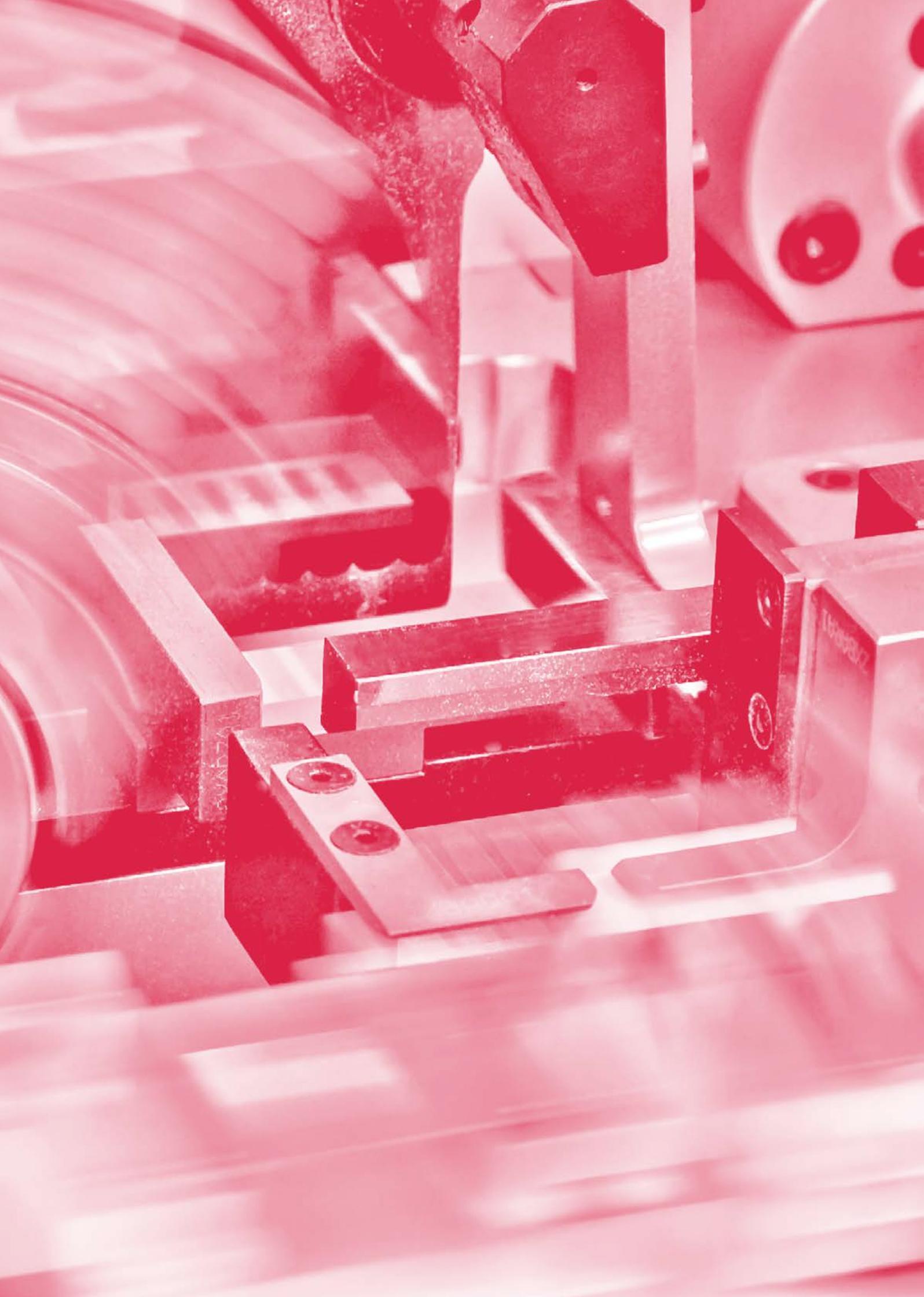




coesia

—
Sustainability
Report
2019



Bologna, September 2020

This fifth edition of Coesia's Sustainability Report features new contents, reflecting the choice to align the report with the most widely used international financial reporting standards, the GRI Sustainability Reporting Standards published by the Global Reporting Initiative (GRI), according to the "GRI-Referenced" option. This choice has made Coesia's Sustainability Report even more exhaustive in terms of the detailed and comprehensive information it provides.

Coesia's Sustainability Report for 2019 sets out the strategic policies of the Group, which, in line with its mission, are closely associated with a commitment to creating sustainable and long-term economic, social and environmental value for all stakeholders. The data presented in this document therefore describe this commitment in every region where the Group's 21 Companies are operating.

Diversity is the starting point for laying the foundations of a new culture. With over 8,500 associates of 73 nationalities in 35 countries in 2019, Coesia is a full-blown productive and social ecosystem. Each person is an integral part of the organization, its business and its success.

The initiatives focusing on associates are designed to grow skills, enhance the quality of life and improve safety. In pursuing this, account is taken of specific needs, with the aim of consolidating a common culture based on shared values. Training programs have been activated at every professional level, because the associates are the driving force of innovation.

Safety is a crucial theme for the Group: the programs devoted to Health, Safety and the Environment do not just concern associates, but also clients, contractors and other stakeholders.

Coesia works continually to prevent and reduce the environmental impact of the Group by improving processes and introducing new technologies.

Environmental sustainability creates social and economic value and is one of the areas where we are investing in every office and factory.

In a constantly evolving socioeconomic context, Coesia reiterates its wish to pursue a sustainable long-term growth model, focusing on people and on the promotion of a sense of shared responsibility for social and environmental issues.

Isabella Seràgnoli
President & Chief Executive Officer

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Group highlights 2019

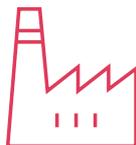
COESIA PROFILE



1,958 mln €
revenues



21 companies

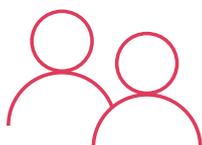


86 production
facilities



35 countries

PEOPLE



8,519 employees
from **73** nationalities



+618 new hires
of which
40% under 30



1,443 women



1,690 people
employed in R&D
and Engineering

LEARNING AND DEVELOPMENT



5,776 employees
participating in the People
Performance Dialogue



230,000+ hrs
of learning and development



27.4 hrs
of learning and development
per employee

HEALTH AND SAFETY



0 incidents with severe or
fatal injuries



49,379 hrs of HSE training

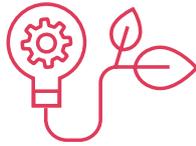


44.1% of people covered
by OHSAS 18001 and ISO
45001 certifications

SUSTAINABLE INNOVATION



1,190 patents



5% of patent applications related to sustainable innovation



322 new Lean Six Sigma projects



29 new products launches



9% of revenues invested in R&D and Engineering

SUPPLY CHAIN



>90% direct spending with local suppliers



~9,000 direct suppliers



~7,000 indirect suppliers

ENVIRONMENT



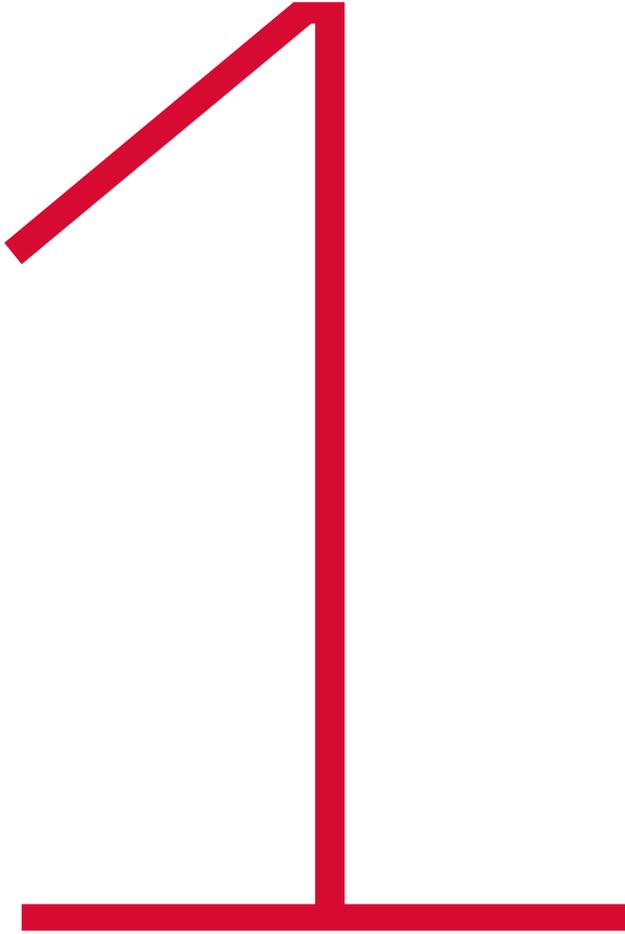
-6% emissions intensity vs 2018



-5% hazardous waste vs 2018



45,073 t CO₂ eq emissions (Scope 1, Scope 2 'location-based' and Scope 3)



Coesia: a responsible
Group for a more
sustainable future



Sole Shareholder
Isabella Seràgnoli



headquarters in Bologna



21 companies



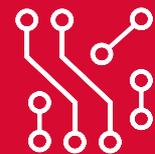
86 production facilities



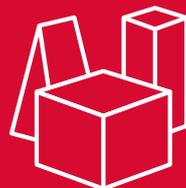
Code of Ethics
and
Anti-corruption
guidelines



20 industries



21 technologies



500+ solutions and
full-service packages

1.1

A history of excellence

Coesia is a private Group and a worldwide leader in innovation-based industrial and packaging solutions, fully owned by Isabella Seràgnoli.

Over the years, Coesia has extended its global presence thanks to organic growth and the ability to identify and acquire specialized Companies in various industries, anticipating market demands. To date, the Group consists of 21 Companies with 86 production plants in 35 countries, which constitute a global network of increasingly consolidated relationships. Coesia's head office is located in Bologna and its history dates back about one hundred years.

1923 – 1940

G.D, a motorcycle production company founded in 1923, was taken over by Enzo Seràgnoli in the late 1930s.

1940 – 1950

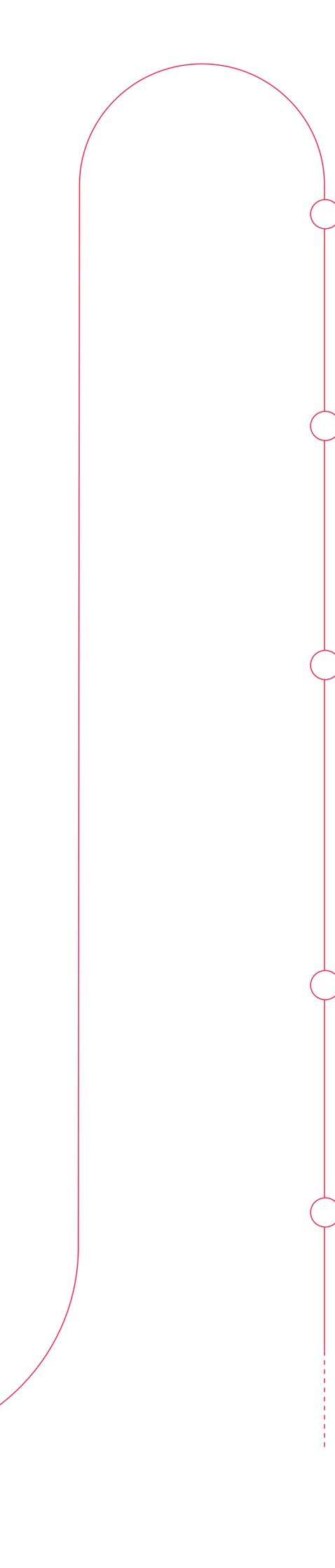
The Company shifted its focus to packaging, mainly for the confectionery and soap sectors. The first automatic wrapping machine was launched with the contribution of Ariosto Seràgnoli.

1950 – 1960

The G.D brand achieved global success and the Company became a worldwide leader in the highly automated industrial machinery sector.

1960 – 1980

G.D entered the tobacco sector with the production of its revolutionary wrapping machine, the 4350/Pack and the Company became the unrivaled leader in the sector.



1980 – 2000

Starting in the early 1980s, the Company began to diversify its business by acquiring CIMA, ACMA, GDM and VOLPAK.

2000 – 2010

In 2002, Isabella Seràgnoli became the sole owner of the Group, which was renamed Coesia in 2005. In addition, the Group grew thanks to the acquisition of HAPA, LAETUS, ADMV, CITUS, KALIX, NORDEN and SACMO.

2010 – 2015

The Coesia expansion accelerated thanks to the acquisition of FLEXLINK, SASIB, R.A JONES and IPI. In 2012, the Coesia Engineering Center (CEC), staffed by a highly skilled team, was created to carry out strategic innovation projects. In 2015 Coesia publishes its first Sustainability Report.

2016 – 2018

EMMECI, GF, MOLINS, CERULEAN, MGS, ATLANTIC ZEISER, TRITRON, COMAS joined the Group.

2019

Coesia acquired 60% of the ceramic business of SYSTEM S.p.A., then transferred to a newco named SYSTEM CERAMICS thus entering the industry of machinery for ceramic tiles.

1.2

Coesia today: a global business

Coesia, a dynamic and global reality, can rely on a solid organization of over 8,500 employees and 21 Companies in 35 countries with 86 production facilities out of 145 operating units.

Mission, Values, Cultural Traits, and Leadership Model are the pillars on which the Group's operations are founded and embody the culture Coesia seeks to spread in order to achieve its ambitions and build a positive working environment.

OUR MISSION

“Creation of long-term sustainable economic, social and environmental value for our clients, employees, shareholder and the communities we operate in.”

Coesia has always striven to create and maintain a stimulating working environment for its people and invests in order to build a shared culture centered on the value of diversity. This approach is underpinned by four core Values.

OUR VALUES

Respect

Respect for people, rules, local communities, environmental and economic resources.

Respect implies rigor and integrity

Responsibility

Responsibility for the consequences of one's decisions and actions, responsibility to lead by example, practice fair leadership, reward merit, nurture talent, achieve results and to be committed.

Even collective responsibility starts with individual accountability

Knowledge

Knowledge as professional and personal growth. Knowledge comes from culture, education, training, research, experience and relationships.

Sapere Aude: dare to know

Passion

Passion for the product, innovation, excellence, beauty, work and performance.

Passion allows us to envision results even before achieving them

CULTURAL TRAITS

The first Coesia survey on culture was carried out in 2016. It enabled Coesia to identify the **six cultural traits** to be spread, developed and improved to contribute to the 2020 strategy and achieve its ambitions.

The **culture** that has emerged from this survey is:

Accountable

Foster accountability by granting trust through delegation.

Collaborative

Realize deep integration through diversity.

Long-term focused

Act to ensure business sustainability over time.

Innovative

Focus on innovation to guarantee the continuous evolution of products, services and business models.

Externally focused

Look outside to customers and external communities to adopt their points of view.

Open and transparent

Share knowledge and ideas to grow as a strong and cohesive Group.

LEADERSHIP MODEL

The Coesia Leadership Model seeks to support the Group's strategy in line with our Values. It is like a compass pointing to a common language that identifies the key behaviors that will lead to the success of the individual and the organization.

As such, the Leadership Model:

- helps increase communication and understanding of the expected results;
- raises awareness of what is required in the different stages of individual and professional growth;
- focuses on individual strengths and areas for improvement.

Key features of the Leadership Model:

- INNOVATE
- BE CUSTOMER-CENTRIC
- MAKE DECISIONS
- DELIVER RESULTS
- INSPIRE OTHERS
- COLLABORATE
- MANAGE COMPLEXITY

The Coesia 'Culture & Values' Program

The 'Culture & Values' five-year program involves each year Coesia's collaborators in events with the aim of promoting the Group's culture. The goal is to ensure the broadest diversity in terms of seniority, function, role, age, gender and professional background.

Different workshop sessions have welcomed collaborators from all over the world, involving around 800 participants since the beginning of the program in 2016.

BUSINESS MODEL AND 2020 STRATEGY

At the heart of our business model is a Group Governance which has the task of coordinating and guiding a sophisticated organization comprised of 21 Companies, several global Functions and ever-developing Regions.

The organization works as a whole to serve customers and share technologies and best practices.

Since the beginning of the new century, some global macrotrends have emerged, rapidly changing the way we live. Coesia wants to seize the key

strategic opportunities this new scenario presents by playing the role of global leader in advanced industrial and packaging solutions. Our goal is to grow through the customer-centric innovation of products and services, creating added value for customers and the Group itself.

Coesia acts as a strategic enabler to enhance individual Company brands. In other words, it provides a lean, effective infrastructure to help each Company grow.

The Coesia 2020 Strategy

STRATEGIC DRIVERS

OBJECTIVES

CUSTOMER-CENTRIC INNOVATION

Leverage Coesia engineering heritage in high-end technologies, while improving fit-to-purpose mid-tier solutions.

GLOBAL FOOTPRINT

Complete global footprint with best-in-industry reach and service capabilities.

GROWTH PLATFORMS

Strengthen leadership in current portfolio and grow in promising adjacent segments.

SERVICE

Change step in customer service capabilities across all businesses.

IMPLEMENTATION EXCELLENCE

Extract full impact from Company initiatives and ensure continuous efficiency improvement.

BEST GLOBAL TALENT

Continue to strengthen Coesia management team to sustain growth ambition.

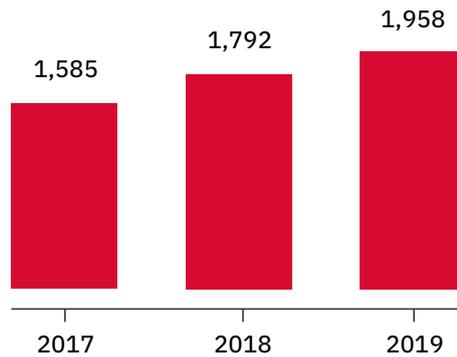
OUR BUSINESS IN THE WORLD

Coesia aims to be a leading global provider of advanced industrial and packaging solutions to the world's top manufacturing groups. This commitment has led to the consolidation of the Group's position on the market over the years, with a significant

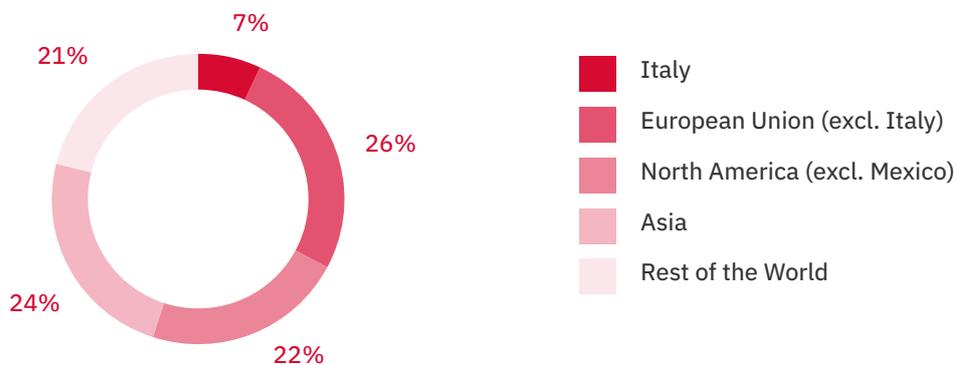
growth in revenue, which stood at €1,958 million in 2019, up 9.3% from 2018 and 23.5% from 2017.

Coesia's international focus can also be seen from the revenue breakdown by geographic zone.

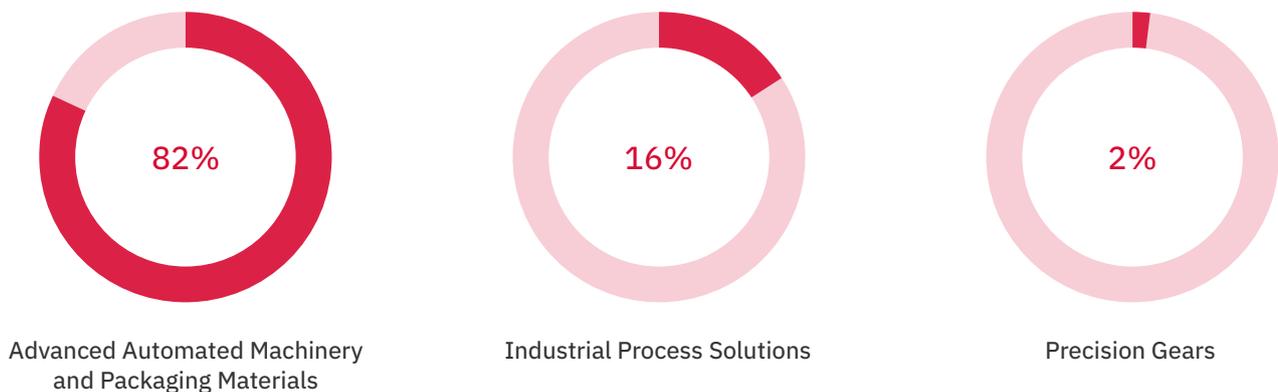
Revenue growth trend 2017-2019 (million euros)



Revenue breakdown by geographic zone - 2019



Revenue breakdown by business line - 2019



GROUP PROFILE

To effectively meet the needs of our customers operating in the most diverse sectors, Coesia offers a wide range of technologies developed and produced by its Companies, structured along three main business lines.

TECHNOLOGIES

- Assembly & Combining
- Automated Production Flow
- Card Personalization & Fulfillment
- Cartoning & Eol
- Cutting
- Exhaust Air Treating
- Filling
- Gears & Special Parts
- Green Leaf Threshing
- Making and Forming
- Monitoring & Inspection
- Packing & Wrapping
- Pressing & Decorating
- Pouching & Bagging
- Powder Treatment
- Primary Processing for Conventional Tobacco Products
- Primary Processing for NPG
- Printing & Labelling
- Product Analysis
- Robotics
- Software & Controls

INDUSTRIES

- Aerospace
- Automotive
- Beverage
- Cards
- Ceramics
- Chemicals
- Dairy
- Electronics
- Food
- Home Care
- Industrial Goods
- Luxury Goods
- Next Generation Products
- Personal Care
- Pet Care
- Pharma & Healthcare
- Racing
- Tea & Coffee
- Tissue & Hygiene
- Tobacco

Advanced Automated Machinery and Packaging Materials

TOBACCO

The cooperation with companies operating in the tobacco industry has progressively intensified over the years thanks to Coesia's ability to promptly respond to customer needs by designing and assembling machines for what are known as 'New Generation Products' or 'Reduced Risk Products'.

CONSUMER GOODS MACHINERY AND MATERIALS

Several Coesia Companies operate in the fast-moving consumer goods sector, the market in which Coesia faces the fiercest competition. These Companies offer a wide range of products, enabling them to provide solutions for different industries and be key partners for large international corporations.

CERAMICS

The acquisition in 2019 of the ceramic business of System S.p.A., transferred to a newco called SYSTEM CERAMICS S.p.A, has offered Coesia the chance to enter into the segment of machinery for ceramics, a particularly dynamic and technologically advanced segment where System is an undisputed leader in innovation.

Industrial Process Solutions

As a cross-sector business line, Industrial Process Solutions (IPS) is crucial for Coesia. It provides customers with solutions for the integration of process lines, automated flow systems, hardware and software monitoring systems as well as printing and labeling systems.

Moreover, Coesia has established a dedicated and innovative platform named Digital Printing Solutions to consolidate its presence in digital printing and special inks within the fast-growing market for product customization.

Precision Gears

Coesia also serves the niche market of Precision Gears. By serving customers operating in different industries, including automotive, racing and aerospace, the Group has steadily improved its performance over the last few years, consolidating its strong reputation for quality excellence.

ACMA

Manufactures high and medium speed packaging machinery for confectionery, soap, tea, coffee and liquid products.

CERULEAN

Supplies market leading precision test and measurement solutions for the tobacco industry as well as packing and testing equipment for tube manufacturers.

