



Sustainability  
Report  
2019

Consolidated Non-Financial Report pursuant to  
Legislative Decree 254/2016



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## **PRESIDENT'S LETTER**

*2019 was a key year for the Piovan Group.*

*This was both our first full financial year post-listing, and also a time in which there was much talk of plastic and environmental sustainability.*

*We have continued our organizational and procedural work to equip the Company for future challenges, while also placing more importance on the environment and how we use plastics.*

*Piovan has been involved in plastic recycling projects for almost twenty years, and more recently, we've started to promote the use of bioplastics and recycled materials.*

*This is certainly a Group priority, and one that offers extraordinary opportunity for growth and development, while allowing us to stand by our core values and principles. We have always focused our business growth on a respect for people and the planet.*

*People are key to our business vision, and as such, the Company continued to pursue the training and development of human resources in 2019, which we believe makes a real difference.*

*Although our approach to sustainability has taken further steps in 2019, we know there is still a long way to go.*

*That's why we must continue determinedly along the path we have taken.*

**Nicola Piovan**



## 1. CIRCULAR ECONOMY COMMITMENT

Protecting the environment has become increasingly important in modern times. Issues regarding climate change, scarce resources and supply shortages require companies to use materials reasonably and efficiently.

The challenges we're currently facing concern

- Climate change;
- The depletion of natural resources;
- The dispersion of polluting materials into the environment.



Climate change: The factors most affecting **climate change** are: i) fossil fuel combustion; ii) deforestation; iii) intensive cattle farming.

Plastic has a positive influence in this context thanks to the low environmental impact of plastic production. The relatively low melting point of this lightweight material means that transforming plastic from a raw material into a finished product has less of an impact on the environment compared to other materials, such as glass or aluminum. For example, the energy required to make a glass bottle is approximately 33 times that needed to make a plastic bottle.

Furthermore, plastic does not weigh much, meaning that its use in vehicles helps reduce their environmental impact. In fact, plastic is 85% lighter than other materials, significantly reducing the energy consumption of cars, commercial vehicles, trains, buses and planes. A car weighing 100kg less consumes 0.6 liters less energy per 100km<sup>1</sup>.

Lack of resources: Examples of scarce resources include forests, drinking water and food, because they are limited natural resources.

Plastic, on the other hand, has a low impact on scarce resources as it can be made from processing waste material, be it virgin or recycled (unlike other types of packaging, such as paper, which may contribute to deforestation). Its use also helps to preserve other scarce natural resources. It is estimated that the use of plastic packaging reduces food spoilage from 50% to 3%.

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<sup>1</sup> Source *Plastics Europe*

Environmental pollution: Many polluting substances used for domestic and industrial purposes are dispersed into the soil, sea and atmosphere. These polluting substances include plastic, which can take hundreds of years to break down once dispersed into the environment.

However, a lot of plastic polymers can potentially be recycled to create new products, thus minimizing environmental pollution. From this point of view, it's important to implement an awareness-raising policy with regard to the conscious use of plastics, so that waste materials may also be considered a resource. This is a key prerequisite for a **circular economy**.



Changes to European legislation on the production and use of plastics may cause shrinkage of the potential market. However, European legislation represents a key Group opportunity. The Company has always made sure to use recycled materials and will now be able to provide the market with cutting-edge machinery to encourage the use of recycled materials to a much greater degree than required by law. The hope is to promote a circular economy where possible. As such, the Group has a strategic advantage over its competitors, both in terms of technology and time-frame.

### 1.1 PIOVAN GROUP STRATEGY

Piovan Group is already participating in the change process in the following ways:

- By critically analyzing business practices;
- By continually innovating its services, while paying close attention to technologies used to process recycled plastics and biopolymers with the minimum customer TCO;
- By raising customer awareness on the use of energy-saving and circular-economy solutions.



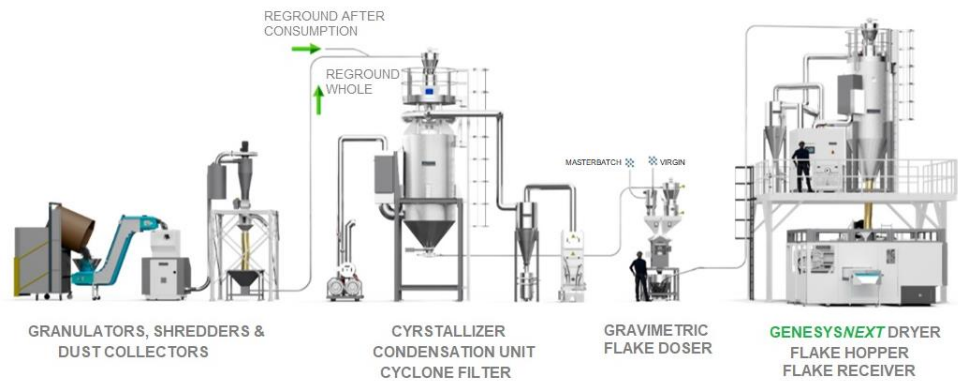


Figure 1 - Example of Piovan Group system used to process recycled raw materials

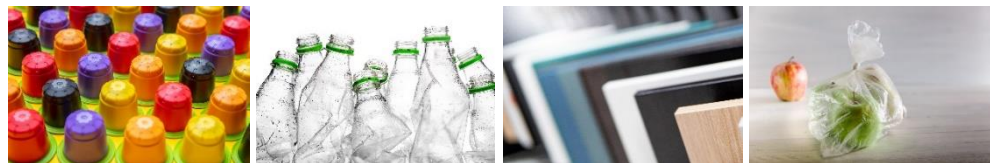
With (EU) Directive 2019/904, Europe is introducing a range of new regulations, including one that requires all PET bottles to contain at least 25% recycled plastic from 2025, and one that requires all beverage bottles to contain 30% recycled plastic from 2030. The Piovan Group's aim is to raise awareness and help its partners achieve a much more challenging goal of 50% and 60% respectively.



Developing solutions for a circular economy can be fairly technologically complex, due to the variability of raw materials, which can differ greatly in comparison to oil, for example. In fact, vast chemical-physical differences are often found in raw materials, including within individual batches. As such, systems need to be able to manage these differences while continuing to deliver products of a very high quality. In order to do so, we rely on three pillars:

- Developing specific products for the recycled material supply chain, such as
  - GenesysNext - a high-efficiency dehumidifier with proprietary technology capable of reducing VOCs<sup>2</sup> present in process air and controlling injection pressure, thus improving the yield and quality of finished products.
  - Inspecta, in order to immediately detect NIAs<sup>3</sup> in PET preforms;
  - Winfactory 4.0 - a system for monitoring, automating and tracing all products, but above all, recycled products, in order to guarantee quality.
- Raising customer awareness about the existence of good plastics originating from recycled materials or plant-based raw materials;
- Support, to guarantee quality and efficiency across all system life stages:
  - design,
  - installation,
  - start-up;
  - preventive and corrective maintenance.

In 2019, the Piovan Group provided circular economy services to customers operating in five packaging and textile automation sectors. The Group estimates that its recycled material systems account for around half the systems sold to customers looking to produce plastic bottles in 2019.



*Figure 2 - Example of products made from recycled plastics or biopolymers with the help of Piovan Group solutions.*

The widest possible distribution of ‘circular economy friendly’ products is key to sustainability. In a world in which global plastic recycling rates stand at just over 20% (Figure 3), the challenge is to create a supply chain capable of recovering, transforming and reusing a raw material with one the best ecological footprints, if employed properly.

The Piovan Group aims to actively contribute to:

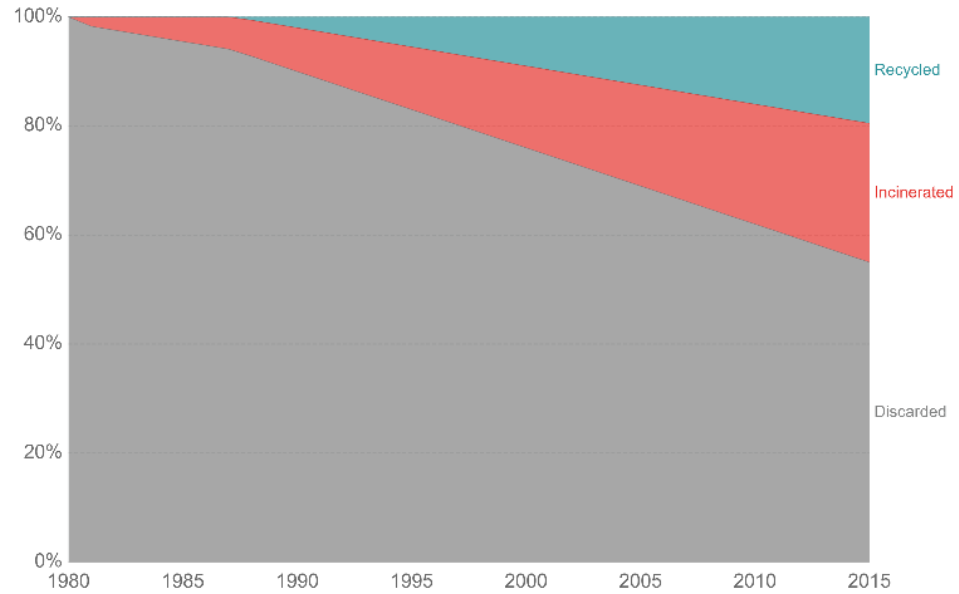
- raising awareness among plastic producers and users about the increased use of recycled plastics and bioplastics;
- providing the market with unique products designed for this purpose;
- helping partners to research, commission, supervise, monitor and maintain cutting-edge systems.

<sup>2</sup> Volatile Organic Compounds.

<sup>3</sup> Not Intentionally Added Substances.

## Global plastic waste by disposal

Estimated share of global plastic waste by disposal method.



Source: Geyer et al. (2017)

CC BY

Figure 3 - Less than 20% of end-of-life plastic is recycled, and more than 50% goes to landfill.<sup>4</sup>

### 1.2 ENERGYS S.R.L.

Recently, the Piovan Group incorporated Energys S.r.l., a certified ESCo aiming to offer Group customers specific advice on what they can do to save energy, whether it be related to producing plastic or other materials.

Legislative Decree No. 102 of July 4, 2014, implementing Directive 2012/27/EU on energy efficiency, states that large companies and energy-intensive businesses must carry out an energy audit every four years. The decree also stipulates that the assessment must be carried out by an ESCo (Energy Service Company).

Energys S.r.l., a consolidated company of the Piovan Group, was founded in 2012 and specializes in the energy sector, being a certified ESCo (UNI CEI 11352:2014). It offers services and technology to allow its customers to carry out detailed analyses of their energy consumption, identifying any potential energy or financial savings within the company. Specifically it deals with:

- monitoring and analysis of energy efficiency
- energy audits
- obtaining white certificates

The work carried out by Energys is widely applicable to the industrial sector, and particularly to the plastics and food industries - the core business of the Piovan

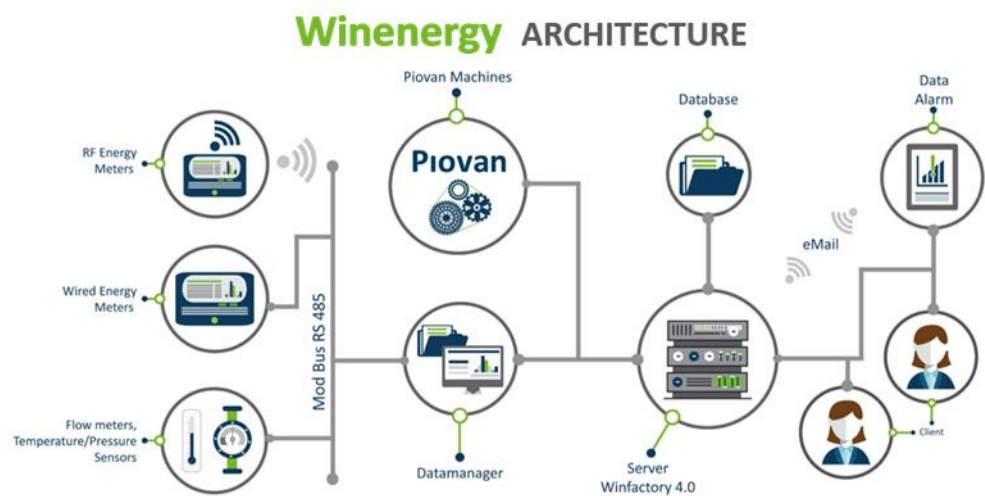
<sup>4</sup> Source: Geyer, R., Jambeck, J. R., & Law, K. L. (2017). Production, use, and fate of all plastics ever made. Science Advances, 3(7), e1700782.

<http://advances.sciencemag.org/content/3/7/e1700782.full>

Group. As such the Group not only designs and develops machines with the most advanced energy efficiency systems available on the market, but also offers services aimed at further reducing the environmental impact of its customers' production processes.

### 1.2.1. ENERGY MANAGEMENT

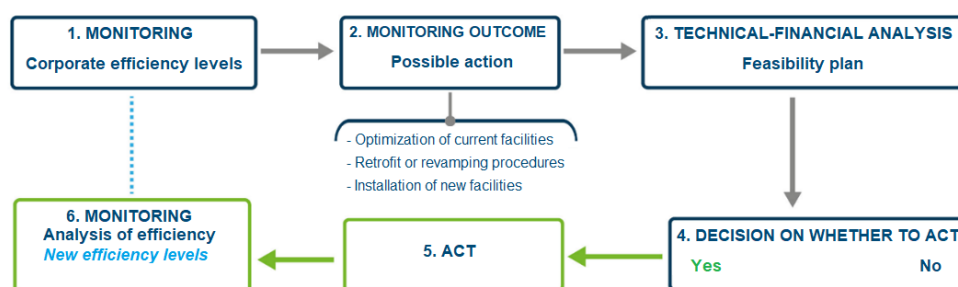
Monitoring production activities makes it possible to efficiently manage energy consumption with a view to reducing emissions while simultaneously achieving financial benefits and savings. The Piovan Group moves into this area with **Winenergy**, a system that controls and analyses consumption using proprietary software.



The Winenergy monitoring systems allow real time measurement of the quantities of energy carriers and flows used by the company: electricity, fluid flow (e.g. natural gas, compressed air, water), temperature and pressure. They therefore allow analysis of the energy performance of not only individual users, but also of entire production lines and sites. The aim is to identify energy consumption centers and map the company's energy efficiency status, helping to identify inefficiencies.

This makes it possible to carry out evaluations and formulate hypotheses to improve the efficiency of the process in question. A feasibility study evaluates the following:

- the potential benefits, both in terms of reduced consumption and financial advantages
- the payback time of the investment identified



Energys S.r.l. allows its customers to comply with energy audit legislation as per regulation UNI CEI EN 16247.

### **ENERGY DIAGNOSIS EXAMPLE**

In 2019, Energys supplied and installed an energy monitoring system at a customer production site in Padua. Data collected from various meters was used to draw up an energy model for the entire product life cycle.

Specifically, ten presses, the assembly area and the water-treatment system were monitored.

Given that these are existing systems, Energys' suggestions provided for the installation of non-invasive tools that didn't require the interruption of production activities to collect data.

The customer has a refrigeration unit, which is used to chill water for processing purposes and to cool the site during the summer months. The unit wastes a huge amount of energy.

Together with the Group company Aquatech, an in-depth study of machines currently installed on the company premises was carried out and alternative solutions were explored, ranging from replacing machines with more efficient ones, to creating a centralized system of refrigeration machines. The best solution put forward was a trigeneration system, which was considered both the most expensive and best energy-saving solution. Energys was then able to advise the customer with regard to obtaining white certificates connected to the installation of said high-efficiency cogeneration/trigeneration system. The customer was able to find a company that offered both consulting services and energy-saving solutions, leading to direct financial benefits through the acquisition of white certificates.

Energy analysis revealed that installing a trigeneration system would result in annual savings of 31%, with consumption costs reduced from Euro 789 thousand to just Euro 545 thousand.

