



SUSTAINABILITY
REPORT
2018

Consolidated non-financial report, in accordance with the Legislative

Decree 254/2016

CONTENTS

PRESIDENT'S MESSAGE	6
1. METHODOLOGICAL NOTE	7
1.1 THE NON-FINANCIAL REPORT PERIMETER	8
2. MATERIALITY ASSESSMENT	9
3. BUSINESS MODEL ADOPTED FOR THE MANAGEMENT AND ORGANISATION OF CORPORATE OPERATIONS	12
3.1 GROUP STRUCTURE	15
3.2 CORPORATE GOVERNANCE	15
3.2.1 CORPORATE BODIES OF PIOVAN SPA.....	16
3.2.2 CODE OF ETHICS.....	18
3.3 THE ORGANISATION, MANAGEMENT AND CONTROL MODEL IN ACCORDANCE WITH LEGISLATIVE DECREE 231/2001	19
3.3.1 BUSINESS INTEGRITY (FIGHT AGAINST ACTIVE AND PASSIVE CORRUPTION)	19
3.4 GROUP REPUTATION	20
3.5 ECONOMIC VALUE GENERATED AND DISTRIBUTED	21
3.6 RISK ANALYSIS AND MANAGEMENT.....	23
4. INNOVATION, RESEARCH AND DEVELOPMENT	25
4.1 CO-ENGINEERING	26
5. QUALITY, PRODUCT SAFETY AND SUPPLY CHAIN MANAGEMENT	26
5.1 PRODUCT	26
5.2 QUALITY AND SUPPLY CHAIN	28
6. COMMITMENT TO THE CIRCULAR ECONOMY	30
6.1 CIRCULAR ECONOMY	31
6.2 ENERGYS S.R.L.....	31
6.2.1 ENERGY MANAGEMENT.....	32
6.2.2 WHITE CERTIFICATES.....	33
7. ENVIRONMENT	34
7.1 ENERGY CONSUMPTION MANAGEMENT	34
7.2 WASTE MANAGEMENT.....	36
8. SOCIAL ASPECTS	36
8.1 PERSONNEL MANAGEMENT	36
8.2 TRAINING AND DEVELOPMENT	42
8.3 OCCUPATIONAL HEALTH AND SAFETY.....	43

8.4	FAIRNESS IN BUSINESS RELATIONS.....	44
8.5	EMPLOYEE-RELATED PROJECTS AND CORPORATE WELFARE.....	45
8.6	INITIATIVES FOR LOCAL COMMUNITIES	46
9.	MANAGERIAL APPROACH.....	48
10.	REPORTING PROCESS AND TABLE OF GRI INDICATORS	49
10.1	TABLE OF GRI INDICATORS ("GRI REFERENCED" OPTION)	49
11.	INDEPENDENT AUDITORS' REPORT	53

PRESIDENT'S MESSAGE

Over our long history of growth and challenges, individual values and skills have become corporate culture, but there is one key factor that has never changed, as the guiding light illuminating our way of doing business: total commitment to innovation for the success of our customers.

Today, Piovan Group is a world leader in the supply of auxiliary equipment and services for the plastics industry, also with high technological capacity for the handling of food powders. Achieving this extraordinary result is the incentive to maintain the position the global market attributes us.

Enthusiasm, tenacity and unfailing determination in pursuing our corporate philosophy have so far rewarded us, leading us to become a multinational organisation with 7 production plants and 23 service and sales companies around the globe, employing a total of 1,044 people.

In pursuing our development objectives with determination, we remain faithful to the principles that have inspired Piovan for three generations, recognising the primary role of our employees and partners as the true promoters of innovation, while conducting business with honesty, integrity and transparency.

We would not be able to fulfil our mission without sharing the following key values:

- *people as priority*
- *transparency in relationships*
- *individuality put at the service of the group*
- *ambition and determination*

Embracing this clear and simple strategy, we look forward to facing the exciting challenges in store for us, convinced that the growth of Piovan Group must always be the natural outcome of responsible choices, balance, reliability and positive working environments, aimed at providing value to our customers and the social communities in which we operate.

Nicola Piovan

1. METHODOLOGICAL NOTE

Piovan S.p.A. (hereinafter Piovan Group), as a public-interest entity, within the meaning of Section 16 of Italian Legislative Decree no. 39 of 27 January 2010, as amended, with a number of employees, balance sheet and net revenues from sales and services exceeding the numeric thresholds established under Section 2(1) of Legislative Decree no. 254 of 30 December 2016 (hereinafter "Decree 254"), is subject to the application of said Decree 254, "Implementation of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, amending Directive 2013/34/EU, as regards disclosure of non-financial and diversity information by certain undertakings and large groups".

Piovan Group is subject to the provisions of said Decree, commencing from 2018 financial reporting, although it has always carefully monitored the areas which are the focus of the Decree; therefore, this report constitutes the first document of its kind and it will be published annually.

This consolidated Non-Financial Disclosure (NFD) of Piovan Group for year ended 31 December 2018 was prepared in accordance with the provisions of Decree 254 and forms a separate document from the Report on Operations.

The Non-Financial Disclosure should be considered as a supplement to, and integration of, the Report on Operations and further documentation relating to the Financial Statements and constitutes the commitment of Piovan Group to reporting on the social and environmental impact of its operations, respect for human rights and its policies adopted in these areas, as well as on diversity, in accordance with the provisions of Decree 254. The structure of this NFD has given priority to consistency with the topic areas referred to in the Decree.

This report allows clear presentation and communication of the integration existing between the economic sustainability of Piovan Group and the social and environmental sustainability adopted in the corporate decision-making processes, in strategy, in governance and in the business model.

The selection of the topics and indicators for the definition of the subject matter to be reported, relevant for Piovan Group and for stakeholders, was decided based on a process of materiality assessments, divided into the stages described in section 2.

In order to comply with the criteria for reporting non-financial information, Piovan Group has adopted, as reference guidelines, the GRI Standard (referenced option) model issued in 2016 by the Global Reporting Initiative, which is the most widely used international reference for sustainability reporting.

A summary table showing the correspondence between the information reported by Piovan Group and the GRI indicators is provided in section 2 of this disclosure. The process of data collection and checking was managed by the Finance and Control Area, through data collection forms sent to the heads of all corporate

departments, regional offices and companies within the scope of reference, in relation to the different perimeters of analysis.

The Non-Financial Disclosure is published on the Piovan Group website: <https://ir.piovangroup.com>

For further details or questions, please contact:

Luca Sabadin

CFO and IR Manager

Email: ir@piovan.com | Tel: +39 041 5799111

1.1 THE NON-FINANCIAL REPORT PERIMETER

All information reported in the disclosure refers to the 2018 financial year, which is the first year of non-financial reporting for Piovan Group and, therefore, this document represents the first Sustainability Report published by the Group. For this reason, for some types of indicators, it was not possible to provide a comparison with the previous year, as the necessary information was collected for specific non-financial reporting purposes only from 2018.

As explained in the note on methodology, in compliance with Decree 254, the Sustainability Report will be published annually, together with the Group's Consolidated Financial Statements.

Piovan Group has identified three reporting perimeters:

- **the first** corresponds entirely to **all the companies consolidated** under the Consolidated Financial Statements and refers to financial, anti-corruption and social-related information;
- **the second** corresponds **only** to the **Italian companies: Piovan S.p.A., Aquatech S.r.l., Penta S.r.l., Progema S.r.l. and Energys S.r.l.** and refers to human resource management topics;
- **the third** is represented **only by the Parent Company, Piovan S.p.A.** as far as environmental issues and policies supporting local communities are concerned.

