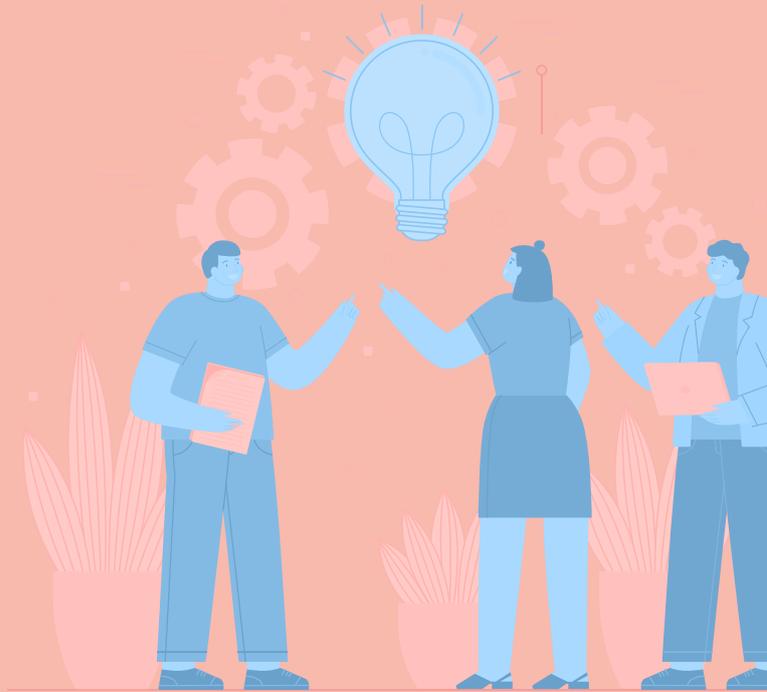


BONFIGLIOLI
SUSTAINABILITY
REPORT **2019**



WE

ENGINEER

DREAMS!

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Dear Readers,

It is with great pride that I present the **first Sustainability Report of the Bonfiglioli Group**. Even if our responsibility towards society and environment is not recent, we believe it is time to dedicate a specific document to describe what being a responsible business means for us.

Bonfiglioli, in fact, is more than just a market leader in a wide range of tailored solutions, including gearmotors, drive systems, planetary gearboxes and inverters: we are passion, courage for innovation and human excellence. We operate in more than 80 countries and our **differences allow us to constantly tailor ourselves to new challenges**. We believe transformation is possible in a sustainable way and we have decided to voluntarily share our Sustainability vision and efforts through this Report.

In every social initiative we pursue, we are inspired by our founder **Clementino Bonfiglioli who believed that helping the next generation of leaders guarantees both a better future for them and for the communities in which they live**. Following our founder's path and heritage, we support worldwide initiatives based on three pillars: young people, STEM & technical education and territory development. Our commitment to value creation is global and our approach has been consolidated over the years: we are conscious of the great responsibility, not only to our business, but also to local communities.

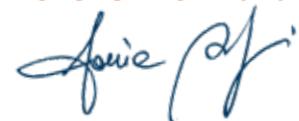
Since the foundation in 1956, the drive for change is a constant in our business: today, Industry 4.0 is part of our daily business and we want our women and men to feel included in the transformation we are experiencing. For this reason, the **Bonfiglioli Digital Re-Training**, launched in 2017 as a pilot project, was extended in 2019 to all employees proving them the adequate skills and a new mindset to face future challenges. Being people our strongest asset, we empower them by offering specialized courses to develop their talents, welfare programs and flexible benefits to recognize their value, and a supportive work environment to attract and retain them.

Doing business worldwide, **we pay attention to the environmental impacts of our production**. Indeed, we are switching to new sites and we are renovating plants already in place by applying advanced solutions to maximize efficiency and harness the power of renewable energies; in 2019, in fact, we completed several strategic projects: we inaugurated the expansion of the plant in Forlì, the new Mechatronic Research plant in Rovereto and we finished the construction of EVO; the latter, in particular, is recognized as a **Nearly Zero Energy Building**, a site whose energy consumption is almost equal to zero and that is designed to reduce its environmental footprint to a minimum. Moreover, our commitment to sustainability and to the protection of natural resources, challenges us in creating new sustainable products: many of our new solutions, in fact, focus on energy efficiency, energy recovery and to enable the growth of wind and electric industries.

The beginning of 2020 saw us facing a major challenge and commenting on the results of 2019 without considering the present situation would be short-sighted. Even if the current circumstances limit the possibility of making predictions and guessing future scenarios, we reaffirm our commitment towards society and the environment.

Personally, I want to believe that these changes will stimulate the emergence of a more sustainable and environmentally friendly world. Furthermore, I firmly believe that skills will increasingly be the key to personal and corporate success, and that they will be progressively overwhelmed by new digital technologies and will require humility and a willingness to challenge ourselves and learn new abilities. At Bonfiglioli our commitment, determination, and enthusiasm are even greater today to continue, even at such a complex and uncertain time, to make our positive contribution to building the New Normal of our future.

Forever Forward





SONIA
BONFIGLIOLI

A
MESSAGE
FROM
OUR
CHAIR
WOMAN



2019 HIGHLIGHTS LIGHTS

NEWS

OUR WAY



20 BRANCHES, 13 PLANTS & 550 DISTRIBUTORS

We guarantee our customers the same quality standards, any place, any time



GROUP CODE OF ETHICS to promote ethical principles among our people and business partners



916.8 MILLION € the overall value distributed to stakeholders



OUR PEOPLE



91% OF OUR PEOPLE HAVE A PERMANENT CONTRACT



+40% HOURS OF TRAINING compared to 2018



MANUFACTURING EXCELLENCE ACADEMY 4.0 a competence hub for the digital re-training of our employees



OUR IMPACT



R&D COLLABORATIONS we participated to initiatives with schools, Universities and Institutions and lead IoTwins, one of Horizon 2020's most important European projects



NEW SUSTAINABLE PRODUCTS with a specific focus on energy efficiency & regeneration, and new solutions for the wind industry and electric motors



7% REDUCTION OF DIRECT ENERGY CONSUMPTION FROM NON-RENEWABLE SOURCES we reduced the consumption of gasoline, diesel and natural gas compared to 2018



3 NEW PRODUCTION SITES: EVO, ROVERETO & FORLÌ

New sites with modern standards on energy efficiency, emissions reduction and innovative production processes



1.

OUR

WAY



A STORY OF
CONTINUOUS **EXCELLENCE**

1.1

MISSION AND
VALUES

At Bonfiglioli, we firmly believe that the **success of our company is rooted in the shared values embraced by all our people**. The ability to shape our business through constantly evolving markets, technologies, and clients' needs, has been possible thanks to our solid roots and forward-looking approach. We are a company and a team fostered by innovation and oriented to excellence, always looking for **sustainable cutting-edge products** to properly meet the needs of our customers, anywhere and anytime.

Inspired by our people, we constantly test our expertise and experience to develop products that can contribute to enhance all aspects of daily life – the food we consume, the roads we drive on, the clothes we wear, and the light that illuminates our homes – and to improve social development and reduce environmental impacts.



OUR VALUES

We have four main values – challenge, respect, accountability, winning together – that daily guide us towards the ambitious goals we aim for.

OUR MISSION

We have a relentless commitment to EXCELLENCE, INNOVATION and SUSTAINABILITY. Our team creates, distributes and services world-class power transmission and drive solutions to keep the world in motion.



CHALLENGE

We search for limits, then overcome them through innovative ideas, cutting-edge products, and unrivaled performance.



RESPECT

We explore different cultures, religions, and experiences to turn diversity into a resource and pursue sustainable economic growth in harmony with the environment.



ACCOUNTABILITY

We put our heart into everything we do, to improve ourselves and set an example for others, because the efficiency of a team begins with that of the individuals in it.



WINNING TOGETHER

We foster talent to generate and share the knowledge that leads to success.

1.2

MILESTONES

1956

Clementino
founded Costruzioni
Meccaniche Bonfiglioli

1964

Work started on the factory at
Lippo di Calderara, Bologna,
Italy.

1968

Tecnotrans Bonfiglioli SA is
established in Barcelona.
This was the start of our
international expansion

2005

Bonfiglioli expands into
Slovakia

2003

- > Tecnoingranaggi acquired
- > Bonfiglioli Drives is
established in Shanghai,
China

2002

We launched BEST, our
international distribution
network

2006

Bonfiglioli Turkey is established

2008

- > Organization into business
units
- > Bonfiglioli Vietnam Ltd. is
established in Ho Chi Minh
City

2009

Bonfiglioli Brazil is established

2019

- > BMR, new and larger plant in Rovereto
- > EVO, new D&P offices and largest industrial plant

2018

- > New electromobility plant in
Forlì, Italy
- > New plant in Chennai, India

1975

Trasmital acquired

1993

Certifications DNV and TÜV

1995

Debut of the C, A, and F series

2001

Vectron acquired

2000

We launched our e-commerce portal, MOSAICO

1999

Inauguration of the plant in Chennai, India

2010

Sonia Bonfiglioli takes control of the Group

2011

- > Inauguration of the plant in Mannur, India
- > BMR, our mechatronics research center, is established

2012

Creation of the Electromobility Competence Center

2017

- > Expansion of plants in Slovakia and Pune, India
- > The path toward digital transformation begins

2015

Acquisition of O&K Antriebstechnik GmbH

2013

Bonfiglioli South East Asia opens in Singapore

1.3

GLOBAL PRESENCE FOR A LOCAL SUPPORT

Founded in 1956 by Clementino, Bonfiglioli is a family-run Italian company that has been able to strengthen its global presence through market challenges becoming leader in several sectors, such as industrial automation, mobile machinery and wind energy.

Thanks to many acquisitions and internal reorganization, the Group is internally divided in three Business Units – Discrete Manufacturing & Process Industries, Mechatronic & Motion Systems, and Mobility & Wind Industries – that employ more than 3,780 people worldwide. Even if each Business Unit is focused on the development of specific production lines and serves several markets, a continuous interconnection and communication between them is fundamental to create cutting-edge products.

By sharing processes and technologies, Bonfiglioli Group ensures its entire expertise and experience in all the 20 branches and 13 plants around the world, always providing the same high-quality standards, anywhere and anytime. Consequently, we can always guarantee the best support to our customers and business partners with over 550 distributors worldwide.

Thanks to our international presence, we make the most of geographic proximity to offer competence and efficiency to all our customers, offering complete solutions based on a wide range of products, including gearmotors, drive systems, planetary gearboxes and inverters – for applications in industrial automation, mobile machinery and wind energy.

*“We lead the world market with **complete and efficient solutions**, supporting our customers with dedicated services ranging from **co-engineering** to **after-sales services**.”*

Considering the extraordinary spread and the willingness of providing the same quality standards in all our establishment, we certified our **Group Quality Management System with ISO 9001**.

In the meanwhile, we are regularly working in the process to progressively extend the Management System Certification on health and safety (previously known as **OHSAS 18001**, now become **ISO 45001**) and environment (**ISO 14001**) to our main production sites.

 AUSTRALIA 

  BRAZIL 

  CHINA   

 FRANCE 

     GERMANY 

 UNITED KINGDOM 

      INDIA  

      ITALY   

 NEW ZEALAND

 SINGAPORE

 SLOVAKIA 

 SPAIN 

 SOUTH AFRICA 

 TURKEY 

  USA 

  VIETNAM 

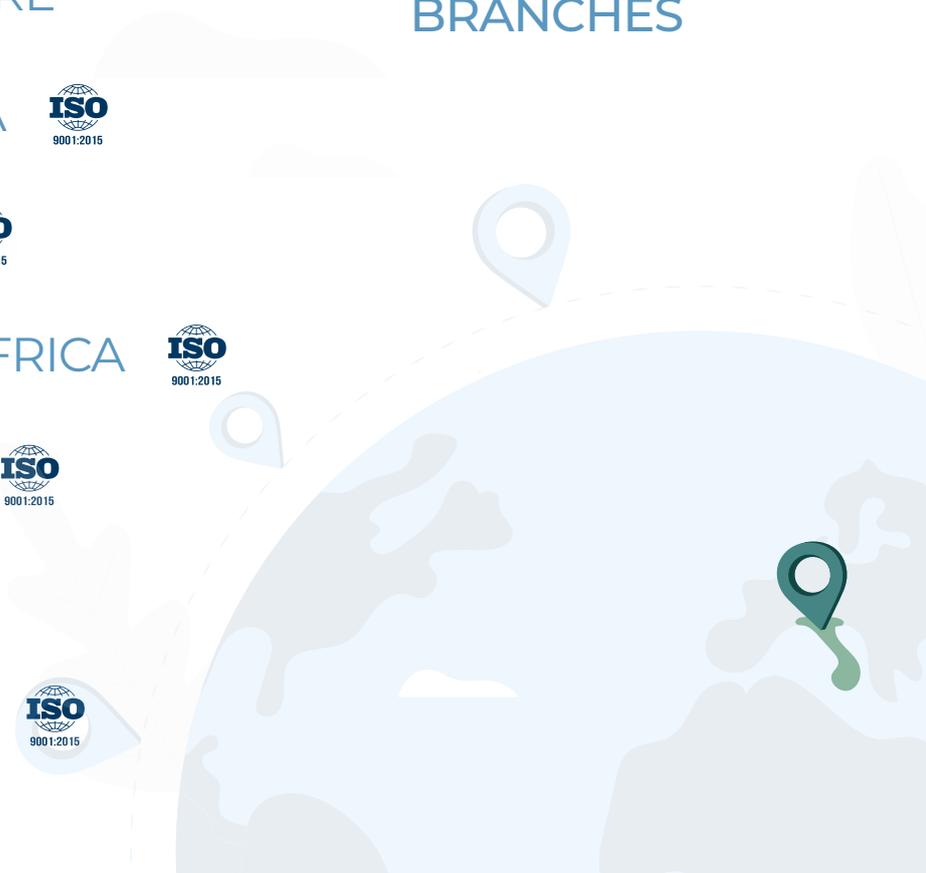

80
COUNTRIES


3.780
PEOPLE


13
PLANTS


20
BRANCHES

HEADQUARTERS ☆ PLANTS  BRANCHES 



OUR BRANDS

Our expertise and experience lead our presence in the power transmission market through five distinct brands in order to constantly serve customers.


Bonfiglioli
 Riduttori


Bonfiglioli
 Trasmital


Bonfiglioli
 Vectron


Bonfiglioli
 Tecnoingranaggi


Bonfiglioli
 O&K Antriebstechnik

1.4

OUR BUSINESS UNITS

Our three Business Units – **Discrete Manufacturing & Process Industries**, **Mechatronic & Motion Systems**, and **Mobility & Wind Industries** – embody all the know-how and experience needed to support the growth of our customers.





DISCRETE MANUFACTURING & PROCESS INDUSTRIES

The Discrete Manufacturing & Process Industries business area offers gearboxes, geared motors, and electric motors for any type of industrial application. Regardless of power requirements, our experts are able to meet the most complex demands for applications operating in any condition.

With over 60 years' experience working alongside our customers, we are now able to anticipate their needs in over 20 different sectors, with a particular focus on industrial processes and machinery for the manufacturing industry such as packaging, food and beverage, mining, logistics, and intra-logistics.



MATERIALS HANDLING



WASTE WATER TREATMENT



BIOGAS



PACKAGING



RECYCLING



FOOD, BEVERAGE AND TOBACCO



RUBBER AND PLASTIC



MINING



METAL PROCESSING

OTHER SECTORS:

- > Access control
- > Asphalt & other aggregates
- > Commercial HVAC and refrigeration
- > Logistics and stocking systems
- > Metal processing and machine tools
- > Oil and gas
- > Power generation
- > Stone, clay and glass



MECHATRONIC & MOTION SYSTEMS

With complete solutions dedicated to industrial processes and automation, the Mechatronic & Motion Systems business area offers customized integrated solutions according to an Industry 4.0 approach, covering the entire transmission group: precision planetary gearboxes, servomotors, open and closed loop inverters, servo-inverters, motion controllers, and regenerative inverters.

Our experts develop solutions offering the highest level of precision, efficiency, and energy optimization for more than 20 industries including materials handling, logistics, intra-logistics, robotics, packaging, and textiles.



MATERIALS HANDLING



WINCHES AND CRANES



TEXTILES



PACKAGING



WOOD PROCESSING



FOOD, BEVERAGE AND TOBACCO



RUBBER AND PLASTIC

MOBILITY & WIND INDUSTRIES



MOBILE SOLUTIONS

The Mobility & Wind Industries Business Unit offers the widest range of gearboxes currently available on the market. Its portfolio includes drives for travel, slew, winch, and other possible applications. All our products are customizable to meet any need.

The Mobility & Wind Industries team is the ideal partner for the implementation of efficient, intelligent, and robust solutions dedicated to the most complex applications in construction, wind energy, logistics, agriculture, and the marine and offshore sector. For over 40 years we have been working with the world's leading OEMs.

By applying co-engineering together with the customer, we design tailor-made solutions able to meet all the needs of the market.

Bonfiglioli supplies final drives with the widest torque range on the market, from 1,000 to over 3 million Nm.

CONSTRUCTION 

MINING 

EARTH MOVING 

AGRICULTURE 

FORESTRY 

DRILLING 

MATERIALS HANDLING 

MARINE AND OFFSHORE 

ROAD CONSTRUCTION 



ELECTROMOBILITY SOLUTIONS

Bonfiglioli leads the field in hybrid and electric technologies, providing more energy-efficient solutions, allowing our customers to reduce noise and harmful emissions.

Our pioneering developments have made us a leader in sustainable technology and continue to drive us towards new horizons.

In 2018, Bonfiglioli opened a new eco-friendly production line for electromobility in Forlì, covering an area of about 10,000 square meters.



- > Forklifts
- > Aerial platforms
- > Materials handling equipment
- > Agricultural and forestry machinery
- > Construction machinery
- > Concrete mixers
- > Lightweight vehicles
- > Airport ground equipment



WIND SOLUTIONS

With a 35% market share for the supply of wind turbine gearboxes to major global players, Bonfiglioli is the undisputed leader in the wind energy sector. Gearboxes for wind turbines are assembled in four of the 13 plants (in Italy, India, China and Brazil) to better serve local markets and major global players .

Our Yaw and Pitch drives are continuously optimized to improve turbine performance for traditional onshore applications, but also for the latest offshore applications, without increasing their weight and size and thus offering the market more competitive products.