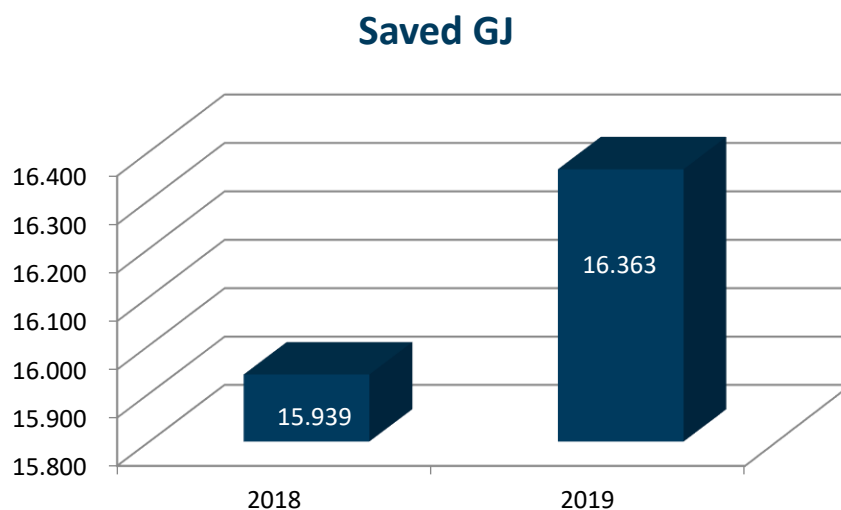
The customer is currently considering implementing the system.

#### **1.2.2. WHITE CERTIFICATES**

White certificates, also known as Energy Efficiency Certificates (EEC) are tradable certificates that certify the achievement of energy end-use savings through energy-efficiency operations and projects.

Energys, as a certified ESCo, is authorized to manage the process for obtaining white certificates, which is done by presenting projects and operations necessary for their award.

During 2019 Energys S.r.l. sold 2,288 EECs, an increase of +5% compared to 2018. White certificates obtained by Energys S.r.l. during 2019 allowed its customers to save 16,363 GJ. The figures indicate an increase on the previous year.



## 2. MANAGEMENT BUSINESS MODEL AND ORGANIZATION OF COMPANY ACTIVITIES

### THE PIOVAN SPA GROUP IN A NUTSHELL:

- **Consolidated revenues** for the year 2019: Euro 234 million
- **Share Capital** (fully paid-in): Euro 6 million
- **Employees:** 1,101 of which 542 in Italy and 559 in the Rest of the world
- **8 production plant** on 4 continents: 4 in Italy and 4 in Germany, the United States, Brazil and China respectively.

Costante Piovan & Figli originated in Padua in 1934 as a mechanical workshop named after its founder. In 1964, Piovan introduced the first auxiliary polymer processing equipment to the Italian market. In 1997 it became a joint-stock company and assumed its current name of Piovan S.p.A., with registered office in Via delle Industrie 16, Santa Maria di Sala (VE).

Piovan has strengthened its leadership position worldwide. At the end of 2014, the Group welcomed Penta, a company operating in the plastic industry and food sector. Aquatech has been operative since January 2015 and is a new company specializing in industrial refrigeration. Energys was created to offer energy and consultancy services in the name of energy efficiency. The company joined the Progema group, which designs and produces automation and control systems for industrial processes. New branches have opened their doors: Piovan Japan in Kobe, Piovan Gulf in Dubai and Piovan Vietnam in Ho Chi Minh City.

In 2019, the company purchased FEA p.t.p S.r.l. – an Italian company specialized in food industry automation, and more specifically, the installation and production of machinery to transport viscous liquids – in addition to Toba Pnc Co. through iGuzzini Lighting China Co. Ltd. In South Korea, bringing the total number of countries in which the Piovan Group operates up to 25. The Group has also opened a new branch in Morocco called Piovan Maroc.

Aside from the above, there were no significant changes in 2019. Reference should be made to the significant events described in the Directors' Report.

**The Group is now a multinational enterprise and a global leader in the development and manufacture of auxiliary automation systems for the storage, shipping and processing of polymers and plastic and food powders.**

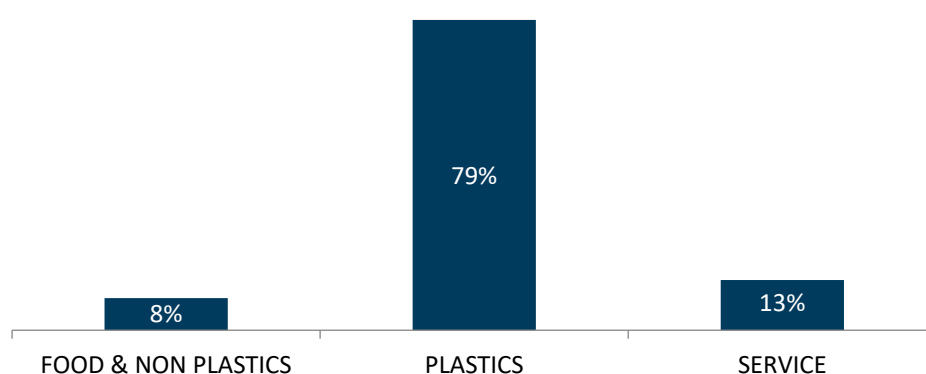
Specifically, the Group develops, manufactures and markets systems and equipment that enable customers to automate and increase the efficiency of the entire storage, shipping and treatment processes of virgin polymers, recycled plastics and bioplastics, as well as the main food powders such as sugar, flour, cocoa and milk powder.

The Group's technical solutions include in particular: (i) the design of equipment, systems and engineering solutions; (ii) the production of equipment and systems; and (iii) installation and initialization at the customer's production facilities.

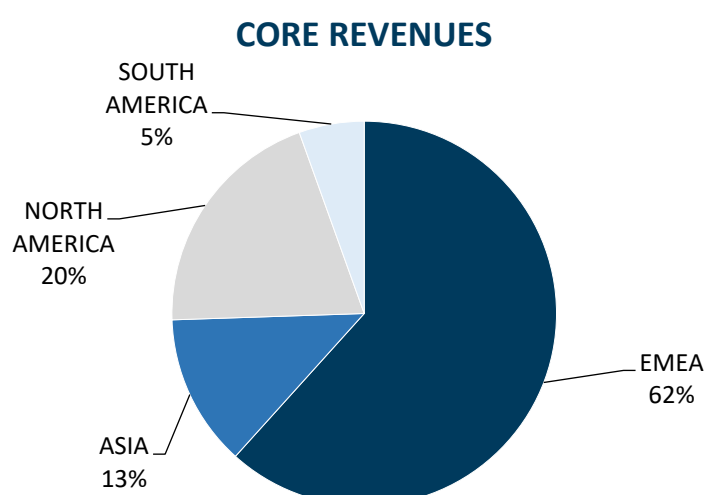
The Group also supports its customers globally through continual technical assistance, including the sale of spare parts for machinery and the provision of a range of additional services ("Services and Spare Parts"), and support activities from the preliminary design phase through to installation and initialization of the equipment and machinery. These steps guarantee optimal product performance and consolidate customer relationships.

The Group reports **consolidated revenues** of Euro 234 million for 2019.

## CORE REVENUES BY BUSINESS LINE

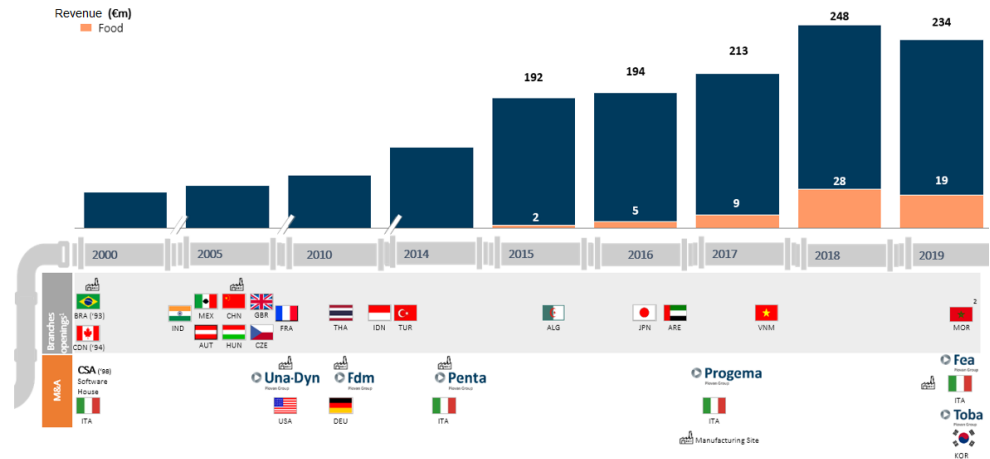


The Group's revenues come from **4** different **geographical areas**: EMEA, North America, South America and Asia.





Chaired by **Nicola Piovan**, the Group has **1,101 employees**: **542 in Italy** and **559 in the rest of the world** (150 in Europe excluding Italy, 142 in North America, 178 in Asia and 89 in Brazil), supported by a commercial network of **30 service and sales companies operating locally** (18 in EMEA, 7 in Asia, 4 in North America and 1 in South America). Including distributors, the Group operates in **120 countries**.



The Group has **8 production plants** on **4 continents**: **4 in Italy** and **4 in Germany, the United States, Brazil and China** respectively.

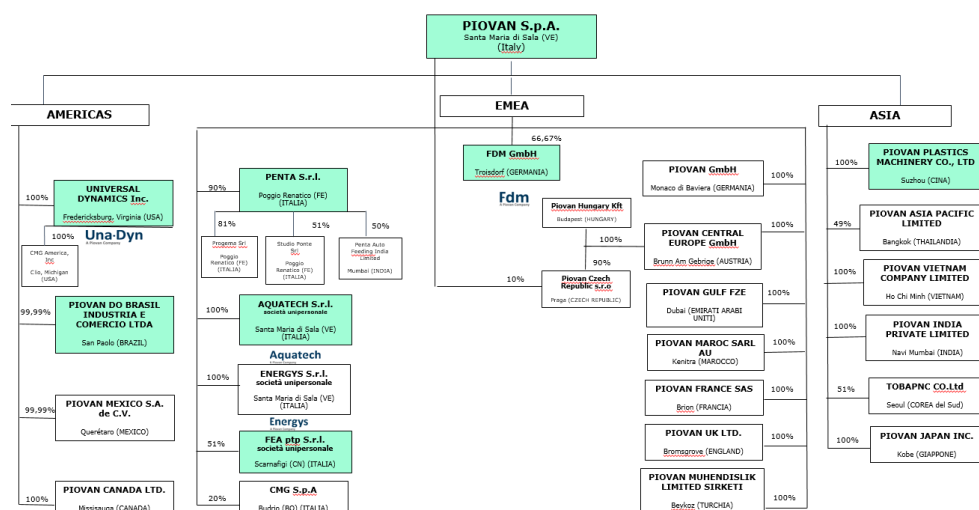
Piovan S.p.A. was listed on the STAR segment of the Italian Stock Exchange on October 19, 2018.

Piovan S.p.A. is a member of national associations and institutions that contribute to promoting quality and innovation, the culture of automation and sustainability:

- Confindustria;
- Amaplast, an association of Italian manufacturers of plastic and rubber molds and machines.

## 2.1 STRUCTURE OF THE GROUP

As at December 31, 2019, the Piovan Group was divided into a structure headed by Piovan S.p.A. and can be illustrated as follows:



## 2.2 CORPORATE GOVERNANCE

Piovan considers a proper governance structure and an effective control environment to be key to its management and organization. These two elements take the form of tools, processes and entities deemed necessary and useful to oversee, manage and supervise company operations, with a view to carrying out efficient and ethical business activities.

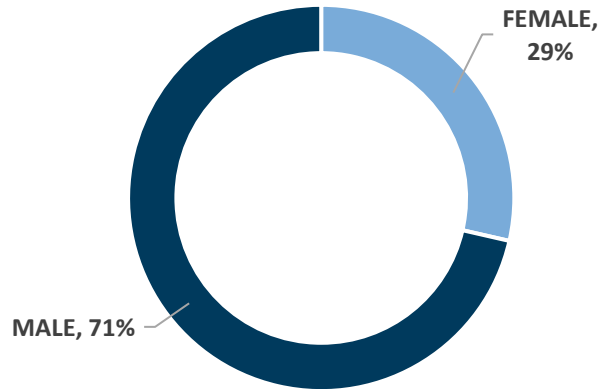
With regard to corporate governance, Piovan Group has adopted a regulatory structure, with particular reference to the self-governance code drawn up by Borsa Italiana S.p.A.'s Corporate Governance Committee. The corporate boards that make up the Piovan Group governance system include:

- Board of Directors
- Board of Statutory Auditors
- Internal Committees
- Shareholders' Meeting
- Supervisory Board

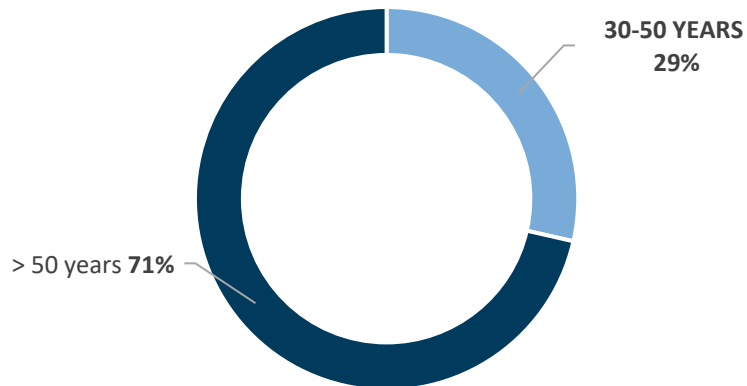
The Board of Directors is supported by three committees: (i) the Nomination and Compensation Committee, (ii) the Control, Risk and Sustainability Committee, the (iii) Related Parties Committee. The Board of Directors also appointed a Supervisory Board in accordance with Legislative Decree 231/2001.

### 2.2.1. CORPORATE BOARDS OF PIOVAN SPA

#### COMPOSITION OF THE BOARD BY GENDER



#### COMPOSITION OF THE BOARD BY AGE

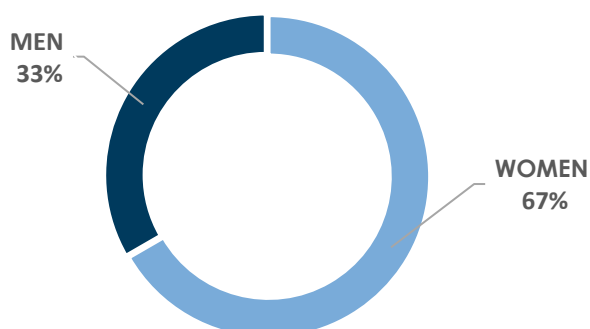


The **Board of Directors** is currently composed of **7 members**, of which **5 non-executive** and **4 independent**. The **Chairperson** of the Board of Directors has an executive role. In addition to the powers assigned in accordance with law and the By-Laws, the Board of Directors is exclusively responsible for making the most important decisions from an economic and strategic point of view and in terms of structural impact on operations, i.e. those functional to the exercise of the monitoring and guidance activities of the Company and the Group. The Board of Directors was appointed at two Shareholders' Meetings on June 29, 2018 and September 14, 2018, and came into effect on the date the Company was listed on the Stock Exchange. The Board

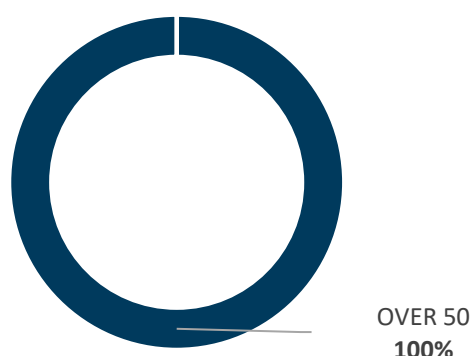
will remain in office until the approval of the financial statements as at December 31, 2020.

**The Board of Statutory Auditors** comprises **3 statutory auditors**. The Board of Statutory Auditors was appointed at a Shareholders' Meeting on September 14, 2018 and will remain in office until the approval of the financial statements as at December 31, 2020. The Board of Statutory Auditors guarantees compliance with the law and Company by-laws. It also demands respect for the principles of correct administration, and that the company's organizational and administrative structure is both adequate and compliant. It also oversees communication and dialogue between the various internal and external corporate boards. **All members** of the Board of Statutory Auditors meet the requirements of **independence**.

