectives in terms of development efficiency and centralization of information, the Group has introduced a PLM (Product Lifecycle Management), a software that allows, also through direct connection with the ERP system, to manage the whole life cycle of the product, from concept to disposal, and to deposit the knowledge (know-how) of the products in a centralized and organized way.

The world of **pumps for agriculture**, used mainly to pump pesticides or fertilizers, is very traditional and characterized by few, but continuous new developments.

Research and development activities for this category of product focus mainly on the development of a complete range in terms of capacity and pressure for specific uses, on the use of materials that make it possible to increase chemical resistance in order to be able to treat different liquids and on the research of different construction solutions that maintain the same level of performance of the pumps and the same pressure and volume characteristics of the water used, but with a reduction in costs and weights. The Group is also studying possible applications for fitting the pumps with sensors that give information to the user on the state of the pump (for example, oil level, oil pollution with water, and depression sensors to verify the condition of the filter).

With regards to **products for industry**, research and development activity varies according to the product category. For the smaller-sized pumps, intended to be used, in particular, with pressure washers in the hobby sector, the activity is focused on the specialisation of the applications, on the use of materials that guarantee optimal value for money, and on the design, with the aim of maximum possible automation of the production process. For purpose of achieving these objectives, the Group enters into partnerships with a number of suppliers in order to match the technical aspects with construction ones.

The development of high and extremely high-pressure pumps has different development priorities, also in consideration of their plant engineering application. As a result, design is focused on the chemical resistance to treated liquids, on lengthening the life of the pump, on the use of alternative materials in compliance with new legislation, which guarantee equivalent performance levels.

With regards to **washing products**, design is very important in the consumer sector, aimed not only at satisfying the aesthetic requirements of private users, but also at improving the machines' production process. The development of the use of electronics is becoming increasingly important: the objective is to control machine consumption, acting on the speed of the motor, and offering improved functions both for the user and for the assistance centres (e.g., visibility of the hours worked, consumption, controls block for machine safety with the aim of avoiding improper use). In this product segment, control systems with radio-frequency are also being studied for controlling the functions of the pressure washers using a pistol, so as to make the user increasingly free from having to return to the machine in order to switch on/off or for change the controls.

With regards to the professional segment, the Group is working on improving the efficiency of the machines under all aspects. In order to reduce the use of water, through determined technical solutions, it's possible to obtain a reduction in the washing time and in the volume of water used, or a greater efficiency in order to avoid using chemical agents or polluting elements such as additives. In addition, the Group is working on improving the combustion efficiency of machines that have an oil burner for the production of hot water. A further line of development regards electronics: systems able to block the machine in the event of the detection of micro-leaks, avoiding leaks of water and protecting the machine's components, are already in use. Systems are also under development that provide information on the life of the machine (hours of operation, any anomalies detected both from an electronic and from a hydraulic point of view), useful for maintenance purposes and for the management of fleets of machines on lease and in building sites.

On some washing products, the Group began the study and evaluation for the introduction of partially recycled plastic materials: with the involvement of the supply chain, both for molding and for raw materials, some samples of machines were created, that are currently in on-field characterization phase.

Components and accessories

The Research and Development activity of the Components and Accessories segment is aimed at creating products that add value to the machines for which they are intended, increasingly combining the search for performance with modern design, intrinsic safety and reduced environmental impact. The Group has launched a reorganization of the product development process, starting with the definition of a strategic plan for each of the three product lines. In the development of the projects, a Stage-Gate method was introduced to optimize the individual phases and make each decision-making moment objective and unambiguous. The characteristics of the process make it possible to effectively define a product budget even over a time horizon of 3-5 years. The goal is to supply products that meet or, if possible, anticipate the needs of the manufacturer of the machine. To this end, a moment of review has been formalized in which the technical office, in a transversal way, is called to propose solutions and innovations that go beyond market requests. Starting from 2022, a risk assessment module was also introduced for the management of risks associated with the failure to achieve the project objectives.

With regards to brush cutter accessories (**gardening line**), the activity focuses mainly on the following aspects:

- Reduction in vibrations: the cutting system (wire and head) is the terminal point of the entire machine and is the part that, rotating at high velocity, carries out the work and generates the machine's vibrations. The objective is to contribute to the comfortable use of the machine, reducing hand-arm vibrations. In 2022, development continued and a very significant first result was achieved in reducing vibrations. In collaboration with the academic world, the mathematical model that governs the phenomenon is being analyzed for further optimizations.
- Reduction of acoustic emissions of the cutting system to levels even stricter than legal requirements.
- Reduction in the machine's consumption of energy: the activity is aimed mainly at the development of cutting systems and, in particular, those with a wire, intended for battery-powered machines. The objective is to guarantee high levels of performance while, at the same time, reducing the need for energy to carry out the work.
- Reduction of the environmental impact: the Group collaborates with the major producers of plastic materials with the aim of determining a material with the lowest possible environmental impact, which at the same time guarantees performance. To this end, a characterization of the product architecture was started using FEM (Finite Element Method) simulation.

As regards the research and development of products for chainsaw maintenance (**forestry line**), in 2022 the Group launched the first battery-powered sharpener. The entry into the cordless power tools sector has led to a significant study of the application from the point of view of efficiency and performance, as well as the related regulatory and legislative aspects.

With regards to accessories for **agriculture**, research and development mainly focuses on the development of precision systems. In this context, flow meters have been developed with different technologies (mechanical, fan, electromagnetic and radial blade) aimed at covering the wide range of flow rates required in weeding, seeding and liquid fertilization machines.

Furthermore, the development of control systems is gaining momentum. In this regard, a GPS geolocation antenna has been developed to be integrated into treatment management systems in order to measure the speed and distance travelled.

Within the range of products for **washing**, the Group is continuing its commitment to expanding its range of products for professional use. To this end, it undertook the design of a range of professional self-propelled high-pressure washing heads, to be integrated into car wash or industrial systems. The study benefited significantly from the recent introduction of CFD (Computational Fluid Dynamics) tools for fluid dynamics simulation. The development of accessories for very high pressure machines continues for professional applications in sectors such as mining, construction and concrete destruction. After the marketing of the 1000 bar spray gun, the pressure zeroing adjustment valve is now being tested. Furthermore, the Group aims to increase ergonomics in the use of very high pressure machines, through a spray gun with an easy-pull device.

3.2.3 Product quality and safety

(GRI 416-2)

The Group strongly believes that quality is an essential factor for guiding activities in the pursuit of its corporate mission. All the companies in the Group therefore actively seek to ensure maximum quality. From this point of view, the following table shows the certifications obtained by Group companies, testifying to the joint efforts made to guarantee the best possible 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 ISO 14001:2015 ⁴

Outdoor Power Equipment

The Group certifies its products in compliance with the legal requirements of the countries in which they are sold. With regards to product safety, the main piece of legislation is the Machines Directive, which contains sub-directives that regulate all the technical aspects for every type of product. There are also other specific directives that regulate electro-magnetic compatibility, vibrations, emissions and noise. More than 90% of the activities necessary for the certification of products occurs internally in laboratories equipped with special instrumentation. There are, however, a number of specific tests, such as electromagnetic compatibility and kick back tests for chainsaws, which need to be carried out by a third-party body. A further necessary activity for launching a product on the market, carried out internally, relates to user manuals and the drawing up of the technical file.

⁴ The company Agres Sistemas Eletrônicos SA achieved compliance with the ISO 14001:2015 standard in 2022 and has been certified since January 30, 2023.

In the production phase, the quality and safety of the machines are guaranteed by constant monitoring along the entire product cycle, from the development phase to production, besides a sample check involving a functional and safety check aimed at assessing the machine's conformation. In 2022, a specific test room was built in the Pozzilli plant in order to verify the noise measurements of the machines directly in the production plant.