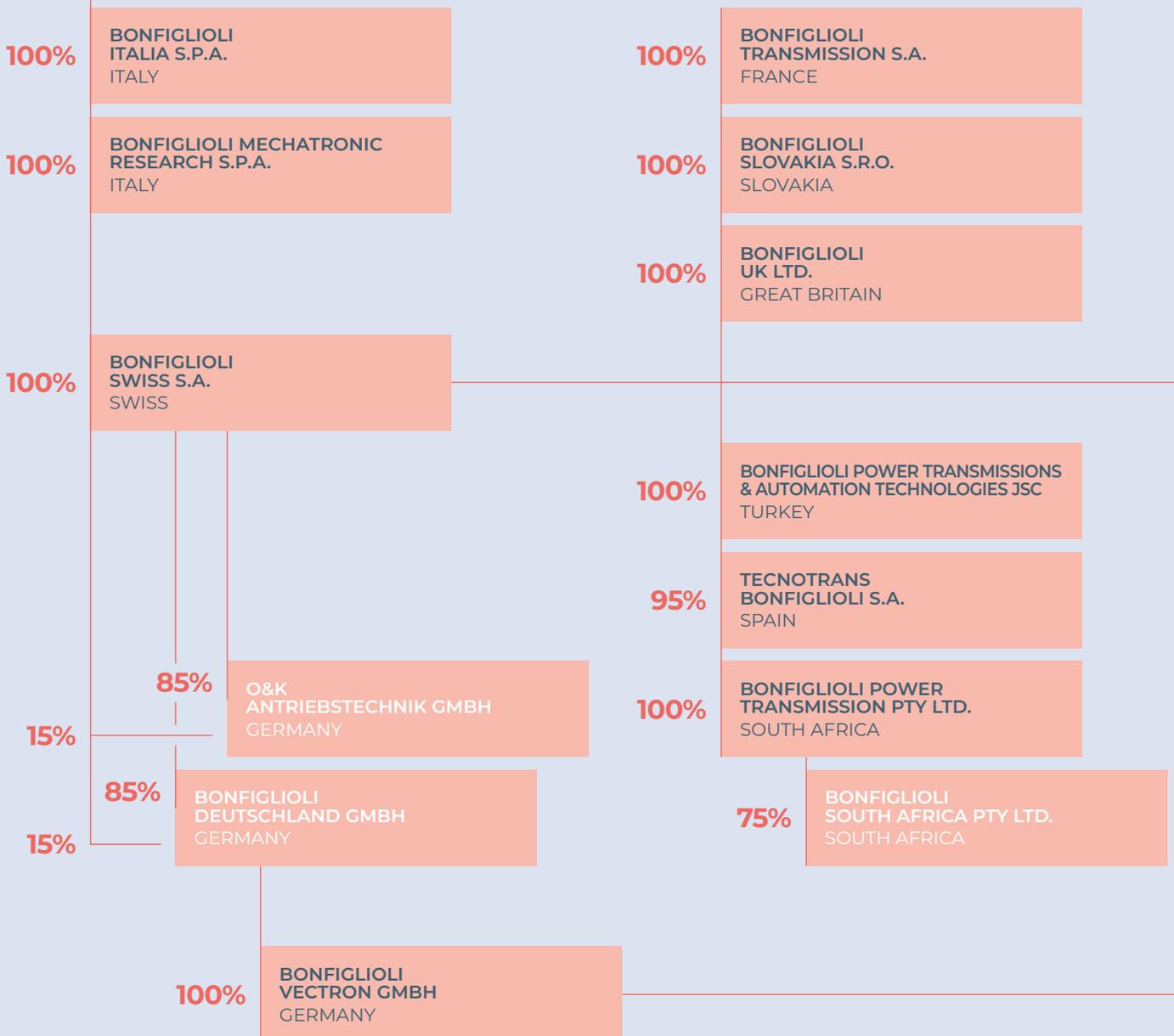
Our team is committed to improving the end-user experience by minimizing maintenance costs and developing innovative solutions such as mechanical and electrical dual control for more accurate turbine system monitoring.

- > Small wind turbines up to 200 kW
- > Onshore and offshore up to 15 MW

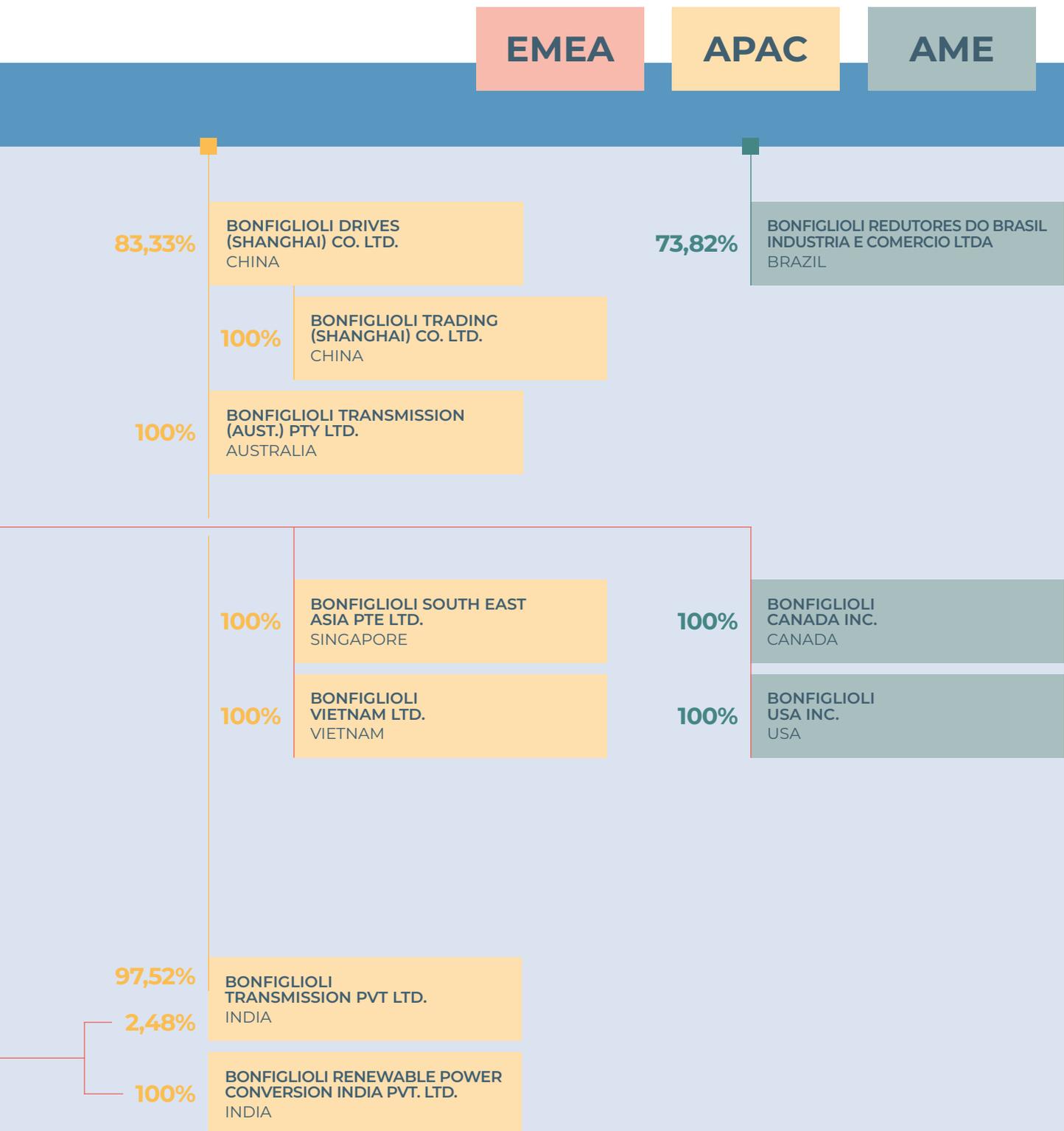
1.5

A SOLID ORGANIZATION

Bonfiglioli Riduttori S.p.A.



The network of the Bonfiglioli Group is composed by sales branches and production plants worldwide distributed across several regions: EMEA (Europe, Middle Est, and Africa), APAC (Asia Pacific) and AME (North, Central and South America). Even though we aim at maintaining our global presence, we have kept our parent company, Bonfiglioli Riduttori S.p.A., and main headquarters in Italy, near Bologna.



We adopted a traditional governance and control system in which the Board of Directors is responsible for managing the Company, the Board of Statutory Auditors has supervisory functions, and the Independent Auditors oversee auditing and accounting control activities. Currently, the appointed Independent Auditor is represented by the company EY S.p.A.

Our Board of Directors is composed by **seven members, comprised of one woman appointed in the highest role**, while two men and one woman constitute the Board of Statutory Auditors. All the components of the Boards are aged 50 or above.

Our governance system complies with international best practices; it fosters the creation of sustainable long-term growth, defines strategic orientation, and promotes corporate values.

BOARD OF DIRECTORS

Sonia Bonfiglioli > Chairwoman

Fausto Carboni > CEO

Luciano Bonfiglioli > Director

Tommaso Tomba > Director

Roberto Carlo Testore > Director

Giampiero Bergami > Director

Roberto Tunioli > Director

BOARD OF STATUTORY AUDITORS

Alessandro Gualtieri > Chairman

Monica Marisaldi > Member

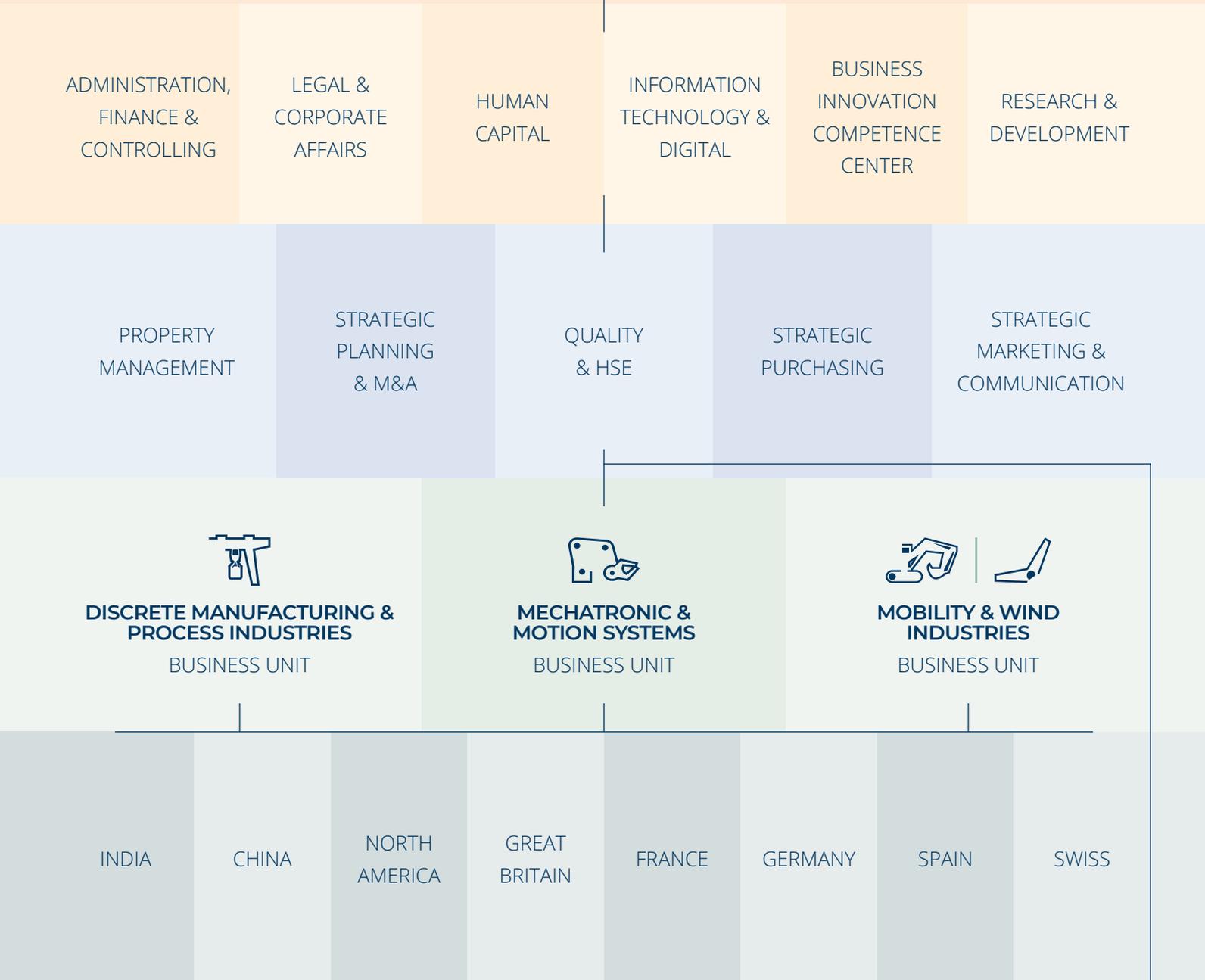
Biones Ferrari > Member



At the operational level, **our CEO presides over the 11 different business functions:** Administration, Finance & Control, Information Technology & Digital, Research & Development, Strategic Purchasing, Quality & Health Safety Environment, Human Capital, Legal & Corporate Affairs, Strategic Marketing & Communication, Property Management, Strategic Planning & M&A, Information Technology and Digital.

CHAIRWOMAN

CHIEF EXECUTIVE OFFICER



1.6

OUR COMMITMENT TO MAKE BUSINESS ETHICALLY

To promote ethical and responsible operations within the Group and among external partners, we have gathered our core values in the **Code of Ethics**. Respect for diversity, prevention of child labor or relations with external partners are only some of the rules of conduct mentioned in the document: we strive to live by these values and we firmly believe they have played a fundamental role in guaranteeing more than sixty years of successful business.

To ensure that our principles are adopted, newly hired employees receive a copy of the Code of Ethics and, similarly, all our commercial partner are required to be compliant with its norms of behavior. In particular, our General Purchasing Conditions have been updated to ensure a direct reference to the **Code of Ethics**.

OUR ETHICAL PRINCIPLES

Bonfiglioli classifies ethical values in four different categories, considering its main stakeholders.



GENERAL PRINCIPLES

- Business management
- Conflict of interest
- Diversity
- Child labor



PRINCIPLES IN RELATION TO THIRD PARTIES

- Public institutions
- Mass-media
- Customers & suppliers
- Competitors
- Partnerships
- Political parties



PRINCIPLES RELATED TO CORPORATE GOVERNANCE

- Privacy
- Accounting & information
- Anti-money laundering
- Stakeholders
- Corporate image and quality
- Company assets
- Industrial & intellectual property
- Cybercrime & organized crime



PRINCIPLES RELATED TO OUR PEOPLE

- Impartiality
- Health & safety
- Alcohol & drugs
- Environmental protection

For further information, our Code of Ethics is available online:
https://www.bonfiglioli.com/BR_Code_of_Ethics2019_EN.pdf

To protect fairness and transparency in the relations with all our stakeholders, our parent company Bonfiglioli Riduttori S.p.A. has adopted an **Organization, Management and Control Model pursuant to the Italian Legislative Decree 231/2001**, that also regulates the Group efforts in the fight against corruption – both in its active and passive form – through a structured system of procedures and dedicated control activities. In compliance with the regulation on whistleblowing, we set a new mailbox that our stakeholder may use to report on violations of the Organizational Model and the Code of Ethics. As a result of our commitment to business ethics, no confirmed cases of corruption were ever recorded within the Group.

Moreover, considering the global shift towards digital transformation, we believe that to maintain a sound organization it is imperative for us to **continue strengthening data protection** measures and overall **cybersecurity**. In 2018, in fact, we created the **new Information Technology and Digital function** (for more information refer to the box EMBRACING THE DIGITAL TRANSFORMATION in chapter 3.1) and we completed the necessary activities to adapt our procedures to the new requirements of the **General Data Protection Regulation (GDPR)**.

OUR COMMITMENT TO CYBERSECURITY

With the aim of protecting personnel, clients, and projects data, our IT & Digital department works daily to defend our systems, networks, and programs from digital attacks. In 2019, we further strengthened our commitment by defining a new organizational role, the **IT Security Manager**, a professional fully dedicated to the management and execution of our cybersecurity strategy.

In 2019 we were targeted by a cyber-attack, a ransomware, that is a malicious software designed to block access to a computer system until a ransom is paid. The attack, after causing a series of disruptions from the 11th to the 15th of June, was countered by our team and no sensible data were lost (for more information refer to the Group Annual Report 2019).

After the attack, Bonfiglioli decided to increase its level of security by adopting additional measures, such as the separation of domain administrators' accounts and the adoption of new specialized software to identify potential threats. In September 2019, we demonstrated the soundness of our system and of investments made in the previous years, by defeating a new cyber-attack without any substantial disruptions.

However, secure networks are just a part of our cybersecurity activities, and even users must understand and comply with basic data security principles: therefore in 2019 we kept training our employees on correct behaviors to prevent cyber-attacks and guarantee information security. Examples of topics covered: how to choose strong passwords and how to detect if email's attachments are potentially dangerous.

Meanwhile, in 2019, **we organized phishing campaigns that reached almost 500 employees** by sending them phishing emails, i.e. fraudulent communications that resemble emails from reputable sources. The purpose was to monitor people behaviors and measure our exposure to risks in order to develop, together with the HR department, corrective actions and organize additional trainings on cybersecurity awareness.

PHISHING CAMPAIGNS 2019

- > FAKE AMAZON ACCOUNT VERIFICATION
- > FAKE LINK FOR BUILDING EVACUATION PLAN
- > LINKEDIN CONNECTION REQUEST
- > FAKE INTERNATIONAL SHIPPING TRACKING DETAIL NOTICE
- > FAKE SPEEDING VIOLATION



1.7

VALUE CREATION AND OUR RESPONSIBILITY TOWARDS LOCAL COMMUNITIES

For us, “doing business” is not just about making profit, it is a responsibility to pursue **value creation and distribution to our stakeholders** and to ensure **a continuous commitment towards local communities** in the countries we operate in.

We are aware of how we affect our surroundings and aim to create a prosperous environment by providing stable jobs, collaborating with NGOs and Foundations, and distributing economic value to our stakeholders.

In 2019, **the Bonfiglioli Group generated an economic value of 999.8 million euros and distributed 916.8 million euros to its stakeholders**, broken down as follows: suppliers (710 million euros), employees (181.4 million euros), Public Administration (16.8 million euros), providers of capital (8.3 million euros), and local communities (0.3 million).

The direct economic value generated is the sum of Economic value retained, that is value kept within the company¹ (83 million euros), and the Economic value distributed to stakeholders (916.8 million euros).

999.8 M€ DIRECT ECONOMIC VALUE GENERATED >

Compliance with laws and regulations is essential, but we aim to go beyond by creating an open and continuous dialogue with communities, people and institutions. Embracing **sustainability as a philosophy**, Bonfiglioli wants to grant a great future to the company and to stakeholders.

For this reason, inspired by our Group's founder, **Clementino Bonfiglioli, we aim at helping the next generation of leaders to guarantee a better future for them and their communities.**

¹ The economic value retained includes the amount distributed to shareholders.



0.3 M€

COMMUNITY



8.3 M€

PROVIDERS OF CAPITAL



16.8 M€

PUBLIC ADMINISTRATION



181.4 M€

EMPLOYEE WAGES AND BENEFITS



710 M€

SUPPLIERS

916.8 M€

ECONOMIC VALUE
DISTRIBUTED



83 M€

ECONOMIC VALUE
RETAINED

Today, the Group's mission of social responsibility is pursued by our Chairwoman Sonia Bonfiglioli who, following her father's path and his heritage, supports initiatives and projects worldwide, guided by three main pillars:

YOUNG PEOPLE



TERRITORY
DEVELOPMENT



STEM &
TECHNICAL
EDUCATION



We, in fact, support initiatives in several countries around the world: we have launched projects with schools in Vietnam, South Africa, Italy, while, in India, we have provided a safe environment to young boys and girls.



GIVING CHILDREN A CHANCE FOR A BETTER FUTURE

ITALY



MUS-E Musique Europe is an European multicultural project dedicated to primary school children. A three-year artistic journey that guide the child towards discovery of himself and others through colors, songs, dances, music and theater.

INDIA



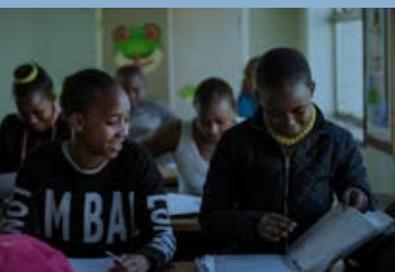
The **boys' and girls' homes** welcome disadvantaged children, giving them the opportunity to live together in a protected environment, receive an education and acquire skills that prepare them for higher education, or give them the chance to enter the labor market.

SOUTH AFRICA

St. Mary's School in Johannesburg provides a top-class education for talented but underprivileged young girls.

VIETNAM

School in Ho Chi Minh City that provides free education for children from poor and socially deprived homes.



In Italy, we collaborate with institutions, technical high schools, and universities (for more information regarding projects developed with universities refers to the box **COLLABORATIONS WITH UNIVERSITIES AND INSTITUTIONS**) and we have launched initiatives in honor of our founder. At the same time, we are proud that our donations contribute to the realization of several activities organized by associations that promote **cultural heritage**, provide **health assistance** and support other causes relevant for the local communities.