Any other variations and limitations of these perimeters will be indicated in this document under the specific sections. For a breakdown of the companies, reference should be made to the "Group Structure", described in section 3.1 below.

The decision to breakdown the reporting perimeter in this way stems from the fact that, being the first year of compliance with Decree 254, a process is being implemented to collect all information necessary for structuring a series of environmental and social performance indicators extendable to all companies consolidated by Piovan Group. However, these exclusions do not represent a limit to understanding the Group's operations, its performance, results and impact since:

- 49% of the Group's workforce is employed in Italy for personnel management topics;
- with reference to environmental topics, the manufacturing site of Piovan S.p.A. is the main production facility for the entire Group, contributing 29% of consolidated revenue.

For future reporting periods, Piovan Group will gradually extend the scope of non-financial reporting to all companies consolidated on a line-by-line basis by the Group, with regard to personnel management topics and to all manufacturing companies with regard to environmental topics, as well as including the definition of processes aimed at collecting and processing the information necessary for the creation of environmental and social performance indicators.

2. MATERIALITY ASSESSMENT

The information presented in this Report, in accordance with the provisions of Decree 254, has been selected on the basis of the principle of "materiality", which identifies the information through which an understanding of the operations of the Piovan Group, its performance, results and impact on non-financial topics can be ensured.

The process for identifying material topics (material topics are defined as all topics impacting the decisions, actions and performance of an organisation and/or its stakeholders) considered the recommendations and methodology indicated under the principles of the GRI Standards, and was divided into the following phases:

- identification of the relevant topics for the Piovan Group through dialogue and exchange among members of the internal Working Group;
- identification of relevant topics for key stakeholders through *benchmarking* activities;
- comparison of the relevant topics for the Piovan Group and for reference *stakeholders*, in order to prioritise the relevant topics and, as a result, building the so-called materiality matrix.

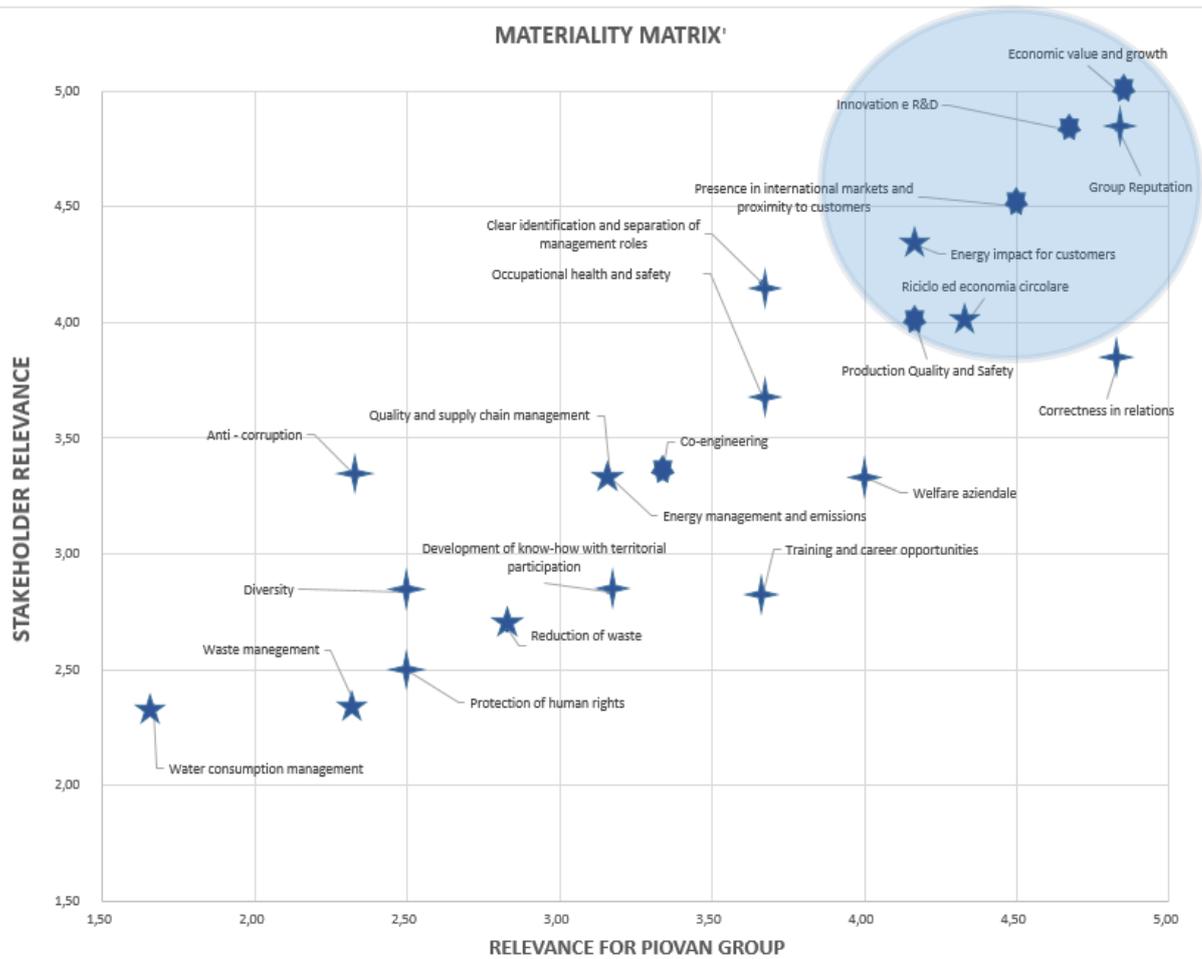
Specifically, the members of the Internal Working Group assessed the relevance of different topics concerning eight macro-areas, such as Governance, Economic and Business Responsibility, Environmental Responsibility, Responsibility towards Human Resources, Supply Chain, Human Rights, Community Responsibility and Product Responsibility. As this is first-year adoption of the Non-Financial Disclosure, assessment of the topics considered relevant was conducted by a joint internal group. A path for the future has been set to extend the assessment to relevant stakeholders (both internal and external).

Piovan Group's reference stakeholders for the year 2018 are:

- Employees
- Customers
- Suppliers
- Universities
- Local community

The rating scale used includes a score range from 1 to 5. The materiality matrix, shown below, uses the x-axis to represent the average values of each topic relevant to the Piovan Group and, on the y-axis, the average values of each topic relevant to stakeholders.

In order to represent the matrix, the eight macro-areas identified have been grouped into three macro-areas: Environmental, Economic and Social/Human Resources.



- economic
- environmental
- social/human resources

For both axes, topics with a rating of more than 4 (defined as "materiality threshold"), on a scale from 1 to 5, are considered materials for Piovan Group.

The following is the correlation between the areas under Decree 254, the material topics for Piovan Group and the GRI topics, with evidence of their impact (internal and/or external to the Group):

TOPICS UNDER LEGISLATIVE DECREE 254/16	MATERIAL TOPICS FOR PIOVAN GROUP	TOPIC-SPECIFIC GRI REFERENCE STANDARDS	PERIMETER	
			INTERNAL	EXTERNAL
HUMAN RESOURCES	Corporate Welfare	Employment (GRI 401)	Piovan Group	
	Occupational health and safety	Occupational health and safety (GRI 403)	Piovan Group	
	Training and career opportunities	Training and education (GRI 404)	Piovan Group	
	Correctness in relations		Piovan Group	Suppliers
	Diversity	Diversity and Equal Opportunity (GRI 405)	Piovan Group	
	Clear identification and separation of management roles		Piovan Group	
HUMAN RIGHTS	Protection of human rights	Incidents of discrimination and corrective actions takes (GRI 406-1)	Piovan Group	
ANTI-CORRUPTION	Anti-corruption	Anti-corruption (GRI 205)	Piovan Group	
SOCIAL	Development of know-how with territorial participation	Local Communities (GRI 413)	Piovan Group	
	Innovation/R&D		Piovan Group	
	Group reputation		Piovan Group	Suppliers / Customers
	Product Quality and Safety	Customer health and safety (GRI 416)	Piovan Group	Customers
	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	
Presence in international markets and proximity to customers		Piovan Group	Customers	
ENVIRONMENT	Energy management and emissions	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	Customers
	Energy impact for customers		Piovan Group	Customers
	Reduction of waste		Piovan Group	

**Topic not directly related to a Topic - Specific GRI Standards: in this report, Piovan Group reports on the table of GRI Indicators, the management approach adopted and the related indicators, as required by the GRI Standards.*

With regard to the external perimeter of reporting, it should be noted that, to date, reporting has not been extended to suppliers and customers.