The Group is also particularly active in and attentive towards the constantly evolving reference legislation context. Emak is a member of EUROMOT, the European Association of Internal Combustion Engine Manufacturers, which supports the evolution of future scenarios with regards to the reference sector (e.g., emission scenarios, etc.) and of EGMF, the European Garden Machinery Industry Federation, whose objects include supporting the evolution of future scenarios regarding all directives concerning products and market monitoring. In addition, Emak follows the evolution of sector regulations (Emissions Directive, Machine Servicing Directive, Noise directive, WEEE Directive - The Waste Electrical and Electronic Equipment Directive - ISO, REACH, ROHS standards, etc.) in order to be constantly updated and in line with the requirements imposed by current laws in the countries where the Group operates. Finally, Emak participates in ISO meetings relating to changes and evolutions regarding product safety in the reference market.

No cases of non-compliance with current regulations occurred in 2022.

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 product certification 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 to 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, certification is issued by third parties such as TÜV (Technischer Überwachungsverein), TÜV SUD, Intertek and SGS.

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, the INMETRO certification, necessary for household appliances and products for professional use in the Brazilian market, EAC for Russia, Belarus, Armenia, Kazakhstan and Kyrgyzstan markets.

No cases of non-compliance with current regulations occurred in 2022.

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. Tecomec is also aligning to British legislation to adapt its products to the nascent UKCA standardization and has obtained the Russian EAC certification for most of its catalog products.

No cases of non-compliance with current regulations occurred in 2022.

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 2022, the added value distributed by the Group was 580,232 thousand Euros, in spite of an added value generated of 626,211 thousand Euros.

Added Value generated		
€/000	2022	2021
Sales	605,723	588,299
Other operating incomes	4,753	5,110
Change in inventories	12,790	48,764
Financial income	4,007	1,003
Exchange gains and losses	1,895	589
Income from/(expenses on) equity investment	0	0
Depreciation	-2,957	0
Global Added Value generated	626,211	643,765

Added Value distributed		
Employees remuneration	99,519	98,231
Personnel expenses	99,519	98,231
Operating costs	447,541	466,490
Raw materials, consumable and goods	331,528	354,737
Other operating costs	116,013	111,753
Community investments	127	156
Charities and contributions	127	156
Remuneration of the Public Administration	12,932	12,774
Income taxes	12,932	12,774
Shareholders remuneration	13,953	17,467
Net profit attributable to non controlling interests	897	603
Net profit attributable to the Group distributed to shareholders*	10,656	12,295
Financial charges of debt adjustment estimate for purchase commitment of remaining shares of subsidiaries	2,400	4,569
Remuneration of financial system	6,160	4,042
Financial expenses restated #	6,160	4,042
Global Added Value distributed	580,232	599,160

Added Value retained		
Profit for the year allocated to reserve	19,613	20,213
Amortization	26,367	24,392
Global Added Value retained	45,980	44,605

* 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 28, 2023.

Financial expenses are shown net of charges of debt adjustment estimate for purchase commitment of remaining shares of subsidiaries.

For more details on the economic and financial effects of the epidemiological emergency and the related responses of the Group, please refer to the 2022 Annual Financial Report.

3.3.2 Tax system

(GRI 207-1; 207-2; 207-3; 207-4)

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, 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.

The Country-by-Country reporting of financial, economic, and tax-related information for each jurisdiction in which the organization operates, for the years 2021 and 2022, is set out below.

YEAR 2021 (€/000)	Tax jurisdiction														
	Italy	Spain	France	Germany	UK	Sweden	Poland	Ukraine	USA	Mexico	Brasil	Chile	Morocco	South Africa	China
Revenues from third-party sales	334,858	9,719	78,881	0	5,805	4,026	26,818	4,171	54,762	7,174	34,506	3,574	0	1,524	22,481
Revenues from intra-group transactions with other tax jurisdictions (<i>aggregate data</i>)	75,198	1	4,158	0	59	107	147	0	558	0	388	275	112	32	73,415
Profit/loss before tax (<i>aggregate data</i>)	28,746	687	6,010	-21	435	1,039	1,663	643	5,510	740	6,246	916	-120	202	6,192
Tangible assets other than cash and cash equivalents (material assets)	42,503	633	7,783	0	74	3	145	91	4,454	36	2,665	954	0	534	18,683
Corporate income tax paid on a cash basis	3,504	103	1,069	0	0	94	129	105	761	153	1,904	0	0	62	1,207
Corporate income tax accrued on profit/loss (only current taxes)	6,568	145	1,520	0	20	191	362	115	1,061	195	2,119	223	1	47	1,121

YEAR 2022 (€/000)	Italy	Spain	France	Germany	UK	Sweden	Poland	Ukraine	USA	Mexico	Brasil	Chile	Morocco	South Africa	China
Revenues from third-party sales	335,018	9,165	78,422	0	5,467	5,071	26,267	4,700	60,157	8,934	49,298	4,136	0	1,900	17,188
Revenues from intra-group transactions with other tax jurisdictions (<i>aggregate data</i>)	73,249	66	4,052	0	23	366	189	0	439	0	709	126	0	0	50,606
Profit/loss before tax (<i>aggregate data</i>)	39,602	102	5,325	0	91	1,490	1,025	1,012	4,954	1,204	10,768	837	-26	256	-1,540
Tangible assets other than cash and cash equivalents (material assets)	47,040	639	8,284	0	50	1	183	65	3,792	35	3,683	857	0	483	17,414
Corporate income tax paid on a cash basis	8,224	91	1,294	0	0	88	118	161	1,101	389	2,604	286	0	70	371
Corporate income tax accrued on profit/loss (only current taxes)	6,289	6	1,262	0	1	278	199	185	952	398	3,300	233	0	65	308

For Group's entities included and their primary activities, the reasons for the difference between corporate income tax accrued on profit/loss and the tax due, if the statutory tax rate is applied to profit/loss before tax, please refer to the Explanatory Notes to the Consolidated Financial Statements.

For a more detailed description of the Group's economic and financial performance, please refer to the 2022 Annual Financial Report published on the website www.emakgroup.com.

3.3.3 EU Taxonomy

In recent years, the European Union has developed an ambitious strategy for sustainable development and the transition towards a low-carbon economy, in line with the contents of the Paris Climate Agreement of 2015 and the United Nations 2030 Agenda with the relative 17 sustainable development goals. To achieve these targets, the European Union promotes investments in assets and sustainable activities with the use of not only public resources, but also private ones.

The Taxonomy Regulation (EU) 2020/852 defines the criteria to determine if an economic activity can be considered as eco-sustainable, starting from the identification of 6 environmental objectives: a) the mitigation of climate changes; b) adaptation to climate changes; c) the sustainable use and protection of water and marine resources; d) the transition towards a circular economy; e) the prevention and reduction of pollution; f) the protection and restoration of biodiversity and of ecosystems.

As of today, the European Commission has adopted only delegated acts that identify criteria of a technical nature relating to the first two environmental goals, the mitigation of climate changes and adaptation to climate changes. As a result, reporting on the EU taxonomy with relation to 2022 covers the environmental goals of mitigation of climate changes and adaptation to climate changes.

As provided for by Regulation (EU) 2020/852, art. 8, the following indicators are shown below:

- the proportion of turnover derived from products or services associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9;
- the proportion of capital expenditure and the proportion of operating expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable under Articles 3 and 9.

The indicators reported have been calculated on the basis of the indications contained in Annex 1 to regulation (EU) 2021/2178 and are based on currently available data and on the current interpretation of the regulation and may, therefore, be subject to future modifications.