#### COMPOSITION OF THE BOARD OF STATUTORY AUDITORS. BY GENDER



#### COMPOSITION OF THE BOARD OF STATUTORY AUDITORS BY AGE



The By-Laws govern the procedures and criteria required to be appointed a Director or elected an Auditor, in compliance with the laws and regulations in force on gender equality.

In 2018, the **Nomination and Compensation Committee** and the **Control, Risk and Sustainability Committee** were established in compliance with the recommendations of the Self-Governance Code and are composed of three Non-Executive Directors. Please refer to the minutes prepared by the Nomination and Compensation Committee for the Remuneration Report allocated to the Board and Senior Executives.

It should be noted that no one in the Governing Bodies falls into a protected category.

### 2.2.2 ETHICS CODE

In order to clearly define core values and responsibilities, the Piovan Group has decided to adopt an **Ethics Code** which has been approved by the Board of Directors and is addressed to Directors, Statutory auditors, management and internal employees, as well as all those who permanently or temporarily establish, for any reason, relationships and collaborations with the Company in the pursuit of its corporate objectives. Compliance with the Ethics Code by addressees, each within the scope of its functions and responsibilities, is fundamental to the efficiency, trustworthiness and reputation of the Company. In addition to the statement of mandatory and prohibited conduct, the principles set out in the Code seek to increase organizational efficiency and guide addressees towards **positive objectives that are beneficial** both for those directly concerned and for the environment as a whole, through the improvement of internal relationships and attention to good reputation.

The Group wishes to use this Ethics Code to highlight and disseminate the **values** that it has always held, for example:

- **Fairness:** Piovan's relationships are based on the principles of loyalty, fairness, transparency and efficiency. These principles represent a commitment to creating an honest, open and collaborative working environment, and to conducting business responsibly with respect to the community.
- **Transparency and accessibility of information:** by establishing suitable procedures for internal management and external communication, the Company guarantees the confidentiality of acquired information. Internal and external communications are in verbal or written form, and are easily and immediately comprehensible.
- **Diligence and Professionalism:** Piovan is committed to ensuring that all its corporate bodies and personnel act with impartiality and loyalty, not only in the performance of their duties but also in inter-company and third-party dealings.
- **Value and responsibilities of human resources and proper use of company assets:** Piovan considers human resources to be a key and indispensable part of the Company and for the achievement of its objectives. The Company strongly rejects all discrimination based on age, racial and ethnic origin, nationality, political opinions, religious beliefs, gender, sexuality or health status.
- **Equal opportunities and prohibition of harassment:** to foster professional growth opportunities for its staff, Piovan offers equal opportunities for professional

growth, ensuring that treatment of all personnel is fair, based on criteria of merit, and free from discrimination.

- **Workplace health and safety** Piovan is committed to managing its production activities in full compliance with existing laws and regulations at every plant, so as to avoid or minimize occupational risks and thereby ensure the safety of its employees.

The Ethics Code can be found on the page:

<https://cg.piovangroup.com/it/>

<https://cg.piovangroup.com/en/>

### 2.3 ORGANIZATION, MANAGEMENT AND CONTROL MODEL AS PER LEGISLATIVE DECREE No. 231/2001

The Piovan Group Board of Directors has implemented an Organization, Management and Control Model (hereinafter the "Model") in accordance with Legislative Decree No. 231/2001. The Model complies with the Group's corporate policies and commitment to creating and maintaining a governance system that meets high ethical standards.

The Model's primary goal is to provide an organic, structured system of supervisory procedures and principles aimed at preventing the offences listed in the aforementioned Legislative Decree. **The Model forms the basis of the Group's governance system and helps promote a corporate culture based on fairness, transparency and lawfulness.**

The Model was created and implemented by Group Leader Piovan S.p.A in 2018. In 2019, the Model was distributed to external branches, which agreed to abide by a set of corporate & crime liability guidelines.

*For further information, see Organization, Management and Control Model pursuant to Legislative Decree. no. 231/2001.*

<https://cg.piovangroup.com/it/>

<https://cg.piovangroup.com/en/>

#### 2.3.1 BUSINESS INTEGRITY (MITIGATION OF BRIBERY AND CORRUPTION)

The Piovan Group abides by the values and principles of its Code of Ethics. The Group believes that ethics should guide both internal and external relationship management. To this end, **tackling and rejecting all forms of bribery and corruption** is a key Group commitment. As per Legislative Decree No. 231/2001, both the Group's Model and Ethics Code belong to a comprehensive *corpus* aimed at promoting a corporate culture based on ethics and corporate transparency. For this reason, the Company's adoption of the Model represented the beginning of an overarching Group objective to identify and prevent corruption.

Under no circumstances may the pursuit of Group or Company interests justify behavior that is illicit and/or contradicts Piovan's Code of Ethics.

This key objective translates into the following actions implemented by the Group in 2019:

- **identification of bribery and corruption risks**, as well as the implementation and maintenance of anti-corruption and extortion policies and practices;
- **adoption of an Organization and Management Model (in compliance with Legislative Decree 231/01)** by subsidiaries with offices in Italy (excluding acquisitions made during the financial year), along with the planning of updates needed to incorporate new offences into the Model, which is in turn supplemented by the Ethics Code;
- **adoption of the corporate & crime liability guidelines by subsidiaries with offices abroad** (excluding acquisitions made during the financial year) in order to promote the principles and practices necessary to combat corruption;
- planning for companies acquired in the second half of 2019 to adopt either the Organization and Management Model pursuant to Legislative Decree 231/01, or the corporate & crime liability guidelines as part of their Group integration process;
- **supervision at a Group level** via a series of information flows. Piovan S.p.A. will make use of a Supervisory Board (SB) comprising three members possessing professional expertise in the financial, legal, analysis, corporate supervision and risk management fields.

The Piovan Group intends to improve **anti-corruption awareness among its employees**, representatives, suppliers and business partners, as well as anyone who carries out activities on the Group's behalf or under its control. Piovan also aims to encourage active employee involvement in order to **increase policy effectiveness and the Group's ethical reputation**.

To date, none of the illegal activities listed in the Code of Ethics or Organization, Management and Control Model have been detected.

In 2019, **there were no recorded incidents of corruption**.

## 2.4 GROUP REPUTATION

In today's world, **reputation** is key to corporate success. Brand reputation is the result of the perceptions, assessments and expectations that stakeholders have of a company. The **level of trust** between a company and its various stakeholders is fundamental. Stakeholders include customers, employees, suppliers, lenders and investors. 'Reputation' is a complex concept because it encompasses the expectations, evaluations and level of confidence stakeholders have in a company. These factors are often based on past events, communication and corporate conduct. In addition, a study conducted by the Reputation Institute entitled *Global Trends in Reputation*<sup>5</sup> shows that around 40% of a brand's reputation is linked to its

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<sup>5</sup> Il Sole 24 Ore, Author G.Coll, 28/02/2020, article: Reputazione, il peso sociale del brand vale il 40%.

environmental and social impact. Climate change is thus a prevalent theme that cuts across all business areas.

For these reasons, the Piovan Group pays great attention to its reputation, specifically to the perception of the brand and what this represents for its customers. Customers, people and innovation have always been the building blocks of Piovan's philosophy. The Group is committed to pursuing its objectives with honesty, integrity and transparency. The latter is key to avoiding non-compliance with legal regulations, as well as other issues regarding the company's relationship with its customers, employees and stakeholders.

In addition, several elements contribute to the consolidation of a company's reputation over time:

- *the products and services it offers*: The Piovan Group has always undertaken extensive planning, testing and engineering as well as a sophisticated quality control system that oversees the entire production cycle and individual products. Particularly great attention is paid to the choice of suppliers, so as to ensure adequate levels of product quality, timely services and deliveries, and the reputation of the suppliers themselves. In addition, over the years an extensive customer support network and rapid technical assistance service have been developed.
- *Innovation*: this is a key pillar of the Piovan philosophy. It expresses an ability to adapt to change and to continuously suggest new solutions that meet developing customer needs (improved performance and waste reduction) and community needs (lower environmental impact of plastics). Brand reputation and image go hand-in-hand with the degree of innovation a company can offer the market.
- *ability to attract talent*: The Piovan Group considers human resources to be essential to the achievement of its objectives. The ability to attract talent is fundamental to corporate success. Satisfied employees are a brand's main spokespersons.

## 2.5 ECONOMIC VALUE GENERATED AND DISTRIBUTED

Economic value generated and distributed is indicative of a company's ability to generate profit for its stakeholders.

The Piovan Group considers economic growth to be an integral part of its strategy, pledging to create long-term value for all its stakeholders. To minimize the risk of a lack of growth, the Group operates worldwide and positions itself as a leader in the reference sector. The **economic value generated** by Piovan Group in 2019 amounted to Euro **235 million**, while the **economic value distributed** amounted to Euro **219 million**. 93% of the economic value produced in 2019 was distributed to internal and external stakeholders. The Group retained the remaining 7%.



THOUSANDS OF EURO	2018	2019
ECONOMIC VALUE GENERATED	247,422	235,163
ECONOMIC VALUE DISTRIBUTED	228,623	219,076
Operating costs	155,097	143,280
Value distributed to employees	56,382	58,247
Value distributed to Public Sector	8,844	9,180
Value distributed to the community	128	153
Value distributed to lenders	532	578
Value distributed to shareholders*	7,639	7,639
<b>ECONOMIC VALUE RETAINED</b>	<b>18,799</b>	<b>16,086</b>

\* Dividends refer to the value listed in the 2019 financial statements, as approved by the Board of Directors on 19 March 2020.

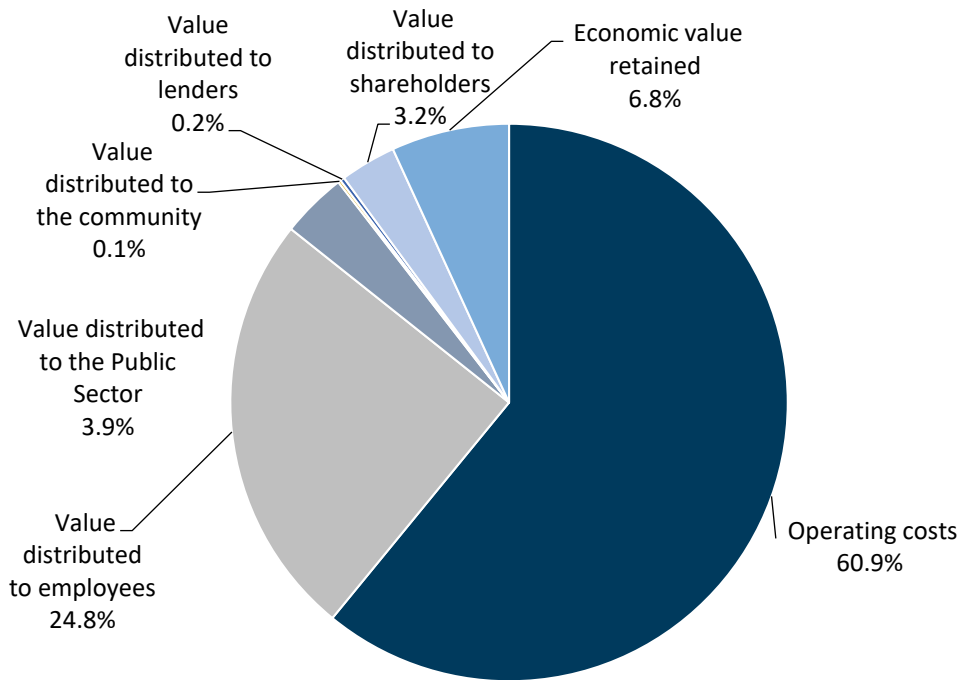
Profits in 2019 totaled Euro 18.9 million.

The above table lists the economic value generated and distributed and its allocation among stakeholders:

- Suppliers (operating costs)
- Employees
- Public Administration
- Lenders
- Shareholders
- Collectivity

For further information on the operating and financial performance, see the Financial Statements section.

## ECONOMIC VALUE GENERATED 2019



Economic value distributed to **suppliers** (operating costs) is the largest share, accounting for **61%** of economic value generated.

Economic value distributed to **employees** through wages and salaries, social security costs and benefits is the second largest share, accounting for **25%** of economic value generated. This is a 3% increase in comparison to 2018, and is partly due to the increase in employees through the acquisitions of Fea ptp S.r.l. and Toba pnc.

Value allocated to the **Public Administration** in the form of taxes and duties accounts for **4%** of economic value produced.

**Lenders** were allocated **3.5%** of the economic value generated, in the form of interest paid, financial charges and dividends distributed to shareholders.

The **community** received **0.1%** of total economic value produced, through social utility costs and donations.

## 2.6 RISK AND OPPORTUNITY MANAGEMENT

In 2019, the Piovan Group started developing a risk monitoring and management system that also includes non-financial risks. A risk mapping plan was drawn up to include general risks that impact a range of Group departments. A policy for drafting the NFR was established to identify risks connected to material topics, while internal operating policies/procedures connected to pre-existing management systems are expected to be formalized in 2020.

The Group is exposed to three types of risk with regard to material topics: The table below lists the main risks and management methods adopted by the Group.

LEGISLATIVE DECREE SCOPE 254/2016:	TOPIC	RISK	POLICIES ADOPTED	MANAGEMENT METHODS
HUMAN RESOURCES AND HUMAN RIGHTS	PERSONNEL MANAGEMENT	Failure to manage personnel, failure to respect ethical and diversity principles.	The Piovan S.p.A. Quality Manual, Ethics Code and Organization, Management and Control Model, as per Legislative Decree 231/2001 (ITA)	Group Management has always been attentive to its respect for diversity and inclusion. Continuous dialogue with trade unions and institutional bodies that represent employees. Workers' rights are protected through the application of collective agreements in compliance with local regulations in all countries where the Group is present.
	TRAINING AND DEVELOPMENT	Lack of training and related development opportunities; inadequate organizational structure with regard to the Company's complexity; loss of attractiveness among key roles and potential loss of expertise.	Organization, Management and Control Model as per Legislative Decree 231/2001 (ITA)	Annual training plan, both for compulsory and specific training needs.
	OCCUPATIONAL HEALTH AND SAFETY	Lack of compliance with local regulations; potential injuries at work and/or occupational illnesses.	ISO 45001 (for PIOVAN S.p.A.)	Compliance with existing laws and regulations; risk analysis to identify suitable prevention and protection measures, as well as any necessary improvement interventions; employee health and safety training.

LEGISLATIVE DECREE SCOPE 254/2016:	TOPIC	RISK	POLICIES ADOPTED	MANAGEMENT METHODS
	FAIRNESS IN RELATIONSHIPS	Lack of fair relationships	Ethics Code	Honesty, transparency and fair relationships are core company values and have been communicated to the management team. The Ethics Code (a self-regulation tool) aims to guide business activities and render them transparent.
SOCIAL	QUALITY, PRODUCT SAFETY, SUPPLY CHAIN MANAGEMENT	Non-compliance within the supply chain of the Group's quality standards and with regulations regarding work, security and health and safety. Defective raw materials and/or components, and/or delivery times not respected.	Ethics Code and ISO 9001 certified quality management system, Organization, Management and Control Model pursuant to Legislative Decree 231/2001 (ITA), supplier quality control procedure, checks pursuant to the Machine Directive valid for the European Community (CE marking), CRM and electronic document management, Integrated ERP System (SAP), use of the ECOVADIS platform	Previous relationship with suppliers based on trust and a consolidated connection, as well as supplier selection and preliminary company analysis to screen suppliers for compatibility with the Group's standards.
	REPUTATION OF THE GROUP	Lack of stakeholder trust	Ethics Code	The Group is committed to pursuing its objectives with honesty, integrity and transparency. The latter is key to avoiding non-compliance with legal regulations, as well as other issues regarding the company's relationship with its customers, employees and stakeholders.