CITUS KALIX

Manufactures lipstick fillers, hot filling machinery for creams and foundations, deodorant and tube fillers, cartoning machinery and feeding equipment.

COMAS

World leading supplier of tobacco primary equipment and processing solutions. Thanks to its flexible approach, it is able to provide its customers with a wide range of solutions, also for tobacco Reduced Risk Products.

EMMECI

Leading provider in the design, production and promotion of automatic machinery and packaging solutions for premium and luxury products.

G.D

Leading supplier of high-technology machinery for cigarette making and packing, and New Generation Products.

GDM

Worldwide leader in the Hygiene Disposables industry, committed to providing innovative converting and packing solutions for the manufacturing of baby diapers and pants, adult incontinence briefs and lady sanitary napkins.

GF

Leading provider of automated machinery for liquid filling and quality control systems for the pharmaceutical industry.

IPI

Provides complete solutions for the aseptic packaging of liquid products in multilayer structure.

MGS

Designs and builds state of the art packaging automation solutions with core competencies in secondary packaging and product handling. Industries of focus are pharmaceutical, life sciences, food and cosmetics.

MOLINS

A leading company in the tobacco industry, it specializes in the design, development and manufacture of secondary tobacco processing machinery.

NORDEN

Leading supplier of high-performance tube filling systems, covering all speeds and applications in cosmetics, pharmaceuticals and personal care.

R.A JONES

Produces packaging machinery for food consumer goods: pouch filling and cartoning, chub packaging, cup filling and sealing, aerosol machinery, bottle filling and patented solutions for improving shelf life.

SASIB

Manufactures production and packing lines for the tobacco industry.

SYSTEM CERAMICS

International leader in the development of production processes for the ceramics industry, it guarantees high industrial standards with regards to pressing, decorating, sorting lines and quality control, in addition to providing advanced packing, palletising and handling solutions.

VOLPAK

Produces packaging lines for horizontal form-fill-seal (HFFS) pouches for food, beverage, personal and home care products.

ATLANTIC ZEISER

Provides digital near-line/in-line printing solutions for consumer goods packaging and card personalization systems.

FLEXLINK

A leading factory automation expert and provider of innovative, automated solutions to produce goods smarter and safer at a lower operating cost. It produces conveyor systems, material handling functions and industrial feeders and delivers turn-key solutions including controls and standardized robotics.

HAPA

Manufactures market-leading on-demand and late-stage customization printing systems for the pharmaceutical industry, with dynamic growth in fast moving consumer goods, food, cosmetics and medical industries.

TRITRON

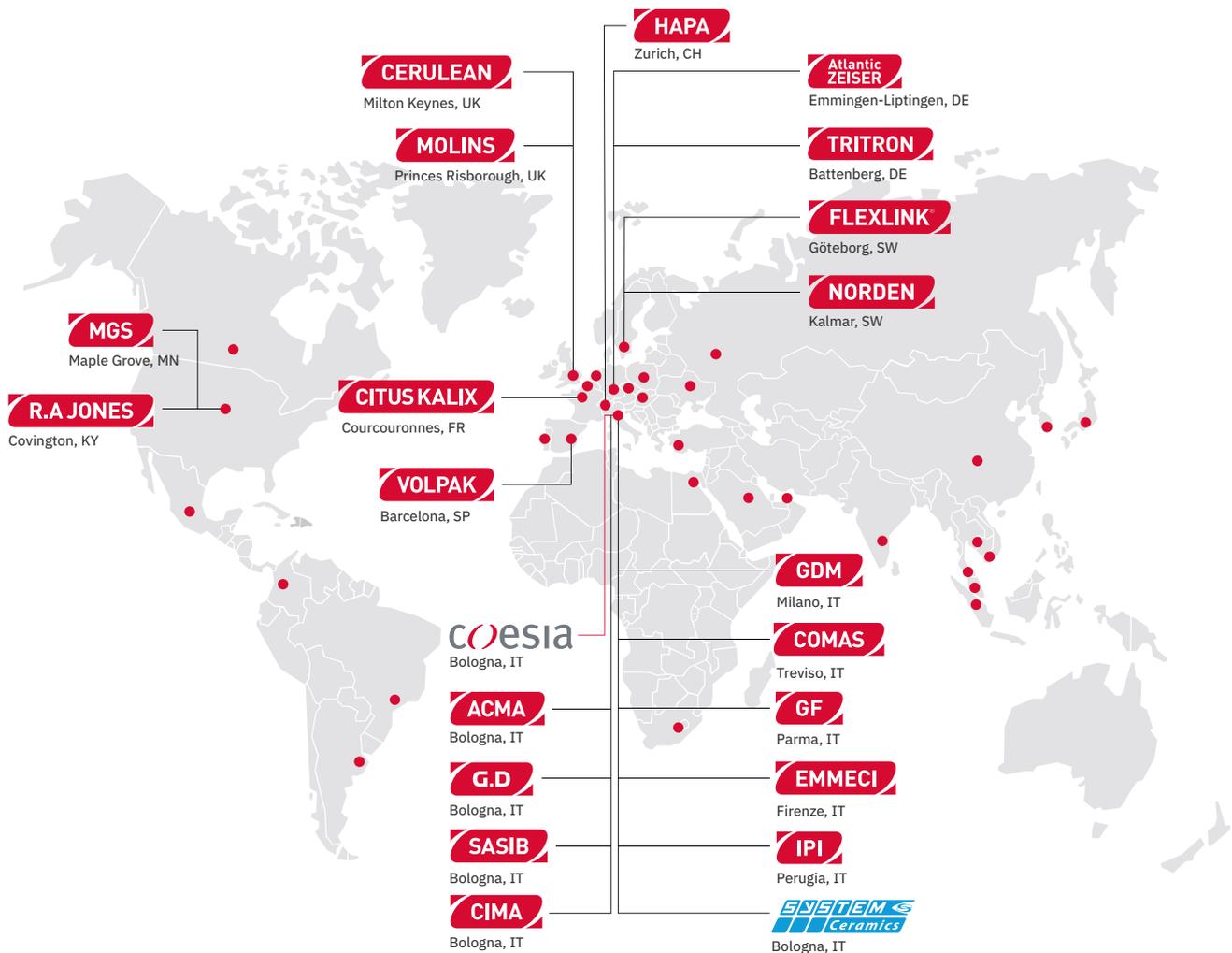
Develops and produces high quality inks for industrial digital printing applied to consumer goods and the pharmaceutical industries.

CIMA

Has been producing power trains and high-performance gear transmissions for over 50 years, and is a supplier to many racing teams.

Coesia's attention to the customer and its global ambition have led the Group to oversee the markets by opening production sites and commercial branches around the world. In fact, in 2019, Coesia can boast a presence in 35 countries, as shown on the map below.

Thanks to a wide portfolio of cutting-edge and innovative products, services and latest technologies, Coesia is able to provide over 500 packaging solutions aimed at satisfying the ever-increasing market demand.



OUR SERVICES

Customer loyalty is the most fruitful investment for the future. This is why Coesia is committed to offering excellent after-sales service, which is a key success factor for all the Companies of the Group.

Customer Service means being present at a global level, providing flexibility, simplicity and continuous support.

Today, in fact our customers demand much more than just spare parts or the availability of on-call technicians, which is why we are developing a comprehensive service portfolio to provide customers with a unique and valuable experience based on mutual trust and cooperation.



Parts and materials

In 2019 the online platform, Coesia Webshop, has been consolidated. The platform allows all Group Companies to ensure the supply of spare parts and components for every model and generation of machines. The platform offers the customer a complete and uninterrupted service with the ability to order spare parts directly from the site with real-time access to stock availability of parts.



Maintenance services

Our highly specialized field service technicians are equipped with all the tools they need to inspect the equipment and evaluate its condition, quantify the spare parts needed and determine the required level of support for maintenance and/or repair work. In close cooperation with our customers, they can perform regular and preventive maintenance to preserve the equipment's performance and value over time. Thanks to augmented reality and high-quality audio and video equipment, Coesia can provide remote support to its customers. Coesia Remote Assistance guarantees a faster trouble shooting and consequently a reduction in machine downtime and costs.



Equipment modernization

Coesia offers a wide range of modernization services to enhance equipments' productivity and reliability, improve the quality of products, reduce maintenance costs, meet new regulatory standards and add new functions. Our modernization services range from standard technical upgrades to complete machine rebuilds in cases in which the equipment has been disassembled or damaged or in which obsolete parts need to be replaced. In either case, performance is brought back to the original high-quality standards



Training and documentation

All Coesia Companies offer tailored training courses and specific documentation in various languages to help customers develop in-depth technical competence, which is required to sustain high levels of performance, quality and productivity. Training programs can take place either in-house or at the customer's facility.



Consultancy services

Thanks to Coesia's wide experience in many applications, the Group can offer its customers its expertise in implementing the best industrial practices to help them achieve worldclass levels of productivity and generate added value through production.



Production support services

Coesia is committed to providing its customers all over the world with customized, fast and effective technical support during equipment installation, commissioning, production ramp-up or full-scale operations. Our field service technicians are equipped with remote assistance tools so that support can be guaranteed anywhere in the world.



1.3

Governance and Organization

Coesia's governance structure is based on a solid organizational model whose purpose is to achieve long-term strategic objectives, define roles and responsibilities consistent with the Group's activities, and ensure good business conduct. The purpose of a robust governance structure is thus to lay down the guidelines that define business processes and thereby generate value for its stakeholders.

CORPORATE GOVERNANCE STRUCTURE

Coesia's governance entrusts its management to the Board of Directors (BOD), the control and supervision of its operations to the Board of Statutory Auditors, and the auditing of corporate accounts such as the Financial Statements and

Consolidated Financial Statements to an external audit company.

The Board of Directors, appointed on May 3, 2017, promotes corporate interests, defines strategic orientation and fosters the Group's sustainable growth.

From its appointment through to December 31, 2019, the Board of Directors was made up of 11 board members, including the President and the Chief Executive Officer. Within the BOD, two board members are women, representing 18.2% of the total number of Board members, and belonging to the age groups between 30 and 50 years and over 50.

The remaining 9 board members are men, 2 of whom are in the age group between 30 and 50 years, representing 22.2% of the male component, while the remaining 7 are in the over 50 age group and make up 63.6% of the Board.

BOARD OF DIRECTORS



Roger Abravanel

Luca Cordero Di Montezemolo

Fabio Gallia

David Gosset

Leonardo Guerra Seràgnoli

Lorenza Guerra Seràgnoli

Maurizio Petta

Roberto Poli

Francesco Tatò

As of January 1, 2020, the position of Chief Executive Officer of the Company, previously held by Angelos Papadimitriou, was taken over by the President of the Board of Directors.

ORGANIZATION

All the activities carried out at Coesia are managed by the President and the CEO. The Corporate Communication Function reports directly to them, while all other business-related activities are organized in a matrix structure.

Group Functions include: Finance, Human Resources, the Coesia Engineering Center or CEC (our Group’s Research and Development center), Coesia Market Development Services, comprising Coesia Marketing and Product Management, Customer Service, Global Key Account Management (GKAM), Coesia Digital and Environmental Sustainability.

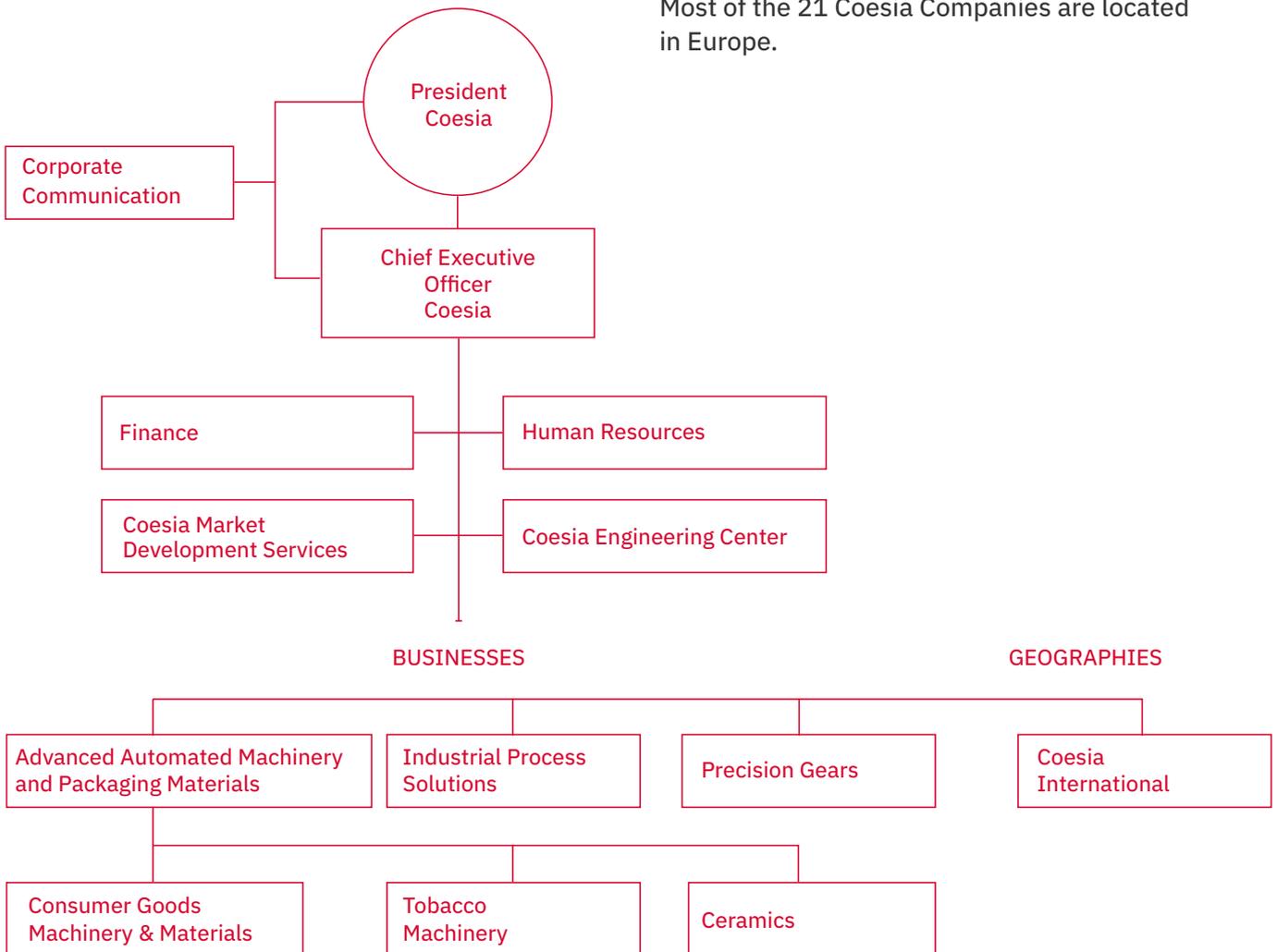
Besides Group Functions, Coesia is organized around three main business lines in which the 21 Companies operate:

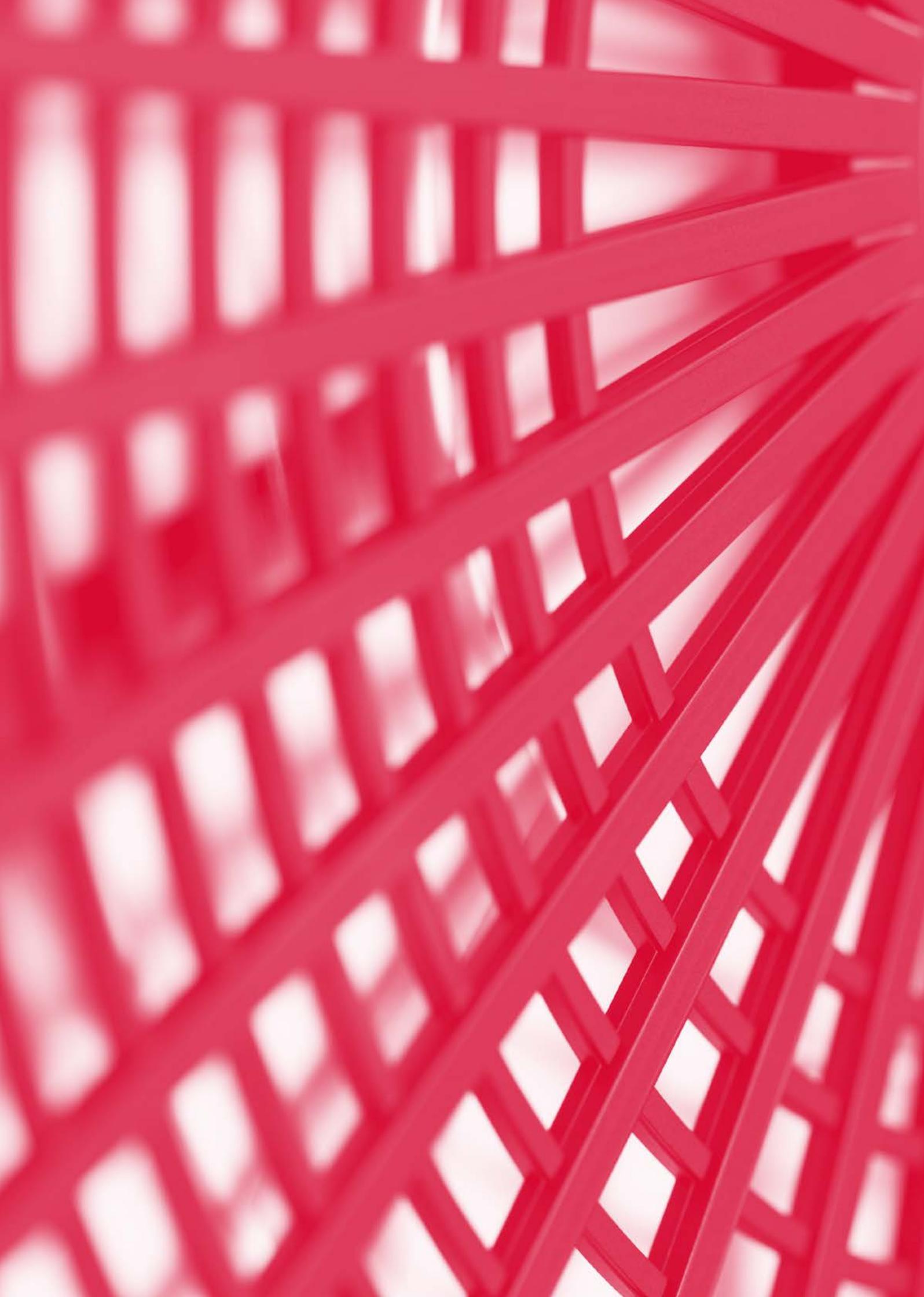
- **Advanced Automated Machinery and Packaging Materials:** includes 16 Companies that operate in the tobacco, fast-moving consumer goods and ceramics industries;
- **Industrial Process Solutions:** includes 4 Companies that provide automated solutions to enhance the efficiency of production systems;
- **Precision Gears:** provides an integrated manufacturing process that meets the high standards required by the automotive, racing and aerospace industries.

Coesia is also organized geographically by Regions.

The aim of this structure is to extend and optimize our global footprint by tapping into growth opportunities in emerging markets and improving the Group’s ability to localize its products to meet local market demands.

Most of the 21 Coesia Companies are located in Europe.





1.4

Risk prevention and reduction

Coesia's Companies are exposed to the same risks and uncertainties faced by similarly global companies operating in the design, production, and sale of durable high-tech solutions.

RISK AND OPPORTUNITIES

Coesia is actively committed to identifying potential risk factors to minimize their impact and focus on the opportunities that derive from these assessments, which can lead to an increase in the competitive advantage of the Companies.

Coesia has established a risk and opportunity management strategy that has been integrated into the entire operating model of all the Group's Companies. This strategy provides that the impact of strategic and operational risks, i.e. those strictly related to raw material prices, mergers and acquisitions as well as legal, security and human resources issues, is assessed and reduced.

Coesia evaluates specific sustainability risks and opportunities at both the Company and asset level, with a particular focus on aspects that could have a direct impact on the Group's businesses, such as the introduction of new energy regulations. Reputational risks and opportunities related to aspects that could influence customers' or suppliers' perceptions of Coesia are also taken into account.

INTERNAL AUDIT

While the Companies and the various Corporate Functions have a primary responsibility over the identification and the management of risks, Internal Audit plays a key role in assisting the organization in these activities using a **systematic approach designed to create value through the assessment and improvement** of risk management, control and Corporate Governance processes.

In this context, Internal Audit has the responsibility to independently and objectively assess the Group's

risk environment, to verify the effectiveness and efficiency of business, operating and financial processes, and to ensure compliance with applicable laws and legislations.

This approach is therefore broken down into two steps: first, the development of an annual Audit Plan based on a number of qualitative and quantitative criteria, and second the implementation of the Audit Plan aimed at assessing the various Companies' internal control system.

In order to constantly monitor risks in a complex and global organization like Coesia, Internal Audit conducts over 20 single audits worldwide every year on all Group entities, using a risk-based approach.

Another key component of the Internal Audit function is the **Privacy Office**, which is composed of professionals with a strong background in privacy-related topics. Since 2017, Coesia has established a Privacy Board composed of professionals from various relevant functions inside the Group; the role of the **Privacy Board**, who meets on a regular basis, is to address any topic related to the management of privacy, with the objective to raise awareness over the type of data that can be accessible in all levels of the organization, ensuring full compliance with Group guidelines and applicable 2016/679 European legislation (General Data Protection Regulation, "GDPR").

Coesia's focus on Privacy matters is reflected in the fact that, in the 2017-2019 period, there were no breach incidents of privacy rules nor any leak of sensitive data of the Group's clients.

Cyber Security

Given the growing threat of cyber attacks, ensuring business continuity and confidentiality of sensitive data have become not only necessary, but also an integral part of overall Coesia security strategy.

To adapt to a such challenging context, for several years the Group has been developing security measures in order to protect corporate digital assets and in 2018 started a Global Security Operation Center (GSOC). The GSOC is designed to operate on a 24-hour basis and continuously monitors cyberattacks and other digital threats.

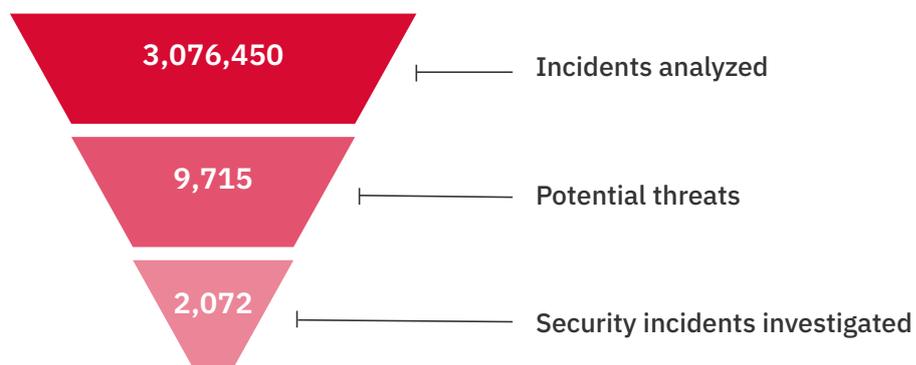
Multiple Indicators of Compromise (IOCs), are collected and correlated in real time to identify suspicious patterns, that may have gone undetected, and provide the necessary resources to perform incidents analysis and response.

In case of recurrence of specific attack trends, the Incident Response team updates security tools and policies to protect against future attacks as well. Moreover, by implementing effective incident management, Cyber Security actively contributes to comply with the GDPR regulation and improve overall privacy processes.

In order to raise user awareness on how to protect digital assets, the Group has released several e-learning trainings during the year on topics such as data security and good practices to prevent cyber risks.

Penetration test were also executed on corporate infrastructures, in order to test systems' robustness against the most common cyber threats.