Admissibility to the taxonomy

Turnover

The Group has determined that its range of products and services comes under definition 3.6 Manufacturing other low-carbon emission technologies. On the basis of the current interpretation of the regulation, consistent with what is set out in the 2021, the Emak Group has considered as admissible to the taxonomy the revenues generated from the sales of finished battery-powered and electric products manufactured by the Group. Specifically, sales of battery-powered and electric OPE products, machines for cleaning (PWJ) which do not have gas-powered boilers for the production of steam are included in the calculations made. All products powered also partly by fossil fuels and all products falling under the Components and Accessories segment gave, therefore, been excluded.

It can be assumed that admissible activities may increase with the introduction of other environmental objectives by the European Commission.

Capex

On the basis of the analysis carried out in establishing the activities admissible to the EU Taxonomy, Emak has considered as admissible increases in tangible and intangible fixed assets and rights of use as per IFRS relating to the following activities:

3.6. Manufacture of other low carbon technologies

7.2. Renovation of existing buildings

7.3. Installation, maintenance and repair of energy efficiency equipment

7.5. Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings

7.6. Installation, maintenance and repair of renewable energy technologies

9.3. Professional services related to energy performance of buildings

Data relating to battery-powered and electric products and to interventions for improving the energy efficiency of properties such as the replacement of neon lamps with led lights, the replacement of window frames, and the installation of meters for the control of energy, have therefore been taken into consideration.

Opex

In compliance with regulatory requirements, Emak has defined operating expenses such non-capitalised direct costs linked to research and development, building restructuring work, and short-term leases, maintenance and repair, as well as any other direct expense connected with the day-to-day maintenance of properties, plant and machinery, carried out by the enterprise or by third parties to which such tasks are outsourced, necessary for the continuous and effective functioning of said assets. The data considered relate to the following activities:

3.6. Manufacture of other low carbon technologies

7.3. Installation, maintenance and repair of energy efficiency equipment

9.3. Professional services related to energy performance of buildings

The Emak Group then considered research and development costs charged to the income statement directly referring to battery-powered and electric products and costs for the maintenance of buildings and other assets in 2022 concerning interventions for improving the energy efficiency of building carried out during the year.

Alignment with the EU Taxonomy

Emak has analysed the criteria set out in the regulation and in the technical annexes for all the identified admissible activities and has concluded that none of them can be considered as aligned, as the Group does not currently possess all the required detailed documentation.

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities

Economic activities	Code(s)	Absolute turnover Currency	Proportion of turnover %	Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum safeguards	Taxonomy-aligned proportion of turnover, year N %	Taxonomy-aligned proportion of turnover, year N-1 %	Category (enabling activity) E	Category (transitional activity) T
				Climate change mitigation %	Climate change adaptation %	Water and marine resources %	Circular economy %	Pollution %	Biodiversity and ecosystems %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiversity and ecosystems Y/N					

A. TAXONOMY-ELIGIBLE ACTIVITIES

A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacture of other low carbon technologies	3.6	96,391	16%																
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		96,391	16%															-	-
Total (A.1 + A.2)		96,391	16%															-	-

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES

Turnover of Taxonomy-non-eligible activities (B)	509,332	84%
Total (A+B)	605,723	100%

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities

Economic activities	Code(s)	Absolute CapEx	Proportion of CapEx	Substantial contribution criteria						DNSH criteria ("Does Not Significantly Harm")						Minimum safeguards	Taxonomy-aligned proportion of CapEx, year N	Taxonomy-aligned proportion of CapEx, year N-1	Category (enabling activity)	Category (transitional activity)
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems					
		Currency	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T

A. TAXONOMY-ELIGIBLE ACTIVITIES

A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of other low carbon technologies	3.6	1,266	4.7%																	
Renovation of existing buildings	7.2	1,566	5.8%																	
Installation, maintenance and repair of energy efficiency equipment	7.3	178	0.7%																	
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7.5	20	0.1%																	
Installation, maintenance and repair of renewable energy technologies	7.6	401	1.5%																	
Professional services related to energy performance of buildings	9.3	27	0.1%																	
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		3,456	12.9%															-	-	
Total (A.1 + A.2)		3,456	12.9%															-	-	

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES

CAPEX of Taxonomy-non-eligible activities (B)	23,383	87.1%
Total (A+B)	26,839	100%

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities

Economic activities	Code(s)	Absolute OpEx	Proportion of OpEx	Substantial contribution criteria							DNSH criteria ("Does Not Significantly Harm")							Minimum safeguards	Taxonomy-aligned proportion of OpEx, year N	Taxonomy-aligned proportion of OpEx, year N-1	Category (enabling activity)	Category (transitional activity)
				Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems							
		Currency	%	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T	

A. TAXONOMY-ELIGIBLE ACTIVITIES

A.1 Environmentally sustainable activities (Taxonomy-aligned)																				
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacture of other low carbon technologies	3.6	2,012	16%																	
Installation, maintenance and repair of energy efficiency equipment	7.3	45	0.4%																	
Professional services related to energy performance of buildings	9.3	3	0.02%																	
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		2,059	16%																	
Total (A.1 + A.2)		2,059	16%																	

B. TAXONOMY-NON-ELIGIBLE ACTIVITIES

OPEX of Taxonomy-non-eligible activities (B)		10,816	84%
Total (A+B)		12,875	100%

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. For a more detailed description of the Group's commitment to developing more sustainable products from an environmental point of view, please refer to the Research and Development paragraph.

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.

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 inspired to the principle of SA8000 and the Environmental System UNI EN ISO14001:2015 standards in a synergical 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 order to verify the full legislative compliance with regard to environmental aspects, the Group companies are subject to periodic audits by third parties which, among the various issues, examine waste management, emissions, water withdrawals and discharges.

3.4.1 Energy consumption

(GRI 302-1)

In 2022, 70,156 GJ of fuels from non-renewable sources (natural gas, diesel, gasoline and LPG) were consumed, while total electricity consumption was 78,731 GJ. The overall energy consumption was therefore equal to 148,887 GJ (172,179 GJ in 2021). 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; 33%, on the other hand, is attributable to the consumption of natural gas for heating buildings and factories. In 2022 there was a decrease in energy consumption in GJ equal to -13.5% compared to 2021 (-14.0% on a like-for-like basis), mainly due to a decrease in production volumes. Considering the data in units of measurement, in fact, there was a reduction in the consumption of electricity (-10.5% compared to 2021) and diesel for production processes (-31.2% compared to 2021); in addition to a decrease in the consumption of natural gas for heating (-20.7% compared to 2021), in part also due to milder external temperatures and the lowering of the heating limits imposed by legislation in some countries to deal with the energy crisis. On the other hand, there was an increase in fuel consumption for cars (+22.8% compared to 2021), following the restart of travel after the easing of the restrictive measures adopted to deal with the Covid-19 pandemic.

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;
- recycling of the energy generated during product tests;
- installation of new high energy efficiency boilers;
- revision of the general electrical system and of the transformer substations which led to an increase in efficiency regarding dispersions;
- progressive replacement of neon lamps with LED lamps;
- installation in the production departments of machinery and equipment with high energy efficiency;
- interventions on plants to improve the microclimate and thermal insulation, for example by replacing the window fixtures or installing shading curtains;
- installation of energy consumption monitoring systems for analysis of possible efficiency measures;
- replacement of PCs with more efficient models and arrangement of workstations near windows to reduce the switching on of lights.

It should be noted that 100% of the electricity purchased by the company Markusson comes from renewable sources (hydroelectricity). Furthermore, Emak S.p.A. and PTC S.r.l. self-produced 399 GJ and 46 GJ respectively of renewable electricity from photovoltaic systems. During 2022 Tecomec S.r.l. installed 460 kW of photovoltaic panels awaiting connection to the grid and two charging stations for electric cars of 22 kW each.