SUPPORTING THE TERRITORY



Bonfiglioli supports the **Emilia Romagna Epilepsy Association (AEER)** in a pilot project that monitors and treats cognitive and emotional functions in young patients, from 6 to 16 years, with onset of epilepsy.

CINEMA MODERNISSIMO

As a Company attentive to local art and cultural heritage, Bonfiglioli contributes to the restoration of the **Cinema Modernissimo**, at Palazzo Ronzani in Bologna.



LEONARDO MELANDRI STUDY CENTER

The "**Leonardo Melandri Study Center**" Association was established on July 17, 2013. Without neglecting the other results obtained by Senator Leonardo Melandri at local and national level, the Association intends to honor the precious and wise contribution of ideas and organization to the establishment of the University of Bologna in Romagna, promoting its transformation into the current form of "Multicampus".



AMICI DEL MUSEO

Thanks to the collaboration between small and large companies, the Association supports the museum's activities aimed at enhancing the historical-industrial culture of Bologna and consolidating the link between the production reality of our district and the world of technical training. The primary purpose of the Association is to give new life to the industrial territory by promoting development and innovation actions, and by involving the new generations in training projects aimed at relaunching technical-scientific knowledge.



A BRIDGE BETWEEN SCHOOL AND WORK LIFE

LEONARDO COMMITTEE

Clementino Bonfiglioli Prize, named after our company's founder, awards young people who demonstrate excellence in their studies and complete a degree thesis relevant to industrial automation, power transmission and control or mechatronics.



Malpighi La.B is the robotics, IT and 3D design laboratory dedicated to Clementino Bonfiglioli and open to all students in Bologna. It is a place where they can put their skills to test, experiment and cultivate their ideas, in contact with the world of business and research.



Moreover, being a key actor of the mechanical sector, empowers us to actively take part to several roundtables and sector's associations. The following table summarizes the main organizations we support.

SECTOR ASSOCIATIONS WE JOINED

Innovation remains a milestone for us and, therefore, we want to give our contribution in the mechanical sector, by participating in Associazione Clust-ER, Federmeccanica, Associazione Italiana Acquisti and Supply Chain (ADACI), Unione Costruttori Italiani Macchine Automatiche per il Confezionamento e l'Imballaggio (UCIMA). We are proud to underline our support to Federazione Nazionale Imprese Elettroniche ed Elettrotecniche (ANIE) that is the Foundation from which come the 30% of the R&D private expenditure every year in Italy. In addition, to boost the excellence of manufacturing industries of our territory, we actively take part to the Confindustria Emilia Area Centro, and we contribute to Ente nazionale italiano di unificazione (UNI). We mention also our contribution to Federazione Nazionale Cavalieri del Lavoro. To promote equal opportunity in the workplace, we contribute to "4.Managers", "Capo D" and "Il lavoro del Futuro".

2.





ENGINE
OF **SUCCESS**

2.1

WORKING TOGETHER, WINNING AS ONE

All women and men who work with us are the key to the success of the Group: their knowledge, skills, and competences are the reasons for our prosperous company's growth. For this reason, we want to **engage people and promote an inspiring environment in which everyone can contribute to innovation and excellence** with personal talents, passion, and curiosity, feeling an active participant in our team.

Being a global company, our employees operate all around the globe: the majority (65%) works in the EMEA region (Europe, Middle East & Africa), 30% in the Asia-Pacific region, and 5% in the American continent. In 2019, spread in 80 countries, our family was composed of 3,781 employees of which 3,437 (91%) with a permanent contract and 3,737 (99%) people working full-time.

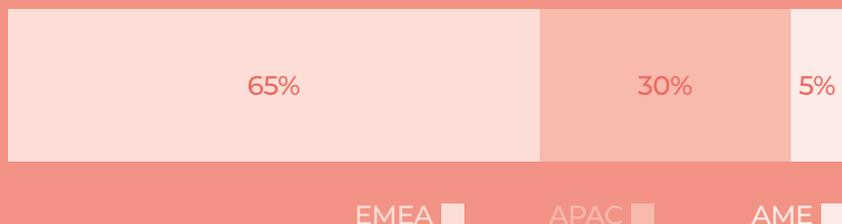
For further information on data, see the Appendix.

+7%
*Increase in
the number
of employees
compared to
2017*

EMPLOYEES BY EMPLOYMENT CONTRACT

	2017	2018	2019
Employees with permanent contract	3,246	3,364	3,437
women	429	444	466
men	2,817	2,920	2,971
Employees with temporary contract	284	348	344
women	58	74	77
men	226	274	267
Total number of employees	3,530	3,712	3,781
Total number of women	487	518	543
Total number of men	3,043	3,194	3,238

TOTAL EMPLOYEES BY REGION 2019



More than
90%
of employees
have a
permanent
contract

We pay constant attention to our people’s well-being by fostering an inclusive environment and working to promote work-life balance. In this regard, our employees have the opportunity to ask part-time working schemes when needed and, in 2019, 44 employees adopted this type of contract, the majority of which were women (73%).

EMPLOYMENT TYPE BY GENDER

	2017	2018	2019
Employees with full-time contract	3,498	3,673	3,737
women	463	488	511
men	3,035	3,185	3,226
Employees with part-time contract	32	39	44
women	24	30	32
men	8	9	12
Total number of employees	3,530	3,712	3,781

We have a relentless commitment to protect and promote the diversity of our people believing it increases the value for our organization. To guarantee an open environment where diversity is appreciated and inclusion is daily applied, in our Code of Ethics **we explicitly prohibit any form of discrimination** based, for instance, on gender, language, religion, or nationality. Like previous years, no incidents of discrimination were recorded at the Group level in 2019.

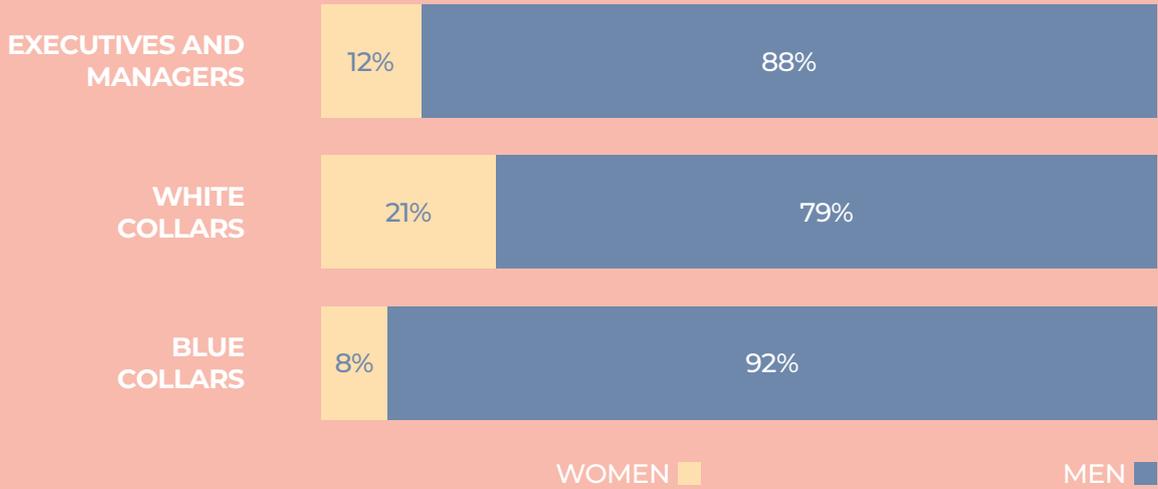
We always place attention to **ensuring equal opportunities to all our employees**, guaranteeing the same work and contractual conditions for all the men and the women who are part of our Group, regardless of their gender and age. As claimed in our Code of Ethics, we are careful in preventing the exploitation of child labor and we expressly ban the employment of children below the legal age in Italian law and the laws of the countries in which we operate.

In 2019, 86% of our employees were male: this reflects the specific nature of our business and some intrinsic characteristics of the manufacturing job market. Considering the blue collars there is a relevant majority of men (92%) respect to women, which represents only 8% of the total workforce; among the white collars, women represent 21% of the Group.

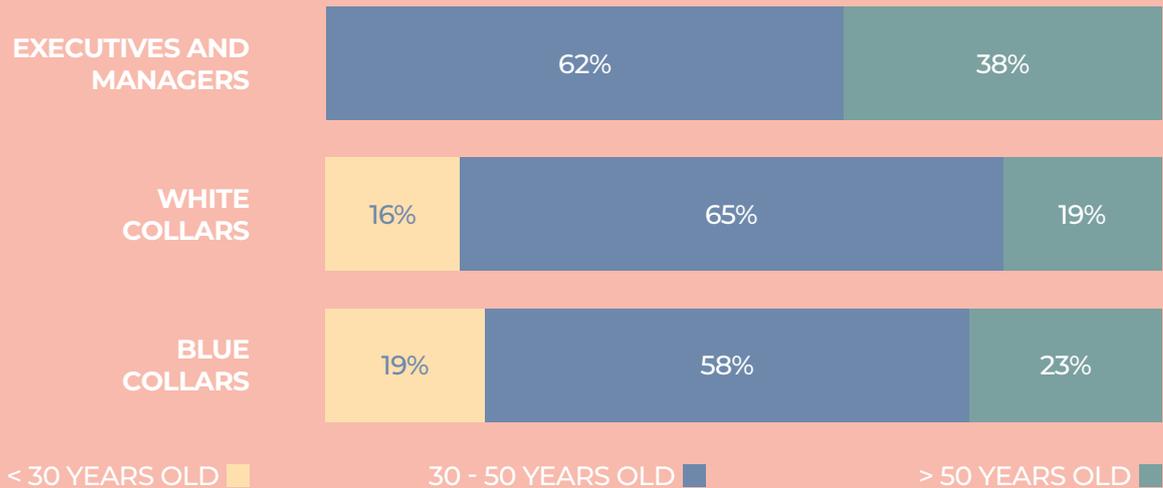
We consider age difference as a Group’s resource because we believe groundbreaking solutions come from matching the experience of our senior employees and innovative ideas of young talents. In 2019, **61% of our employees were aged 30-50 years old, 22% were older than 50 years old while 17% of our people were younger than 30 years old**, in line with 2018 data.

11.5% increase in the number of our female workforce respect to 2017

2019 PERCENTAGE OF EMPLOYEES BY CATEGORY AND GENDER



2019 PERCENTAGE OF EMPLOYEES BY CATEGORY AND AGE GROUP



GENDER PAY GAP BY CATEGORY ²⁾

	2018	2019
Executives & Managers	5,9%	5,8%
White Collars	4,0%	4,0%
Blue Collars	3,0%	3,0%

²⁾ The gender pay gap is calculated as the difference between average gross annual salary of male and female employees as % of male gross salaries.

To continue promoting equal treatment to all our employees, we started monitoring the **gender pay gap**: the indicator, in fact, expresses the percentage difference between the average wages of women compared to men who belong to the same professional category. Although the Group does not discriminate based on gender, many factors may contribute to the difference, such as hours worked, job experience and chosen occupation in the organization. For Bonfiglioli, monitoring the gender pay gap, is the starting point to address the issue and to promote effective solutions.

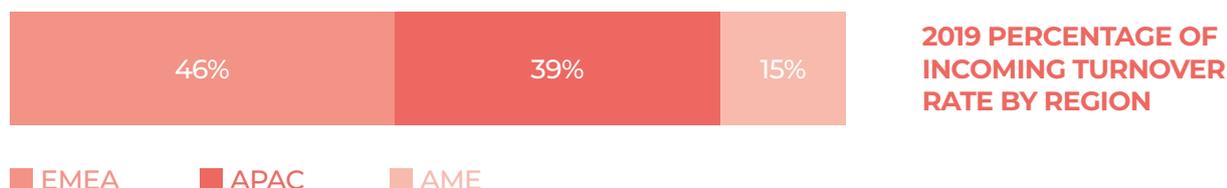
OUR COMMITMENT TO PROMOTE EQUAL OPPORTUNITIES



In 2019, our parent company founded, together with other 8 companies in Bologna, the organization **CAPO D**, a business network built to create collaborations between local enterprises and public institutions to promote strategic objectives such as **equal opportunities, fight against discrimination, and work-life balance**.

The community organizes meetings and networking activities to share good practices and compare ideas with the purpose of launching new projects and synergies: particularly, the initiative is focused on promoting education and training for female employees as well as to encourage career development for all. Furthermore, CAPO D also focuses its attention on other topics such as social responsibility, welfare, tax relief, involving small and medium enterprises.

In 2019, all the participants have shared their best practices regarding equal opportunities: we proudly presented the B-Welfare program and our Manufacturing Excellence Academy 4.0 (for further information, see the detailed box **from the Bonfiglioli Digital Re-Training to the Manufacturing Excellence Academy 4.0**).



Aware of the value of our human capital, we are always looking to attract and retain new talents. We care that our employees follow a continuous learning process to develop, improve, and gain new skills and competences enhancing their contribution to the company.

Respecting the principles of diversity and non-discrimination, our selection process is designed to guarantee equal opportunities to all our candidates; in 2019, we have embraced in our family **559 new employees**, 9 interns, and 20 students from secondary schools in Bologna, Forlì, and Rovereto. **To attract younger talents, this year we participated in several career days** and we organized technical workshop initiatives with Universities and Schools of excellence.

NUMBER AND RATE OF NEW EMPLOYEE HIRES BY AGE GROUP AND GENDER

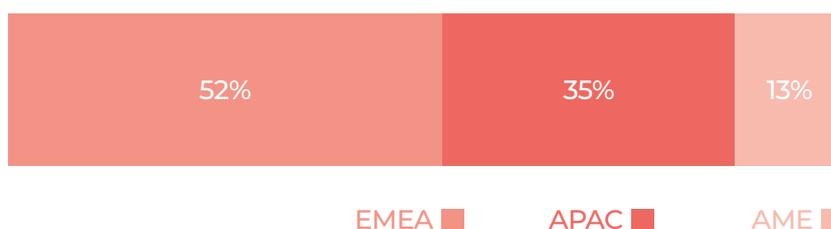
	2017			2018			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Total number of new employee hires	55	418	473	105	521	626	92	467	559
<30 years old	35	305	340	40	253	293	42	227	269
30-50 years old	19	105	124	57	239	296	45	217	262
>50 years old	1	8	9	8	29	37	5	23	28
	Women	Men		Women	Men		Women	Men	
Incoming turnover rate	11.3%	13.7%		20.3%	16.3%		16.9%	14.4%	
<30 years old	7.2%	10.0%		7.7%	7.9%		7.7%	7.0%	
30-50 years old	3.9%	3.5%		11.0%	7.5%		8.3%	6.7%	
>50 years old	0.2%	0.3%		1.5%	0.9%		0.9%	0.7%	

The majority of employee terminations were recorded in EMEA region (46%), followed by APAC (35%) and AME (13%).

NUMBER AND RATE OF EMPLOYEE TURNOVER BY AGE AND GENDER

	2017			2018			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Total number of employee turnover	53	419	472	73	371	444	66	424	490
<30 years old	16	122	138	20	120	140	16	129	145
30-50 years old	28	229	257	42	186	228	38	215	253
>50 years old	9	68	77	11	65	76	12	80	92
	Women	Men		Women	Men		Women	Men	
Outgoing turnover rate	10.9%	13.8%		14.1%	11.6%		12.2%	13.1%	
<30 years old	3.3%	4.0%		3.9%	3.9%		2.9%	4.0%	
30-50 years old	5.7%	7.5%		8.1%	8.1%		7.0%	6.6%	
>50 years old	1.8%	2.2%		2.1%	2.1%		2.2%	2.5%	

2019 PERCENTAGE OF OUTCOMING TURNOVER BY REGION



For further information about our people, please see the APPENDIX at the end of this document.

We are engaged to guarantee a healthy and safe workplace that also guarantee fair labor condition to the community by applying collective bargaining agreements in compliance with the legislation of each of the countries we operate in. In 2019, 2,051 of our employees were covered by a collective bargaining system, corresponding to 54% of our workforce. Collective bargaining agreements regulate many aspects of the working conditions and terms of employment, as well as minimum number of weeks' notice provided to employees prior to the implementation of significant operational changes that could substantially affect them. For example, based on the contract of employees working in the Italian plants of Bologna, Forlì and Rovereto, Bonfiglioli is required to provide at least 20 days of notice. Globally, the Group aims at promoting an open and transparent communication with employees by seeking to provide an adequate notice period. In particular, for the transfer of employees to the new plant, EVO, we started a collaborative process with trade unions about 1 year before the effective date of relocation; the journey led to many initiatives to facilitate the transition, such as a shuttle service, many hours of training and the objective of no redundancies.

WITH GREAT PRIDE FOR THE WHOLE GROUP, BONFIGLIOLI INDIA RECEIVED THE TAMIL NADU BEST EMPLOYER BRAND AWARD.

HOW WE TAKE CARE OF OUR PEOPLE THROUGH WELFARE

For Bonfiglioli, employees' well-being is an important asset, in fact, from people's welfare and health derives a positive and person-oriented work environment. Although Bonfiglioli does not have a standardized global welfare system, our companies worldwide provide several benefits based on the specific need of each region and in compliance with local regulations; the most common ones provided to employees with a permanent contract are:



Considering that each company of the Group knows better its surrounding environment and the specific needs of its people, subsidiaries have organized local initiatives and activities. For instance, between the promoted projects we are proud to list: flexible working hours, smart working, reimbursement for university school fees and book, paid accommodation or housing allowance, team building programs and/or company social activities, and meal vouchers.

Thanks to a Second Level Agreement signed in 2017, all the Italian branches have a flexible benefit system, known as **B-WELFARE PROGRAM**, that offers our Italian employees many services and benefits regarding health, social care and social benefits, wellness, schools, fun and shopping. Moreover, after having launched a pilot project in 2018, smart-working is now available in three companies in Italy, to improve the work-life balance.

SUSTAINABILITY CORNER

During the International Meeting 2019, we organized a Sustainability Corner to involve our employees in different activities and to understand what **Corporate Social Responsibility** means for them. As expected, the initiative caught the attention of participants who expressed ideas and suggestions. Observing the collected information, we are proud to enhance our efforts towards sustainability in line with employees' expectations.

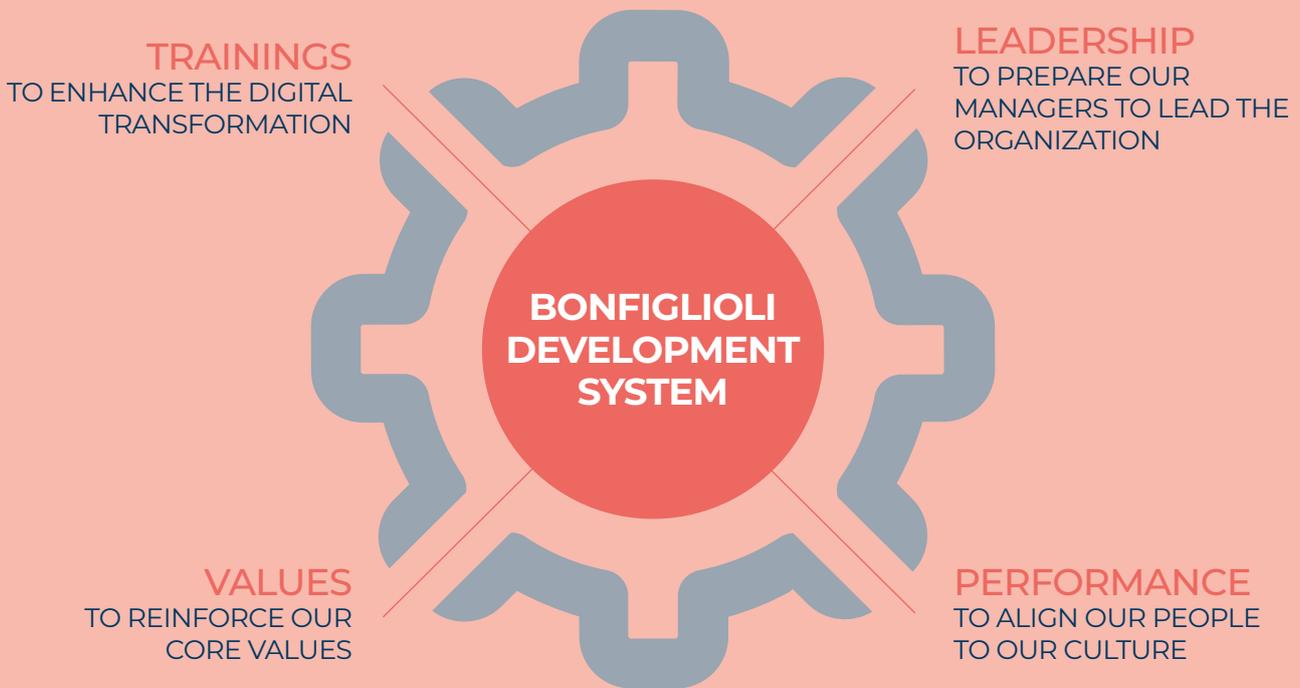


2.2

PREPARING PEOPLE TO FACE THE CHALLENGES OF TOMORROW

At Bonfiglioli, we strongly believe that our people are at the center of technology and they play a decisive role in our digital revolution.