Figures of the Global Security Operation Center in 2019



1.5

Commitment to business ethics

Ethics is a core pillar of business activities and plays a central role, as part of corporate responsibility, in providing a cultural stimulus to foster and enhance social relations, inspiring the Group's daily conduct. Coesia's strength is based not only on its ability to conduct business in compliance with environmental, social, and economic laws and regulations, but also on the Group's capacity to go beyond compliance and act in accordance with its stakeholders' expectations.

In order to promote a system geared towards fostering responsible behaviors, Coesia has developed an array of tools and processes to ensure high ethical standards among all Group employees and partners.

Coesia's concept of commitment to ethical business is founded on the Group's Values as set out in its Code of Ethics, which, together with the Anti-Corruption Guidelines, the Organization, Management and Control Model (Model "231"), the mechanism for reporting violations, and training on ethics and anti-corruption issues, create a solid structure designed to provide a Group-wide prevention system.

CODE OF ETHICS

Coesia has decided to adopt its own Code of Ethics, showing its commitment, as a group of companies, to promoting social responsibility and fostering the sense of responsibility of all its employees, underscoring the focus on integrity promoted by the Group. The document, based on the Corporate Values and Mission, is an effective tool for the shared, structured, and continuous promotion of the program and idea of social responsibility within all Group Companies and in their relationships

with stakeholders. Coesia's Code of Ethics has been shared on a global scale to ensure that the Group's commitment is clear and transparent to all stakeholders.

Coesia's Code of Ethics is available on the Group's website:
<https://www.coesia.com/en/group/corporate-governance/business-ethics>

ANTI-CORRUPTION GUIDELINES AND ORGANIZATION, MANAGEMENT AND CONTROL MODEL

As an international organization operating in different economic, institutional, social and cultural contexts, it is Coesia's responsibility to act in compliance with national and international laws and regulations. Coesia's commitment to fighting corruption is reflected in the Group's Values and in the principles guiding all its daily activities, such as loyalty, fairness, transparency, and integrity.

The Group has therefore formalized the **Anti-Corruption Guidelines** in order to promote the highest standards in all commercial relationships and a robust Organizational System designed to ensure their proper implementation within Coesia Companies.

Moreover, to ensure the Group's compliance with Italian Legislative Decree 231, of June 8, 2001, all its Italian-based Companies have adopted an Organization, Management, and Control Model supervised by the Supervisory Body (SB) and the Anti-Corruption Committee, a body specifically appointed for this purpose. During the course of 2019, the Group also actively promoted the adoption of this model by the recently acquired Companies that did not previously have it.

Finally, a number of guidelines have been drawn up over the years to build a spirit of partnership into our collaboration with suppliers, helping to promote innovation in compliance with Group's Values and standards of conduct. These anti-corruption guidelines are set out in a single document: the **Supplier Code of Ethics**. This document provides the opportunity to strengthen the Group Companies' relationships with their stakeholders, based on the core Values that drive Coesia's actions. These pillars, which underpin the Code of Ethics, shape the relationship between Coesia and its suppliers and define the required standards so that they are complied with worldwide.

The Group's Code of Ethics and Anti-Corruption Guidelines define our way of thinking and operating. To make sure that everyone within the Group is able to understand them, they are available in more than 10 languages.

GRIEVANCE MECHANISM

As in previous years, the grievance mechanism was active again in 2019, enabling any violations of the Anti-Corruption System, including potential ones, to be reported while protecting the privacy of the individual and explicitly prohibiting any form of retaliation.

BUSINESS ETHICS COMMUNICATION AND TRAINING

Coesia is strongly engaged in supporting a cascading communication system aimed at raising awareness of our business ethics standards throughout the organization. To this end, it is committed to distributing the Anti-Corruption Guidelines and the Code of Ethics to everyone who joins the Coesia world.

In terms of training, moreover, all the managers in the Group and those who play a key role in this area, attend a training program on Anti-Corruption principles. Coesia has also extended the reach of the program through the e-learning platform to include all new employees as well.

As confirmation of the Group's strong engagement in business ethics issues, during the three-year period 2017-2019, there have been:

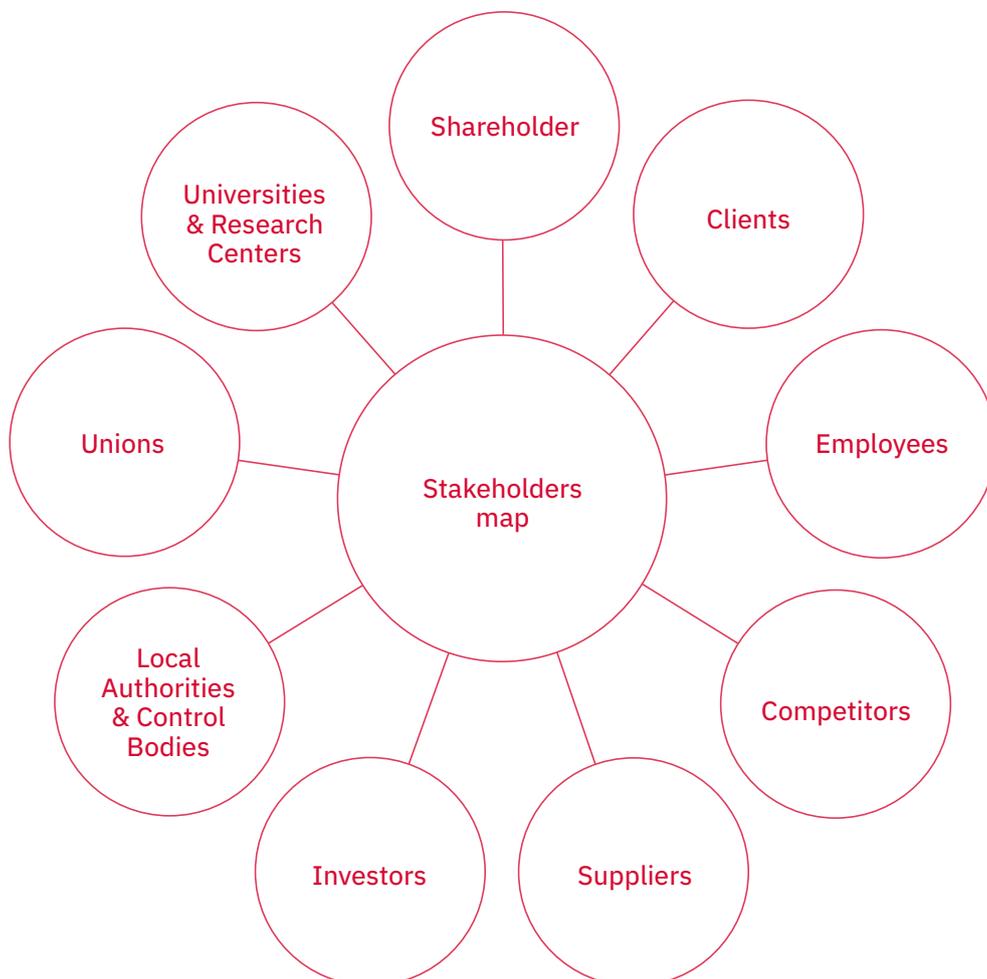
- no confirmed episodes of corruption;
- no significant violations of social and economic laws and regulations;
- no legal actions related to anti-competitive behavior and violations of antitrust laws and monopoly practices.

1.6

Stakeholder engagement

For Coesia, engaging its stakeholders in an active and ongoing dialogue means identifying stakeholder expectations and responding promptly to changes in the market and the communities in which it works. Hence, in order to create long-term sustainable value and achieve its strategic goals, the Group is committed to establishing and maintaining a relationship of transparency and trust with its stakeholders.

Coesia strives for continuous improvement of technologies, products, solutions, and processes with a view to exceeding stakeholder expectations. A structured engagement process is essential for Coesia to be able to assess its stakeholders' level of satisfaction and thereby identify any areas of improvement on which to focus the Group's priorities. In the process of updating its materiality analysis, Coesia involved the company's management team in a workshop designed to identify the main stakeholders, classifying them according to the criteria of dependence on Coesia and their influence on the Group. The analysis led to the identification of the stakeholder categories deemed most significant and with which Coesia is committed to promoting regular discussion initiatives and the appropriate channels for dialogue.



Coesia is committed to constantly listening to and empowering stakeholders to secure mutual benefit and continuous value generation.

The table below provides a summary of the main listening and engagement tools for the Group's main stakeholders.

LISTENING AND ENGAGEMENT OF THE STAKEHOLDERS

Stakeholder	Engagement frequency	Activity
Shareholder	Regular	<ul style="list-style-type: none"> Shareholder's meeting Active engagement in the Group's management
Clients	Regular	<ul style="list-style-type: none"> Product catalogues Collaborations for the development of new products Exhibitions Service Website
Employees	Recurrent	<ul style="list-style-type: none"> Collective bargaining Climate survey Newsletter
	Regular	<ul style="list-style-type: none"> Training Website Performance evaluation
Competitors	Recurrent	<ul style="list-style-type: none"> Exhibitions
Suppliers	Regular	<ul style="list-style-type: none"> Meetings and relationships with the corresponding functions Website
Investors	Recurrent	<ul style="list-style-type: none"> Press releases Meetings Website, Investor Relations section
Local Authorities and Control Bodies	Regular	<ul style="list-style-type: none"> Meetings with Local Authorities
Unions	Recurrent	<ul style="list-style-type: none"> Scheduled meetings with Unions
Universities and Research Centers	Recurrent	<ul style="list-style-type: none"> Collaborations and partnerships Meetings with Universities and Research Centers

As confirmation of the central importance of stakeholders to the Group and of promoting dialogue among the leading companies in the sector, Coesia is a member of the industry associations and other organizations in the areas where it operates.

Specifically, ACMA, the Italian branch of FLEXLINK, G.D, and SASIB are members of **UCIMA**, the Union of Italian Manufacturers of Automatic Packaging Machines. The Companies G.D, SASIB, ACMA, CIMA, COMESCA, and SYSTEM CERAMICS are members of **Confindustria Emilia**, the Emilia regional branch of Italy's trade and industry association.

COMMUNITY ENGAGEMENT

All Coesia Companies are committed to promoting the wellbeing of the communities in which they work through collaborative efforts and relationship and partnership building.

In 2019 the Group supported multiple nonprofit organizations, providing financial assistance and donations of materials and tools with an overall value of more than € 2.6 million. The main institutions supported by Coesia are engaged on many different fronts, including social inclusion, gender issues, aid to homeless people, adults and children with disabilities, the elderly, immigrants and refugees, aid for regions affected by natural disasters, scientific research and health, arts, sports, culture, and education. The Group also encourages corporate volunteering initiatives in all the Companies operating globally.

Fare Impresa in Dozza (FID) Making business in Bologna's prison

Since 2010, the Coesia Company G.D has supported FID, a social enterprise that supports workshop where detainees work together with detainees' work training and their subsequent integration.

The project was launched in collaboration with IMA and the Marchesini Group, other companies operating in the same sector and area, and the FAV (Fondazione Aldini Valeriani), an organization focusing on mechanical training.

FID has also funded the creation of a mechanical workshop where detainees work together with volunteer retirees to supply products to the companies that founded the social enterprise.

This unique private initiative is an example of exchange of skills and promotion of human dignity.



1.7

Materiality analysis

In order to define the framework and contents of the Sustainability Report, Coesia conducted a structured “materiality analysis”, a process carried out in accordance with the Global Reporting Initiative Standards (GRI) released in 2016. Through this analysis, the Group identified the economic, environmental, and social issues that have a significant

impact on the organization and can potentially influence the opinions and decisions of the main stakeholders.

The materiality analysis, whose goal is to identify topics that are material to the company, was conducted by an internal working team with the involvement of management. It was divided into three phases:

1

Identification of potentially relevant topics

During the first phase, the potentially relevant topics were identified, based on the results of the context analysis which included the study of the following sources:

- analysis of macro trends for sustainability at the global level;
- analysis of the trends for the different industries in which Coesia operates;
- benchmarking against Coesia’s peer companies;
- analysis of press reports on Coesia and its business sector.

2

Assessment of relevant topics

During the second phase, the team assessed the relevance of the potentially significant topics previously identified through the context analysis.

In order to assess the topics in terms of Coesia’s environmental, social, and economic impacts, management was asked to express its opinion during a workshop, drawing on its in-depth knowledge of the Group.

The assessment of relevance with regard to the influence of stakeholders’ assessments and their decisions was carried out on the basis of the results of the context analysis and subsequently validated by management.

3

Validation of materiality matrix

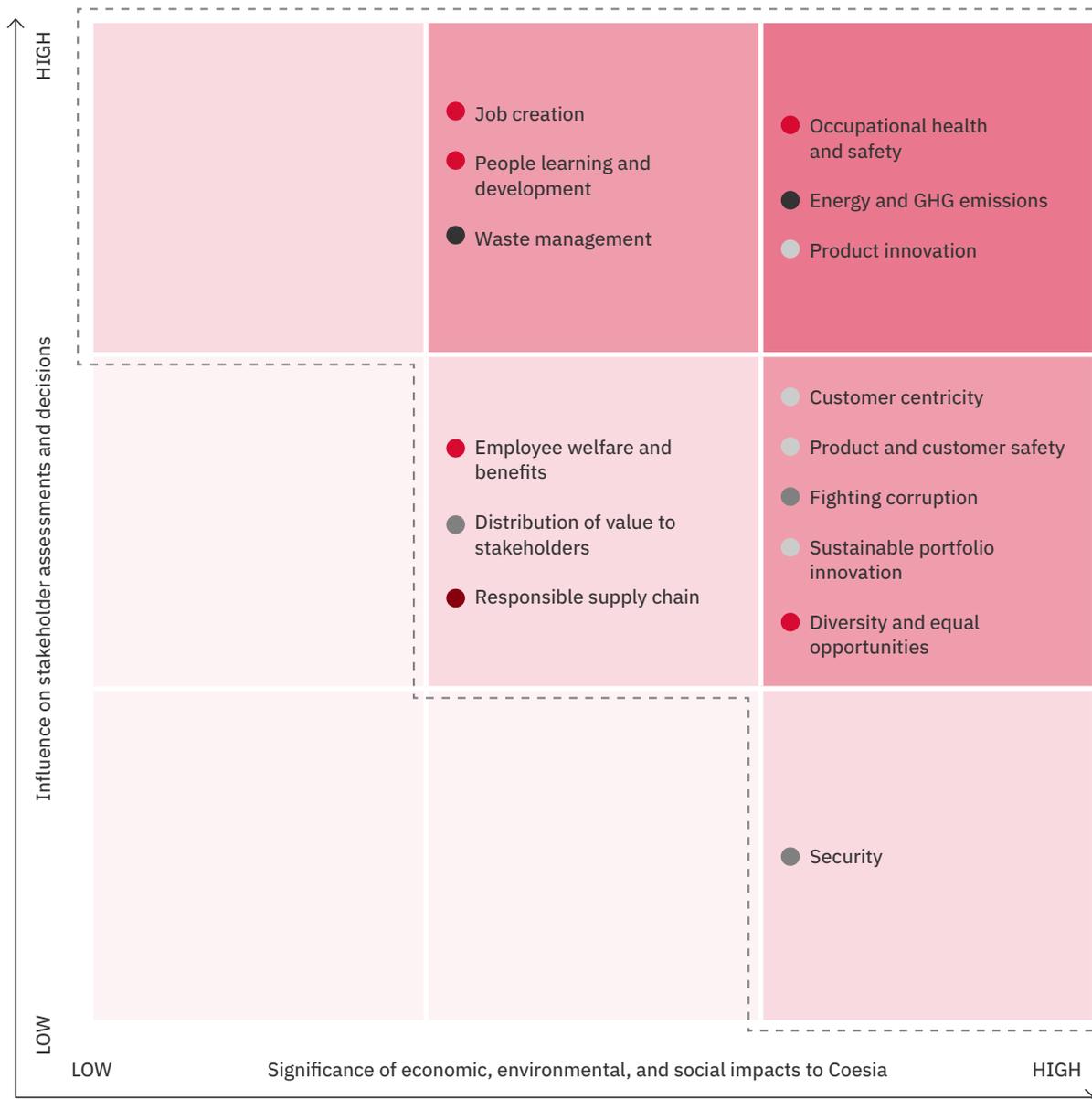
Based on the phases described above, the materiality matrix was validated by management.

The materiality matrix resulting from the previously described process is expressed graphically below, where the 15 most significant topics are positioned along two axes:

- X axis - representing the relevance of Coesia's economic, environmental, and social impacts;
- Y axis - representing the degree of significance of the identified aspects to the Group's main stakeholders.

Based on the above assessments, the topics positioned at the top right of the matrix represent the most significant issues to the Group and its stakeholders.

For the purposes of the materiality analysis, the topics of "Protection of Human Rights" and "Compliance with economic, social, and environmental regulations" were considered an essential underpinning of the Group's responsible management; they have therefore not been included in the materiality matrix and are addressed in detail elsewhere in this Report.

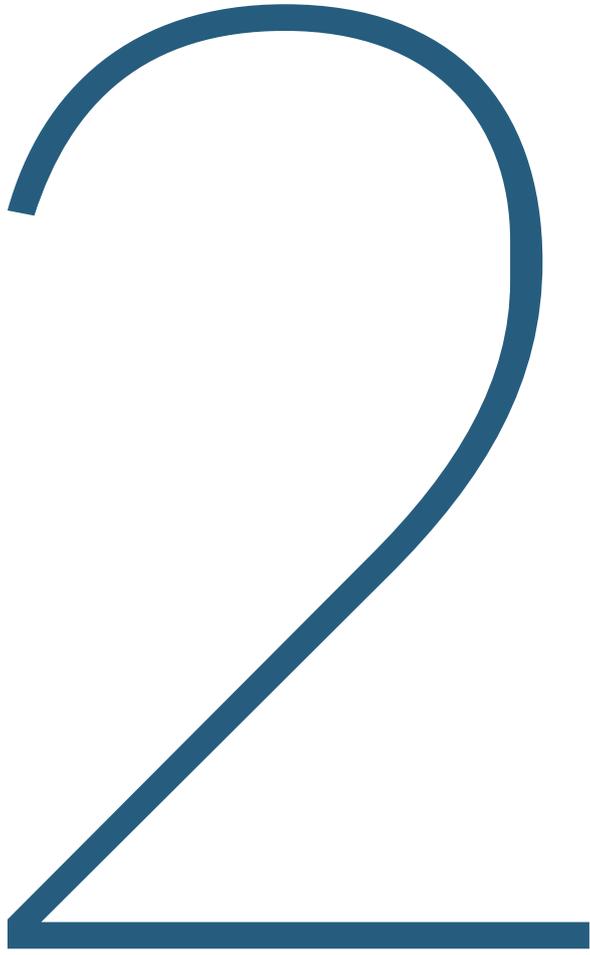


Areas:

- Employee management
- Supply chain
- Customers and product
- Business ethics
- Environment
- [] Materiality threshold

For more information on the correlation between the material topics and GRI Standards and their

impact boundary, see the table in the Methodological Note section.



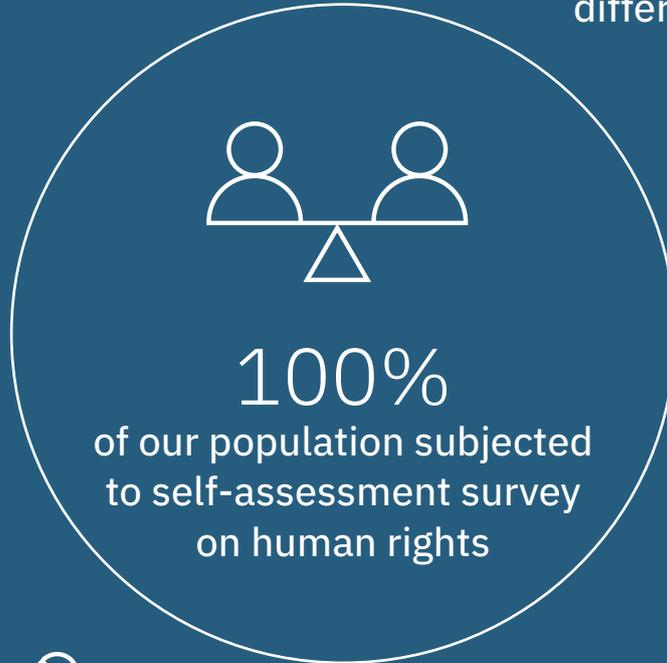
Our people:
passion and expertise



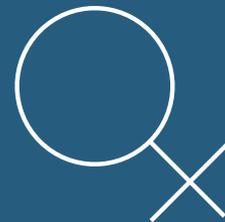
8,519 employees



from 73
different countries



+618 new hires



17% women



27.4 hours
of learning and development
per employee



230,000+ hours
of learning and development

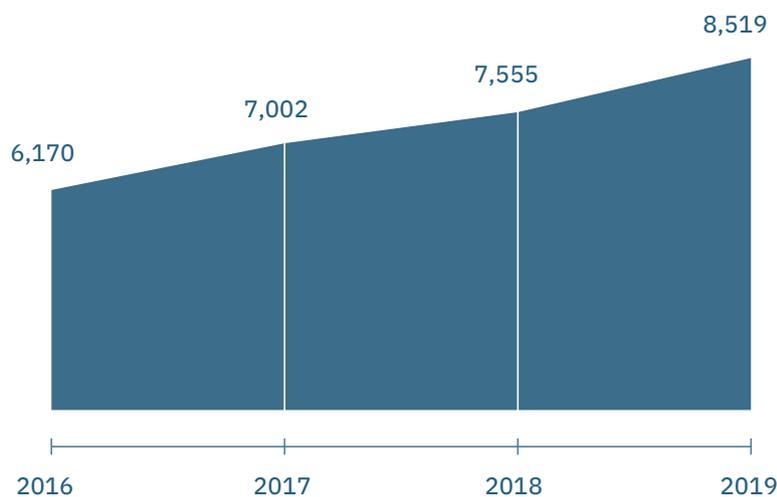
2.1

Our people: the real driving force

At the core of Coesia's growth and development are the more than 8,500 people who work in the Company. Talent, passion, and commitment are the elements that characterize our employees' daily work and constitute the organization's key asset. It is

thanks to them that Coesia has been able to expand over the years and confirm its position as a leading Company in the various sectors in which it operates, showing its capacity to create sustainable and lasting value.

Coesia's expanding workforce



The Group wants to attract and retain the most talented people and develop them into the leaders of tomorrow by offering them the opportunity to work and live in a dynamic environment in which achievements are acknowledged and opportunities to expand their professional horizons are offered.