3. BUSINESS MODEL ADOPTED FOR THE MANAGEMENT AND ORGANISATION OF CORPORATE OPERATIONS

THE PIOVAN GROUP IN A NUTSHELL

- **Consolidated turnover** for the year 2018: 248 million euro
- **Share Capital** (fully paid-up): 6 million euro
- **Employees:** 1,044, of which 508 in Italy and 536 in the rest of the world
- **7 production plants** on 4 continents, of which 3 are located in Italy and 4 in Germany, the United States, Brazil and China, respectively.

The year was 1934, when Costante Piovan & Figli, a mechanical workshop, named after its founder, was established in Padua. In 1964, Piovan introduced the first auxiliary equipment for the processing of polymers to the Italian market. In 1997, the Company changed its legal form to a joint-stock company, changing its name to Piovan Spa, with registered office in Via delle Industrie 16, Santa Maria di Sala (VE).

Today, Piovan Group is a multinational corporation, world leader in the development and production of auxiliary systems for the automation of production processes for the storage, transport and treatment of polymers and plastic and food powders.

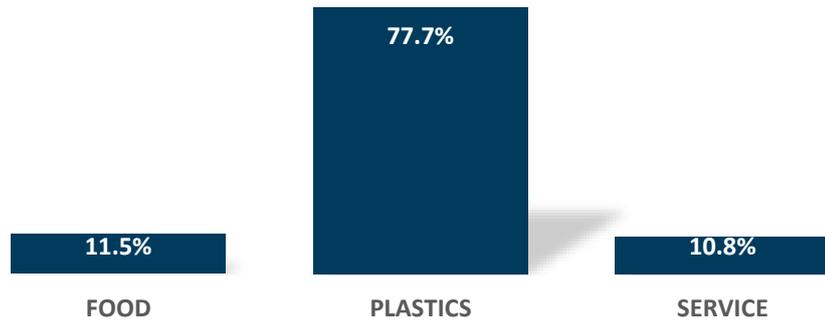
In particular, the Group develops, manufactures and markets systems and plants that allow customers to automate and to make more efficient the entire storage, transport and treatment process of virgin polymers, recycled plastics and bioplastics as well as main food powders such as, for example, sugar, flour, cocoa and milk powder.

The Group's technical solutions include, specifically: (i) the design of plants, systems and engineering solutions; (ii) the manufacture of plants and systems; and (iii) installation and commissioning at customer's manufacturing sites.

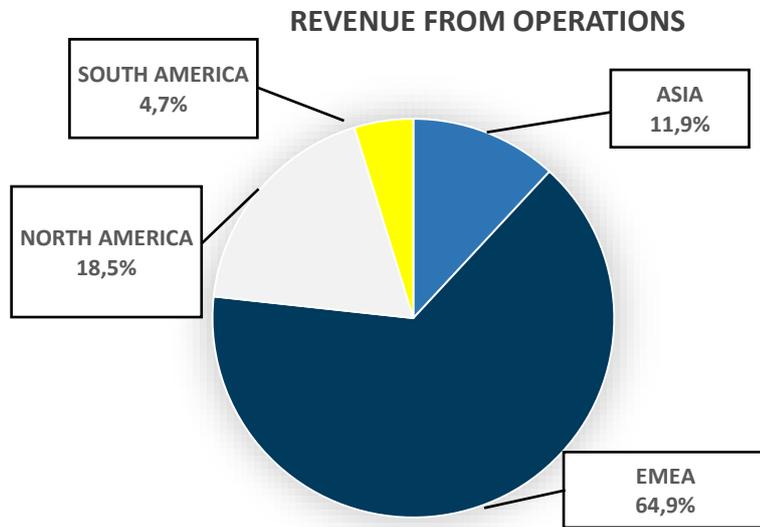
Moreover, the Group, assists its customers on a global basis through a continuous technical assistance, which includes the sale of machinery parts and the supply of a range of additional services ("Services and Parts"), support activities from the preliminary design stage up to installation and commissioning of plant and machinery, in order to ensure optimum operation of products installed and consolidate relations with customers.

The Group ended **year 2018 with consolidated revenues** of 248 million euro (+16.2% compared to 2017).

REVENUE FROM OPERATIONS BY BUSINESS LINE



The Group's revenues are generated in **4** different **geographical areas**: EMEA, North America, South America and Asia.



The Group, chaired by **Nicola Piovan**, has **1,044 employees**, of which **508 in Italy** and **536 in the rest of the world** (147 in Europe, excluding Italy, 155 in the U.S.A., 159 in Asia and 75 in Brazil), supported by a sales network consisting of **23 locally active service and sales companies** (of which 14 in EMEA area, 5 in ASIA, 3 in North America and 1 in South America) and, together with distributors, the Group operates in **104 countries**.

...Resulting in Long-Term Growth, Both Organic and Through M&A



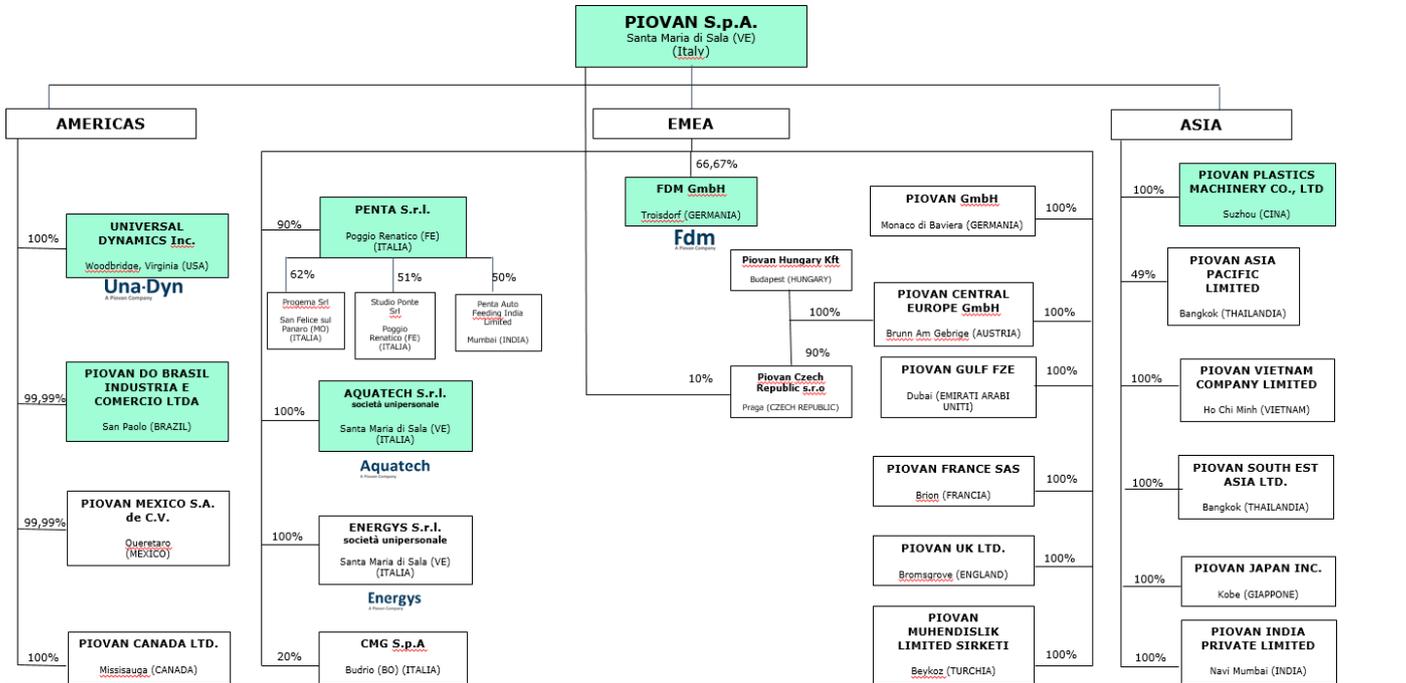
The Group has **7 production plants** on 4 continents, of which **3** are located in Italy and **4** in Germany, the United States, Brazil and China, respectively.

