



# SUSTAINABILITY REPORT





20

# SUSTAINABILITY REPORT



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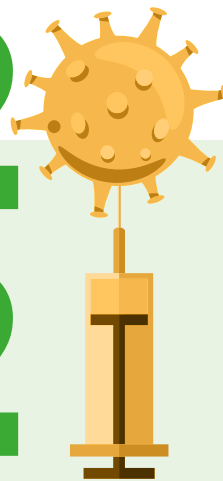
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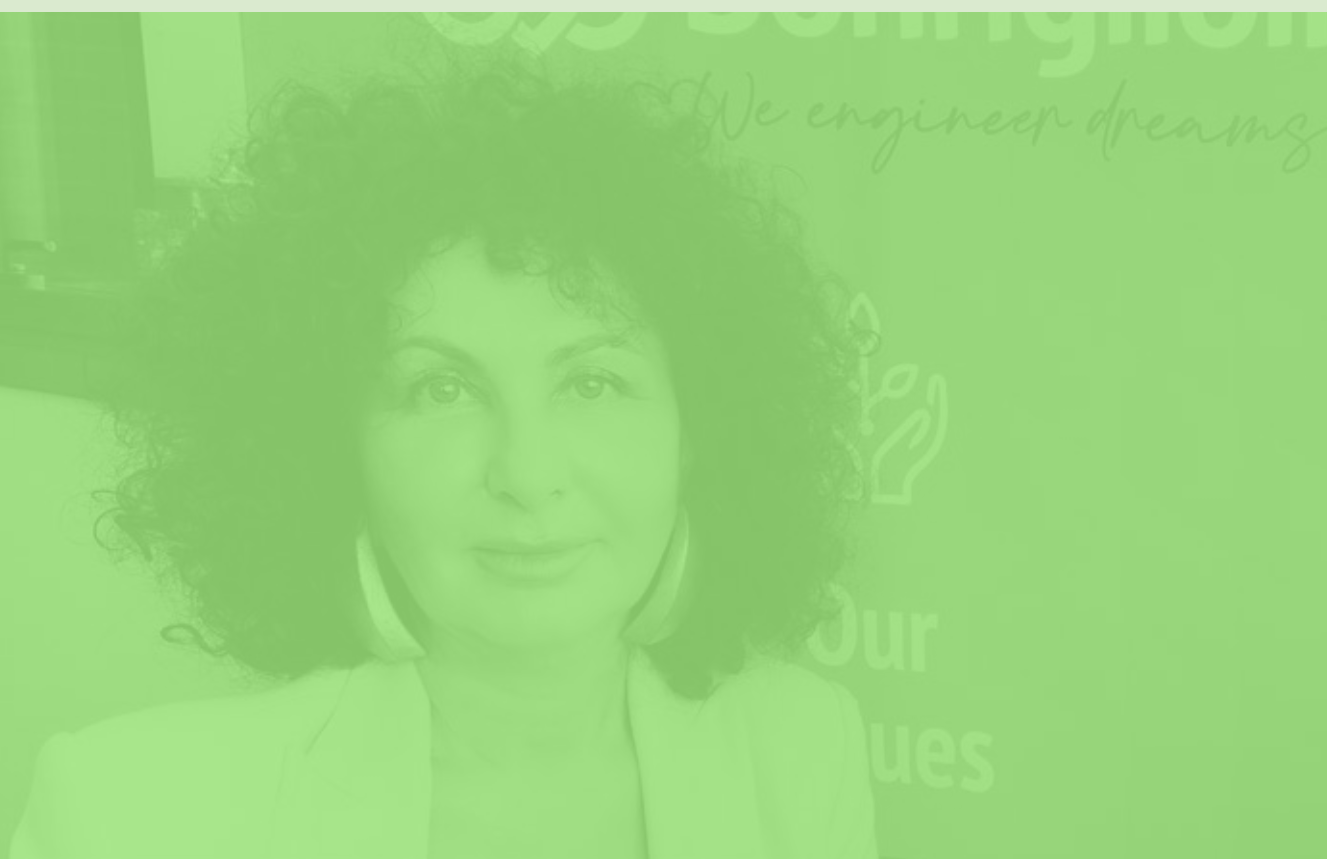


202

202



# A MESSAGE FROM OUR CHAIRWOMAN



## Dear Readers,

As I present the **Bonfiglioli Group's new Sustainability Report**, I confess to feeling particularly proud. As you know, our belief in social and environmental responsibility has long been a key part of our mission and our DNA, and this has remained true despite the tragic global problems of 2020 and 2021: sustainability and health are priorities. This is why we want to explain once again how for us business and responsibility are inseparable.

On the one hand, Bonfiglioli is a market leader in a whole constellation of personalized solutions, from gearmotors to drive systems and from planetary gearboxes to inverters, but on the other hand our drive comes from personal passion, innovatory courage and belief in human excellence. We work in over 80 different nations, and these differences stimulate a flexible approach to challenges and changes. Today we have decided – through this Report – to enthusiastically share our vision of what Sustainability means, and our efforts to implement it proactively. Why? Simply because we believe that Transformation and Sustainability must always go hand in hand.

Our varied social initiatives are inspired by one man: our founder, Clementino Bonfiglioli. He deeply believed that helping to form and train tomorrow's leaders creates a better future for them and for the communities where they live. Following his path and heritage, today we create social processes on a worldwide scale, based on three pillars: youth, STEM-orientated education, and territorial development. Our value-empowered commitment is global, and has grown over the years. Responsibility equals Sustainability, in our business and above all in all our local communities.

**Bonfiglioli was founded in 1956, and Change has been constant ever since. This has led to Industry 4.0 becoming part of our everyday business, and naturally, we want our women and men to feel part of the transformations underway. The Bonfiglioli Digital Re-Training program was a pilot project launched in 2017, which in 2019 was extended to cover all our personnel, offering skills and mindsets to navigate towards tomorrow. Our people are our strongest asset – so we invest in their careers through specialized talent development courses, plus welfare programs and individual benefits recognizing their worth. The arrival of Covid has led our people to increasingly use online courses on a global level, so they can learn in comfort, while developing their personal aspirations; this is what we call the Bonfiglioli Academy, the evolution of our Digital Re-Training program.**

Worldwide business means Sustainable behavior towards our employees worldwide and also – in terms of production – Sustainable behavior towards the Environment. We have undertaken bold moves to new work sites or to regenerate already operative plants, applying latest generation solutions on efficiency and on renewable energy. Several strategic projects were completed in 2019: opening the expanded plant in Forlì, completing the new Mechatronic Research plant in Rovereto, and finishing the magnificent EVO complex. In EVO in particular, everything is Sustainable: a **Nearly Zero Energy Building with close to zero energy consumption and a truly minimal environmental footprint.**

Our commitment to human and environmental Sustainability constantly stimulates us to create new products: promoting energy efficiency, energy recovery, natural resources, and the spread of wind and electric industries.

Like the rest of the world, we faced immense challenges in 2020, and face them still, so we don't intend to celebrate here our 2019 results. Instead, despite the difficulty of predicting ongoing developments, we are totally determined to reinforce our commitments towards society and the environment.

**Personally, I believe that positive changes will overcome the negative ones, and that a more sustainable and environmentally friendly world will emerge during our ongoing evolution. And I believe that skill and conviction will build our roads to personal and corporate success. And that accelerating STEM developments will trigger challenges which we must face with humility as well as determination, challenging ourselves to learn new abilities. Bonfiglioli means Commitment, Humanity and Drive. The future is unsure and unpredictable? We look ahead with confidence, ready to continue our contributions to forging the New Normal of our Future – and yours.**

## Forever Forward



# 2020 HIGHLIGHTS

## OUR WAY



### 20 BRANCHES, 13 PLANTS & 550 DISTRIBUTORS

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



### GROUP CODE OF ETHICS

In 2020, all the Italian suppliers accepted our revised General Purchasing Conditions that include the direct reference to the Code of Ethics



### SUPPORTING WORLDWIDE PROJECTS

We carried on the initiatives for local communities, fostering youth education, culture and health

## OUR PEOPLE



### 3,804 OUR WORLDWIDE BONFIGLIOLI FAMILY

### 90% EMPLOYEES HAVE A PERMANENT CONTRACT

### 41,884 OVERALL HOURS OF TRAINING



### BONFIGLIOLI ACADEMY

a new digital platform dedicated to all our people that offers courses and the possibility of accessing a library with external contents



### INTERNATIONAL MOBILITY

to offer a concrete opportunity for personal and professional development

## OUR IMPACT



### R&D COLLABORATIONS

We collaborate with schools, Universities and Institutions and proudly coordinated the IoTwins, one of Horizon 2020's most important European projects



### BONFIGLIOLI E-COMMERCE

A new way to better serve our customers beginning in U.S. and Canada



### 1.726.053 kWh PRODUCED BY OUR PHOTOVOLTAIC PANELS

that have been consumed in our plants



### INAUGURATION OF THE EVO'S OFFICES AND TEST LAB

Moreover, also the PV system of the plant became active

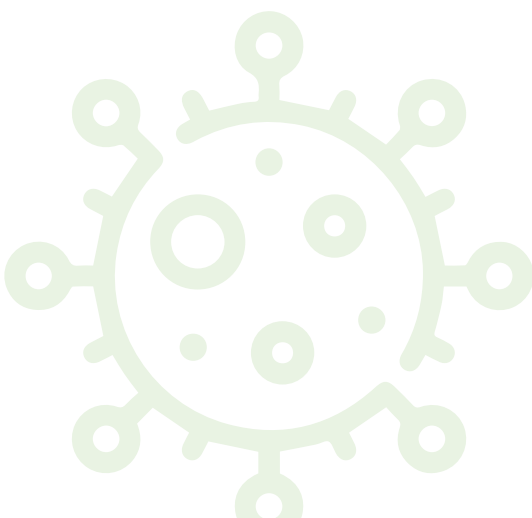
## COVID-19

The pandemic situation challenges us as singular and as a Group worldwide. As always happens in difficult situations, we had the possibility to improve ourselves, reaffirming our commitment towards society and the environment.



## A TRIBUTE FOR OUR INSPIRING FOUNDER CLEMENTINO BONFIGLIOLI

In 2020, on his birth anniversary, we celebrated our Founder, Clementino Bonfiglioli, naming for him the street leading to the entrance of our EVO plant.



## NEW PAYOFF

From now on, **"We Engineer Dreams"** will synthetize our mission and the meaning of our path.

This claim implies a double meaning: our desire to support our customers in realizing their projects and also, our commitment to be the place where people who live in Bonfiglioli can professionally realize their dreams"

To achieve the objectives and generate the impacts we plan to bring about, we follow four main values: we strengthen our accountability, accepting the challenge to overcome limits through innovative ideas, and we promote a culture of respect and valorization of diverse experiences, backgrounds and talents, with the aim of winning together as a team.

## PRIZES AND AWARDS

- > **CAPO D'ORLANDO:** The Group chairwoman was awarded among the six women who have played a key role in the scientific, cultural, and industrial field in the world by the Capo d'Orlando Commission
- > The Economic Times recognized to Bonfiglioli India as Geared Drive Manufacturing Leader by attributing **BEST BRAND AWARD**
- > Bonfiglioli China received the following awards during 2020:
  - "Top 100 Outstanding Enterprises" and "Outstanding Talent Team Award for Innovation and Entrepreneurship" in the Qingpu district
  - "Top 20 enterprises for industrial revenue" and "Tax contribution" in the Qingpu industrial area
  - "AAA Enterprise Credit Grade" by the China Construction Machinery Association
  - "Excellent Supplier" from XCMG Foundation
  - "Excellent Supplier" from Shanghai Zoomlion
  - "Excellent Quality Star" from Beijing SANY



1.

# OUR WAY

A STORY OF  
CONTINUOUS  
EXCELLENCE





## 1.1

## MISSION AND VALUES

At the basis of Bonfiglioli's success there are two main pillars: the values we share and our people.

Even during this challenging and difficult year, thanks our solid roots and a forward-looking approach, we improved the capability of understanding and promptly provide solutions to evolving markets, technologies, and clients' needs.

We are daily fostered by **innovation** and thanks to a team of professional women and men, dedicated and passionate, we grant the **excellence** of cutting-edge products. Constantly inspired by our people, we underline our commitment to **sustainability** by generating positive social development within the communities we operate in and, at the same time, to reduce environmental impacts.



# OUR MISSION

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

## OUR VALUES

In our daily operations, we are guided by four main values – challenge, respect, accountability, winning together – which inspire us.



### 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

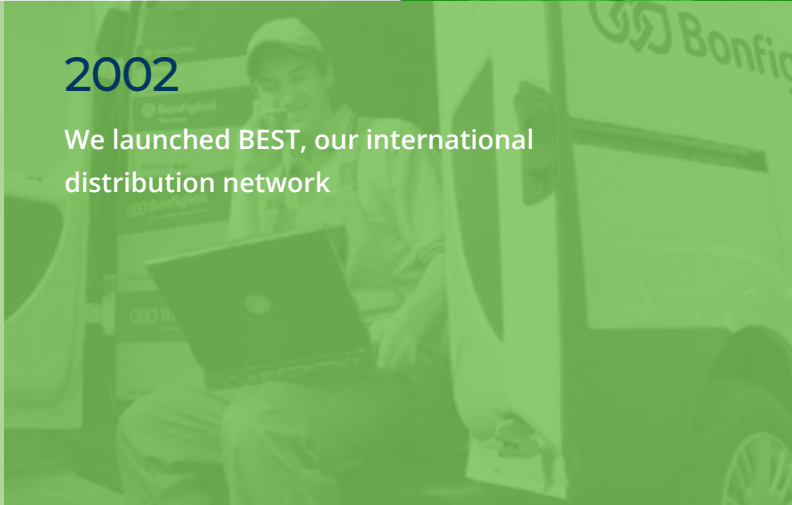


### 2003

- › Acquisition of Tecnoingranaggi
- › Bonfiglioli Drives is established in Shanghai, China

### 2002

We launched BEST, our international distribution network



### 2001

Acquisition of Vectron

### 2005

Bonfiglioli expands into Slovakia

### 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

### 2020

E-commerce USA launch

### 2019

- › New and larger plant in Rovereto
- › EVO, new D&P offices and largest industrial plant



## 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

## 1975

Acquisition of Trasmital

## 2000

Launch of MOSAICO, our product online configurator

## 1999

Inauguration of the plant in Chennai, India

## 1995

Debut of the C, A, and F series

## 1993

Certifications DNV and TÜV

## 2010

Sonia Bonfiglioli takes control of the Group



## 2011

- › Inauguration of the plant in Mannur, India
- › Inauguration of the plant in Rovereto, Italy

## 2012

Creation of the Electromobility Competence Center

## 2018

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

## 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

In 1956, Clementino Bonfiglioli founded an Italian family-run company that has been increasingly growing worldwide, becoming a leader in several sectors, such as industrial automation, mobile machinery and wind energy.

With more than 3.800 people employed in 80 countries, the Group's structure envisages three main Business Units: Discrete Manufacturing & Process Industries, Mechatronic & Motion Systems, and Mobility & Wind Industries. Despite the focus that each Unit has on specific production lines and different markets, there is a constant effort to improve communication and interconnection among them to create innovative and more sustainable products, able to meet our customers' needs.

In order to guarantee high quality standards across all our 20 branches and 13 plants, Bonfiglioli Group has started an in-depth digitalization process, to ensure a progressive harmonization of procedures and to share approaches and technologies, with the intent to guarantee the best support to our clients and business partners, also thanks to over 550 distributors worldwide. To enhance our services to customers, in 2020 an e-commerce platform was also launched in the US market, and the idea is to progressively expand it also to the other markets.

Our key strength is twofold: an internationally widespread presence to offer **proximity and efficiency to customers** and the possibility to offer and customize 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, accompanying our customers with dedicated services ranging from co-engineering to after-sales service.*

  
**13**

PLANTS

  
**20**

BRANCHES

  
**80**

COUNTRIES

  
**3.804**

PEOPLE

As a Group, we tend to excellence and promote the alignment to the same standards of quality. For this reason, we certified our **Group Quality Management System with ISO 9001** for all our establishments, and we are also increasingly extending the Management System Certification on health and safety (previously known as **OHSAS 18001**, now **ISO 45001**) and environment (**ISO 14001**) to our main production sites.

## COUNTRY



## CERTIFICATIONS

AUSTRALIA 



BRAZIL  



CHINA  



FRANCE 



GERMANY     



UNITED KINGDOM 



INDIA      



ITALY      



NEW ZEALAND 

—

SINGAPORE 

—

SLOVAKIA 



SPAIN 



SOUTH AFRICA 



TURKEY 



USA  



VIETNAM  





## 1.4

## OUR BUSINESS UNITS

To provide our customers with the best support possible, offering a long-standing experience and excellent know how, we structured three main Business Units: Discrete Manufacturing & Process Industries, Mechatronic & Motion Systems, and Mobility & Wind Industries.



DISCRETE MANUFACTURING  
& PROCESS INDUSTRIES



MECHATRONIC &  
MOTION SYSTEMS





## OUR BRANDS

Thanks to the expertise and experience gathered, Bonfiglioli has become a leader in the power transmission market and, as Group, we developed five distinct brands that embody the type of products and assistance we can offer to customers.

 **Bonfiglioli**  
Riduttori

 **Bonfiglioli**  
Vectron

 **Bonfiglioli**  
Trasmital

 **Bonfiglioli**  
Tecnoingranaggi

 **Bonfiglioli**  
O&K Antriebstechnik



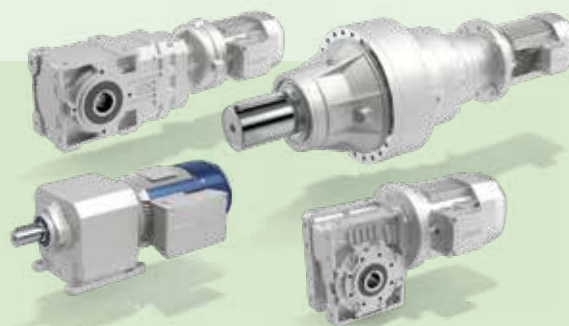
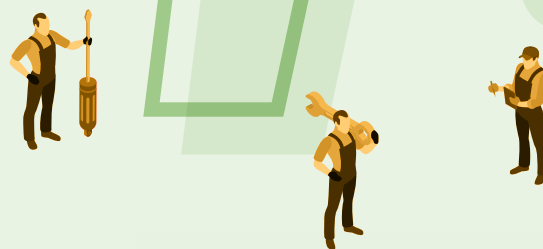
MOBILITY & WIND  
INDUSTRIES



# DISCRETE MANUFACTURING & PROCESS INDUSTRIES

The Discrete Manufacturing & Process Industries Business Unit 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**



**BIOGAS**



**PACKAGING**



**RECYCLING**



**MINING INDUSTRY**



**LOGISTICS AND  
STORAGE SYSTEMS**

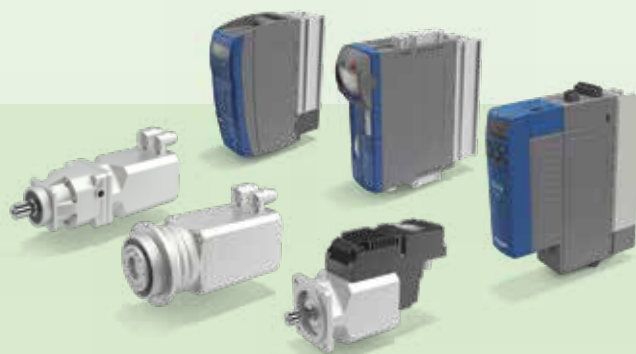
## **SECONDARY SECTORS:**

- › Wastewater treatment
- › Metal machining
- › Access controls
- › HVAC and refrigeration plants

# MECHATRONIC & MOTION SYSTEMS

With complete solutions dedicated to industrial processes and automation, the Mechatronic & Motion Systems Business Unit 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.



WOOD



PACKAGING



STORAGE  
SYSTEMS



TEXTILES



CRANES AND  
BRIDGE CRANES



MEDICAL AND  
PHARMACEUTICAL



FOOD &  
BEVERAGE



MATERIALS  
HANDLING



GLASS  
PROCESSING



# MOBILITY & WIND INDUSTRIES

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.

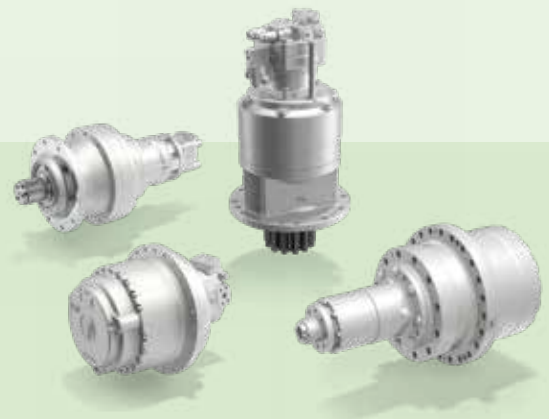
The Mobility & Wind Industries team is the ideal partner for the implementation of efficient, intelligent, and robust solutions dedicated to the most complex applications in construction, wind energy, logistics, agriculture, and the marine and offshore sector. For over 40 years we have been working with the world's leading OEMs. Providing standard and tailor-made solutions able to meet the customers' needs, the M&W business unit enlarged its share in the wind market, emerging as an area of excellence in 2020.



## MOBILE SOLUTIONS

By co-engineering wheel, track, slew, winch, concrete mixer and other drives together with our customers, we can meet all market needs for mobile machinery applications.

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



EARTHMOVING



ROAD  
CONSTRUCTION



AGRICULTURE



MINING  
INDUSTRY



MATERIALS  
HANDLING



## WIND SOLUTIONS

With a 30% 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.

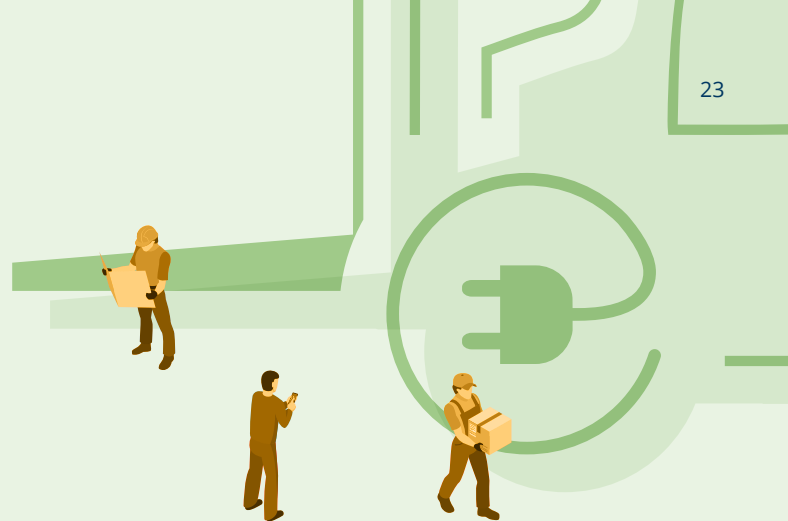
Our Yaw and Pitch drives are continuously optimized to improve turbine performance for traditional onshore applications, but also for the latest offshore applications, without increasing their weight and size and thus offering the market more competitive products.



**SMALL WIND  
TURBINE**  
UP TO 200 KW



**ON-SHORE**  
UP TO 6 MW  
**OFF-SHORE**  
UP TO 15 MW



## ELECTROMOBILITY SOLUTIONS

Bonfiglioli leads the field in hybrid and electric technologies, providing more energy-efficient solutions while at the same time reducing noise and harmful emissions. Our pioneering developments have made us a leader in sustainable technology, driving us constantly towards new horizons. In recent years, production capacity has been increased thanks to the construction of a new eco-friendly production line for electromobility in Forlì, covering an area of about 10,000 square meters.