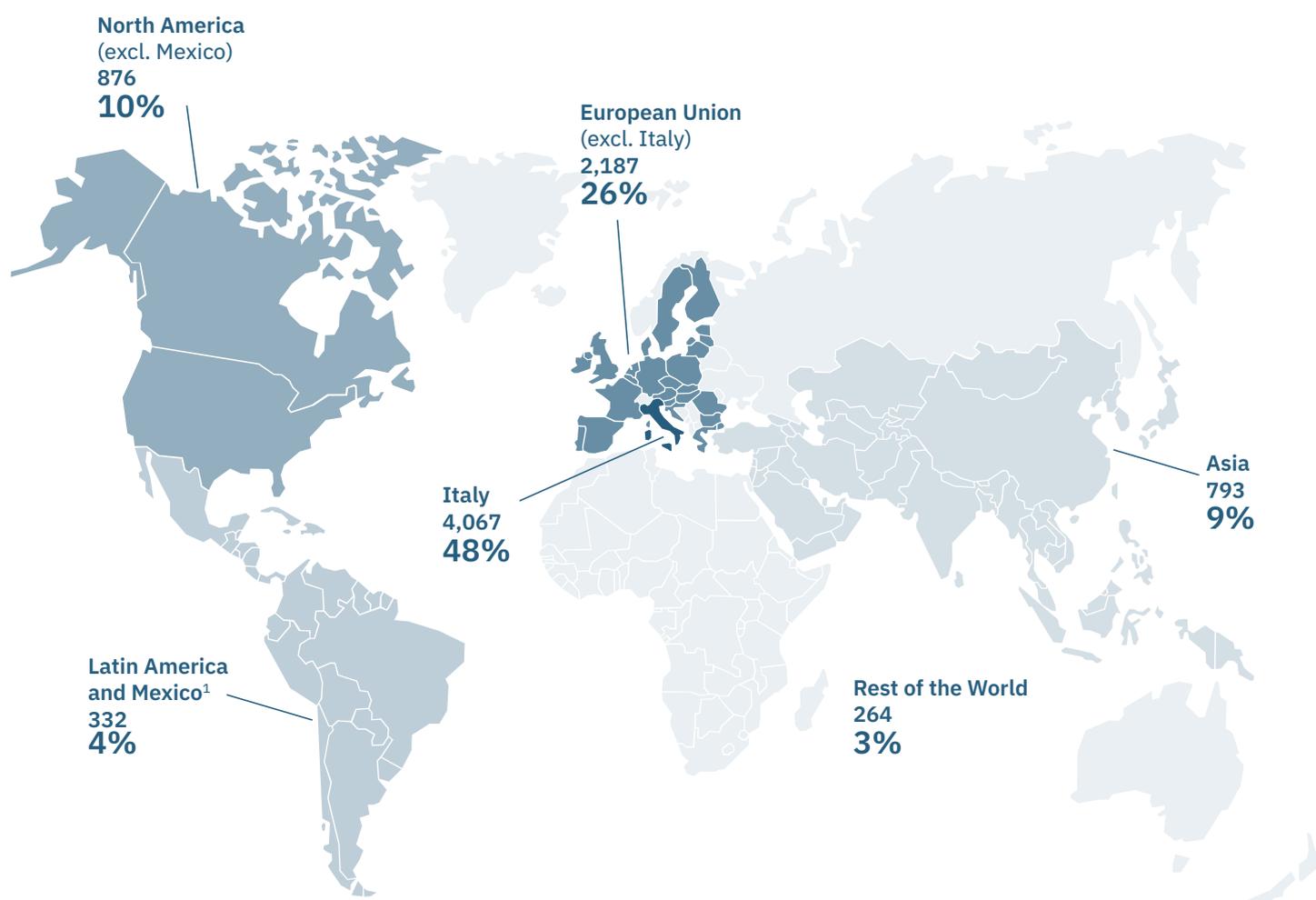
Coesia's strong growth over the years and its success in maintaining a leadership position in its business sectors are the direct result of its employees' creativity and skills, the real drivers of the innovative and high-quality solutions we deliver to our customers.

The significant expansion trend of Coesia's workforce was again confirmed in 2019, increasing to **8,519 employees** as of December 31, 2019, up 12.8% from 2018. Part of this increase is linked to the acquisition of System Ceramics, which has enabled the Group to offer a wider range of solutions on the market.

Due to Coesia's international presence, its people are spread across the world, with a higher concentration in its Italian and European sites, which account for around 75% of the total workforce.

With over 8,500 employees in 35 countries, Coesia is a genuine manufacturing and social ecosystem where each person is an integral part of the organization's success as well as its business success.

People breakdown by geographic zone in 2019

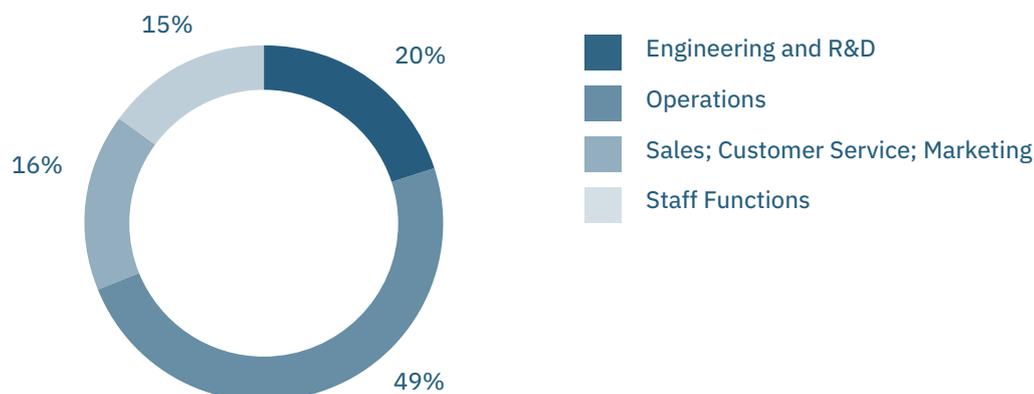


¹To provide a more detailed picture, the “Latin America and Mexico” geographic zone is shown separately in this chapter, while in the rest of the Report it is included under “Rest of the World”.

In terms of people's functions, around 1,700 Coesia employees work in the Engineering and the Research and Development (R&D) departments, where ideas and numerous innovative projects are given concrete shape. Around 50% of employees work in Operations, which covers a vast array of roles including purchasing management, quality

control, planning, and machine testing. Finally, 16% of company employees work in Sales, Customer Service, and Marketing, and 15% in Staff Functions, which include Human Resources, IT, Administration, Finance, and Audit.

Breakdown of employees by function in 2019



Coesia puts a premium on building a lasting relationship with its employees. Permanent contracts are preferred and the most common type of contract in all the geographic zones, covering 97.7% of all employees.

Over 97% of employees had permanent contracts in 2019.

BREAKDOWN OF EMPLOYEES BY GEOGRAPHIC ZONE AND CONTRACT TYPE

	2017			2018			2019		
	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total	Permanent	Fixed-Term	Total
Italy	3,000	64	3,064	3,375	71	3,446	4,019	48	4,067
European Union (excl. Italy)	1,916	37	1,953	2,025	88	2,113	2,046	141	2,187
North America (excl. Mexico)	892	11	903	870	1	871	875	1	876
Latin America and Mexico	251	-	251	291	-	291	332	-	332
Asia	636	2	638	618	1	619	789	4	793
Rest of the World	189	4	193	215	-	215	262	2	264
Total	6,884	118	7,002	7,394	161	7,555	8,323	196	8,519
	98.3%	1.7%	100%	97.8%	2.2%	100%	97.7%	2.3%	100%

Part-time contracts account for around 2% of the workforce and are mostly taken up by the Group's female employees.

Coesia commits to constantly responding to the needs of its employees, striving to support them as much as possible in achieving a good work-life balance.

BREAKDOWN OF EMPLOYEES ACCORDING TO GENDER AND CONTRACT TYPE: FULL-TIME / PART-TIME

	2017			2018			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Full-time	1,000	5,838	6,838	1,064	6,307	7,371	1,285	7,026	8,311
Part-time	111	53	164	128	56	184	158	50	208
Total	1,111	5,891	7,002	1,192	6,363	7,555	1,443	7,076	8,519

To Coesia, putting people at the center also means respecting, including, and valuing every individual regardless of their age, gender, religion, ethnic background, and nationality. Diversity is an asset in terms of the different skills, ideas, and perspectives that enable Coesia to constantly improve its ability to meet the needs of diverse and dynamic markets.

Coesia is therefore committed to promoting diversity within the organization, in both its Governance mechanisms, as described earlier, and among its employees, by taking intensive and concrete action to raise awareness of the positive effects that gender diversity can bring to a global organization.

Confirming our attention to this issue, in 2019 the Group registered a significant increase in the number of women in the Company, up 21% from 2018. The substantial increase in the presence of women is the result of recent acquisitions as well as the Company's commitment to hiring female employees. With **1,443 women employees** worldwide, female workers account for roughly 17% of Coesia's total workforce, in line with the automatic machines industry, whose labor force is traditionally male-dominated.

Women and men joining the Group follow the same training path and have the same opportunities for professional growth and career development.

17% of Group employees are women.

BREAKDOWN OF EMPLOYEES ACCORDING TO GENDER AND CONTRACT TYPE: PERMANENT / FIXED-TERM

	2017			2018			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Permanent	1,069	5,815	6,884	1,157	6,237	7,394	1,398	6,925	8,323
Fixed-Term	42	76	118	35	126	161	45	151	196
Total	1,111	5,891	7,002	1,192	6,363	7,555	1,443	7,076	8,519

2.2

A professional development path for continuous growth

BEST GLOBAL TALENT

Coesia is committed to attracting, developing and retaining the best people at an international level to ensure long-term managerial continuity and economic performance by always keeping a keen eye on the market's best practices.

Recruitment is coordinated centrally and involves not only the selection process but also employer branding activities that keep Coesia attractive and competitive on the labor market.

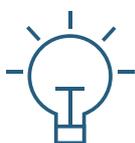
New employees are offered on-boarding programs so that they can seamlessly integrate into the Group and become familiar with the business as well as new colleagues.

Employees are then progressively offered training programs to develop their potential, skills and leadership in line with Coesia's strategic focus as well as collective and individual needs.

Coesia has also introduced a special people development program including a performance management system (People Performance Dialogue) with the aim of recognizing merit, potential and skills of its people, guaranteeing opportunities for professional growth and promoting motivation and engagement by defining and monitoring performances and individual development plans.

Furthermore, a system for remuneration, evaluation and the attribution of professional titles has been introduced at a global scale to guarantee internal fairness and external competitiveness so that talented new employees can be attracted and retained.

The Group's priorities



Unlock employees' potential



Support professional growth



Value merit and skills



Continuously improve development processes and tools

Beginning the Journey

The global recruiting strategy focuses on different kinds of stakeholders, in particular students, graduates and professionals.

With regard to students and graduates, our goal is to provide them with an educational experience in the workplace to let them put their academic knowledge to the test in a real business environment. Examples include pre-graduation internships, research projects and collaboration on Company-based dissertations.

Furthermore, professionals are offered the chance to discover opportunities in a very challenging and fast-growing global group like Coesia.

Scouting and selecting the best candidates requires a complex combination of local and global integrated experience guaranteed by a dedicated in-house team based in strategic geographical clusters.

This unique blend of expertise comes from a deep understanding of Coesia's business, culture and leadership attributes. This approach allows Coesia to have an edge in the competition for global talents and access to key skills and competencies.

All selections can be managed through the same recruiting channels and with the same tools, providing highly increased visibility throughout these recruitment process steps:

1. Application
2. Research and recruitment process
3. Preliminary interview
4. Technical interview
5. Job proposal

Each step is fundamental for two reasons: first, it enables Coesia to use a common database of profiles to improve the candidate's experience; and second, the Human Resources function can manage the selection process in a structured way in terms of communication, outcome and the like.

The Group also promotes global employer branding activities targeting both businesses and students. They include recruitment days and meetings at universities for students and trade fairs events for businesses and professionals. In this way, it is possible for us to build a pool of the "Best Global Talent" to support Coesia's needs at an international level.

More information at:

<https://www.coesia.com/en/people/development>

The hiring trend, which is down overall compared to previous periods, nevertheless confirms the Company's commitment to strengthening its key strategic asset - its people - year after year.

Most of Coesia's employees are located in Italy and the rest of Europe, where hiring was mainly focused in order to further strengthen the workforce composition in these areas.

HIRES AND HIRING RATE BY GENDER AND GEOGRAPHIC ZONE

	2017			2018			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Italy									
Employees	3,064			3,446			4,067		
Hires	56	223	279	67	206	273	41	122	163
Hiring rate	1.8%	7.2%	9.1%	1.9%	5.9%	7.9%	1%	2.9%	4%
European Union (excl. Italy)									
Employees	1,953			2,113			2,187		
Hires	62	240	302	49	241	290	60	198	258
Hiring rate	3.1%	12.2%	15.4%	2.3%	11.4%	13.7%	2.7%	9%	11.7%
North America (excl. Mexico)									
Employees	903			871			876		
Hires	35	116	151	18	75	93	21	79	100
Hiring rate	3.9%	12.8%	16.7%	2.1%	8.6%	10.7%	2.4%	9%	11.4%
Latin America and Mexico									
Employees	251			291			332		
Hires	10	18	28	1	27	28	6	21	27
Hiring rate	4%	7.2%	11.2%	0.3%	9.3%	9.6%	1.8%	6.3%	8.1%
Asia									
Employees	638			619			793		
Hires	16	100	116	10	89	99	20	42	62
Hiring rate	2.5%	15.7%	18.2%	1.6%	14.4%	16%	2.5%	5.3%	7.8%
Rest of the World									
Employees	193			215			264		
Hires	6	37	43	3	33	36	2	6	8
Hiring rate	3.1%	19.2%	22.3%	1.4%	15.3%	16.7%	0.8%	2.3%	3%
Total Group									
Employees	7,002			7,555			8,519		
Hires	185	734	919	148	671	819	150	468	618¹
Hiring rate	2.6%	10.4%	13.1%	1.9%	8.8%	10.8%	1.7%	5.4%	7.2%

¹ This figure does not include employees who joined the Group following the acquisition of System Ceramics.

The hiring trend by age group shows a high proportion of new recruits aged between 30 and 50 (roughly 50%) and young people under 30 (over 40% of all new hires).

Over 40% of all hires in 2019 are under 30.

The data confirm that Coesia places great value on the expertise gained by people during their previous work experience as well as on the empowerment of new generations, who are driven by a desire to

grow professionally and contribute to the Group's development. Providing the setting for professionals with different experiences to come together and for a constructive intergenerational dialogue is one of the strengths of the organization, bolstering the Group's leadership and creating a forward-looking working environment in which no one is left behind.

In 2019 Coesia received about 27,500 CVs and 618¹ new employees were hired.

Furthermore, the voluntary turnover rate on average headcount within the Group equalled 5.6%.

HIRES AND HIRING RATE BY GENDER AND AGE

		2017			2018			2019		
		Women	Men	Total	Women	Men	Total	Women	Men	Total
< 30	Hires	71	308	379	45	283	328	54	201	255
	Hiring rate	6.3%	5.2%	5.4%	3.7%	4.4%	4.3%	3%	2.6%	3%
30-50	Hires	90	341	431	92	321	413	82	221	303
	Hiring rate	8.1%	5.7%	6.1%	7.7%	5%	5.5%	5.1%	2.9%	3.6%
> 50	Hires	24	85	109	11	67	78	14	46	60
	Hiring rate	2.1%	1.4%	1.5%	0.9%	1%	1.0%	0.9%	0.6%	0.7%
Total hires		185	734	919	148	671	819	150	468	618¹
Total employees		1,111	5,891	7,002	1,192	6,363	7,555	1,502	7,017	8,519

The global self-assessment survey on human rights has been conducted again in 2019 to collect information on the new entities in the Group, reaching 100% coverage of the Coesia population. The aim is to make sure that aspects related to human rights, such as the absence of child, or forced labor and discrimination, as well as freedom of association are preserved and guaranteed in all countries where Coesia operates.

It is important to underline that, besides complying with all local and national laws and regulations in terms of age employment, Coesia only employs people over 18 years of age. The only exceptions are France and Brazil where, in compliance with the law, young students can be hired as apprentices to perform no-risk activities.

¹ This figure does not include employees who joined the Group following the acquisition of System Ceramics.

Performance Evaluation

Performance management drives the organization to high performance by leveraging the contribution of each person at Coesia and by creating a link between performance, reward systems and development paths.

People Performance Dialogue

The People Performance Dialogue (PPD) is a process that aims to strengthen the link between the performance of the business and the contribution

by every individual.

Through PPD, Coesia leads its employees toward the achievement of individual, team and Company results, while fostering people development. With the PPD process, Coesia also provides employees with an objective and structured process in which meritocracy and, consequently, internal equity are guaranteed.

The very name of the process sums up its three main objectives:

People

Leading **people** in their professional growth within the organization.

Performance

Aligning individual goals with the corporate strategy, so that overall **performance** incorporates clear and measurable goals.

Dialogue

Facilitating and promoting **dialogue** between employees and supervisors.

PPD is focused on both quantitative and qualitative objectives in line with the business needs and behaviors that reflect the Coesia Leadership Model. Our investment on communication and involvement of employees and supervisors is continuous.

In fact, the entire process is characterized by a continuous dialogue between supervisors and employees and includes a feedback session at the end of the year aimed at increasing individual self-awareness and defining a suitable development plan.

The coverage of PPD is constantly increasing, aiming at gradually involving the entire population regardless of their job and role.

At the start, in 2013, more than 900 people were involved in PPD, whereas **in 2019 5,776 employees**, or 67.7% of the Group's population, **took part in the process**.

In absolute terms, around 600 more people were involved in the process compared to 2018. In percentage terms, there was a slight decrease due to the acquisition of System Ceramics, which has yet to be included in the process.

In addition, since 2018 the 'PPD Easy' process has been implemented, with the aim of including also employees with more operative roles. PPD Easy extension to all the organizational units within the Group is ongoing and has involved around 1,000 employees overall during 2019.

Over 67% of our employees participated in the PPD in 2019.

NUMBER AND PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE EVALUATION¹

	2017			2018			2019		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Employees	829	3,443	4,272	922	4,243	5,165	973	4,803	5,776
Percentage	74.6%	58.4%	61.0%	77.3%	66.6%	68.3%	64.8%	68.4%	67.7%

¹The percentage shown for each year is calculated on the headcount including recently acquired Companies although, in some cases, the PPD process has not been implemented yet.



People Development

Coesia has always focused on strengthening the link between business results and the contribution that each employee can provide to the organization.

With the goal of creating and strengthening a one-group approach in terms of systems and processes, several development initiatives are carried out in order to identify, develop and retain our people. The focus of these programs is the increase of self-awareness, knowledge and skills of the people within the Group.

In particular, technical and professional training programs and leadership development programs have a great value within the Group. Their importance is further fostered thanks to the strategic partnerships with the best Business Schools, Universities and consulting companies.

The intensive dialogue with the market favors the introduction of learning methodologies and approaches that are always innovative and consistent with reference framework and business strategy.

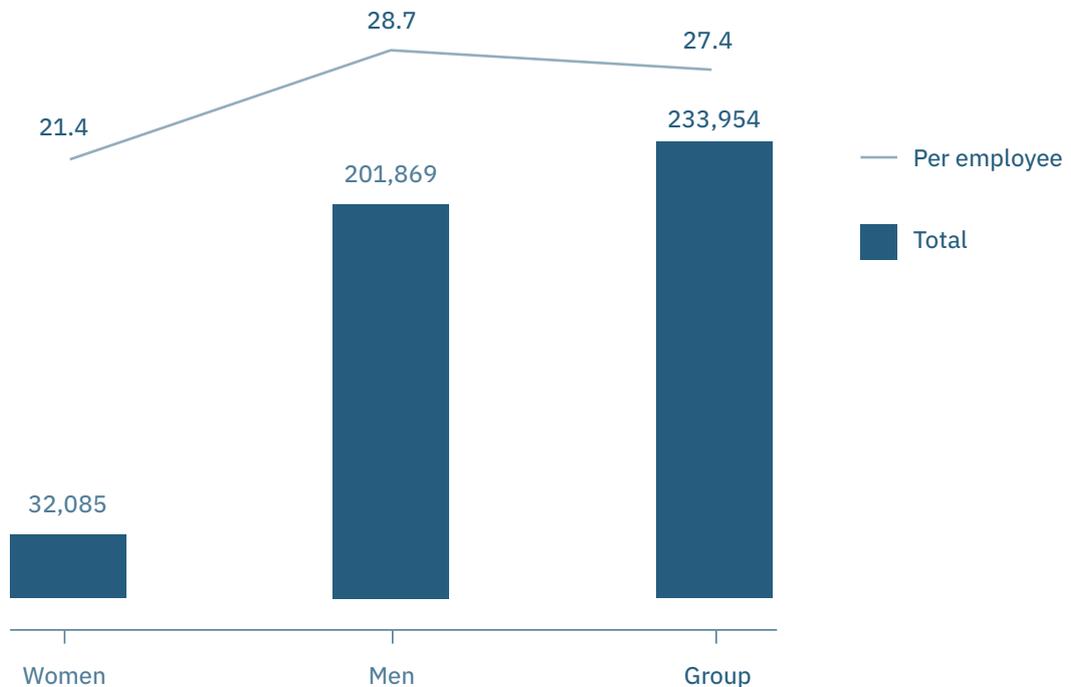
This sustained comparison allows employees' training needs to be satisfied in order to promote professional development, positive working environment and everyone's contribution to the achievement of business objectives.

230,000+ hours of learning and development provided in 2019.

As evidence of Coesia's commitment to the development of its employees, in 2019 more than 230,000 hours of learning and development have been provided, equalling **27.4 hours per employee.**

Professional development is delivered through classroom training as well as in e-learning format and covers multiple areas, including technical training, IT training, language courses, business administration, and managerial and leadership programs.

Hours of learning and development provided in 2019





Strategic Hiring programs

Tech Academy

Tech Academy is a strategic hiring program designed to recruit new graduates in mechanical and electrical areas selected through a worldwide recruitment process.

Designed to train the Coesia Field Technicians of the future, the initiative consists of a tailored learning experience aimed at developing both technical abilities and soft skills useful to cover effectively the role. Throughout the program, in order to promote skill sharing and the sharing of professional life experiences at the same time, the participants' training is delivered by the Group's managers and professionals.

The learning path splits into two phases for a total duration of 15 months.

The first step, conducted in the Coesia HQs in Bologna during a three months period, is

focused on the fundamental know-how thanks to a real experience hands-on on G.D technological excellence. As a conclusion of this first quarter, an exam is held in order to certify the acquired skills and opens the next phase, during which every participant takes part in a one year on-the-job training in his/her Coesia organizational unit.

During this phase, a different technology focus is developed for each participant, who is supervised by an expert local tutor. The Tech Academy program also includes in-depth study of "non-technical" skills, ranging from problem-solving courses to sessions focusing on multicultural working environments.

Four editions of the project were launched between 2018 and 2019, with a total of over 14,000 hours of training delivered at HQ (including 10,000 hours on the job).

Engineering Graduate Program

The Engineering Graduate Program is a strategic hiring initiative involving an intensive selection process and a professional development path lasting about a year, targeted at new graduates from the world's leading mechanical and electronic engineering faculties.

The program seeks to:

- select talented new graduates to be placed into the various Coesia Companies and Functions;
- ensure, before hiring, complete training consistent with the main tools and processes of Coesia;
- develop an overall culture in industrial automation and process solutions;
- favor the proper placement within the different business areas in line with the interests, skills and competencies of the new graduate.

The program includes both technical and behavioral training modules as well as initiatives aimed at developing self-awareness, including the opportunity to gain workplace experience and take part in international assignments.

Throughout the program, the Group's managers and professionals make themselves available to the participants as part of the in-house faculty and as tutors, in order to share real-life work experiences in the various corporate functions with them.

Engineering Graduate Program next edition will take place in 2021.

Leadership Development programs

Innovation Mindset

In 2019 we continued to hold the Innovation Mindset initiative, aimed at developing technical potential in order to foster personal growth and create powerful experiences that enable people to experiment with new approaches, tools, behaviors, and actions.

Leadership Lab

Coesia organizes an international Leadership Lab, involving a number of people, to mobilize the participants' collective intelligence to address issues that are relevant to the Group.

The program is structured to develop strategic out-of-the-box thinking, support teamwork in a multicultural environment and foster self-leadership in order to make sure that people become effective agents of change.

The Leadership Lab also offers opportunities to get visibility with Coesia's Top Management.

Leadership Sandbox

As in previous years, we promoted the Leadership Sandbox, an initiative seeking to foster the long-term development of Coesia's junior population. It involves participants in different activities in specific focus areas, including creativity and innovation, managing relationships through diversity, coaching and team building. It provides visibility to Senior Management.

Be A Leader and Be A Supervisor

BeALeader@Coesia and BeASupervisor@Coesia are aimed at strengthening the managerial skills of the supervisors within the Group, supporting them in properly cover their role. The goal is to foster a common and recognizable managerial culture by sharing effective people management behaviors and tools. Both programs, each with tailored targets, support theoretical and behavioral improvement for the main areas of responsibility in employee management, with an approach that is both complex and continuous, ultimately leading to the empowerment of human resources through multiple actions, including, among other things, motivating and delegating.