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

No significant changes were reported in 2018. Please see significant events described in the Report on Operations.

3.1 GROUP STRUCTURE

As at 31 December 2018, Piovan Group presented a structure with Piovan S.p.a. at the head and which can be represented as follows:



3.2 CORPORATE GOVERNANCE

An adequate governance structure and an effective control environment are the key factors of the Company’s management and organisation and consist of a set of tools, processes and bodies necessary and useful for directing, managing and controlling corporate operations, with a view to efficient and ethical business activities.

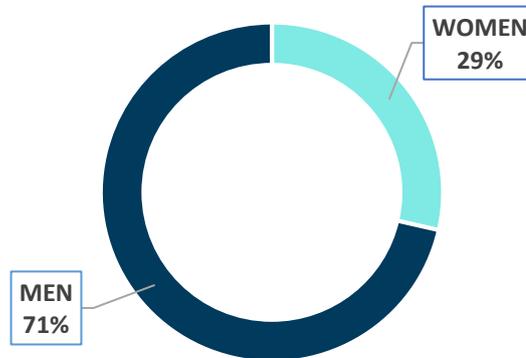
Regarding corporate governance, Piovan Group has adopted a codified structure, with special reference to the adoption of the rules established under the Self-regulation Code of Conduct prepared by the Committee for Corporate Governance of Borsa Italiana (Italian Stock Exchange). The corporate bodies forming the Piovan Group governance system are as follows:

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

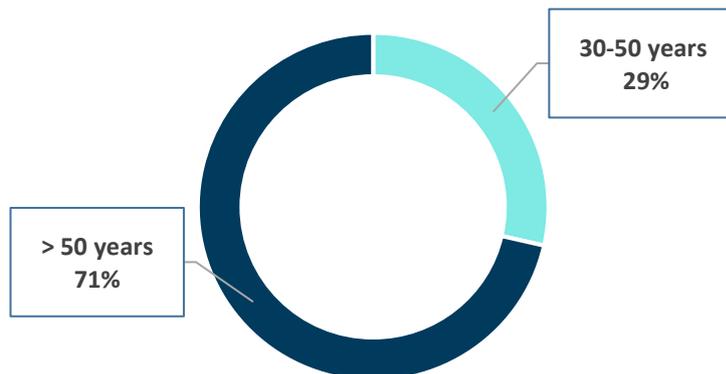
The Board of Directors is supported in its duties by three committees: (i) the Appointments and Remuneration Committee, (ii) the Control, Risk and Sustainability Committee, and (iii) the Related Parties Committee. The Board of Directors has also set up a Supervisory Body, in accordance with Legislative Decree 231/2001.

3.2.1 CORPORATE BODIES OF PIOVAN SPA

COMPOSITION OF THE BOARD OF DIRECTORS BY GENDER



COMPOSITION OF THE BOARD OF DIRECTORS BY AGE RANGE



The Board of Directors is currently composed of **7 members**, **5** of whom are **non-executive** and **4 independent**. The **Chairman of** the Board of Directors has an executive role. In addition to the powers granted by law and under the Articles of Association, the Board of Directors has exclusive jurisdiction over the most important decisions from a financial, business and strategic standpoint and in terms of their structural impact on operations, i.e. those that are instrumental to monitoring and steering operations of the Company and the Group. It was in part appointed by the ordinary shareholders' meeting of the Company on 29 June 2018 and, in part, on 14 September 2018, with effect from the date of listing on the Stock Exchange, and will remain in office until approval of the financial statements as at 31 December 2020.

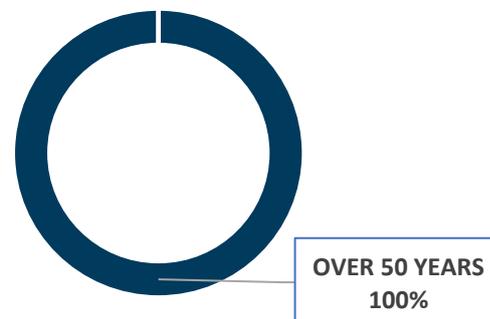
The Board of Statutory Auditors is composed of **3 statutory auditors**. It was appointed by the Company's ordinary shareholders' meeting of 14 September 2018 and will remain in office until approval of the financial statements for the year ended 31 December 2020. The Board of Statutory Auditors operates to ensure

compliance with the law and the Company's Articles of Association, compliance with principles of correct administration, as well as compliance and adequacy of the organisational and administrative structure adopted. This Board also carefully oversees disclosure of information and dialogue between the Company's various internal and external bodies. **All members of** the board satisfy requirements of **independence**.

COMPOSITION OF THE BOARD OF STATUTORY AUDITORS BY GENDER



COMPOSITION OF THE BOARD OF STATUTORY AUDITORS BY AGE RANGE



The Articles of Association govern the procedures and requirements for appointments as Directors and elected Statutory Auditors, in compliance with current legislation and regulations on gender balance.

In 2018, the **Appointments and Compensation Committee** and the **Risk and Sustainability Control Committee** were established, in accordance with the recommendations in the Code of Conduct and are composed of 3 non-executive directors. Please see the minutes reported by the Appointments and Remuneration Committee for the report on remuneration of the Board of Directors and strategic managers.