LEGISLATIVE DECREE SCOPE 254/2016:	TOPIC	RISK	POLICIES ADOPTED	MANAGEMENT METHODS
	INNOVATION/ R&D	Inadequate management of research and development activities with potential loss of competitive edge and market attractiveness.	Investments in Research, Development and Training	The Group operates faster than its competitors in supporting continuous innovation and the development of new adaptive solutions to the changing needs of its customers (such as trends in bioplastics and plastic recycling). The Group has set up a specific research and development department within each production plant.
	ECONOMIC VALUE CREATION AND GROWTH	Lack of value creation for stakeholders	Economic growth and presence on global markets	The Group considers economic growth to be integral to its business strategy, pledging to create long-term value for all its stakeholders.
	ENVIRONMENT	RECYCLING, A CIRCULAR ECONOMY AND ENERGY IMPACT FOR CUSTOMERS	Recent European regulatory changes regarding plastic production/use and climate change as a cross-cutting Group challenge.	Development of specific products for the recycled material supply chain
	MANAGEMENT OF ENERGY CONSUMPTION	Potential non-compliance with locally applicable	Regulatory compliance and possession of all authorizations issued by competent bodies	The Group's strategy is to develop specific products to create solutions for the circular economy and to introduce its customers to good plastics, be them recycled or made from plant-based materials. The Group offers its customers the opportunity to monitor and manage consumption by reducing emissions.
				Compliance with environmental legislation.

LEGISLATIVE DECREE SCOPE 254/2016:	TOPIC	RISK	POLICIES ADOPTED	MANAGEMENT METHODS
ANTI-CORRUPTION	WASTE MANAGEMENT	regulations; potential loss of ISO 14001 certification.	ISO 14001 (Per Piovan S.p.A.)	Environmental impact management and control system, with a view to constant, effective and primarily sustainable improvement.
			Ethics Code	Adoption and implementation of the Ethics Code and Model 231.
			Organization, Management and Control Model as per Legislative Decree 231/2001 (ITA)	Supervisory Body monitoring activities.
	BUSINESS INTEGRITY, MITIGATION OF BRIBERY AND CORRUPTION	Risk of fraud and/or illegal conduct, and of active/passive corruption in all forms, including bribery	Corporate & crime liability guidelines	Adoption of corporate & crime liability guidelines by subsidiaries based abroad.
			Corporate Governance Code for listed companies, as prepared by the Borsa Italiana Spa (ITA) Corporate Governance Committee	The Piovan Group intends to improve anti- corruption awareness among its employees, representatives, suppliers and business partners, as well as anyone who carries out activities on the Group's behalf or under its control. Piovan also aims to encourage active employee involvement in order to increase policy effectiveness and the Group's ethical reputation.
			1INFO system for storing Regulated Information as required by the Transparency Directive (ITA)	

### 3. MATERIALITY ANALYSIS

The point of departure for preparing and updating financial statements involves analyzing 'materiality,' which is a primary point of reference established by the GRI Standards. The process is aimed at identifying and prioritizing material topics, such as aspects that influence the Piovan Group's economic, environmental and social impact, and which may substantially influence stakeholder opinions and decisions. The Group's material topics were identified and the process was divided into the following phases, in accordance with the provisions of Decree 254:

- identification of topics relevant to the Piovan Group through dialogue and comparison among the members of the internal Working Group;
- identification of relevant topics for key stakeholders through benchmarking;
- comparing topics relevant to the Piovan Group and its stakeholders so as to prioritize relevant topics and consequently construct the so-called materiality matrix.

In 2018, a process was put in place to identify potentially relevant issues for the Piovan Group, and there is a desire to update it annually whenever new priorities emerge for stakeholders and/or the Group.

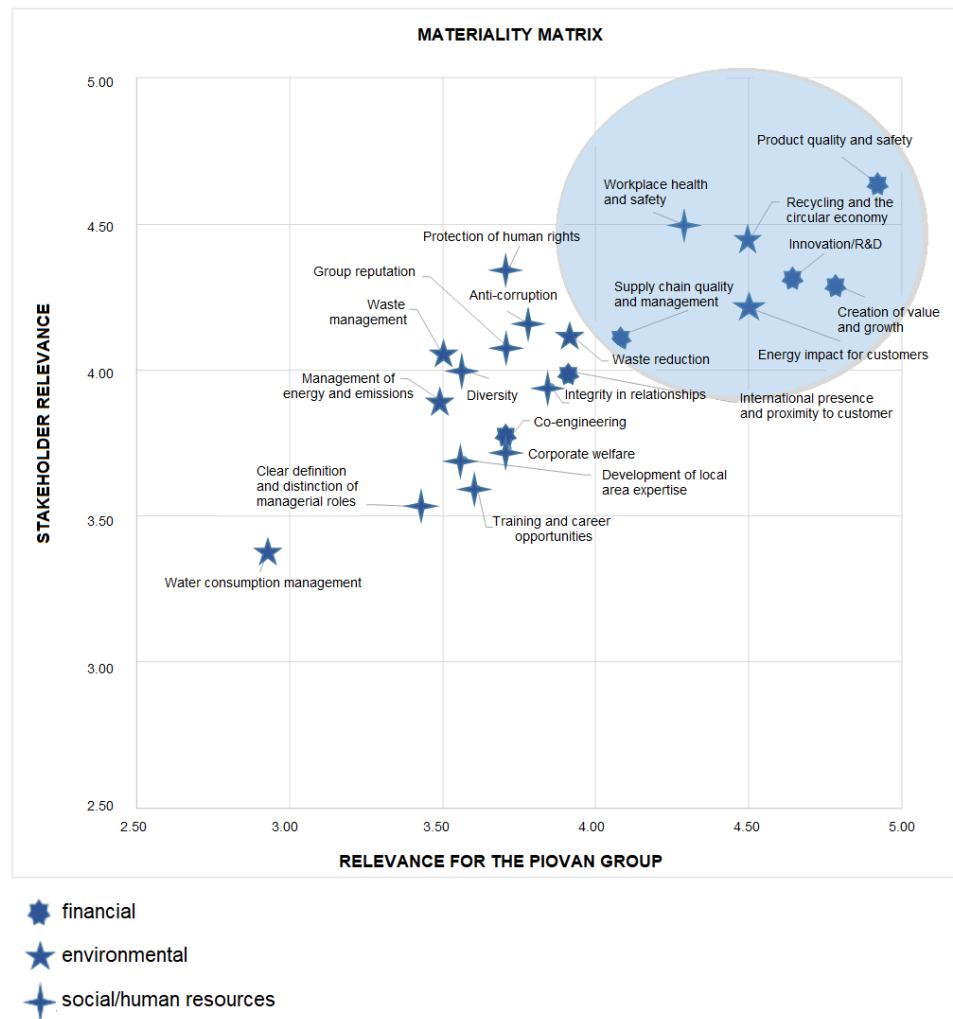
Members of the internal Working Group identified the relevant topics within eight macro areas: Governance, Economic and Business Responsibility, Environmental Responsibility, Human Resources Responsibility, The Supply Chain, Human Rights, Community Responsibility and Product Responsibility.

In order to correctly define 'materiality,' the Group decided to actively involve stakeholders during 2019, gathering their point of view through a stakeholder engagement process targeted at suppliers and involving Group departmental managers. Stakeholder engagement was activated by identifying Piovan Spa's main suppliers and the employees involved in investigations to prepare financial statements. A questionnaire was sent out to assess issues relevant to the Group.

The Piovan Group reference stakeholders for the year 2019 are:

- Employees
- Customers
- Suppliers
- Universities
- The local community





The assessment scale used a score between 1 and 5. The materiality matrix, shown below, considers the average values of topics relevant to the Piovan Group (x-axis), and the average values of topics relevant to stakeholders (y-axis). In order to create the matrix, the eight macro areas were further grouped into three macro areas: Environmental, Financial, and Social/Human Resources.

For both axes, topics with a value above 4 (defined as the "materiality threshold") on the scale from 1 to 5 are considered material for the Piovan Group.

*The correlation between the areas provided for by Decree 254, the material topics of the Piovan Group and the aspects of GRI, as well as evidence of their impact (internal and/or external to the Group), is show below:*

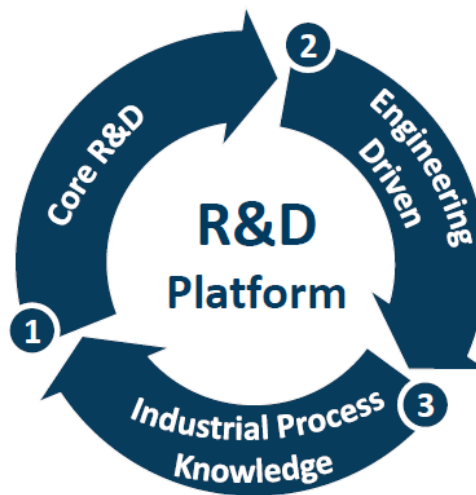
LEGISLATIVE DEGREE ASPECTS 254/16	MATERIAL ASPECTS FOR PIOVAN GROUP	TOPIC-SPECIFIC GRI STANDARDS	INTERNAL PERIMETER	EXTERNAL PERIMETER
<b>HUMAN RESOURCES</b>	Company welfare	Employment (GRI 401)	Piovan Group	
	Workplace health and safety	Occupational health and safety (GRI 403)	Piovan Group	
	Training and career opportunities	Training and education (GRI 404)	Piovan Group	
	Fairness in relationships		Piovan Group	Suppliers
	Diversity	Diversity and Equal Opportunity (GRI 405)	Piovan Group	
	Clear identification and distinction of managerial roles		Piovan Group	
<b>HUMAN RIGHTS</b>	Protection of human rights	Incidents of discrimination and corrective actions takes (GRI 406-1)	Piovan Group	
<b>ANTI CORRUPTION</b>	Anti-corruption	Anti-corruption (GRI 205)	Piovan Group	
<b>SOCIAL</b>	Shared Know-How Development with regional participation	Local Communities (GRI 413)	Piovan Group	
	Innovation/R&D		Piovan Group	
	Reputation of the Group		Piovan Group	Suppliers / Customers
	Product quality and safety	Customer health and safety (GRI 416)	Piovan Group	Clients
	Quality and supply chain management	Supply chain (GRI 102- 9)	Piovan Group	Suppliers
	Co-engineering		Piovan Group	Suppliers / Customers
	Economic value creation and growth	Economic performance (GRI 201)	Piovan Group	
	International market presence and proximity to customers		Piovan Group	Clients
<b>ENVIRONMENT</b>	Energy and emissions management	Energy (GRI 302)	Piovan Group	
	Waste management	Effluents and waste (GRI 306)	Piovan Group	
	Water consumption management	Emissions (GRI 305)	Piovan Group	
	Recycling and circular economy		Piovan Group	Clients
	Energy impact for customers		Piovan Group	Clients
	Waste reduction		Piovan Group	

*\*Area not directly related to a Topic - Specific GRI Standards: As required by the GRI Standards, the Piovan Group includes in this document a table containing the GRI Indicators, the management approach adopted, and the relative indicators.*

As regards the scope of external reporting, it should be noted that reporting is not currently extended to suppliers and customers.

#### 4. INNOVATION, RESEARCH AND DEVELOPMENT

The Piovan Group attaches **strategic importance to the research and development** of the products and new solutions required to maintain its market leadership position. The Group considers innovation as one of its founding values, one which all employees must be aware of in order to improve customer process efficiency and encourage the creation of innovative projects.



The market in which the Group operates is particularly competitive as regards technology. In order to maintain its market share, therefore, the Group must support continuous innovation and be quicker than its competitors in the development of new adaptive solutions to the changing needs of its customers (such as trends in bioplastics and plastic recycling).

In 2019, the R&D team's focus shifted to the creation of innovative solutions to help process recycled materials (while still keeping tabs on energy consumption). The Group has set up a **specific research and development department** within each production plant.

Including costs and investments, 2019 spending on R&D totaled **Euro 9.8 million**, which accounted for **4.2%** of total revenues and recurring income.

The strengths of the Group's research and development are:

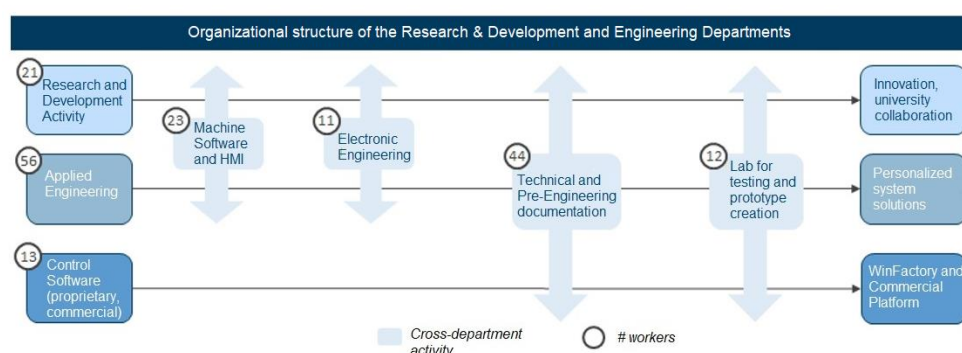
- the ability to make innovative, locally-developed solutions available globally
- the ability to offer bespoke engineering solutions.

This is made possible by the **substantial expertise** gained from in-depth knowledge of the industrial processes carried out in the various end-markets that the Group serves.

Given the market's complexity and dynamic growth, the main risk linked to innovation, research and development is a loss of market competitiveness and attractiveness due to the inadequate management of research into sustainable production solutions, as well as their subsequent development and implementation (e.g. bioplastics, recycled plastics, applications aimed at recycling, etc...). To cope with this risk, the Group is investing in research and development and training new talent. It's also placing recycled plastic use at the heart of its business strategy, given that it's a prerequisite for a circular economy. The Group's mission is to ensure that 80% of packaging automation systems can process recycled or biodegradable plastics by 2030, and that all packaging materials made using automation systems consist of at least 60% recycled plastic.

The Group considers obtaining the most innovative and promising technologies vital to its success. Continuous innovation is essential in maintaining leadership in the face of increased competition and seeking new business opportunities in the markets in which the Group operates. Particular attention is therefore paid to the competitive advantage that can be obtained from intellectual property and the creation and management of a portfolio of brands, patents and licenses. The Group owns 44 patents which protect the most innovative solutions developed by the Group. In 2019, 11 new patents were filed, in addition to the 33 patents filed in 2018. A patent was also purchased for the instrumental analysis of a particular contaminant in PET.

To consolidate and strengthen its leadership in innovation, the Group implements recruitment policies aimed at hiring young, highly qualified professionals to the R&D department so as to develop innovative solutions capable of creating added value for the Group. As at the end of 2019 there are **180 staff members** in the Engineering & Innovation department.



The first ever dehumidification system specifically designed to support the production of 100% recycled bottles was showcased at the K Trade Fair in Dusseldorf.

Given that recycled materials are often of lower quality than virgin materials, they require a series of production measures to guarantee process stability and food safety.

The process is only just getting off the ground, and Piovan's technological advantages place it in good stead to consolidate itself on a market that is expected to experience some upheaval in the coming years with regard to innovation and solutions.

Industry 4.0 has become an increasingly interesting topic, and Piovan continues to invest resources in innovation. Group guidelines in this regard concern data integration and digital interconnection. A new material traceability system (MTS) was made for this very purpose, and provides for the optimized storage of materials and the identification of batch flows from the primary stages to the finished product. Piovan has also developed a specialized control and monitoring software for the circular economy, where materials of uncertain origin require the use of supervisory and control systems typically seen in the medical sector.

As part of its **energy reduction plan**, the Piovan Group has introduced a line of self-regulating products capable of assessing environmental conditions and customer production needs. This machinery can make decisions based on a complex set of sensors and algorithms, thereby ensuring the system uses the least amount of energy necessary for production. Following the introduction of said technology, the Group has received an accreditation from the Italian energy agency amounting to hundreds of thousands of euros in Energy Efficiency Certificates.

#### 4.1 CO-ENGINEERING

The Group's business model focuses mainly on two aspects, (i) innovation and (ii) customer relations. Specifically, the Group's business model involves customers in the development and production process from the initial application and development phase of the commercial offer.