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 2022, Group's Scope 1 emissions were 4,302 ton CO₂eq (4,974 ton CO₂eq in 2021), while Scope 2 emissions calculated with the market-based method were 8,047 ton CO₂ (9,069 ton CO₂ in 2021). Specifically, 65% of the emissions is attributable to electricity (Scope 2), while 35% is attributable to the use of fuels (Scope 1).

Using instead the location-based method, the Scope 2 emissions were 7,274 ton CO₂ (8,141 ton CO₂ in 2021).

In 2022, in line with the trend in energy consumption, there was a decrease in Scope 1 emissions (-14% compared to 2021) and in Scope 2 emissions both according to the location-based method (-10.7% compared to 2021) and market-based (-11.3% compared to 2021).

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

- Companies that are not subject to authorization as they do not produce significant emissions into the atmosphere;

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, 2019), while for the calculation of Scope 2 emissions with the market-based method, emission factors expressed in CO₂ relating to the "residual mix" (European Residual Mix 2021 – source AIB 2022) were used, if available. Otherwise, the same emission factors used for the location-based method were also used for the market-based method. 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.

- 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 AUA⁶. In 2022 the estimated emission for the plant of the Parent Company in via Secchi, Bagnolo in Piano (RE) are lower than 0.12 Kg of lead and equal to 59 kg of NO₂, 154 Kg of SO₂, 210 Kg of CO, 174 Kg of S.O.V. and 18 Kg of particulate matter; for the Pozzilli (IS) plant are equal to 0.112 Kg of lead and 160 Kg of VOC; while for the Lavorwash S.p.A. plant are equal to 2.116 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 39.52 Kg of NO_x and 1.12 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 pounds⁷ (equal to approximately 204,000 kg) per year for the next ten years.

During 2022, Sabart continued its collaboration with Treedom for the planting of further 200 trees, in addition to the 800 trees already planted by several Group companies in 2021 and which contribute overall to the absorption of over 215 tons of CO₂.

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 and have installed filtering systems that allow the reuse of water. 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 located near 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 South America, Lemasa and Lavorwash Brasil.

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

⁶ *Autorizzazione Unica Ambientale.*

⁷ Emission factor source: U.S. Energy Information Administration (EIA) of 2018.

3.4.4 Waste

(GRI 306-1, 306-2, 306-3)

The Group has formalised its commitment to a responsible management of waste in the Ethical Code, which prohibits all companies to abandon or dispose of waste in an uncontrolled way, cause an impairment or significant deterioration of waters, the air, the soil or the subsoil, or provoke an environmental disaster, considered as an irreversible alteration of the balance of an ecosystem.

The Group manages waste both at documental and at operating level, with particular attention to a correct differentiated collection, to an increase in recovered waste with respect to waste for disposal, to the improvement of criteria for its deposit, identification, correct disposal and tendency towards a reduction in the quantities of waste produced.

The Group undertakes, moreover, to prevent pollution of the soil and subsoil linked to potential spills of chemicals used in the production cycle, as well as any contamination from waste.

The impacts correlated to waste for the Emak Group are mainly traceable to the production companies. As set out in paragraph 1.1, the productive activities of the Group relate mainly to the assembly of components. The consequent production of waste is, therefore, mainly limited to paper and cardboard packaging and wooden pallets. In a number of sites, instead, a vertical production process is carried out, starting from the raw material and arriving at the final product. They are productions for which it is preferred to carry out internally, for an economic question and that of the quality of the product. Specifically, they refer to (i) nylon thread for brush cutters and stall separators produced by the Speed Group companies: starting from the polymers, the final product is obtained through an extrusion process. 62% of plastics generated by the Group's productive companies is traceable to this processing; (ii) frames for wheeled grass cutting machines which are produced in the Pozzilli factory with a vertical process that includes sheet metal stamping, welding and painting and to which 69% of the metallic waste generated by the Group's productive companies is traceable. The waste materials generated from the processing of raw materials are recovered as far as possible. A further impact derives from the nickel-plating surface treatment of aluminium cylinders carried out in the Chinese Tailong company: the factory is equipped with a plant for the purification of production water whose management is assigned to a specialized company authorized by the local government.

In general, the Group undertakes, where circumstances required, to avoid the erroneous disposal of hazardous waste that could have significant impacts on the environment, although the use of dangerous raw materials in its production processes is limited. In 2022 the Group's hazardous waste accounted for 4% of the total and are mainly composed of water-based washing solutions, sludge and electronic waste.

To avoid an erroneous disposal of waste in different companies, waste management procedures are in place that establish the flow of activities to be performed and the persons in charge. Employees are trained and made aware of said procedures. In addition, the companies draw up data sheets relating to the waste and arrange to sample and verify it through specific analyses. Assigned offices carry out a periodic check of the documentation. The categorisation of waste and the definition of internal processes are carried out from time to time with the support of specialised consultants.

Industrial waste is deposited in specified locations, in containers suitable for the volume and type of waste, and subsequently assigned to companies that have all the authorisations required by the regulations in force for recovery or disposal operations. In the case of the Chinese companies, the waste is collected and managed by third parties designated by the local government.

The companies adopt different measures for reducing the quantities of waste generated. In some cases, reusable containers are used for the transport and disposal of raw materials and components in order to reduce the generation of cardboard waste. Where possible, waste deriving from processing activities are recovered. Metal and plastic chips are, for example, reused by the same companies that generate them, or are sold to other companies or returned to the suppliers to be processed. In a number of production factories, waste water treatment systems are present in order to separate sludge and emulsions from the rest of the water which can then be reused in the production process. An example is found in the parent company, Emak S.p.A. which, to reduce the quantity of hazardous emulsions generated by the process for the coating of frames for its products with wheels, has installed in the Pozzilli factory a purification plant which came into operation at the beginning of 2022. Thanks to this investment, it is possible to recover the water and reuse it in the coating process, disposing only the sludge deriving from the production process. A further example aimed at a more efficient management of waste is the installation in 2022 of a cardboard compacting machine, which makes it possible to reduce the volume of waste disposed by the Comet company.

The Gruppo also undertakes to increase the use of recycled materials, both in its own products and in packaging. Research and development is already under way, working on how to reduce the use of virgin raw materials, replacing them with recycled plastics. With regards packaging, particular attention is focused on the development of eco-compatible packages, replacing plastic with cardboard, largely recycled and FSC (Forest Stewardship Council) certified, precycled plastic and parts of chipboard.

In line with the Group's environmental commitment, a number of Italian companies have set up projects for the reduction of plastic consumption, using in their company refreshment areas plastic cups and wooden stirrers for coffee and water dispensers with which it is possible to fill water bottles distributed free to employees to disincentivize the use of plastic bottles. This initiative has enabled a saving in 2022 of over 5,700 kg of plastic, replacing it with biodegradable materials which have less impact on the environment and reusable water bottles.

The Group's sensitivity towards the safeguarding the environment is also reflected in the choice of a number of companies of sustainable gadgets, composed of recycled plastic, recycled cardboard, corn fibre, bamboo and other biodegradable materials.

Finally, the Group works to increase the information and culture of end users on product disposal at the end-of-life and on packaging, differentiating disposal. For example, the Parent Company, Emak S.p.A. provides useful information for a correct disposal of packaging in differentiated collection both on the packaging itself with an QR code and on the website. A guide for the correct disposal of products is also provided on the website.