**CONCRETE  
MIXERS**



**FORKLIFTS**



**MATERIALS  
HANDLING  
EQUIPMENT**



**AGRICULTURE**



**LIGHTWEIGHT  
VEHICLES**



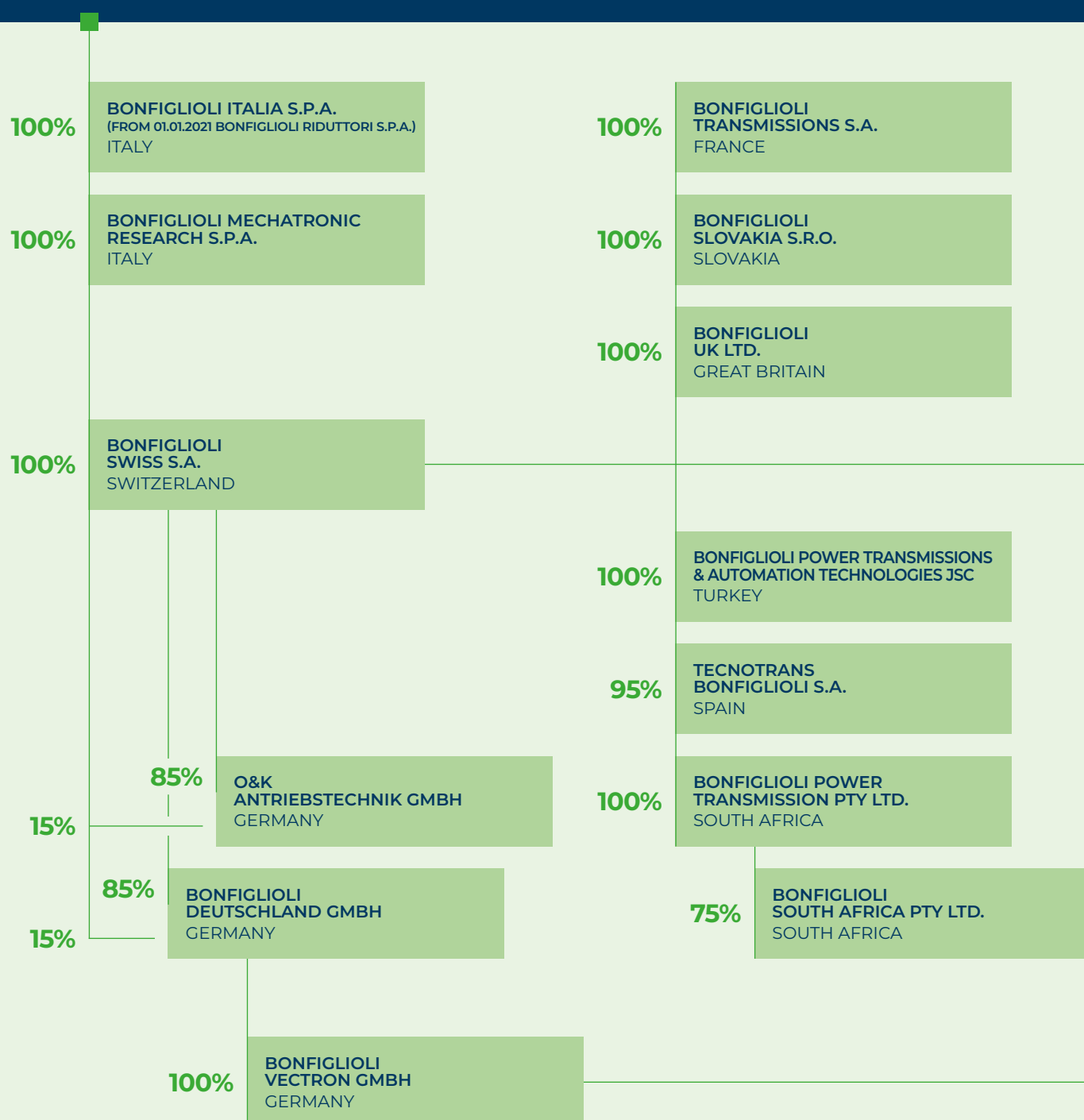
**AIRPORT  
GROUND  
EQUIPMENT**

1.5

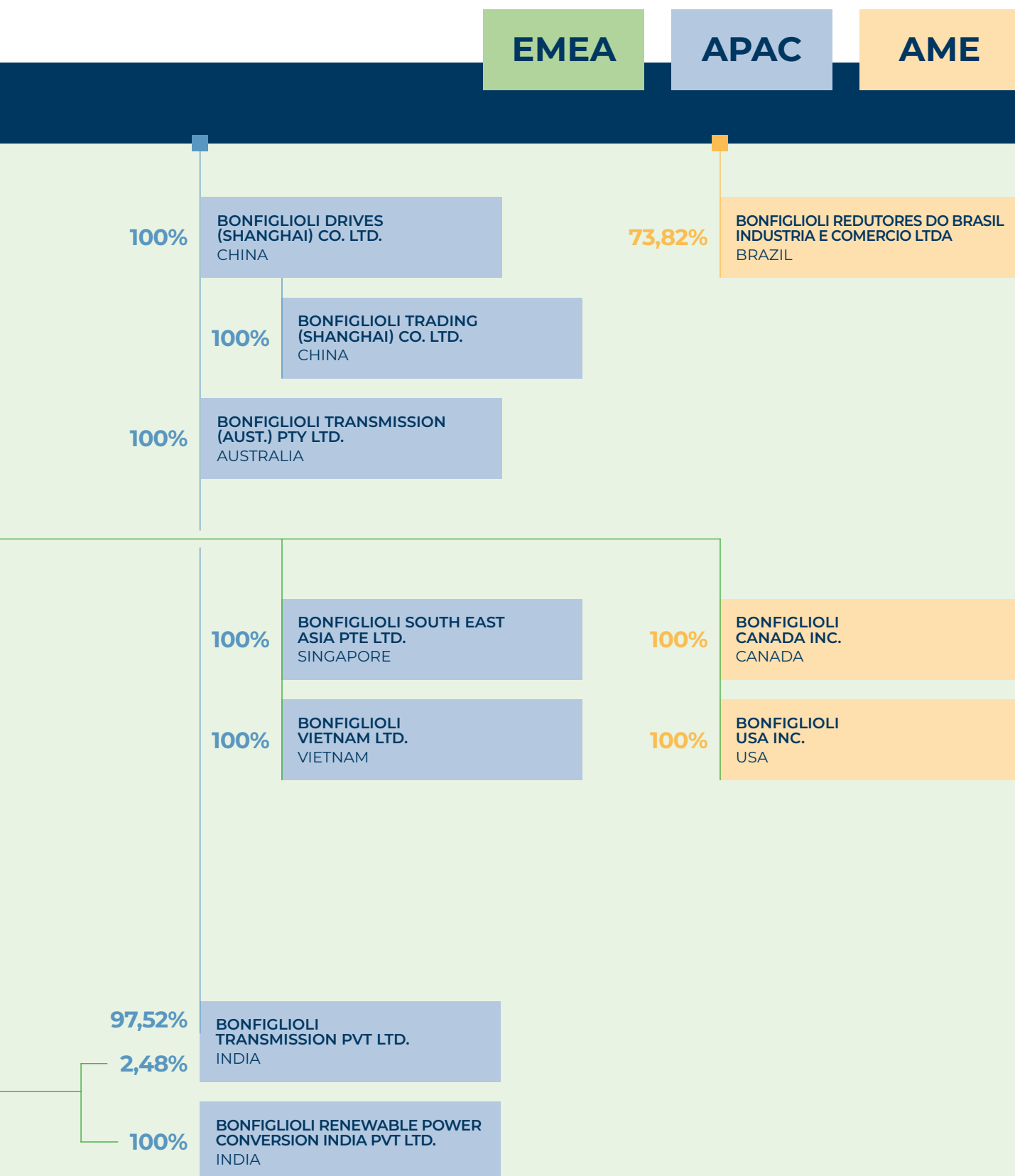
## A SOLID ORGANIZATION



Bonfiglioli Riduttori S.p.A. (from 01.01.2021 Bonfiglioli S.p.A.)



Our Group is composed by sales branches and production plants distributed across several regions worldwide: APAC (Asia Pacific), AME (North, Central and South America) and EMEA (Europe, Middle Est, and Africa), where the Bonfiglioli S.p.A. (previously Bonfiglioli Riduttori S.p.A.) and main headquarters are also located, namely 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.

Specifically, the Board of Directors is composed by **seven members, among which there is the chairwoman, who covers 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. Given our worldwide presence, we adopted a governance system compliant with international best practices and standards; 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

## STATUTORY AUDITORS

**Alessandro Gualtieri** > Chairman

**Monica Marisaldi** > Member

**Biones Ferrari** > Member





At the operational level, **our CEO presides over the 10 different business functions:** Research & Development, Real estate & Facility management, Information Technology & Digital, Human Capital, Legal & Corporate Affairs, Administration, Finance & Controlling, Strategic Purchasing, Quality & Health Safety Environment, Strategic Planning & M&A, Strategic Marketing & Communication.

## ORGANIZATION CHART



# 1.6

## OUR COMMITMENT TO MAKE BUSINESS ETHICALLY

In our **Code of Ethics**, we gather our core values to strive for ethical and responsible operations within the Group and among external partners. Through this document, we want to encourage diversity, prevent child labor and promote fruitful and positive relations with external partners, in line with our core principles: these are only few of the values in which we firmly believe and that have daily driven us for more than sixty years of successful business.

To ensure the adoption of our principles, a copy of the Code of Ethics is provided to every new hire and, similarly, to all our commercial partners, which are required to be compliant with its norms of behavior. Indeed, the latest version of our General Purchasing Conditions, that has to be mandatorily approved by our suppliers, includes the direct reference to the **Code of Ethics**; in 2020, all the Italian suppliers accepted the new agreements.



# OUR ETHICAL PRINCIPLES

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



With the aim of guaranteeing fairness and transparency in the relations with all our stakeholders, our parent company, Bonfiglioli S.p.A. (previously Bonfiglioli Riduttori S.p.A.) 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 introduced a mailbox through which every stakeholder can report violations of the Organizational Model and the Code of Ethics. As a result of our commitment to business ethics, so far any confirmed case of corruption has been reported within the whole Group.

Also considering our global shift towards digital transformation, we believe that it is imperative for us to **continue strengthening data protection** measures and overall **cybersecurity**, to maintain a sound and solid organization. Specifically, the **Information Technology and Digital function** (for more information refer to section 3.2) is responsible to ensure that our procedures are compliant with the new requirements of the **General Data Protection Regulation (GDPR)**.

## OUR COMMITMENT TO CYBERSECURITY

Our IT & Digital department daily works to protect data regarding our employees, clients and projects by constantly testing and improving the defensive barriers already present around our systems, networks and programs. Thanks to the safety and security measures implemented by our experts, in 2019 we proudly defeated a ransomware, that is a malicious software designed to block access to a computer system until a ransom is paid (for more information refer to the Sustainability Report 2019).



As a consequence of this cyber-attack, we further strengthened our commitment towards cybersecurity by defining a new organizational role, the IT Security Manager, in charge of managing and implementing our cybersecurity strategy. In addition, we increased the amount of initiatives aimed at sensitizing all our employees, organizing dedicated training courses on correct behaviors to prevent cyber-attacks and guarantee information security. Our experience underlined the importance of investing in the Group's security, hence we started to share and describe how we managed the attack to make other businesses more conscious on potential risks and to encourage them to increase preventive measures.

Moreover, in 2020, we carried on additional initiatives addressed to enforce and secure our network, also considering the new risks coming from the extensive use of smart working solutions, adopted to tackle the pandemic spread. Generally, in 2020 we carried on several initiatives to increase the security of our systems, such as:

- > the strengthening of **Endpoint Detection & Response** (EDR) to be sure that company PCs are protected, even when outside Bonfiglioli sites and networks;
- > the activation of the **MultiFactor Authentication** (MFA) firstly to PC of IT and Digital staff and, then to other departments;
- > **breakthrough tests** during the release phases of the **Mosaico 3.0** with the aim of verifying the solidity of the site, of its components, and of the monitoring systems;
- > the extension of the number of devices under the direct control of the **Security Information and Event Management** (SIEM) to better detect potential interferences.

Furthermore, in 2020 we monthly organized **phishing campaigns involving more than 2500 employees** by sending them phishing emails, i.e. fraudulent communications that resembled emails from reputable sources.

**PHISHING  
CAMPAIGNS  
2020**

**FAKE UPDATE  
OF PERSONAL  
ACCOUNT  
DETAILS**

**FAKE COVID19  
SERVICES AND  
ASSURANCE**

**FAKE  
INCLUSION TO  
CHAT'S GROUP**

**FAKE  
MODIFICATION  
OF THE  
ACCOUNT  
PASSWORD**

**FAKE COVID19  
BULLETIN OF  
MARCH**

## 1.7

## VALUE CREATION AND OUR RESPONSIBILITY TOWARDS LOCAL COMMUNITIES

In Bonfiglioli, we do not consider “doing business” as a synonym of “making profit”, it is a responsibility to pursue **value creation and distribution to our stakeholders** and to strive **our commitment towards local communities** where we operate.

We generate a positive impact on our surroundings and we want to encourage a prosperous relationship with the community we work in, collaborating with NGOs and Foundations, in order to achieve positive results at both social and environmental level, and at the same time, to distribute economic value among stakeholders.

In 2020, **the Bonfiglioli Group generated an economic value of 948.4 M€ and distributed 852.7 M€ to its stakeholders**, as follows: suppliers (655.4 M€), employees (173.8 M€), Public Administration (14.8 M€), providers of capital (8.3 M€), and local communities (0.4 M€).

The direct economic value generated is a result of the Economic value retained, that is the value kept within the company<sup>1</sup> (95.7 M€), and the Economic value distributed to stakeholders (852.7 M€). Despite the difficulties faced in 2020 due to the pandemic that implied a decrease in the overall economic value distributed (-5.1% compared to the previous year), Bonfiglioli was still able not only to guarantee a significant quantity of resources distributed but also to slightly increase the contribution to the communities (from 0.3 M€ to 0.4 M€ in 2020).

We believe that compliance with laws and regulations is essential, but it is not our only purpose: we indeed aim to go beyond by creating a successful and continuous dialogue with communities, people and institutions. Embracing **sustainability is one of our strategic pillars**, as 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.**

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<sup>1)</sup> The economic value retained includes the amount distributed to shareholders.

GRI 201-1 ECONOMIC PERFORMANCE			
		2019	2020
<b>DIRECT ECONOMIC VALUE GENERATED</b>	<b>M€</b>	<b>999.8</b>	<b>948.4</b>
<b>Economic Value Distributed</b>	<b>M€</b>	<b>914.0</b>	<b>852.7</b>
Suppliers	M€	710.0	655.4
Employees	M€	181.4	173.8
Providers of capital	M€	8.3	8.3
Public administration*	M€	14.0	14.8
Community	M€	0.3	0.4
<b>Economic Value Retained</b>	<b>M€</b>	<b>85.8</b>	<b>95.7</b>

\* With the aim of improving data comparability, 2019 data were revised with respect to last year's sustainability report due to a change in the calculation methodology.

Following the commitment of our founder Clementino Bonfiglioli, her daughter and our chairwoman – Sonia Bonfiglioli – continues the Group's mission on social responsibility, supporting initiatives and projects worldwide, guided by three main pillars:



## YOUNG PEOPLE



## TERRITORY DEVELOPMENT



## STEM & TECHNICAL EDUCATION

Globally, we pursue the realization of activities in different countries: step by step, we have started a number of collaborations with schools in Vietnam, South Africa, and Italy, while we offer a safe place to growth for young boys and girls in India.

For further information about our projects, our Social Responsibility activities are available online:  
<https://www.bonfiglioli.com/uk/en/Social-Responsibility>



## GIVING CHILDREN A CHANCE FOR A BETTER FUTURE

### ITALY



**MUS-E Musique Europe** is a European multicultural project for primary schools hosting many migrant children or those in severe socio-economic or cultural situations.

### 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 top level education for talented but disadvantaged girls, preparing them to become responsible citizens in a complex world.



### VIETNAM

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





In Italy, we contribute to the development and the enhancement of the communities fostering collaborations with institutions, technical high schools, and universities, the major part of which were launched in honor of our founder. Furthermore, our support to encourage ongoing education starts from our Group: in line with our digital transformation, in 2020 we donated tablets to our employees who have children in primary and secondary school, providing them with useful tools for distance learning, due to the emergency situation. In the meantime, we are proud to have made donations to associations that organize initiatives with the aim of promoting **cultural heritage**, providing health assistance and supporting other causes relevant for the local communities.



## SUPPORTING CULTURE AND HEALTH



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.



Funded by small and large companies, the cultural Association promotes the museum's activities aimed at enhancing the historical-industrial culture of Bologna and at enforcing the connection between the production reality of our district and the world of technical training. Launching dedicated initiatives, the Association wants to give new life to the industrial fabric and organizes training projects to involve the new generations in technical-scientific knowledge.



Established in 2013, the **"Leonardo Melandri Study Center"** Association – in honor to the Senator Leonardo Melandri – aims at rewarding the contribution of ideas and organization to the enlargement of the University of Bologna in Romagna, promoting its transformation into the current form of "Multicampus".

### SUPPORT FOR THE COVID-19 EMERGENCY

In 2020, we supported the Municipality of Calderara in fighting the pandemic situation.

### BOTANICAL GARDEN OF THE UNIVERSITY OF BOLOGNA

To preserve and protect biodiversity and several monumental tree species, we support the botanical garden of Bologna, in line with our commitment to environment and sustainability.

### REMEMBRANCE STONE

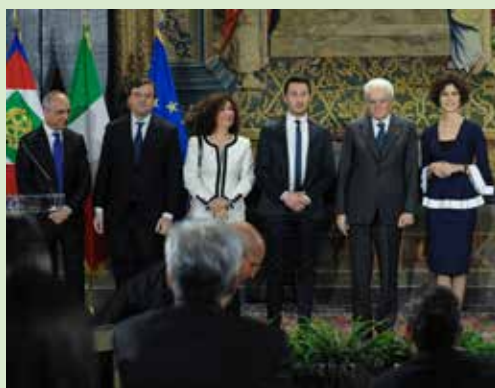
In 2020, the Municipality of Forlì uncovered the monument dedicated to the memory of the Foibe victims, which was created also with the support of Bonfiglioli.



## A BRIDGE BETWEEN SCHOOL AND WORK LIFE

### LEONARDO COMMITTEE

As a tribute to our founder, the **Clementino Bonfiglioli Prize**, awards university students who demonstrate excellence in their studies, completing a degree thesis relevant to industrial automation, power transmission and control or mechatronics.



Dedicated to Clementino Bonfiglioli, the **Malpighi La.B** is a laboratory for all students in Bologna. Focused on robotics, IT and 3D design, the space offers all the tools and advanced technologies to test and experiment students' ideas related to the world of business and research.



Furthermore, being a key actor of the mechanical sector enables us to actively collaborate to several roundtables and sector's associations; we summarize the main organizations we support in the following table.

## 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 Costruttori Organi di Trasmissione e Ingranaggi (FEDERTEC – ASSIOT), Unione Costruttori Italiani Macchine Automatiche e per il Confezionamento e l'Imballaggio (UCIMA), and the World leading Organization in Production Engineering Research (CIRP). In addition, to boost the prosperous network of business of our surrounding, we take part to the territorial association of the Confindustria system (UNINDUSTRIA), and we contribute to the Associazione Italiana Giuristi di Impresa (AIGI). We mention also our participation to Federazione Nazionale Cavalieri del Lavoro. To promote equal opportunity in the workplace, we contribute to "Capo D", "4.Managers" and we support the AIICP, the India-Italy Association for Cooperation and Partnership to strengthen the strategically important relationship between Italy and India.



2.

# OUR PEOPLE

ENGINE OF  
SUCCESS

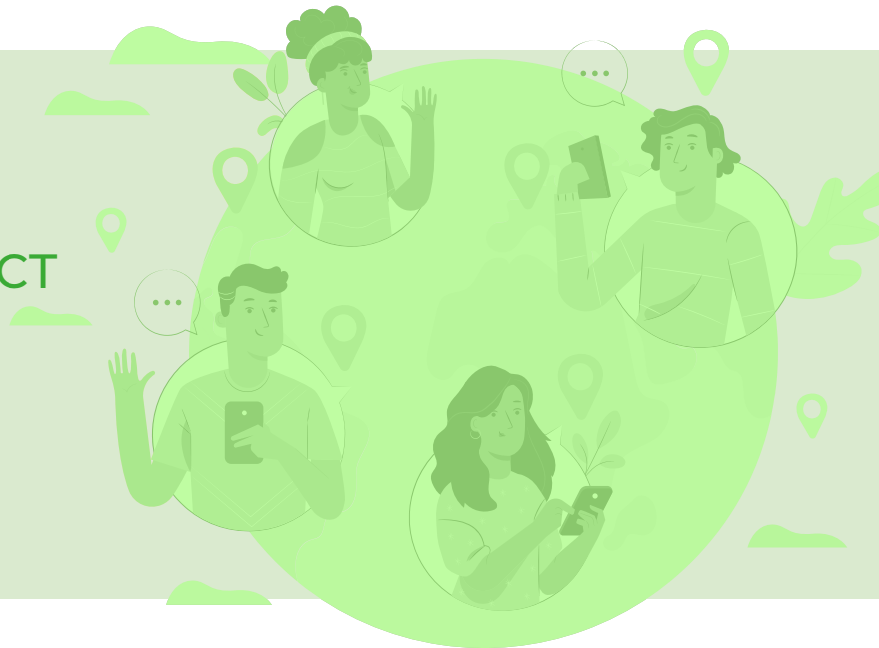


# 2.1

## GOING GLOBAL, GOING DIGITAL

In 2020, Bonfiglioli was able to promptly respond to the Covid-19 pandemic granting at the same time the evolution and growth of the Group, simultaneously managing uncertainties and unpredictability of the market. As the vast majority of worldwide businesses, we immediately took action in order to review and readjust our internal procedures, processes and systems, to better cope with the emergency. Initially, the main priority was to limit negative impacts, constantly working to guarantee a safe and healthy workplace for all employees; however, despite the difficulties arising on daily basis, the Bonfiglioli Group managed to transform a crisis into an opportunity to test and improve its digital in-house competences and skills.

### NEW ONLINE PLATFORM TO CONNECT ALL BONFIGLIOLI'S EMPLOYEES WORLDWIDE



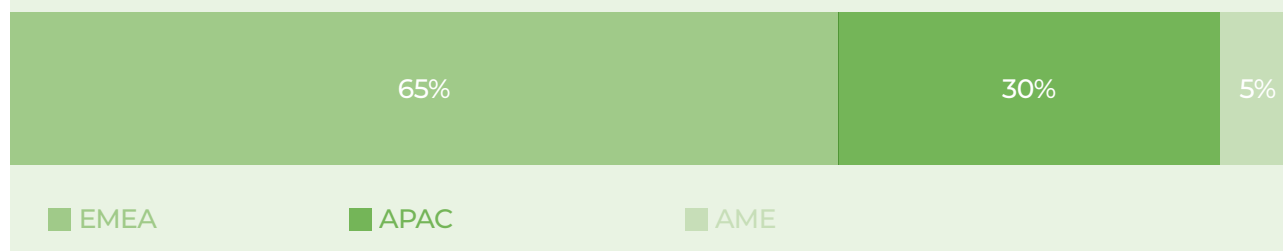
Started in 2017, our digital transformation enabled us to respond quickly to unexpected events and to become resilient, not only allowing us to continue with our operations, but also to accomplish our targets related to hiring and jobs – indeed, in 2020 we recorded a slight increase in the total number of employees compared to the previous year, from 3,781 to 3,804 employees.

Even in hard and unpredictable times, the success and the continuous growth of our Group is undoubtedly related to the all well-prepared, expert and passionate female and male professionals, who work daily with us. Thanks to a continuous engagement and an inspiring environment, we encourage our people in expressing their personal talent, passion, and curiosity, promoting their active participation and contribution to boost excellence, quality and innovation.

The Group has expanded worldwide, we are present in several countries: the majority of our people (65%) are located in the EMEA region (Europe, Middle East & Africa), 30% of them works in the Asia-Pacific region, and the remaining 5% are based in the American continent. Particularly, in 2020, our presence counted 3,804 employees located in 17 countries. 90% of them (equal to 3,428 individuals) has a permanent contract and almost all of them (99%) work full-time.

For further data on our workforce, please refer to the [Appendix](#).

### TOTAL EMPLOYEES BY REGION 2020



### EMPLOYEES BY EMPLOYMENT CONTRACT

	2018	2019	2020
<b>Employees with permanent contract</b>	<b>3,364</b>	<b>3,437</b>	<b>3,428</b>
women	444	466	456
men	2,920	2,971	2,972
<b>Employees with temporary contract</b>	<b>348</b>	<b>344</b>	<b>376</b>
women	74	77	78
men	274	267	298
<b>Total number of employees</b>	<b>3,712</b>	<b>3,781</b>	<b>3,804</b>
Total number of women	518	543	534
Total number of men	3,194	3,238	3,270

Bonfiglioli values its people and promotes long-lasting relationships through permanent contracts and benefits to promote retention.

To better respond to our employees' needs and to ensure a better balance between work and private life, we promote a flexible and inclusive environment, providing them with ad hoc solutions. For example, our employees can benefit from flexible hours and a part-time working schedule, if needs be - in 2020, 52 employees, 33 women and 19 men, opted for this type of collaboration.

## 90% EMPLOYEES HAVE A PERMANENT CONTRACT

### EMPLOYMENT TYPE BY GENDER

	2018	2019	2020
<b>Employees with full-time contract</b>	<b>3,673</b>	<b>3,737</b>	<b>3,752</b>
women	488	511	501
men	3,185	3,226	3,251
<b>Employees with part-time contract</b>	<b>39</b>	<b>44</b>	<b>52</b>
women	30	32	33
men	9	12	19
<b>Total number of employees</b>	<b>3,712</b>	<b>3,781</b>	<b>3,804</b>

Thanks to a global presence, the Bonfiglioli Group hires individuals with diverse backgrounds, beliefs, ideas and experiences. For us, diversity represents a great value added that we want to protect and promote. As declared in our Code of Ethics, we are committed to an open and inclusive workplace, in which everyone can feel free to express himself/herself. In fact, **we clearly forbid any form of discrimination** based, for example, on gender, language, religion, or nationality. We can proudly confirm that, in line with the previous years, no incident related to discrimination was reported in 2020 in the Group.