3.2.2 CODE OF ETHICS

In order to clearly define reference values and responsibilities, Piovan Group has decided to adopt a **Code of Ethics**, approved by the Board of Directors and intended for directors, statutory auditors, management, employees and workers, as well as all those who permanently or temporarily establish, for any reason, relations and dealings with the Company for the pursuit of corporate objectives. Compliance with the Code of Ethics by recipients, each within the scope of his or her own duties and responsibilities, is of key importance for the efficiency, reliability and reputation of the Company. In addition to establishing mandatory or prohibited behaviour, the principles set out in the Code aim to increase the efficiency of the organisation, directing recipients towards **positive goals, capable of producing benefits** both for those directly concerned and for the reference environment as a whole, through enhancement of internal relations and focus on the good reputation of the Group. Through the Code of Ethics, as a tool, the Group had the intention of highlighting and disseminating the **values** that have always formed its building blocks, such as, for example:

- **Correctness:** In its relations, Piovan is inspired by the principles of loyalty, fairness, transparency and efficiency. These principles represent the acceptance of responsibility for an honest, open and collaborative work environment, making a commitment to managing one's own business responsibly towards the community.
- **Transparency and accessibility of information:** the company guarantees confidentiality of the information acquired through appropriate procedures for internal management and external communication. Internal and/or external notifications and announcements are verbal or written and easy to understand.
- **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 intra-company relations and with third parties.
- **Valorisation, Responsibility of human resources and correct use of company assets:** PIOVAN considers human resources an indispensable and essential element for the Company's existence and for the pursuit of its objectives. The company has a zero-tolerance policy and strongly condemns any discrimination based on age, race and ethnic origin, nationality, political opinions, religious beliefs, gender, sexual orientation or health status.
- **Equal opportunities and prohibition of harassment:** in order to concretely exploit the opportunities for professional growth of its resources, Piovan offers equal opportunities for professional growth, ensuring that everyone can enjoy fair treatment, based on criteria of merit, without any discrimination.
- **Occupational health and safety:** Piovan is committed to managing its manufacturing operations, at each facility, in full compliance with existing laws and regulations, in order to prevent or reduce, as far as possible, occupational hazards, with the aim of ensuring the safety of its employees.

The Code of Ethics is available and may be consulted via the link:

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

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

3.3 THE ORGANISATION, MANAGEMENT AND CONTROL MODEL IN ACCORDANCE WITH LEGISLATIVE DECREE 231/2001

The Board of Directors of Piovan Group has adopted the Organisation, Management and Control Model ("Model") in accordance with Legislative Decree no. 231/2001, holding it to be in line with company policies and consistent with its commitment to creating and maintaining a governance system that endorses high ethical standards.

The main objective of the Model is to create an organic and structured system of control rules and procedures, aimed at preventing the commission of the offences provided for by the Decree. **The Model is the foundation of the Company's governance system and instrumental to the process of spreading a business culture based on fairness, transparency and legality.**

The Model was established in 2018 and adopted by the Parent Company, Piovan S.p.a.. The commitment of Piovan Group is to extend the Model to all Group companies in 2019.

For further information, please refer to the Organisation, Management and Control Model, in accordance with Italian Legislative Decree 231/2001:

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

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

3.3.1 BUSINESS INTEGRITY (FIGHT AGAINST ACTIVE AND PASSIVE CORRUPTION)

The Piovan Group carries out its business activities in compliance with the values and principles provided for in its Code of Ethics, believing that business should not disregard ethics in both internal and external relations. In this regard, **fighting corruption** - both active and passive - and rejecting it in any context and in any form, is a concrete commitment for the Group. The Model referred to in Legislative Decree 231/2001 and the Code of Ethics form an integrated *corpus of* internal rules aimed at spreading a culture based on ethics and corporate transparency.

For this reason, a path has been traced to identify and prevent any problems of corruption by adopting in the future an Anti-Corruption Policy, applicable to employees and all those operating or acting in the name and on behalf of Group companies.

In no case may the pursuit of the interest or advantage of the Group or individual companies justify unlawful and/or unethical conduct.

This primary goal is reflected in the following actions already implemented in 2018 and to be undertaken by the Group:

- **identification of active and passive corruption risks** and implementation and maintenance of policies and practices against corruption and extortion;
- **integration of a regulatory compliance program**, which Piovan Group intends to develop and maintain over time at Group level, with specific provisions and mechanisms for reporting, monitoring and control on the subject of anti-corruption;
- **adoption of the Organisation and Management Model, in accordance with Legislative Decree 231/01** and its updating to adapt it to the introduction of new predicate offences and, in turn, supplemented by the adoption of the Code of Ethics;
- **supervision at Group level** via a series of information flows and through monitoring and, for Piovan S.p.a., through the Supervisory Body (**SB**) which must be composed of three members with adequate professional expertise in economic and legal areas and analysis, control and management of corporate risks.

Piovan Group intends to raise **awareness among its employees, representatives, suppliers, partners** and anyone performing activities on behalf of, or under the control of the Group, on corruption and how to fight it, as well as encouraging their responsible involvement to **strengthen the effectiveness and ethical reputation of the Piovan Group**.

To date, supervisory monitoring has not reported any illegal activity regarding Piovan Group, among those included under the Group's Code of Ethics and the Organisation, Management and Control Model.

No corruption events were reported in 2018.

3.4 GROUP REPUTATION

The Group attaches great importance to the brand's reputation and what it represents for its customers. Consequently, great importance has always been placed on **customer service and on a rapid and extensive technical assistance network** that covers all geographical areas and is highly appreciated by customers for its uniqueness within the industry in which the Group operates. Piovan Group is committed to extensive design, testing and engineering activities, as well as to a complex quality control system that covers the entire manufacturing cycle, from the selection of suppliers to production and, finally, post-production. The Group gives high priority to selection and assessment of its suppliers to try to ensure adequate levels of defects, as well as punctuality in services and deliveries.

3.5 ECONOMIC VALUE GENERATED AND DISTRIBUTED

The economic value generated and distributed expresses the ability of a company to generate wealth for the benefit of its stakeholders. The **economic value generated** by Piovan Group in 2018 totalled € 247 million, increasing by 16% compared to 2017. The **economic value distributed** totalled € 229 million, up 18% compared to 2017. 92% of the economic value generated in 2018 was then distributed to the various stakeholders, both internal and external, while the remaining 8% was retained within the Group.

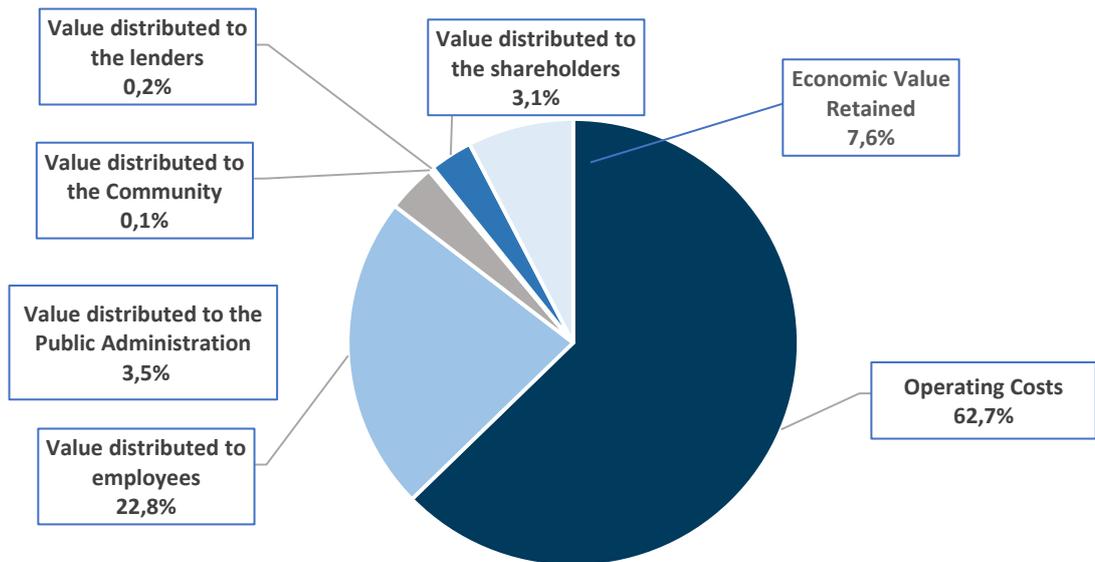
THOUSANDS OF EURO	2017	2018
ECONOMIC VALUE GENERATED	212,779	247,422
ECONOMIC VALUE DISTRIBUTED	194,282	228,623
Operating Costs	126,548	155,097
Value distributed to employees	52,011	56,382
Value distributed to the Public Administration (State)	8,635	8,619
Value distributed to the Community	383	353
Value distributed to lenders	686	532
Value distributed to shareholders *	6,018	7,639
ECONOMIC VALUE RETAINED	18,497	18,799

* Dividends refer to the value shown in the draft 2018 financial statements approved by the Board of Directors on 14 March 2019.