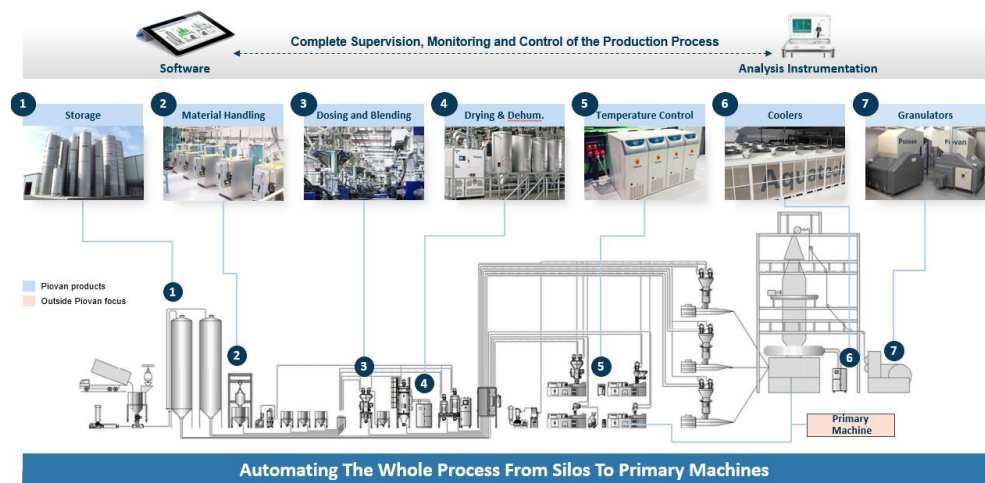
When implementing complex projects for customers with objectives regarding production capacity, process quality, performance level, integration between production sites and others, the Group also involves these customers in co-engineering processes to create innovative solutions. The Group further uses its expertise in innovation and **integration of technology** from various industrial sectors to create cross-fertilization and develop bespoke solutions.

## 5. QUALITY, PRODUCT SAFETY, SUPPLY CHAIN MANAGEMENT

### 5.1 PRODUCT

The Piovan Group is a global leader in the development and manufacturing of auxiliary automation systems for the storage, shipping and processing of polymers and plastic powders (“**plastics area systems**”). Since 2015, the Group has been increasingly involved in developing auxiliary automation systems to store, transport and process food powders (“**food systems**”). As such, the group is taking advantage of its leading market position, replicating the business model adopted for system development and production in the plastics sector, and making the most of cross-selling opportunities.

The group has also developed and markets **supervision and control software** to guarantee the connectivity of all the systems and machines in the plants it supplies. The Group also supports its customers globally through continual technical assistance, including the sale of spare parts for machinery and a range of additional services, such as support activities from the preliminary design phase through to installation and initialization of equipment and machinery. These steps guarantee optimal product performance and consolidate customer relationships.



A distinctive element of the Group's products is **the high degree of flexibility** which, together with the Group's skills and expertise in developing complex *engineering* solutions, allows these machines to adapt to customer needs and to integrate with systems and plant parts developed and produced by third parties, offering a service/product of significant quality.

## 5.2 QUALITY AND SUPPLY CHAIN

The Group adheres to the highest production standards in the hope of providing its customers with **reliable, quality products**. The Group makes use of nationally and internationally accredited workers and certification bodies to manufacture products that comply with all applicable regulations.

The main risk associated with the supply chain is that it does not comply with the Group's quality standards, as well as the regulations on work, security, health and safety. Furthermore, there is a possibility that raw materials and/or components could be defective or not correspond to agreed terms, or that they might not be delivered within the pre-set time-frame. This could potentially have a negative effect on the production cycle and cause delays when delivering products to customers. All this could have negative repercussions on the Piovan Group's reputation.

The Group aims to establish long-lasting relationships with its suppliers to mitigate risk. Said relationships are based on trust, a consolidated connection, proper supplier selection and preliminary company analysis to screen suppliers for compatibility with the Group's standards.

In 2019, as in previous years, no complaints were made regarding the violation of human rights or environmental regulations in the Piovan supply chain (at both a Group level and in Italy). That being said, using systematic checks at a Group level could provide greater security during selection activities, which are currently carried out by individual buyers in collaboration with the dedicated Purchasing Division.

The Piovan Group has implemented a sophisticated quality control system that oversees the entire production cycle, from supplier selection to production and post-production. Functional tests are carried out on individual machines. In particular, the Group carefully selects and assesses suppliers based on their ability to keep defects to a minimum and to offer timely supply services.

As such, Piovan S.p.A, Aquatech S.r.l and Penta S.r.l. each possess an **ISO 9001:2015** certification for their **Quality Management Systems**, which span the entire product life cycle, from research and development to sales, delivery, installation and post-sales assistance.

The Group's strategic approach to **total quality** has resulted in a significant competitive advantage and allows Piovan to meet customer expectations and continuously improve its products and production processes.

All products undergo functional tests before delivery to ensure customers receive **safe products, as well as the services they paid for**. All machines are tested before delivery. An acceptance report is usually signed by the end customer when a machine and/or system is sold and installed. The acceptance report serves as a product certification.

In order to constantly improve company processes, avoid issues relating to product manufacture, personalization and/or delivery, the Group has implemented the Kaizen model in combination with the Kanban Method (a technique aimed at avoiding overproduction by circulating information within the Company and to suppliers). This approach allows the Group to respond to customer needs as quickly and efficiently as possible during the order phase, and to ensure that finished products are delivered within the agreed time period.

**Piovan S.p.A. relies on qualified, monitored external suppliers for the following production activities:**

- design (electronics, structural work);
- production of metal structures/custom-made Piovan components;
- supply of commercial components and parts;
- assembly of switchboards;
- supply and manufacture of packaging for finished products;
- transport;
- customer-site installations.

The Company manages these outsourced processes via the:

**1 - selection of Suppliers/Contractors on the basis of certified and shared criteria;** Suppliers are screened using a procedure that determines their ability to supply materials, products and services in compliance with given requests and specifications. The aim is to keep disputes to a minimum, do away with production waste, improve product performance and reliability, reduce monitoring costs, reduce production downtime, increase knowledge of supplier skills and potential and finally, to reduce risks relating to health, safety and the environment.

Supplier assessments are primarily based on general considerations, such as how the Company is structured, its technical capacity, its means of production, its reliability, and the compliance and timely delivery of supplies.

Suppliers are assessed and added to a Vendor List.

**2 - drafting and delivery of suitable supply and procurement contracts (general procurement/supply conditions, purchase orders, technical documentation);**

The Group's general supplier conditions state that: (i) the Group has the right to refuse a product or ask the supplier to amend a product or related order and/or contract if it does not comply with the product compliance obligations; (ii) the Group has the right to request a replacement or repair, at the supplier's expense, if products are proven to be defective or inconsistent within 24 months of their delivery or within 12 months of their entry into service; (iii) the Group has the right to request compensation from the supplier in the case of a delay to product delivery or the performance of a service when (a) it is not promptly communicated to the

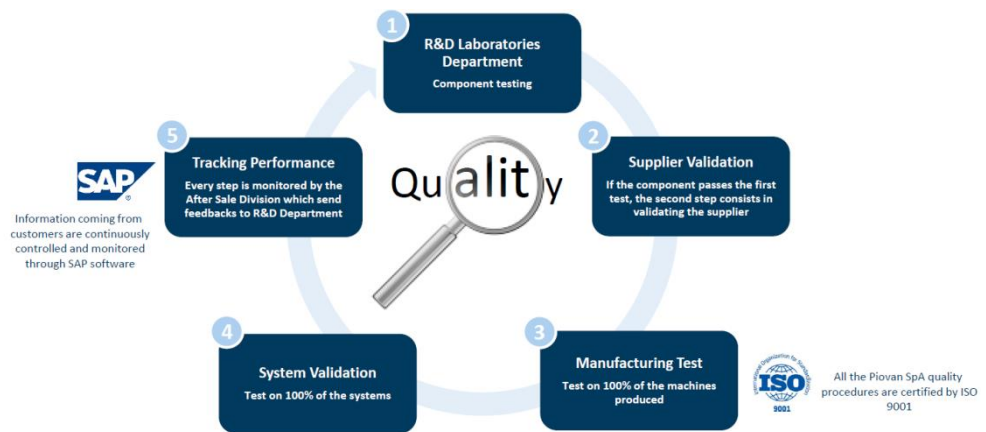


Company or (b) it exceeds 30 calendar days. In both instances, the Company retains the right to terminate all or part of the associated purchase order or contract. There have yet to be any situations in which these measures have been applied.

3 - continuous monitoring of Supplier performance through product/service checks, audits at production sites and checks during system start-ups at Customer sites.

Suppliers involved in the production process are constantly monitored for their product/service quality and timely delivery. Monitoring is carried out on the basis of certified and shared Company procedures, and includes all internal company departments involved in managing the Supply Chain.

There were no significant changes to the structure of the supply chain or supplier relations during 2019.



The Group aims to open at least one factory per continent in order to "locally" serve its various geographical markets. The Group has built a series of local supplier networks with the aim of meeting the very best product/project quality and safety standards and supplying customers with an effective service. This approach has allowed Piovan to develop **local expertise** coordinated by its technology and production management teams. As such, the Group has been able to build a **continuous, trustworthy supply chain**.

In order to avoid production and product delivery delays due to interruptions and/or disruptions and/or malfunctions at supplier sites, Piovan has adopted specific procurement and material management policies. These policies include framework orders with associated delivery plans, keeping strategic stock in company warehouses and using alternate suppliers to provide the semi-finished materials required to produce final products.

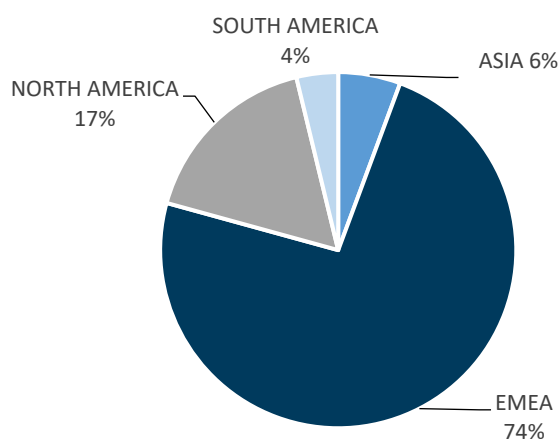
There were no identified cases of non-compliance with regulations and/or self-regulation codes relating to the impact on product and service health and safety in 2019.

The Group's supply chain can be traced to the following accounts in the consolidated financial statements: the purchase of raw materials, equal to approximately Euro 72 million and approximately 34% of total costs, the purchase of finished products, equal to approximately Euro 12 million and 6% of total costs, the purchase of third-party technical assistance, equal to approximately Euro 13 million and 6.3% of total costs, the purchase of third-party workmanship, equal to approximately Euro 7 million and 3% of total costs, the purchase of ancillaries and consumables, equal to approximately Euro 1.3 million and approximately 0.6% of total costs and the purchase of packaging, equal to Euro 1.3 million and 0.6% of total costs.

Analysis was carried out on production company purchases from suppliers<sup>6</sup> for accounts that impact the supply chain. Said analysis revealed that the Company uses more than 2,800 suppliers.

The Piovan Group prefers to use local suppliers. Specifically, when analysis was carried out on production company purchases from suppliers with reference only to the value of the purchases<sup>7</sup> that impact the supply chain, figures showed that 74% of purchases were made in Europe. This is consistent with the Group's preference for local suppliers. In fact, the majority of revenue brought in by production sites is made in Europe (around 65%). An important role is played by the American production branch, Unadyn, which centralizes its volume of purchases in North America, both for raw materials and finished products. The chart below shows purchase percentages divided by geographical area.

#### VOLUME OF PURCHASES IMPACTING THE SUPPLY CHAIN BY GEOGRAPHICAL AREA



<sup>6</sup> All Group production companies have been taken into consideration, with the exception of Fea process & technological plants s.r.l., which was acquired during the course of the financial year.

<sup>7</sup> The total value of purchases that impact the supply chain was calculated on the basis of the following production company purchases only: raw materials, ancillaries and consumables, finished products, packaging, third-party workmanship, transport for purchases and third-party technical assistance.

## 6. ENVIRONMENT

The Piovan Group places great importance on its social responsibility, which derives from the environmental impact of its business activities. It therefore bases its business on practices and conduct that are as far as possible ecologically sustainable. The approach adopted by Parent Company Piovan S.p.A. to certify its environmental management system as per accredited international standard **ISO 14001:2015** is to be considered within this context. Certification was obtained on December 7, 2019 for the Parent Company's operating offices in Santa Maria di Sala, Venice.

The main risk associated with the environmental issues to be tackled by the Piovan Group is a potential for non-compliance with locally applicable legislation and the potential loss of its ISO 14001 certification<sup>8</sup>. To prevent this, the Group is committed to carrying out all business activities in compliance with environmental legislation. No fines or non-monetary sanctions were imposed in 2019 due to a failure to comply with environmental laws and/or regulations. The Group is also committed to maintaining an adequate management and control system with regard to its environmental impact and with a view to effective and sustainable improvement.

As explained in the section on the reporting boundary (chapter 8.2), this chapter lists the Piovan Group's environmental performance indicators, whose environmental impact derives from two main areas:

- **energy consumption and related emissions**
- **waste management**

As regards potential reporting boundary limitations relating to waste management, Fea S.r.l. is excluded from reporting as it only joined the Piovan Group in 2019. This means that it has not been possible to include the relevant information.

### 6.1 MANAGEMENT OF ENERGY CONSUMPTION

In 2019, following the expansion of Piovan S.p.A.'s production site and construction of the new Aquatech S.r.l. building, the Parent Company made design choices that met certain financial and sustainability criteria.

A photovoltaic system with a peak power of 160 kWp has been installed on the roofs of both production sites, allowing for a total peak power of 320 kWp. All generated power will be used entirely for Group activities.

A decision was made to install underfloor heating in the new buildings, as well as in the Group's offices and production area. Consumption has been optimized via the

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<sup>8</sup> The following environmental aspects were assessed in compliance with the requirements of ISO 14001/2015: soil and subsoil, energy consumption, natural resource consumption, atmospheric emissions, greenhouse gases, heating systems, waste water, waste, fire prevention, dangerous chemicals, noise, electromagnetic fields and transportation

installation of a heat pump system that is used in combination with the aforementioned photovoltaic system.

While carrying out expansion works, Piovan S.p.A. installed two electric car charging points in its new car park.

The future goal is to further improve energy efficiency at the Group's production sites in Italy.

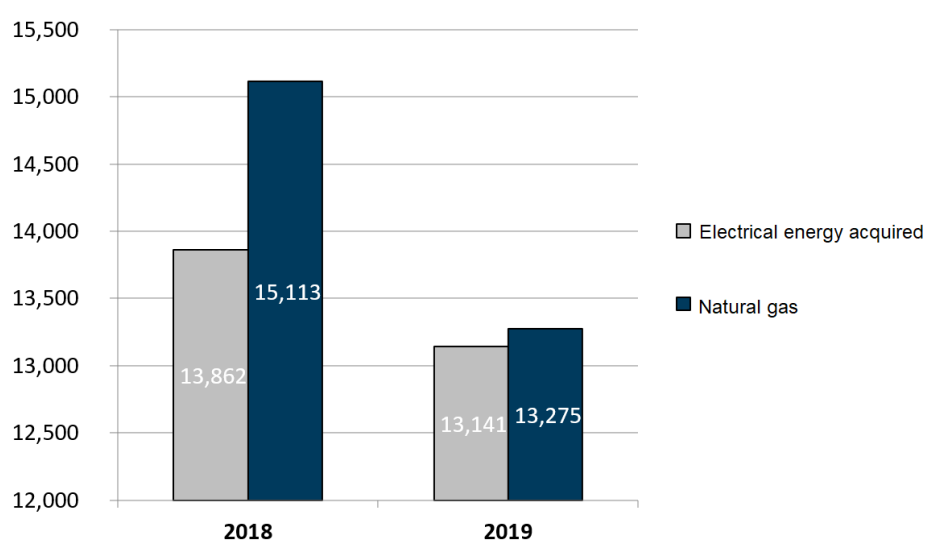
The Piovan Group's production activities essentially consist of assembly, and as such, they are non-energy-intensive compared to manufacturing, and therefore do not require large quantities of water.

In 2019, the entirety of the Group's energy consumption came from electrical energy and natural gas.

Electrical energy is used both in the production process and in normal business activities. In 2019, energy consumption stood at 13,240 GJ, representing the emission of 1,619 tons of CO<sub>2</sub> into the atmosphere. Natural gas is not consumed in the production process, but is used for space heating, and its consumption is therefore linked to weather conditions. In 2019, energy consumption stood at 13,275 GJ, representing the emission of 700 tons of CO<sub>2</sub> into the atmosphere.