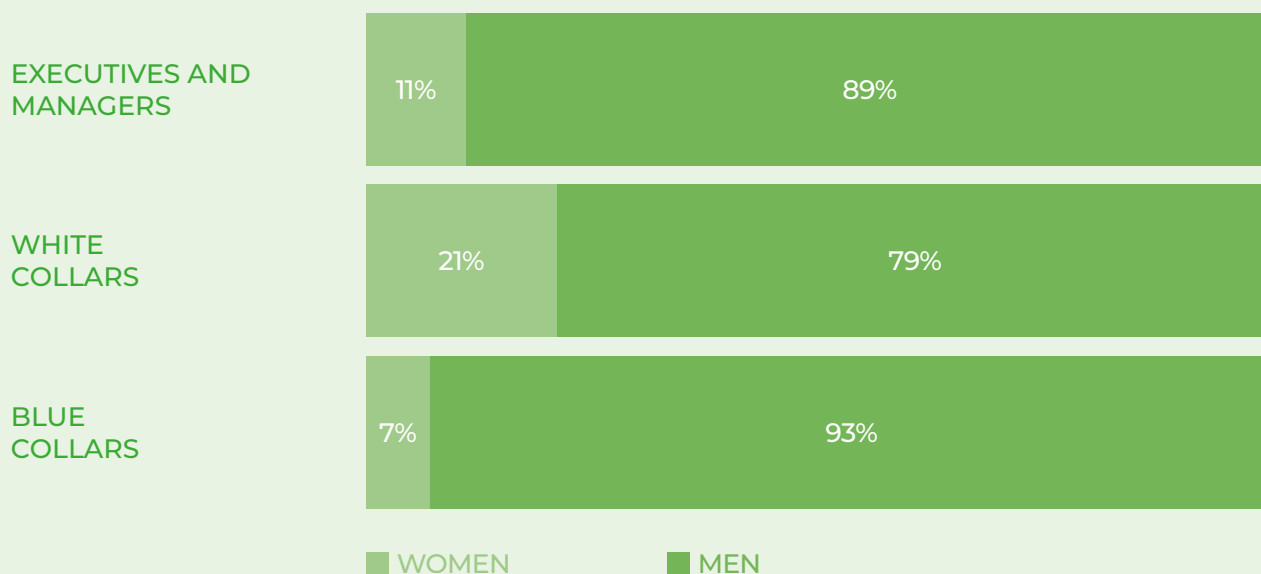
Regardless of their gender and age, we offer to all women and men working in our Group, the same contractual conditions, in order to guarantee **equal opportunities to all our employees worldwide**. In this sense, we value and promote the respect of human rights: e.g. as affirmed in our Code of Ethics, we have a relentless commitment in preventing the exploitation of child labor and prohibiting the employment of children below the legal age, in all countries we operate in.

For the nature of our business and specific aspects of the manufacturing sector, men represent the majority of the Group's workforce (86%). Particularly, blue collars – corresponding to the 48% of the overall Group's employees – are mainly men (93%). Considering white collars, women representation increased to 21%.

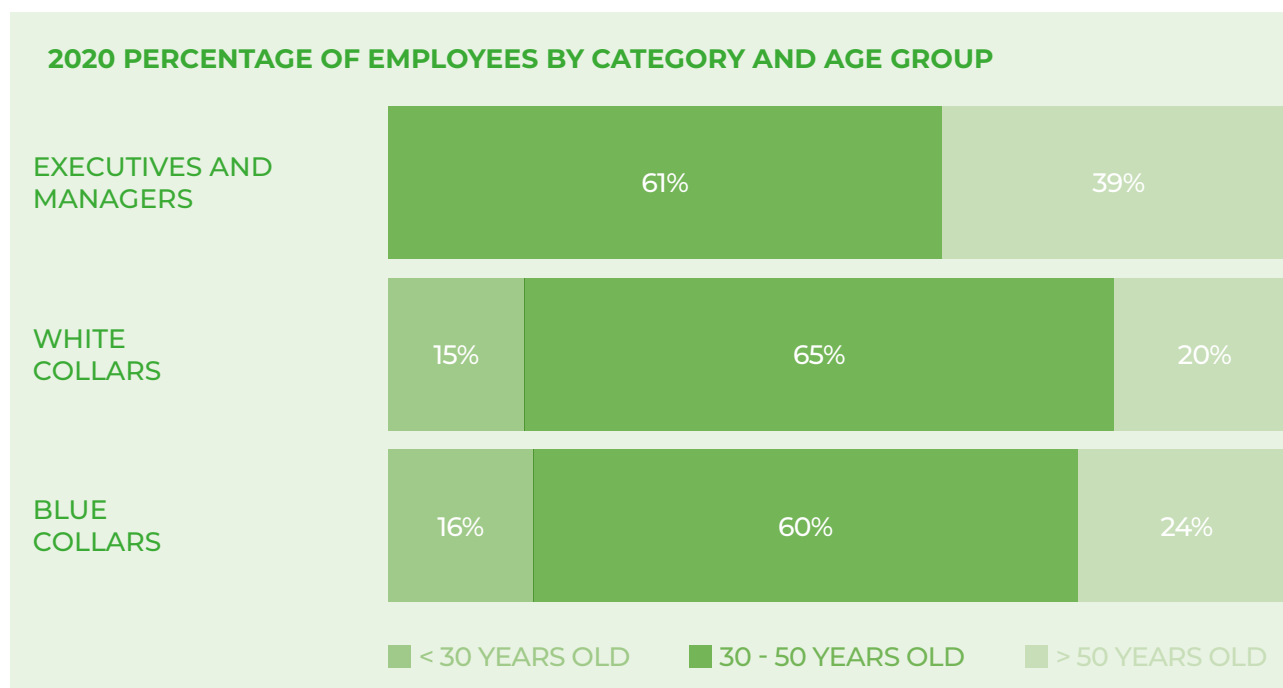
## 3% INCREASE IN THE AMOUNT IN FEMALE WORKFORCE COMPARED TO 2018

Considering age diversity, we are pleased to evidence a great mix inside the Group which enables the perfect balance between new competences and ideas and the valuable know-how and the experience gained by employees who have been working at Bonfiglioli for several years. In 2020, 15% of our employees were younger than 30 years old, 62% were aged in a range between 30 and 50 years, while the remaining 23% were older than 50 years.

### 2020 PERCENTAGE OF EMPLOYEES BY CATEGORY AND GENDER







In 2020, we kept our focus on the **gender pay gap** to underline our commitment in monitoring results and promoting equal treatment to all our employees. The values shown in the table here below report the difference, in the percentage, between the average wages of women compared to men, belonging to the same professional category. We closely monitor this trend with a strong commitment to increasingly reduce the percentage, knowing that there are many variables able to influence this result, for instance, seniority, experience and other similar factors. Our willingness in communicating these data is aimed to always challenge ourselves in improving our practices and operations. Bonfiglioli is deeply engaged not only in granting equality but also in **valuing, acknowledging and rewarding professional competences and technical skills**.

GENDER PAY GAP BY CATEGORY <sup>1)</sup>			
	2018	2019	2020
Executives & Managers	5.9%	5.8%	5.8%
White Collars	4.0%	4.0%	4.0%
Blue Collars	3.0%	3.0%	3.0%

<sup>1)</sup> The gender pay gap is calculated as the difference between average gross annual salary of male and female employees as % of male gross salaries.

## OUR COMMITMENT TO PROMOTE EQUAL OPPORTUNITIES



The Covid pandemic did not stop **CapoD**'s activities, the business network born in 2019 with the aim to create collaborations between local enterprises and public institutions, in order to promote **equal opportunities, fight against discrimination, and encourage work-life balance**. In order to achieve what was initially planned, the planning and roll-out of the activities were readjusted, according to the changing circumstances.

During 2020, initiatives planned together with the **Metropolitan City of Bologna** in 2019, were carried out by our Parent company. In particular:

- a play called **"Evento Passaparola"** (that literally means "word-of-mouth event") was staged with the intent to promote a gender culture through the correct use of words related to concepts like "equality". This initiative involved many well-known Italian artists and was also supported by Zanichelli editore; while secondary Bologna schools' students attended either in presence or in streaming;
- During **school-business Workshops**, Bonfiglioli collaborated with other three companies and the Bateson Center launching 4 laboratories for middle school students. The aim of these meetings was to provide teenagers with information regarding the working world and its potential stereotypes and inequalities in order to understand how these prejudices could influence choices both in school or career path;
- Thanks to the sponsorship of the Municipality of Bologna, an important event was organized during which companies belonging to CapoD shared best practices and lessons learned in 2020 with other local firms. Moreover, a similar event took place at European level promoted by the Metropolitan City in collaboration with the CapoD Network. The main purpose of this latest event was to present the innovative good practice arising from the collaboration between businesses and activity plan to support equal opportunities in the workplace, with a view to corporate social responsibility.

Furthermore, companies of the CapoD network were involved in the organization of some additional workshops aimed at sharing experiences and perspectives related to the unpredictable effects of Covid-19 pandemic, which has generated uncertainty in the entire working world. These roundtables were addressed mainly to managers directly involved in handling the impacts of the pandemic. What emerged from the workshops led to the creation of a methodological vademecum with a summary of the activities carried out by the nine participant companies, in order to better manage psycho-social, organizational and employee well-being.

# OUR EMPLOYEES, OUR STORY, OUR STRENGTH

## WE ARE MORE THAN A COMPANY: WE ARE A FAMILY!

Therefore, as all families, we are proud to share and celebrate every achievement and success with all our community. In Bonfiglioli, we firmly believe that our employees shape our story through the passion, creativity and commitment they put into their work. For this reason, we decided to launch the **#WeEngineerDreams** initiative through which all our people can express what they associate to this claim, and where permanence in the company and promotions are celebrated. The original intent was for our employees to better know each other, sharing their stories; then, when we realized that the initiative was a real success, we decided to share our employees' experience on our official social media channels, such as LinkedIn.



In line with the Digital Transformation undertaken by the Group, in June 2020 we launched the **Human Capital Digital Program** to enhance the sense of belonging and the corporate culture. One of the initiatives promoted by this program concerns the idea of creating a **digital platform**, called **E-ngeinous**, to enhance the connection among employees, line managers and the Human Capital department. The launch of this virtual platform emphasizes the necessity and importance of a strong network among individuals and an easy way to access and share information and data. Indeed, the digital platform goes beyond geographical boundaries and physical barriers, creating a space in which everyone has room to share experiences and career aspirations, as well as personal growth. Through this platform, we want to **promote inclusion and dialogue**.



The new platform is the accomplishment of a shared idea between the Human Capital and IT&Digital departments. E-ngeinous, then, was integrated within the agile project focused on recruiting and onboarding making the whole process straightforward and more accessible for external candidates. With the aim of improving the recruiting experience and involving candidates since the beginning, the platform provides a personal area to each applicant, in which communication and useful documents are shared (for more information, please refer to the section 3.2). All the improvements undertaken to promote digitalization aim at enforcing the connection and the communication channels between Bonfiglioli and its employees and candidates with the idea to increase attractiveness while valuing our unique identity. During the entire selection process, our recruiters are required to observe the principles of diversity and non-discrimination, to always guarantee equal opportunities to all candidates.

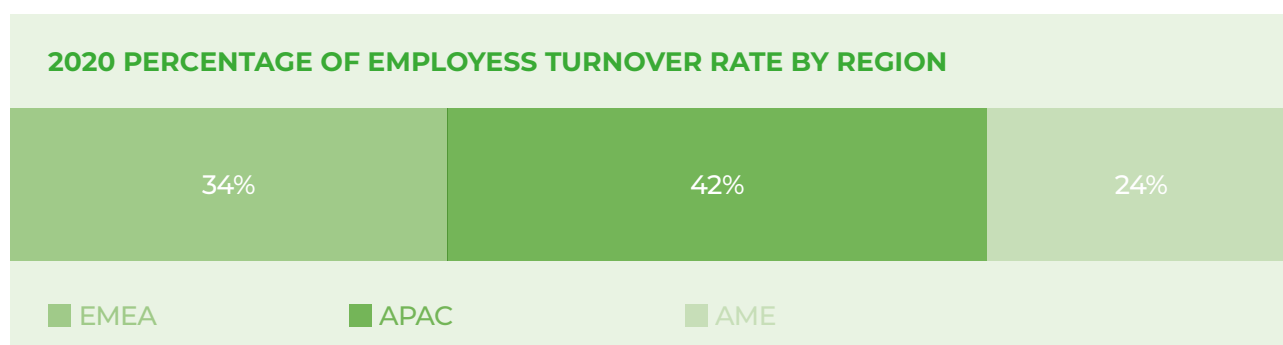
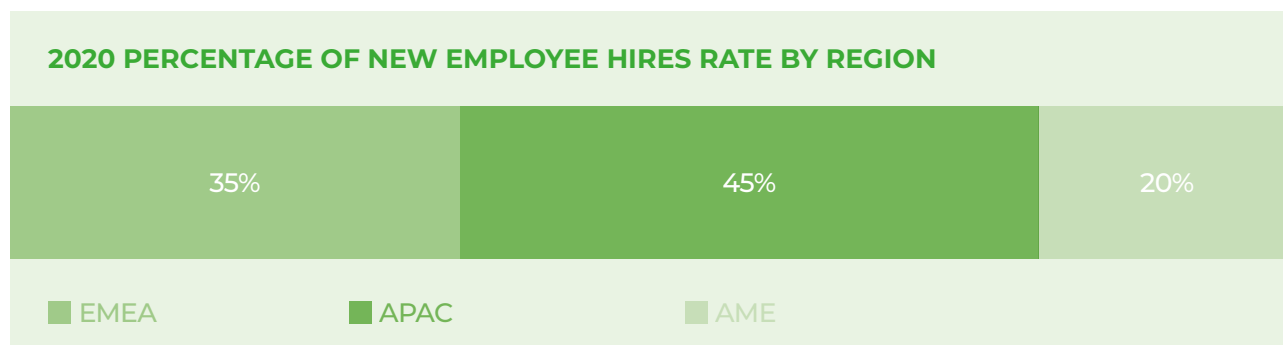
In Bonfiglioli, we are always looking to attract new resources and talents with the purpose of enlarging and increasing the value of our human capital worldwide. In 2020, we hired **394 new employees** and we continued our orientation events with local schools and universities, that share our principles and approaches on students' development towards innovation and creativity.

Considering the overall Group, Covid-19 affected both hires and terminations; particularly, the new hires entailed 58 women and 336 men (respectively, a reduction of 37% and 28% compared to 2019) while the terminations concerned 371 contracts (respectively, +3% for women and -29% for men).

NUMBER AND RATE OF NEW EMPLOYEE HIRES BY AGE GROUP AND GENDER						
	2018		2019		2020	
	Women	Men	Women	Men	Women	Men
<b>New employee hires rate</b>	<b>20.3%</b>	<b>16.3%</b>	<b>16.9%</b>	<b>14.4%</b>	<b>10.9%</b>	<b>10.3%</b>
<30 years old	7.7%	7.9%	7.7%	7.0%	3.4%	4.7%
30-50 years old	11.0%	7.5%	8.3%	6.7%	6.4%	4.9%
>50 years old	1.5%	0.9%	0.9%	0.7%	1.1%	0.7%

NUMBER AND RATE OF EMPLOYEE TURNOVER BY AGE AND GENDER						
	2018		2019		2020	
	Women	Men	Women	Men	Women	Men
<b>Employee turnover rate</b>	<b>14.1%</b>	<b>11.6%</b>	<b>12.2%</b>	<b>13.1%</b>	<b>12.7%</b>	<b>9.3%</b>
<30 years old	3.9%	3.9%	2.9%	4.0%	3.7%	3.1%
30-50 years old	8.1%	8.1%	7.0%	6.6%	6.6%	4.4%
>50 years old	2.1%	2.1%	2.2%	2.5%	2.4%	1.8%

Similarly distributed, the majority of employees' hires and terminations were recorded in APAC region (respectively 45% and 42%), followed by EMEA (35% and 34%) and AME (20% and 24%).



To enhance fair labor conditions, Bonfiglioli applies collective bargaining agreements in compliance with the legislation of the countries in which it operates. In 2020, 2,080 of our employees were covered by a collective bargaining system, equal to 55% of our total workforce.

The importance of the collective bargaining agreements is linked to the fact that they 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. Considering the wider perimeter of the Group and the different progresses of working regulations within the countries Bonfiglioli operates in, the time required to apply an overarching regulation could vary a lot, but our purpose worldwide is to promote an open and transparent communication with employees. For instance, the minimum working period required by the Italian law and, thus, applied to Italian contracts, is at least 20 days of notice.

## WELFARE INITIATIVES FOR OUR EMPLOYEES

We take care of people who belong and join the Bonfiglioli family by providing several welfare benefits. We highly value our people well-being and we want to contribute in boosting their working and private life. We do not provide the same types of benefits worldwide because each branch has gradually understood the needs of their employees and, consequently, shaped the benefits offered over the years. To provide a quick overview, the most common benefits provided to employees with a permanent contract include:

**LIFE  
INSURANCE**

**HEALTH  
CARE**

**BUSINESS TRAVEL  
INSURANCE**

**COMPANY CARS  
AND ALLOWANCE**

**PENSION  
PLAN**

**FLEXIBLE WORKING  
HOURS**

**PARENTAL LEAVE AND  
OTHER TYPE OF LEAVE**

**DISABILITY AND  
INVALIDITY COVERAGE**

Among the several initiatives offered by each branch, we offer medical, dental and vision health care, flexible working hours, reimbursement for university and school fees and books, paid accommodation or housing allowance, team building programs and/or company social activities, and meal vouchers. Highly accelerated by Covid-19, smart-working has been provided in the majority of our offices and, where applicable, it matched the needs of both employees and Bonfiglioli Group.

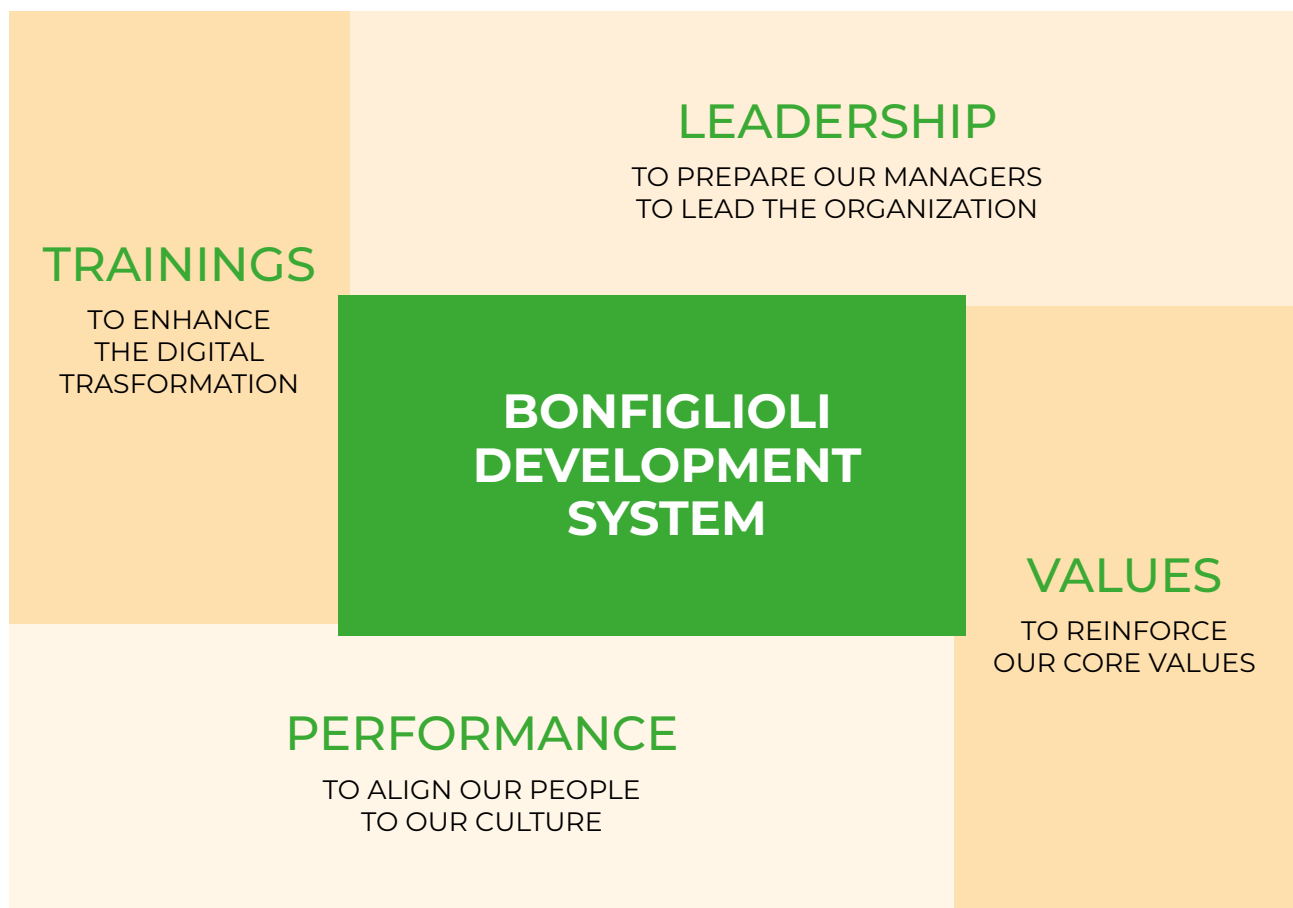
All the Italian plants have adopted a flexible benefit system called **B-WELFARE PROGRAM**. Thanks to this initiative, employees can access a digital platform where they can choose available benefits regarding healthcare, social care, wellness, schools, fun and shopping.

# 2.2

## BUILDING SUCCESS THROUGH KNOWLEDGE

Not to leave anybody behind, we continue to boost training because we firmly believe it is a key factor for the growth of each individual and the overall company. During these years, we have increased our efforts in improving our methods, tools, and courses offered with the purpose of strengthening the capacity of our people to face the emerging challenges of tomorrow. Our company has started the digital revolution and, clearly, all our people play a key role in this transformation where it is crucial to raise awareness and provide our staff with skills and knowledge.

To support our employees with relevant competencies and technical skills, we developed a framework, known as **Bonfiglioli Development System**, based on four strategic pillars: values, leadership model, training, and performance.



Our family is composed by people with different backgrounds, experiences, and knowledge: we proudly share the same vision, and these differences, that underline our distinctive qualities and characteristics, are one of our strongest assets to promote business growth and success. Thanks to the new digital platform - E-ngeinous - we were able to continue our initiatives, including onboarding and training activities. For instance, onboarding activities were managed through dedicated online courses to welcome newcomers and give them the opportunity to better understand our company and familiarize with the Group's values and vision.

## IN 2020, WE LAUNCHED THE DIGITAL LEARNING PLATFORM OF OUR **BONFIGLIOLI ACADEMY!**

Firmly convinced that our employees' skills and knowledge should not be stopped by the pandemic, we finalized and officially launched the digital learning platform of our Bonfiglioli Academy. Our renowned Bonfiglioli Academy is now available and accessible for almost all our employees worldwide, through an online platform (for more information, please, refer to the box "**A DIGITAL PLATFORM TO DESIGN YOUR OWN LEARNING ROADMAP**"). An additional positive effect generated by the Bonfiglioli Academy, is the progressive harmonization of common language and approach to communicate inside and outside the organization.

In Bonfiglioli, we believe training is a founding element of both professional and personal growth. We think that providing tools to develop and boost knowledge on Industry 4.0, new technologies and personal development could benefit everyone. Firstly, our people increase their competencies, especially on technologies and innovative methods and processes; secondly, the new skills gained can be spent in the labor market, that highly appreciates cutting-edge competences. As confirmed by many Italian media, the **Bonfiglioli Academy is considered a model to be inspired by**, in order to promote an increasing level of competence among all employees' categories, that could benefit also the exchanges of knowledgeable manpower among firms.

To customize the training experience in line with our employees' needs, personalized courses were developed based on different roles and tasks. For instance, managers are required to exercise and improve their leadership abilities by practicing decision-making capacity, organizational skills, and strategic visioning. In addition, thanks to a **centralized performance management system**, Bonfiglioli is able to assess performance and evaluate all managers worldwide.



In 2020, Bonfiglioli organized courses for **41,884 hours of training**, a 40% reduction compared to the previous year. The decrease is due to the difficulty of carrying on the training activities especially at the beginning of the Covid pandemic, which inevitably slowed down all planned programs. The situation required time to reorganize and shift a relevant number of in-presence courses to e-learning training. Moreover, the number of training hours recorded for 2019 was considerably higher because of the launch of the Bonfiglioli Digital Re-training, which mainly aimed at preparing employees for the new EVO plant.