Learning programs

Behavioral programs

Coesia designs and delivers learning initiatives to ensure that its people are professionally effective. All training contents, tools and methodologies are identified with our Leadership Model, culture and Values in mind, as well as the main challenges and scenarios our Companies face. The development of cross-skills, capabilities, information and competencies are encouraged with the goal of enabling our people to "live" their roles in the best possible way and to grow professionally within the Group.

Job Family programs

Coesia supports the development of key Job Families to enable employees to work at their best in contributing to Coesia's business goals.

Job Family programs are customized and focus on skills and capabilities that are consistent with the requirements of specific roles. Coesia, in collaboration with the best training suppliers worldwide, constantly implements the most effective tools and methodologies in line with the challenges faced by the business.

2.3

How we take care of our people

We take care of our employees and their wellbeing by promoting initiatives at all our different sites with the aim of maintaining a good state of health as well as a balance between work and private life.

We deliver welfare services that exceed the legal requirements, with the clear aim of being industry leaders.

WELFARE

The initiatives provided by Coesia differ from country to country to respond to the specific needs of each. They are available to all employees and include social healthcare services and prevention plans, insurance (to be intended as the refund of medical fees) and periodical medical examinations. Moreover, to encourage a proactive approach to wellness, some Group Companies offer access to gyms or leisure centers and provide canteens or restaurant vouchers. The promotion of equal opportunity in maternity, paternity and adoption matters shows the Group's commitment to encouraging both female and male employees to find a balance between work and family. Coesia provides parental leave to all its employees in compliance with local regulations.

Coesia's commitment to the wellbeing of its employees is exemplified by welfare services provided by the MAST Foundation (Manifattura di Arti, Sperimentazione e Tecnologia). MAST is an international cultural and philanthropic institution that focuses on arts, technology and innovation. It coordinates a multifunctional center adjacent to the G.D and Coesia headquarters in Bologna.

The **MAST Foundation**, in addition to several projects and activities for the community, provides corporate welfare services for Coesia employees, creating synergy between the Group and the city.

The **Academy** is a training center for the development of a technical and managerial culture. For example, the Company's employees actively support the Academy's external training project for young people attending

schools in the community, thereby taking technological and managerial know-how beyond the Company.

The **MAST.Nursery School** hosts infants and toddlers from three months to five years. It is mainly open to our employees' children and also welcomes children from the local community in accordance with Bologna City council.

The **Company Restaurant** offers Coesia employees a choice of meals prepared with selected organic, fair trade ingredients, locally sourced and PDO-PGI certified, with a free-flow service. The balanced and highly digestible food preparations are made in compliance with specialist guidelines and quality indicators agreed with the nutritionists of the Gruber Center in Bologna who work in partnership with the Foundation.

The **MAST.Wellness**, managed by OneonOne (a company owned by the leading supplier of fitness equipment Technogym), delivers a range of sporting activities and services based on a holistic and integrated wellness model.

Among other services, the Company Restaurant and the MAST.Wellness are designed as part of a unified project in which nutrition and physical activity are deeply connected.

With a view to ensuring continuous improvement, in 2014 Coesia launched "Coesia Welfare and Engagement", a program aimed at assessing and promoting the level of corporate welfare on a global scale based on the active participation of employees through the collection of opinions and suggestions on the wellbeing of our workforce. An integral part of the program is "**Coesia For Me**", a survey on the workplace climate perceived by employees. In 2017, in the second run of the survey, our employees identified the Company's customer focus, management of diversity, and welfare policy as Coesia's strengths. They also contributed to designing an action plan mainly focused on the areas of communication, leadership, and employee development.

During the course of 2018 and 2019 improvement actions, identified through our employees suggestions, have been implemented.

Expeditions and Summer School

Expeditions is a high school internship project launched in 2015, designed, promoted, and managed by the MAST Foundation, in collaboration with Coesia and the Emilia-Romagna Regional Education Authority.

The project, targeted at third-year high school students, offers a learning experience focused on innovation in the mechanical engineering sector. It consists of an 80-hour program of which 48 are spent at the MAST Foundation and Coesia Companies.

Its goal is to enable participants to discover the world of enterprise by highlighting some aspects of technological innovation in order to encourage them to embrace a 'can-do' culture and spirit of entrepreneurship.

Expeditions offers students the opportunity to live a practical experience inside the corporate world and to do a final project in Industrial Automation, Artificial Intelligence, Packaging Design, Product Marketing, and Smart Objects, guided and supported by university lecturers and around 60 Coesia employees acting as trainers and mentors. Over 1,100 students from eight different

high schools in the Bologna area participated in the last edition of the project (2019 – 2020).

The Summer School launched in 2016, is a training project designed, promoted, and managed by the MAST Foundation in collaboration with Coesia and the Emilia-Romagna Regional Education Authority and in partnership with Dallara, Zerynth, the Piaggio Center (University of Pisa), and the University of Bologna. The project is targeted at third- and fourth-year high school students and involves a week of full-time training, teaching, teamwork, workshops, and keynote speeches.

The project seeks to offer participants the opportunity to receive intensive training, socialization skills, and career guidance on Industry 4.0-related topics and major issues confronting contemporary society.

The fourth edition of the project, held in July 2019 and involving 52 students from different high schools located across the Emilia-Romagna region, focused on the topics of Artificial Intelligence, the Internet of Things and Climate Change, and Sustainability & Citizenship.

More information at: www.academy.mast.org

Coesia Summer Camp

The Coesia Summer Camp is an initiative for the children of employees working in the Bologna area. The Summer Camp is taking place since 2016 in cooperation with the MAST Foundation and LGS SportLab.

Activities at the Summer Camp include playing sports and participating in creative workshops to support the emotional and social development of children.

Coesia Marathon

In 2019 Coesia launched the first edition of the "Coesia Marathon", an international sports initiative designed to enhance team spirit and promote a sense of belonging among its employees worldwide.

This engagement initiative involved 50 Group employees who had the opportunity to

participate in the Berlin Marathon.

A shared passion for running helped forge connections among people of 11 different nationalities. In the months prior to the Marathon, the participants got to know each other and enjoyed shared training sessions, both virtually and in person, supported by Local Advisors.



HEALTH, SAFETY AND ENVIRONMENT

Health, Safety and Environment (HSE) programs are essential expressions of Coesia's Values not only for employees, but also for contractors, customers and stakeholders. As confirmation of its commitment to these issues, the Group formulated its HSE Policy, with guidelines for the development and implementation of the HSE management system to be adopted by all Coesia Companies. In cases of acquisition, the new Companies are supported in the process of integrating the Policy within their organization.

The HSE Policy sets out the main elements for an effective management and prevention system, and is structured into the following four areas:

- **system:** this provides the guidelines for the structure of the management system implemented by Coesia and the related management aspects;
- **safety:** this sets out the health and safety requirements applied by Group Companies and the prevention and protection aspects that must be considered;
- **environment:** this includes the requirements for the prevention of environmental pollution and reduction of impacts applied by Coesia in conducting its business activities;
- **programs:** this considers several cross-cutting aspects, including procedures for reviewing the HSE system, management of supplier safety, and fleet safety.

Over the course of 2019 we also continued the Group HSE audit plan, with the aim of supporting the Group's continuous improvement, ensuring compliance with all applicable laws and standards, and increasing the involvement and awareness of all corporate functions in risk prevention and protection activities. Furthermore, in order to improve their self-awareness with regard to environmental and social issues, Group Companies are asked to conduct an annual self-audit designed to verify their compliance with the Group's HSE Policy requirements.

The Group also encourages the application of international standards. In 2019, 44.1% of the total workforce was covered by safety management systems certified to OHSAS 18001 and ISO 45001 (Occupational Health and Safety Management System) standards.

The Group's focus on health, safety, and environmental issues is not limited to its employees but also includes actions aimed at preventing and mitigating potential impacts arising from business relationships. Accordingly, the HSE Policy includes a set of requirements designed to ensure that contractors, consultants, and suppliers do not constitute a hazard to safety and the environment and operate in compliance with applicable laws and regulations and internal procedures. Among other things, Coesia is committed to defining the proper procedures for its Companies to ensure that their partners are informed of the hazards present at the Group's production sites.

Safe plants and equipment

As a designer and manufacturer of high-tech machines, Coesia pays considerable attention to the use of safe equipment in its Companies. Safety is a key driver for the Group, which is

why specific measures complying with the HSE Policy and international and national regulations are applied to the entire lifetime of equipment.

The HSE Policy structure



Within the HSE management system described above, risk evaluation is regarded as an essential and pivotal element for its smooth functioning. Coesia sees risk analysis as an ongoing process, periodically updated according to the Group Companies' operations, their changes, technological development, monitoring results, and incidental events. As set out in the Policy, the analysis must be based on a consolidated and structured methodology and must consider all elements of hazard and risk to people and the environment, under normal, abnormal, and emergency operating conditions. The aim is thus to develop a formalized program of continuous and progressive risk reduction that allows the elimination or minimization of risk.

To ensure the effectiveness of the HSE management system, the Group also commits to promoting communication and training of its employees.

To this end, each Company appoints an HSE coordinator whose role is to implement and manage an effective program on this topic. To ensure effective internal and external communication, various channels are provided to allow anyone to send in reports, suggestions, and observations aimed at eliminating any hazardous situations. In countries where it is required by law, management-employee committees are set up to facilitate employee participation on health and safety issues; in the remaining countries, the Group incentivizes the creation of processes that include specific activities for employee participation and consultation.

In terms of training, throughout its history Coesia has been committed to designing comprehensive professional development programs for its employees. Each Company makes every effort to deliver training programs to ensure that its employees are aware of the potential health and safety risks connected to the tasks they perform. The program includes different types of training:



Induction training: for new recruits, covers HSE issues relating to the workplace, the tasks they perform, and the specific risks involved.



Specific training: delivered to employees in connection with the specific tasks they perform, it focuses on specific risk and residual risk management.



Continuous training: required in order to keep employees up to date with new regulations, policy updates, and organizational and technical changes.



Mandatory Corporate courses: cover several topics that Coesia deems important to ensure the proper functioning of the HSE management system. They include a course on HSE Policy, training courses on first aid, emergency plans, and machine safety, and many others.

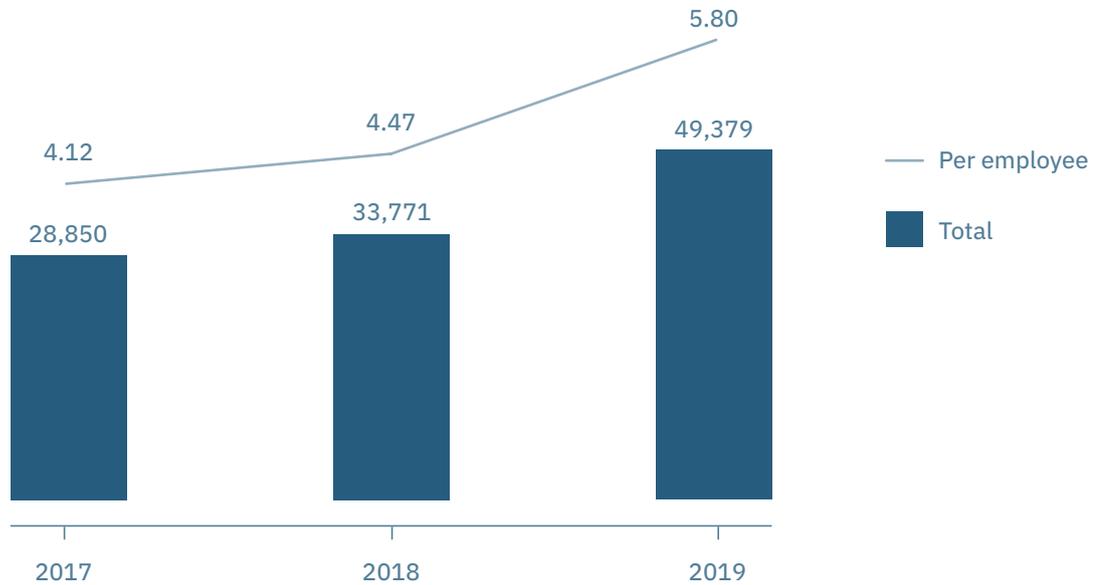


Risk Information: all employees are given a basic understanding of workplace related risks, including monitoring results, comparison with HSE regulations, and any action plans for risk reduction and risk improvement.

Over the years the Group has invested increasing resources in HSE training for its people; in absolute terms over 15,600 more hours of training were delivered in 2019 than in 2018, with an increase of

70% compared to 2017. This substantial increase shows the key importance of a safety culture to Coesia and the degree of attention paid by the Group to its employees.

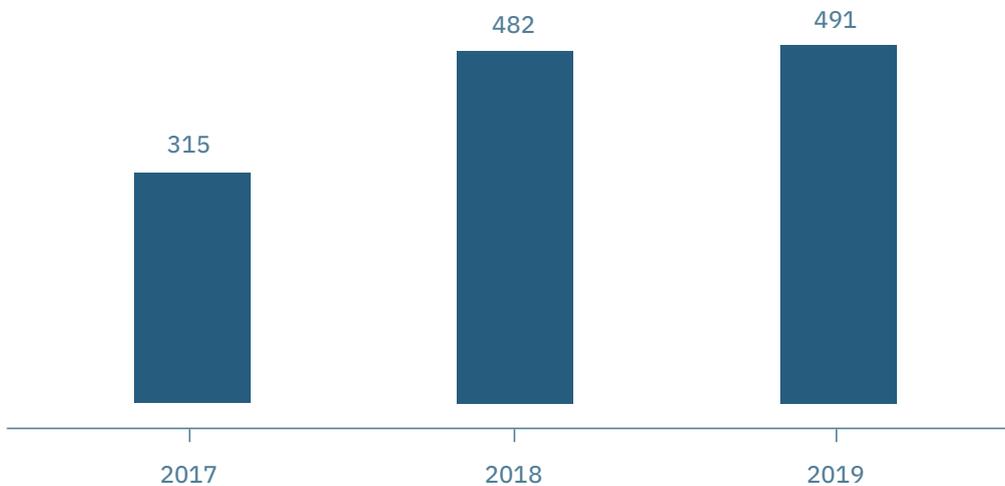
Hours of HSE training



Thanks to the numerous programs delivered in recent years, the level of participation and involvement of all the functions has grown, resulting in an increase of 2% in safety

improvement notifications in 2019 compared to 2018, and a significant increase of 56% compared to 2017, contributing to the development of effective action and prevention plans.

Number of safety improvement notifications



Lastly, all Group Companies have a process in place for the detection, recording, and evaluation of workplace incidents and injuries, designed to determine and eliminate the factors that caused them.

Occupational safety is monitored through workplace incident indicators at Company level

and centrally through the quarterly reports.

In 2019, despite a rise in the absolute number of workplace incidents, the frequency index (i.e., the number of incidents for each million hours worked) was stable overall, at 4.7. The main types of injuries resulting from the incidents that took place in 2019 involved crushes, cuts and bruises.

NUMBER AND RATE OF INCIDENTS

	2017	2018	2019
Total worked hours for the year	11,878,807	12,786,303	14,177,870
Number of incidents reported in the year	43	57	67
of which with severe injuries ¹	-	-	-
of which fatal	-	-	-
Frequency index²	3.6	4.5	4.7
Frequency index of incidents with severe injuries³	-	-	-

¹ Incidents with severe injuries include incidents that have resulted in injuries from which the employee cannot recover, does not recover, or cannot realistically be expected to fully recover and return to the state of health prior to the incident within 6 months.

² The frequency index was calculated as (number of incidents/worked hours) x 1,000,000.

³ The frequency index of incidents with severe injuries was calculated as (number of incidents with severe injuries/worked hours) x 1,000,000.

People who provide services to the Group also include personnel not directly employed by Coesia, such as contract employees. Workplace incidents were also monitored for this category of workers, for which 12 occupational incidents were recorded

in 2019, down by 66% compared to 2018, when 35 incidents occurred, and slightly up from 2017 (20%). Furthermore, there were no cases of incidents resulting in severe injuries or death.

HSE Award

In 2019, Coesia launched the “HSE Award” program to recognize the goals achieved by employees on health, safety, and environment. Companies were evaluated according to a range of criteria, including number of incident-free days in the workplace, HSE audit results, Health, Safety, and Environment training

delivered, Company’s effort to notify employees about HSE related events, and management of corrective or improvement actions taken. All the Companies included in the Group’s HSE program participated in the initiative, which looked at performance over the four-year period 2014-2018.

Environmental issues are examined in more detail in Chapter 4.

SECURITY

The Security function is committed to regulating the aspects concerning the safeguard of people, as well as the tangible and intangible assets of Coesia.

This is pursued by defining the operating rules for all security activities and identifying the roles and responsibilities of the subjects involved in the process.

Misconduct and negligence may result in the loss of tangible, intangible and organizational assets, cause injury to employees and possibly damage the Company's competitiveness in the short, medium and long term.

Through the study, development, and implementation of strategies, policies, and operational plans, Coesia's security function has developed a risk management model based on a logical sequence of actions aimed at:

- identifying the context and threats by defining possible disastrous/harmful events and their frequency;

- outlining the vulnerabilities and situations that allow events to become damaging;
- calculating the expected loss in relation to the value of the assets at risk;
- setting priorities for prevention according to the expected damage and the importance of the various system components;
- determining the cost/effectiveness ratio of the different possible measures and selecting the prevention strategy to adopt.

The Security management process covers the following areas: **Physical Security**, which deals with safeguarding people and corporate assets; **Travel Security**, which deals with the security of people when they are traveling for work-related reasons; and **Cyber Security**, which oversees the protection of data and the monitoring of any cyber attacks and was covered in "Risk Prevention and Reduction" in Chapter 1, section 1.4.

Physical Security

Physical Security is often the first concern in facilities with high asset concentration, especially of those assets used in systems critical for business processes.

Protecting data, confidential information, networks, software, equipment, facilities, company's assets, and personnel is what Physical Security is about, and it requires multiple countermeasures such as:

- security guards with wireless communication devices;
- security lighting;
- security cameras.

Performing regular Physical Security assessments is also crucial in safeguarding corporate resources and improving existing security measures.

Travel Security

People are Coesia's most important asset. Their security is, therefore, of paramount importance, especially when they are travelling for business purposes in high-risk countries.

In order to keep our personnel timely informed of any potential issues that could jeopardize their security abroad, Coesia is engaged in a number of different activities, which include:

- daily risk assessment of different variables (terrorism, crime, ethical and socio-political risk) in countries of operation;

- intelligence gathering;
- media monitoring;
- site surveys;
- implementation of security countermeasures in risky environments.

Thanks to a combination of skills, sources and trusted partners, Coesia can rely on a well grounded mechanism to prevent threats, minimize exposure to potential security risks and to define appropriate security responses when needed.

3

Our solutions: exceeding customer expectations through innovation



9% of revenues
invested in Engineering
and R&D



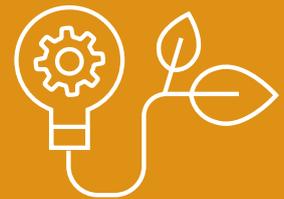
1,690 people
employed in
Engineering and R&D



1,190
patents



29 new
product launches



5% patent
applications related
to sustainable innovation



687 active belts
in the Lean Six Sigma
program



1,078 LSS
projects launched
in the last five years



100% of marketed
machines safety tested

3.1

Generating sustainable innovation

Innovation is at the core of Coesia's genetic heritage and culture, and involves not only developing new technologies, products, and solutions, but also creating an environment in which stakeholders, customers, and the numerous Group Companies are actively engaged. Working closely with customers in order to understand their current and future needs is a key driver of our innovation process.

Industrial research and innovation have always been the beating heart of Coesia and its Companies. Indeed, the aim of the Group is to continually improve technologies, products, solutions and processes to always be able to exceed the expectations of both stakeholders and customers

The way innovation is generated has significantly changed over the last decades. Today, the market is driven by both customers' and consumers' needs, and innovation relies on sustainability and digitalization.



COESIA'S CONCEPT OF INNOVATION

Innovation at Coesia means a really creative and interactive mechanism that involves many players: Customers, Suppliers, Marketing, Engineering and R&D.

It is an integrated process embracing all aspects from concept development and the design process to the 'delivery' of the finished product or service.

This process is applied to all New Product Development (NPD) projects that may include, among other things:

- **disruptive innovations** that create a new market;
- **new product lines** that enable Coesia to enter an established market for the first time;
- **line extensions** that supplement an established product line;
- **product improvements** that improve the performance of existing products;
- **customer-specific projects** that develop innovative concepts addressing customer needs thanks to the full range of competencies within the Group;
- **cost reductions** that provide similar performance at a lower cost;
- **repositioning** that takes existing products and targets them to new markets or segments.

This process leads to New Product launches every year.

COESIA DIGITAL

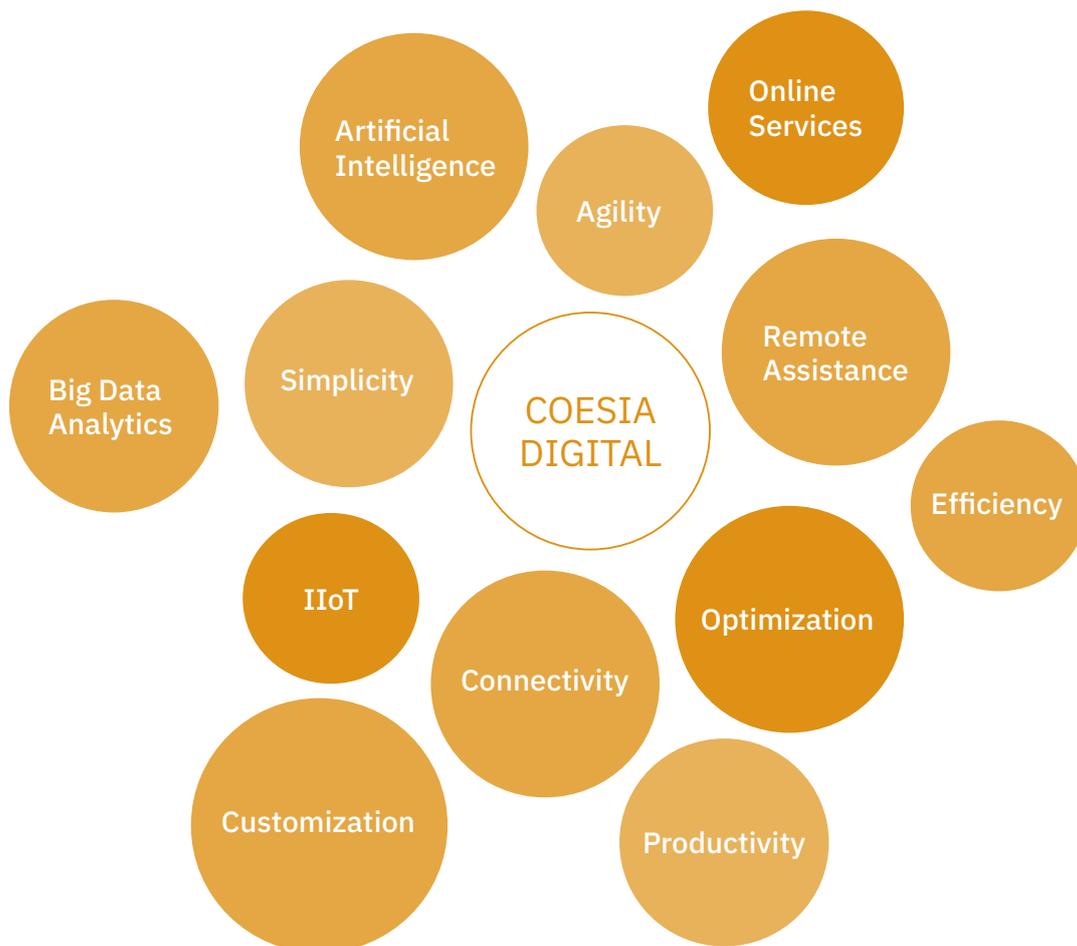
More efficient and reliable solutions can also be achieved by taking advantage of the newest digital technologies.