4. Performance indicators

Figures relating to human resources

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

	31.12.2021			31.12.2022		
	Men	Women	Total	Men	Women	Total
Europe	880	431	1,311	905	442	1,347
Permanent	872	418	1,290	882	430	1,312
Temporary	8	13	21	23	12	35
Americas	341	143	484	395	142	537
Permanent	334	140	474	377	137	514
Temporary	7	3	10	18	5	23
Asia, Africa, Oceania	202	228	430	191	209	400
Permanent	133	165	298	137	158	295
Temporary	69	63	132	54	51	105
Group	1,423	802	2,225	1,491	793	2,284
Permanent	1,339	723	2,062	1,396	725	2,121
Temporary	84	79	163	95	68	163

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

	31.12.2021			31.12.2022		
	Men	Women	Total	Men	Women	Total
Europe	880	431	1,311	905	442	1,347
Full-time	843	339	1,182	872	353	1,225
Part-time	37	92	129	33	89	122
Americas	341	143	484	395	142	537
Full-time	328	137	465	372	133	505
Part-time	13	6	19	23	9	32
Asia, Africa, Oceania	202	228	430	191	209	400
Full-time	202	227	429	191	209	400
Part-time	-	1	1	-	-	-
Group	1,423	802	2,225	1,491	793	2,284
Full-time	1,373	703	2,076	1,435	695	2,130
Part-time	50	99	149	56	98	154

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

	31.12.2021			31.12.2022		
	Men	Women	Total	Men	Women	Total
Group	242	99	341	158	64	221
Agency workers	231	91	321	135	58	192
Trainee	11	8	20	15	6	20
Freelancers and external collaborators	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	9	0	9

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

	31.12.2021			31.12.2022		
	Men	Women	Total	Men	Women	Total
Europe	67%	33%	100%	67%	33%	100%
Executives	92%	8%	5%	87%	13%	5%
Employees	61%	39%	47%	61%	39%	46%
Workers	70%	30%	48%	71%	29%	49%
Americas	70%	30%	100%	74%	26%	100%
Executives	83%	17%	6%	90%	10%	6%
Employees	71%	29%	57%	71%	29%	63%
Workers	68%	32%	37%	75%	25%	31%
Asia, Africa, Oceania	47%	53%	100%	48%	52%	100%
Executives	62%	38%	3%	62%	38%	3%
Employees	60%	40%	38%	60%	40%	42%
Workers	38%	62%	59%	37%	63%	55%
Group	64%	36%	100%	65%	35%	100%
Executives	86%	14%	5%	85%	15%	5%
Employees	63%	37%	47%	64%	36%	49%
Workers	62%	38%	48%	64%	36%	46%

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

	31.12.2021				31.12.2022			
	<30	30_50	>50	Total	<30	30_50	>50	Total
Europe	8%	53%	38%	100%	10%	51%	39%	100%
Executives	3%	41%	56%	5%	4%	38%	57%	5%
Employees	10%	57%	33%	47%	12%	55%	33%	46%
Workers	7%	51%	41%	48%	8%	48%	44%	49%
Americas	30%	56%	13%	100%	31%	55%	14%	100%
Executives	0%	80%	20%	6%	3%	68%	29%	6%
Employees	29%	63%	8%	57%	34%	57%	9%	63%
Workers	38%	41%	21%	37%	31%	47%	22%	31%
Asia, Africa, Oceania	16%	75%	9%	100%	11%	79%	11%	100%
Executives	0%	92%	8%	3%	0%	92%	8%	3%
Employees	12%	80%	7%	38%	13%	77%	10%	42%
Workers	19%	71%	11%	59%	11%	79%	11%	55%
Group	15%	58%	27%	100%	15%	57%	28%	100%
Executives	2%	58%	40%	5%	4%	53%	44%	5%
Employees	15%	62%	22%	47%	19%	59%	22%	49%
Workers	15%	54%	31%	48%	12%	54%	33%	46%

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

	31.12.2021			31.12.2022		
	Men	Women	Total	Men	Women	Total
Group	38	19	57	37	20	57
Executives	-	-	-	-	-	-
Employees	7	5	12	10	5	15
Workers	31	14	45	27	15	42

New employee hires by gender and age group

	2021				2022			
	Men	Women	Total	%	Men	Women	Total	%
Europe								
<30	30	18	48	43.6%	41	12	53	40.2%
30-50	48	17	65	9.3%	53	18	71	10.4%
>50	11	7	18	3.6%	16	2	18	3.4%
Total	89	42	131	10.0%	110	32	142	10.5%
Incoming turnover (%)	10.1%	9.7%	10.0%		12.2%	7.2%	10.5%	
Americas								
<30	70	45	115	78.2%	88	37	125	74.0%
30-50	49	30	79	29.0%	74	26	100	34.1%
>50	15	3	18	27.7%	15	2	17	22.7%
Total	134	78	212	43.8%	177	65	242	45.1%
Incoming turnover (%)	39.3%	54.5%	43.8%		44.8%	45.8%	45.1%	
Asia, Africa, Oceania								
<30	22	20	42	62.7%	10	2	12	27.3%
30-50	19	36	55	17.0%	12	20	32	10.2%
>50	4	-	4	10.0%	2	-	2	4.8%
Total	45	56	101	23.5%	24	22	46	11.5%
Incoming turnover (%)	22.3%	24.6%	23.5%		12.6%	10.5%	11.5%	
Group								
<30	122	83	205	63.3%	139	51	190	55.1%
30-50	116	83	199	15.4%	139	64	203	15.7%
>50	30	10	40	6.6%	33	4	37	5.7%
Total	268	176	444	20.0%	311	119	430	18.8%
Incoming turnover (%)	18.8%	21.9%	20.0%		20.9%	15.0%	18.8%	

Employee turnover by gender and age group

	2021				2022			
	Men	Women	Total	%	Men	Women	Total	%
Europe								
<30	7	1	8	7.3%	15	4	19	14.4%
30-50	18	14	32	4.6%	40	14	54	7.9%
>50	25	9	34	6.8%	37	10	47	8.9%
Total	50	24	74	5.6%	92	28	120	8.9%
Outgoing turnover (%)	5.7%	5.6%	5.6%		10.2%	6.3%	8.9%	
Americas								
<30	54	32	86	58.5%	56	33	89	52.7%
30-50	52	22	74	27.2%	54	32	86	29.4%
>50	13	6	19	29.2%	13	1	14	18.7%
Total	119	60	179	37.0%	123	66	189	35.2%
Outgoing turnover (%)	34.9%	42.0%	37.0%		31.1%	46.5%	35.2%	
Asia, Africa, Oceania								
<30	19	16	35	52.2%	17	6	23	52.3%
30-50	21	25	46	14.2%	15	25	40	12.7%
>50	5	6	11	27.5%	3	10	13	31.0%
Total	45	47	92	21.4%	35	41	76	19.0%
Outgoing turnover (%)	22.3%	20.6%	21.4%		18.3%	19.6%	19.0%	
Group								
<30	80	49	129	39.8%	88	43	131	38.0%
30-50	91	61	152	11.7%	109	71	180	13.9%
>50	43	21	64	10.6%	53	21	74	11.4%
Total	214	131	345	15.5%	250	135	385	16.9%
Outgoing turnover (%)	15.0%	16.3%	15.5%		16.8%	17.0%	16.9%	

Hours of training by gender and employee category

2022						
	Men		Women		Total	
	No, hours	Average per capita	No, hours	Average per capita	No, hours	Average per capita
Group	16,308	10.9	7,587	9.6	23,895	10.5
Executives	1,015	10.7	177	10.4	1,192	10.6
Employees	10,318	14.2	4,800	11.9	15,117	13.4
Workers	4,975	7.4	2,610	7.0	7,586	7.3
<i>of which anticorruption</i>	382	0.3	202	0.3	584	0.3
<i>of which health and safety</i>	6,283	4.2	2,570	3.2	8,852	3.9
<i>of which on human rights</i>	30	0.02	17	0.02	47	0.02