HOURS OF TRAINING OFFERED BY GENDER AND CATEGORY <sup>2</sup>			
	2018	2019	2020
<b>Average hours of training</b>	<b>13</b>	<b>19</b>	<b>11</b>
Women	19	31	25
Men	13	16	9
<b>Average hours of training</b>	<b>13</b>	<b>19</b>	<b>11</b>
Executives & managers	36	41	12
White collars	16	15	10
Blue collars	8	20	12

<sup>2)</sup> The average hours of training per employee is calculated through the ratio between the total amount of training hours divided by the number of employees. The same approach is applied with reference to 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 31<sup>st</sup> December).

Overall, in 2020, each employee benefitted from 11 hours of training on average; particularly, women received three times the hours of training compared to men. Overall, the amount of hours were equally distributed among all the employees' categories, with a slight reduction for white collars.



With the intent to offer our employees the opportunity to strengthen their skills, we extended the collaborations with universities to offer our executives and managers the possibility to attend trainings, such as Executive Masters, to improve their knowledge on specific topics. Every year, the Group signs agreements with some top-ranked business schools worldwide and encourages its employees to join new challenges, boosting the company's internal competencies. With reference to 2020, we continued the partnership with the Spanish institute IESE, the ESCP based in Paris, and The European House Ambrosetti.

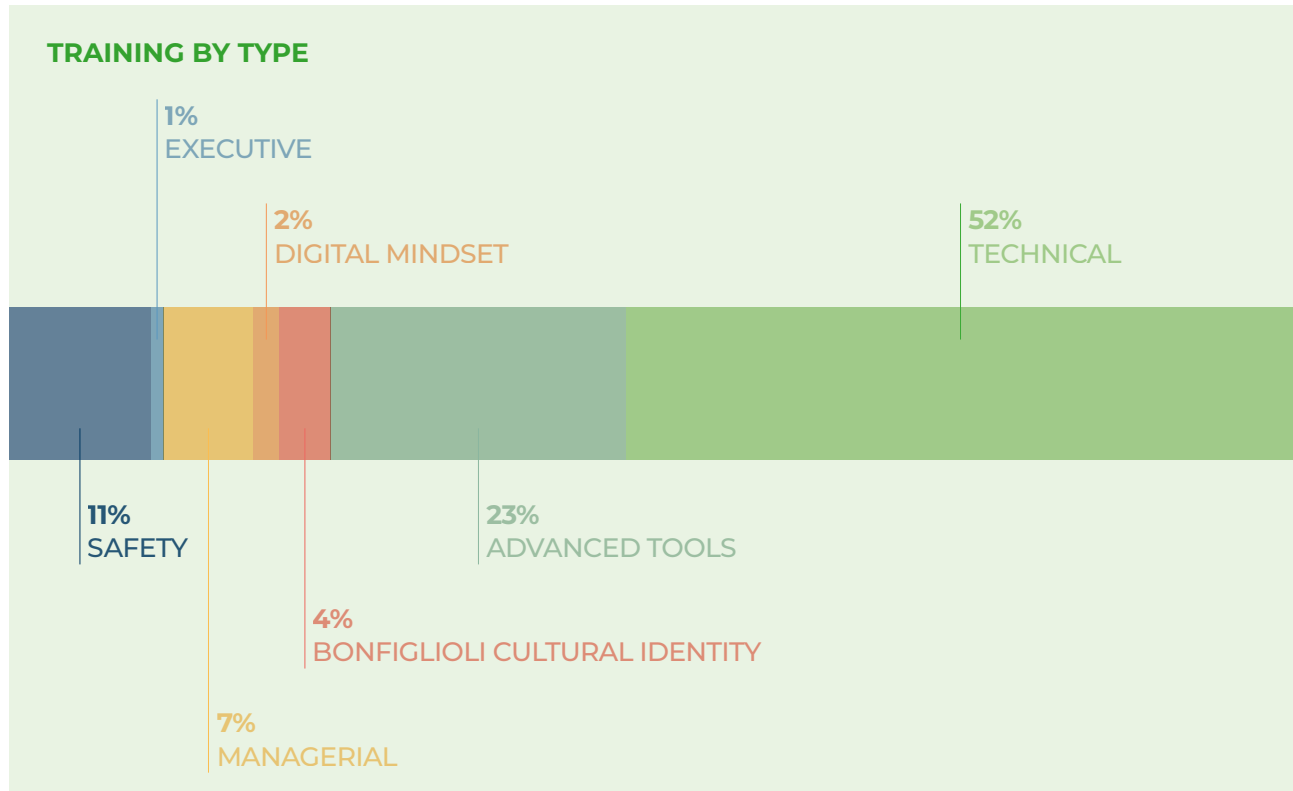
IN 2020, OUR PLANT IN VIETNAM COLLABORATED WITH THE **EASTERN INTERNATIONAL UNIVERSITY**, LOCATED IN BINH DUONG, AND SPONSORED A MECHANICAL LABORATORY, PROVIDING PORTABLE TESTING CASES, SMART CONVEYOR AND TRIPLE AXIS ROBOT. DUE TO COVID RESTRICTIONS, OUR SPECIALISTS POSTPONED TRAINING ACTIVITIES ON MACHINES AND TOOLS PROVIDED.



## OPPORTUNITIES OF INTERNATIONAL MOBILITY

To promote dynamism and change inside the Group, we decided to launch a new opportunity for all our **people** as they are **our key asset**. With the purpose of sharing gained skills, we launched an internal job posting initiative through which employees can check open positions worldwide. Indeed, the internal mobility project was designed in order to provide our people with a **concrete opportunity for personal and professional development**, taking into consideration personal aspirations and motivations; thus, our employees have the chance to step forward, enhance competencies and skills, as well as express their potential. Despite the fact that external recruiting remains a crucial lever to acquire new skills and competencies, the introduction of the international job posting platform is meant to attract people and promote retention in the Group.

Specifically, the 41,884 hours of training courses attended in 2020 were divided as shown below:



Our **Generational Re-Training Program** was developed according to the different age groups. The program's structure entails five specific pillars, strictly related to innovation. Moreover, the training support provided includes Health and Safety (11%) and Technical (52%) courses, whose duration covers more than half of the overall training.

## GENERATIONAL RE-TRAINING PILLARS

### EXECUTIVE

to give excellent education to our top managers



### MANAGERIAL SKILLS

to prepare our managers to lead 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




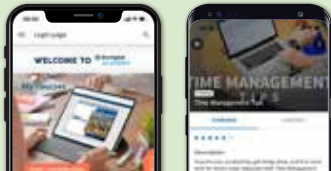

to give specific tools to our people in order to facilitate their job



# A DIGITAL PLATFORM TO DESIGN YOUR OWN LEARNING ROADMAP

To face the difficult situation caused by the pandemic and carry on with our training programs, we accelerated the development of the **Digital Learning Platform**, a tool which was already in the planning phase before the Covid-19.

The Bonfiglioli Academy was officially launched in July 2020 and is available for all worldwide executives, managers, and white collars. In September the Group presented the **Bonfiglioli Academy mobile**, an application for every smartphone, that allows attending courses both online and offline. The application is also available for Italian blue collars since November 2020, as shown in the following timeline:

JULY	SEPTEMBER	OCTOBER
 <p>Launch Digital Platform with LinkedIn Learning library.</p> 	 <p>Launch Mobile App.</p> 	 <p>Official start of Manufacturing School (21<sup>st</sup> october).</p>

Briefly, the characteristics of the new training are the following:

- > **AVAILABILITY** Always available, going beyond geographical and linguistic boundaries
- > **REPLICABILITY** Possibility of repeating courses more and more times
- > **FLEXIBILITY** To meet the needs of employees and business
- > **ACCOUNTABILITY** Each one is responsible for its own know-how

The peculiarity of Digital Learning is that employees become protagonists of their own education by personally choosing their courses. Indeed, each one has the possibility to select which courses they want to attend, increasing **self-development** and **employability**.

The platform has a **simple and user-friendly interface** and offers **relevant and pertinent contents**.

Employees can choose among several courses developed by the Group on specific topics, such as Industry 4.0, Bonfiglioli Production System, or Sensing Tools; in addition, Bonfiglioli allows its employees to access all the 16,000 courses on several subjects available on the LinkedIn Library.



## NOVEMBER



Bonfiglioli Digital Re-training available at worldwide level (also in english).



Mobile App available for all italian blue collars.



To keep improving and updating the platform, users can **provide feedback and rate the courses they attended**. The employee's dashboard allows to customize the personal training path, set targets, monitor course status and progress, with the purpose of constantly improving performances and goals.

Moreover, to make the learning experience more appealing, it is directly linked to a **Reward System** that allows to gain points and collect badges. Furthermore, the completion of some courses provides **externally recognized certificates**.

## 2.3

### CARING FOR OUR PEOPLE SAFETY

We firmly believe the health and safety of our people is a priority: for this reason, we make sure our worldwide facilities and processes are compliant with national and international regulations and, simultaneously, we are committed to spread a culture of safety and prevention of accidents in the workplace. Our teams are actively engaged in evaluating and implementing new measures and enforcing the existing ones, with the aim of boosting our workplace's safety standards and, thus, reducing the occurrence of potential work-related incidents and injuries.

In 2017 we established **an integrated Group Quality, Safety and Environment (QHSE) Policy**, which aligns all the internal procedures **to ensure high standards related to health and safety**. This allowed us to **define a structured and integrated approach** that considers our geographical diversification and diverse operations. Responsibility, excellence, and continuous improvement are always present in our daily actions, to enhance all value chain aspects.

*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

The major part of our facilities have been implementing formal procedures regarding the management of health and safety issues; specifically, the new **ISO 45001:2018** was obtained by all the companies in Italy and China<sup>1</sup>. Generally, the presence of a health and safety management system attests that a site introduced a structured approach to the definition and identification of potential risks and the implementation of effective actions to prevent, minimize, and eliminate risks. Through the system, our plants are encouraged to carefully identify and assess internal processes in order to investigate specific

<sup>1)</sup> Specifically, Bonfiglioli Riduttori S.p.A., Bonfiglioli Italia S.p.A., Bonfiglioli Mechatronic Research S.p.A., Bonfiglioli Drives Shanghai Co. L.t.d. have obtained the ISO 45001:2018.

risks that could occur, considering all the different tasks and activities of every employee category. After having identified potential harms and having evaluated all risks, it is possible to consider the introduction of proper prevention and protection measures, minimizing and/or removing the hazard. We have been restlessly committed to identify and implement continuous improvements over the years; recently, we installed innovative systems to better handle heavy products as well as we provided all the necessary protective equipment to our workforce.

Considering the several sites and different regulations of each country in which we operate, we set up a centralized health and safety team that is responsible for the definition of policies and guidelines to be applied in all companies of the Group. The corporate team does not only harmonize and coordinate the safety measures but it periodically conducts on-site visits to verify the correct adoption of the recommendations and assesses the health and safety systems implemented at the local level. Indeed, each company conducts its own risk assessment to detect specific hazardous elements, that usually are strictly related to the operations conducted by each facility. For this reason, in each production plant, there is a specific team entitled to manage and supervise health and safety; in addition, employee representatives regularly participate in formal joint management-workers committees, while guidelines and policies are managed at the Group level. To increase the awareness and responsibility on health and safety, we actively engage and involve our employees in creating a safer working environment and we highly encourage their suggestions, ideas, and recommendations. We believe that organizing awareness-raising initiatives about these topics is the first fundamental step to prevent injuries, therefore we offer continuous training courses on dangers related to daily job activities and we promote a responsible conduct. Every year, we conduct several courses on safety, focused both on general topics and specific risks, related to each worker's task. In 2020 we offered 4,603 hours of training concerning health and safety, which corresponds to the 11% of the overall education provided worldwide by Bonfiglioli to its employees.

## -30% OF RECORDABLE WORK-RELATED INJURIES OF EMPLOYEES COMPARED TO 2019

The total number of 2020 worked-related injuries and the rate of recordable work-related injuries slightly decreased with respect to 2019. This reduction is linked to the safety measures implemented over the years, but it can also be partially explained by the pandemic situation worldwide. Indeed, the actions put in place to limit the spread of Covid19 affected, for instance, the overall number of worked hours, because in many plants temporary closures were applied as well as the introduction of work shifts, aimed at reducing the presence of employees in the workplaces. Consequently, 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. Furthermore, we have also been tracking the number of recorded near-misses for employees and external workers that in 2020 were 95 and only 1 respectively.

WORK-RELATED INJURIES – EMPLOYEES			
	2018	2019	2020
<b>Total number of work-related injuries</b>	<b>49</b>	<b>57</b>	<b>39</b>
high-consequence work-related injuries*	4	2	1
fatalities	-	-	-
<b>Total worked hours by employees</b>	<b>6,539,334</b>	<b>7,045,550</b>	<b>6,892,099</b>
<b>Rate of work-related injuries</b>	<b>7.5</b>	<b>8.1</b>	<b>5.7</b>
<b>Rate of high-consequence work-related injuries*</b>	<b>0.6</b>	<b>0.3</b>	<b>0.2</b>

\* 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.

Our care and attention towards health and safety includes not only our employees, but we all people who work at our sites, namely the external workers (e.g. agency workers, suppliers working permanently on-site, etc.). Even though they are not employees, they perform their work activities in our plants and, therefore, they are required to respect and abide by all the safety rules defined by each site to guarantee their safety as well.

Despite the Group does not centrally manage the information, we have been gradually improving data collection to better monitor them over the year and across all sites. Similarly to data regarding employees, collected information show a reduction in 2020 recordable work-related injuries of external workers probably due for the same reasons. However, we underline an increase in the worked hours as a consequence for the improvements in mapping information of external workers, in particular, we achieved an increase of 60% with respect to 2018 data.

WORK-RELATED INJURIES – EXTERNAL WORKERS <sup>5</sup>			
	2018	2019	2020
<b>Total number of work-related injuries</b>	<b>2</b>	<b>11</b>	<b>5</b>
high-consequence work-related injuries*	1	-	1
fatalities	-	-	-
<b>Total worked hours by employees</b>	<b>575,831</b>	<b>774,421</b>	<b>921,837</b>
<b>Rate of work-related injuries</b>	<b>3.5</b>	<b>14.2</b>	<b>5.4</b>
<b>Rate of high-consequence work-related injuries*</b>	<b>1.7</b>	<b>0</b>	<b>1.1</b>

\* 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.

<sup>5)</sup> 2018, 2019, and 2020 data regarding work-related injuries of external workers are related to 10, 15 and 17 plants respectively. 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.



# HSE GOLDEN RULES

With the aim of harmonizing internal operations and processes, the HSE corporate team conducted a survey to detect which are the main areas of improvement worldwide. The questionnaire was submitted to all our branches with the intent of identifying the main issues based on which we developed **“10 HSE Golden Rules”, guidelines developed with a more user-friendly approach, to reaffirm the best practices already in place within the Bonfiglioli Group through an effective and globally understandable communication.** The intent was to reinforce the environmental and safety measures already introduced and implemented in our plants, in compliance with national and international rules and regulations on safety.

Starting from the most relevant ones identified and suggested by our employees, in 2020 we published the following top four rules:

## 1<sup>ST</sup> RULE LIFTING OPERATIONS

to provide accurate information and instructions regarding manual handling, lifting and carrying activities using mechanical equipment and lifting with slings and chains

## 2<sup>ND</sup> RULE PERSONAL PROTECTING EQUIPMENT

to communicate to employees, external workers and visitors how to choose and manage the proper personal protecting equipment for their activities

## 3<sup>RD</sup> RULE SAFE DRIVING

to provide indications on how to drive safely, identifying potential hazards, checking the overall car's conditions and respecting the highway code and local traffic laws

## 4<sup>TH</sup> RULE ISOLATION AND TAGOUT

to explain how to properly conduct isolation and lockout-tagout (loto) operations and to apply the required procedures after the completion of the “last minute risk assessment checklist”

## THE HSE GOLDEN RULES ROADMAP

# 2019

Identification of the main areas of interest

# 2020

Drafting and editing of the first 4 rules

# 2021

- > Publication of the remaining 6 rules
- > Launch of a dedicated communication campaign
- > Definition of a training course regarding the HSE golden rules

# COVID-19 – A WORLDWIDE EMERGENCY

Since 2019, we have been experiencing the coronavirus pandemic, which all our companies had to tackle as the outbreak progressively spread. Initially, we supported our Asian branches and, when the Covid-19 emergency extended globally, we developed general indications to share with the entire Group. To be compliant with these guidelines, each plant revised internal regulations, aligning them also to the reference Country's legislation.

To ensure workers' health and wellbeing, wherever possible, we encouraged remote working and the use of digital platforms for organizing meetings. Instead, for all workers whose physical presence was necessary to accomplish their tasks, we introduced specific rules within our plants, for example the required distance among workstations and the reduction of the number of employees allowed on-site at the same time, introducing different work shifts. In our facilities, we adopted all the necessary tools and precautions to create an environment able to make our people feel safe in carrying out their activities. At the same time, we required our people to follow additional safety rules, such as the mandatory use of masks, social distancing, and frequent use of hand sanitizer, until the emergency is over.

The Corporate HSE Team was in charge of coordinating and supporting the local HSE worldwide and, simultaneously, it was required to manage all the Italian sites, for which it developed a General Protocol and adapted it according to the Integrated Management System, to better handle the emergency. We implemented all the rules included in the Protocol and, especially in the common areas and in the open spaces, we introduced containment measures and provided plants with devices, such as thermo scanners; we organized information and training campaigns for all Italian workers; and we closely monitored activities to verify the proper application of the new rules. To make people feel safe, we strengthen the health services provided by internal infirmaries to better manage the pandemic inside the buildings; in addition we launched two voluntarily serological tests campaigns and we made available quick swabs at the Headquarters. For all Italian branches, we also launched a dedicated help desk to notify real or suspicious case of positivity to Covid-19.





3.

# OUR IMPACT

WORKING  
TODAY FOR A  
SUSTAINABLE  
TOMORROW



# 3.1

## INNOVATION FOR A SUSTAINABLE FUTURE

At Bonfiglioli, we work to develop groundbreaking solutions by constantly challenging ourselves in improving our performances. In order to meet new market requests and be a reference point for our customers, we constantly invest in new ideas to optimize our products and production processes to guarantee high-quality solutions. Specifically, our way to excellence is driven by three pillars:

### RESEARCH AND DEVELOPMENT

- › 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

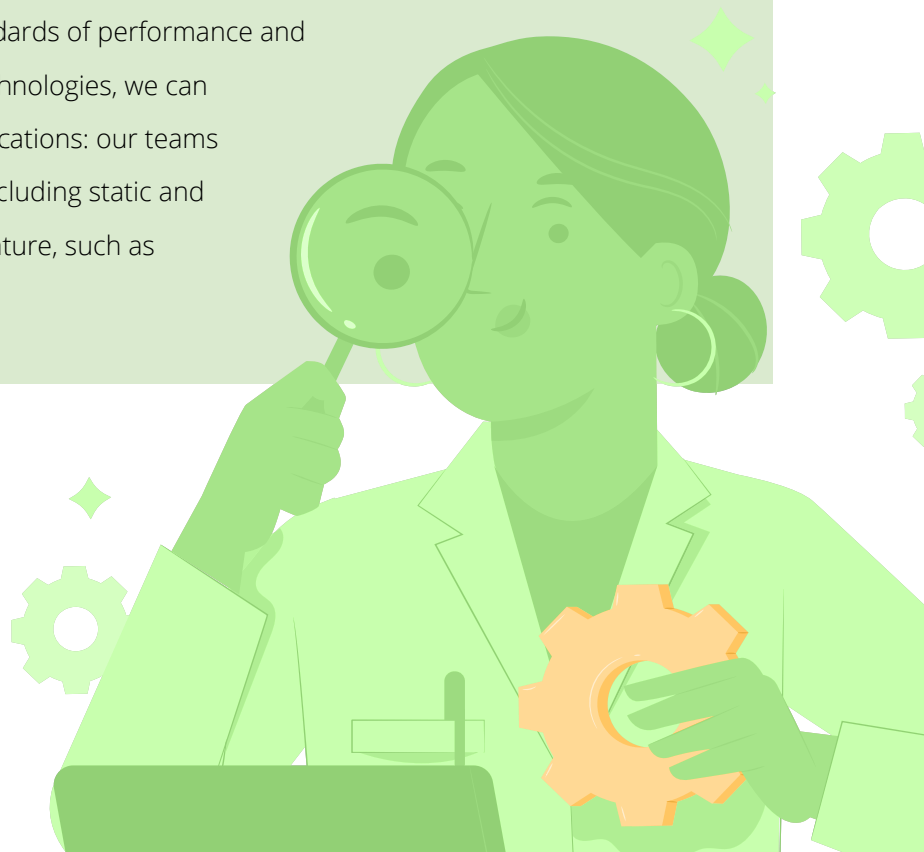
Combining the most advanced electro-mechanical, electronic, and hydraulic technologies, our **global R&D team** develops breakthrough solutions to satisfy the most demanding application requirements and supporting our customers' growth.

We are present across the world with 7 different R&D centers, located in Italy, Germany, India, and China and engage more than 200 employees.

### DESIGN YOUR SOLUTIONS

*Each gearbox, motor and inverter combines the fundamentals of classical electromechanics and electronics and are optimized thanks to the most advanced calculation and simulation systems.*

Through several **virtual simulation techniques**, our experts design, test and optimize products to ensure the highest standards of performance and reliability. By combining different technologies, we can offer a wide variety of potential applications: our teams continuously face new challenges, including static and dynamic problems of a non-linear nature, such as vibration and noise optimization.



## CO-ENGINEERING

*Once the prototype is ready, Bonfiglioli tests replicating real-life operating conditions in order to verify performances, durability and reliability, before it is delivered to the customer.*

To better meet our customers' needs, we also offer the possibility to **customize products**, providing complete support in developing the project from the design phase to the serial production. With a continuous dialogue and interaction on technical aspects with the client, we develop a tailor-made solution that accurately **maximizes productivity, efficiency, and reliability, saving development time.**

## TEST LABORATORIES

*At Bonfiglioli, we have Test benches for all dimensions, and the power and speed for life-testing in induced environmental conditions to monitor temperature, vibration and noise.*

Our laboratories are crucial for our business because it is where we **develop and certify products and conduct in-depth production verifications.** Moreover, it is where we validate all our solutions, from the smallest component to the finished product. Indeed, thanks to a wide range of equipment, our specialists can conduct performance and fatigue testing on all our **electrical, mechanical, or hydraulic solutions.**



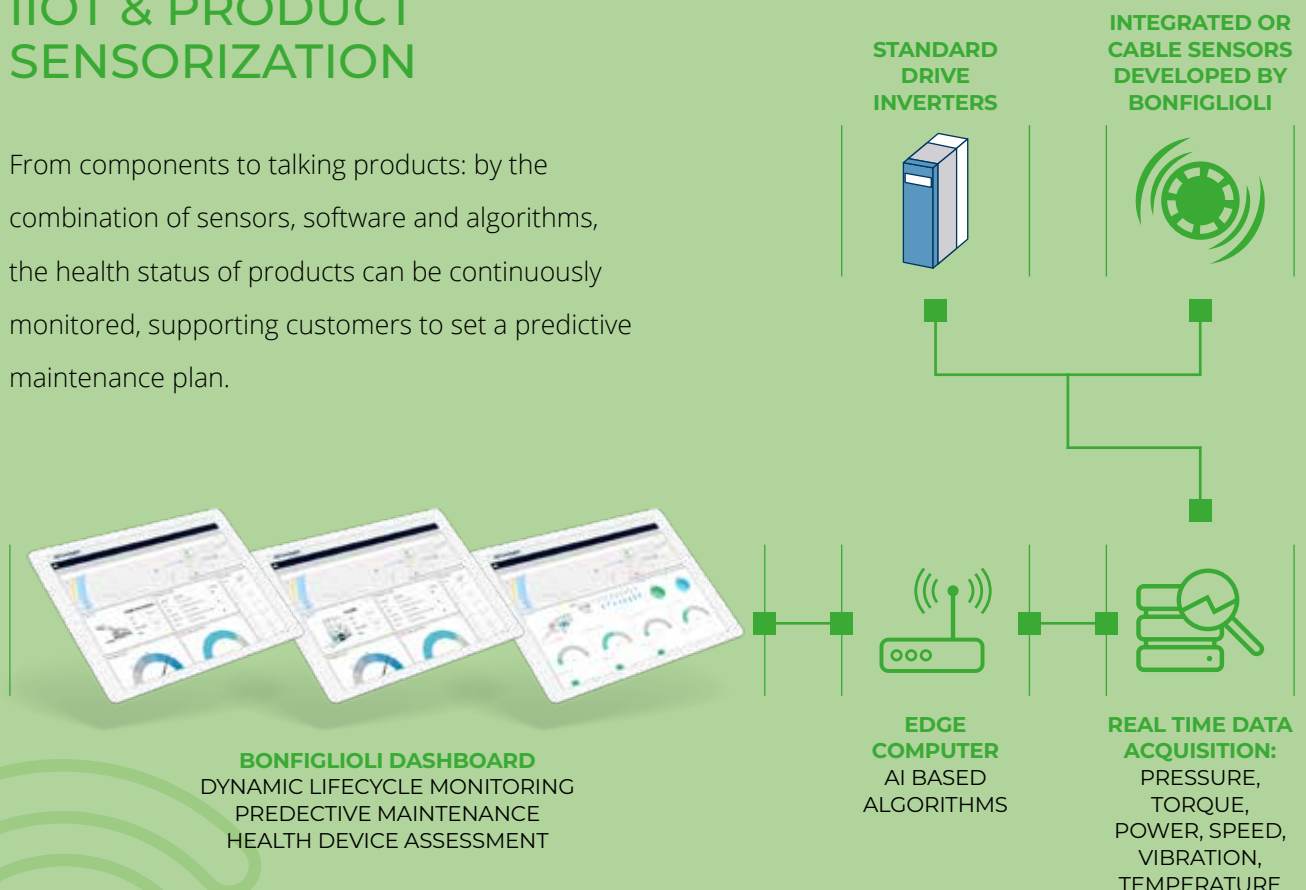
## INDUSTRIAL INTERNET OF THINGS (IIOT) TECHNOLOGY

*With Bonfiglioli's IIoT-technology it is possible to constantly monitor the health of a gearmotor, thanks to the combination of our proprietary multi-sensor units and software which includes predictive maintenance algorithms.*

By developing tailor-made IIoT solutions, our R&D teams are able to enhance the efficiency and increase productivity of customers' machines. With the support of advanced technologies, such as realtime data acquisition and condition monitoring, we study and analyze collected data and evaluate actions to prevent failures and boost machine's performance. Especially for those applications where early fault detection is critical, we can support businesses in increasing reliability, lowering operational and maintenance costs, and reducing downtime.