Total internal energy consumption at the organization (in GJ)	2018	2019
Electricity acquired	13,862	13,141
originating from certified renewable sources	17	18
Electricity that is produced on site and consumed (from photovoltaic sources)	97	99
Electricity that is produced on site and fed back into the grid (from photovoltaic sources)	16	16
Natural gas	15,113	13,275

## Domestic consumption (in GJ)



## 6.2 WASTE MANAGEMENT

The waste produced is essentially scrap from the production process. This consists, on the one hand, of mixed packaging materials such as paper, cardboard and wood, and on the other hand residues from the assembly process, such as shavings of ferrous material, aluminum and steel. During 2019, 690 tons of waste were collected, of which 571 tons were non-hazardous and 119 tons hazardous. The latter consists mainly of liquid waste, residues and scrap from the washing of metals after processing.

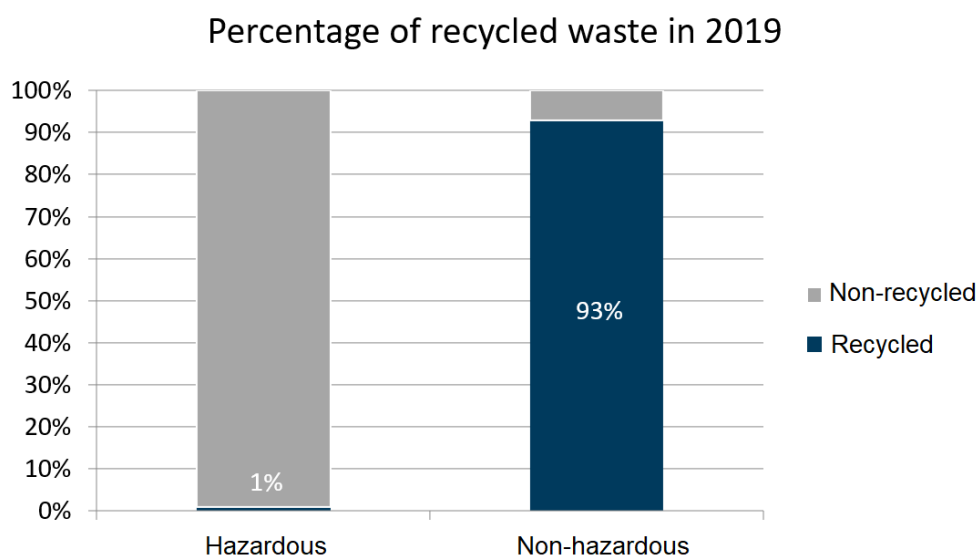
Compared to 2018, the total amount of collected waste decreased slightly (-5%), hazardous waste also decreased (-24%), while the quantity of non-hazardous waste remained practically unchanged.

*Total waste by disposal method (in tons)*

	2018			2019		
	HAZARDOUS	NON-HAZARDOUS	TOTAL	HAZARDOUS	NON-HAZARDOUS	TOTAL
Reuse	-	7	7	-	13	13
Recycling	4	527	532	1	529	530
Composting	-	1	1	-	1	1
Recovery, including energy recovery	-	-	-	-	-	-
Incinerator	0	13	13	0	4	4

Landfill	153	21	173	117	25	142
Other	0	-	0	-	-	-
<b>Total waste</b>	<b>157</b>	<b>569</b>	<b>726</b>	<b>119</b>	<b>571</b>	<b>690</b>

All waste produced by company activities is collected and disposed of in compliance with local regulations. The collection, processing and recycling of non-hazardous waste and the disposal of hazardous waste takes place through local service suppliers. It should be noted that 93% of non-hazardous waste was recycled in 2019 (529 tons).



The Piovan Group places great importance on separate waste collection. In Italian plants, special 'islands' have been set up for separate waste collection (paper and cardboard, food waste, plastic, cans, used batteries and dry non-recyclables) in production departments, offices and refreshment areas in order to encourage the reuse of recyclable materials and the proper disposal of materials that are not reusable but potentially harmful to the environment. All staff have been informed of the criteria and compliance with separate waste collection.

During 2019, equipment was installed to transport and deliver waste. Said equipment included a 'small train' housing a series of ladles for different types of waste and shelves to provide for the temporary storage of liquids and special waste.



## 7. SOCIAL TOPICS

### 7.1 PERSONNEL MANAGEMENT

The Piovan Group considers human resources to be an **essential and indispensable** part of the Company and the achievement of its objectives. Human resource management and development is carried out with a view to fostering the skills, potential and commitment of every employee, using objective and documented evaluation criteria.

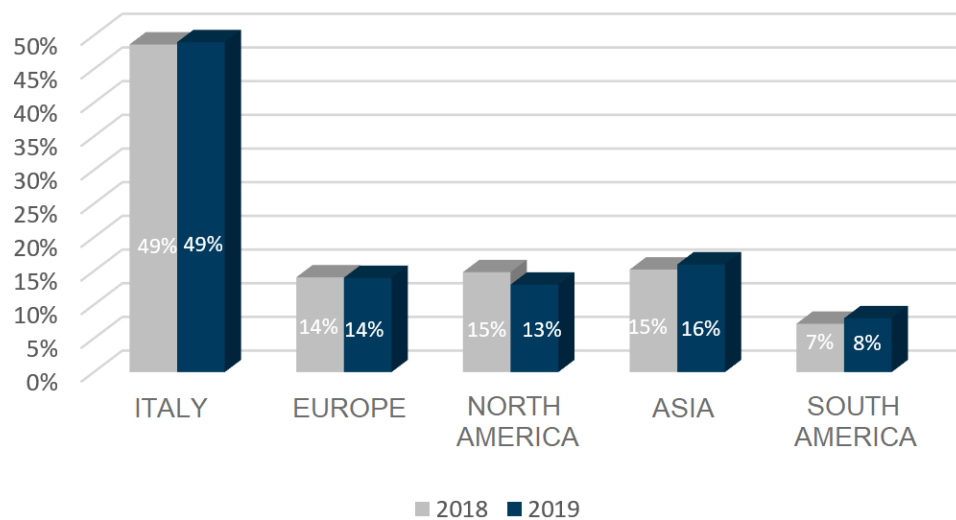
In its human resource management, the Company bases its decisions and rules of conduct on the ethical principles and values of **equality, cohesion, honesty, respect, and protection of the individual**. In both internal relationships and relationships with third parties, the Company strictly avoids any form of discrimination and promotes respect for work and workers. The Piovan Group works continuously to ensure the protection of the physical and moral integrity of its workers, encouraging continual development of their technical and professional skills.

The Piovan Group incentivizes staff participation and involvement, including through social dialogue, to further include them and help them fully understand the Group's values and culture. For this reason, free association in trade unions and collective bargaining associations is entirely permitted, in full respect of human rights and diversity. In order to mitigate the risk of strikes or other forms of abstention, as well as union-related issues, the Group expects relationships and negotiations with trade unions to be managed by Group companies on a local basis.

Risk management methods and related human resources opportunities involve the whole Group. In particular, Piovan operates in over 20 countries with different social and cultural backgrounds and as such, the Group aims to approach the daily challenges that come with multicultural diversity by adopting an Ethics Code and Organization, Management and Control Model pursuant to Legislative Decree 231/2001 (Model 231). The Group's management team practices the principle of valuing diversity and inclusion on a daily basis and promotes said principle

throughout the organization. Continuous dialogue with trade unions and associations representing Piovan's employees around the world has ensured that no strikes or union-related disagreements have occurred. Managing personnel and the risks associated with a failure to do so is mitigated by the fact the Group considers human resources to be a key asset and has always recognized the strategic importance and core role played by individuals to deliver upon objectives and tackle innovative challenges. Guidance on managing human resources, selecting employees, training them and handling employment contracts has been included in the Piovan Spa Quality Manual. The protection of workers' rights – and associated risks – is managed through the application of collective agreements and compliance with local regulations in all countries where the Group is present.

### PERCENTAGE DISTRIBUTION OF EMPLOYEES BY GEOGRAPHICAL AREA

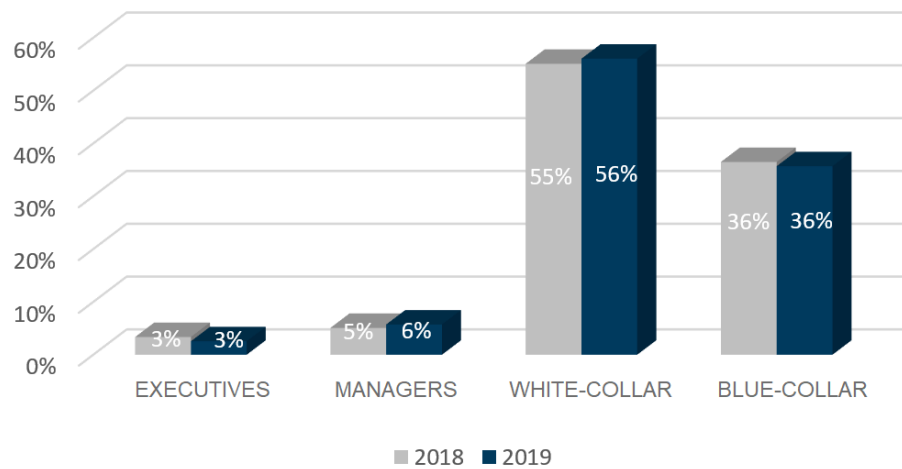


The Piovan Group works in full awareness of the needs of the community in which it operates, contributing to improvements in quality of life, to economic, cultural and civil development, and also promoting connection and exchange and the sharing and creation of knowledge.

In 2019, the Piovan Group employed 1,101 people, an increase of +5.5% compared to 2018. The increase in employees in Italy from 508 to 542 (+34) and in Asia from 159 to 178 (+19) is due to the acquisition of Fea Ptp Srl and Toba Pnc during the course of the year.



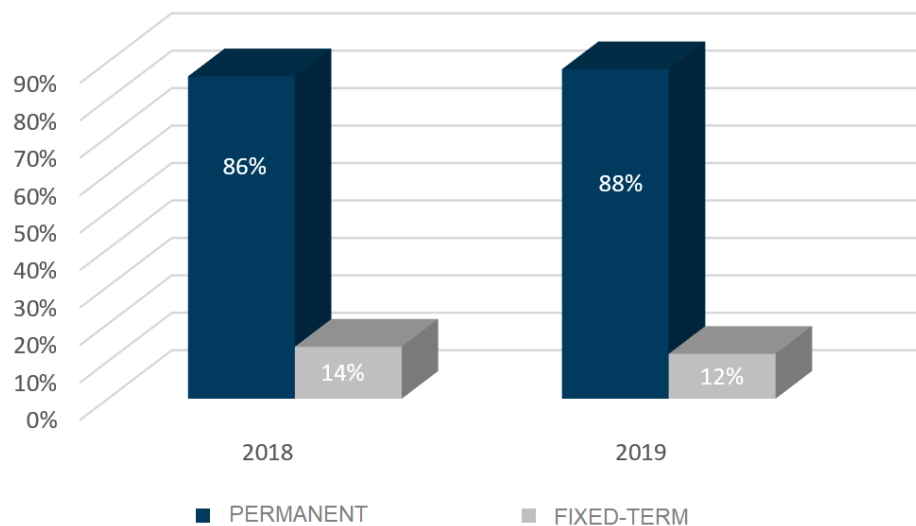
### EMPLOYEES BY CATEGORY OF THE PIOVAN GROUP



**100%** of the Group's Italian staff is subject to **collective bargaining**<sup>9</sup> in line with the Company's policy of creating stable and long-term employment for its workers.

Staff distribution reflects the Piovan Group's business model, which aims to retain professional figures with critical and specialist expertise within the Company. At a Group level, the majority of employees fall into the category of white-collar workers (56%, or 617 employees).

### GROUP EMPLOYEES BY CONTRACT TYPE



<sup>9</sup> The Company is regulated by the National Collective Bargaining Agreement of the Engineering Industry for Metalworking and Plant Installation.

The Piovan Group prefers the establishment of a stable and lasting working relationship. In fact, **88%** of staff (or 969 employees) have been hired on **permanent** contracts.

89% of men are employed on permanent contracts, while the equivalent figure for women is 80%. The gender breakdown of staff shows that women account for only 15% of the total. This percentage is a result of the Group's core business, which is strongly focused on metalworking in a highly technical engineering field.

## TOTAL PIOVAN GROUP EMPLOYEES BY CONTRACT TYPE AND GENDER

	2018			2019		
	Male	Female	Total	Male	Female	Total
Permanent	778	121	899	836	133	969
Fixed-term	115	30	145	99	33	132
<b>Total</b>	<b>893</b>	<b>151</b>	<b>1044</b>	<b>935</b>	<b>166</b>	<b>1,101</b>

## TOTAL PIOVAN GROUP EMPLOYEES BY CATEGORY AND GENDER

	2018			2019		
	Male	Female	Total	Male	Female	Total
Executives	27	1	28	27	1	28
Managers	46	9	55	54	9	63
White-collar	455	126	581	473	144	617
Blue-collar	365	15	380	381	12	393
<b>Total</b>	<b>893</b>	<b>151</b>	<b>1044</b>	<b>935</b>	<b>166</b>	<b>1,101</b>

## TOTAL PIOVAN GROUP EMPLOYEES BY AGE AND GENDER

Age	2018			2019		
	Male	Female	Total	Male	Female	Total
<30 years old	122	13	135	124	17	141
From 30 to 50 years old	542	107	649	552	116	668
>50 years old	229	31	260	260	32	292
<b>Total</b>	<b>893</b>	<b>151</b>	<b>1044</b>	<b>936</b>	<b>165</b>	<b>1,101</b>

Most Group employees are between the ages of 30 and 50.

The Piovani Group allows employees and women workers who submit a reasonable request to work **part-time**. In 2019, there were **32** part-time contracts, of which 26 were held by women (16% of all women employees). As at December 31, 2019, **3%** of staff are employed on part-time contracts.

## TOTAL NUMBER OF PIOVAN GROUP EMPLOYEES DIVIDED BY WORKING CONTRACT (FULL-TIME/PART-TIME) AND GENDER

	2018			2019		
	Male	Female	Total	Male	Female	Total
Full-time	890	125	1015	929	140	1069
Part-time	3	26	29	6	26	32
Total	893	151	1044	935	166	1,101

As of December 31, 2019, the Group employs 42 employees belonging to vulnerable categories, which is 4% of the total workforce.

No cases of discrimination of any kind were recorded during 2019.

Personnel are employed under regular labor contracts; no form of irregular labor or exploitation of child labor is tolerated.

The **employee hire rate** (i.e. the number of employees hired over a certain period of time compared to the number of staff members employed at the end of the period) is **14%**. **159** new employees joined the Group this year, mainly men. 62 new hires are under 30, while 77 are aged between 30 and 50 years old. In terms of geographical distribution: 61 new employees were hired Italy, 20 were hired in the rest of EMEA, 40 in Asia, 21 in South America, and 17 in North America.

HIRES		2018	% of total recruitment	2019	% of total recruitment
AGE	<30 years old	58	36%	62	39%
	From 30 to 50 years old	80	50%	77	48%
	>50 years old	22	14%	20	13%
TOTAL		160		159	
GENDER	Male	137	86%	128	81%
	Female	23	14%	31	19%
Total		160		159	

New hires are required to participate in training courses alongside skilled employees. The idea is to promote professional growth and facilitate the sharing of resources between employees. New hires are given a copy of the company regulations, the national sector collective agreement, and all agreements in place at their time of hiring. An initial training session is conducted by the HR department to help orient new employees.

2019 saw the departure of 145 employees (121 men and 24 women). Among the employees that left the Group, 27 were under 30, while 86 were aged 30 to 50 years

old. As regards geographic distribution, 46 employees left employment in Italy, 21 in the rest of EMEA, 41 in North America, 8 in South America, and 29 in Asia.

DEPARTURES		2018	% of total recruitment	2019	% of total recruitment
AGE	<30 years old	30	23%	27	19%
	From 30 to 50 years old	65	50%	86	59%
	>50 years old	35	27%	32	22%
TOTAL		130		145	
GENDER	Male	110	85%	121	83%
	Female	20	15%	24	17%
Total		130		145	

The Group's focus on people is evident in its **low turnover**. The termination rate is 13%.