The profit for the year 2018 amounted to € 25.5 million (+26% compared to 2017). The table above shows the economic value generated and distributed and distribution among the various stakeholders:

- **Suppliers** (operating costs)
- **Employees**
- **Public Administration**
- **Lenders**
- **Community**

ECONOMIC VALUE GENERATED 2018



For further details on economic and financial performance, reference should be made to the sections of the Financial Statements.

The share of economic value distributed to **suppliers** (operating costs) is the most significant, with an incidence of **63%** on economic value generated. Moreover, this share increased by 23% compared to the previous year. This increase is in line with the Group's business model, which considers territorial sharing with its suppliers a key aspect of its value proposition.

The share of economic value distributed to **employees** through wages and salaries, social security contributions and benefits represents the second largest portion, or **23%** of economic value generated. Compared with the 2017 reporting period, this share of the value increased by 8%.

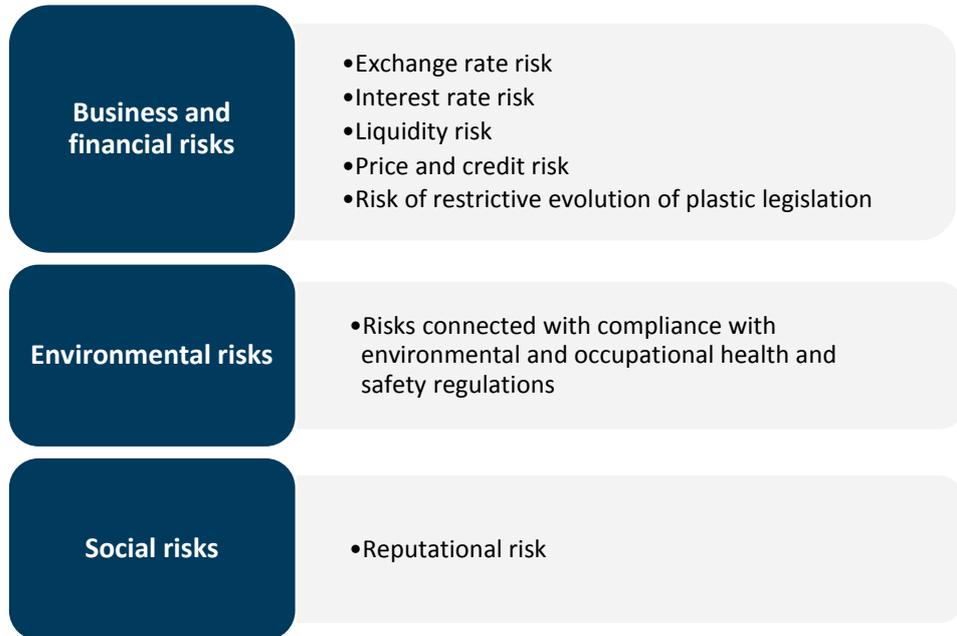
The part of value allocated to the **Public Administration** in the form of taxes and duties represents **3.5%** of economic value generated.

Lenders were allocated **3%** of economic value generated in the form of interest payable and financial charges and dividends distributed to shareholders.

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

3.6 RISK ANALYSIS AND MANAGEMENT

The following table shows the risks that may be significant in the pursuit of Piovan Group business strategy in the medium and long term. The methods and measures implemented for their prevention and management are also explained.



ECONOMIC AND FINANCIAL RISKS

For the following exchange rate, interest rate, liquidity, price and credit risks, reference should be made to the Notes to the Consolidated Financial Statements.

Risk of restrictive evolution of plastic legislation

In relation to the evolution of the mainly European legislation on the production and use of plastics, there is a risk of potential market contraction. However, the Group has long been implementing a strategy for diversifying the sectors for which its products and projects are intended. In fact, it operates in the recycling sector, manufacturing primary and secondary plants for the processing of recycled plastic and for the production of bio-resins, believing to have a technological and temporal advantage over its main competitors. It is held that the plastics market follows a continuous growth trend, following secular trends such as: *a)* replacement of other materials with plastic or composite materials (e.g.: increasing number of components with more plastic in cars, also for reducing weight, with a view to mitigating environmental impact); *b)* growth in the use of packaging, especially food packaging, as a result of urbanisation on continents with strong demographic and economic growth; *c)* increased demand for ready-made and pre-packaged

foods and; d) increased need for automation in manufacturing processes in all industrial sectors.

ENVIRONMENTAL RISKS

Environmental risks are represented by risks associated with compliance with environmental regulations and occupational health and safety regulations.

The Group conducts its activities in sectors regulated by domestic and European Union legislation, as well as by legislation applicable in the various States in which it operates. It is therefore exposed to risk of significant changes in environmental and occupational health and safety regulations and the possibility of having to make investments to comply with any new obligations provided for by law. However, the Group's manufacturing operations are essentially an assembly activity and do not require complex processing plants. Piovan Group makes appropriate investments to ensure safe and responsible management of production operations and a safe environment for workers.

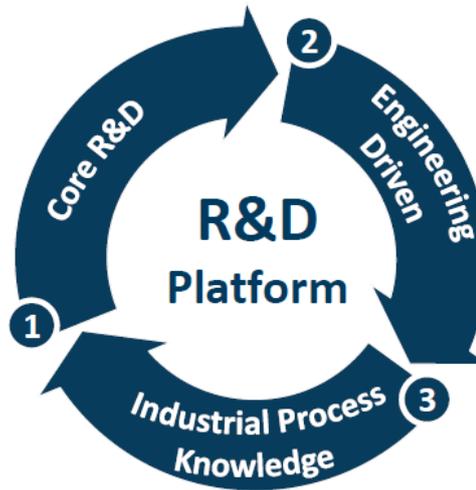
SOCIAL RISKS

Today, **reputation** and good standing are a key element for the success of a company. All the various activities are founded on the relationship of **trust** between the company and the various stakeholders that come into contact with it, including, namely, customers, employees, suppliers, lenders and investors. The reputational risk therefore translates into the potential damage that could result from a negative perception of the corporate image.

Piovan Group pays a lot of attention to its reputation, specifically to the perception of the Brand and to what it represents for its customers. The Group is therefore exposed to reputational risk, that is to say, to the negative perception of the corporate image and the prejudice that could result from it. For these reasons, for prevention purposes, over the years, an extensive customer support network and a rapid technical assistance service have been established. Moreover, Piovan Group has always carried out extensive design, testing and engineering activities and has adopted a complex quality control system that covers the entire production cycle and individual products. Specifically, strong focus is placed on supplier selection, to ensure adequate quality levels, both in terms of product and on-time compliance of services and deliveries and in terms of the reputation of the suppliers themselves.

4. INNOVATION, RESEARCH AND DEVELOPMENT

Piovan Group attributes **strategic importance to the research and development** of products and new solutions, necessary to maintain its market leadership position. The commitment to innovation is considered an essential element of the organisation, to be shared with each employee for the benefit of customers' process efficiency and of the proposal of innovative projects.



The market in which the Group operates is particularly competitive from a technological point of view. In order to maintain its market share, the Group must support continuous innovation and the development of new solutions that adapt to the changing needs of its customers (such as trends in bioplastics and plastic recycling) more rapidly than its competitors.

Special focus is placed on the search for energy efficiency. The Group has set up a **specific research and development department** at each production plant.