We empower our people to build an effective organization and to develop their potential. To further expand our expertise, we set up the **Bonfiglioli Development System**, an **innovative framework** that relies on four main pillars: values, leadership model, training, and overall performance.



Considering the broad diversity in the experience and skills of our employees, we have designed a wide range of programs to attract, develop, and retain valuable people.

Our business mission and core values describe what we believe in and we want to share them with the women and men that work with us. Regardless of their role, new hires are involved in specific onboarding courses and take part in **Welcome Days**, yearly events organized to properly welcome them in our Group.

Moreover, to develop and grow our internal resources, we have designed an adequate training for everyone: following courses suited to its role and tasks, each employee is involved in the digital transformation.

Managers are required to practice their leadership capabilities: their training is focused on improving their decision-making skills, strategic visioning, and change management. Thanks to a centralized platform, 100% of our worldwide managers are **yearly evaluated on their overall performances**.

In 2019, the Bonfiglioli Development System organized courses for **70,143 hours of training**, a 40% increase compared to the 49,937 hours of 2018. As expected, the relevant increase can be mainly explained by the intensive training programs offered to EVO's employees to assist in the transition to the new technologies of the plant through the **Bonfiglioli Digital Re-Training** (for more information, refer to "FROM THE BONFIGLIOLI DIGITAL RE-TRAINING TO THE MANUFACTURING EXCELLENCE ACADEMY 4.0").



**+40%
HOURS OF TRAINING
COMPARED TO 2018**

HOURS OF TRAINING OFFERED BY GENDER AND CATEGORY ³

	2017	2018	2019
Average hours of training	12	13	19
women	20	19	31
men	10	13	16
Average hours of training	12	13	19
executives & managers	37	36	41
white collars	12	16	15
blue collars	8	8	20

Globally, each employees has attended in 2019, on average, 19 hours of training; specifically, women have received almost the double of training hours respect to men.

Considering employee categories, executives and managers received, on average, more trainging hours compared to other groups: this is connected to the fact that many of them were engaged in managerial courses, such as Executive Masters, in order to improve their knowledge and gain new skills. In fact, Bonfiglioli collaborates with some top-ranked business schools worldwide and encourages its employees to join new challenges, enhancing their interests and increasing the competences of the overall Group. In 2019, we continued the partnership with CEIBS (China Europe International Business School) in Shanghai, the ESCP based in Paris, and the Spanish institute IESE.

Altogether, our employees attended courses related to the following topics:

TRAINING BY TYPE	2019	
Annual hours of training	70,143	100%
Executive	1,848	2.6%
Managerial	3,486	5.0%
Digital Mindset	18,325	26.1%
Bonfiglioli Cultural Identity	5,321	7.6%
Advanced Tools	11,412	16.3%
Technical	16,215	23.1%
Health and Safety	13,536	19.3%

(3) The average hours of training per employee is calculated as follows: total training hours divided by the number of employees. Considering gender and employee categories, the average training hours is obtained by dividing the number of training hours by gender or category (i.e. women) for the total number of employees belonging to the same gender or category (i.e. the number of women as of 31st December).

Technical and Health and Safety courses represent respectively 23% and 19% of the total training activities while the remaining hours (58%) relate to the **Generational Re-Training Program**, that focuses its courses on five specific pillars considering the different stage of professional life of participants: Sprinter (under 30 years old), Backbone (from 30 to 50 years old) and Wise (over 50 years old).

GENERATIONAL RE-TRAINING PILLARS



EXECUTIVE
to provide excellent education to our top management



MANAGERIAL SKILLS
to support managers in carrying on the organization



DIGITAL MINDSET
to reinforce a new mindset and facilitate the digital transformation



CULTURAL IDENTITY
to align our people to our culture from the beginning



ADVANCED TOOLS
to give specific tools to our people to facilitate their performance

OUR SKILLS DEVELOPMENT METHOD FOR INDUSTRY 4.0 REFLECTS OUR CULTURE



FROM THE BONFIGLIOLI DIGITAL RE-TRAINING TO THE MANUFACTURING EXCELLENCE ACADEMY 4.0

The Bonfiglioli Digital Re-Training pilot project was launched in 2018 to provide adequate competences to people who would be working in the new plant EVO, preparing them to face the challenges of Industry 4.0. Initially, we involved 15 pioneers, divided in 4 specific roles, in several technical courses such as Industry 4.0, Sensing tools, Manufacturing 4.0, and specific cultural trainings, such as Learning Agility, Change Management, and Communication 4.0. In 2019, as a proof of the training program quality, the 15 pioneers received a **professional qualification from the Emilia-Romagna Region** based on the competences gained during the courses; the qualifications further demonstrate the high excellence standards that drive our daily activities.

Thanks to the success of the pilot project, Bonfiglioli extended this training method to all people working in EVO, founding the Manufacturing Excellence Academy 4.0, creating a method to develop the digital factory **involving people in technological and cultural transformation.**

Started in January 2019, the Manufacturing Excellence Academy 4.0 is a competence hub that organizes ad hoc training courses to support employees in the transition towards modern working processes. Now, the Academy recognized 23 different role of employees and has trained 400 people with almost 18,000 hours of training in one year, focusing on three different areas:

MANUFACTURING EXCELLENCE ACADEMY 4.0



METHODOLOGY



DIGITAL



ROLES

We are very proud to have received positive feedback by the courses' attendants: 91% of them have evaluated the training as **Good/Very Good/Excellent** and the preferred course was **Change management and Big data.**

A NEW MINDSET REQUIRES A SPECIFIC CHANGE MANAGEMENT PATH

EVO is the result of the union of two plants, Vignola and Calderara di Reno; as a result, the new technological building merges their resources, productions processes and people. To achieve excellence, we understood that it was necessary to create a cohesive team. As a result, to support all employees in embracing a completely different way of doing business and a new mindset, we introduced a change project that is focused on 3P:



PURPOSE

CLIENT SATISFACTION



PEOPLE

PEOPLE AT THE CENTER



PERFORMANCE

EXCELLENT RESULTS

To realize the initiative, we have identified three drivers and related strategic activities:

UNDERSTANDING

We want people to know the peculiarity of EVO and **understand the importance of their role in the success of the project**. We have created structured communication activities, a new mission and new principles to better involve our employees. Moreover, to make them aware of the project's progress, there is a Dashboard to measure project's progresses.

RESPONSIBILITY

To **engage people and to make them feel part of the change**, we give them active roles and responsibilities: thanks to the Bonfiglioli Production System, everyone can give advices or suggestions. For instance, we trained the top management of EVO to become **Change Agents**, that means having a flexible and positive mindset, listening, being supportive in the new processes to make everyone included.

CAPABILITY

To **develop skills and competences necessary** to use the innovative technologies in EVO and understanding the new way of doing business, people attend courses and training programs of the Manufacturing Excellence Academy 4.0, that also prepares them on the Bonfiglioli Production Systems.

2.3

CARING FOR OUR PEOPLE SAFETY

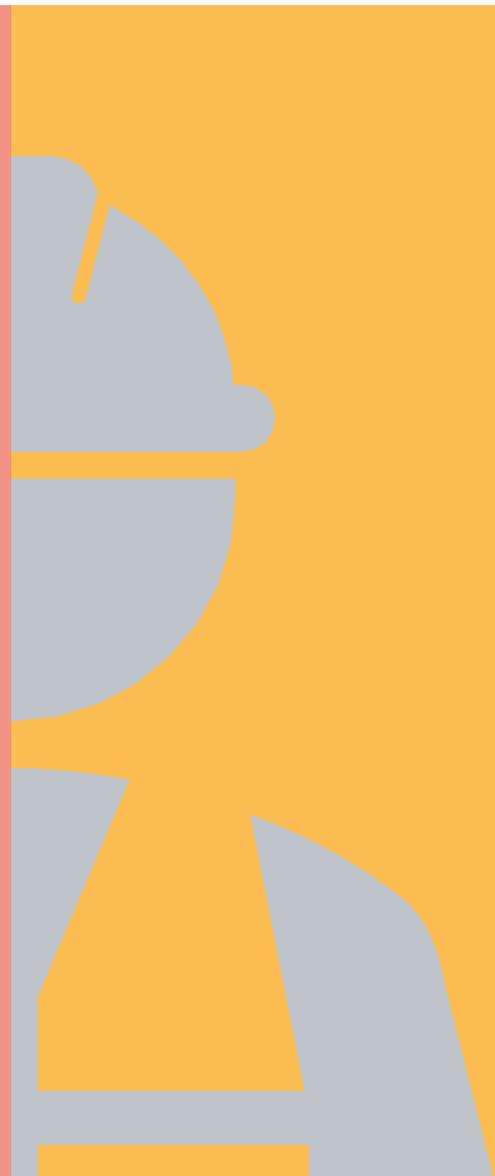
To us, the health and safety of our people is a priority: not only we make sure all our buildings and processes are compliant with regulations, but we are committed to spreading a safety culture and preventing accidents in the workplace. Our teams are continuously looking for the introduction of new measures that could improve our workplace's safety standards to minimize potential work-related incidents and injuries.

To **guarantee high health and safety standards, in 2017 we defined an integrated Group Quality, Safety and Environment (QHSE) Policy** which establishes our commitments in regard of several topics, including health and safety. In this context, **we also defined a structured and integrated approach** that considers our geographical diversification and disparate operations.

AS STATED IN OUR CODE OF ETHICS:

“The Bonfiglioli group considers the dissemination of a culture of safety to be of primary importance. It seeks to reduce risks to the physical integrity of all its collaborators, also using information and training as a tool for making them responsible for their own conduct and guaranteeing health and safety in the work place in compliance with the requirements of the applicable laws.”

Code of Ethics, Bonfiglioli Group



Formal procedures regarding the management of health and safety issues have been implemented in the majority of our companies, 3 of which have achieved the **management system certification OHSAS 18001:2007** while the Chinese plant obtained the new **ISO 45001:2018**⁴. The presence of a health and safety management system attests that a site has introduced a structured approach to the definition of potential risks and the implementation of effective actions to prevent, minimize, and eliminate risks. Indeed, companies conduct an identification and assessment process with the aim of detecting specific risks that could occur, considering all the different tasks and activities of every employee category. Once identified, risks are accurately evaluated, and new prevention and protection measures are studied to mitigate and/or eliminate the hazard. For example, we installed innovative systems for product handling and easier operating and we provide all the necessary protective equipment to our workforce.

To harmonize and coordinate safety measures, Bonfiglioli established a central dedicated health and safety team that is responsible for the definition of policies and guidelines to be applied in all companies of the Group. To verify the implementation of the recommendations, our corporate team periodically visits plants worldwide and assesses the health and safety systems implemented at the local level. Conducting different business activities, each company conducts its own risks' assessment to detect specific hazardous elements;

Even though guidelines and policies are managed at Group level, in each production plant there is a specific team with the task of managing health and safety, and employee representatives regularly participate in formal joint management-workers committees. Indeed, we want to involve our employees in creating a safer working environment and we highly appreciate their suggestions, ideas, and recommendations.

Awareness and knowledge on health and safety are essential in the prevention of injuries, therefore we offer continuous training to raise awareness on job activities' dangers and promote responsible conduct.

Courses are both focused on general topics and specific risks related to each worker's task; the 19% of the overall education provided in 2019 was related to health and safety, for a total of 13,536 hours of training worldwide.

In 2019, the total number of worked-related injuries and the rate of recordable work-related injuries slightly increased with respect to 2018.

On the contrary, the number and rate of high-consequence injuries decreased, demonstrating a reduction of injuries from which employees do not recover fully to pre-injury health status within six months. The main types of injuries reported are connected to cuts, slips, materials manipulation, collisions and lumbar pains.



-50%
RATE OF
HIGH-CONSEQUENCE
WORK RELATED
INJURIES FOR
EMPLOYEES
COMPARED TO
2018

⁽⁴⁾ Specifically, Bonfiglioli Riduttori S.p.A., Bonfiglioli Italia S.p.A. and Bonfiglioli Mechatronic Research S.p.A. have obtained the OHSAS 18001:2007 certification; Bonfiglioli Drives Shanghai Co. L.t.d. has obtained the ISO 45001:2018 certification.

WORK-RELATED INJURIES – EMPLOYEES

	2017	2018	2019
Total number of work-related injuries	49	49	57
high-consequence work-related injuries*	5	4	2
fatalities	-	-	-
Total worked hours by employees	6,113,273	6,539,334	7,045,550
Rate of work-related injuries	8.0	7.49	8.1
Rate of high-consequence work-related injuries*	0.8	0.6	0.3

* High-consequence work-related injuries are those injuries that result in a fatality or in an injury from which the worker does not recover fully to pre-injury health status within six months.

Regarding health and safety of external workers (e.g. agency workers, suppliers working permanently on site, etc.), the Group does not centrally manage the information but, in the last years, has improved data collection to better monitor the situation of all the Group sites. Indeed, external workers are not employees but perform their work activities in our plants and must respect all the safety rules defined by each site as to guarantee their safety as well.

In 2019, we recorded an increase in recordable work-related injuries connected to external workers, partially due to extension of the data perimeter. With respect to the previous year, in fact, we improved the data collection on external workers increasing the number of hours worked monitored by almost 35%.

WORK-RELATED INJURIES – EXTERNAL WORKERS ⁵

	2017	2018	2019
Total number of work-related injuries	6	2	11
high-consequence work-related injuries*	-	1	-
fatalities	-	-	-
Total worked hours by external workers	377,156	575,831	774,421
Rate of work-related injuries	15.9	3.5	14.2
Rate of high-consequence work-related injuries*	0	1.7	0

* High-consequence work-related injuries are those injuries that result in a fatality or in an injury from which the worker does not recover fully to pre-injury health status within six months.

(5) Information regarding work-related injuries of external workers are related to 10 plants for 2017 and 2018 data; while the 2019 data covers 15 plants. Since information concerning external workers are not directly managed by the Group, data are not always readily available, but we are improving the data collection to extend the perimeter to all our Group external workers.

SAFETY CAMPAIGN 2019

In addition to all safety measures and training courses, in 2019 we have conducted an extensive campaign to raise awareness among our people. Across all plants, the Health and Safety team has implemented several initiatives to spread good practices, such as:



BROCHURES

TO COMMUNICATE
TO EMPLOYEES,
EXTERNAL
WORKERS AND
VISITORS THE HSE
MANAGEMENT OF
EACH PLANT



COMIC STRIPS

TO HIGHLIGHTS
POTENTIAL
HAZARDS OF
FORKLIFTS,
MATERIAL
HANDLING,
TOOLS E WASTE
SEPARATION



VIDEOS

DISPLAYED IN
EVERY BUILDING'S
ENTRANCE,
TO PROMOTE
RESPONSIBLE
BEHAVIORS

Moreover, we have also organized a **SAFETY WEEK** in our plant of Chennai (India), in occasion of the 48th National Safety Week. Our Indian employees have been involved in competitions comprehending quiz and surveys on safety, defensive driving training, material handling equipment authorization and vehicle safety audit.

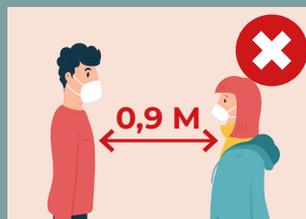


COVID19 – A WORLDWIDE EMERGENCY

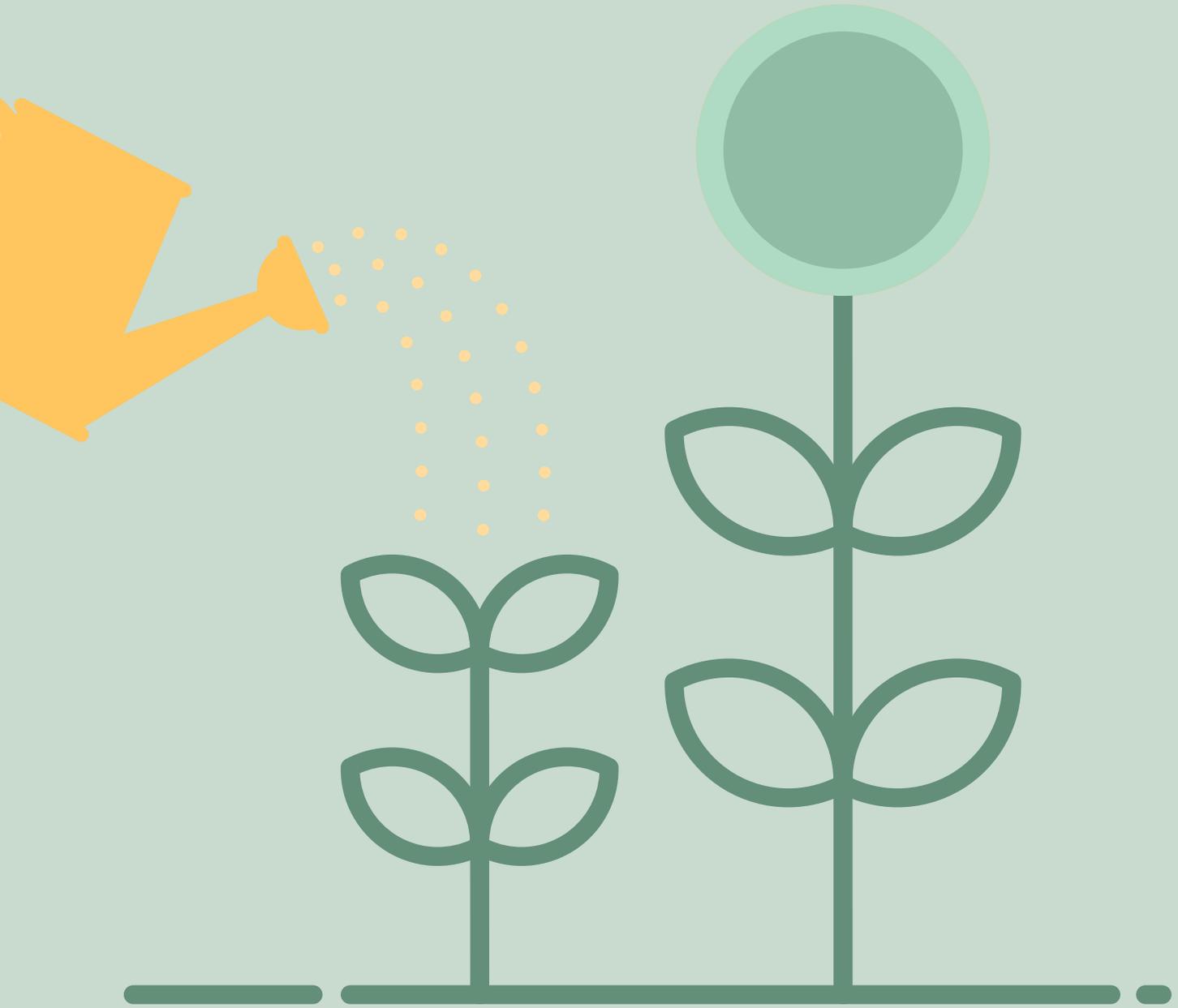
Gradually, from east to west, all our companies have faced the spread of the coronavirus pandemic and, thus, we have strengthened safety measures in our offices and production plants. Initially, we supported our Asian branches and, when the Covid-19 emergency extended globally, we developed general guidelines to share with the entire Group. Afterward, each plant has revised internal regulations to be compliant with its Country's legislation.