## 7.2 TRAINING AND DEVELOPMENT

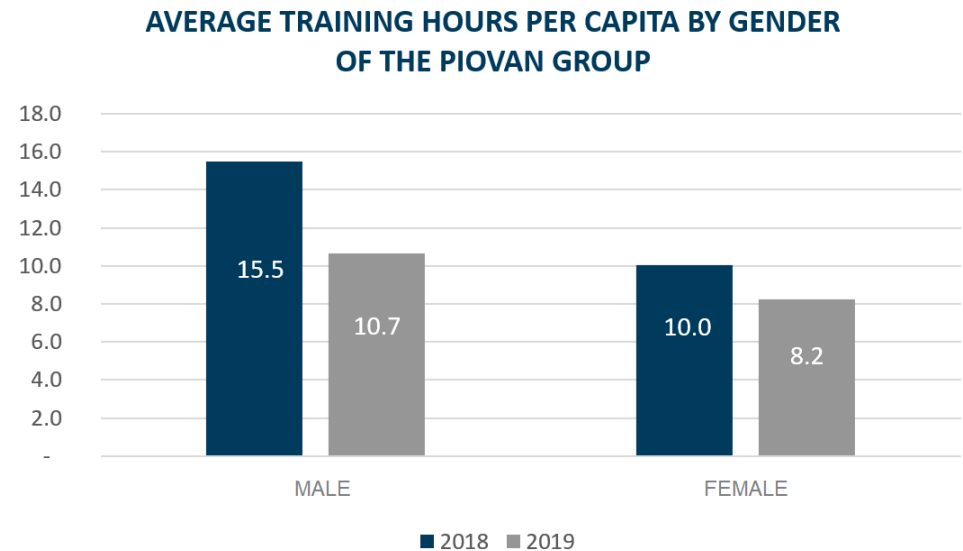
The Piovan Group believes that training is a key strategic resource. In fact, the Group's investment in training goes far beyond new hire inductions. Courses are organized over a prolonged period of time to encourage professional growth, motivation and professionalism, thus ensuring that products and services meet the Group's quality standards. Piovan has always believed that **developing and sharing skills helps to create a robust, successful company**.

Training covers the entire production process and all company departments. A training budget is allocated annually and is drawn up by department managers and approved by the senior management team. Training includes 'cross-cutting skills,' as well as team working skills and a propensity for change. These skills are essential when working for a Group such as Piovan, where competitiveness represents a means of leverage for development. The Group firmly believes in the importance of continuing professional development, especially with regard to the service department. Workplace training courses are organized on an ongoing basis so as to maintain quality and efficiency standards.

Risks associated with training concern a lack of training and the subsequent lack of development opportunities. This could lead to a poor organizational structure with respect to the Company's complexity and to non-compliance with regulatory obligations. The lack of further training could lead to the inadequate attractiveness of key roles and the potential loss of corporate expertise. In order to overcome these potential risks, the Group invests in training and draws up a new training plan

every year. Each branch is required to create its own plan, identifying mandatory training needs and specific requirements per company department.

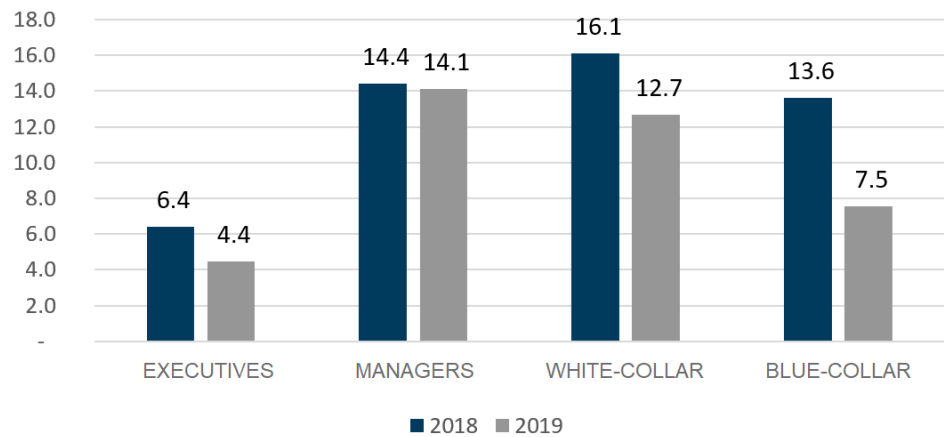
Data relating to training hours – as described in the Scope (chap. 8.2) – concern the Group's production companies<sup>10</sup>.



During 2019, the Group organized a total of 9,107 training hours, which is equal to an average of **10 hours** per capita. These training sessions concerned workplace safety, specialist training, professional development, learning the English language and managerial development. The average number of training hours undertaken by women in 2019 amounted to eight hours, while the average number of training hours undertaken by men amounted to 11 hours. It's worth noting, however, that most training sessions focused on workplace safety and specialist training, and therefore predominantly concerned factory workers, who were mostly men.

<sup>10</sup> The Group's production companies are: Piovan Spa, Aquatech Srl, Penta Srl, Progema Srl, Universal Dynamic Inc., Piovan Do Brasil Industria e Comercio Ltda, Piovan Plastic Machinery co.Ltd, Fdm GmbH and Fea ptp Srl.

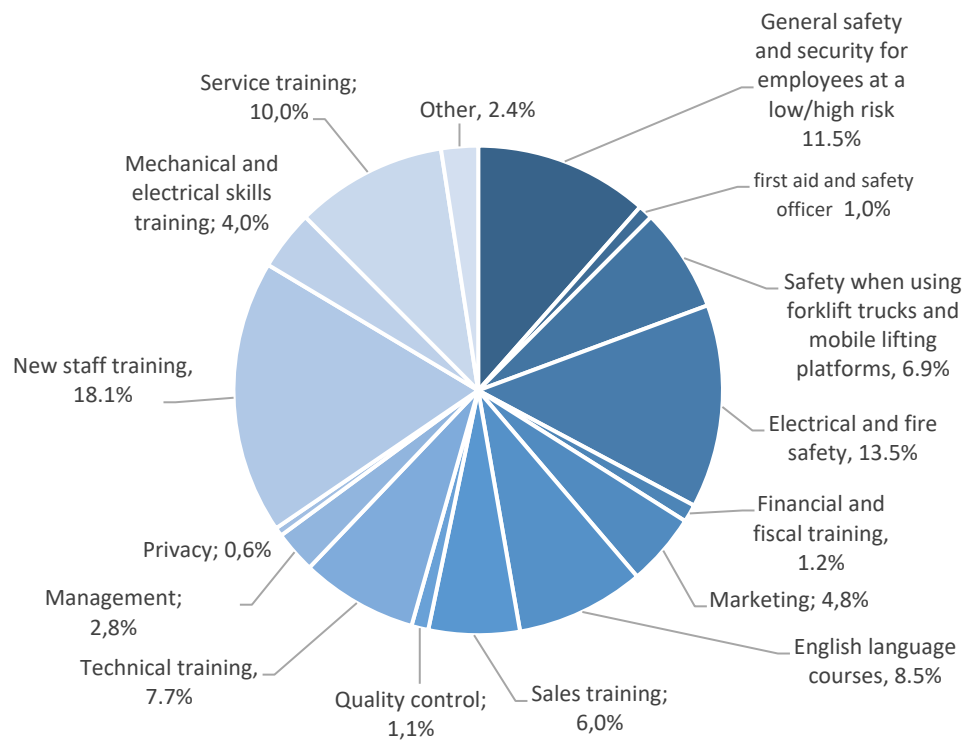
### AVERAGE TRAINING HOURS PER CAPITA BY PROFESSIONAL CATEGORY FOR THE PIOVAN GROUP



Numerous workplace safety training sessions took place in 2018 (covering general health and safety for employees at a low/high risk, as well as electrical and fire safety, safe forklift and mobile lifting platform use, first aid training and safety officer guidance). Training sessions scheduled for every two/three years also took place. As such, in 2019, the average number of training hours per capita attended by professional workers decreased.

The Group has launched several initiatives to improve employee training and professional development. Research and innovation are the cornerstones of the Piovan Group's philosophy and employee skills are developed in line with these principles.

### AVERAGE TRAINING HOURS PER CAPITA BY PROFESSIONAL CATEGORY FOR THE PIOVAN GROUP



During 2019, the Piovan Group joined the Evans Moulding Academy project, which is a new training initiative based on collaboration between Vicenza-based Taplast and new companies providing plastic-processing technology and services. The aim of the initiative is to improve injection molding expertise among employees based in the Veneto area through free courses and live demonstrations. Piovan organized courses on the principles of dehumidification and Modula solutions in order to efficiently and automatically regulate process parameters. Courses were also organized around the topics of industry 4.0 systems and energy efficiency (Winfactory 4.0 and Winenergy).

### 7.3 HEALTH AND SAFETY AT WORK

The Piovan Group's primary concern is **employee health and safety** and as such, the Group aims to create a comfortable and safe place to work. The risks associated with an irresponsible approach to workplace health and safety, i.e. a failure to comply with local regulations or the potential for accidents at work and/or occupational diseases, represent a corporate and social burden that is simply not sustainable.

For these reasons, the Group is committed to managing its production activities in full compliance with existing laws and regulations at every plant, so as to avoid or minimize occupational risks and thereby ensure the safety of its employees, in addition to any other person directly or indirectly involved in company activities.



Furthermore, the Piovan Group aims to develop and maintain a comprehensive risk analysis. Said analysis is used to identify all potential **prevention and protection measures**, as well as any necessary interventions to improve safety conditions in the workplace.

The Company also strives to promote a culture of health and safety in the workplace, in the hope that staff members will help make the prevention system more effective.

In order to demonstrate its commitment to workplace health and safety, the Parent Company Piovan S.p.A. obtained an **ISO 45001:2018** certification on November 26, 2019 for its offices, production site, and warehouse located in Santa Maria di Sala, Venice. Obtaining certification demonstrates that an adequate management system is in place to map, eliminate and/or reduce risks and increase workplace health and safety, with a view to continuous improvement.

This section reports the workplace safety indicators adopted by the Group's production companies.

During 2019, 11 accidents occurred, none of which were fatal and none of which involved women. 155 days were lost to injury during the course of the year (calculated from the first day of the accident). The table below shows the Group's main accident indices. The overall frequency index is equal to 7, while the severity index is equal to 0.10.

#### *Accident indicators*

	2018	2019
Injuries at work	12	11
of which fatal	-	-
of which on commute	3	1
Days lost due to injury	227	155
No. of cases of occupational illness	-	-
FI - frequency index	9	7
GI - gravity index	0.17	0.10

#### *Accident indicators by geographical area for 2019*

	EMEA	ASIA	NORTH AMERICA	SOUTH AMERICA
Injuries at work	11	-	-	-
of which fatal	-	-	-	-
of which on commute	1	-	-	-
Days lost due to injury	155	-	-	-
No. of cases of occupational illness	-	-	-	-
FI - frequency index	11	-	-	-
GI - gravity index	0.16	-	-	-

Accidents at work only occurred at companies located in EMEA. 8 occurred at Piovan S.p.A., 1 at Aquatech S.r.l. and 2 at Fea S.r.l.

The frequency index measures how often accidents occurred at work per million hours in relation to the number of hours worked (number of accidents\*1,000,000/hours worked)<sup>11</sup>.

The severity index indicates the severity of the accidents that occurred at work using the number of working days lost in relation to the number of hours worked (number of days lost\*1,000/hours worked).

Analysis has not revealed any particular category of employee deemed to be at a higher risk of injury or occupational illness.

The following routine **maintenance** activities were carried out in Piovan's working environments and production plants during 2019 to guarantee employee safety:

- **service maintenance**, which involved checking heating, air conditioning and fire protection systems;
- **work equipment maintenance**, which involved checking forklifts, overhead cranes and jib cranes;
- machine tool maintenance.

What's more, customers and/or third parties are duly informed of all potential risks prior to visiting Company sites and are covered by all appropriate preventive measures.

In 2019, the Piovan S.p.A. production site was extended, a new Aquatech S.r.l. building was built and company car parks were extended. As such, horizontal and vertical safety signs were installed along the company road to cope with the risk of interference between suppliers and employee vehicles sharing the same logistics area. Furthermore, state-of-the-art equipment, machines and systems have been installed in the new Aquatech S.r.l. building, all of which meet the highest safety standards.

<sup>11</sup> These indices have been calculated according to the UNI 7249:2007 standard entitled "Statistics on occupational injuries"

Piovan S.p.A. has enforced all health and safety procedures in order to adhere to the management model of Legislative Decree 231/07. Together with those relating to the Group's ISO certification, these procedures have helped govern the people in charge of certain processes and the way they are managed, with a view to continuous improvement.

**Seven defibrillators** have been purchased and installed at the Group's production sites to help implement prevention measures. 25 employees have been trained to operate them.

In order to improve the perception of workplace health and safety and compliance with prevention measures, training and refresher courses were organized in 2019 relating to:

- general health and safety for employees at a low/high risk: for a total of 1,048 training hours;
- **electrical and fire safety**: for a total of 1,225 training hours
- the safe operation of forklifts and mobile lifting platforms: 626 training hours;
- first aid: 88 training hours

#### 7.4 FAIRNESS IN RELATIONSHIPS

Fair relationships, honesty and transparency are core company values and have been communicated to the management team in order to improve conduct at a group and brand level. The **Ethics Code** (a self-regulation tool) aims to guide business activities and render them transparent. In fact, the Ethics Code aims to establish specific professional conduct regulations to be followed by all Group employees.

*The Ethics Code is available at:*

<https://cq.piovangroup.com/it/>  
<https://cq.piovangroup.com/en/>

#### 7.5 INITIATIVES FOR EMPLOYEES AND CORPORATE WELFARE

Already attentive to employee well-being, Piovan S.p.A. has developed a welfare plan that allows employees to improve their work life balance and access innovative personnel management policies.

Numerous actions have been implemented, including **flexible working hours** – which allow for independent time management – and various types of part-time work. As for personal growth, events are organized periodically, such as workshops and opportunities to 'improve' physical and mental well-being. Piovan S.p.A. also places importance on its physical workplace. In order to make it as comfortable as possible, hot and cold water dispensers have been installed, as well as vending machines serving hot drinks, beverages and snacks, and dedicated refreshment areas.

During 2019, the Piovan Group decided to ask the Great Place to Work Institute Italia to analyze its workplace environment. The survey involved all employees working

for Italian companies and was carried out with the aim of monitoring the Company's image and working environment, and coming up with ideas for improvement. The initiative attracted interest and participation, with a 76% response rate. The results gave the Piovan Group various ideas for improvement and confirmed that we live in a world in continuous and rapid evolution, one that requires the involvement of employees while guaranteeing flexibility and a work-life balance. We hope to extend the initiative to international branches in the coming years.

**Putting people first** has always been incredibly important to Piovan S.p.A. As such, the 'Piovan Club' project has been created to offer a series of services to employees and their families in the provinces of Padua, Venice and Treviso. Five main areas of shared interest have been identified: Health, Finance, Insurance Services, Wellness and Sport, and Family. Piovan S.p.A. has selected and identified a number of service providers offering exclusive services in each area.

The Piovan Club remains dynamic, versatile and up-to-date, thanks also to employee suggestions. The HR office is responsible for signing agreements and contacts local companies, shops, pharmacies, gyms, insurance companies and banks to make being part of Piovan S.p.A. a privilege for employees, who are consequently able to make excellent use of discounts in the region. The stipulated agreements are communicated by e-mail and archived internally.

In addition, the Company offers a number of financial incentives, including:

- holiday bonuses, which are paid to employees before the summer on an annual basis
- production bonuses, which are paid to employees based on the Company's end-of-year results on an annual basis. The basis for calculating bonuses is an integration of the second-level contract agreed with trade unions and workers' representatives issued during the first half of the financial year.
- Corporate welfare, the option for all employees to choose whether their production bonuses or national collective agreement bonuses are paid in the form of remuneration or flexible benefits, such as goods and services, which consequently benefits the tax wedge in favor of employees. The portal is managed by an external provider and offers numerous services and goods for employee use (covering five main areas: reimbursement of school expenses, healthcare, complimentary pensions, sports, recreation and vouchers) with a particular interest in family establishments
- option to apply for a business loan, the Company has set up a Loan Fund for employees who need financing
- marriage bonus, paid to employees who decide to get married.

All the aforementioned benefits are provided to all employees, regardless of whether they are in full-time or part-time work or have a fixed-term or open-ended contract<sup>12</sup>.