For financial year 2018, total expenditure, including costs and investments, incurred by Piovan Group in R&D activities amounted to **€ 8.7 million**, with an incidence on total recurring revenues and income of **3.5%**.

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

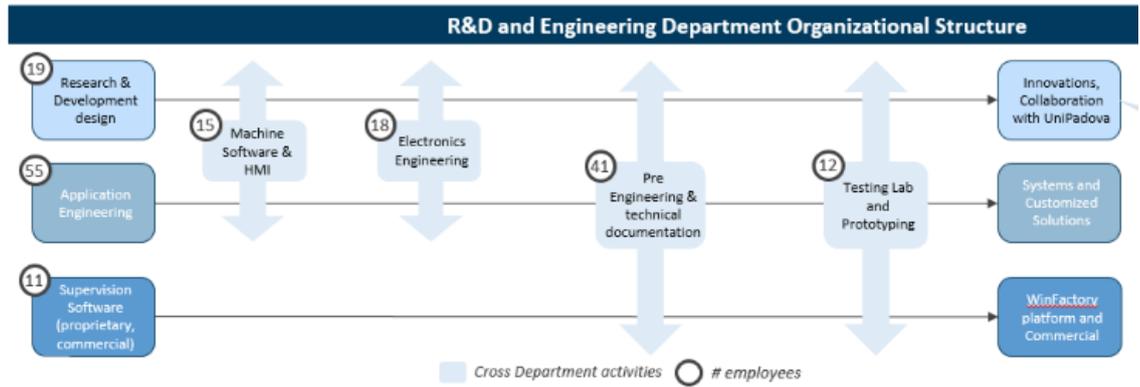
- the ability to make **locally developed innovative solutions available globally**
- the ability to offer **customised engineering solutions**

All this is possible thanks to **solid know-how**, originating from an in-depth knowledge of industrial processes relevant to the various end markets served.

The Group considers obtaining the most innovative and promising technologies to be one of the main factors of success. On-going innovation is essential to maintain our *leadership* in the face of increased competition and for prospecting new *business* opportunities in the markets where the Group operates. Special focus is therefore placed on the competitive advantage that may be gained in terms of intellectual property, as well as on the creation and management of a portfolio of

trademarks, patents and licences. The Group owns **33 patents** protecting the most innovative solutions developed by the Group.

In order to avoid loss of its position in terms of innovation, the Group adopts recruitment policies aimed at including highly qualified young professionals in its R&D department to develop innovative solutions capable of creating added value for the Group. At the end of 2018, there were **171 resources** working in the Engineering & Innovation area.



4.1 CO-ENGINEERING

The Group's business model focuses mainly on two areas, (i) innovation and (ii) customer relations. Specifically, the Group's business model requires customers to be involved in the development and production process from the initial request and development stage of the sales offer.

In implementing complex projects for customers, the Group also adopts innovative solutions also via co-engineering processes with customers, who require production output targets, process quality, performance levels and integration between production sites or other objectives. The Group develops *customised* solutions using both its own capacity for innovation and **integration of technological solutions**, applied in different industrial sectors, creating *cross-fertilisation* across solutions.

5. QUALITY, PRODUCT SAFETY AND SUPPLY CHAIN MANAGEMENT

5.1 PRODUCT

Piovan Group is the world's leading operator in the development and production of auxiliary systems for the automation of production processes for the storage, transport and treatment of polymers and plastic powders ("**systems for the plastics area**"). Since 2015, the Group has also been increasingly active in the development and manufacture of auxiliary systems for the automation of manufacturing processes for the storage, transport and treatment of food powders ("**systems for the food area**"), exploiting its leadership, replicating the business model adopted

5.2 QUALITY AND SUPPLY CHAIN

The Group adopts the highest production standards in order to guarantee its customers products based on the **highest quality and reliability**, using accredited workers and certification bodies, also operating at international level, in order to certify the conformity of the products to applicable standards.

In carrying out the various production phases, Piovan Group guarantees a complex quality control system that covers the entire cycle, from the selection of suppliers to the production phase and, finally, post-production with functional tests on the individual machines. In addition, the Group places great emphasis on the **selection and assessment of its suppliers**, based, among other things, on their ability to ensure adequate reduction of defect levels, as well as their ability to ensure on-time services.

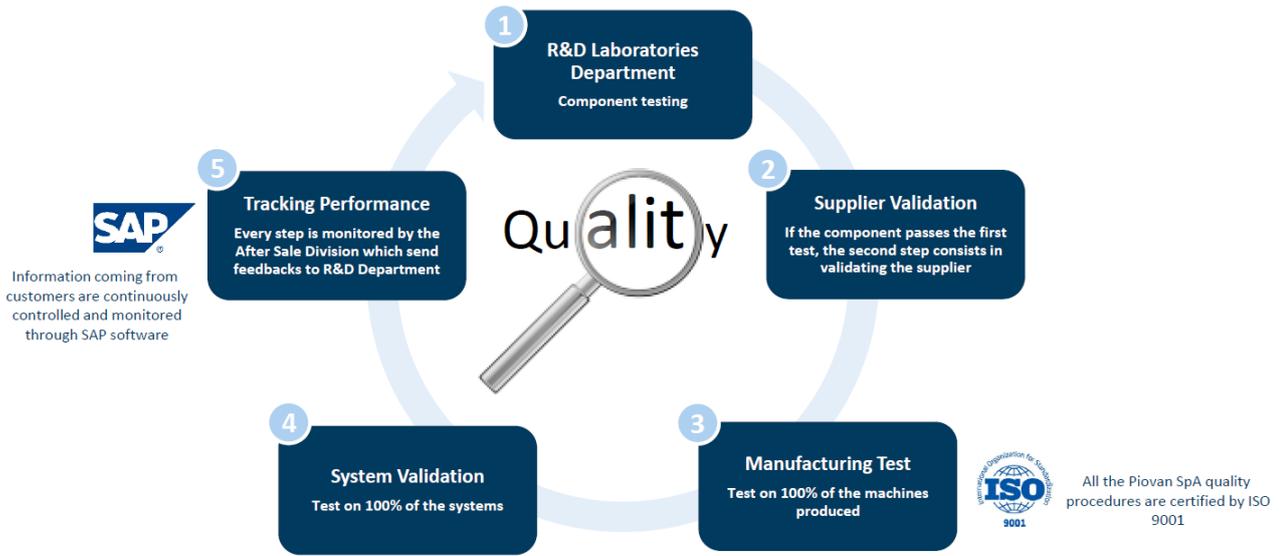
For this reason, Piovan S.p.a. is **ISO 9001:2015** certified with its **Quality Management System**, which covers the entire product life cycle, from Research & Development to the sales stage, including shipping and installation and after-sales service.

A high competitive advantage, therefore, is gained from this **total quality** strategic approach, with the aim of meeting customer expectations and implementing on-going improvement to products and production processes.

All products before release or delivery are subject to functional testing to ensure the **safety of the product and service sold** to customers. Each machine is tested before delivery. Primarily, whenever a machine and/or system with installation is sold, an acceptance report is signed by the end customer. The acceptance report serves as product certification.

In order to avoid any problems related to manufacturing, customisation and/or logistics and delivery of finished products, the Group adopts the **Kaizen model**, in combination with the so-called Kanban method (a technique aimed at avoiding overproduction by systematising the circulation of information within the company and its suppliers). This approach allows the Group to respond to the different customer needs at the order process stage, in a rapid and efficient manner and to guarantee delivery of finished products in accordance with agreed deadlines.