2021						
	Men		Women		Total	
	No, hours	Average per capita	No, hours	Average per capita	No, hours	Average per capita
Group	13,465	9.5	7,186	9.0	20,651	9.3
Executives	1,006	10.7	123	8.2	1,128	10.4
Employees	8,576	12.9	4,417	11.5	12,992	12.4
Workers	3,884	5.8	2,647	6.6	6,530	6.1
<i>of which anticorruption</i>	450	0.3	234	0.3	684	0.3
<i>of which health and safety</i>	5,530	3.9	2,750	3.4	8,279	3.7
<i>of which on human rights</i>	17	0.01	15	0.02	32	0.01

Work-related injuries ⁸

	2021	2022
Number of fatalities as a result of work-related injury	-	-
<i>of which employees</i>	-	-
<i>of which external workers</i>	-	-
Number of high-consequence work-related injuries⁹ (excluding fatalities)	-	-
<i>of which employees</i>	-	-
<i>of which external workers</i>	-	-
Number and rate of recordable work-related injuries	34	44
<i>of which employees</i>	30	37
<i>of which external workers</i>	4	7
Number of hours worked	4,550,547	4,419,691
<i>of which employees</i>	4,061,589	4,036,002
<i>of which external workers</i>	488,958	383,689
Rate of fatalities as a result of work-related injury	-	-
<i>of which employees</i>	-	-
<i>of which external workers</i>	-	-
Rate of high-consequence work-related injuries (excluding fatalities)	-	-
<i>of which employees</i>	-	-
<i>of which external workers</i>	-	-
Rate of recordable work-related injuries	7.47	9.96
<i>of which employees</i>	7.39	9.17
<i>of which external workers</i>	8	18

Main types of work-related injuries

	2021	2022
Contusions and lacerations	21	28
Sprains and fractures	6	6
Muscle strains and joint pains	7	10
Total number of work-related injuries	34	44

⁸ 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 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.

⁹ 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.

Environmental data¹⁰

Group energy consumption

	Unit of measurement	2021	2022
Fuel from non-renewable sources	GJ	84,183	70,156
<i>of which for heating</i>	GJ	63,189	49,179
<i>of which for productive process</i>	GJ	8,556	6,285
<i>of which for automotive</i>	GJ	12,438	14,692
Fuel from renewable sources	GJ	-	-
Electric energy	GJ	87,996	78,731
<i>of which renewable</i>	GJ	501	583
Total energy consumption	GJ	172,179	148,887

	Unit of measurement	2021 Production Companies	2022 Production Companies	2021 Commercial Companies	2022 Commercial Companies
Fuel from non-renewable sources	GJ	69,362	61,672	14,820	8,485
<i>of which for heating</i>	GJ	51,803	44,884	11,386	4,295
<i>of which for productive process</i>	GJ	8,522	6,245	34	40
<i>of which for automotive</i>	GJ	9,038	10,543	3,400	4,149
Fuel from renewable sources	GJ	-	-	-	-
Electric energy	GJ	85,206	76,085	2,790	2,646
<i>of which renewable</i>	GJ	501	583	-	-
Total energy consumption	GJ	154,569	137,756	17,610	11,131

¹⁰ The figures relating to other polluting emissions into the atmosphere other than greenhouse gas emissions, water consumption and waste 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 type¹¹

	2021			2022		
	uom	Consumption [uom]	GJ	uom	Consumption [uom]	GJ
Natural Gas	m³	1,846,856	66,580	m³	1,461,052	51,721
<i>of which for heating</i>	<i>m³</i>	<i>1,750,740</i>	<i>63,189</i>	<i>m³</i>	<i>1,389,097</i>	<i>49,179</i>
<i>of which for productive process</i>	<i>m³</i>	<i>96,116</i>	<i>3,391</i>	<i>m³</i>	<i>71,955</i>	<i>2,543</i>
Gasoline	l	229,828	7,884	l	269,949	9,047
<i>of which for productive process</i>	<i>l</i>	<i>70,979</i>	<i>2,374</i>	<i>l</i>	<i>58,783</i>	<i>1,930</i>
<i>of which for cars for business use</i>	<i>l</i>	<i>135,325</i>	<i>4,709</i>	<i>l</i>	<i>174,646</i>	<i>5,903</i>
<i>of which for cars for mixed use</i>	<i>l</i>	<i>23,524</i>	<i>802</i>	<i>l</i>	<i>36,520</i>	<i>1,214</i>
Diesel	l	254,963	9,484	l	260,317	9,246
<i>of which for productive process</i>	<i>l</i>	<i>68,251</i>	<i>2,557</i>	<i>l</i>	<i>46,971</i>	<i>1,670</i>
<i>of which for cars for business use</i>	<i>l</i>	<i>76,876</i>	<i>2,899</i>	<i>l</i>	<i>79,194</i>	<i>2,789</i>
<i>of which for cars for mixed use</i>	<i>l</i>	<i>109,837</i>	<i>4,028</i>	<i>l</i>	<i>134,152</i>	<i>4,786</i>
Electric energy	KWh	24,443,428	87,996	KWh	21,869,656	78,731
Gas LPG	l	8,966	234	l	5,475	143

¹¹ Below are the conversion factors used to calculate energy consumption in GJ relating to 2022 data:

- Natural gas: 0.03588 GJ/m³ for the international perimeter (Defra, 2022); 0.035337 GJ /m³ (Ministry of the Environment 2021, Table of National Standard Parameters)
- Electric energy: 0.0036 GJ /Kwh (constant)
- Gasoline: 0.03384 GJ/l for the international perimeter (Defra, 2022); for the national perimeter 0.03199 GJ/l (Ministry of the Environment 2021, Table of National Standard Parameters)
- Diesel: for the international perimeter 0.03487 GJ/l (Defra, 2022); for the national perimeter 0.03606 GJ/l (Ministry of the Environment 2021, Table of National Standard Parameters)
- LPG: 0.02613 GJ/l for Poland, Mexico and Brasil (Defra, 2022), 0.02593 GJ/l for the United States (Defra, 2022).

	2021			2022		
	Production Companies			Production Companies		
	uom	Consumption [uom]	GJ	uom	Consumption [uom]	GJ
Natural Gas	m ³	1,547,245	55,194	m ³	1,339,903	47,426
<i>of which for heating</i>	m ³	1,451,129	51,803	m ³	1,267,948	44,884
<i>of which for productive process</i>	m ³	96,116	3,391	m ³	71,955	2,543
Gasoline	l	205,160	7,024	l	227,270	7,603
<i>of which for productive process</i>	l	70,979	2,374	l	58,783	1,930
<i>of which for cars for business use</i>	l	119,561	4,159	l	144,980	4,899
<i>of which for cars for mixed use</i>	l	14,620	491	l	23,507	774
Diesel	l	188,608	6,944	l	182,841	6,540
<i>of which for productive process</i>	l	68,251	2,557	l	46,971	1,670
<i>of which for cars for business use</i>	l	33,667	1,238	l	40,107	1,426
<i>of which for cars for mixed use</i>	l	86,691	3,149	l	95,763	3,444
Electric energy	KWh	23,668,453	85,206	KWh	21,134,620	76,085
Gas LPG	l	7,671	200	l	3,931	102