To continue offering customers cutting-edge products and services, Coesia is exploring the fields of IIoT to connect machines to systems, big data analytics, Artificial Intelligence applied to machines and lines and digital-to-physical conversion while prioritizing cyber security.

In order to fast-track the digital transformation plan and develop stronger partnerships with customers and suppliers, Coesia has set up an inter functional team to leverage internal strengths and know-how as well as existing synergies.

Four areas of intervention have been identified:

- **online services**, as Remote Assistance, Remote FAT (Factory Acceptance Test) and Webshop (our online platform that allows customers to order spare parts and track orders and shipments);
- **new digital services**, to meet customer needs in terms of customization, optimization, efficiency, simplification, and agility;
- **edge analytics and Artificial Intelligence**, to improve machine productivity and optimize maintenance;
- **content marketing**, to communicate our competencies easily and share them with customers.

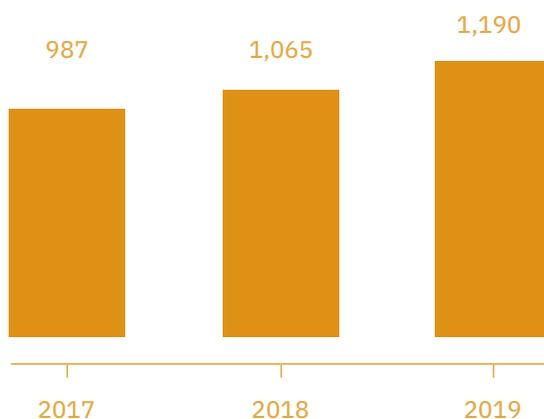


At its core, Coesia's culture is grounded in research and innovation, a process driven by collaboration among multiple functions within the organization, including Marketing, which provides strategic inputs related to market demand, the numerous research and development centers in the Group Companies, and specialized Corporate functions such as the Coesia Engineering Center. In 2019, the 1,690 people working in our Engineering department and in research and development contributed to a series of major achievements, including the launch of 29 new products.

To continue to deliver state-of-the-art products to its customers, a significant part of Coesia's budget is invested in engineering and research and development activities which, in 2019, amounted to 9% of the Group's revenue. The growth trend in the number of inventions patented by Coesia compared to the previous year, with an increase of 12% in 2019, provides further confirmation of our commitment in this respect. Globally, the overall number of active patents in 2019 was 3,598, an increase of 13% from 2018, when there were 3,171 patents.

Patents filed are up 12% from 2018.

Patents filed by Coesia



R&D CENTERS

At Coesia, each Company has its own R&D center with industry-specific competencies.

Each R&D center customizes its machines and processes, thus encouraging personal development and employees' commitment.

Projects classified as New Product Development (NPD) are reviewed by the Central Staff to reinforce synergies and optimize costs. In this way, all Companies interact and cooperate constantly, enabling development of common approaches and sharing of specific technological know-how.

COESIA SOFTWARE INNOVATION (CSI)

Research and innovation are part of Coesia's DNA. To strengthen our commitment even further, the Group established the CSI in 2017.

CSI is a center of expertise, within the Coesia Engineering Center, spreading innovation and knowledge in software technology within the Group. Working both long and short term, CSI drives the development of new digital business models, collaborating with all Coesia Companies to ensure a consistently high level of software novelty.

The work of the CSI team helps to build a Group where customers find a high level of software products and services, in all of the Coesia Companies.

COESIA ENGINEERING CENTER (CEC)

The Coesia Engineering Center (CEC) is a corporate function founded in 2012 with the important purpose to assist the Group Companies in strategical projects with high innovation content.

The organizational structure of the Coesia Engineering Center ensures flexibility and focus on the targets. The work teams are in contact with all Coesia Companies to promote innovative methods, transfer technological know-how and assist them in the execution of projects requiring a high use of resources and having a high innovative content.

Moreover, the Coesia Engineering Center dedicates much attention to packaging sustainability in order

to meet both market trends and customer's requirements. Most customers operate on international markets and pay particular attention to environmental issues.

The team works on packaging solutions with reduced environmental impact and technological solutions to enable their implementation on packaging machines.

Given the strategic role of the CEC, the number of its employees has increased significantly in the last few years: from 12 people in 2012 to 70 people in 2019, including executive manager, project managers, mechanical and electronical engineers, and testing engineers.

Coesia's innovation figures in 2019



1,690

people in Engineering and R&D departments



29

new products successfully launched



9%

of revenue invested in Engineering including R&D



1,190

patented inventions

SUSTAINABLE INNOVATION

Coesia is strongly committed to integrating sustainability into each stage of design and production to deliver increasingly efficient solutions. This multidisciplinary approach is a valuable asset for Coesia and an important catalyst for the effective use of resources within the Group's Companies.

For Coesia, sustainable innovation brings many advantages: less waste, less scrap, a lower specific energy consumption, a lower footprint, an improved work environment, more environmentally-friendly packaging materials, new packaging shapes to minimize both material consumption and logistic costs, unique technical solutions for production and

packaging processes and more flexibility in format and brand changeover to optimize time and consumption at production plants.

Confirming the Group's commitment to integrating sustainability into its innovation processes, roughly 5% of patent applications filed by Coesia in 2019 protect technological solutions directly linked to sustainability issues. Notably reduction in the use of plastics, adoption of environmentally friendly materials, increased energy efficiency, and efficient control of machines and equipment.

In this context, the following technological solutions were developed:

- a method and related equipment for the production of containers using pre-worked paper materials. Such containers are usually made of plastic and thanks to this method they can be manufactured using a semi-finished paper product, helping the transition towards replacing plastics in containers for the packaging industry (ACMA patent);
- a method and related equipment for the production of diapers with lower amounts of cellulose and absorbent material with the same power of absorption as standard diapers (GDM patent);
- a package that preserves the characteristics (moisture/aroma) of consumables while reducing the amount of plastic used in the production of the package itself. Particularly suitable for confectionery and tobacco products (G.D patent).

The aim of Coesia's Center of Expertise on Environmental Sustainability is to centralize data collection, support the development of environmental strategies within Group Companies, and fast-track the implementation of existing initiatives.

The Group, working side by side with customers and suppliers, is committed to creating new sustainable products and solutions as well as updating the installed base - through kits and retrofits - to allow processing of more environmentally friendly materials.

Around 5% of the patent applications filed by Coesia in 2019 protect technological solutions are directly linked to sustainability issues.

Sustainability and innovation come together in the Research and Development Centers.

Traditionally, Coesia Companies have always produced automatic packaging machinery, but in 2012 the Coesia Engineering Center partnered with ACMA to take on a new challenge that led to Coesia's development of an automatic machine for the production of fresh filled pasta for a customer who is a global leader in the business.

Through the close and positive partnership between the Group and the customer, who provided the know-how on product handling, the design and development of the first platform for the production of tortellini was successfully completed in 2013. With a speed of around 2,500 products per minute (more than twice as many as existing machines) and a rapid format changeover, this industrial Tortellini Machine reproduces the handmade product and expands the range of fillings while preserving the freshness and quality of the ingredients. Besides the advantages of speed and flexibility, the machine also allowed a significant reduction in energy consumption, lower hot water usage

for washing, an 80% reduction in scrap filling compared to other technologies available at the time, and a reduction in production floor space per unit of product.

Thanks to strong confidence in the team and the outstanding results achieved in handling such a delicate product, ACMA and CEC were given a new challenge in 2016: designing a platform for the production of ravioli on an industrial scale. The outcome was a Ravioli Machine with a production capacity of up to 2,400 kg/h of filled pasta parcels (over twice that of existing machines).

Today, as of 2019, the number of installed Tortellini and Ravioli Machines combined amounts to several dozens, and it has been possible to build on and quantify the team's effort in designing advanced machines that optimize energy consumption, scrap, and space, resulting in strong customer satisfaction.

PouchLab: VOLPAK's R&D Excellence Center

In response to the growing customer demand for sustainable packaging solutions as well as machine customization to provide increasing flexibility, Coesia Companies have focused on the development of new technologies and the study of environmentally friendly high-performance materials. This approach stems from cultural factors, driven by a growing awareness of the urgent need to take action to protect the planet, and from the leading role played by packaging as society constantly evolves.

VOLPAK, which has always regarded the reduction of the environmental impact of flexible packaging as key and as a responsibility towards customers, consumers and the planet, has thus launched the PouchLab project: a research and development excellence center with a dedicated space within the Company, designed to support customers and suppliers in the development of sustainable packaging solutions, combining expertise and experience in machines and materials.

The space, officially opened in May 2019, is a pilot project aimed at gathering information for an anticipatory analysis of customer expectations and of the development of the plastic materials of the future.

The PouchLab project's preliminary results confirm that the development of VOLPAK machines complies with the most advanced requirements. The Company, known by the industry and its customers as a provider of solutions for sustainability challenges, has close relationships with materials suppliers and offers its customers ready-for-distribution solutions.

A case in point is the solution delivered to one of the world's leading multinationals in the food industry involving the development of a kit to retrofit the SM-360 machine in order to handle and seal pouches made of 100% paper (therefore recyclable). The operation was so successful that by as early as March 2019 the first paper-based pouch was launched on the European market, replacing the previous plastic-based package.

This was a total innovation for the customer, who has since been able to use fully recyclable coated paper, obtained from sustainable sources and certified by the Forest Stewardship Council (FSC).

In light of these major achievements, the creation of PouchLab confirms VOLPAK's commitment to developing state-of-the-art technologies and materials characterized by high environmental sustainability standards.

PouchLab's activities specifically involve:

- **materials innovation:** definition of technical requirements and feasibility verification;
- **testing:** solution's validation at VOLPAK premises, ensuring customer satisfaction and ensuring the maximum of confidentiality;
- **proposal of new solutions:** supply of retrofit parts, testing of new devices and installation by VOLPAK technicians;
- **pilot runs:** production at full capacity with new films and also with spout.

All this is possible because the lab is equipped with pouch forming equipment, test rigs for complementary operations, testing equipment to measure the results of the trials and to check the behavior of the materials during the trials and rapid prototyping machines to make "just in time" most of the parts needed.

During the course of 2019, as many as 11 customers and suppliers availed themselves of PouchLab's services, using this center to test the most innovative sustainable packaging solutions, some of which are already on the market and others that will be in the near future.

HAPA and ATLANTIC ZEISER: the environmental benefits of digital printing

In 2019 ATLANTIC ZEISER and HAPA continued the expansion of their product portfolio, bringing the environmental benefits of inline digital print to new markets and applications.

Both Companies released products via OEMs (Original Equipment Manufacturers) partners or directly, including:

- ATLANTIC ZEISER DIGILINE Versa Inline for digital inline late stage packaging printing;
- the Pegasus label printer with Pago using the Hapa's redcube plus product for digital inline label printing;
- HAPA Web 4.0 for digital blister foil printing;
- the digital pad printer via Graniten featuring the HAPA redcube plus printing system.

These CMYK printing technologies use energy efficient UVA curing devices and bring full color inline digital printing capability to the label, carton customization, packaging and pad printing applications.

Inline digital printing optimizes the supply chain for our customers printing just at the point of need, thus reducing material movements, waste, obsolescent stock and overproduction and all with a technology with an energy footprint some 50% lower than traditional methods.

Inline digital printing reduces CO₂ emissions massively by removing unnecessary transport and overproduction stages and by the elimination of obsolete printed material. Just in time production results in up to 90% reduction in warehouse space for finished products, while waste reduction of more than 70% can be achieved.

From plastics to cardboard for more sustainable packaging: ACMA's EcoShell

Today, sustainability is much more than a slogan; it is an essential need we must meet for an economic development in harmony with our ecosystem.

Driven by this belief, ACMA constantly promotes the study of packaging solutions with sustainable materials, and innovative shapes and functions to improve the consumer experience. One of the main fields of application is the confectionery sector, and candy/chewing gum packaging in particular.

The latest result of this research is EcoShell, a sustainable packaging solution designed in 2019 in partnership with Coesia's Packaging Innovation Center. EcoShell is a cardboard package with an original design that replaces plastic and also features an innovative dosing system compared to traditional containers.

The project was primarily conceived for confectionery applications (candies, chewing gums, chocolate nuts), albeit it can be perfectly adapted also to other sectors, such as the parapharmaceutical for supplements or medicaments or the cosmetics industry.

The key features behind the success of the new packaging are:

- **sustainability** - besides offering a greater ease of product recycling, EcoShell promotes an improved logistics efficiency (the cardboard can be transported laid out);
- **innovative design** - the package eye-catching and original shape makes it unique in the chewing gum and candy world, where square shapes are the rule. Its shape is so original it deserved a patent, and this led to the rise of a new technology - also patented - to manufacture this special shape on an automatic machine;
- **special features** - a product singularization system for perfect dosage, a closing lid and a solid construction of the package guarantee greater convenience and hygiene of use.

All these aspects allow the brand to differentiate itself on the market and offer an original and environmentally friendly consumption experience.

3.2

The Coesia way to excellence

A systematic approach to continuous improvement is fundamental to guarantee business sustainability and high-quality standards over time. For this reason, Coesia launched a multi-generation program under

the umbrella of Operational Excellence and based on the Lean Six Sigma methodology featuring the InCo (Indirect Costs), Core Business Process Redesign and Data Science projects.

The Coesia way to Operational Excellence



LEAN SIX SIGMA (LSS)

In 2014, Coesia launched a Lean Six Sigma program, adopted globally, with the aim of providing a common platform and language for Operational Excellence in all businesses, functions and processes. The deployment strategy of the LSS program is led at corporate level by the Lean Six Sigma team and locally by the so called 'Champions' (the heads of the organizations). The latter, in cooperation with Black Belts and Sponsors, define a program deployment plan for their organization and identify both the improvement initiatives to be launched and the right people to be involved as project leaders (the Belts).

All LSS projects have a sponsor, the process owner, who is called upon to act as a change agent within their business area by making sure that the necessary resources are made available and speeding up the improvement implementations. Based on the LSS training and the time dedicated to continuous improvement activities, the Belts are classified as follows:

- Master Black Belts (MBB)
- Black Belts (BB)
- Green Belts (GB)
- Yellow Belts (YB)

The number of Belts has steadily grown as a result of the increasing program deployment within the organization and also thanks to the LSS Academy, which has managed all LSS training sessions directly delivered by the MBBs and BBs since the beginning of 2016.

In 2019 the LSS Academy involved all Coesia Companies and Regions, reaching a total of 687 Belts (650 in 2018) made up of 3 Master Black Belts, 30 Black Belts, 347 Green Belts, and 307 Yellow Belts.

By completing the LSS training program and the development and implementation of two LSS projects, each Belt can obtain a certification issued by the Academy or, in the case of Black Belts, also by an external partner company.

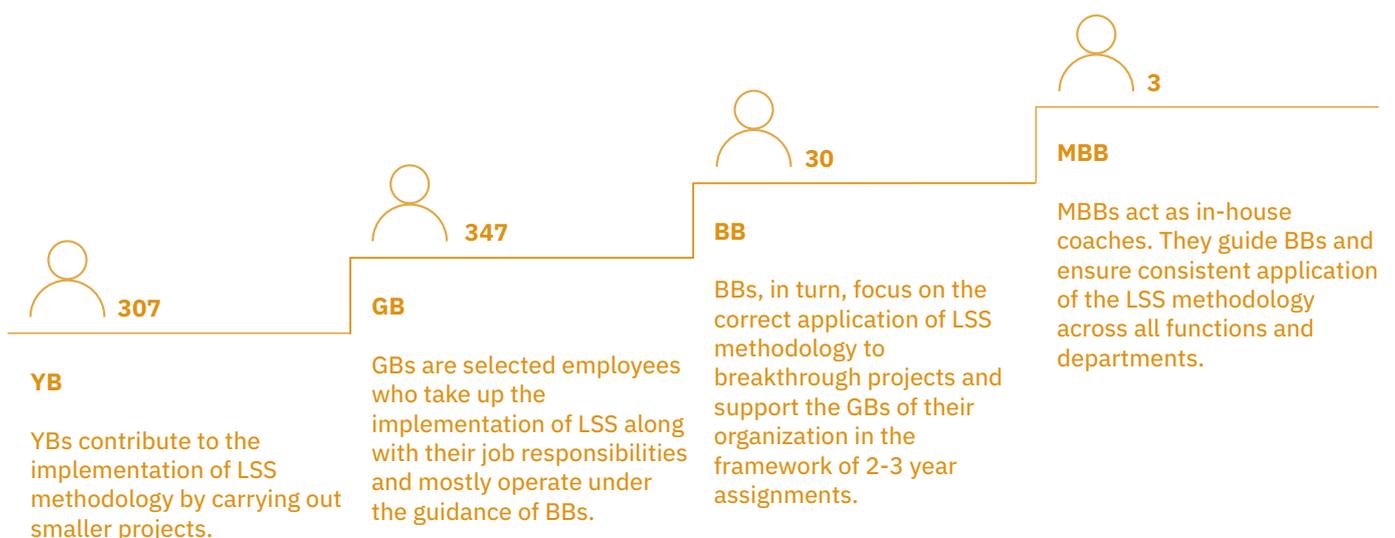
The introductory courses on the principles of LSS methodology are also continuing, the LSS Awareness training in which 850 employees not directly involved in the LSS program have participated since 2015.

Through the year, 322 Lean Six Sigma projects were launched (bringing the total to 1,078 projects in 5 years). These improvement initiatives are designed to strengthen internal operational efficiency while keeping a strong and shared customer-centric and customer needs-driven vision.

As part of the LSS program, at the end of 2018 the Horizon project was also developed, focusing on improving the profit margins of the solutions offered by the Group. The project was divided into three main phases:

- preliminary diagnostics, involving an analysis of the product lines' profit margins in order to identify the priority intervention areas;
- detailed diagnostics, involving an in-depth analysis of priority intervention areas and identification of possible areas of improvement;
- implementation, involving the definition of the possible actions and models to be adopted in multiple Group Companies, the adoption plan and subsequent monitoring of the results.

The Coesia LSS community



INDIRECT COSTS - INCO

InCo is a global initiative targeted at supporting Company growth by leveraging on the control, analysis and reduction of indirect costs. Given the competitive environment and continuous business evolution, the main objective is to free up resources in order to evaluate and implement new investments, innovative projects and process improvements.

Within this challenging context, the InCo program aims at eliminating or reducing non-value-adding activities, therefore decreasing those expenses that are not providing an effective contribution to the sustainability of the business and incentivizing Group purchasing strategies, including through the possible introduction of tailored policies for the different Group Companies.

To maintain and extend the success of InCo, Coesia promotes improvement projects and is constantly committed to supporting Companies and Regions sharing competencies and best practices in order to facilitate local initiatives.

Growing a sustainable, cost-efficient culture within the whole Group and encouraging new and innovative ideas are the major goals of the program moving forward to the next challenges.

CORE BUSINESS PROCESS REDESIGN (CBPR)

CBPR supports the Group in the implementation of strengthened processes that generate and protect Coesia's value proposition to its Customers.

In 2019, CBPR drove the review of some processes within a Group Company, acting in conjunction with the reorganization team and following a development plan that redefines the customer service model and safeguards internal profit margins. As a result, today the Company has an excellent self-supporting structure of processes, roles, and responsibilities for the management of customer orders.

CBPR is also involved in the design and evaluation of technological solutions (e.g. CRM) that enable, sustain and standardize internal processes.

DATA SCIENCE

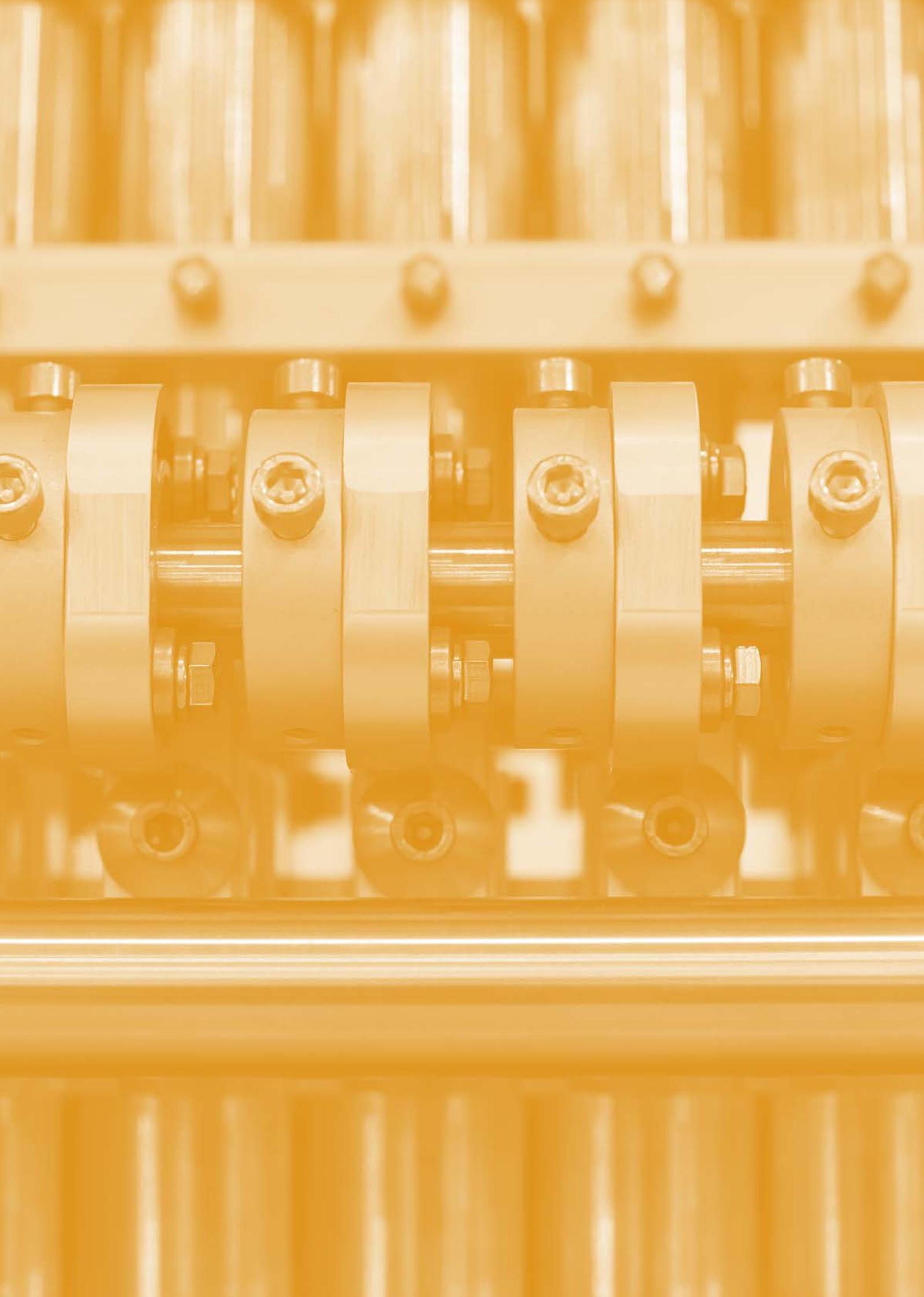
Data Science is the new Coesia practice of Artificial Intelligence (AI) applied to the internal processes. A dedicated Center of Expertise applies the AI methods to develop 'Intelligent Systems' that leverage on Big Data to:

- empower Decision Makers with data-driven support systems able to give directions and recommendations;
- automatize and/or speed up lower value-added operative tasks so as to fully employ people in higher value-added activities.

In 2018, the Data Science team has developed SHAPE, a Coesia owned methodology to translate informative needs into tailored AI solutions. Data science and SHAPE fundamentals have been spread across the organization through training sessions properly designed.