To safeguard workers' health and wellbeing, wherever possible, we promoted smart working and the use of digital platforms for meetings. However, for workers with operative roles for which physical presence is necessary, we increased the distance of workstations and reduced the number of employees onsite. Aware of the emergency, some workers volunteered to work instead of colleagues.

At work, we provide our people with all the necessary tools and precautions to safely carry out their activities. At the same time, we require our people to follow safety rules, such as the mandatory use of masks, social distancing and frequent use of alcohol gel, until the emergency is over.



3.



WORKING TODAY FOR
A SUSTAINABLE **TOMORROW**

OUR

IMPACT

CT

3.1

INNOVATION FOR A SUSTAINABLE FUTURE

Every day, our teams are constantly looking for groundbreaking performances and innovative solutions to satisfy and anticipate market's requests. To continuously guarantee high-quality solutions, we continuously develop new projects to optimize our products and production processes; our way to excellence is driven by three pillars:



R&D

Design your solutions

Co-engineering

Test laboratories

IIoT technology



MANUFACTURING AND DIGITALIZATION

Bonfiglioli business operational excellence program

Industry 4.0



QUALITY

Certification system

Product certifications and declaration of conformity

Best distributors





RESEARCH AND DEVELOPMENT

Our **global R&D team** constantly works to create breakthrough solutions that integrate the most advanced mechanical, electrical, and hydraulic technologies, meeting the most demanding application requirements and supporting our customers' growth.

The R&D department is composed of more than 200 employees, who work in 7 R&D centers located in Italy, Germany, India, and China.

DESIGN YOUR SOLUTIONS

Bonfiglioli's products have a wide variety of potential applications, thus, our teams continuously face new challenges, such as static and dynamic problems of a non-linear nature. Our team uses **simulation techniques** to design and optimize our products as well as **advanced software and parametric optimization** to maximize efficiency, whatever the operating conditions.

CO-ENGINEERING

At Bonfiglioli, **we design customized products to accurately meet the client's needs**, supporting their projects from beginning to end. A constant alignment and deep technical interaction with the client lead to customized products aimed at **maximizing productivity, efficiency, and reliability, reducing development time.**

TEST LABORATORIES

From the smallest critical component to the overall solution, all our **products are developed and certified by our test laboratories where we also perform production follow-ups.** Thanks to a wide range of equipment, our experts conduct **electrical, mechanical, climatic, and functional testing.**

“Each gearbox, motor and inverter combine the fundamentals of classical mechanics, electromechanical and electronics with the most advanced calculation and simulation systems.”

“Our experience with a wide range of applications allows us to quickly develop a proposal and precisely evaluate the development process required.”

“At Bonfiglioli, we have benches for all dimensions, and the power and speed for monitored testing in induced environmental conditions to measure temperature, vibration and noise.”

“Bonfiglioli’s IIoT-technology is an innovative solution for constantly monitoring the health of a gearbox thanks to the combination of Bonfiglioli’s offer with sensors, software and know-how-based algorithms.”

INDUSTRIAL INTERNET OF THINGS (IIOT) TECHNOLOGY

By using data collection and sophisticated condition monitoring techniques, our R&D teams evaluate the health status of our customers’ machines to **offer tailor-made services based on IIoT technology**. We want to support our clients to maximize the productivity and efficiency of their machines, especially in those applications where early fault detection is critical in increasing reliability, lowering operational and maintenance costs, and reducing downtime.

Efficiency, digitalization, and integration are the drivers that we strive to pursue in each project we realize. We always design applications that minimize costs, maximize performances and reliability, and we provide our customers with all the information to provide the best user experience possible, integrating technological solutions and reducing the number of components and their size.

In 2019 we launched a

NEW R&D TEST LAB

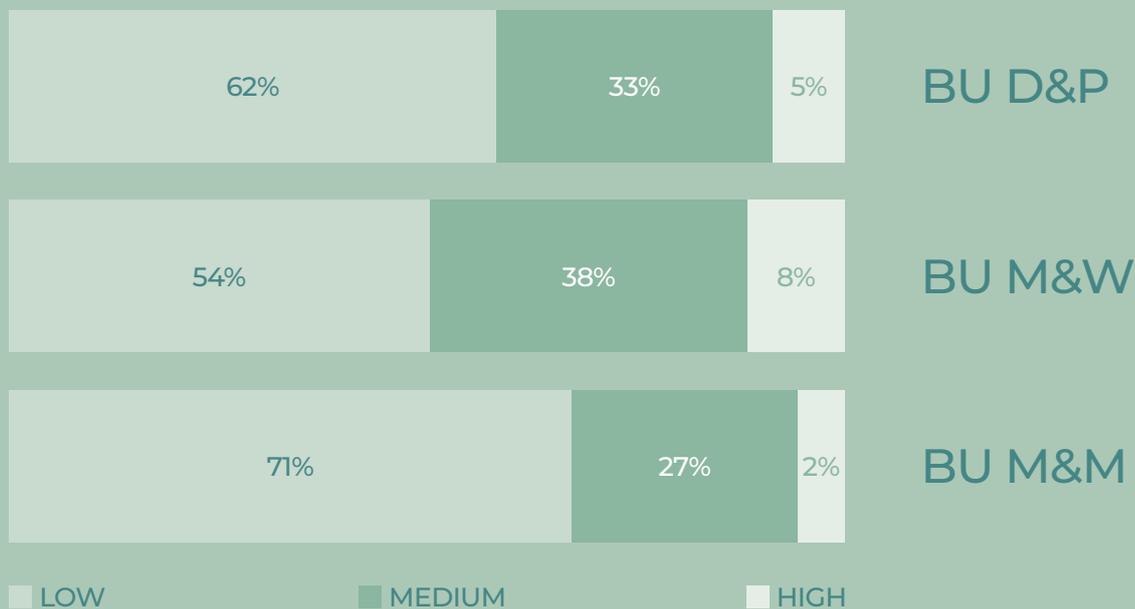
In India to facilitate faster product development and help simulate the actual conditions in the test lab. The lab was built based on an advanced regenerative drive concept for energy savings with a view to eco-compatibility.

Since November 2019, to harmonize Bonfiglioli internal procedures, we have implemented **a single standardized Product Development Process in all the three Business Units**: for each customized product, we start from the feasibility study – that includes a risk analysis – followed by business case before starting the development phase, which includes design, prototyping, industrialization, and finally manufacturing. The methodology is compliant with the APQP (Advanced Planning Quality Product) standard.

In 2019, our worldwide team developed approximately **1,700 new customized products and applications** that differ for complexity: the majority (61%) were considered of low complexity and, thus, were managed directly by the branches; 34% were classified as medium difficulty, that is customization that require changes to existing products; the remaining projects (5%), classified as high-level complexity, as they required tailored and specific solutions which directly involved the experts of the R&D team.

The Discrete Manufacturing & Process Industries (39%) and the Mobility & Wind Industries (38%) are the business units that developed the largest number of products, followed by the Mechatronic & Motion Systems that manufactured 23% of the overall 2019 projects.

2019 PROJECTS BY COMPLEXITY



COLLABORATIONS WITH UNIVERSITIES AND INSTITUTIONS

Every year, our R&D team collaborates with local and international Universities and institutions to develop innovative solutions and groundbreaking applications. In 2019, our parent company carried on the following initiatives:

IoTwinS

Since September 2019, we are coordinating IOTWINS, a Horizon 2020 European Project that deals with big data, artificial intelligence and internet of things applied to manufacturing and infrastructure. The project will include 12 testbeds, each realizing a digital twin, that are virtual copies of real processes and plants that can interact with each other and can simulate different scenarios to define corrective actions, achieving an efficiency optimization and diagnose anomalies before they occur. Involving 23 different partners, IoTwinS is managed in partnership with local institutions, such as the University of Bologna, the National Institute of Nuclear Physics, Cineca, and Regione Emilia-Romagna with Art-ER and Marposs. Moreover, the project will be enriched by the contribution of international Groups and scientific institutions such as Siemens, the Supercomputing Centre in Barcelona and the Fraunhofer Institute in Munich.

*Being the leader of this project Bonfiglioli is a source of pride, but it also means an **assumption of responsibility**. We have the chance to show how valuable the ability to work in a team of international companies is, where the vision of **digitalization is still focused on being at the service of people and their environment.***

Sonia Bonfiglioli



Together with Marposs, we are partner of DiaPro 4.0 (Diagnostic Prognostic Industry 4.0), a 2019 project that brings together the knowledge of three industrial research laboratories recognized by the High-Technology Regional Network: MechLav of the University of Ferrara, InterMech-MO.RE. of the University of Modena and Reggio Emilia, and Raw Power Srl. Specifically, the objective of the project is to identify the best predictive analysis technologies to have production lines capable of autonomously carrying out preventive self-diagnosis on defects (Predictive Diagnostic) or to estimate the residual life of the production line to plan maintenance intervention in advance (Prognostics).



Since 2019 we are proud partners of BI-REX (Big Data Innovation & Research Excellence), one of the 8 National Competence Center promoted by the Ministry of Economic Development. Founded in 2018 in Bologna, Bi-Rex is a Public-private consortium that comprise 57 public and private entities who work together to support companies in the evolution of the manufacturing processes and to developing new products by the implementation of Industry 4.0 and other advanced technologies.



We are partners of the Mechatronics and Motorists Clust-ER, an association that gathers several public and private bodies – companies, research centers and training institutions – to share skills, ideas and resources, to support the competitiveness of the mechatronics and motor engineering sector, and to be part of the development of new materials, machines and processes.

The Mech Clust-ER operates on seven different and highly specialized areas and Bonfiglioli took part in the working group **DaAma** (Digital and Advanced Manufacturing) that deals with the transition to a new generation manufacturing system: The Industry 4.0.



In 2019, we concluded the Izadi-Nano2Industry project – funded within the European Union’s Horizon 2002 research and innovation program framework – that promoted the adoption of Key Enabling Technologies such as nanotechnology, advanced materials, and advance manufacturing in the fields of automotive, construction, and agricultural machinery. Particularly, Bonfiglioli collaborated in two different pilot projects: focused on improving performance components, **TRIBOnano** recorded a 3% increase of mechanical efficiency of the hydrostatic transmission; while **HARDcast**, increasing the mechanical properties of the mechanical components (up to +30% in tensile strength and +4% in elongation), gave the possibility of designing thinner components.



During 2019, we took part to Matcher, an international open innovation program promoted by Emilia Romagna Region to promote collaboration between almost 30 corporations and promising international start-ups. We offer our expertise and know-how to take Smart Mobility and Future Packaging to the next level. The initiative aims at developing innovative solutions, reinforce local collaborations between organizations, and open the Regional ecosystem to international collaborations.



MANUFACTURING AND DIGITALIZATION

Guided by excellence and innovation, during the years, **our 13 industrial plants have developed deep expertise in specific product lines**; nowadays, they work interconnectedly to serve our customers efficiently and to guarantee complete understating of application requirements.

EXCELLENCE

To always improve our performance and production processes, we have implemented the **Bonfiglioli Business Operational Excellence Program**. Based on eight main pillars, the program addresses internal processes to measure performance and to guarantee the same quality of production any time, everywhere.



INDUSTRY 4.0

Shifting towards a fourth industrial revolution permits us to increase **plants' interconnectivity** improving the production capacity through a more precise monitoring of our worldwide operations. This has been possible thanks to the implementation of new technologies in daily activities, such as advanced warehouses, digital supply chains and a technological manufacturing.

The **Bonfiglioli Manufacturing Execution System** already present in several plants, combines Industry 4.0 with lean management. It allows us to constantly measure production processes and to better monitor information, to detect and improve the efficiency of each step.

Industry 4.0 enables much quicker flow of customized products and can radically reduce inventories throughout the supply chain reducing our customers' machines time-to-market.

BONFIGLIOLI PRODUCTION SYSTEM

The Bonfiglioli Production System, also known as BPS, is a production management system that we developed to continuously enhance our processes and improve our efficiency. Originally designed as a single initiative, now the BPS can be considered as the project that boosted the creation of the **Manufacturing Excellence Academy**, our development system for the factory of tomorrow. The BPS indeed has required a more complex framework that includes specific training to employees for the transition to a new way of working. After having launched the pilot project in EVO, in 2019 we have extended this methodology to the other two plants of the Discrete Manufacturing & Process Industries business unit.

By reducing the inefficiencies of the production process, we want to pursue continuous improvement and, simultaneously, the application of the "Zero Waste" philosophy. Equally important, the system enables us to realize accurate and detailed process measurements, as well as structured analysis. The system is focused on three main areas:

- > **Pillars structure** that encourages our corporate functions to strictly collaborate and enhance the overall business performance;
- > **Cost Deployment**, a production cost analysis method, that evidences critical areas in which to address energy and resources to better control and reduce factory costs;
- > **Improvement Projects** that aim at defining better opportunities based on improvement areas identified.

At Bonfiglioli, we believe that nobody knows our processes and improvement opportunities as good as our people. This is the reason why, the BPS has introduced key figures, such as the BPS Leader, the Team Leader, and the Team member, to engage all of them in detecting area of improvement or suggestions.



EMBRACING THE DIGITAL TRANSFORMATION

As part of our Digital transformation strategy, in 2018 our top management was involved in the **Bonfiglioli Digital Journey** and visited more than twenty companies around the world. During the visits, we observed the impact of several technologies on manufacturing, such as advanced robotics, additive manufacturing and 3D printing, augmented reality, big data and internet integration for continuous machine monitoring. Ended in spring 2019, the journey encouraged our top management to develop a Digital Roadmap that defines a series of initiatives to be implemented by applying classical Project management processes and the agile transformation methodology.

The agile transformation method is an interactive partnership between the organization and a multidisciplinary agile team, the so-called squad, that supports the business in pursuing its objectives. Continuous alignments between results and expectations permit to shape and design a personalized solution, sized on the organizations' features.



Our **Information Technology and Digital function**, that integrates the traditional IT department with an innovative Digital area, is also dedicated to the introduction of new technologies and solution for processes and products. In 2019, we created three Competence Centers: IIoT, Big Data and Artificial Intelligence, and E-commerce. Meanwhile, Bonfiglioli launched three waves of Agile Pilot Projects:

1ST WAVE

(JAN-APR 2019)

With the collaboration of the Agile team, we developed three different projects: two of them were addressed to improve end user's experience, by supporting clients in obtaining products information and easily identifying the best fit; the latter, developed for Bonfiglioli's internal workers, was aimed to understand the applications of additive manufacturing.

2ND WAVE

(APR-JUL 2019)

We launched a project focused on developing a platform that directly connects the entire supply chain, involving both internal functions and external partners. Moreover, a second initiative aimed to monitor forklifts to define their status and plan maintenance activities.

3RD WAVE

(FROM OCT 2019)

Managed by Digital Function experts, we designed a new tool to quickly evaluate the effects of potential changes in customers' orders, and, simultaneously, we developed a project to predict and control the maintenance of machineries.

Proud of the achieved results, we are convinced that the implementation of Digital Transformation is a strategic factor to face future challenges and maintain our excellence to better serve our customers.

The benefits of Agile pilot projects:



GREATER
EFFICIENCY

CREATIVITY AND
INNOVATION

PROACTIVE
COLLABORATIONS
BETWEEN TEAM
MEMBERS

CONTINUOUS
ALIGNMENT WITH
STAKEHOLDERS

SPREAD OF SKILLS
AND COMPETENCES

EXTENSION
OF PERSONAL
WORKING NETWORK

A BETTER INSIGHT
OF CORPORATE
CONTEXT



QUALITY

Product quality and end-user safety are always at the center of our development efforts throughout the entire value chain, from suppliers to customers. To generate value for our customers, we aim to design, manufacture, and supply effective products and services that represent a quality benchmark in the industry. Our **integrated Group Quality, Safety and Environmental (QHSE) Policy** encourages us in setting objectives at the corporate level to periodically monitor results.



SYSTEM CERTIFICATIONS

Inspired by the highest ethical and quality standards, the **Bonfiglioli Quality Management System** summarizes defined procedures and instructions to ensure continuous improvements and quality of our products, anywhere and at any given time. We have achieved the Quality Management System certification at the Group level: this means that most of our plants and branches are compliant with the Standard **ISO 9001:2015** (Quality management system) confirming our engagement to provide products that meet our customers' needs and regulatory requirements.



PRODUCT CERTIFICATIONS & DECLARATIONS OF CONFORMITY

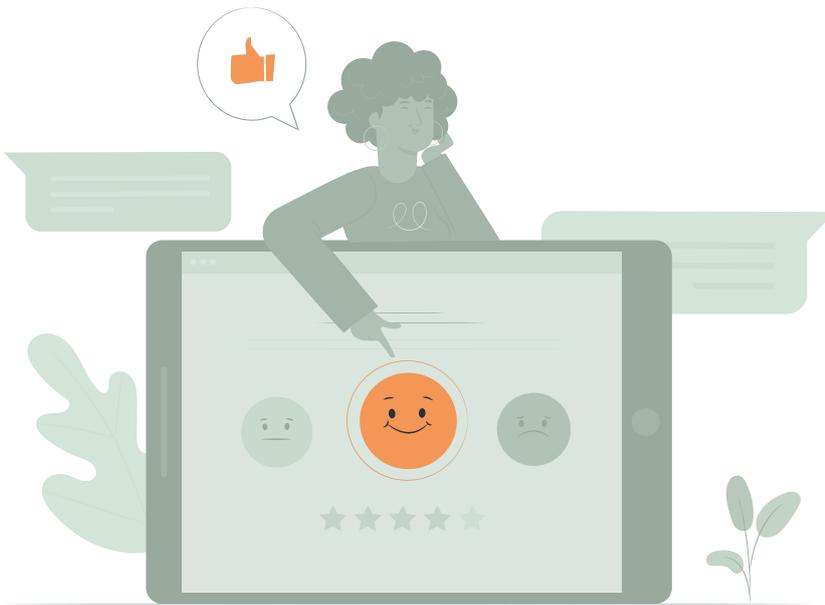
Moreover, 100% of our products, considering both commercial and customized solutions, are assessed based on potential health and safety risks in order to prevent any potential negative event. In fact, our solutions are designed in compliance with all applicable safety regulations. Additionally, our products are covered by **seven international certifications**, including the Restriction of Hazardous Substances, the CCC – China Compulsory Certification – and UL mark, the CE authorization for products sold within the European Economic Area.

BEST DISTRIBUTORS

With over 550 partners in 80 countries around the world providing ready-to-use products and after-sales services, industrial distribution has always been a key pillar of Bonfiglioli's business model, and a key business resource to best serve its customers. Thanks to a wide range of products and components and thanks to their technical expertise, Bonfiglioli's most qualified business partners – the **BEST distributors (Bonfiglioli Excellence Service Team)** – are able to assemble our products, rapidly meeting the needs of their customers, from support to start-up, after-sales service, and dedicated training. In 2019, Bonfiglioli decided to engage further with its BEST distributors, launching an **ambitious certification plan in cooperation with TÜV**, in order to offer the best to end users.

Always aspiring to the best, we ask our clients to complete a customers' satisfaction survey to obtain an external point of view regarding our performances. Through interviews and surveys, we collect information on what our clients consider to be our strengths and weaknesses, and we define main improvement areas.

Data regarding clients' satisfaction are collected every two years because surveys are organized in an alternative way for the several business units: precisely, in 2019 we have collected information on the D&P business unit, while, next year we will evaluate M&M and M&W. Gathering data with a time-gap of two years better evidences the results of adopted measures as a result of previous customer surveys.