	2021			2022		
	Commercial Companies			Commercial Companies		
	uom	Consumption [uom]	GJ	uom	Consumption [uom]	GJ
Natural Gas	m ³	299,611	11,386	m ³	121,149	4,295
<i>of which for heating</i>	m ³	299,611	11,386	m ³	121,149	4,295
<i>of which for productive process</i>	m ³	-	-	m ³	-	-
Gasoline	l	24,668	860	l	42,679	1,444
<i>of which for productive process</i>	l	-	-	l	-	-
<i>of which for cars for business use</i>	l	15,764	550	l	29,666	1,004
<i>of which for cars for mixed use</i>	l	8,904	310	l	13,013	440
Diesel	l	66,355	2,540	l	77,476	2,706
<i>of which for productive process</i>	l	-	-	l	-	-
<i>of which for cars for business use</i>	l	43,209	1,661	l	39,087	1,363
<i>of which for cars for mixed use</i>	l	23,146	879	l	38,389	1,343
Electric energy	KWh	774,975	2,790	KWh	735,036	2,646
Gas LPG	l	1,295	34	l	1,544	40

Details of Scope 1¹² and Scope 2¹³ emissions (Location-based method) for the Group

	2021			2022		
	Scope 1 (ton CO ₂ eq)	Scope 2 (ton CO ₂ eq)	Total (ton CO ₂ eq)	Scope 1 (ton CO ₂ eq)	Scope 2 (ton CO ₂ eq)	Total (ton CO ₂ eq)
Europe	4,299	2,574	6,872	3,569	2,302	5,871
<i>Production Companies</i>	3,497	2,291	5,788	3,087	2,035	5,122
<i>Commercial Companies</i>	801	283	1,084	482	267	749
Americas	450	1,997	2,447	595	1,809	2,404
<i>Production Companies</i>	409	1,984	2,393	523	1,796	2,318
<i>Commercial Companies</i>	42	13	54	73	14	86
Asia, Africa, Oceania	225	3,570	3,795	138	3,162	3,300
<i>Production Companies</i>	225	3,570	3,795	138	3,162	3,300
<i>Commercial Companies</i>	-	-	-	-	-	-
Total	4,974	8,141	13,115	4,302	7,274	11,576
<i>Production Companies</i>	4,131	7,845	11,976	3,747	6,993	10,741
<i>Commercial Companies</i>	843	296	1,139	554	281	835

¹² For the calculation of Scope 1 emissions, the following emission factors expressed in CO₂e were considered:

- For 2021 data: ISPRA 2021 for emissions on national territory (Italy), DEFRA 2021 for emissions originating on non-Italian territory;
- For 2022 data: ISPRA 2021 for emissions on national territory (Italy), DEFRA 2022 for emissions originating on non-Italian territory.

¹³ 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, 2019). For the calculation of Scope 2 emissions (Market-based method), emission factors expressed in CO₂ relating to the "residual mix" (European Residual Mix 2021- source AIB 2022) 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

	2021			2022		
	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	4,299	3,502	7,801	3,569	3,075	6,644
<i>Production Companies</i>	3,497	3,169	6,667	3,087	2,751	5,837
<i>Commercial Companies</i>	801	333	1,134	482	325	807
Americas	450	1,997	2,447	595	1,809	2,404
<i>Production Companies</i>	409	1,984	2,393	523	1,796	2,318
<i>Commercial Companies</i>	42	13	54	73	14	86
Asia, Africa, Oceania	225	3,570	3,795	138	3,162	3,300
<i>Production Companies</i>	225	3,570	3,795	138	3,162	3,300
<i>Commercial Companies</i>	-	-	-	-	-	-
Total	4,974	9,069	14,043	4,302	8,047	12,349
<i>Production Companies</i>	4,131	8,724	12,855	3,747	7,708	11,456
<i>Commercial Companies</i>	843	346	1,188	554	338	893

Water withdrawal by source ¹⁴

Megaliters	2021		2022	
	All areas	Areas with water stress	All areas	Areas with water stress
Surface water (total)	30	-	30	-
<i>Freshwater (≤1,000 mg/L Total Dissolved Solids)</i>	30	-	30	-
<i>Other water (>1,000 mg/L Total Dissolved Solids)</i>	0.1	-	0.1	-
Groundwater (total)	17	-	17	2.2
<i>Freshwater (≤1,000 mg/L Total Dissolved Solids)</i>	11	-	11	2.2
<i>Other water (>1,000 mg/L Total Dissolved Solids)</i>	6	-	6	-
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)	137	56	156	70
<i>Freshwater (≤1,000 mg/L Total Dissolved Solids)</i>	134	56	154	70
<i>Other water (>1,000 mg/L Total Dissolved Solids)</i>	3	-	2	-
Total third-party water withdrawal by withdrawal source	-	56	-	70
Surface water	-	-	-	-
Groundwater	-	56	-	70
Seawater	-	-	-	-
Produced water	-	-	-	-
Total water withdrawal	185	56	204	72
<i>Freshwater (≤1,000 mg/L Total Dissolved Solids)</i>	175	56	196	72
<i>Other water (>1,000 mg/L Total Dissolved Solids)</i>	9	-	8	-

¹⁴ 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 2021 and 2022, the following companies were found to be in water stress: Emak S.p.A. limited to the Pozzilli plant, Speed South America, Lemasa and Lavorwash Brasil.

Waste generated by composition and destination

Tons	2021	2022	Trend
Metal	1,037.82	973.18	-6%
<i>of which directed to disposal (D)</i>	132.47	127.07	-4%
<i>of which directed to recovery (R)</i>	905.35	846.10	-7%
<i>of which hazardous waste</i>	-	-	-
Paper and cardboard	811.05	618.78	-24%
<i>of which directed to disposal (D)</i>	258.55	203.78	-21%
<i>of which directed to recovery (R)</i>	552.50	415.00	-25%
<i>of which hazardous waste</i>	-	-	-
Wood	317.11	470.04	48%
<i>of which directed to disposal (D)</i>	129.72	100.49	-23%
<i>of which directed to recovery (R)</i>	187.39	369.55	97%
<i>of which hazardous waste</i>	-	-	-
Plastic	380.14	311.90	-18%
<i>of which directed to disposal (D)</i>	275.43	201.09	-27%
<i>of which directed to recovery (R)</i>	104.72	110.80	6%
<i>of which hazardous waste</i>	-	-	-
Electronic waste	14.67	8.83	-40%
<i>of which directed to disposal (D)</i>	11.44	7.06	-38%
<i>of which directed to recovery (R)</i>	3.22	1.77	-45%
<i>of which hazardous waste</i>	1.04	0.39	-62%
Aqueous washing liquids	92.93	30.57	-67%
<i>of which directed to disposal (D)</i>	83.51	30.57	-63%
<i>of which directed to recovery (R)</i>	9.42	-	-100%
<i>of which hazardous waste</i>	72.09	30.57	-58%
Other waste	207.63	150.79	-27%
<i>of which directed to disposal (D)</i>	163.46	113.37	-31%
<i>of which directed to recovery (R)</i>	44.17	37.42	-15%
<i>of which hazardous waste</i>	52.72	67.92	29%
Total waste generated	2,861.35	2,564.08	-10%
<i>of which directed to disposal (D)</i>	1,054.58	783.43	-26%
<i>of which directed to recovery (R)</i>	1,806.77	1,780.65	-1%
<i>of which hazardous waste</i>	125.85	98.89	-21%
<i>% of recovered waste</i>	63%	69%	10%
<i>% of hazardous waste</i>	4%	4%	-12%

GRI Content Index

(GRI 1)

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.