Since 2018, an annual training session has been held for the Group's BBs to enable this extensive network to identify possible domains in which the potential of Artificial Intelligence can be used effectively in the Group Companies' internal processes. Working in synergy, Data Scientists and BBs have developed successful solutions, such as a forecasting model for spare part usage that supports, encourages, and stimulates proactive sales initiatives by Customer Service departments.

The Data Science team has also spearheaded projects to develop solutions for Coesia's Corporate Functions. The Group's Purchasing department, for instance, uses an energy price forecasting model to determine the cheapest times for buying energy through the year.



3.3

Safety at the core of our machines

Coesia's strategy to guarantee the safety of its solutions is based on detailed analyses and specific tests performed during the design, construction, and installation phases to ensure the best safety conditions for the operators of the machines placed on the market.

During the **design** phase, risk analysis is performed for all the machines manufactured by the Group in conformity with applicable regulations, considering all safety aspects as defined by product regulations, whose aim is to minimize potential risks. All machines produced by Coesia Companies are manufactured in compliance with the regulations of the countries where the product is placed on the market (e.g. Machinery Directive 2006/42/EC for the European Union, Directive NR 12 for Brazil, EAC for Russia, OSHA for the United States, and KC for Korea).

A Technical Construction File (TCF) is duly compiled, showing that the machine meets the set requirements for its design, manufacture,

and operation. The file contains the evaluation of the risks associated with the use of the machine throughout its life cycle, and the measures taken to eliminate or minimize them.

Since 2010, Group has also monitored any non-conformities with an impact on safety detected while its machines are in use, and immediately suggested technical solutions to end users for further improving their safety.

Special attention is also paid during the **construction** phase to ensure that the machine is safe for both Group employees and customers.

Coesia's technicians perform the tests on the manufactured machine, both inside the production facility where the machine is made and at the customer's premises, to ensure that the product is safe and efficient. The main phases of machine construction in which safety is evaluated and tested are the following:

1

running-in, the machine is tested at low speed without feeding materials (boxes, products, hot liquid glue) to ensure that all mechanisms work properly and to avoid breakages, process interruptions or failures;

↓

2

quality tests, in this phase, quality tests and controls are carried out in open actions in order to ensure the highest quality standards. The testing phase is precise and adjusted to the needs of each individual customer based on the use of the machine;

↓

3

safety tests, the safety devices are tested to ensure that the machine's systems operate in compliance with current regulations. By following a specific procedure, the operation of all devices is tested separately to ensure the safety of all operators working on and near the machine;

↓

4

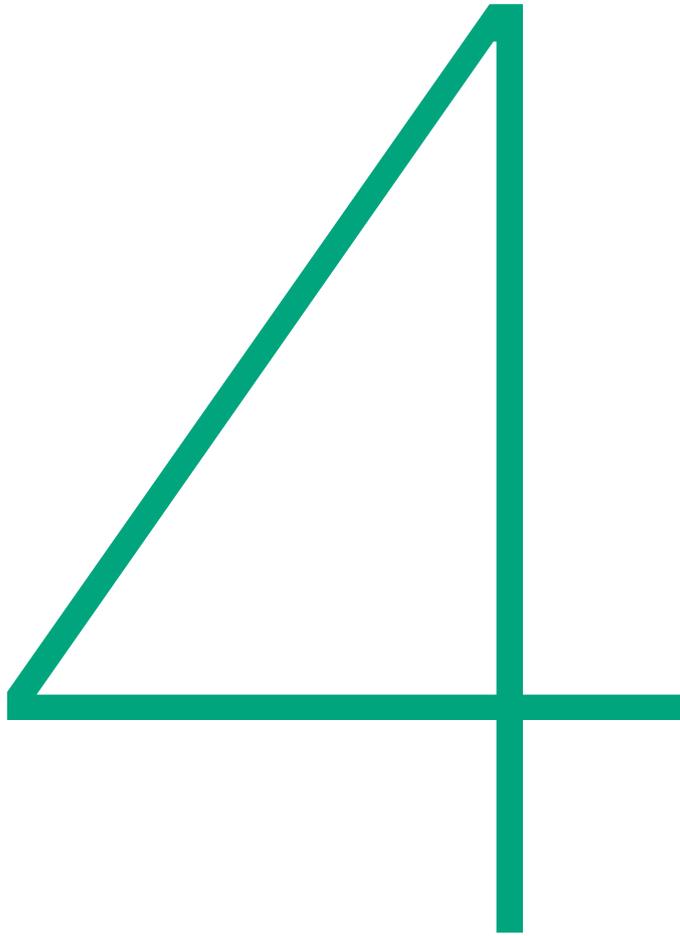
final test, the systems are then tested together, gradually increasing their speed, to verify the actual performance of the machine. Before leaving the production plant, the machine must also pass a final test, after which a list is compiled to ensure tracking of any final modifications.

Once the tests have been carried out to ensure its safety, the machine is disassembled in disassembly stations, packed, and shipped to its final destination. When the machine is delivered to the customer, it goes on to the **installation** phase, where it is assembled and tested with the product and materials for which it is designed, so as to ensure its correct operation.

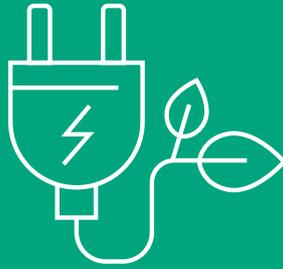
Providing a customer experience built on a relationship of Trust

The high quality standards applied by the Group are intended to ensure that, at the time of its design, the machine is not only made safe from the point of view of its use but also has a long lifetime. Hence, as part of its after-sales support, Coesia offers a wide range of maintenance and overhaul services to guarantee the quality of its machines over the years, especially in view of the extended life of the products placed on the market (about 20-30 years).

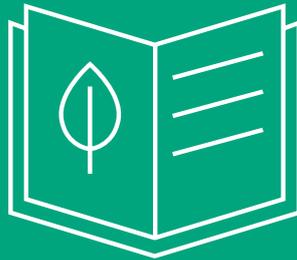
Being customer-centric means having the capacity to respond promptly to market needs, and sometimes anticipating them. Coesia achieves this through its innovation-driven approach to all the processes involved.



Our vision: reducing
impacts from the supply
chain to production



+36% self-produced energy from renewable sources



Supplier Code of Ethics defines high ethical standards for a responsible supply chain



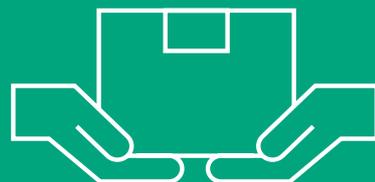
-5% hazardous waste vs 2018



-6% emissions intensity vs 2018



~9,000 direct suppliers



>90% direct spending with local suppliers

4.1

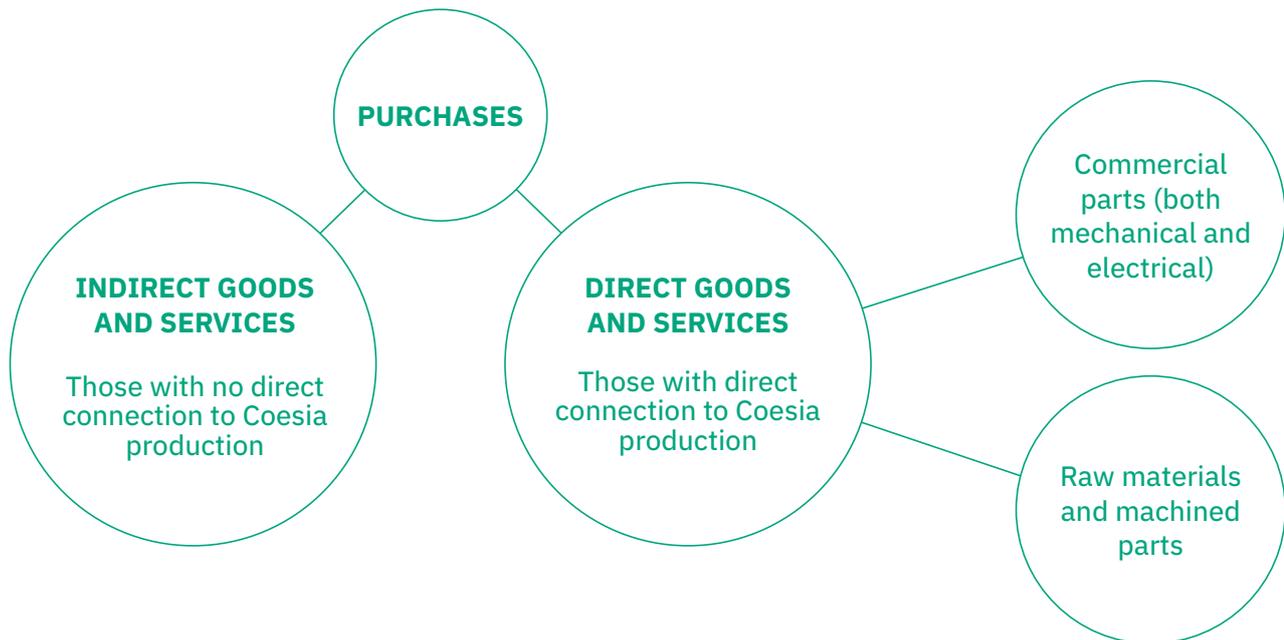
A robust and responsible supply chain

A strong and responsible supply chain is an important strategic factor in Coesia's growth and development. The Group has always preferred to develop longstanding partnerships with its suppliers and generate a higher level of quality through a targeted improvement process.

Coesia's commitment to suppliers, especially local ones, is to support their skills and improve their performance and economic stability. Indeed, a highly connected supply chain helps the Group to detect and respond quickly to challenges, while enabling enhanced mutual collaboration.

Coesia purchases goods and services either directly or indirectly, depending on their connection with production. Direct purchasing involves two categories of goods: commercial parts, both mechanical and electrical, as well as raw materials and machined parts. Each has a direct connection to Coesia's production.

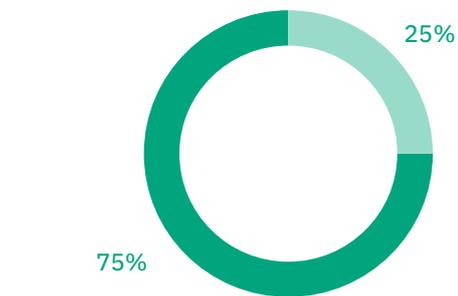
Raw materials and machined parts form the Group's know-how. The machined parts, designed by Coesia's engineering departments, and the raw materials, purchased for internal manufacturing, guarantee the high performance and reliability of our machines.



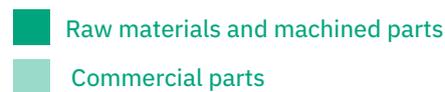
The Group's supply chain embraces many global suppliers of all different sizes and types. Direct purchasing has working relationships with roughly 9,000 suppliers, while indirect purchasing coordinates with over 7,000 more. Coesia's Procurement Department manages the strategic suppliers included in the Group's vendor list while other suppliers are managed at local level.

In 2019, 75% of the total purchasing turnover was connected to production (direct purchasing). Out of this, raw materials and machined parts accounted for 62% of total direct purchasing, in line with the previous year.

Purchasing turnover and distribution in 2019



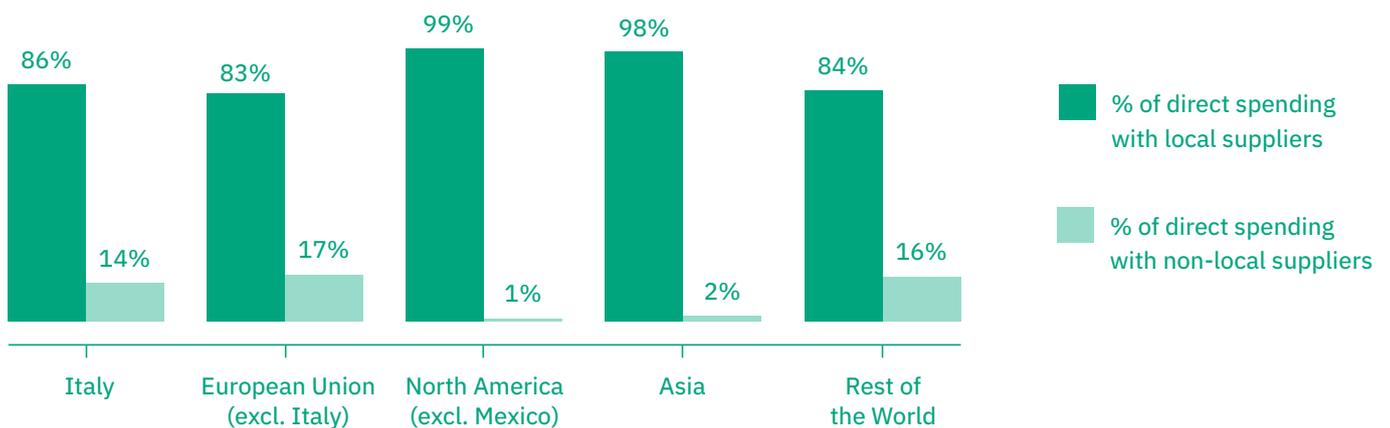
Direct purchasing distribution in 2019



Coesia is committed to fostering the growth of its suppliers and communities by buying locally. In 2019, over 90% of the Group’s direct spending on goods and services was with local suppliers.

Coesia’s commitment to promoting the local supply chain is also confirmed by purchasing practices in the various geographic zones, where a significant proportion of procurement spending goes to local suppliers, with figures ranging from 83% for Europe to 99% for North America.

Percentage of spending¹ with local suppliers by geographic zone in 2019²



¹The percentage of goods and services purchased locally has been calculated based on the total direct spending without considering inter-company transactions. A product is considered ‘locally purchased’ when the supplier is based in the same country as the Company that purchased the product.

²The data shown represent roughly 90% of the direct purchase turnover.

The Group requires its suppliers to meet the highest standards and, to this end, Coesia has designed tools that enable all its Companies to assess new and existing suppliers. To map supplier performance, a vendor rating process has been developed to track and periodically assess the effectiveness of their relationship with suppliers.

The rating criteria take into account the peculiar features of the supplier's specific sector and use several parameters, including quality, production, and plant management systems, as well as timeliness of deliveries.

Corrective actions are also identified for establishing a constructive dialogue with suppliers in order to improve their rating and strengthen the supply chain as a result.

In addition to this process, Coesia has launched a risk-assessment program focused on procurement from its direct suppliers, particularly strategic suppliers of highly specialized and not easily replaceable goods and services. This analysis uses several criteria, such as financial stability, the presence of intellectual property rights, and the level of efficiency of the supplier's production facilities and equipment.

As further evidence of the importance placed by Coesia on its relationship with suppliers, the Group has also set up a Reverse Factoring program whereby suppliers have access to affordable subsidized credit.

Lastly, in order to harmonize purchasing procedures among the different Companies, the Group has developed general purchasing terms and conditions whose implementation at the global level is currently underway.

The many initiatives conducted by Coesia in 2019 included the launch of an LSS project driven by Green Belt Purchases and targeted at the employees in the same area, designed to enhance and align the skills relating to the use of the SAP management system in the various Group Companies.

In 2019, training activities were also organized for the suppliers of several Coesia Companies, with a view to generating benefits for the Group Companies involved as well as the suppliers themselves, who acquired skills that also helped them optimize their own production processes. The purpose of the training was to improve delivery reliability through an in-depth understanding of the process flow.

To strengthen its commitment to managing a responsible supply chain, the Group has designed a Sustainability Roadmap, a plan aimed at guiding purchasing processes towards an increasingly consolidated sustainable supply chain management. To Coesia, striving for sustainability in the supply chain means looking beyond the Group's boundaries and promoting a shared sense of responsibility strategically and effectively.

As a first step in this process, we have developed a Supplier Code of Ethics, a document that clearly defines the ambitious standards which the Group sets itself on issues such as ethics, labor practices, human rights, health, safety, security, and respect for the environment.

The Supplier Code of Ethics sets out the values and standards of conduct required for the promotion of a responsible supply chain. The guidelines encourage collaboration with suppliers to be driven by a spirit of partnership, fostering the co-design and promotion of innovation in accordance with the principles of corporate social responsibility as set.



DF
DELTA FOXTROT

DF88M P22

Police Storage
BLUE

DG

Police Storage
BLUE

4.2

Continuous improvement to safeguard the environment

Coesia recognizes the importance of environmental protection and is committed to reducing its own impacts through continuous improvement of its processes and the introduction of new technologies. Respect for the environment is considered essential for making the business increasingly sustainable and safeguarding future generations.

In order to reduce and prevent the impacts resulting from its activities, Coesia commits to monitoring and managing its processes as part of its continuous improvement policy. The Group's commitment was formalized in 2017 through the development of its **HSE Policy**, which in addition to health and safety issues also includes a dedicated section on environmental requirements (for more information, see "Health, Safety and Environment" in Chapter 2, section 2.3).

The Group Companies' main environmental impacts fall within the following three areas:

- energy consumption, from heating, cooling, lighting, and production activities in the manufacturing and office facilities;

- greenhouse gas emissions, from direct energy consumption (fuels and refrigerant gases released into the atmosphere) and indirect energy consumption (purchased electricity, district heating, and energy from sources not owned or controlled by the organization);
- waste production and disposal, primarily connected with production activities.

Coesia's commitment to reducing its environmental impacts focuses on a number of key programs, including energy saving initiatives and related investments, fleet vehicle management, corporate mobility, upgrading interventions, and careful waste management.

In addition, in order to verify environmental progress, Coesia monitors¹ its impact through various data gathering systems for energy consumption, emissions, water consumption, and waste production. Thanks to its monitoring system, Coesia is able to determine priorities and develop intervention measures to ensure its environmental sustainability over time.

Within the Group, the Companies' environmental management system is certified according to ISO 14001 (Environmental Management System) and ISO 50001 (Energy Management Systems) standards, with a coverage of 39% and 2% respectively of all Group Companies.

The Plastic Free project

In 2019, the "Plastic Free" project, aimed at reducing single-use plastic at Coesia, was launched in the Bologna head office. As one of the first initiatives organized by the Group, its focus was on limiting the use of disposable plastic in the corporate dining facility and the products sold by vending machines, for example through the introduction of biodegradable plastic.

Also, G.D employees at the Bologna headquarters were given reusable water bottles with the Coesia brand logo and free water coolers were installed in each coffee break area.

The initiative was so successful that we aim to extend it to other sites as from 2020.

¹The monitoring system is currently active in 94% of our sites.



ENERGY CONSUMPTION

Energy consumption is one of the most significant environmental impacts generated by Coesia due to the size and number of its operating units.

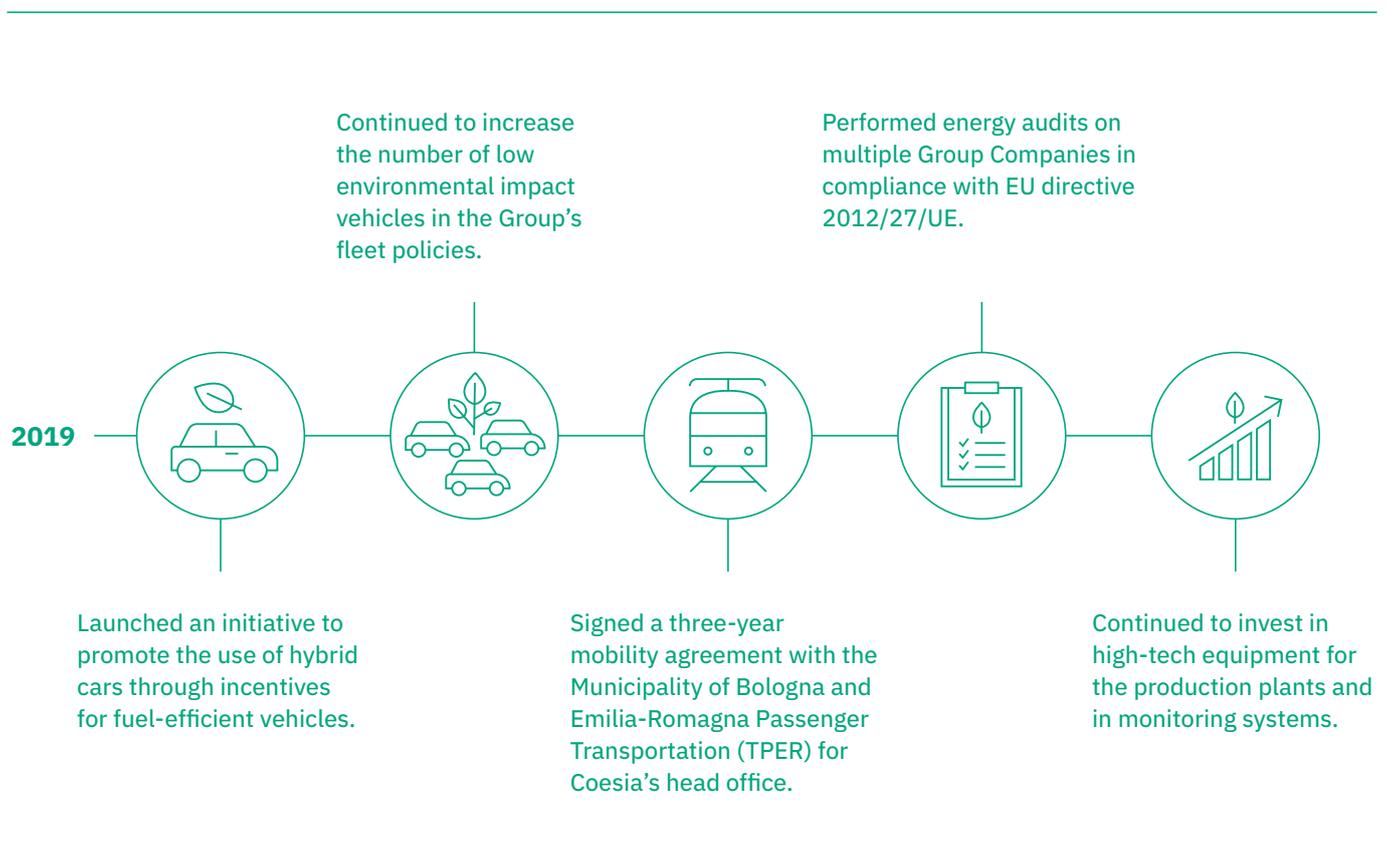
For this reason, over the last few years, the Group has worked to find innovative ways and best practices to improve the energy performance of its facilities.

In some cases, architectural renovation interventions were performed on the external structure, using new high-performance materials (roofing, glazing, insulating coating), while in other cases, latest-generation, high-performance systems were installed (such as photovoltaic systems, LED lighting systems, solar heating systems).

In addition to these initiatives, the Energy Management System also deals with the implementation of assessment processes and investment analysis, in order to guarantee that Coesia Companies are always compliant with all legislative requirements on energy conservation and efficiency.

To this end, we have installed monitoring and measuring systems that allow us to manage and optimize the use of energy resources.

The main energy related initiatives conducted in 2019 involved the continuation of projects launched in 2018 and the development of new initiatives.



Coesia is strongly committed to making energy conservation investments, such as our progressive transition to LED lighting systems, the adoption of built-in IT solutions for plant management and

control, the implementation of automatic consumption measuring systems and the replacement of traditional heating plants with energy-efficient systems.