In 2019 we conducted three different customer satisfaction surveys regarding **Original Equipment Manufacturer, distributors** and **BEST distributors**, involving 604, 94 and 78 customers respectively – that represent the 44% of our D&P 2019 sales. Among several KPIs, we monitor the Net Promoter Score (NPS) – an index that measures how likely our clients would recommend Bonfiglioli to a colleague.



NEW PRODUCTS TO BUILD A SUSTAINABLE FUTURE

Building a sustainable future for us means not only reducing the impacts of our internal processes but also working to make our products more sustainable. We provide added value to our customers and we continuously adapt to changing market conditions, economic scenarios, and environmental regulations: in the past few years we have been developing new products with a special focus on energy efficiency, recovery, and fuel consumption and emissions reduction. Moreover, with a market share of over 30% in wind turbine drives we are a global leader in this industry.

We offer our clients remote support and nonstop monitoring. Based on the collected data we can remotely access the machines and provide troubleshooting services and performance analysis. Moreover, our customers can rely on the information we gather through IoT technologies to define consumption parameters, set sustainability goals, and make informed decisions on environmental matters.

As a result, in the last years we have released many new innovative products that guarantee reduced environmental impacts of our products; a selection of the latest innovations is reported below.

DRIVING ENERGY EFFICIENCY AND EMISSION REDUCTIONS WITH THE POWER DRIVE SYSTEM

HIGH EFFICIENCY MEANS REDUCING ENERGY CONSUMPTION AND GHG EMISSIONS PRODUCTION

This year we released the new range of Bonfiglioli reluctance synchronous motors that are in high efficiency class (IE4) and guarantee the same size as the IE2 class induction standard motors.

The new motors have also been combined with the Active Cube frequency inverters with dedicated sensorless vector control, to develop a more efficient **Power Drive System**.

In comparison to conventional motor-frequency inverter solutions, the Bonfiglioli Power Drive System **enables the minimization of overall energy consumption in the different operation points**, with consequent consumption and emission reductions.

The installation of this solution on a pumping station (10 pumps, 1.5 kW each) gave brilliant results, **allowing our customer to save an estimated amount of 17,000 kWh compared to previous year** leading to significant economical savings and **emissions reduction**.

Overall, this solution is ideal for a wide range of industrial applications and it can be fully integrated in Industry 4.0 plants, thanks to the advanced drive digital connectivity and Bonfiglioli IOT platforms in combination with this Power Drive System.



THE INNOVATION THAT REGENERATES ENERGY

AEC: REGENERATING ENERGY TO DRIVE A MORE SUSTAINABLE FUTURE

Decades of experience in electronic industrial drives and renewable energy have enabled us to offer an effective solution for recovering braking energy: the new **Active Regenerative System inverters (AEC)**. In many electrically controlled industrial applications, inertia in moving mechanisms can drive electric motors as they act as brakes. They convert kinetic energy into electrical energy. In a regenerative process, this energy is returned to the grid, thus contributing to consumption and emission reductions.

The installation of AEC with our monitoring systems allowed one of our customers to quantify the amount of energy recovered: the **pilot installations recorded energy recovery in the range of 10%-50%**.



PRODUCTS THAT ENABLE RENEWABLE ENERGY PRODUCTION

ONE OUT OF THREE WIND TURBINES GLOBALLY USE A BONFIGLIOLI GEARBOX

For more than 30 years, the Group provided dedicated integrated solutions to wind industry. The result is a complete package dedicated to the wind sector which seamlessly enables the control of energy generation, from rotor blade positioning with a pitch drive to nacelle orientation with a yaw drive.

Our set of products for wind turbines sustains innovative ways of producing clean energy and helps our customers to contribute to a more sustainable world.

The **pitch drives** with permanent magnet electric motors are completely custom designed and they offer a flexible solution to wind turbine manufactures.

Our Yaw drive systems including mechanical gearbox, asynchronous induction motors and inverters provide a wide range of output torques and gearbox sizes, to offer a flexible solution to wind turbine manufactures. Recent new features like the integrated torque sensors and the torque limiter show that Bonfiglioli always think out of the box and continuously search for the most cost-effective solution.



GEARMOTORS FOR SUSTAINABLE MOBILITY

THE FUTURE OF MOBILITY: ELECTRIC VEHICLES

Having made sustainability one of the Group's focus **we developed a range of drive units specifically designed for hybrid and electric applications** that result in a **significant reduction in direct emissions.**

Over the years, in order to follow the trend of the market that favors more and more electric traction rather than the conventional internal combustion engine, we dedicated R&D resources to develop our offer. For example, in the material handling area, we have completed the development and validation of a complete range of planetary gearboxes for wheel drives application of counterbalanced and warehousing electric forklift trucks: our compact solutions are available with integrated electric motors and both dynamic service and parking brakes. Moreover, we use advanced simulation software for gear optimization which allows to minimize noise and maximize the efficiency.



ELECTRIC TRACTION UNIT FOR BATTERY POWERED VEHICLES AND LIGHT WEIGHT COMMERCIAL VEHICLES



Bonfiglioli is developing a range of versatile low noise differential transmission coupled to electric motors dedicated to all-electric, battery powered vehicles (BEV) such as small passenger cars, commercial vehicles and delivery trucks.

Our solution ensures more energy-efficient operations and extended autonomy from the battery, thanks to optimised, low backlash helical gears and high-speed bearings. Bonfiglioli's

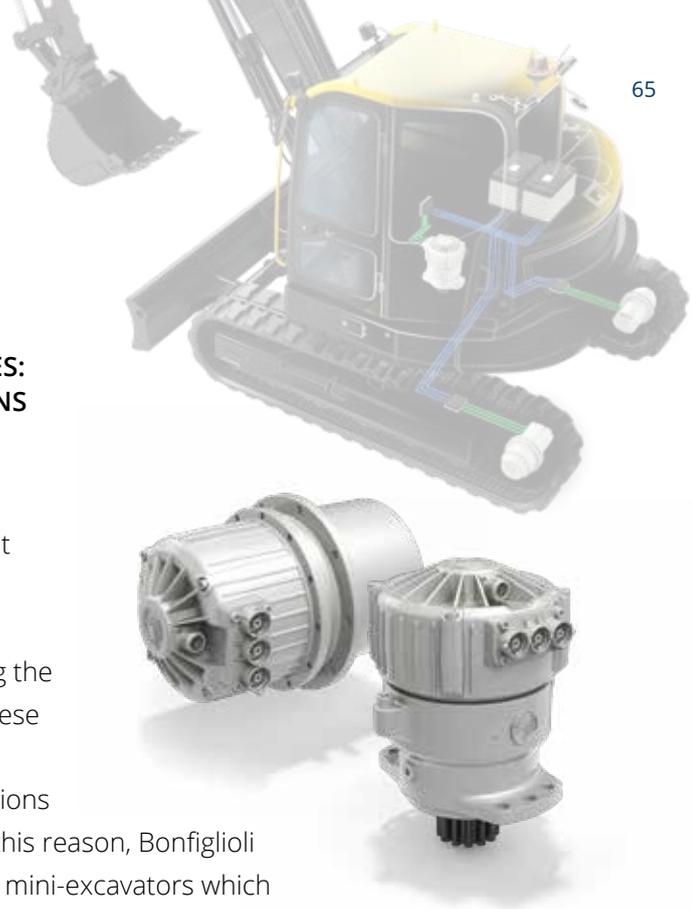
600D series drives are extremely scalable and modular thanks to the innovative design that allows to cover a wide range of required torques simply by coupling or decoupling reduction modules. Furthermore, a clutch system ensures that the maximum driving power is only available when necessary, thus significantly increasing overall efficiency.

SWING AND TRAVEL DRIVE FOR FULL-ELECTRIC MINI-EXCAVATORS

OUR ELECTRIC SOLUTION FOR EARTH MOVING MACHINES: REDUCED NOISE LEVELS AND ZERO DIRECT CO₂ EMISSIONS

In a few years we believe electromobility will become a real alternative, not only for privates, but also for companies and earth moving machines as well; in fact, all the most important manufacturers are betting on alternative propulsion and presenting prototypes in this sector.

The use of electric drives grants higher efficiency by reducing the Total Cost of Ownership and making maintenance easier. These solutions allow the machine to be operated inside enclosed environments with lower noise and no direct polluting emissions compared to traditional internal combustion machines. For this reason, Bonfiglioli is developing a range of slew and track drives for full-electric mini-excavators which are extremely compact to ensure the direct replacement of hydraulic gearmotors. High performance, including high torque in a compact space, is one of our portfolio's key benefits. Current emission regulations applied to the automotive industry are likely to be scaled up to heavy duty applications over the medium term. In fact, heavy duty vehicle manufacturers are eagerly seeking improvements in efficiency and are looking for solutions that can increase productivity and reduce the total cost of ownership for the end-user.



PROLONGING THE LIFE OF OUR PRODUCTS WITH A CIRCULAR APPROACH

When developing new products and innovations we focus on **guaranteeing backward compatibility** to sustain our customers' investments and to reduce the life cycle impacts of our products. Replacing only what is necessary to upgrade specific functionalities while retaining the basic provides significant life extension and has additional environmental benefits such as: minimization of waste production and natural resources (e.g. energy, raw materials, etc.) that go into the development of new products.

3.2

A RESPONSIBLE SUPPLY CHAIN

Our Strategic Purchasing team is responsible for managing our supply chain, analyzing current purchasing activities and forecasting future procurement trends, selecting the most appropriate suppliers and scouting new ones when necessary. Centrally, we are also managing the main commodity strategies for the entire group in alignment with business strategy.

In 2018 we began the process to centralize our purchasing activities including them in our corporate organization, to better exploit synergies and economies of scale. **Most of indirect purchases** (i.e. procurement of supplies and services not directly linked to the development of the product such as office supply, services and investments) **have been fully centralized**, while direct materials (i.e. acquisition of raw materials and goods for production) are managed between BUs and the Procurement department based on the strategic relevance of purchases

The corporate function is also working to create a global procurement portal to map and manage worldwide suppliers. Designed during the second wave of Agile projects, the project has the objective to design a digital platform in which suppliers will be able to directly communicate with Bonfiglioli, saving time and improving commercial relationships.

With the purpose of aligning procurement processes throughout the Group, in 2019 the Legal & Corporate Affairs and the Purchasing Department reviewed the terms of purchase and all the legal documents to further streamline procedures

To ensure a responsible management of the supply chain, the Group includes **suppliers among the addressees of the Group Code of Ethics and therefore they are expected to abide by its principles** which range from ethical behavior to environmental protection. Consequently, the General Conditions of Purchase have also been updated to formally include the reference to the Code.

*“The Group reserves the right to check that the Suppliers with whom its works operate in **compliance with the law and this Code of Ethics**; for this purpose, it includes a specific clause in its supply contracts to confirm that they have read this Code of Ethics and undertake to comply with the principles contained therein.”*

*“The Group forbids the Addressees from establishing business relations with suppliers who **employ children below the legal age in Italian law** and the laws of the place in which the work is performed.”*

Equally significant, we require our suppliers the highest standards on quality. This is the reason why we have established an internal supplier assessment that evaluates each vendor by considering several performance indicators, including its commercial level in terms of price variation, quality of the samplings delivered, and quality of the service provided in terms of time delivery. The vendor rating system is weekly updated to monitor procurement and to identify potential corrective actions; recently, the Group has been focusing on evaluating the **reliance of suppliers on Bonfiglioli**, in order to identify the cases of high dependence and to define a correct strategy to reduce potential risks.

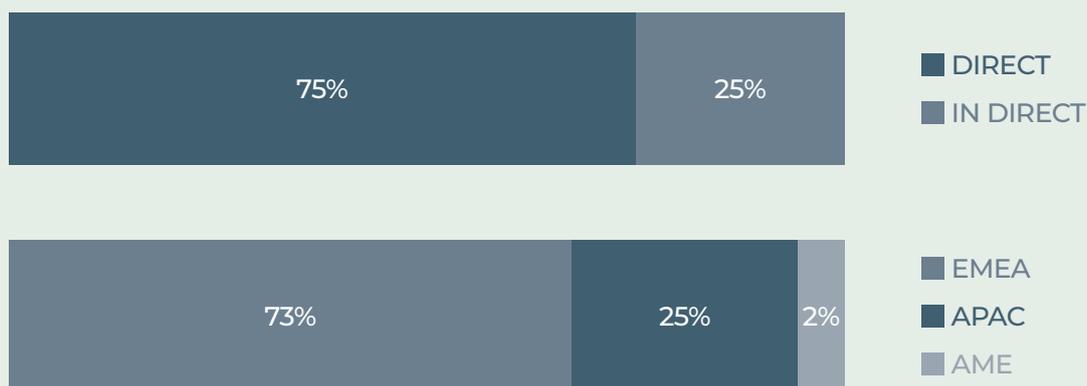
During the qualification process, **suppliers are required to provide several certifications** including the EU regulation **REACH** (Registration, Evaluation, Authorization and Restriction of Chemicals) and the EU Directive **RoHS** (Restriction of Hazardous Substances).

Since 2019, we also require statements from our suppliers on the **origin of goods purchased**, i.e. where they have been produced or manufactured, and we have introduced an internal platform to further keep track of the continuous updates of duties and regulatory frameworks globally. This process enables the Group to easily monitor where products originate and to identify those that have “preferential origin”, that is products originated in countries for which special trade arrangements and agreements are applied.

Considering our total expenditure, in 2019 we purchased around 680 million euros of goods and services. Of the total amount, 75% was connected to direct purchases which include, for example, raw materials such as aluminum, bronze, copper, and iron, and semi-finished products such as gears, mechanisms, bearings and electrical components.

From the geographical standpoint, most of our purchases were made to suppliers in the EMEA (Europe, Middle East & Africa) and Asia-Pacific (APAC) regions.

SUPPLIERS BY GEOGRAPHICAL DISTRIBUTION AND TYPE IN 2019 (% OF SPENDING)





ITALIAN SUPPLIER DAY 2020

In January 2020 we organized for all Italian suppliers a meeting in the new plant in Forlì during which we had the opportunity to share our strategy for a sustainable business growth.

While we are working on internal processes and procedure to improve our purchasing department, we recognize that trust and collaboration of our suppliers are essential to face future challenges together.



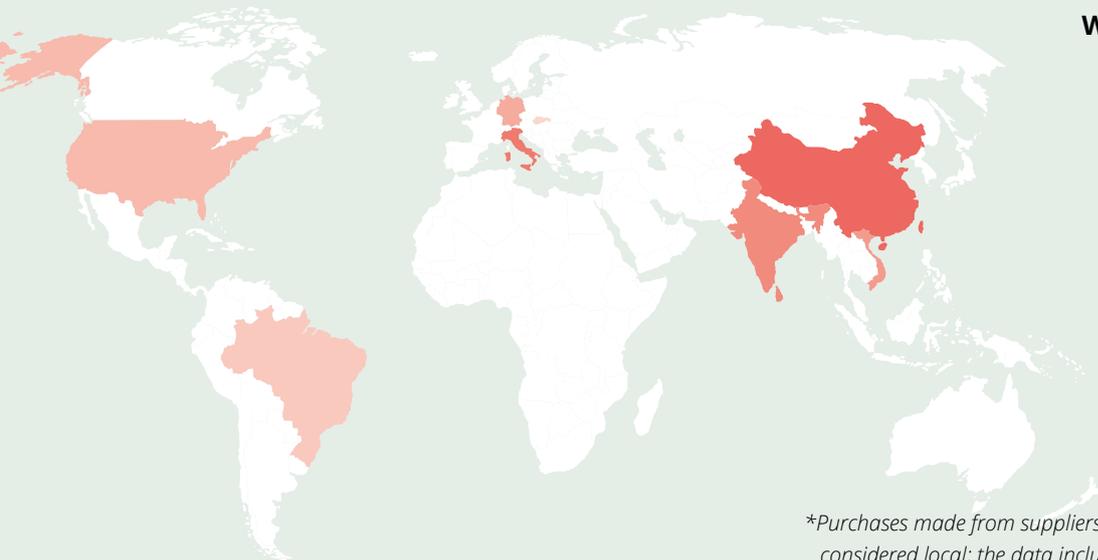
SUPPLIER DAY

Believing and encouraging long-term relationships, we want to support them in the transition towards a digital transformation and we are promoting reverse factoring. In difficult period, such as the Covid19 emergency, we have activated down payment to give them a concrete aid.

Everywhere we produce, we try to have a positive impact on the economies by choosing local sourcing whenever possible, with the aim of ensuring supplies to our production plants while stabilizing communities.

In the table below is reported the percentage of products purchased locally (data relating only to production plants): **in 2019, 90% of the raw materials and the components used in our Chinese branches were supplied locally; 82% in Italy and 79% in India.**

PROPORTION OF SPENDING ON LOCAL SUPPLIERS - 2019*



WORLDWIDE AVERAGE 71%

CHINA **90%**

ITALY **82%**

INDIA **79%**

VIETNAM **59%**

GERMANY **43%**

USA **36%**

BRAZIL **20%**

SLOVAKIA **8%**

**Purchases made from suppliers in the same country of the plant were considered local; the data includes only spending on direct materials.*

3.3

PRODUCTION DESIGNED TO PROTECT THE ENVIRONMENT

To realize the vision of our Group's Founder, Clementino Bonfiglioli, our daily work is also focused on contributing to building a better world. The environment, as well as the wellbeing of local communities, represents one of our fundamental priorities: this is why our efforts are dedicated to **reducing our environmental impact** during the design, development and manufacturing of our products.

Moreover, our **integrated Group Quality, Safety, and Environment (QHSE) Policy** ensures that our vision for sustainable development is well communicated in all our companies worldwide.

All of our Italian companies and two plants in Asia, Chennai (India) and Shanghai (China), have obtained the ISO 14001 environmental management system certification to reinforce our commitment to environmental protection.

This certification attests the implementation of an **Environmental Management System (EMS)** and is delivered by the International Organization for Standardization. The EMS is a framework that encourages companies in introducing best practices and processes to reduce the environmental impact of business-related activities, reaching continuous improvements in energy consumption, waste production, pollution prevention and compliance with laws and regulations.

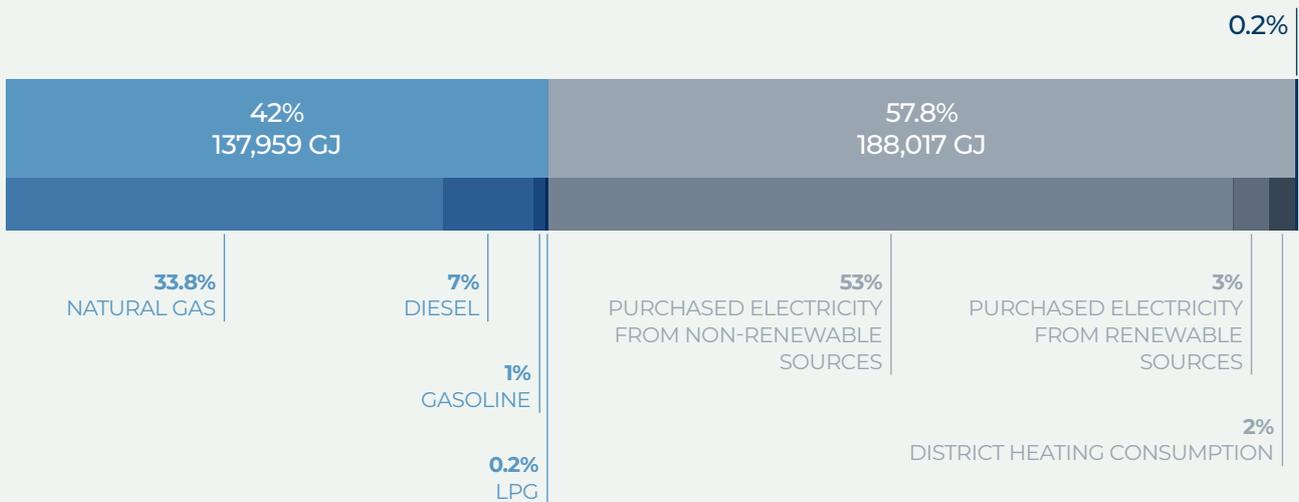
With the aim of reducing the impact of our activities, we are modernizing our industrial plants, installing modern machineries characterized by lower **energy consumption**, and integrating systems to generate clean energy, such as photovoltaic plants.