## IIOT & PRODUCT SENSORIZATION

From components to talking products: by the combination of sensors, software and algorithms, the health status of products can be continuously monitored, supporting customers to set a predictive maintenance plan.



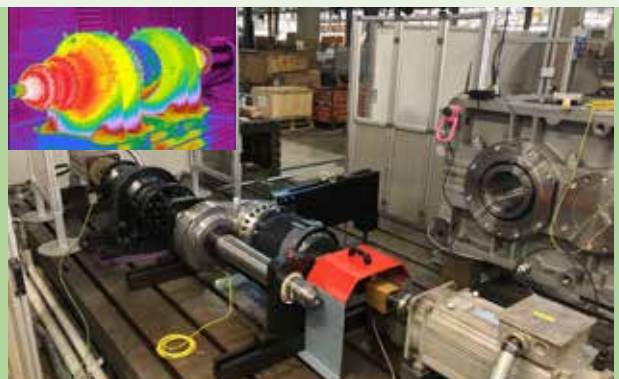
## R&D TEST LAB IN EVO

In line with our vision, we restlessly focus and invest in research and innovation to continuously improve our products' portfolio, trying to anticipate and meet market's and customers' needs. For us, **innovation is a strategic lever** and for this reason we built a brand new dedicated Test area, that was inaugurated in 2020 in EVO premises. The Test Lab is a key space where the R&D staff can conduct experiments and combine new materials, technologies and solutions, constantly cooperating with teams worldwide.

Equipped with the most advanced technologies, the laboratory offers a place where our solutions are tested and optimized, simulating multiple application conditions. Built upon two floors, on an overall **1,200 square meters** surface, the lab comprehends new offices, specific testing areas, a meeting room, a tool warehouse, and a 360 square meters workshop area, dedicated to the assembly and inspection of new solutions. To simulate real operating environments and conditions, different equipment and fixtures are present in each room.

In the Test Lab, around 15 people of the R&D team can work simultaneously on the various test benches thanks to the state of the art Safety system. The main area is dedicated to multipurpose testing on motor-gearboxes and a spacious prototype assembly space, that allows teams to combine tools in different ways to build up new products that, then, will be tested. All data resulting from bench tests are systematically saved in a remote monitoring system that supports the R&D team in consulting, analyzing and elaborate the data; the system displays collected data through graphical user interfaces allowing an easier interpretation of trends and performance's evolution.

Furthermore, the laboratory has a specific area for **heavy-duty industrial gearboxes**, where these large units can be tested in back-to-back configuration by electric power circulation and the mechanical connection between Test and Slave units, usually achieved by mechanical coupling. Moreover, there are benches for **light-duty industrial gearboxes**, that are dedicated to conduct measurements, analysis and replicate lifetime working conditions by means of magnetic powder brakes, controlling torque and speed on the units under test.



## DISCOVER OUR NEW CONFIGURATOR MOSAICO 3.0

We firstly launched Mosaico back in 2000 and have continued developing it through the years, to improve its performances and usability. The 3.0 version of our online configurator has been designed to select and configure Bonfiglioli products to match customers' needs, allowing them to save money and time and get all the support and documentation needed.



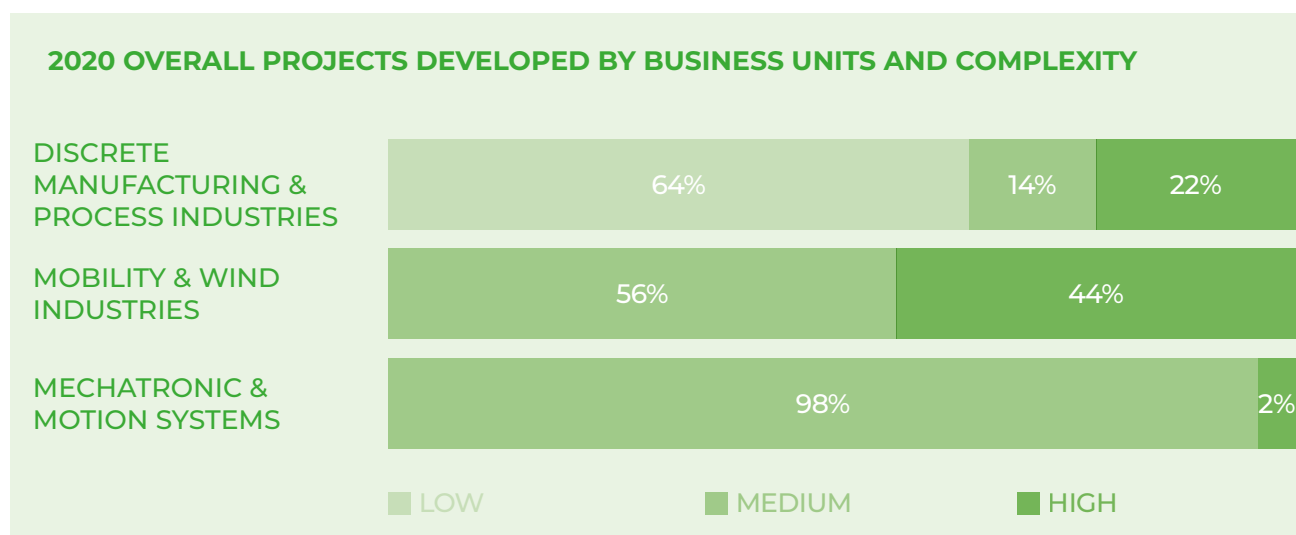
During the manufacturing of our products, we focus our attention on maximizing their performances and reliability, equally combining efficiency, innovation and digitalization. To make the customers' experience easier, we continuously develop new technological and complete solutions, that reduce the number of components offering a simpler application. Moreover, in 2020 we launched the new version of our configurator, **Mosaico 3.0**, a user-friendly platform that provides general documentation and specific support for non-technicians.

Concerning the development of customized products, in 2020 we completed the implementation of the **Product Development Process, a single standardized procedure** aimed to harmonize all Bonfiglioli internal activities related to product development and production launch throughout the three business units. Firstly, the new operating procedure requires a detailed feasibility study, which includes different steps, such as a risk analysis along with economical and strategic evaluations; only after the approval of the business case, the actual development of the project is activated, which includes design, prototyping, testing, industrialization, and finally serial manufacturing. The methodology is compliant with the APQP (Advanced Planning Quality Product) standard.

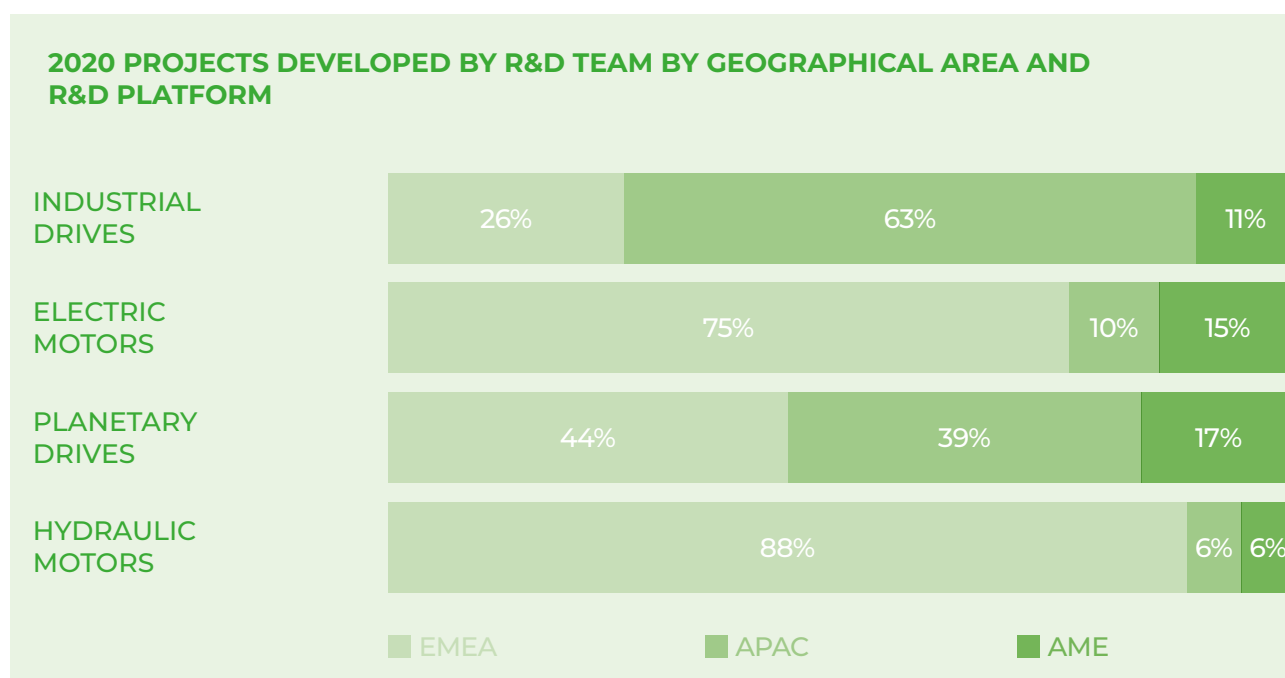
In 2020, our worldwide team developed approximately **1,700 new customized products and applications**. A **project complexity matrix**, introduced by the above mentioned procedure, easily identifies the level of complexity of each project in order to activate the proper development workflow: for example, projects that require very few customization from the standard are categorized as "low complexity" (37%) and, thus, can be directly managed by singular branches; for those that require more complex changes, considered as "medium complexity" (37%), the Customer Application Engineer is involved

at the Headquarter level; while the development of new solutions, namely the "high complexity" ones (26%), is completely managed by R&D specialists in the applicable technology Platform.

Considering the overall number of projects and the allocation of projects implemented by each business unit worldwide, the Mobility & Wind Industries developed the majority of high complexity projects (44%), followed by the Discrete Manufacturing & Process Industries (22%) and by the Mechatronic & Motion Systems (23%).



Specifically, the **R&D team globally developed around 700 new customized products**, mainly located in the EMEA region.



Overall, focusing on market segments, most of the projects of the Mobility & Wind Industries business unit were developed for the construction (42%) and marine (19%) sectors; the Discrete Manufacturing & Process Industries principally managed solutions for food, beverage and tobacco machines (55%) while Mechatronic & Motion Systems focused its projects on materials handling (48%).

## COLLABORATIONS WITH UNIVERSITIES AND INSTITUTIONS

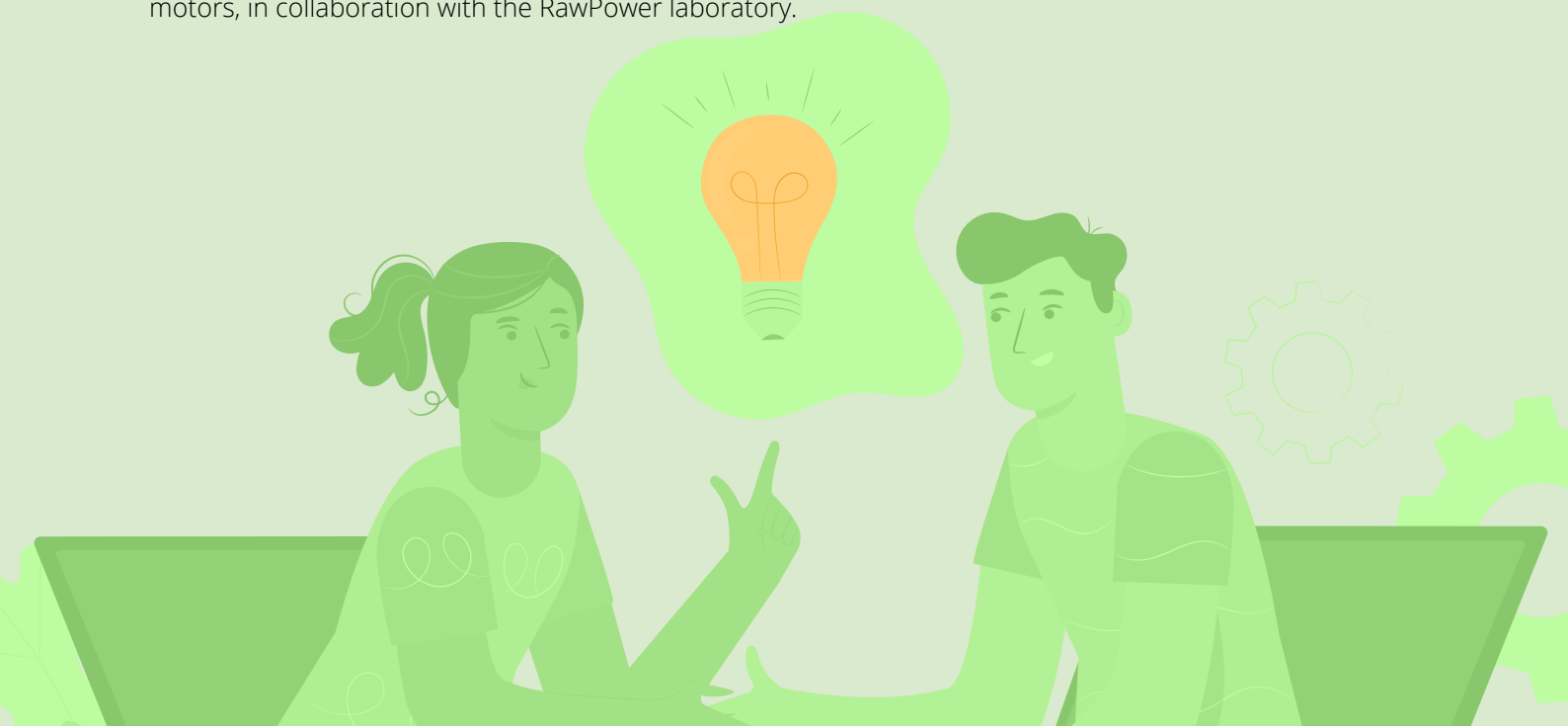


The R&D team daily dialogues and collaborates on developing several projects with local and international universities and institutions. Having an open approach to new challenges and the willingness to share expertise, technologies, and best practices with valuable partners foster the creation of innovative solutions and groundbreaking applications. In line with this approach, our parent company carried on the following initiatives during 2020:



Together with Marposs, we continue the collaboration as a partner of DiaPro 4.0 (Diagnostic Prognostic Industry 4.0), an industrial research project started in 2014 and oriented to develop an **innovative system of advanced maintenance for Industry 4.0 based on predictive diagnostics**. The project involves three local industrial research laboratories acknowledged by the High-Technology Regional Network: MechLav of the University of Ferrara, InterMech- MO.RE. of the University of Modena and Reggio Emilia, and regional laboratory Raw

Power Srl. DiaPro 4.0 aims to identify the best predictive maintenance technologies with the final objective of designing production lines that are able to conduct self-diagnosis during the process (predictive diagnostic) or estimate the residual life of the production line to plan maintenance intervention in advance (Prognostics). In 2020, we proudly participated in the development of physical-mechanical algorithms for **predictive diagnostics and prognostics** together with MechLav and InterMech- MO.RE. Furthermore, we carried on an **innovative patented system for measuring torque and load** on even the largest gear motors, in collaboration with the RawPower laboratory.





## IoTwinS HORIZON 2020

### We proudly coordinate one of the most important projects

**of Horizon 2020: IoTwinS.** Promoted by the European Commission, IoTwinS deals with big data, artificial intelligence and the internet of things applied to manufacturing and infrastructures. The project uses **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, improving efficiency and diagnosing anomalies before they occur. Particularly, these testbeds are focused on three different areas:

- **Manufacturing testbeds:** to provide predictive maintenance services that, through data analysis and time to failure forecasts, support the design of maintenance plans and costs;
- **Facility management testbeds:** to detect critical issues, to optimize techniques in order to define efficient management plans and to improve operational schedules and renovation plans;
- **Replicability testbeds:** to show the possibility of reproducing and adapting the IoTwinS platform to other types of projects, such as in small and medium companies.

In 2020, Bonfiglioli took part in the project because we believe in undertaking an innovation path that, based on international networks and a communicative dialogue with other businesses, can easily satisfy the market needs. More specifically, we were involved in projects of predictive maintenance of products and components of the Wind sector.

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 has been 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



**23**  
PARTNERS



**12**  
TEST-BEDS



**20 M€**  
TOTAL VALUE



**1**  
PLATFORM



**16 M€**  
EU FUNDING



**3**  
AREAS OF  
APPLICATION



Launched in 2018 and located in Bologna, the BI-REX (Big Data Innovation & Research Excellence) is one of the 8 National Competence Centers supported by the Ministry of

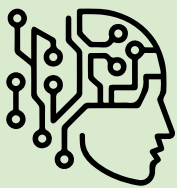


Economic Development. Overall, 57 entities – including Universities, Research Centers and businesses – are effective members of this **public-private consortium focused on Big Data**. On average, these projects last 18 months and aim to support companies in implementing Industry 4.0 and advanced technologies; in July 2020, Bonfiglioli took part to 3 projects as a leading member and to other 7 as a supporting partner. Specifically, some of these programs are managed by the R&D department, which supervises projects on predictive diagnostic, collaborative robotics and monitoring of production processes; while the IT & Digital Department coordinates projects regarding Big Data for manufacturing, such as integration technologies related to IoT connections and Big Data optimization in production lines.



We continue our partnership with the Mechatronics and Motorists Clust-ER, a regional association that connects several public and private entities, such as companies, research centers and training institutions. As main focus, this cluster has the spread of knowledge, skills, ideas and resources, to support the competitiveness of the mechatronics and motor engineering

sector; simultaneously, it enhances the development of new materials, machines and processes. The Mech Clust-ER focuses its research and projects on seven highly specific topics and, in particular, Bonfiglioli collaborates on the working group related to Digital and Advanced Manufacturing, also known as **DaAma**, that deals with the transition to a new generation manufacturing system: The Industry 4.0.



## TRENTINO SVILUPPO PROJECT AIoT BONFIGLIOLI

After formal approval, the project officially started in 2020 by the finalization of the testing area of the M&M plant, where our products have been tested since the beginning of 2021. Developed by Bonfiglioli, in collaboration with Trentino Sviluppo, the objectives of the project are the creation of **models that are able to predict and diagnose** the occurrence of disruptions and damages, **damage prediction models** based on Machine Learning (ML) and Artificial Intelligence (AI), as well as the development of a **platform to manage and analyze collected data**. Particularly, we will collaborate with the research center Bruno Kessler in developing AI algorithms. The testing area of Rovereto plant is fundamental to achieve these goals because it's equipped with advanced technologies and artificial intelligence, necessary to make the main gearmotors' families more respondent through additional sensors, to conduct comparable tests on healthy and faulty systems and to perform many other specific tests.





## MANUFACTURING AND DIGITALIZATION

At Bonfiglioli, we consider manufacturing activities all those operations that range from the assembly of customized and standard solutions to advanced production. Through the expertise gained, all our 13 plants have specialized in distinct product lines that, in the last years, have been progressively enhanced by the introduction of digital tools and advanced technologies, able to interconnect all plants. In this way, we serve the customers with the required product promptly, guaranteeing excellence and innovation.

### EXCELLENCE

Through the introduction of the **Bonfiglioli Business Operational Excellence Program** we constantly measure our performances and align production processes around the world.

Focused on eight main areas, the program has been introduced with the purpose of improving the overall performances, to guarantee the same quality of production any time, everywhere.

SALES

PRODUCTION

SUPPLY  
CHAIN

HSE

**BONFIGLIOLI  
BUSINESS  
OPERATIONAL  
EXCELLENCE  
PROGRAM**

QUALITY

IT

R&D

SOURCING

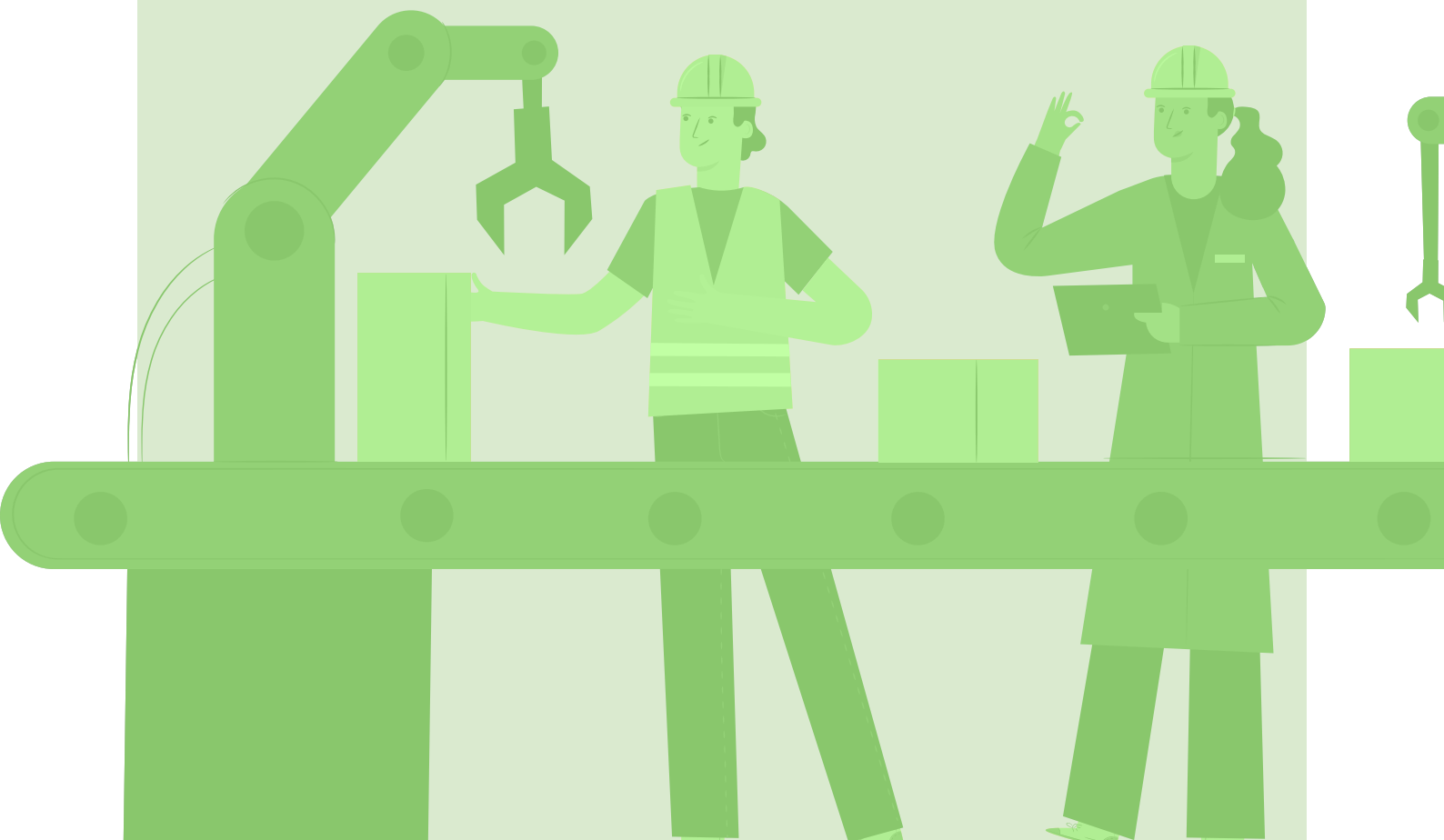


## INDUSTRY 4.0

*Our plants' interconnectivity lets us increase production capacity through precise monitoring of our global operations.*

The great fourth industrial revolution we are facing – the **digitalization** – is a powerful way to boost production's quality and efficiency, increasing flexibility, and, simultaneously, reducing costs. Industry 4.0 enables our plants to be interconnected and have a complete overview of the entire production chain providing end-to-end digital integration, from manufacturing to warehouses as well as to the involvement of suppliers throughout the entire process.