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<sup>12</sup> Benefits provided if in force at the end of the year.

Piovan places its employees at the heart of its business, and as such, attention is also paid to their health. A range of initiatives has been introduced, from ergonomic chairs to wellness events and **on-site catering facilities** that use quality produce to contribute to a healthy diet. Piovan S.p.A.'s main office houses a company canteen, which provides a good service and publishes a weekly menu listing all allergens and ingredients. In order to encourage employees to pay greater attention to their health, the number of calories in each dish is also displayed on a daily basis. The menu is certified by a nutritionist and biologist registered with the association of biologists. Piovan S.p.A. contributes a very significant percentage to the cost of employee meals.

## 7.6 LOCAL COMMUNITY INITIATIVES

Piovan S.p.A.'s social commitment is based on the principle of responsibility towards the social context in which it operates, and expresses the will of its top management. This deep bond with its region manifests itself as a constant exchange of knowledge and experience, as the Company's performance and success are inextricably linked to the **well-being of the society** in which it operates. As such, Piovan S.p.A. supports and promotes training and cultural programs, and in particular those of a technical nature.

Since 2012, Piovan S.p.A. has worked closely with the **Istituto Tecnico Superiore Meccatronico del Veneto**, a technical school in the form of a "small polytechnic" which specializes in mechatronics, and whose aim is to train highly-qualified specialist personnel. The two paths available in our field are Senior Technician for Process and Mechanical Product Innovation and Senior Technician for Automation and Mechatronic Systems. The school offers an alternative educational route to those offered by universities, based on significant in-company training and class-based learning centered around work projects, case studies and workshops. During the school year, students have three days of lessons at school and two days of apprenticeship within the Company, which immediately brings them into contact with the world of work.

In the last five years, Piovan S.p.A. has hosted several apprentices as part of these alternating school-work projects. Three of these were hired on completion of their training and now work in R&D and the Technical Department, demonstrating the effectiveness of close collaboration between school and the world of work.

Piovan S.p.A. also promotes training through its relationships with universities, specifically with the University of Padua and the University of Ferrara. By participating in events organized by the universities, including Career Days, Piovan S.p.A. encourages meetings with students and graduates. **University participation** is key to attracting new talent and allowing people to contribute new ideas and solutions to help consolidate corporate expertise.

Piovan S.p.A. also contributes to the sponsorship and promotion of sports and youth activities in the area.

## 8. METHODOLOGICAL NOTE

Piovan S.p.A. (hereinafter “The Piovan Group”), in its capacity as a public-interest entity as per Article 16 of Legislative Decree no. 39 of January 27, 2010, and subsequent amendments, having a number of employees, a balance sheet and net revenues from sales and services exceeding the size limits set out in Article 2, paragraph 1 of Legislative Decree no. 254 of December 30, 2016 (hereinafter “Decree 254”), is subject to the application of the same Decree 254, “Implementation of Directive 2014/95/EU of the European Parliament and of the Council of October 22, 2014, amending Directive 2013/34/EU as regards non-financial and diversity disclosure by certain large undertakings and groups.”

Piovan Group has always paid close attention to the areas covered by the aforementioned Decree. The Company has also decided to consolidate and publish a non-financial report on an annual basis, starting in 2018.

This consolidated Non-Financial Report (NFR) of the Piovan Group as at December 31, 2019 has been prepared in accordance with the provisions contained in Decree 254. In particular, following the 2019 budget law, information contained in the Company’s Non-Financial Report has been expanded. In addition to describing the primary non-financial risks generated or suffered, the Group will now include the methods implemented to manage them in the same report.

The Non-Financial Report should be considered a supplement to and conclusion of the Directors’ Report and other Consolidated Financial Statement documentation. It represents the Piovan Group’s commitment to reporting on the social and environmental impact of its activity, respect for human rights, and its policies in these areas and on diversity, in accordance with the provisions of Decree 254. The structure of this NFR prioritizes consistency with the thematic areas covered in the Decree.

This document clearly illustrates the integration between the Piovan Group’s economic sustainability and the social and environmental sustainability implemented in its corporate decision-making processes, strategy, governance and business model.

The indicators and aspects to be reported on were chosen based on a comprehensive materiality analysis carried out during the phases described in section 2.

In order to comply with the reporting criteria for non-financial information, the Piovan Group has adopted as a guideline the GRI Standards (referenced option) issued in 2016 by the Global Reporting Initiative, the most commonly-used international reference for sustainability reporting.

A table summarizing the information reported by the Piovan Group and the GRI indicators is presented in Chapter 3 of this Report.

The Piovan Group's Non-Financial Report can be viewed on the following website:  
<https://ir.piovangroup.com>

Please contact us for further information or clarification:  
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## 8.1 REPORTING PROCESS

Compared to last year's sustainability report, the reporting process for the aforementioned Non-Financial Report has been improved and formalized by standardizing the data collection process.

The process is managed by the Finance and Control Department at Piovan S.p.A.'s main office and includes the following steps:

- the sending of data collection sheets with collaboration from managers and data owners in various company departments belonging to both the Parent Company and other Italian and international Group companies;
- the aggregation, analysis and processing of data received at a centralized level to ensure compliance with the relevant reporting standard requirements. Data processing is carried out via precise calculations (or estimates if not possible or specified by the relevant standard). Financial data refer to the 2019 Consolidated Financial Statements;
- approval of the Non-Financial Report by the Board of Directors convened on March 19, 2020;
- the release of an assessment by the auditing firm BDO Italia S.p.A. of the Non-Financial Report's compliance in the form of limited assurance;
- publication of the report on the Group's website in order to be made it available to all stakeholders.

As regards the conversion factors used to process data, reference has been made to:

- The conversion factors used to transform different energy quantities into GJ have been taken from the GRI Standard, which in turn uses indicators deriving from The Greenhouse Gas Protocol (GHG) Corporate Accounting and Reporting Standard by the World Resources Institute (WRI) and World Business Council for Sustainable Development (WBCSD). In addition, reference has been made to a document entitled *Greenhouse Gas Reporting: conversion factors 2018 - UK Government*.
- Emissions factors used to calculate the CO<sub>2</sub> emissions reported in this NFR are taken from TERNA, 2018 and from DEFRA, 2019.

- The conversion factors used to process data on waste are taken from Waste Weight Determination, Agency of Statistics of Bosnia and Herzegovina, Sarajevo, 2015 and from Material Bulk Density, Resource Future, 2009.

## 8.2 SCOPE OF THE NON-FINANCIAL REPORT

All reporting information within this document refers to the 2019 financial year. As explained in the methodological note, in compliance with Decree 254, the following sustainability report will be published annually together with the Group's Consolidated Financial Statements.

The reporting scope has been extended in comparison to the previous year in order to report as much non-financial information as possible at a consolidated level. As such, the Piovan Group has defined two reporting areas:

- **the first** applies fully to **all the companies consolidated** in the Consolidated Financial Statements and deals with financial information and anti-corruption and social topics, and those inherent to the composition and characteristics of human resources;
- **the second** corresponds to the **Group's production companies** and refers to issues relating to managing human resources, and specifically training, health and safety, environmental management, energy consumption, waste management, and issues concerning suppliers. The production companies are as follows: Piovan S.p.A., Aquatech S.r.l., Penta S.r.l., Progema S.r.l., Fea Ptp S.r.l., FDM GmbH, Piovan Plastics Machinery Co. Ltd., Universal Dynamics Inc., and Piovan Do Brasil Industria e Comercio Ltda.

Any changes to and limitations of these areas will be indicated within this document in the relevant section. For more company details, please refer to the 'Group Structure' section in paragraph 2.1.

It should be noted that no comparison with 2018 is available for Fea S.r.l. and Toba Pnc as they are not included in the consolidation scope and only joined the Piovan Group in 2019.

The decision to structure the reporting scope in this way stems from the fact that the environmental impact of non-production companies does not need to be taken into consideration in order to understand the Group's business activities, performance, results and their subsequent impact. The energy impact of the Piovan Group's business activities is therefore material for its production sites, while other companies only perform product marketing activities. As for issues concerning the management of human resources – such as health, safety and training – the choice to only report data relating to production branches stems from the fact that they employ 80% of the Piovan Group's total workforce.

In future years, the Piovan Group aims to extend the scope of its reporting to all companies consolidated by the Group as regards the social aspects of employee training, health and safety.



## 9. GRI INDICATORS TABLE

GRI STANDARD TITLE	GRI DISCLOSURE NUMBER	GRI DISCLOSURE TITLE	PAGE NUMBER	OMISSIONS
GRI 102 - General Disclosures	102-1	Name of the organization	Cover	
	102-2	Activities, brands, products, and services	15 - 17; 38	
	102-3	Location of headquarters	15 - 18	
	102-4	Location of operations	15 - 18	
	102-5	Ownership and legal form	18	
	102-6	Markets served	15 -17	
	102-7	Scale of the organization	15 -18	
	102-8	Information on employees and other workers	15; 48 - 53	
	102-9	Supply chain	42 - 43	
	102-10	Significant changes to the organization and its supply chain	15; 42	
	102-11	Precautionary Principle or approach	27 - 31	
	102-12	External initiatives	61 - 62	
	102-13	Membership of associations	17	
GRI 102: General Disclosures	102-14	Statement from senior decision-maker	5	
GRI 102: General Disclosures	102-16	Values, principles, standards, and norms of behavior	22 - 24	

GRI STANDARD TITLE	GRI DISCLOSURE NUMBER	GRI DISCLOSURE TITLE	PAGE NUMBER	OMISSIONS
GRI 102: General Disclosures 2016	102-18	Governance structure	18 - 21	
GRI 102: General Disclosures 2016	102-40	List of stakeholder groups	32	
	102-41	Collective bargaining agreements	50	
	102-42	Identifying and selecting stakeholders	32 - 33	
	102 - 43	Approach to stakeholder engagement	32	
GRI 102: General Disclosures 2016	102-45	Entities included in the consolidated financial statements	18 ; 64	
	102-46	Defining report content and topic Boundaries	64	
	102-47	List of material topics	33 - 34	
	102-48	Restatements of information	15; 63 - 65	
	102-49	Changes in reporting	15; 63 - 65	
	102-50	Reporting period	62 - 63	
	102-51	Date of most recent report	62 - 63	
	102-52	Reporting cycle	62 - 63	
	102-53	Contact point for questions regarding the report	62 - 63	
	102-54	Claims of reporting in accordance with the GRI Standards	64	
	102-55	GRI content index	66 - 70	
	102-56	External assurance	71	

GRI STANDARD TITLE	GRI DISCLOSURE NUMBER	GRI DISCLOSURE TITLE	PAGE NUMBER	OMISSIONS
GRI 201: Economic Performance	103	Management Approach	27 - 31	
	201-1	Direct economic value generated and distributed	25 - 26	
GRI 204: Procurement Practices	103	Management Approach	27 – 31; 39	
	204-1	Proportion of spending on local suppliers	42 - 43	
GRI 205: Anti-corruption	103	Management Approach	27 – 31; 22 - 23	
	205-3	Confirmed incidents of corruption and actions taken	22 - 23	
GRI 302: Energy	103	Management Approach	27 – 31; 43	
	302-1	Energy consumption within the organization	44 - 45	
GRI 305: Emissions	103	Management Approach	27 - 31; 43	
	305-1	Direct (Scope 1) GHG emissions	44 - 45	
	305-2	Energy indirect (Scope 2) GHG emissions	44 - 45	
GRI 306: Effluents and Waste	103	Management Approach	27 - 31; 45 -47	
	306-2	Waste by type and disposal method	46	
GRI 307: Environmental Compliance	103	Management Approach	27 – 31; 43	
	307-1	Non-compliance with environmental laws and regulations	43	
GRI 401: Employment	103	Management Approach	27 – 31; 48	
	401-1	New employee hires and employee turnover	52 - 53	

GRI STANDARD TITLE	GRI DISCLOSURE NUMBER	GRI DISCLOSURE TITLE	PAGE NUMBER	OMISSIONS
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	59 - 61	
	103	Management Approach	27 - 31; 56 - 57	
GRI 403: Occupational Health and Safety	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	57 – 58	
	403-3	Workers with high incidence or high risk of diseases related to their occupation	57 - 58	
GRI 404: - Training and Education	103	Management Approach	27 - 31; 53 - 54	
	404-1	Average hours of training per year per employee	54	
GRI 405: Diversity and Equal Opportunity	103	Management Approach	27 - 31; 48	
	405-1	Diversity of governance bodies and employees	50 - 52	
GRI 406: Non-discrimination	103	Management Approach	27 - 31; 48	
	406-1	Incidents of discrimination and corrective actions taken	50 - 52	
GRI 413: Local Communities	103	Management Approach	27 - 31	
	413-1	Operations with local community engagement, impact assessments, and development programs	61 - 62	
GRI 416: Customer Health and Safety	103	Management Approach	27 - 31	
	416-1	Assessment of the health and safety impacts of product and service categories	38	

Santa Maria di Sala (Venezia), 19 marzo 2020.

For the Board of Directors, the Chairperson

NICOLA PIOVAN

## Independent auditors' report

## **Independent Auditors' Report**

on the consolidated non-financial statement pursuant to article 3, paragraph 10 of Legislative Decree no. 254 of December 30, 2016 and of art. 5 of CONSOB Regulation n. 20267 of January 2018

To the Board of Directors of Piovan S.p.A.

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 ("Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Piovan S.p.A. and subsidiaries (the "Group" or "Piovan Group") as of December 31, 2019 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 19, 2020 (hereinafter the "NFS").

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### **Directors' and Board of Statutory Auditors' responsibility on the Consolidated Non-Financial Statement**

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and with "Global Reporting Initiative Sustainability Reporting Standards" established by GRI - Global Reporting Initiative ("GRI Standards"), with reference to the selection of GRI Standards, identified as a reporting standard.

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

Moreover, the Directors are responsible for the identification of the content of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the Group's business and characteristics, to the extent necessary to ensure an understanding of the Group's business, performance, results and the related impacts.

Finally, the Directors are responsible to design a business management model for the organisation of the Group's activities, as well as, with reference to the topics identified and reported in the NFS, for the policies for the identification and management of the risks generated or undertaken by the Group.

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

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### **Auditors' Independence and quality check**

We are independent in compliance with the independence and all other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our company applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a system of quality control that includes directives and procedures concerning compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Auditors' responsibility

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

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

Specifically, we carried out the following procedures:

1. Analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the process in place for the selection process in the light of the provisions of article 3 of the Decree and taking into account the adopted reporting standard.
2. Analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance to the Decree.
3. If applicable: comparison of data and financial economic disclosures presented in the NFS with those included in the Group's consolidated financial statements.
4. Understanding of the following matters:
  - Business management model of the Group's activity, with reference to the management of the topics set out in article 3 of the Decree;
  - Policies adopted by the entity in connection with the topics set out in article 3 of the Decree, achieved results and related key performance indicators;
  - Main risks, generated and/or undertaken, in connection with the topics set out in article 3 of the Decree.

With reference to these matters, we compared them with the disclosures presented in the NFS and carried out the procedures described in point 5, letter a).

5. Understanding of the processes underlying the origination, recording and management of significant qualitative and quantitative information disclosed in the NFS.

Specifically, we carried out interviews and discussions with the management of Piovan S.p.A. We also performed limited documentary verifications, in order to gather information on the processes and procedures supporting the collection, aggregation, processing and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, with respect to significant information, taking into consideration the Group's business and characteristics, at parent company's level (Piovan S.p.A.):

- a) with regards to qualitative information included in the NFS, and specifically with reference to the business model, policies applied and main risks, we carried out interviews and gathered supporting documentation to check for consistency with available evidence.



- b) with regards to quantitative information, we carried out both analytical and limited procedures to ensure, on a sample basis, the correct aggregation of data.
- c) we carried out site visits, to meet its management and gather supporting documentation with reference to the correct application of the procedures and methods used to calculate the indicators.

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## Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Piovani Group as of December 31, 2019 has not been prepared, in all material respects, in accordance with the requirements of article 3 and 4 of the Decree and the selected GRI Standards.

Padova, March 27, 2020

Signed by  
BDO Italia S.p.A.

Stefano Bianchi  
Socio

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





2019 Sustainability Report

by Piovan S.p.A.

PIOVAN S.p.A.

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