*The Bonfiglioli Group undertakes to **promote actions to guarantee sustainable development and environmental protection**, undertaking to support innovative product and service improvements offering environmental and social benefits. The Addressees of this Code of Ethics are bound to develop in-depth knowledge on the issues of sustainable global development and conservation of biodiversity, and to take initiatives to protect the environment in their everyday lives; they shall cooperate in the implementation of actions and projects promoting environmental protection.*

Code of Ethics,
Bonfiglioli Group

Thanks to energy efficiency measures implemented, we optimized our energy demand despite an overall growth in production: in 2019, we consumed 326,681 GJ of energy, slightly lower than the previous year (-1%).

2019 ENERGY CONSUMPTION



DIRECT ENERGY CONSUMPTION FROM NON-RENEWABLE SOURCES ■

INDIRECT ENERGY CONSUMPTION ■

ELECTRICITY FROM PHOTOVOLTAIC PLANTS GENERATED AND CONSUMED ■

The main energy sources used are electricity (55%), natural gas (35%) and diesel (7%). Natural gas is mainly used for heating and its reduction in 2019 is partially linked to less rigid weather conditions in several countries where we operate; on the other hand, diesel, gasoline and LPG are mainly used by owned and leased vehicles, forklifts and, in some cases, emergency generators.

Compared to the previous year, we observed a relevant reduction in energy consumption from non-renewable sources (-7%) – mainly due to a reduction of natural gas – and, simultaneously, a 6% decrease of purchased electricity.

We are continuously improving our efforts to use “Green” energy in our plants: in 2019, 2,465,565 kWh of the total amount of purchased electricity was produced by renewable sources, as attested by Guarantees of Origin (GOs). During the year, our photovoltaic systems in Germany and China produced 779 GJ of energy, of which the 88% was used in our plants while the remaining 12% was sold to the national electricity grid.

ENERGY CONSUMPTION [GJ]

	2017	2018	2019
Direct energy consumption from non-renewable sources	129,437	148,715	137,959
gasoline	2,559	3,532	2,491
diesel	19,372	23,184	21,766
natural gas	106,783	121,317	112,983
LPG	724	683	719
Indirect energy consumption	166,688	180,199	188,036
electricity purchased from the grid	58,842	170,642	181,025
<i>of which from certified renewable sources</i>	<i>8,543</i>	<i>8,976</i>	<i>8,876</i>
district heating consumption	7,846	9,557	7,011
Self-generated electricity from renewable sources	907	871	779
electricity from photovoltaic plants generated and consumed	786	698	686
electricity from photovoltaic plants generated and sold to the grid	121	172	93
Total energy consumption	296,911	329,612	326,681

To reduce our energy consumption, we have made direct investments in modern plants, machineries and equipment to reduce the environmental impacts of our operations. Indeed, our innovative production plants are designed with energy efficient technologies, high quality and safety standards, and all of them are equipped with solar systems, that are capable of responding to most of the energy demand. Since in 2019 we started the production in our two newest buildings, EVO and Forlì, we expect energy saving results to be observed in future years. For further information, see the box **OUR NEW GENERATION OF PLANTS**.

Moreover, we are conscious of the **greenhouse gases (GHGs) emissions** associated to our activities, and we are focused on reducing them: not only we are adopting innovative practices for energy efficiency, but we pursue the same goal when designing products for our clients.

In 2019, direct GHG emissions (Scope 1) from direct energy consumption represented around 27% of our total GHG emissions⁶, with a decrease of -6% with respect to previous year, mainly due to the reduction in natural gas consumption. Indirect energy emissions (Scope 2) accounted for about 73% of total GHG emissions, +2% compared to 2018, in line with the increase of electricity consumption in our offices and industrial plants.



(6) Considering the Location-Based method for the calculation of Scope 2 GHG emissions.

TYPES OF EMISSIONS

SCOPE 1 OR DIRECT GHG EMISSIONS

They result from sources that are owned or controlled by the company, for example, emissions from combustion of natural gas for heating and fuels for company vehicles.

SCOPE 2 OR INDIRECT GHG EMISSIONS

They account for the generation of purchased electricity and heating consumed by the company. Scope 2 emissions are calculated with two different approaches: Market-Based and Location-Based methods.

> **Market-Based:** takes into account the RECS (Renewable Energy Certificate System), which certificate the electricity purchased by the company from zero-emissions renewable sources. If the organization does not completely cover its electricity needs with RECS certificates, the remaining purchased quantity is associated to an emission factor that considers the national electricity production from thermoelectric plants.

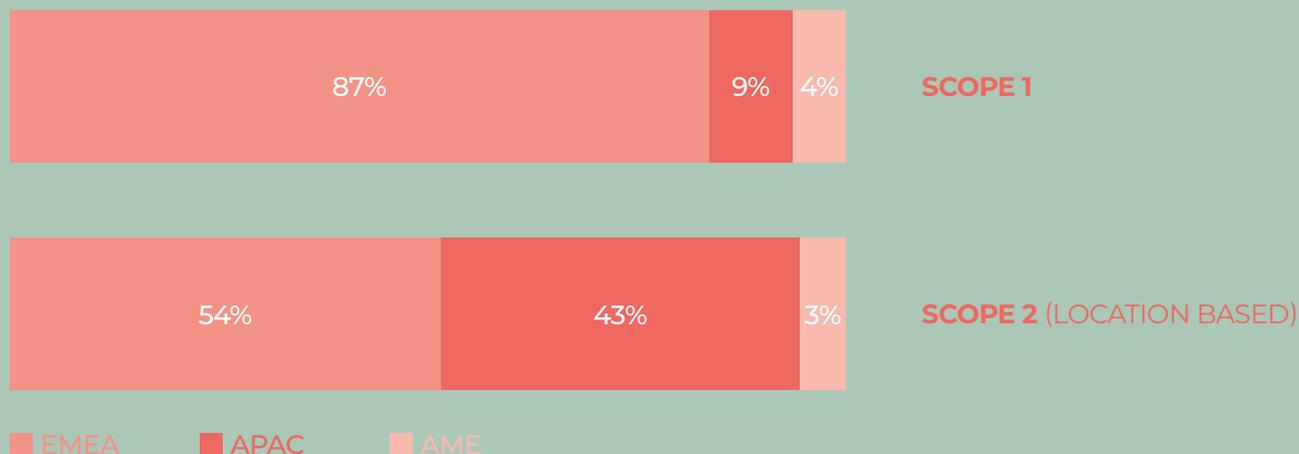
> **Location-Based:** emissions from purchased electricity and heating consumed are calculated based on the average emission factor associated with the national energy production mix.

EMISSIONS [TON CO_{2EQ}]

	2017	2018	2019
Direct (Scope 1) emissions	7,996	8,973	8,458
Indirect (Scope 2) emissions			
Market-Based	22,577	25,092	26,670
Location-Based	20,134	22,556	23,038

As regard to both Scope 1 and Scope 2, the majority of GHG emissions are linked to EMEA region consumption, since a relevant part of our production is located in Italy, Germany and Spain.

2019 GHG EMISSIONS PER REGION



Besides GHG emissions, our production process releases into the atmosphere not significant amounts of other air pollutants such as **nitrogen oxides (NOx), particulate matter (SOx), produced volatile organic compounds (VOC) and other pollutants.**

Our attention to reducing our environmental footprint also focuses on **waste production and disposal;** in fact, as a worldwide firm, we aim to raise awareness on correct waste management both among our employees and the external companies we partner with.

We are committed to minimize waste production during the manufacturing processes and to prefer, when possible, reusing and recycling as disposal methods. In 2019, we disposed 12,497 tons of waste, with a reduction of 4% compared to 2018; the majority of the waste disposed was non-hazardous (75%).

WASTE BY TYPE AND DISPOSAL METHOD [TONS]

	2017	2018	2019
Total waste by type	11,112	13,039	12,497
Hazardous waste	2,074 (18.7%)	2,600 (19.9%)	3,076 (25.9%)
Non-hazardous waste	9,039 (81.3%)	10,439 (80.1%)	9,422 (74.1%)
Total waste by disposal method	11,112	13,039	12,497
Reused or recycled	3,494 (31.4%)	3,832 (29.4%)	2,363 (20.3%)
Incinerated (including energy recovery)	5,931 (53.4%)	7,442 (57.1%)	7,895 (62.1%)
Sent to landfill	385 (3.5%)	707 (5.4%)	1,095 (8.6%)
Other	1,302 (11.7%)	1,058 (8.1%)	1,044 (9%)

BONFIGLIOLI NEW PLANTS: AN INNOVATIVE WORK CONCEPT FOR THE FUTURE

The decision of building new plants and renovating the existing ones reflects our commitment to contribute to a more sustainable world. Indeed, plants are built with **innovative energy-efficient solutions** with the aim of reducing our environmental impact. Furthermore, our new buildings are compliant with modern standards on health and safety and present the most recent technologies for production.

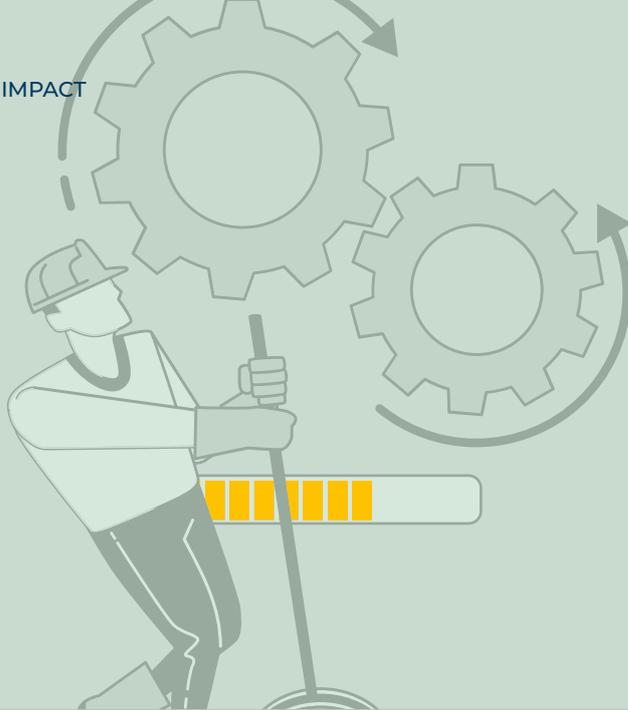


NEW ELECTROMOBILITY PLANT IN FORLÌ, ITALY

Inaugurated in December 2018, the new electromobility production line in Forlì, Italy, has been fully operative in 2019. Close to the already existing plant, the new facility covers an area of about 10,000 square meters and was built with the most modern environmentally-friendly solutions – including energy savings, full led lighting, a roof-top photovoltaic plant and heat recovery system. All together, we estimated that **these innovative solutions will allow yearly energy savings of approximately 1 MWh, equivalent to over 300 tons of CO_{2eq}**.

With the aim of creating flexible and optimized processes, and enhancing quality and productivity standards, we integrated the best of Industry 4.0 technology, such as collaborative robots, automated guided vehicles, sensors, and full data connection systems. The new building is dedicated to the production of electrical axles for powertrain and wheel drives of different sizes; it has the capability to manage 25,000 products per year of every different shape and sizes, with reduced machine set-up times.





ROVERETO, A NEW LOCATION

Located in the Polo Meccanica of Rovereto, since 2011 the Bonfiglioli Mechatronic Research combines the mechanical excellence developed by the Group in Emilia Romagna with the electronic expertise from Germany. In 2012 the first production unit in the Technology Hub of Via Zeni opened with 1,740 square meters of space and 14 employees and reached almost 100 employees by 2019. To better accommodate the significant growth of the site, in July 2018 work began on the construction of the new production plant in the expansion area of the Polo Meccatronica, intended to host all the Bonfiglioli activities including the production lines for new models of planetary gearboxes. Innovative projects will also be developed in the field of the Internet of Things.

Completed in 2019, the plant of Rovereto has been relocated in a new site of 6,000 sqm and is a "A class" building. The roof is covered by a 135kW photovoltaic system that satisfies about 80% of the whole plant's energy demand. In addition, we built solar panels to heat water, a water recovery system and a green roof on 15% of the surface. The plant has also a 350-kWh natural gas boiler and heating pumps; in addition, to reduce consumptions, the building is made by strong isolation construction materials.



- > **2011**
M²: 540 m²
EMPLOYEES: 3
TURNOVER: €328k
- > **2012**
M²: 1,740 m²
EMPLOYEES: 14
TURNOVER: €834k
- > **2016**
M²: 2,200 m²
EMPLOYEES: 63
TURNOVER: €12M
- > **2018**
M²: 6,000 m²
EMPLOYEES: 94
TURNOVER: €20M
- > **2019**
M²: 6,000 m²
EMPLOYEES: 99
TURNOVER: €22.2M





EVO, WELCOME DAY AND START OF PRODUCTION

Inaugurated on 18 April 2019, EVO – short for EVOLUTION – is the main Italian manufacturing plant and will soon become our new Group's headquarter. Just one year from the laying of the cornerstone in the Clementino Bonfiglioli site at Calderara di Reno, near Bologna, the building is completely operative: 400 employees work in a 35,500sqm building, which includes 1,700 sqm of D&P offices and 45,000 sqm of green areas and plants.e by strong isolation construction materials.



Thanks to the building structure, the high-performance energy system and the renewable energy production, EVO is a **Nearly Energy Zero Building**: this means that the plant produces almost the entire energy demand it requires. With the same attention to environmental standards, the Headquarter offices will shortly be built with a contemporary style, that mirrors our cultural and technological change – the Industry 4.0.

EVO is part of the Discrete Manufacturing & Process Industries business unit and serves the industrial machinery market with power transmission solutions, with a production capability of 1 million products per year. The entire supply chain has been optimized by the introduction of **robotics and IoT solutions**; for instance, digital technologies support employees in improving efficiency, speed and safety of internal processes. To better manage inbound and outbound packages, an **advance logistics** has been implemented: robots, autonomous vehicles, and Radio-frequency identification (RFID) of labels that permit to rapidly identify boxes and their products. In 2019, a pilot project was launched to extend RFID Technologies to 50 suppliers; the initiative was a success and will be extended to other 90 suppliers.

A special consideration has been given to employees' working quality life: from the green area used as recreational spaces, to the cafeteria and the canteen, where healthy lunches are daily served. Moreover, considering different working schedules, we offer bus transports for employees who live next to the dismissed plant of Vignola, Modena. Many initiatives, such as the **Welcome Day**, were organized to involve employees and make them active participants of our digital transformation. -





400
PEOPLE



SQM
35,500
PLANT



SQM
1,700
R&D



SQM
4.200
D&P OFFICES



SQM
45,000
GREEN AREA



1 M
PRODUCTS/YEAR

*The future is
in our hands.
We make
the difference!*

NEW OPENING IN VICTORIA, AUSTRALIA

We inaugurated our 30rd year in Australia by doubling the size of Victoria facilities. The new plant has dedicated area for Quality Assurance tests, a painting cabin and a service area for the maintenance and the exchange of used reconditioning.

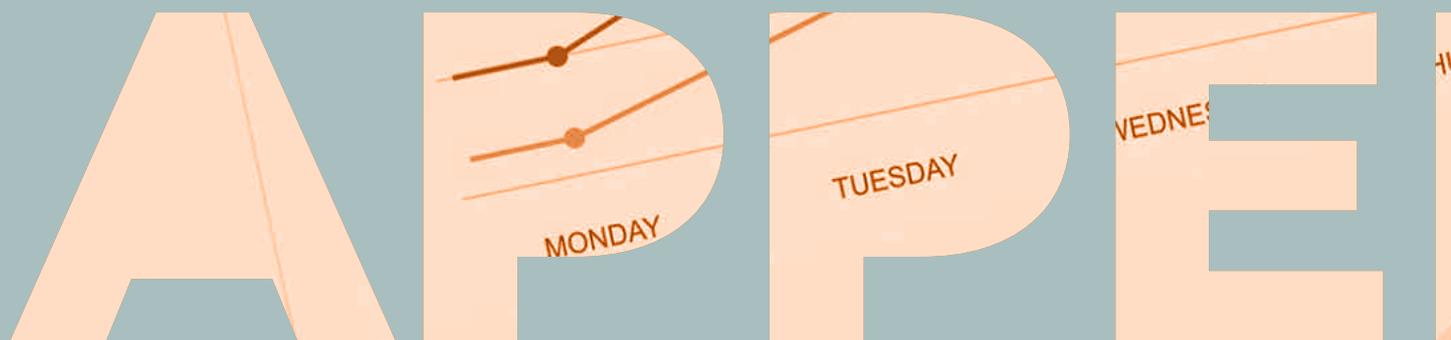


A NEW FACILITY FOR BONFIGLIOLI UK

The plants of Warrington and Redditch have been relocated in a 26,000sqm in Calver Quay Warrington. The new plant gathers assembly and storage operations through improved logistics, IoT systems and a better costumers' service.



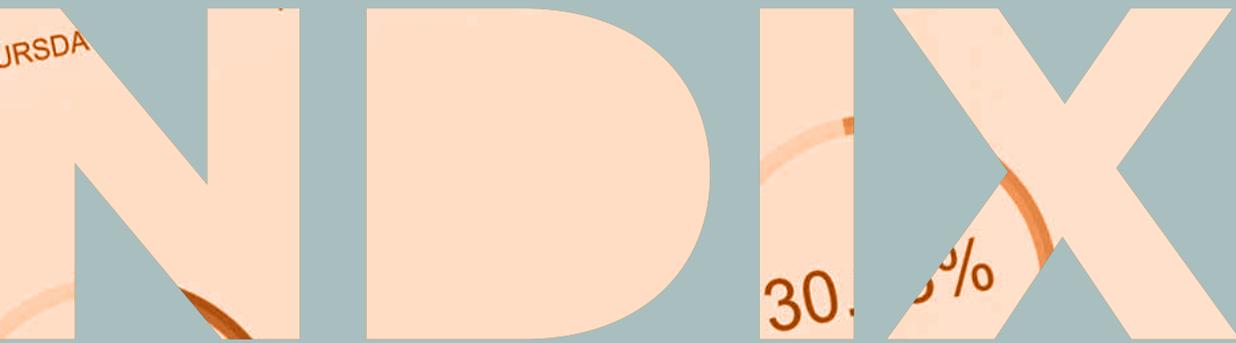
4.



APPRE

The image shows the word 'APPRE' in a large, orange, sans-serif font. The letters 'P' and 'R' are partially filled with a circular inset containing a line graph with two lines and two data points. The word 'MONDAY' is written in orange on the 'P' inset, and 'TUESDAY' is written in orange on the 'R' inset. The word 'WEDNES' is partially visible on the right edge of the 'E'.

INDEX

The word 'INDEX' is rendered in large, bold, orange letters. The letters are semi-transparent, revealing background elements from another page. On the left, the letters 'JRSDA' are visible. In the middle, the text '30.' and a percentage symbol '%' are visible. The background also shows faint orange circular patterns.