Moreover, thanks to the **Bonfiglioli Manufacturing Execution System** we integrated Industry 4.0 with lean management in several plants. Through the collection of data and information, this production monitoring system indeed allows us to oversee production processes, measuring performance and detecting corrective actions to improve the efficiency of each step.



## BONFIGLIOLI PRODUCTION SYSTEM



Initially launched as a pilot initiative, the Bonfiglioli Production System has been gradually introduced into several plants and, in 2020, it was completely applied to the entire Discrete Manufacturing & Process Industries business unit. Developed to improve and accelerate innovation within the Group, the Bonfiglioli Production System, known with the acronym “BPS”, is a **production management system that aims to continuously enhance our processes and improve our efficiency**. To boost its actual implementation and allow our employees to familiarize with this method, we are proposing specific training

courses to support the staff with the transition to this new way of working. Considering the experience gained so far – that enabled a progressive harmonization and alignment of the procedures – and the excellent results achieved, we plan to progressively extend the BPS to the other business units.

The Bonfiglioli Production System aims at monitoring and conducting systematic analysis of all the procedures along the entire production process. Thanks to the data collected and the trends identified, our teams are able to diagnose potential malfunctions and areas of improvement, introducing corrective actions. The possibility to detect, and predict inefficiencies help us to realize a continuous improvement of internal processes and, in the meantime, implement the “Zero Waste” philosophy.

Giving value to the excellent knowledge our employees have of their specific tasks, we actively involve and engage them in the Bonfiglioli Production System, through the introduction of some key roles, such as the BPS Leader, the Team Leader, and the Team member. Thanks to this structure, everyone can provide suggestions, opinions, and ideas of improvement which may lead to the launch of new projects. The BPS entails three main areas:

- **Pillars’ structure** to simplify the collaboration among different corporate’s functions with the intent to enhance the overall business performance;
- **Cost Deployment** to define where people, energy, and resources should be allocated to maximize results;
- **Improvement Projects** to improve processes and detect better opportunities.

### OUR GLOBAL BPS PLATFORM: DASHBOARD VIEW



Recently, a **global BPS platform** was created to collect data and monitor all projects launched and the results achieved; as shown in the picture on the previous page, an interactive dashboard provides an overview of the main information, such as the number of initiatives and their state of progress, the geographical area in which they are implemented, the pillars involved, and the prevision of potential savings. Altogether, in 2020 the BPS launched 72 projects worldwide, 53 of which were concluded and 23 were audited by the central BPS Team, that evaluates both the methodological aspects and the actual fulfillment of the initiative. Particularly, for 2020, as highlighted in the bar chart here reported, the majority of the projects were focused on Quality, Production and HSE.

## A BPS APPLICATION: A PHOTOVOLTAIC SYSTEM IN VIETNAM

Started in 2008 as a global production facility, our Vietnam branch plays a crucial role in serving the Asian market by producing light duty gearboxes and geared motors.

Looking for a continuous improvement, the Bonfiglioli Production System was introduced in the Vietnamese plant in 2020 with a dedicated project to make it more sustainable. In line with our commitment to reduce our environmental impacts, the facility was equipped with 10,000 square meters of solar panels – equals to 2,652 installed panels, able to provide 1,678 MWh per year, when active.

The introduction of a solar power system envisages a number of benefits: it allows to significantly meet the energy needs of the facility, reducing the electricity related expenses; secondly, using solar energy, the Vietnam branch will be more environmentally friendly, savings more than 800 tons of CO<sub>2</sub> on yearly basis.



**SOLAR PANELS**  
10,000 M<sup>2</sup>



**SAVING  
ELECTRICITY**  
805 TONS CO<sub>2</sub>  
PER YEAR



**BENEFITS**  
REDUCE PLANT  
TEMPERATURE  
4-5°C DEGREE

### VIETNAM PLANT IN NUMBERS



22,000 SQM  
BUILDING



93,844 SQM  
TOTAL AREA



489,000 PIECES  
PRODUCT CAPACITY



## QUALITY

At Bonfiglioli, we continuously increase our efforts to improve and guarantee **product quality and end-user safety** along the entire value chain, from suppliers to customers. As a global leader in the sector, we strive to maintain high standards throughout all development phases and we are committed to ensure the same standing also concerning our suppliers of products, in order to set a quality benchmark to align and refer to. To harmonize the internal approach and define goals at corporate level to easily measure results achieved, we designed an **integrated Group Quality, Safety and Environmental (QHSE) Policy**.

## SYSTEM CERTIFICATIONS

To highlight our commitment, we decided to summarize in a formal document, the **Bonfiglioli Quality Management System**, all the ethical principles and quality standards to ensure consistent improvements and quality of our products, anywhere and at any given time. Thanks to continuous efforts, we achieved the Quality Management System certification at the Group level: this means that all of our plants and branches are compliant with the Standard **ISO 9001:2015** (Quality management system) that validates our engagement to provide products that meet our customers' needs and regulatory requirements.



## PRODUCT CERTIFICATIONS AND DECLARATIONS OF CONFORMITY

Moreover, 100% of our products, considering both commercial and customized solutions, are assessed against potential health and safety risks in order to prevent any potential negative effect. In fact, our solutions are designed in compliance with all safety regulations and products guidelines currently in force, including the European directive on the restriction of the use of certain hazardous substances. Additionally, the design of our products results compliant with several **international certifications**, including CCC, UL, EAC, BIS, ABS, and DNVGL. Moreover, we are also member of the APQP 4 WIND.



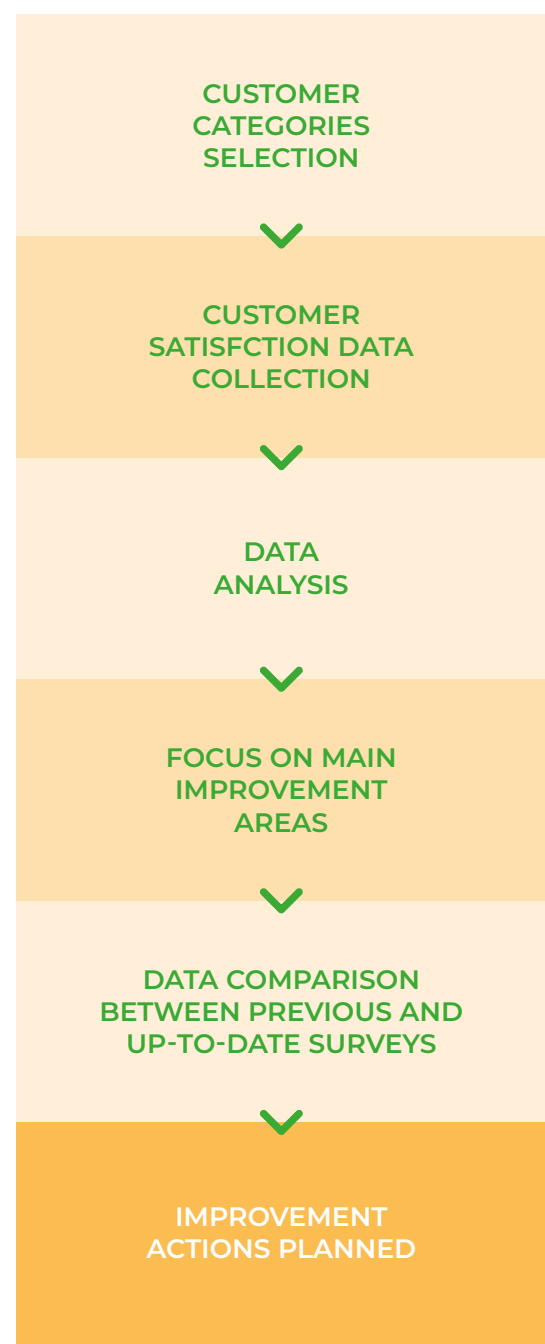
## BEST DISTRIBUTORS

We have an incredible network made by over 550 partners in 22 countries around the world, that promptly provide ready-to-use products and after-sales services. As a key factor for our distribution and clients' satisfaction, since 2019 we have decided to introduce the **BEST (Bonfiglioli Excellence Service Team) distributors Certification**, that awards the most qualified business partners. **The audit and, thus, the certification are delivered by TÜV**, that guarantees the same high-quality standards to end users worldwide. The program, started in Italy, is carrying out in Spain, France and rest of Europe certifying already 14 Distributors (1 Gold, 5 Silver, 8 Bronze) at January 2021.

With the intent to always improve our products and services, we ask our clients to complete a customers' satisfaction survey to collect external feedback regarding our performances. Through interviews and surveys, we gather information on what our clients consider to be our strengths and weaknesses, and we define main improvement areas and interventions accordingly.

Periodically, we conduct client satisfaction assessments, submitting surveys on different business units at regular intervals – for example, in 2019 we collected information on the D&P business unit, while, in 2020 we focused on M&M and M&W. Then, every two years, we analyze the results emerged and this time-gap allows to collect evidences and compare the results of the measures adopted to implement the suggestions provided by customers in the previous surveys.

In 2020 we conducted three different customer satisfaction surveys: for the M&M BU we organized two questionnaires regarding **Original Equipment Manufacturer (OEM)** and **distributors**, while for the M&W BU we investigated all the customer base; the information collected involved a sample of 109, 45 and 205 customers respectively. Thanks to several KPIs, we monitor the Net Promoter Score (NPS) – an index that measures to which extent and why our clients would recommend Bonfiglioli to peers. Based on the results



emerged by the data collected in the previous years, we are proud of the answers received because they confirm our efforts in improving our attention to costumers' needs.

All the surveys conducted in 2020 had a section related to **sustainability**, to which altogether customers answered: for both the M&M and M&W units, the results revealed that our clients value the **energy efficiency** of products and consider the presence of **Corporate Management Systems, labelling and certifications** as strategic levers in choosing business partners.

## 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.

### 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%**.



## 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 sensor-less 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.



## 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 materials 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 advances 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.





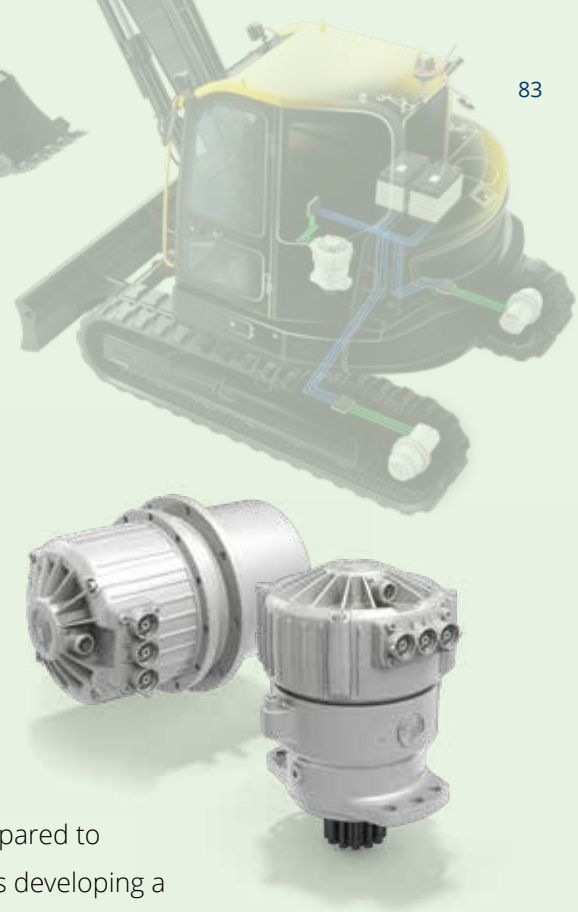
## SWING AND TRAVEL DRIVE FOR FULL-ELECTRIC MINI-EXCAVATORS

### OUR ELECTRIC SOLUTION FOR EARTH MOVING MACHINES: REDUCED NOISE LEVELS AND ZERO DIRECT CO<sub>2</sub> 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

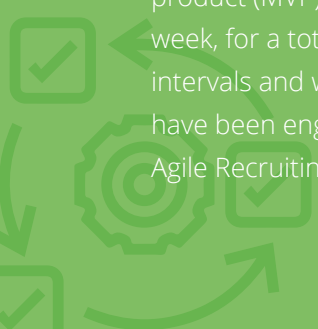
## EMBRACING THE DIGITAL TRANSFORMATION

Our digital transformation started in 2018 when our top management participated at the Bonfiglioli Digital Journey: a travel across the world that enabled to understand the potential of applying advanced technologies and robotics in manufacturing plants. Realizing the advantages that would lead, the **digitalization has been integrated into our corporate strategy** as a key asset, and, gradually, we are completing its implementation through a Digital Roadmap, that entails a series of initiatives to be achieved by applying classical Project management processes and the agile transformation methodology.

Combining the IT tasks with the recently created area dedicated to Digital, our **Information Technology and Digital function** is in charge of the implementation of the digital transformation of processes of the entire Group. Considering the worldwide adoption of smart working due to the pandemic situation, in 2020 the function was principally involved in reinforcing and guaranteeing the Bonfiglioli digital network and systems to ensure daily operations. Having adopted digital technologies in the past years, we promptly faced Covid-19 because we were already prepared to offer to all offices worldwide the possibility of using remote working; specifically, the pandemic situation was an opportunity us to improve our internal processes and systems.

In 2019 we launched three waves of Agile projects that have been gradually integrated into our plants, systems and projects. Particularly, some of them have been fundamental for starting 2020 projects, such as the Product Selector for the Bonfiglioli E-commerce and the Predictive Maintenance as one of the main pillars of Digital@Bonfiglioli. Despite the difficulties emerged with Covid-19 outbreak, we managed to launch and coordinate the **4<sup>th</sup> wave of Agile Projects**, which included the Agile Recruiting and onboarding process and the Agile Budget Re-design.

The **agile methodology** is used mainly for software development and consists in defining minimum viable product (MVP) objectives to be achieved in a tight time frame (three months with an effort of 2 days per week, for a total of 24 days of effective work) with a dedicated full-time working group in pre-arranged time intervals and with the coordination of a special project leader called a scrum master. Overall, 75 people have been engaged since the beginning of the first wave, 42 of which in 2020 while 7 were involved for the Agile Recruiting project only.



## AGILE RECRUITING AND ONBOARDING PROCESS

The first project, the **Agile Recruiting and onboarding process**, was developed together with the Human Capital function to improve and integrate the recruiting and onboarding processes within E-ngeinous, our online digital platform, which supports all our Human Capital function. Particularly, the digitalization of the overall process – that includes hiring, scouting and screening, selection of candidates as well as pre-onboarding, onboarding and induction – required special attention to guarantee a great experience to candidates and a tangible support to other Bonfiglioli functions in identifying the ideal candidate. The whole Agile recruiting project was completed in a period of 10 weeks, with only 20 days of effective working sessions instead of the usual 24 days generally needed for the Agile projects; this allowed to accelerate also the other steps to complete the implementation project, managed by the Human Capital function. At the end of the project, Bonfiglioli will launch not only a very innovative Recruiting & onboarding process, but also a Job opportunity section on the company website.

## BUDGET RE-DESIGNED

Launched in June 2020 and tested for the 2021 budget of the headquarters, the **Budget re-designed** was the second Agile project carried on. The purpose of the project was to rethink the entire process of budget development and to optimize supporting tools accordingly, in order to create a more flexible process able to set up the budget with defined timeframes and respondent to actual business needs. Specifically, we simplified and speeded up some phases of the budget process as well as we developed prototypes to easily collect Opex and Capex, and to analyze the main items that constitute the corporate assets. The implementation of the Agile Budget re-designed has several advantages: more transparency, accuracy, and coherence of information, the possibility of analyzing in-depth the details of all items, higher flexibility in making changes, and their immediate integration into the prospective scenarios.

Thanks to the positive experience and expertise gained during the Agile projects, we decided to launch a new experimentation by testing a **Fast-Agile methodology** for projects that can exploit already existing technologies and knowledge, without the need of developing Bonfiglioli-specific solutions. For this kind of initiatives, we expect therefore that an Agile team may achieve an MVP in only 6/8 weeks.

## THE BENEFITS OF AGILE PILOT PROJECTS



GREATER  
EFFICIENCY

CREATIVITY AND  
INNOVATION

PROACTIVE  
COLLABORATION  
BETWEEN TEAM  
MEMBERS

CONTINUOUS  
ALIGNMENT WITH  
STAKEHOLDERS

SPREAD OF SKILLS  
AND COMPETENCES

EXTENSION  
OF PERSONAL  
WORKING NETWORK

A BETTER INSIGHT  
OF CORPORATE  
CONTEXT

# DIGITAL@BONFIGLIOLI

As part of our digital transformation path, the Digital@Bonfiglioli is set up as a fundamental element in the process of creating a **global Digital Factory**. Started at the end of 2019, this project is designed to develop Bonfiglioli's own digital technologies, with the intent to propose original and innovative solutions. By implementing these initiatives, our Group will be able to enhance and optimize manufacturing processes, by supporting them with innovative digital solutions.

Considering the interesting topical issues it entails and the groundbreaking field of activity, the project belongs to a larger national initiative promoted by **the Italian Ministry of Economic Development**, with the intent to boost and accelerate the development and the implementation of advanced digital technologies into business processes.

In 2020, Digital@Bonfiglioli entered its core phase: the project is implemented and tested into two plants, Evo and the facility in Forlì, and its timeframe was extended from 36 to 41 months due to the pandemic. Following, the main areas of focus for the research and development activities:

## PREDICTIVE MAINTENANCE (PM) IN MANUFACTURING

Improvement of the technical availability of production lines, through early identification of malfunctions.



## PRODUCT SELECTOR & 3D CONFIGURATOR

Development of a tool to support our customers in the product selection online.



## ELECTRONIC WORK INSTRUCTIONS

Introduction of new technologies that display assembly instructions, in real time via augmented reality (AR).



## WAREHOUSE MANAGEMENT SYSTEM

Optimization of warehouse processes with the adoption of new technologies.



# E-COMMERCE: A NEW CUSTOMER EXPERIENCE

Highly encouraged by our top management and in line with the digital transformation, in 2020 we made a new milestone in our innovation story: the **Bonfiglioli e-commerce**. Initially started with a dedicated Competence Center, a pilot project was officially launched in December 2020 in the USA, as one of our most relevant markets with a turnover of more than 170 million USD \$. Clearly, the choice of the USA as pilot location for the launch of the e-commerce, was also encouraged by the fact that its online market has been long-established for Business-to-Consumer (B2C) and is also ready to welcome online Business-to-Business (B2B) purchases.

The necessity of creating our own online shop raised to combine the complexity of our products and the several possibilities of configurations, that no other existing platform provides. On a **user-friendly platform**, the consumer has the possibility to browse the entire portfolio of standardized Bonfiglioli solutions, from single gearmotors to accessories. Indeed, through the new platform customers that do not need tailor-made products are able to independently conduct the purchase, saving time and without the necessity of any intermediary.

Thanks to several searching methods – from typing the digital code related to a part to uploading nameplate photo, from selecting technical data to the scope of application - the online shop allows everyone to easily access and find the perfect product, also to those that do not have any technical knowledge. In order to quickly understand if the product perfectly meets customer's necessity, the 3D CAD file of each product can be downloaded to simulate its installation.

However, in case of needs, a **live chat** is always available. Once completed the transaction by electronic payment, the customer can track every phase of the delivery and directly access to our new online configurator.

Nowadays, the platform is available for US and Canadian consumers, but we are working to extend soon the project to other Countries!



SELECTION



CONFIGURATION



DOWNLOAD



FINALIZE



# 3.3

## A RESPONSIBLE SUPPLY CHAIN

The quality of our products relies not only on our commitment and attention to innovation and continuous improvement, but also on the collaboration with a network of businesses and enterprises worldwide, different in size and sector, that provide essential goods and services for Bonfiglioli's activities, at all levels. The Strategic Purchasing team manages the main commodity strategies, and is responsible for selecting the most suitable suppliers, scouting new suppliers and auditing their quality.

Started in 2018, the centralization of the purchasing activities continued in 2020, with the purpose of standardizing and, thus, simplifying internal processes as well as aligning purchasing decisions to the business strategy. Thanks to this approach, the whole Group can boost synergies and benefit from economies of scale. Generally, purchases are divided in two main categories: "indirect" (i.e. all procurement procedures concerning suppliers and services not directly involved in the development of products, for instance, office suppliers or facilities and outsourced services) and "direct" (i.e. all the purchases directly contributing to the creation of the final products, such as materials and goods for production). **The main part of indirect purchases is currently centralized while, given the relevance of direct purchases, the BUs and the procurement team collaborate in selecting the appropriate suppliers, based on specific needs.**

IN 2020, OUR PURCHASING TEAM INTRODUCED A **PROCUREMENT MARKETING AND INDEPENDENT SCOUTING ROLE**, WHO – ALONGSIDE THE PURCHASING TEAM – ACTIVELY ANALYZES THE MARKET TO IDENTIFY POTENTIAL SUPPLIERS AND DISCOVER NEW TRENDS.

The digital transformation undertaken by the company involved also the Purchasing department: with the support of the IT team, all the procedures and the documents have been progressively transferred to an online platform. The rationale behind it is to set up **a single global portal** through which the Group would be able to manage the entire supply chain, by mapping, monitoring, and handling both clients and suppliers. Gathering together relevant data and available disclosures collected so far regarding suppliers (such as legal documents, supplier's certifications, or information on orders), the platform should improve the management of global suppliers who would be able to directly communicate with Bonfiglioli, improving commercial relationships and saving time.

To harmonize the procurement processes among all countries Bonfiglioli operates in, the Legal & Corporate Department together with the Purchasing Department is gradually reviewing all the terms of purchase and all the legal documents. Being **among the addressees of the Group Code of Ethics**, suppliers are expected to abide by its principles: for this reason, **the new agreements formally include the reference to the Code** and each commercial partner is required to accept it. Currently, the updated version of General Conditions of Purchase is received by all the Italian suppliers along with the orders, whereas for other Countries in which we operate, the process is still ongoing.

*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.*

### **Code of Ethics**, Bonfiglioli Group

As we always tend to excellence, we expect our suppliers to fulfill the highest quality standards. This is the reason why we weekly update our **Vendor Rating system**, an evaluation method that assesses suppliers' performance through some indicators, such as delivery time, quality and logistic performances of sampling's deliveries and services. In 2021, a new vendor rating will be implemented worldwide, introducing additional evaluation criteria: for instance, the capability to manufacture standardized and, especially, customized products. In general, the system aims to control procurements, supervise suppliers' quality and detect potential corrective actions to be suggested and communicated in a monthly report sent to suppliers. Meanwhile, the Group has gradually started the evaluation of suppliers' reliance on Bonfiglioli to map and reduce potential risks and negative effects related to vendors that are heavily dependent on our Group's business.

To become a Bonfiglioli business partner, suppliers have to comply with international standards and provide several certifications, including the EU regulation **REACH** (Registration, Evaluation, Authorization and Restriction of Chemicals) and the EU Directive **RoHS** (Restriction of Hazardous Substances). In addition,



since 2019, in line with EU regulation, a declaration confirming the **origin of goods purchased** (i.e. where they have been produced or manufactured) must be submitted and enclosed within the required documentation. This allows us to easily identify materials and products that come from countries with special trade agreements, considered and labeled as “preferential origin”. An internal platform constantly traces and updates information on duties and regulatory frameworks globally, granting a continuous supervision over the compliance of the Group with national laws and regulations.

To further develop relationships with suppliers and to enhance internal organization, since 2020 the Purchasing Department has been also in charge of auditing suppliers’ quality, a strategic lever for Bonfiglioli. The **Audit Quality team**, previously managed by the HSE department, supervises the evaluation process of direct suppliers who have been collaborating with the Group for at least two years. During the audit, the team assesses the supplier against several criteria and all of them contribute to the final score; where an improvement opportunity is identified, Bonfiglioli suggests corrective actions to improve performance and achieve a higher score. In 2020, the audits were slowed down due to Covid-19.