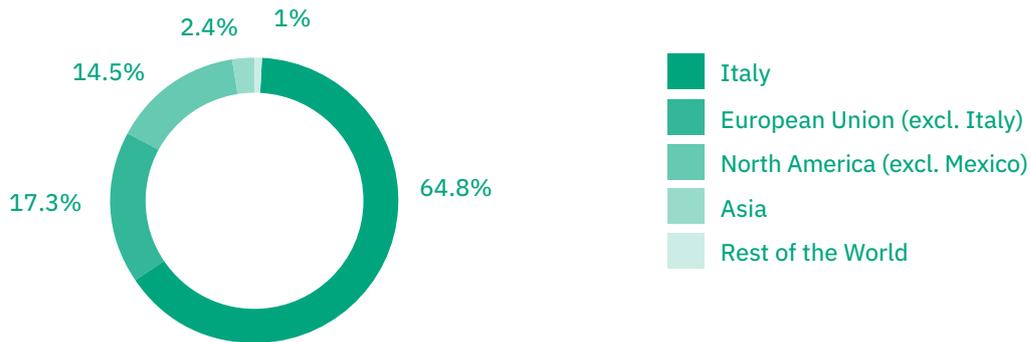
The amount of energy consumed in 2019 was 389,574 GJ, a slight increase (of 6%) compared to the previous year mainly due to the Group's higher production volumes and its acquisition of the ceramics business of System S.p.A. Direct energy consumption, mainly for heating and the company fleet, accounted for 42% of the total, while indirect consumption, related to electricity and district heating, accounted for 57%.

Self-produced electricity from photovoltaic systems also increased, up 36% from 2018, a growth connected with the acquisition of SYSTEM CERAMICS which owns photovoltaic installations in Italy. Lastly, around 140 GJ of total self-generated power were sold and fed back into the grid.

ENERGY CONSUMPTION (GJ)

	2017	2018	2019
Direct energy consumption from non-renewable sources	131,486	159,821	162,124
Natural gas	118,684	149,255	155,131
Diesel	8,860	7,095	3,640
Petrol	1,918	2,151	1,762
LPG	1,481	70	40
Fuel oil	544	1,249	1,551
Direct energy consumption from renewable sources	3,410	4,234	5,285
Wood pellet fuel	-	1,189	1,132
Photovoltaic energy	3,410	3,044	4,153
Indirect energy consumption	195,501	202,821	222,165
Purchased electricity	182,926	190,662	213,133
District heating	12,575	12,159	9,032
Total energy consumption	330,397	366,876	389,574

Energy consumption by geographic zone in 2019

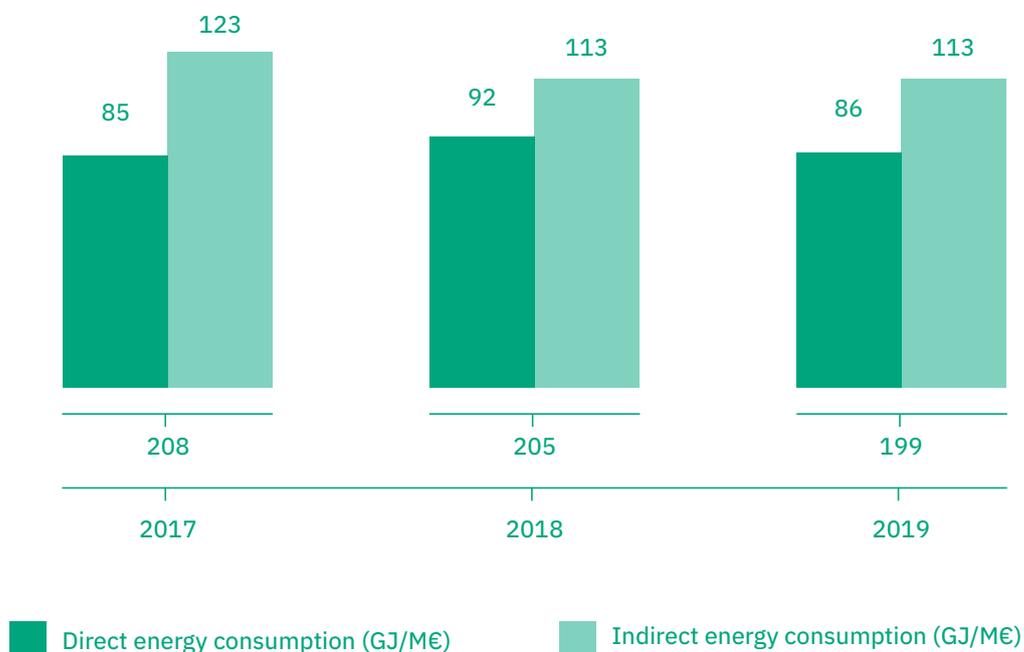


Given the size of the Group and its geographic distribution, most of the energy consumption (over 80%) is concentrated in Europe, the region where a significant proportion of the Group's production and office facilities are located.

With regard to energy intensity, where energy consumption is normalized by revenue, we

registered a reduction compared to 2018 (down 3%) and a steady fall over the three-year period. The trend shows the effectiveness of actions to promote energy saving and energy efficiency, such as the adoption of new technologies and more energy efficient systems to replace obsolete or energy-intensive technologies.

Energy intensity (GJ/M€)





GREENHOUSE GAS EMISSIONS

Coesia commits to monitoring its Greenhouse Gas (GHG) emissions annually, ranking them according to the methodology set out by the GHG Protocol. Since 2018, the quantification process has been improved and implemented through the collection of data on Scope 3 emissions, i.e., from sources that are not directly controlled or owned by the organization.

- Scope 1:** greenhouse gas emissions from sources that are owned or controlled by the organization. For Coesia, this category includes emissions from fuel consumption for heating purposes, refrigerant refilling and owned diesel, gasoline and hybrid- powered vehicles.
- Scope 2:** emissions calculated according two different accounting methods: location-based and market-based. The location-based method reflects the average emissions intensity of grids on which energy consumption occurs. The market-based method reflects the GHG emissions associated with the choices (or the lack of choice) regarding the purchase of energy from renewable sources (e.g. Guarantee of Origin certificates) which are considered as “zero emission”.

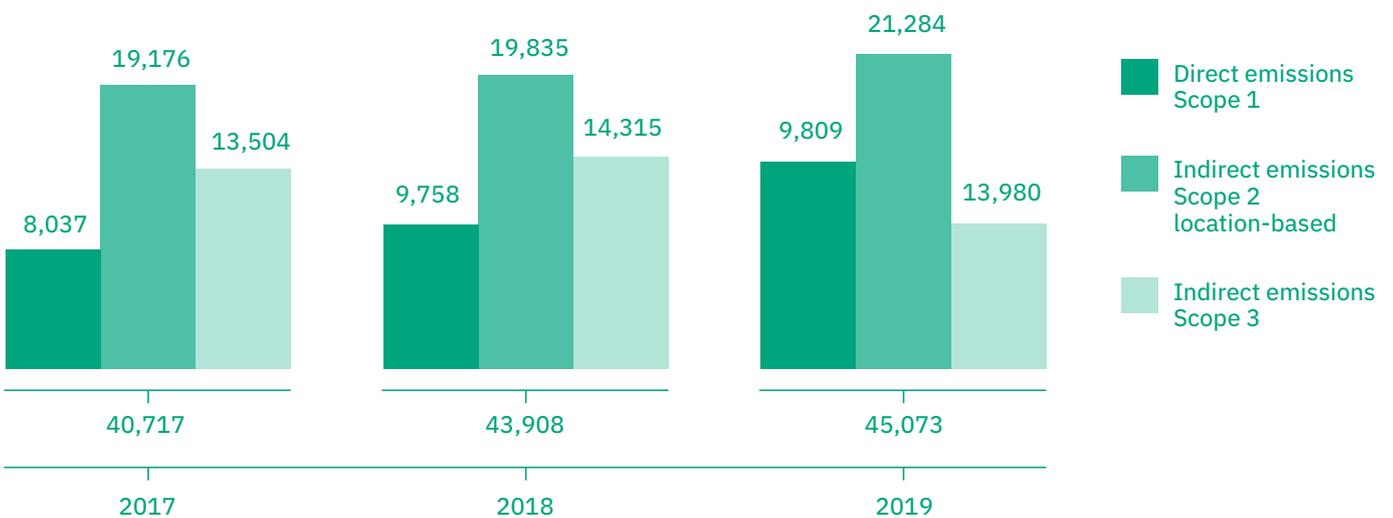
Where the organization’s energy requirements are not covered by such certificates, an emission factor associated with energy production exclusively from thermoelectric plants is used for the remaining part.

- Scope 3:** greenhouse gas emissions resulting from all indirect upstream and downstream emissions not included in Scope 2, occurring in the value chain of the accounting company. For Coesia, this category includes consumption linked to flights and rental vehicle fuel, and consumption of office paper.

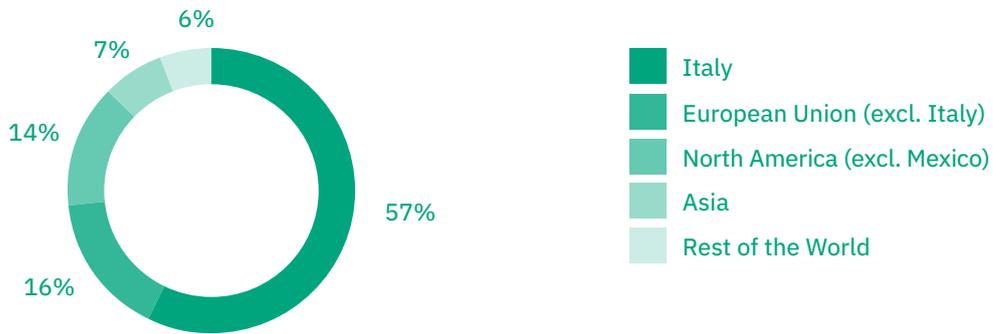
CO₂ equivalent emissions generated by Coesia activities during 2019 amounted to 45,073 tons of CO₂ eq (Scope 1, Scope 2 – location-based and Scope 3), slightly higher (up 3%) compared to emissions in 2018.

Considering the market-based method instead, Scope 2 emissions were 30,760 tons of CO₂ equivalent, resulting in a combined total (Scope 1, Scope 2 – market-based – and Scope 3) of 54,549 tons of CO₂ eq. Emission increases were primarily driven by growth in production volumes, the entry of SYSTEM CERAMICS into the reporting boundary, and constant improvement of data collection procedures.

Greenhouse gas emissions (t CO₂eq)



Emissions by geographic zone in 2019



The data on the geographic distribution of emissions is in line with energy consumption data, with European sites accounting for around 73% of emissions.

With regard to emission intensity, where emissions are normalized by revenue, there has been a steady reduction over the three-year period, with emissions at 23 tons of CO₂ equivalent per million Euro of generated business revenue in 2019, a decrease of 6% compared to the previous period and of 11% compared to 2017.

Emissions intensity (t CO₂eq/M€)



WASTE MANAGEMENT

Coesia considers waste management activities as integrated into the production process of the facilities because they are strictly related to efficiency optimization. Waste is classified and divided into hazardous and non-hazardous waste, after specific technical and chemical analysis and consequently disposed in accordance with national legislation.

As a consequence of production increase, in 2019 the overall waste production and relevant disposal have slightly increased (+5%), compared to the previous year.

However, the total of hazardous waste is reported 5% lower than in 2018 representing approximately 10% of total waste.

In Coesia only 10% of waste is hazardous, due to the type of production, the materials used and the processes implemented.

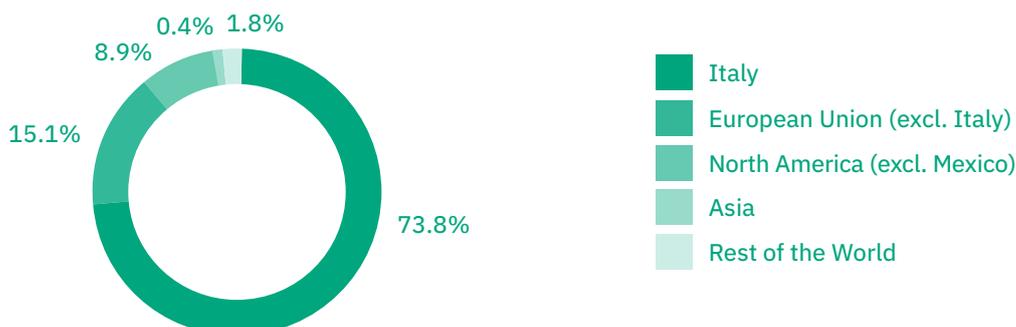
WASTE BY TYPE AND DISPOSAL METHOD (t)

	2017	2018	2019
Hazardous waste	867	990	940
sent for recycling/reuse	116	68	317
sent to landfill	751	922	623
Non-hazardous waste	7,611	7,680	8,152
sent for recycling/reuse	5,870	5,817	5,942
sent to landfill	1,741	1,863	2,210
Total waste disposed of	8,478	8,670	9,092

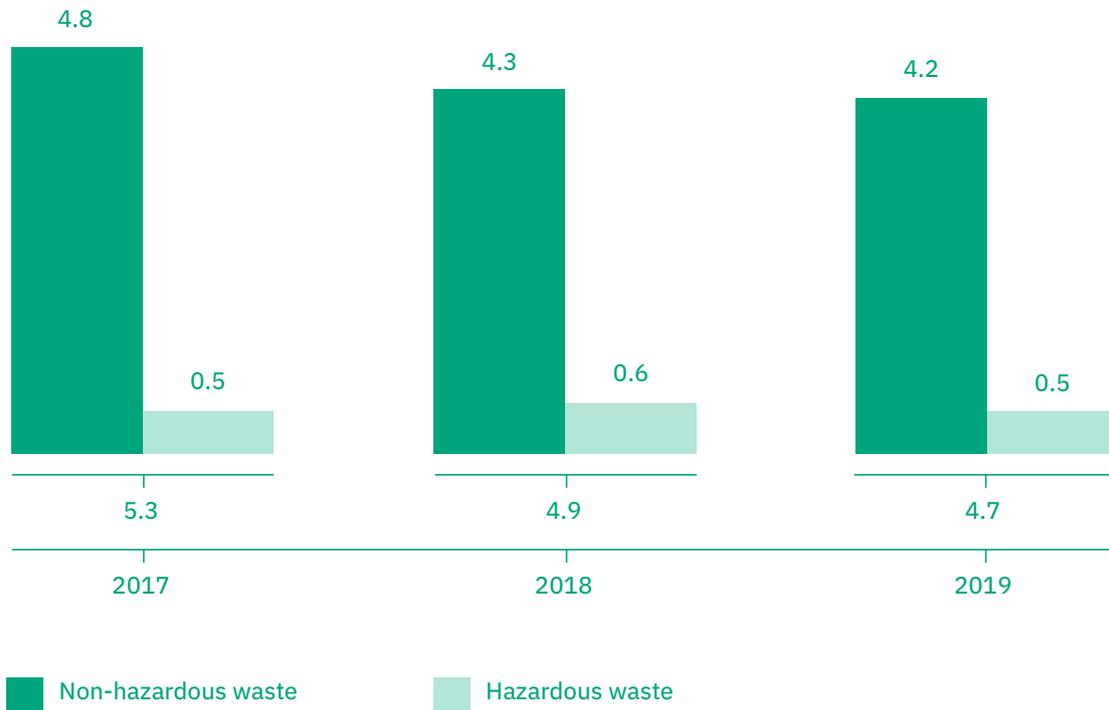
Over the years, Coesia has striven to improve its production and waste sorting processes, in order to recycle materials and minimize the impact on the environment caused by waste production. In 2019, about 69% of waste has been recycled.

The breakdown of waste by geographic zone shows that almost 90% of the waste produced and disposed of comes from European sites. This is due to the greater concentration of production facilities in Europe.

Waste production breakdown by geographic zone in 2019 (t CO₂eq/M€)



Waste production normalized by revenue (t/M€)



If we consider total waste production as a proportion of Group revenue, the increase in absolute terms translates into a significant reduction of 4% compared to the previous year.

This positive trend can be credited to good practices applied and the increasing efficiency of processes.

Methodological note

The aim of Coesia's (hereinafter the "Group") Sustainability Report (hereinafter the "Report") is to communicate the Group's Values, strategy and performance related to sustainable development and to give a comprehensive overview of the Company's operations, reporting financial results together with the outcome of Coesia's commitment to environmental and social issues.

Content of the Report

This Report, published annually, relates to the 2019 fiscal year (from January 1 to December 31) and includes, where available, comparative data referring to years 2017 and 2018.

The reporting standards adopted by the Group for drafting of the Report are the GRI Sustainability Reporting Standards (hereinafter "GRI Standards"), published by GRI – Global Reporting Initiative – according to the GRI-Referenced option.

In particular, according to the Standard GRI 101: Foundation, the Report includes the topics that emerged as material from the materiality analysis, which are the issues that can substantively influence the assessments and decisions of stakeholders and that are highly relevant in terms of economic, social and environmental impacts (for more information see "Materiality analysis" in Chapter 1, Section 1.7).

Based on the results of the materiality analysis, the Report references the GRI Standards listed in the GRI Content Index.

The following table shows the link between the material topics and the GRI topic-specific Standards that are disclosed in this Report, and includes the impacts boundary as well as any reporting limitations for each material topic and topic-specific disclosure.

TABLE LINKING MATERIAL TOPICS AND GRI STANDARDS

Area	Material topics	Topic-specific GRI Standards	Topic-specific disclosure	Impacts boundaries		Reporting boundaries
				Internal	External	
Business Ethics	Distribution of value to stakeholders	[Non-GRI disclosure]	Value (€) of donations	Coesia	-	-
	Fighting corruption	GRI 205: Anti-corruption (2016)	GRI 205-3	Coesia	-	-
		GRI 206: Anti-competitive behavior (2016)	GRI 206-1	Coesia	-	-
	Security	[Non-GRI disclosure]	-	Coesia	-	-
Human Resources Management	Job creation	GRI 401: Employment (2016)	GRI 401-1-a	Coesia	-	-
	Diversity and equal opportunities	GRI 405: Diversity and equal opportunities (2016)	GRI 405-1	Coesia	-	-
	People learning and development	GRI 404: Training and education (2016)	GRI 404-1 GRI 404-3	Coesia	-	-
	Occupational health and safety	GRI 403: Occupational health and safety(2018)	GRI 403-1	Coesia	Contractors	-
			GRI 403-2			
GRI 403-3						
GRI 403-4						
GRI 403-5						
GRI 403-6						
GRI 403-7						
GRI 403-9						
Employee welfare benefits	[Non-GRI disclosure]	-	Coesia	-	-	
Customers and product	Customer centricity	[Non-GRI disclosure]	-	Coesia	-	-
	Product innovation	[Non-GRI disclosure]	No. of patents	Coesia	-	-
	Portfolio sustainable innovation	[Non-GRI disclosure]	% of patents related to sustainable innovation	Coesia	-	-
	Product and customer safety	GRI 416: Customers health and safety (2016)	GRI 416-1	Coesia	-	-
Supply chain and human rights	Responsible supply chain	GRI 204: Procurement practices (2016)	GRI 204-1	Coesia	-	-
Environment	Energy and GHG emissions	GRI 302: Energy (2016)	GRI 302-1 GRI 302-3	Coesia	-	-
		GRI 305: Emissions (2016)	GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-4			
	Waste management	GRI 306: Effluents and waste (2016)	GRI 306-2	Coesia	-	-

Reporting boundaries

All data included in this Report refer to the 21 Companies of the Group (ACMA, ATLANTIC ZEISER, CERULEAN, CIMA, CITUS KALIX, COMAS, EMMECI, FLEXLINK, G.D, GDM, GF, HAPA, IPI, MGS, MOLINS, NORDEN, R.A JONES, SASIB, SYSTEM CERAMICS, TRITRON, VOLPAK). Any further exceptions to reporting boundaries are appropriately noted in the document.

Criteria and reporting principles

The following criteria and sources are used in the calculation of some performance indicators included in this Report.

Energy consumption

Coesia's energy consumption (electricity, district heating, natural gas, diesel, petrol, LPG, fuel oil) are reported in Gigajoules (GJ) using the following sources for the conversion factors:

- **electricity and district heating:** "UK Government GHG Conversion Factors for Company Reporting" published by the UK Department for Environment, Food & Rural Affairs (DEFRA), for the years 2017, 2018 and 2019;
- **natural gas, diesel, petrol, LPG and fuel oil:** "Tabella parametri standard nazionali" published by the Italian Ministry of the Environment and Protection of Territory and Sea (MATTM), based on data from the Institute for Environmental Protection and Research (ISPRA) for the years 2017, 2018, and 2019.

Emissions: Direct (Scope 1) and Indirect (Scope 2 e Scope 3)

Emissions are calculated in terms of CO₂ equivalent using the following emission factors.

Direct emissions (Scope 1) are calculated according to the following sources for the emission factors:

- **fuels (natural gas, diesel and fuel oil):** "Tabella parametri standard nazionali" by the Italian Ministry of the Environment and Protection of Territory and Sea (MATTM), based on data from the Institute for Environmental Protection and Research (ISPRA) and containing the values proposed in 2019 by UNFCCC National Inventory for 2019 data; "Tabella parametri standard nazionali" published in 2016 by the Italian Ministry of the Environment and Protection of Territory and Sea (MATTM), based on the data from the Institute for Environmental Protection and Research (ISPRA), containing the values proposed by the UNFCCC National Inventory, the European Directive 2008/1/EC "Integrated Pollution Prevention and Control" (IPPC) and the "Emission Factors for Greenhouse Gases" published in 2015 by the United States Environmental Protection Agency (EPA) for data relating to the years 2017 and 2018;
- **fuel (diesel, petrol):** "Tabella parametri standard nazionali" published by the Italian Ministry of the Environment and Protection of Territory and Sea (MATTM), based on the data from the Institute for Environmental Protection and Research (ISPRA), containing the values proposed by the UNFCCC National Inventory in 2019 for data relating to the year 2019, and in 2016 for data relating to the years 2017 and 2018;
- **refrigerant gases:** "UK Government GHG Conversion Factors for Company Reporting" published in 2019 by the UK Department for Environment, Food & Rural Affairs (DEFRA) and the "Regolamento europeo_F GAS 517", for data relating to the year 2019; the "Climate Change 2013 The Physical Science Basis" published in 2013 by the Intergovernmental Panel on Climate Change (IPCC), for data relating to the years 2017 and 2018.

Indirect emissions (Scope 2) are calculated according to the following sources for the emission factors.

- **‘location-based’ calculation method:** factor reported in the publication “Confronti Internazionali” published by Terna in 2018 for data relating to 2019; “IEA Statistic Data Service Emissions Factors” published by the International Energy Agency (IEA) and “E-Grid” published in 2016 by the United States Environmental Protection Agency (EPA) for data relating to the years 2017 and 2018;
- **‘market-based’ calculation method:** factors included in the “European Residual Mix” published by the Association of Issuing Bodies (AIB) in 2018 and the “Residual Mix Emission Rate” published by Green-e in 2018, for data relating to the year 2019; the “European Residual Mix” published by the Association of Issuing Bodies (AIB) in 2016, for data relating to the years 2017 and 2018. For countries where, at the time of drafting the Report, the Residual Mix factors were not publicly available from accredited sources, the same emission factors of the ‘location-based’ approach have been used.

The calculation of other indirect emissions (Scope 3) includes emissions deriving from:

- domestic and international business trips carried out by company staff by air;
- business trips carried out by company staff with rental vehicles;
- paper consumption in offices.

Both domestic and international flights as well as ground trips by vehicles not owned by company staff, the emission factors used are those contained in the “UK Government GHG Conversion Factors for Company Reporting” published by the UK Department for Environment, Food & Rural Affairs (DEFRA) in 2019 for data relating to the year 2019 and in 2017 for data relating the years 2017 and 2018. For paper consumption in offices, emissions factors are based on “Key statistics 2016” published by Confederation of European Paper Industries (CEPI), for data relating to the years 2017, 2018 and 2019.

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GRI STANDARD - Topic-specific disclosure		Page(s)	Omissions
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-	% of patents related to sustainable innovation	66	

Special thanks to all Coesia associates who contributed to the drafting of the Sustainability Report 2019.

All information and data have been centrally collected, managed and integrated.

In line with our internal policy on environmental sustainability, this document will only be available in digital format.

Printed copies can be provided upon request.

Feedback from readers is extremely welcome in the continuous improvement of our commitment to sustainability.

Please send any feedback and inquiries to:
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