EMPLOYEES BY EMPLOYMENT CONTRACT

	2017	2018	2019
Employees with permanent contract	3,246	3,364	3,437
women	429	444	466
men	2,817	2,920	2,971
Employees with temporary contract	284	348	344
women	58	74	77
men	226	274	267
Total number of employees	3,530	3,712	3,781
Total number of women	487	518	543
Total number of men	3,043	3,194	3,238

	2017	2018	2019
Employees with permanent contract by region	3,246	3,364	3,437
Europe, Middle East & Africa	2,232	2,332	2,381
America	176	182	199
Asia-Pacific	838	850	857
Employees with temporary contract by region	284	348	344
Europe, Middle East & Africa	105	121	72
America	-	-	3
Asia-Pacific	179	227	269
Total number of employees by region	3,530	3,712	3,781
Europe, Middle East & Africa	2,337	2,453	2,453
America	176	182	202
Asia-Pacific	1,017	1,077	1,126

DIVERSITY OF EMPLOYEES BY CATEGORY, GENDER, AND AGE

	2017			2018			2019		
	Woman	Men	Total	Women	Men	Total	Women	Men	Total
Total number of employees	487	3,043	3,530	518	3,194	3,712	543	3,238	3,781
Executives & managers	20	158	178	20	161	181	21	156	177
White collars	339	1,305	1,644	363	1,382	1,745	386	1,444	1,830
Blue collars	128	1,580	1,708	135	1,651	1,786	136	1,638	1,774

	2017				2018				2019			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Total number of employees	585	2,116	829	3,530	630	2,280	802	3,712	643	2,302	836	3,781
Executives & managers	1	114	63	178	2	113	66	181	-	110	67	177
White collars	251	1,047	346	1,644	286	1,127	332	1,745	314	1,161	355	1,830
Blue collars	333	955	420	1,708	342	1,040	404	1,786	329	1,031	414	1,774

PERCENTAGE OF DIVERSITY OF EMPLOYEES BY CATEGORY, GENDER, AND AGE

	2017			2018			2019		
	Woman	Men	Total	Women	Men	Total	Women	Men	Total
Total number of employees	13,8%	86,2%	100%	14,0%	86,0%	100%	14,4%	85,6%	100%
Executives & managers	11,2%	88,8%	100%	11,0%	89,0%	100%	11,9%	88,1%	100%
White collars	20,6%	79,4%	100%	20,8%	79,2%	100%	21,1%	78,9%	100%
Blue collars	7,5%	92,5%	100%	7,6%	92,4%	100%	7,7%	92,3%	100%

	2017				2018				2019			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
Total number of employees	16,6%	59,9%	23,5%	100%	17,0%	61,4%	21,6%	100%	17,0%	60,9%	22,1%	100%
Executives & managers	0,6%	64,0%	35,4%	100%	1,1%	62,4%	36,5%	100%	0,0%	62,1%	37,9%	100%
White collars	15,3%	63,7%	21,0%	100%	16,4%	64,6%	19,0%	100%	17,2%	63,4%	19,4%	100%
Blue collars	19,5%	55,9%	24,6%	100%	19,1%	58,2%	22,6%	100%	18,5%	58,1%	23,3%	100%

NEW EMPLOYEE HIRES BY AGE, GENDER AND GEOGRAPHICAL AREA

	2017			2018			2019		
	Woman	Men	Total	Women	Men	Total	Women	Men	Total
Total number of new employee hires	55	418	473	105	521	626	92	467	559
<30 years old	35	305	340	40	253	293	42	227	269
30-50 years old	19	105	124	57	239	296	45	217	262
>50 years old	1	8	9	8	29	37	5	23	28

	2017		2018		2019	
	Women	Men	Women	Men	Women	Men
Total number of new employee hires	473		626		559	
Europe, Middle East, India & Africa	245		349		256	
America	57		59		85	
Asia-Pacific	171		218		218	

RATE OF NEW EMPLOYEE HIRES BY AGE, GENDER AND GEOGRAPHICAL AREA

	2017		2018		2019	
	Women	Men	Women	Men	Women	Men
Incoming turnover rate	11.3%	13.7%	20.3%	16.3%	16.9%	14.4%
<30 years old	7.2%	10.0%	7.7%	7.9%	7.7%	7.0%
31-50 years old	3.9%	3.5%	11.0%	7.5%	8.3%	6.7%
>50 years old	0.2%	0.3%	1.5%	0.9%	0.9%	0.7%

	2017		2018		2019	
	Women	Men	Women	Men	Women	Men
Incoming turnover rate	13.4%		16.9%		14.8%	
Europe, Middle East, India & Africa	10.5%		14.2%		10.4%	
America	32.4%		32.4%		42.1%	
Asia-Pacific	16.8%		20.2%		19.4%	

EMPLOYEE TURNOVER BY AGE, GENDER AND GEOGRAPHICAL AREA

	2017			2018			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Total number of employee turnover	53	419	472	73	371	444	66	424	490
<30 years old	16	122	138	20	120	140	16	129	145
30-50 years old	28	229	257	42	186	228	38	215	253
>50 years old	9	68	77	11	65	76	12	80	92

	2017		2018		2019	
	Women	Men	Women	Men	Women	Men
Total number of employee turnover	472		444		490	
Europe, Middle East, India & Africa	205		233		256	
America	53		53		65	
Asia-Pacific	214		158		169	

RATE OF EMPLOYEE TURNOVER BY AGE, GENDER AND GEOGRAPHICAL AREA

	2017		2018		2019	
	Women	Men	Women	Men	Women	Men
Outgoing Turnover rate	10.9%	13.8%	14.1%	11.6%	12.2%	13.1%
<30 years old	3.3%	4.0%	3.9%	3.9%	2.9%	4.0%
31-50 years old	5.7%	7.5%	8.1%	8.1%	7.0%	6.6%
>50 years old	1.8%	2.2%	2.1%	2.1%	2.2%	2.5%

	2017		2018		2019	
	Women	Men	Women	Men	Women	Men
Outgoing Turnover rate	13.4%		12%		13%	
Europe, Middle East, India & Africa	8.8%		9.5%		10.4%	
America	30%		29%		32%	
Asia-Pacific	21%		15%		15%	

HOURS OF TRAINING OFFERED BY GENDER AND CATEGORY

	2017	2018	2019
Total hours of training	40,602	49,937	70,143
Women	9,782	9,699	16,802
Men	30,820	40,238	53,341

	2017	2018	2019
Total hours of training	40,602	49,937	70,143
Executives & managers	6,546	6,439	7,261
White collars	20,074	28,433	27,320
Blue collars	13,983	15,065	35,562

	2017	2018	2019
Average hours of training	12	13	19
Women	20	19	31
Men	10	13	16

	2017	2018	2019
Average hours of training	12	13	19
Executives & managers	37	36	41
White collars	12	16	15
Blue collars	8	8	20

METHODOLOGY

This document is the first Sustainability Report of Bonfiglioli Group and it has been drawn up with the purpose of communicating, in an increasingly more transparent manner, the company's commitment to sustainable development, and its adherence to a business model that respects the social, environmental and economic reality in which the company operates.

THE CONTENTS OF THE REPORT AND THE METHODOLOGY APPLIED

This Report refers to financial year 2019 (from 1 January to 31 December) and will be published annually. The document is written in compliance with the GRI Sustainability Reporting Standards (hereinafter GRI Standards), Core option. The scope of the Sustainability Report 2019 includes the parent company (Bonfiglioli Riduttori S.p.A.) and its subsidiaries, consolidated on a line-by-line basis, also identified in the text as "Bonfiglioli", "The Group" or "Bonfiglioli Group". In accordance with the principles of the GRI Standards, this Report covers the material topics that emerged from the materiality analysis as described in the following sections.

OUR STAKEHOLDERS

Our Sustainability Report represents a demonstration of accountability to our stakeholders and therefore the drafting process started with the definition of the main Group stakeholders.

To identify the main stakeholders, the company carried out an analysis that saw the involvement of the corporate top management and led to the definition of **11 most relevant categories**; this selection includes stakeholders that can influence or be influenced by Bonfiglioli.



With each of these categories, Bonfiglioli uses different communication channels as summarized in the following table:

STAKEHOLDER CATEGORY	FREQUENCY	MAIN COMMUNICATION CHANNELS
Employees	Ongoing	Training activities; performance management; company portal
Suppliers	Periodic	Suppliers qualification and audit; one-to-one meetings; e-mail/phone calls
Customers	Periodic	Trade Exhibitions; meetings and visits; audit and evaluation by clients
Trade associations	Periodic	Meetings and events; Newsletter
Local communities	Periodic	Conversation and participation in local associations
Investors	Periodic	One-to-one meetings with investors
Shareholders	Periodic	Shareholders' meetings
Partners & Distributors	Periodic	Distributors' audit and qualification; one-to-one meetings; e-mail/phone calls
University and research center	Periodic	Open days; collaboration in research projects and education
Competitors	-	Indirect communication channels
Trade Unions	Periodic	Meetings and events

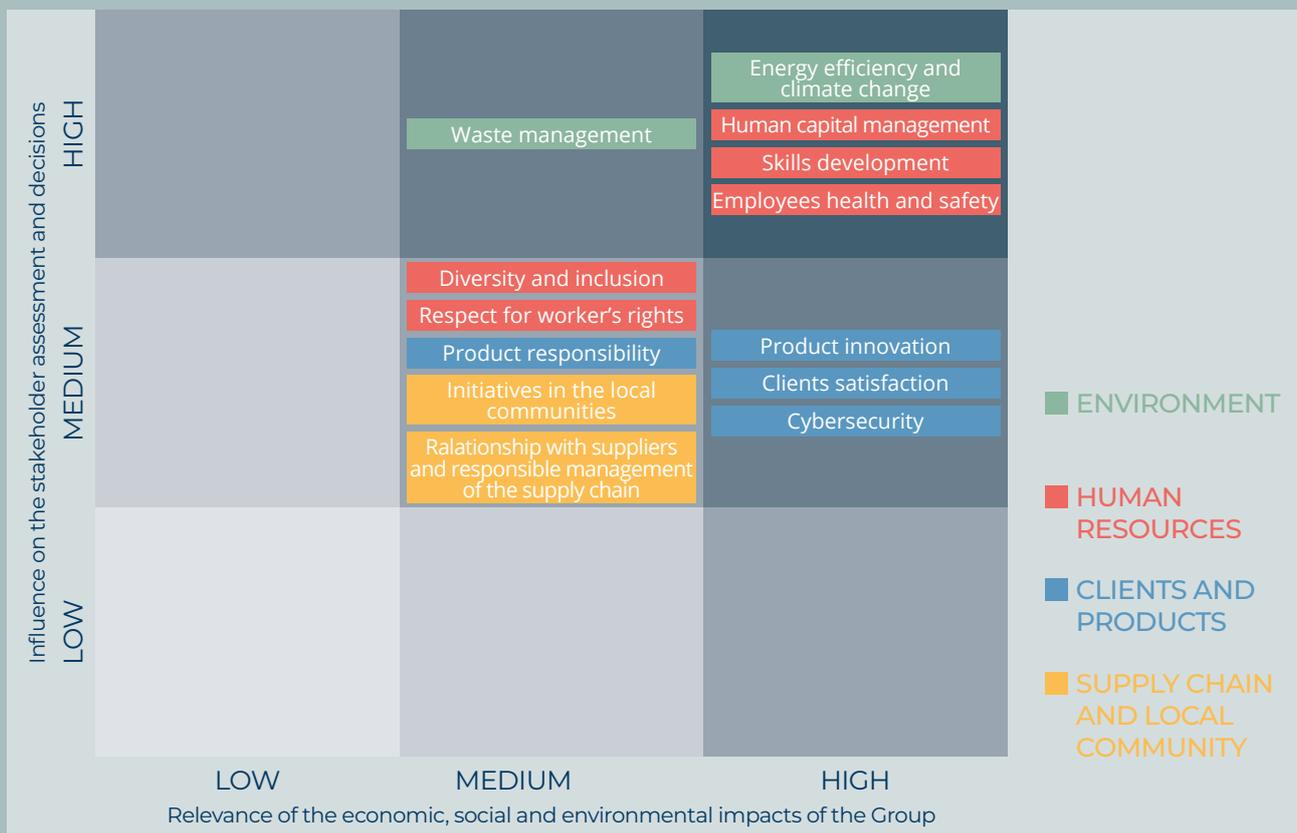
MATERIALITY ANALYSIS

To define the contents of the Report, we carried out our first materiality analysis which enabled us to identify the material topics: those themes that have a strong influence on the evaluations and decisions of the stakeholders and major importance in terms of economic, social and environmental impacts of the organization. The process comprised of two phases:

- 1. Identification of the potentially relevant topics:** the Group analyzed a series of sources to identify 19 themes that could potentially be relevant; the sources investigated were:
 - sustainability trends at global level based on the most important guidelines for sustainability reporting and ESG ratings;
 - sector trends which include the sustainability aspects that emerged as relevant for the Bonfiglioli sector of reference;
 - benchmarking analysis on sustainability reporting best practices developed by players operating in comparable sectors to Bonfiglioli;
 - media analysis on sustainability topics that covered news regarding Bonfiglioli.
- 2. Prioritization of the relevant topics:** the relevance of each sustainability aspect for the main stakeholders was assessed based on the results of the analyses previously described; the relevance of each sustainability aspect for the Group was defined by the top management during the materiality analysis meeting.

The results of these analyses led to the first materiality matrix of Bonfiglioli as shown below:

MATERIALITY MATRIX



Moreover, the topics “Fight against corruption”, “Compliance with economic, environmental and social regulations” and “anticompetitive behavior”, have not been included in the Materiality Matrix because they are considered imperatives for our daily business activities and therefore always considered as relevant.

CORRELATION TABLE AND SCOPE OF MATERIAL TOPICS

SCOPE	MATERIAL TOPIC	GRI TOPIC-SPECIFIC DISCLOSURES	IMPACT BOUNDARY		BOUNDARY LIMITATIONS
			INTERNAL	EXTERNAL	
Supply chain and local community	Initiatives in the local communities	GRI 201: Economic performance	Bonfiglioli Group		
	Relationship with suppliers and responsible management of the supply chain	GRI 204: Procurement practice	Bonfiglioli Group		
Environment	Energy efficiency and climate change	GRI 302: Energy	Bonfiglioli Group		
		GRI 305: Emissions	Bonfiglioli Group		
	Waste management	GRI 306: Effluents and waste	Bonfiglioli Group		
Human resources	Human capital management	GRI 401: Employment	Bonfiglioli Group		
	Employees health and safety	GRI 403: Occupational health and safety	Bonfiglioli Group	External workers; Suppliers	Reporting partially extended to suppliers
	Skills development	GRI 404: Training and education	Bonfiglioli Group		
	Diversity and inclusion	GRI 405: Diversity and equal opportunities	Bonfiglioli Group		
		GRI 406: Non-discrimination	Bonfiglioli Group		
	Respect for workers' rights	GRI 402: Labor/Management Relations 2016	Bonfiglioli Group		
Customers and product	Product responsibility	GRI 416: Customers health and safety	Bonfiglioli Group		
	Clients satisfaction	GRI 103: Management approach	Bonfiglioli Group		
Suppliers, Clients, Employees	Product innovation	GRI 103: Management approach	Bonfiglioli Group		
	Cybersecurity	GRI 103: Management approach	Bonfiglioli Group Suppliers, Clients, Employees		

QUALITY ASSURANCE PRINCIPLES FOR THE SUSTAINABILITY REPORT

This Report has been prepared in accordance with the GRI's reporting principles for defining report quality (accuracy, reliability, clarity, comparability, balance, timeliness) with the objective of giving a balanced picture of the Group activities and impacts; the data presented have been collected and elaborated with the assistance of a consulting company and validated by the top management.

CALCULATION CRITERIA

The methodology used for calculating the quantitative indicators reported in this Sustainability Report are listed below.

The energy consumption of Bonfiglioli Group (electrical energy, natural gas, diesel, petrol) has been calculated in Gigajoules (GJ). The conversion factors used to standardize energy consumption comes from the table **"UK Government GHG Conversion Factors for Company Reporting - fuel properties"** published by **"Department for Environment, Food, and Rural Affairs" (DEFRA) published in 2017, 2018 and 2019.**

Data concerning electricity from renewable sources include self-produced energy from renewable sources and energy purchased from certified renewable sources according to the applicable regulations.

For the calculation of direct GHG emissions (Scope 1), which are calculated in CO₂ equivalent, the following sources were used for emission factors:

- Fuels (petrol, diesel, natural gas, LPG, refrigerant gas): the most recent version of the **"UK Government GHG Conversion Factors for Company Reporting"** publishing by "DEFRA" for 2017, 2018 and 2019.

For the calculation of indirect GHG emissions (Scope 2) the following sources were used for the emissions factors:

- Location-based calculation method: factor proposed by the publication "International comparison" published by **"TERNA" for the years 2017 and 2018.**
- Market-based calculation method: factors used came from **"Association of Issuing Bodies - European Residual Mixes 2017 and 2018"**
- Emissions of Scope 2 are calculated in tons of CO₂. However, considering the negligible amount of methane (CH₄), nitrous oxide (N₂O) and ozone (O₃) on the overall Scope 2 emissions, the value is expressed in Carbon Dioxide equivalent (CO_{2eq}), in line with Scope 1 emissions.

As regard the employee and health and safety indexes:

- The rate of work-related injuries is the relationship between total number of accidents and the total number of hours worked, multiplied by 1,000,000;
- The rate of high-consequence work-related injuries is the relationship between the total number of high-consequence work-related injuries and total worked hours by all employees during the year multiplied by 1,000,000;
- The calculation of rate of employee hires is obtained by dividing the number of employees hired by the total number of employees, multiplied by 100

GRI CONTENT INDEX

GRI STANDARD	DISCLOSURE	DESCRIPTION	PAG. NUMBERS/NOTES	OMISSIONS
GRI 102 – GENERAL DISCLOSURE 2016				
Organizational Profile	102-1	Name of the organization	Cover	
	102-2	Activities, brands, products, and services	8, 14-17	
	102-3	Location of headquarters	19	
	102-4	Location of operation	18-19	
	102-5	Ownership and legal form	20-21	
	102-6	Market served	15-17	
	102-7	Scale of the organization	24-25, 32, 53, 80-81	
	102-8	Information on employees and other workers	32-36	
	102-9	Supply Chain	66-68	
	102-10	Significant changes to the organization and its supply chain	66-68	
	102-11	Precautionary Principle or approach	60-61	
	102-12	External initiatives	27-29	
	102-13	Membership of associations	29	
Strategy	102-14	Statement from senior decision-maker	2	
Ehtics and integrity	102-16	Values, principles, standards, and norms of behavior	8-9, 22-23	
Governance	102-18	Governance structure	20-21	
Stakeholder engagement	102-40	List of stakeholder groups	85-86	
	102-41	Collective bargaining agreements	36	
	102-42	Identifying and selecting stakeholders	85-86	
	102-43	Approach to stakeholder engagement	86	
	102-44	Key topics and concerns raised	61, 85-86	
Reporting Practice	102-45	Entities included in the consolidated financial statement	18-19	
	102-46	Defining report content and topic Boundaries	85	
	102-47	List of material topic	87-88	
	102-48	Restatements of information	This is the first Report of the Group	
	102-49	Changes in reporting	This is the first Report of the Group	
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	103-3	Evaluation of the management approach	22-23	
GRI 205: Anti-corruption 2016	205-3	Confirmed incidents of corruption and action taken	23	
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	103-2	Management approach	69-71	
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GRI 401: Employment 2016	401-1	New employee hires and employee turnover	35-36, 82-83	
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GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	87-88	
	103-2	Management approach	32-36	
	103-3	Evaluation of the management approach	32-36	
GRI 402: Labor/Management relations 2016	402-1	Minimum notice periods regarding operational changes		36; The Group did not define minimum notice period for operational changes, however, it undertakes to promptly communicate any changes in compliance with local legislation.
OCCUPATIONAL HEALTH AND SAFETY				
GRI 103: Management approach 2016	103-1	Explanation of the material topic and its Boundary	87-88	
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GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	43-47	
	403-2	Hazard identification, risk assessment, and incident investigation	43-47	
	403-3	Occupational health services	43-47	
	403-4	Worker participation, consultation, and communication on occupational health and safety	43-47	
	403-5	Worker on training and occupational health safety	39, 43-47	
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	103-3	Evaluation of the management approach	32-36	
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	103-3	Evaluation of the management approach	60-61	

For more information about this Report:

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We have a relentless commitment to excellence, innovation and sustainability. Our team creates, distributes and services world-class power transmission and drive solutions to keep the world in motion.

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