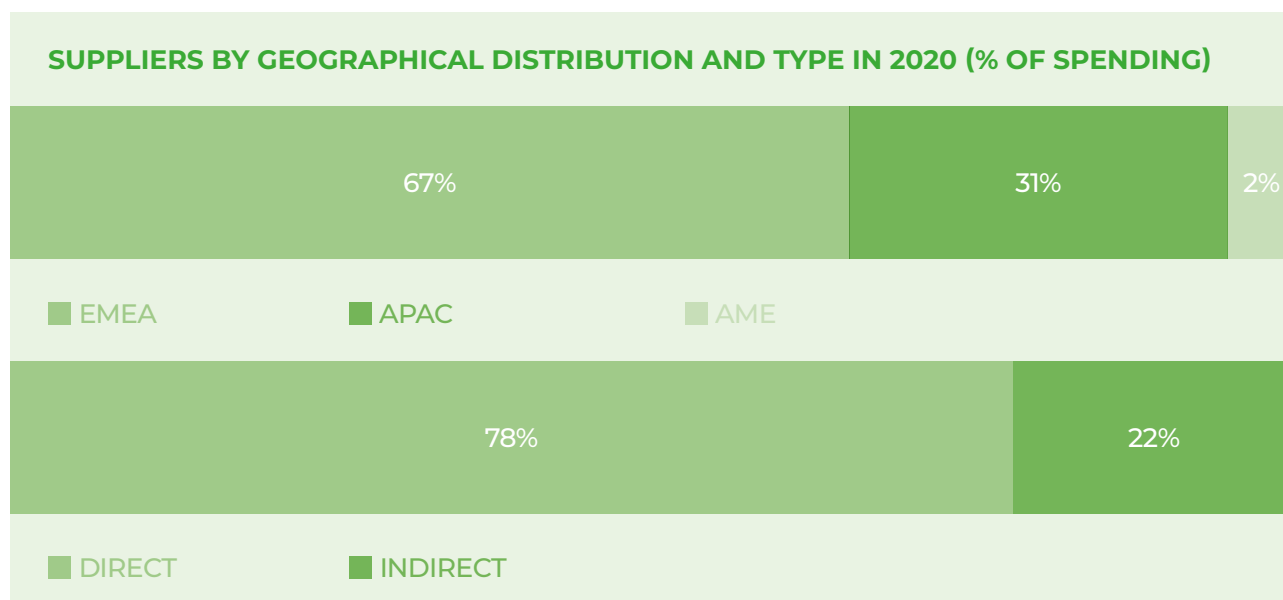
## A SUPPORT FOR ITALIAN SUPPLIERS IN 2020

In January 2020, just before Covid-19 break-out, Bonfiglioli organized the “Italian supplier day”, where the Group strategy for a sustainable business growth was presented to our stakeholders.

Understanding the effects and the potential consequences of the pandemic our commercial partners might face, we decided to provide support, as we acknowledge that part of our Group’s success is certainly due to our essential partnerships. For this reason, we encouraged the entire network, where needed, to benefit from **reverse factoring, preferential rates of interest or delayed payments**. By the end of December 2020, some of our Italian suppliers chose one of these supports, offered by the Group. The intent was not only to enhance our business relations, but also to be considered a trustworthy partner, with whom collaborate towards digital transformation and a more sustainable production.



The overall Group's expenditure in 2020 was about 627 million euros for goods and services, recording a slight reduction compared to the previous year (-8%), in line with the data emerged worldwide on the effects of Covid-19 on the global economy. The amount considered entails both indirect and direct purchases, which includes raw materials and semi-finished products. Most of our suppliers are located across Europe, Middle East & Africa (EMEA), followed by Asia-Pacific (APAC) and American (AME) regions.

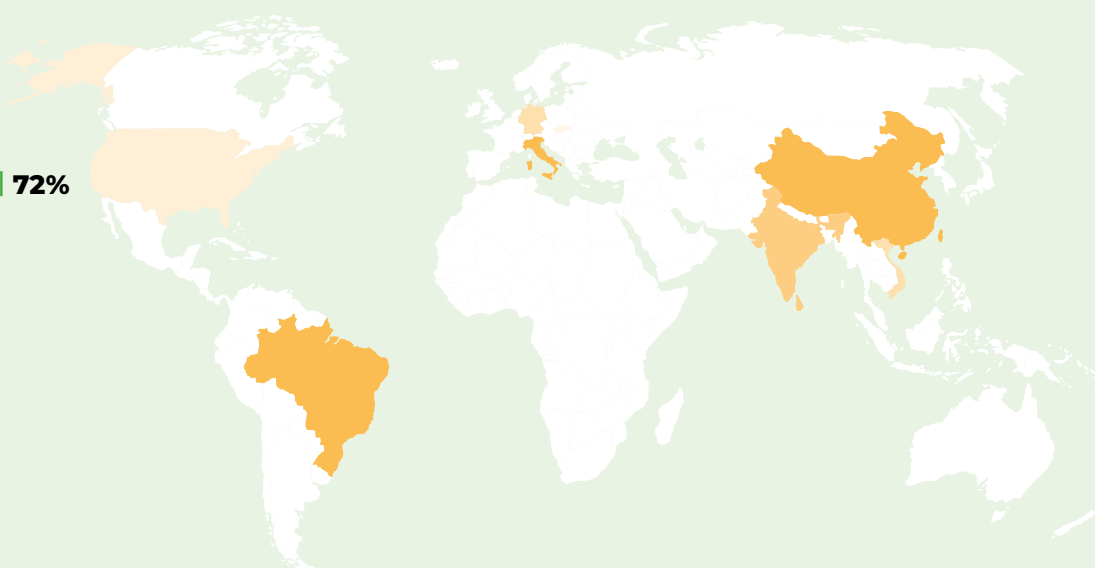


In every country we operate in, our purpose is to bring about a positive impact, boosting the local economy and the development of the resident community. In the following chart, it is shown the percentage of products purchased locally (data consider only direct expenditures, generated by production plants). Probably due to the limitations to transports during the Covid-19 pandemic, in 2020 the local expenditures increased: indeed, the Chinese branches chose local suppliers for 94% of their total expenditures; 85% for Italy and Brazil, 84% for India.

**PROPORTION OF SPENDING AMOUNT ON LOCAL SUPPLIERS IN 2020\***

**WORLDWIDE AVERAGE | 72%**

- > CHINA | 94%
- > ITALY | 85%
- > BRAZIL | 85%
- > INDIA | 84%
- > VIETNAM | 52%
- > GERMANY | 40%
- > USA | 31%
- > SLOVAKIA | 7%



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

# 3.4

## PRODUCTION DESIGNED TO PROTECT THE ENVIRONMENT

Inspired by the vision of our Group's Founder, Clementino Bonfiglioli, our daily work is focused on contributing to building a better world. We are aware that the environment is a fundamental priority for all of us: by implementing targeted activities, we consistently strive the efforts toward the **reduction of our environmental impact** during the design, development and manufacturing of our products.

*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

As stated in our **integrated Group Quality, Safety, and Environment (QHSE) Policy**, we want to ensure that our vision for sustainable development is well communicated in all our companies worldwide, reinforcing our commitment to environmental protection.

Thanks to the implementation of several initiatives, we achieved the ISO 14001 environmental management system certification in all our Italian companies and three plants in Asia: Chennai (India), Shanghai (China) and Binh Duong Province (Vietnam). This certification attests the implementation of an **Environmental Management System (EMS)** and it is issued by the International Organization for Standardization. The EMS encourages companies to adopt best practices and processes to reduce environmental impact of business-related activities, progressively reducing energy consumption and waste production, and simultaneously promote pollution prevention and compliance with laws and regulations.

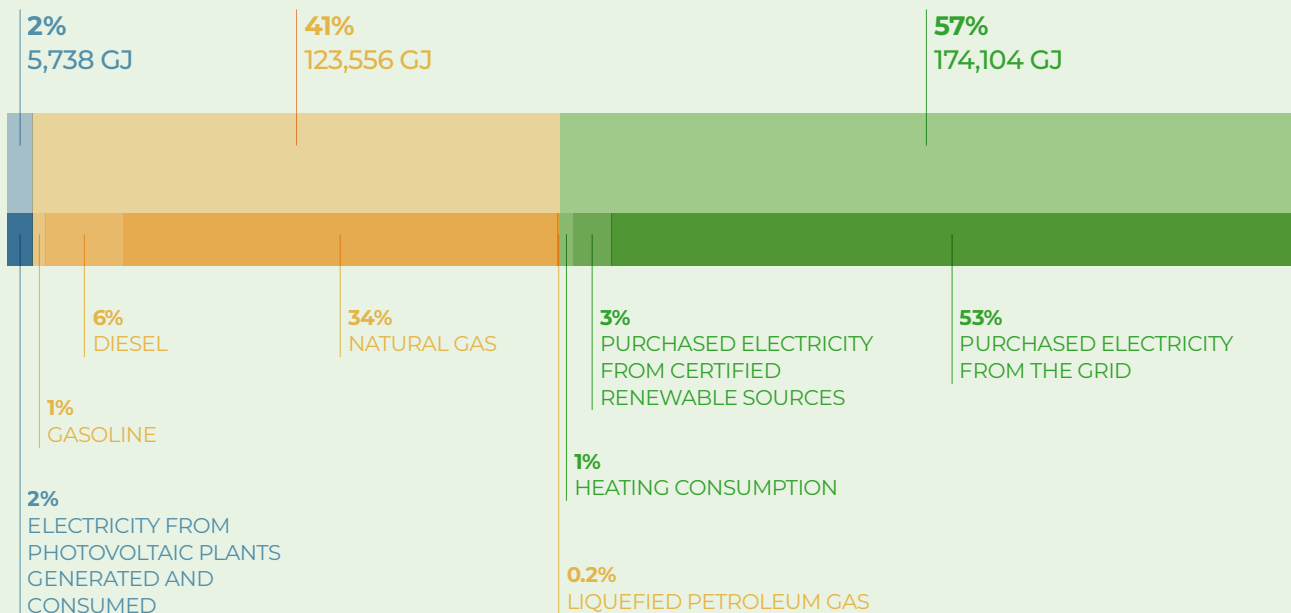
Considering the impacts directly related to our production, we are gradually renovating industrial plants worldwide, by introducing low-energy consumption equipment and by making our sites almost self-sufficient in satisfying their energy demand through the installation of systems that produce clean energy, such as photovoltaic panels. By modernizing the facilities, we have the possibility to introduce technologies able to increase efficiency and guarantee high quality and safety standards (for further information, please refer to the box **BONFIGLIOLI NEW PLANTS: AN INNOVATIVE WORK CONCEPT FOR THE FUTURE**).

In 2020 our overall consumption of energy was equal to 303,398 GJ, lower than the previous year (-7%), mainly due to the measures implemented to reduce our energy demand and also to the effects of the pandemic.

## STRENGTHENING DATA COLLECTION

To strengthen data collection and reinforce a structured internal process, we introduced a monthly data collection that involves all branches worldwide. Periodically gathering environmental information, such as fuel and electricity consumption, as well as waste production, enables Bonfiglioli to better monitor and consolidate data in order to further identify opportunities for improvement.

### 2020 ENERGY CONSUMPTION



■ SELF-GENERATED ELECTRICITY FROM RENEWABLE SOURCES

■ DIRECT ENERGY CONSUMPTION FROM NON-RENEWABLE SOURCES

■ INDIRECT ENERGY CONSUMPTION

The most relevant energy sources we use are electricity (56%), natural gas (34%) and diesel. Generally used for heating, natural gas decreased by 8% in 2020, principally due to less rigid weather conditions and to temporary plants' closures connected to Covid-19 restrictions. Compared to the previous year, the spread of the pandemic also impacted the consumption of gasoline and diesel that decreased by 32% and 23% respectively, for the limitations on business travels; however, these fuels and the liquefied petroleum gas (LPG) are also used inside some production plants for forklifts and, in some cases, emergency generators. Overall, data linked to energy consumption from non-renewable sources show a relevant overall reduction (-10%) – mainly due to a reduction of gasoline, diesel and LPG – and, simultaneously, a 7% decrease of purchased electricity.

**1,425,161 kWh** PRODUCED BY THE PHOTOVOLTAIC PANELS OF EVO



To reduce our environmental impact, in 2020 we continued our commitment in increasing the share of **renewable energy sources**: we indeed maintained the same amount of purchased electricity produced by renewable sources, as attested by Guarantees of Origin (GOs), specifically 2,376,807 kWh. Moreover, we are extremely proud that our solar panels in our plants worldwide are increasing the energy produced; in 2020 **the PV systems in EVO started producing renewable energy, equal to 1,425,161 kWh**, contributing for almost the 83% of the total energy self-generated by the Group. As a result, **the electricity produced from renewable sources increased from 779 GJ in 2019 to 6,214 GJ in 2020**, the 92% of which was consumed inside the building while the remaining 8% was sold to the national electricity grid.

ENERGY CONSUMPTION [GJ]			
	2018	2019	2020
<b>Direct energy consumption from non-renewable sources</b>	<b>148,715</b>	<b>137,959</b>	<b>123,556</b>
gasoline	3,532	2,491	1,689
diesel	23,184	21,766	16,828
natural gas	121,317	112,983	104,428
LPG	683	719	610
<b>Indirect energy consumption</b>	<b>180,199</b>	<b>188,036</b>	<b>174,104</b>
electricity purchased from the grid	170,642	181,025	168,877
<i>of which from certified renewable sources</i>	<i>8,976</i>	<i>8,876</i>	<i>8,557</i>
heating consumption	9,557	7,011	5,227
<b>Self-generated electricity from renewable sources</b>	<b>871</b>	<b>779</b>	<b>6,214</b>
electricity from photovoltaic plants generated and consumed	698	686	5,738
electricity from photovoltaic plants generated and sold to the grid	172	93	476
<b>Total energy consumption</b>	<b>329,612</b>	<b>326,681</b>	<b>303,398</b>

In addition, we also aim at decreasing the amount of greenhouse gases (GHGs) emissions related to our activities: not only we are adopting and implementing innovative solutions for energy efficiency, but we also pursue the same goal when designing products for our clients.

In 2020, direct GHG emissions (Scope 1) from direct energy consumption represented around 26% of our total GHG emissions<sup>2</sup>, with a decrease of -9% with respect to previous year, mainly due to the consumption reduction of non-renewable sources. Indirect energy emissions (Scope 2) accounted for about 74% of total GHG emissions, with a decrease of 7% compared to 2019.

EMISSIONS [TON CO <sub>2</sub> EQ]			
	2018	2019	2020
Direct (Scope 1) emissions	8,973	8,458	7,710
Indirect (Scope 2) emissions			
Market-Based	22,556	23,038	21,589
Location-Based	25,092	26,670	24,219

## TYPES OF EMISSIONS

### SCOPE 1 OR DIRECT GHG EMISSIONS

The Scope 1 category entails all the emissions that come from sources directly owned or controlled by the company, for instance, emissions from combustion of natural gas for heating and fuels for company vehicles.

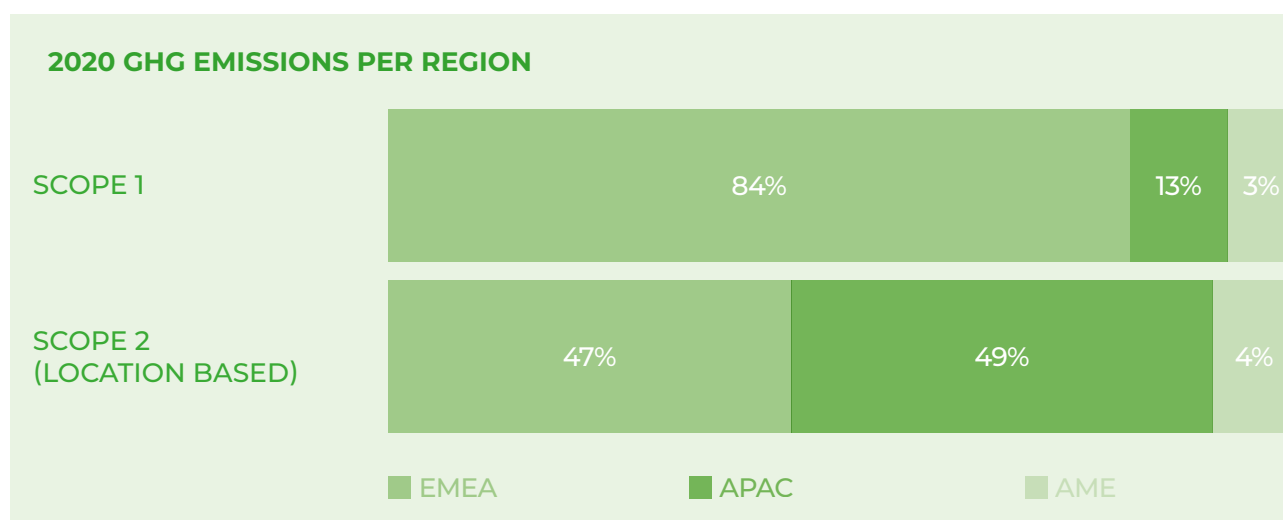
### SCOPE 2 OR INDIRECT GHG EMISSIONS

The Scope 2 category includes emissions related to the generation of purchased electricity and heating consumed by the company; they can be calculated through two different approaches, explained as follows:

- **Market-Based:** it takes into account the RECS (Renewable Energy Certificate System), which certifies 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.

<sup>2)</sup> Considering the Location-Based method for the calculation of Scope 2 GHG emissions.

Considering that the major part of our production buildings is located in EMEA and APAC regions, it follows that the great share of emissions, both Scope 1 and Scope 2, is connected to plants located in these areas. Particularly, indirect emissions related to Asian countries recorded an increase due to a growth in the production capacity of the plants, moving from a share of 43% of the overall Scope 2 emissions in 2019 to 49% in 2020.



Our production process does not release into the atmosphere significant amounts of other air pollutants such as **nitrogen oxides (NOx)**, **particulate matter (SOx)**, **produced volatile organic compounds (VOC)** and other pollutants.

For us, the environmental commitment is also focused on **waste production and disposal within our plants**, as we want to minimize it, thanks to a strong collaboration with employees and business partners, by raising their awareness on correct waste management.

Through the introduction of dedicated activities that encourage reusing and recycling as alternative disposal methods, we are committed to minimize waste production across the entire manufacturing processes. In 2020, we disposed a total of 11,289 tons of waste, with a reduction of 11% compared to 2019; the majority of the waste disposed was non-hazardous (78%).

WASTE BY TYPE AND DISPOSAL METHOD [TONS]			
	2018	2019	2020
<b>Total waste by type</b>	<b>13,039</b>	<b>12,497</b>	<b>11,289</b>
Hazardous waste	2,600 (19.9%)	3,076 (25.9%)	2,471 (21.9%)
Non-hazardous waste	10,439 (80.1%)	9,422 (74.1%)	8,818 (78.1%)
<b>Total waste by disposal method</b>	<b>13,039</b>	<b>12,497</b>	<b>11,289</b>
Reused or recycled	3,832 (29.4%)	2,363 (20.3%)	2,551 (22.6%)
Incinerated (including energy recovery)	7,442 (57.1%)	7,895 (62.1%)	7,486 (66.3%)
Sent to landfill	707 (5.4%)	1,095 (8.6%)	864 (7.7%)
Other	1,058 (8.1%)	1,044 (9%)	388 (3.4%)

# BONFIGLIOLI NEW PLANTS: AN INNOVATIVE WORK CONCEPT FOR THE FUTURE

Carrying on with our commitment to contribute to a more sustainable business, we are gradually building new plants and renovate the existing ones worldwide. Indeed, we want to combine the required modern standards on health and safety with the most recent and **innovative energy-efficient solutions**, to reduce our overall environmental impact.

## EVO, THE INAUGURATION OF THE OFFICES

EVO – short for EVOLUTION – is our main Italian manufacturing plant and was inaugurated on April 18, 2019 with the launch of the production process. Surrounded by 45,000 sqm of green areas and plants, the site comprehends a productive building of 35,500 sqm, 1,700 sqm dedicated to R&D, 4,500 sqm that host D&P offices and a corporate restaurant of 1,500 sqm.

In 2019, **by building the plant we realized our idea of Industry 4.0**, applying the most innovative technologies to the manufacturing activities: for instance, the entire production process integrates robotics and IoT solutions, while the advanced logistics is characterized by the presence of robots, autonomous vehicles, and Radio-frequency identification (RFID) of labels. After dedicated training courses, employees are able to manage the digital technologies present in the plant, optimizing machines' efficiency. Moreover, EVO was designed also to **improve the quality of life of our employees**: from the green area used as recreational space to the cafeteria and the canteen, where healthy lunches are served daily.

**554**  
PEOPLE

SQM  
**35,500**  
PLANT

SQM  
**1,700**  
R&D

SQM  
**4.500**  
D&P OFFICES

SQM  
**45,000**  
GREEN AREA

**1 M**  
PRODUCTS/YEAR

All the buildings are **Nearly Zero Energy Building**, which means that EVO covers almost the entire energy demand required for the building services. Indeed, the plant combines the most advanced technologies for energy systems and renewable energy production, obtaining high performances with a near-zero environmental impact. Going beyond regulatory compliance, **in 2020 the plant's photovoltaic system entered into operation**, providing environmental and economic efficiency; moreover, the plant has a rainwater recovery system, used for green areas.





## A GREATER SITE FOR OUR U.S. PLANT



Our plant in Hebron, Kentucky, has quadrupled volumes since its inauguration, in 2007. Encouraged by its achievements, we decided to further invest in the site **doubling the production plant and hiring 75 new employees**. In this way, the US branch can independently produce gearmotors, optimizing supply chain processes and promptly offering the Group's usual quality in North American, one of our main market worldwide.

In 2020 we inaugurated the offices: even if separated by glass walls, all spaces appear to be part of a singular area to realize an environment that encourages collaboration and integration, also among different functions. The feeling of absence of barriers is given by vast use of glass, with which the major part of walls is made, letting the solar light enter into the building, and the accurate selection of furnishing, with shared low lockers and personal storages. Spacious rooms, versatile furniture, and healthiness make these offices extremely flexible – a forward-looking solution, particularly appreciated during the pandemic was the possibility to have large spaces able to ensure social distancing.

Always considering aesthetics, we accurately distinguished areas using different colors, for instance, orange and purple to mark out recreational areas, while green carpets virtually referring to external spaces. We also ensure privacy by offering phone booths and adjustable curtains in each room.