Statement of use	Emak S.p.A. has reported in accordance with the GRI Standards for the period 1 January 2022 – 31 December 2022
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not available

GRI STANDARD	DISCLOSURE	LOCATION	OMISSION
General disclosures			
GRI 2: General Disclosures 2021	2-1 Organizational details	9 / 13	
	2-2 Entities included in the organization's sustainability reporting	4 / 5	
	2-3 Reporting period, frequency and contact point	4	
	2-4 Restatements of information	5	
	2-5 External assurance	4 / 80	
	2-6 Activities, value chain and other business relationships	9 – 12 / 41 - 42	
	2-7 Employees	34 – 35 / 61	
	2-8 Workers who are not employees	62	
	2-9 Governance structure and composition	15 - 17	
	2-10 Nomination and selection of the highest governance body	17 - 18	
	2-11 Chair of the highest governance body	18	
	2-12 Role of the highest governance body in overseeing the management of impacts	18 - 19	
	2-13 Delegation of responsibility for managing impacts	19 - 20	
	2-14 Role of the highest governance body in sustainability reporting	20	
	2-15 Conflicts of interest	20 - 21	
	2-16 Communication of critical concerns	21	
	2-17 Collective knowledge of the highest governance body	21	
	2-18 Evaluation of the performance of the highest governance body	21 - 22	
	2-19 Remuneration policies	22 - 23	
	2-20 Process to determine remuneration	23	
	2-21 Annual total compensation ratio	23	
	2-22 Statement on sustainable development strategy	3	
	2-23 Policy commitments	8 / 24 - 26	
	2-24 Embedding policy commitments	24 - 26	
	2-25 Processes to remediate negative impacts	24 - 26	

	2-26 Mechanisms for seeking advice and raising concerns	24 - 25	
	2-27 Compliance with laws and regulations	During 2022 the Group didn't receive any significant administrative sanctions	
	2-28 Membership associations	30	
	2-29 Approach to stakeholder engagement	28 - 29	
	2-30 Collective bargaining agreements	35	
Material topics			
GRI 3: Material Topics 2021	3-1 Process to determine material topics	31 - 33	
	3-2 List of material topics	32 - 33	
Economic value creation and distribution			
GRI 3: Material Topics 2021	3-3 Management of material topics	32 / 49	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	49	
Compliance with tax legislation			
GRI 3: Material Topics 2021	3-3 Management of material topics	32 / 50 - 51	
GRI 207: Tax 2019	207-1 Approach to tax	50 - 51	
	207-2 Tax governance, control, and risk management	50 - 51	
	207-3 Stakeholder engagement and management of concerns related to tax	50 - 51	
	207-4 Country-by-country reporting	50 - 51	
Fight against corruption			
GRI 3: Material Topics 2021	3-3 Management of material topics	32 / 6 / 24 - 25	
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	25	
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	25	
Sustainable procurement practices			
GRI 3: Material Topics 2021	3-3 Management of material topics	32 / 41 - 42	
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	41	
Occupational health and safety protection			
GRI 3: Material Topics 2021	3-3 Management of material topics	32 / 38 - 40	
GRI 403:	403-1 Occupational health and safety management system	38 - 40	

Occupational Health and Safety 2018	403-2 Hazard identification, risk assessment, and incident investigation	38 - 40	
	403-3 Occupational health services	38 - 40	
	403-4 Worker participation, consultation, and communication on occupational health and safety	38 - 40	
	403-5 Worker training on occupational health and safety	38 - 40	
	403-6 Promotion of worker health	36 / 38 - 40	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	38 - 40	
	403-9 Work-related injuries	40 / 67	
Employment creation and maintenance			
GRI 3: Material Topics 2021	3-3 Management of material topics	32 / 34 - 35	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	64 - 65	
Training and instruction for workers			
GRI 3: Material Topics 2021	3-3 Management of material topics	32 / 35 - 36	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	36 / 66	
	404-2 Programs for upgrading employee skills and transition assistance programs	36	
Improvement of employee well-being			
GRI 3: Material Topics 2021	3-3 Management of material topics	32 / 35 - 36	
Supplier assessment applying social criteria			
GRI 3: Material Topics 2021	3-3 Management of material topics	32 / 42 - 43	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	43	
Promotion of diversity and equal opportunities			
GRI 3: Material Topics 2021	3-3 Management of material topics	32 / 37	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	15 / 37 / 62 - 63	
Fight against episodes of discrimination			
GRI 3: Material Topics 2021	3-3 Management of material topics	32 / 24 - 25	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	In 2022 there were no confirmed cases	
Respect for human rights in business activities			
GRI 3: Material Topics 2021	3-3 Management of material topics	32 / 24 - 26	

Prevention and fight against child labor			
GRI 3: Material Topics 2021	3-3 Management of material topics	32 / 42 - 43	
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	According to the procedures in place for supplier selection and audit, we believe that there is no significant risk relating to child labor in the main suppliers of the Group.	
Prevention and fight against forced or compulsory labor			
GRI 3: Material Topics 2021	3-3 Management of material topics	33 / 42 - 43	
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	According to the procedures in place for supplier selection and audit, we believe that there is no significant risk relating to forced or compulsory labor in the main suppliers of the Group.	
Protection of freedom of association and collective bargaining			
GRI 3: Material Topics 2021	3-3 Management of material topics	33 – 35 / 42 - 43	
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 to the procedures in place for supplier selection and audit, we believe that there is no significant risk relating to the freedom of association and collective bargaining in the main suppliers of the Group.	
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	35	
Sustainable energy management			
GRI 3: Material Topics 2021	3-3 Management of material topics	33 / 56 - 57	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	56 – 57 / 68 - 70	
Waste reduction and circular economy			
GRI 3: Material Topics 2021	3-3 Management of material topics	33 / 59 - 60	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	59 - 60	
	306-2 Management of significant waste-related impacts	59 - 60	
	306-3 Waste generated	74	

Emissions reduction			
GRI 3: Material Topics 2021	3-3 Management of material topics	33 / 57 - 58	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	57 - 58 / 71 - 72	
	305-2 Energy indirect (Scope 2) GHG emissions	57 - 58 / 71 - 72	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	58	
Sustainable water management			
GRI 3: Material Topics 2021	3-3 Management of material topics	33 / 58	
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	58	
	303-2 Management of water discharge-related impacts	58	
	303-3 Water withdrawal	73	
Supplier assessment applying environmental criteria			
GRI 3: Material Topics 2021	3-3 Management of material topics	33 / 42 - 43	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	43	
Technology development and innovation			
GRI 3: Material Topics 2021	3-3 Management of material topics	33 / 43 - 46	
Product quality and efficiency			
GRI 3: Material Topics 2021	3-3 Management of material topics	33 / 46 - 48	
Product safety			
GRI 3: Material Topics 2021	3-3 Management of material topics	33 / 46 - 48	
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	46 - 48	
Customer service			
GRI 3: Material Topics 2021	3-3 Management of material topics	33 / 8 / 19	
Sustainable products			
GRI 3: Material Topics 2021	3-3 Management of material topics	33 / 43 - 46	

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, 2022 prepared on the basis of art. 4 of the Decree and approved by the Board of Directors on March 16, 2023 (hereinafter "NFS").

Our limited assurance engagement does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph "EU Taxonomy".

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 Comet S.p.A., Ningbo Tecomec Manufacturing Co. Ltd., Speed France S.a.s. and Speed North America Inc. and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

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

- at the parent company's and subsidiaries' level:
 - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
 - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data;
- for the following companies, Emak S.p.A., Comet S.p.A., Ningbo Tecomec Manufacturing Co. Ltd., Speed France S.a.s. and Speed North America Inc., which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out site visits or 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, 2022 is not prepared, in all material aspects, in accordance with articles 3 and 4 of the Decree and the GRI Standards.

Our conclusion on the NFS of the Emak Group does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph "EU Taxonomy".

DELOITTE & TOUCHE S.p.A.

Signed by
Stefano Montanari
Partner

Bologna, Italy
March 28, 2023

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



EMARKET