## EVO & THE NEW HEADQUARTERS – WORK IN PROGRESS

Shortly, the new Bonfiglioli Group headquarters will rise in the site of EVO. The project has been designed with a view to sustainability: indeed, it will be a **Nearly Zero Energy Building** thanks to the presence of geothermal energy and photovoltaic panels. Given the building architecture, a careful analysis of the parameters of irradiation was conducted. Like other new buildings, there will be a recovery system. **The construction is scheduled to start in 2021.**





# APPENDIX

## EMPLOYEES BY EMPLOYMENT CONTRACT

	2018	2019	2020
<b>Employees with permanent contract</b>	<b>3,364</b>	<b>3,437</b>	<b>3,428</b>
women	444	466	456
men	2,920	2,971	2,972
<b>Employees with temporary contract</b>	<b>348</b>	<b>344</b>	<b>376</b>
women	74	77	78
men	274	267	298
<b>Total number of employees</b>	<b>3,712</b>	<b>3,781</b>	<b>3,804</b>
Total number of women	518	543	534
Total number of men	3,194	3,238	3,270

	2018	2019	2020
<b>Employees with permanent contract by region</b>	<b>3,364</b>	<b>3,437</b>	<b>3,428</b>
Europe, Middle East & Africa	2,332	2,381	2,392
America	182	199	188
Asia-Pacific	850	857	848
<b>Employees with temporary contract by region</b>	<b>348</b>	<b>344</b>	<b>376</b>
Europe, Middle East & Africa	121	72	75
America	-	3	3
Asia-Pacific	227	269	298
<b>Total number of employees by region</b>	<b>3,712</b>	<b>3,781</b>	<b>3,804</b>
Europe, Middle East & Africa	2,453	2,453	2,467
America	182	202	191
Asia-Pacific	1,077	1,126	1,146

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

	2018			2019			2020		
	Woman	Men	Total	Women	Men	Total	Women	Men	Total
<b>Total number of employees</b>	<b>518</b>	<b>3,194</b>	<b>3,712</b>	<b>543</b>	<b>3,238</b>	<b>3,781</b>	<b>534</b>	<b>3,270</b>	<b>3,804</b>
executives & managers	20	161	<b>181</b>	21	156	<b>177</b>	21	164	<b>185</b>
white collars	363	1,382	<b>1,745</b>	386	1,444	<b>1,830</b>	386	1,447	<b>1,833</b>
blue collars	135	1,651	<b>1,786</b>	136	1,638	<b>1,774</b>	127	1,659	<b>1,786</b>

	2018				2019				2020			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
<b>Total number of employees</b>	<b>630</b>	<b>2,280</b>	<b>802</b>	<b>3,712</b>	<b>643</b>	<b>2,302</b>	<b>836</b>	<b>3,781</b>	<b>564</b>	<b>2,360</b>	<b>880</b>	<b>3,804</b>
executives & managers	2	113	66	<b>181</b>	-	110	67	<b>177</b>	-	113	72	<b>185</b>
white collars	286	1,127	332	<b>1,745</b>	314	1,161	355	<b>1,830</b>	278	1,184	371	<b>1,833</b>
blue collars	342	1,040	404	<b>1,786</b>	329	1,031	414	<b>1,774</b>	286	1,063	437	<b>1,786</b>

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

	2018			2019			2020		
	Woman	Men	Total	Women	Men	Total	Women	Men	Total
<b>Total number of employees</b>	<b>14.0%</b>	<b>86.0%</b>	<b>100%</b>	<b>14.4%</b>	<b>85.6%</b>	<b>100%</b>	<b>14.0%</b>	<b>86.0%</b>	<b>100%</b>
executives & managers	11.0%	89.0%	<b>100%</b>	11.9%	88.1%	<b>100%</b>	11.4%	88.6%	<b>100%</b>
white collars	20.8%	79.2%	<b>100%</b>	21.1%	78.9%	<b>100%</b>	21.1%	78.9%	<b>100%</b>
blue collars	7.6%	92.4%	<b>100%</b>	7.7%	92.3%	<b>100%</b>	7.1%	92.9%	<b>100%</b>

	2018				2019				2020			
	<30	30-50	>50	Total	<30	30-50	>50	Total	<30	30-50	>50	Total
<b>Total number of employees</b>	<b>17.0%</b>	<b>61.4%</b>	<b>21.6%</b>	<b>100%</b>	<b>17.0%</b>	<b>60.9%</b>	<b>22.1%</b>	<b>100%</b>	<b>17.0%</b>	<b>60.9%</b>	<b>22.1%</b>	<b>100%</b>
executives & managers	1.1%	62.4%	36.5%	<b>100%</b>	0.0%	62.1%	37.9%	<b>100%</b>	0.0%	62.1%	37.9%	<b>100%</b>
white collars	16.4%	64.6%	19.0%	<b>100%</b>	17.2%	63.4%	19.4%	<b>100%</b>	17.2%	63.4%	19.4%	<b>100%</b>
blue collars	19.1%	58.2%	22.6%	<b>100%</b>	18.5%	58.1%	23.3%	<b>100%</b>	18.5%	58.1%	23.3%	<b>100%</b>

## NEW EMPLOYEE HIRES BY AGE, GENDER AND GEOGRAPHICAL AREA

	2018			2019			2020		
	Woman	Men	Total	Women	Men	Total	Women	Men	Total
<b>Total number of new employee hires</b>	<b>105</b>	<b>521</b>	<b>626</b>	<b>92</b>	<b>467</b>	<b>559</b>	<b>58</b>	<b>336</b>	<b>394</b>
<30 years old	40	253	<b>293</b>	42	227	<b>269</b>	18	154	<b>172</b>
30-50 years old	57	239	<b>296</b>	45	217	<b>262</b>	34	160	<b>194</b>
>50 years old	8	29	<b>37</b>	5	23	<b>28</b>	6	22	<b>28</b>

	2018		2019		2020	
	Women	Men	Women	Men	Women	Men
<b>Total number of new employee hires</b>	<b>626</b>		<b>559</b>		<b>394</b>	
Europe, Middle East, India & Africa	349		256		138	
America	59		85		77	
Asia-Pacific	218		218		179	

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

	2018		2019		2020	
	Women	Men	Women	Men	Women	Men
<b>New employee hires rate</b>	<b>20.3%</b>	<b>16.3%</b>	<b>16.9%</b>	<b>14.4%</b>	<b>10.9%</b>	<b>10.3%</b>
<30 years old	7.7%	7.9%	7.7%	7.0%	3.4%	4.7%
31-50 years old	11.0%	7.5%	8.3%	6.7%	6.4%	4.9%
>50 years old	1.5%	0.9%	0.9%	0.7%	1.1%	0.7%

	2018		2019		2020	
	Women	Men	Women	Men	Women	Men
<b>New employee hires rate</b>	<b>16.9%</b>		<b>14.8%</b>		<b>10.4%</b>	
Europe, Middle East, India & Africa	14.2%		10.4%		5.6%	
America	32.4%		42.1%		40.3%	
Asia-Pacific	20.2%		19.4%		15.6%	

## EMPLOYEE TURNOVER BY AGE, GENDER AND GEOGRAPHICAL AREA

	2018			2019			2020		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
<b>Total number of employee turnover</b>	<b>73</b>	<b>371</b>	<b>444</b>	<b>66</b>	<b>424</b>	<b>490</b>	<b>68</b>	<b>303</b>	<b>371</b>
<30 years old	20	120	<b>140</b>	16	129	<b>145</b>	20	100	<b>120</b>
30-50 years old	42	186	<b>228</b>	38	215	<b>253</b>	35	144	<b>179</b>
>50 years old	11	65	<b>76</b>	12	80	<b>92</b>	13	59	<b>72</b>

	2018		2019		2020	
<b>Total number of employee turnover</b>	<b>444</b>		<b>490</b>		<b>371</b>	
Europe, Middle East, India & Africa	233		256		125	
America	53		65		88	
Asia-Pacific	158		169		158	

## RATE OF EMPLOYEE TURNOVER BY AGE, GENDER AND GEOGRAPHICAL AREA

	2018		2019		2020	
	Women	Men	Women	Men	Women	Men
<b>Outgoing Turnover rate</b>	<b>14.1%</b>	<b>11.6%</b>	<b>12.2%</b>	<b>13.1%</b>	<b>12.7%</b>	<b>9.3%</b>
<30 years old	3.9%	3.9%	2.9%	4.0%	3.7%	3.1%
31-50 years old	8.1%	8.1%	7.0%	6.6%	6.6%	4.4%
>50 years old	2.1%	2.1%	2.2%	2.5%	2.4%	1.8%

	2018		2019		2020	
<b>Outgoing Turnover rate</b>	<b>12%</b>		<b>13%</b>		<b>9.8%</b>	
Europe, Middle East, India & Africa	9.5%		10.4%		5.1%	
America	29%		32%		46.1%	
Asia-Pacific	15%		15%		13.8%	

# HOURS OF TRAINING OFFERED BY GENDER AND CATEGORY

	2018	2019	2020
<b>Total hours of training</b>	<b>49,937</b>	<b>70,143</b>	<b>41,884</b>
women	9,699	16,802	13,123
men	40,238	53,341	28,761

	2018	2019	2020
<b>Total hours of training</b>	<b>49,937</b>	<b>70,143</b>	<b>41,884</b>
executives & managers	6,439	7,261	2,220
white collars	28,433	27,320	17,818
blue collars	15,065	35,562	21,846

	2018	2019	2020
<b>Average hours of training</b>	<b>13</b>	<b>19</b>	<b>11</b>
women	19	31	25
men	13	16	9

	2018	2019	2020
<b>Average hours of training</b>	<b>13</b>	<b>19</b>	<b>11</b>
executives & managers	36	41	12
white collars	16	15	10
blue collars	8	20	12



# METHODOLOGY



The present document is the second Sustainability Report of Bonfiglioli Group and it has been drawn up with the purpose of sharing, in a transparent manner, the company's commitment to sustainable development, and its efforts to promote 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

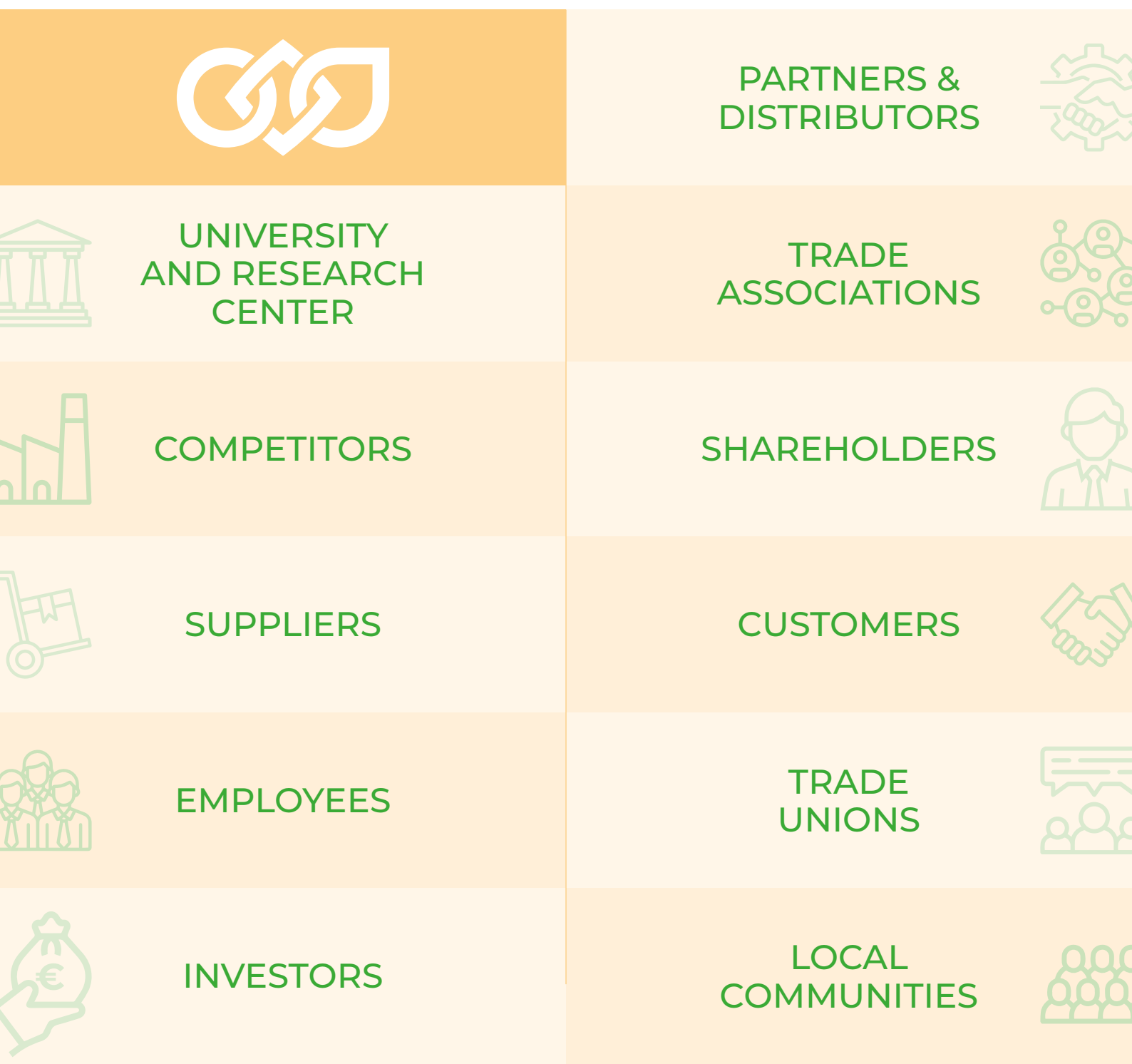
This Report refers to financial year 2020 (from 1<sup>st</sup> January to 31<sup>st</sup> December) and will be published annually. The document is written in compliance with the GRI Sustainability Reporting Standards (hereinafter GRI Standards), Core option. The scope of the Sustainability Report 2020 includes the parent company (Bonfiglioli S.p.A., previously 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 stakeholders of the Group.

To detect the most relevant stakeholders, the company conducted an analysis that involved 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	Meeting 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	Roundtables, meetings and events



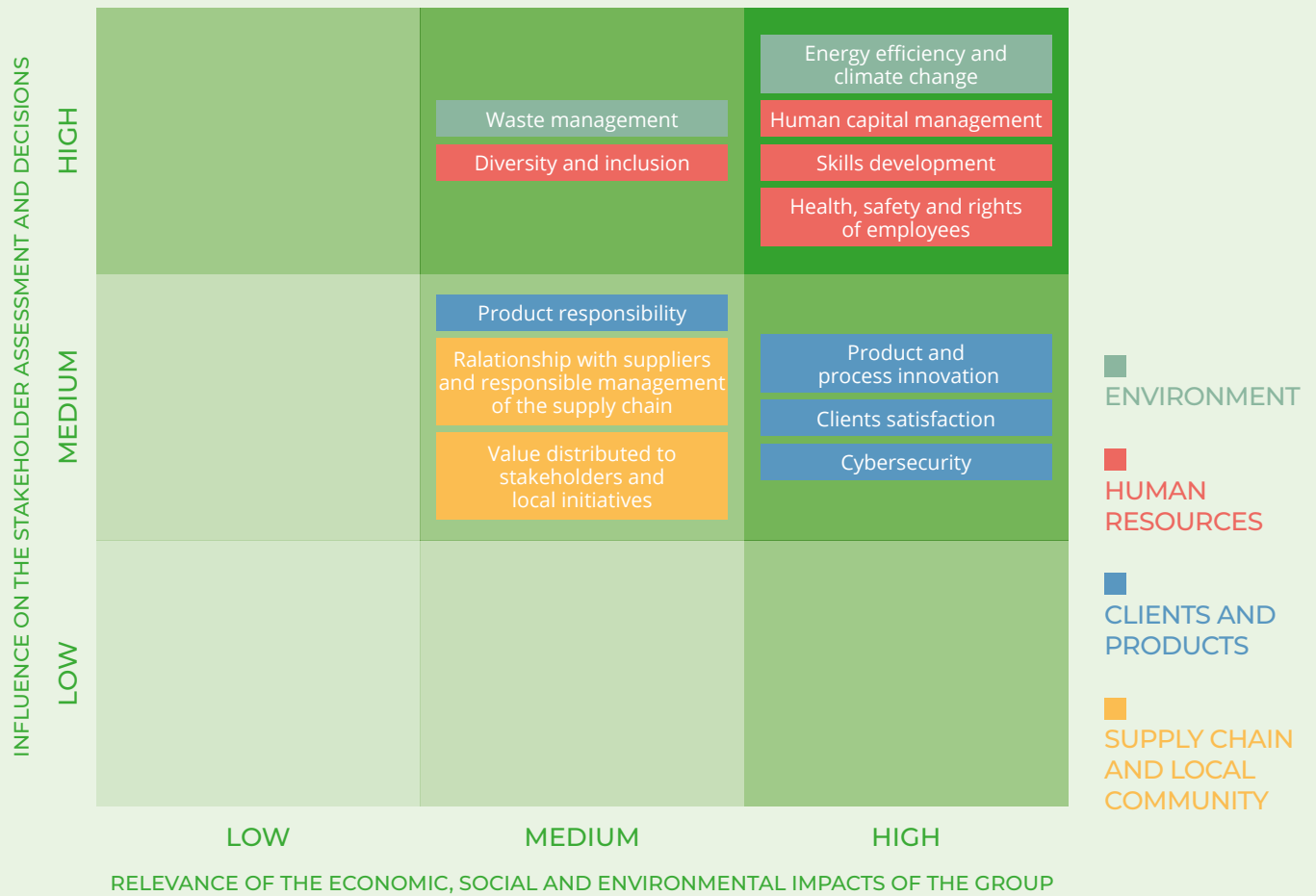
# MATERIALITY ANALYSIS

To define the contents of the Report, we yearly carry out a materiality analysis which enables us to identify the material topic, that have a strong influence on the evaluations and decisions of the stakeholders and high importance in terms of economic, social and environmental impacts of the organization. The process entails two phases:

- 1. Identification of the potentially relevant topics:** for 2020, 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 included 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 covered in the 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 analysis previously described and then validated by the top management during the materiality analysis workshop, together with the relevance for the economic, social and environmental impacts of the Group.

The results of the analysis led to the review the previous materiality matrix: particularly, the topics “Employees health and safety” and “Respect for worker’s rights” have been merged in the new material topic “Health, safety and rights of employees”, while “Product innovation” and “Initiatives in the local communities” have been renamed into “Product and process innovation” and “Value distributed to stakeholders and local initiatives” respectively. As a result, the updated materiality matrix of Bonfiglioli is shown below:

# MATERIALITY MATRIX



Never forgetting its mission and solid values, Bonfiglioli conducts daily operations in compliance with the ethical principles stated in its Code of Ethics to guarantee an equal and fair behavior with respect to all its stakeholders; for this reason, the topic “business ethics” has not been included in the Materiality Matrix because it is considered imperative 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	Value distributed to stakeholders and local initiatives	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		
	Health, safety and rights of employees	GRI 402: Labor/ Management relations	Bonfiglioli Group		
		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		
Customers and product	Product responsibility	GRI 416: Customers health and safety	Bonfiglioli Group		
	Clients satisfaction	GRI 103: Management approach	Bonfiglioli Group		
	Product and process 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 was 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 were 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) was 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 2018, 2019 and 2020.

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 CO<sub>2</sub> 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 2018, 2019 and 2020;
- In case of data not available, estimation were performed. Particularly, were necessary, the estimations have been conducted taking into considerations the percentage variation of worked hours within the plant or the overall Group's reduction on the same energy source.

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, 2018 e 2019
- Market-based calculation method: factors used came from "Association of Issuing Bodies - European Residual Mixes 2017, 2018 e 2020
- Emissions of Scope 2 are calculated in tons of CO<sub>2</sub>. However, considering the negligible amount of methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O) and ozone (O<sub>3</sub>) on the overall Scope 2 emissions, the value is expressed in Carbon Dioxide equivalent (CO<sub>2</sub>eq), 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 (2016)	102-1	Name of the organization	Cover	
	102-2	Activities, brands, products, and services	12, 18-23	
	102-3	Location of headquarters	25	
	102-4	Location of operation	24-25	
	102-5	Ownership and legal form	26-27	
	102-6	Market served	20-23	
	102-7	Scale of the organization	32-33, 41, 70, 101-102	
	102-8	Information on employees and other workers	40-48	
	102-9	Supply Chain	89-92	
	102-10	Significant changes to the organization and its supply chain	89-92	
	102-11	Precautionary Principle or approach	78-79	
	102-12	External initiatives	34-37, 44	
	102-13	Membership of associations	37	
Strategy (2016)	102-14	Statement from senior decision-maker	5	
Ehtics and integrity (2016)	102-16	Values, principles, standards, and norms of behavior	12-13, 28-30	
Governance (2016)	102-18	Governance structure	26-27	
Stakeholder engagement (2016)	102-40	List of stakeholder groups	108-109	
	102-41	Collective bargaining agreements	47-48	
	102-42	Identifying and selecting stakeholders	108-109	
	102-43	Approach to stakeholder engagement	109	
	102-44	Key topics and concerns raised	79-80, 110-112	
Reporting Practice (2016)	102-45	Entities included in the consolidated financial statement	24-25	
	102-46	Defining report content and topic Boundaries	107	
	102-47	List of material topic	110-112	
	102-48	Restatements of information	No restatements in the reported data.	
	102-49	Changes in reporting	107-113	
	102-50	Reporting period	107-113	
	102-51	Date of most recent report	January 2021	
	102-52	Reporting cycle	107	
	102-53	Contact point for questions regarding the report	120	
	102-54	Claims of reporting in accordance with the GRI Standards	107, 112	
	102-55	GRI content index	115-118	
	102-56	External assurance	The Report has not been subject to external assurance.	

GRI STANDARD	DISCLOSURE	DESCRIPTION	PAG. NUMBERS/NOTES	OMISSIONS
TOPIC SPECIFIC STANDARDS: ECONOMIC PERFORMANCE (GRI 200)				
	ECONOMIC PERFORMANCE			
GRI 103: Management Approach (2016)	103-1	Explanation of the material topic and its Boundary	111-112	
	103-2	Management approach	32	
	103-3	Evaluation of the management approach	32	
GRI 201: Economic Performance (2016)	201-1	Direct economic value generated and distributed	32-33	
	PROCUREMENT PRACTICES			
GRI 103: Management approach (2016)	103-1	Explanation of the material topic and its Boundary	111-112	
	103-2	Management approach	89-92	
	103-3	Evaluation of the management approach	89-92	
GRI 204: Procurement Practices (2016)	204-1	Procurement spending on local supplier	92	
	ANTI-CORRUPTION			
GRI 103: Management approach (2016)	103-1	Explanation of the material topic and its Boundary	111-112	
	103-2	Management approach	28-30	
	103-3	Evaluation of the management approach	28-30	
GRI 205: Anti-corruption (2016)	205-3	Confirmed incidents of corruption and action taken	30	
TOPIC SPECIFIC STANDARDS: ENVIRONMENTAL PERFORMANCE (GRI 300)				
	ENERGY			
GRI 103: Management approach (2016)	103-1	Explanation of the material topic and its Boundary	111-112	
	103-2	Management approach	93-95	
	103-3	Evaluation of the management approach	93-95	
GRI 302: Energy (2016)	302-1	Energy consumption within the organization	95, 113	
	EMISSIONS			
GRI 103: Management approach (2016)	103-1	Explanation of the material topic and its Boundary	111-112	
	103-2	Management approach	96-97	
	103-3	Evaluation of the management approach	96-97	
GRI 305: Emissions (2016)	305-1	Direct (Scope 1) GHG emissions	97, 113	
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	EFFLUENTS AND WASTE			
GRI 103: Management approach (2016)	103-1	Explanation of the material topic and its Boundary	111-112	
	103-2	Management approach	97	
	103-3	Evaluation of the management approach	97	
GRI 306: Effluent and Waste (2016)	306-2	Waste by type and disposal method	97	

GRI STANDARD	DISCLOSURE	DESCRIPTION	PAG. NUMBERS/NOTES	OMISSIONS
TOPIC SPECIFIC STANDARDS: SOCIAL PERFORMANCE (GRI 400)				
	EMPLOYMENT			
GRI 103: Management approach (2016)	103-1	Explanation of the material topic and its Boundary	111-112	
	103-2	Management approach	40-48	
	103-3	Evaluation of the management approach	40-48	
GRI 401: Employment (2016)	401-1	New employee hires and employee turnover	47, 103-104	
	LABOR/MANAGEMENT RELATIONS			
GRI 103: Management approach (2016)	103-1	Explanation of the material topic and its Boundary	111-112	
	103-2	Management approach	47-48	
	103-3	Evaluation of the management approach	47-48	
GRI 402: Labor/Management relations (2016)	402-1	Minimum notice periods regarding operational changes	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	111-112	
	103-2	Management approach	56-60	
	103-3	Evaluation of the management approach	56-60	
GRI 403: Occupational Health and Safety (2018)	403-1	Occupational health and safety management system	56-58	
	403-2	Hazard identification, risk assessment, and incident investigation	56-58	
	403-3	Occupational health services	56-58	
	403-4	Worker participation, consultation, and communication on occupational health and safety	56-58	
	403-5	Worker training on occupational health and safety	56-58	
	403-6	Promotion of worker health	56-58	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	56-58	
	403-9	Work-related injuries	56-58	
	TRAINING AND EDUCATION			
GRI 103: Management approach (2016)	103-1	Explanation of the material topic and its Boundary	111-112	
	103-2	Management approach	49-55	
	103-3	Evaluation of the management approach	49-55	
GRI 404: Training and education (2016)	404-1	Average hours of training per year per employee	51, 105	

GRI STANDARD	DISCLOSURE	DESCRIPTION	PAG. NUMBERS/NOTES	OMISSIONS
	DIVERSITY AND EQUAL OPPORTUNITY			
<b>GRI 103: Management approach (2016)</b>	103-1	Explanation of the material topic and its Boundary	111-112	
	103-2	Management approach	40-48	
	103-3	Evaluation of the management approach	40-48	
<b>GRI 405: Diversity and equal opportunity (2016)</b>	405-1	Diversity of governance bodies and employees	26, 41-43, 101-102	
	NON-DISCRIMINATION			
<b>GRI 103: Management approach (2016)</b>	103-1	Explanation of the material topic and its Boundary	111-112	
	103-2	Management approach	40-48	
	103-3	Evaluation of the management approach	40-48	
<b>GRI 406: Non-discrimination (2016)</b>	406-1	Incidents of discrimination and corrective actions taken	42	
	CUSTOMER HEALTH AND SAFETY			
<b>GRI 103: Management approach (2016)</b>	103-1	Explanation of the material topic and its Boundary	111-112	
	103-2	Management approach	78-80	
	103-3	Evaluation of the management approach	78-80	
<b>GRI 416: Customer health and safety (2016)</b>	416-1	Assessment of the health and safety impacts of product and service categories	78	
MATERIAL TOPICS THAT ARE SPECIFIC FOR BONFIGLIOLI GROUP AND NOT COVERED BY GRI STANDARDS				
	INITIATIVES IN THE LOCAL COMMUNITIES			
<b>GRI 103: Management approach (2016)</b>	103-1	Explanation of the material topic and its Boundary	111-112	
	103-2	Management approach	32-37	
	103-3	Evaluation of the management approach	32-37	
	PRODUCT INNOVATION			
<b>GRI 103: Management approach (2016)</b>	103-1	Explanation of the material topic and its Boundary	111-112	
	103-2	Management approach	64-77, 80-83	
	103-3	Evaluation of the management approach	64-77, 80-83	
	CYBERSECURITY			
<b>GRI 103: Management approach (2016)</b>	103-1	Explanation of the material topic and its Boundary	111-112	
	103-2	Management approach	30-31	
	103-3	Evaluation of the management approach	30-31	
	CLIENTS SATISFACTION			
<b>GRI 103: Management approach (2016)</b>	103-1	Explanation of the material topic and its Boundary	111-112	
	103-2	Management approach	79-80	
	103-3	Evaluation of the management approach	79-80	



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

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