The general conditions applied by the Group to suppliers provide for: (i) the option, in the event that the supplier does not comply with product conformity obligations, of refusing the supply and obtaining its conformity or the immediate termination of the relative order and/or supply agreement; (ii) the option of requesting replacement or repair, at the supplier's expense, of products that have proved to be defective or become defective within 24 months of their delivery or within 12 months of their commissioning; (iii) the payment of a penalty by the supplier, in the event that the delay in the delivery of goods or supply of a service (a) is not promptly communicated to the Company or (b) is over 30 calendar days. In both cases, the Company will be entitled to unilaterally cancel the relevant purchase order or purchasing agreement, in whole or in part. No cases have been reported where such measures have been adopted.



The Group implements a strategy where it has at least one factory per continent, with the aim of serving the various geographical markets “locally”. To achieve effective service for customers, local supply networks are built in the district of each production site, with selection of suppliers instrumental to achieving the best level of quality and safety of the product and projects. This approach results in gaining extensive **territorial know-how**, coordinated by the technological and process leadership of Piovan Group, guaranteeing a **continuous and loyal supply chain**.

In order to prevent production and delivery delays of the finished product due to interruptions and/or inefficiencies and/or malfunctions attributable to selected and appointed suppliers, the Group adopts ad hoc procurement and stock management policies such as, for example, via delivery plans agreed with its suppliers and, in the case of materials and semi-finished goods essential for product manufacturing, a potential alternative supplier.

In order to ensure the highest level of service, Piovan S.p.a. adopts a **supplier selection, assessment and monitoring procedure**. Suppliers that have successfully completed assessment are included on a "vendor list". Purchase orders may only be forwarded to suppliers on this list.

6. COMMITMENT TO THE CIRCULAR ECONOMY

Environmental protection is an issue that has now gained enormous global importance. Threats related to climate change, resource scarcity and resulting supply problems require a rational and efficient use of resources.

In this context, Piovan Group's commitment focuses on creating **ecological technology**, combining product performance with respect for the environment. In terms of innovation, the Group, through its research and development activities, strives to develop new products and solutions, capable of minimising energy requirements and reducing their environmental impact.

The Group's strategy for reducing resource consumption is based on two fundamental pillars:

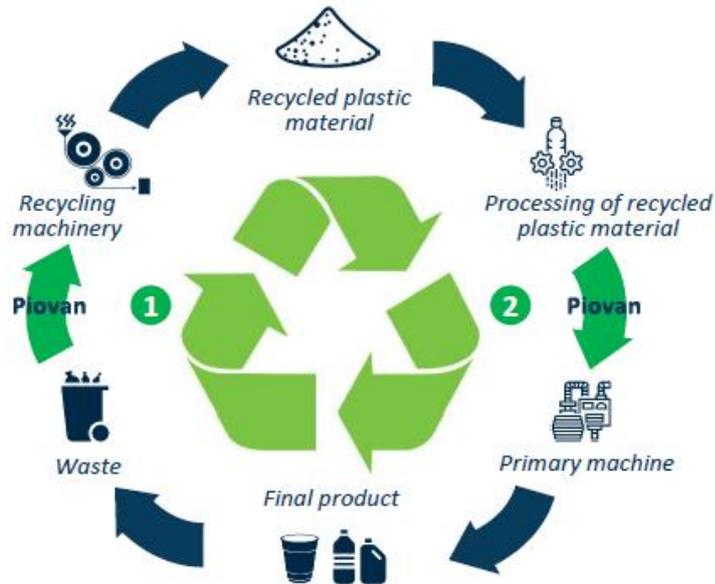
1. reduction of energy and waste in the plastic transformation process
2. introduction of technologies that allow reuse of already processed plastics

In the area of **energy reduction**, Piovan Group was the first to introduce ranges of self-adaptive products, capable of sensing the environmental conditions in which they operate and actual customer manufacturing needs. The complex range of sensors and algorithms that guide equipment decisions ensure that the system adapts using as little energy as possible for proper manufacturing. These technologies have allowed the national energy authority to credit hundreds of thousands of euros in White Certificates.

More recently, Piovan Group has created Energys S.r.l., a certified ESCo, which aims to provide specific advice to the Group's customers on measures to be adopted to save energy, whether related to the production of plastics or other materials.

6.1 CIRCULAR ECONOMY

Piovan has been committed for many years to developing equipment that allows plastic to be recycled. Over the years, silos and hoppers have been developed, adapted for the transit of recycled flakes, dosing devices capable of dosing flakes and crystallisers capable of processing amorphous plastic (post-consumer plastic) and, with a complex thermal-mechanical cycle, recrystallising the molecules.



In recent years, Piovan Group has been actively involved not only in the recycling of plastic but also in processes that allow its reuse in the food industry. The most important manufacturers of recycled plastic decontamination systems also use the Group's equipment in their process and Piovan Group is one of the leading companies in "Bottle-2-Bottle" installation to use post-consumer plastic in order to produce new bottles.

6.2 ENERGYS S.R.L.

Legislative Decree no. 102 of 4 July 2014, implementing Directive 2012/27/EU on energy efficiency introduced the obligation for large and energy-intensive companies to conduct an energy audit study, which must be repeated every four years. The decree also requires that the energy audit be conducted by an ESCo (Energy Service Company).

Energys S.r.l., a company consolidated by Piovan Group, was established in 2012 and is an energy specialist company and certified ESCo (UNI CEI 11352:2014). The company offers its customers services and technology to carry out an in-depth analysis of consumption, identifying all potential energy and economic savings within a company. Specifically, it is involved in:

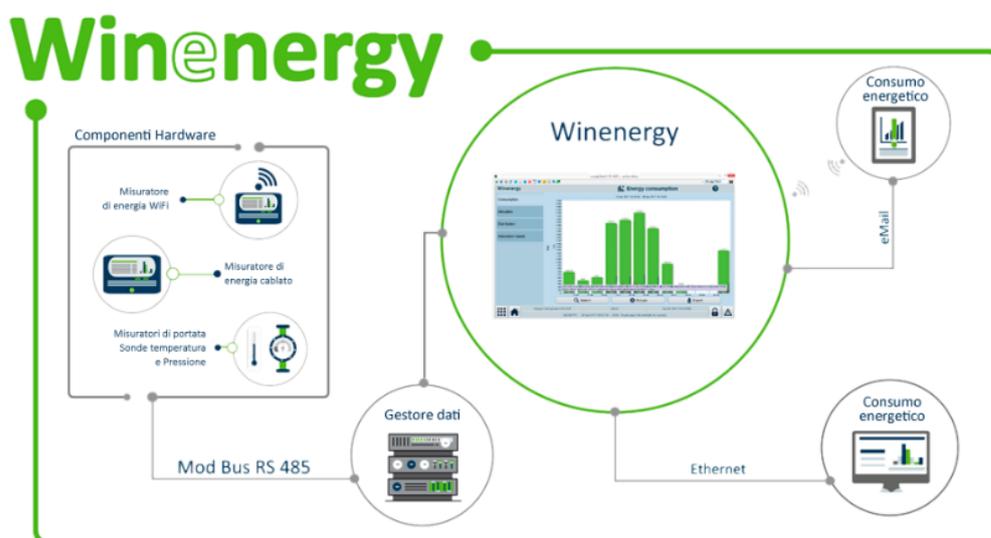
- energy efficiency monitoring and analysis

- energy audits
- obtaining white certificates

Energys's activities find wide application in industry, with special reference to the plastics and food industries, which represent Piovan Group's core business operations. In this way, the Group not only designs and develops machines, deploying the most advanced energy efficiency systems available on the market, but also offers services aimed at further reducing environmental impact of its customers' production processes.

6.2.1 ENERGY MANAGEMENT

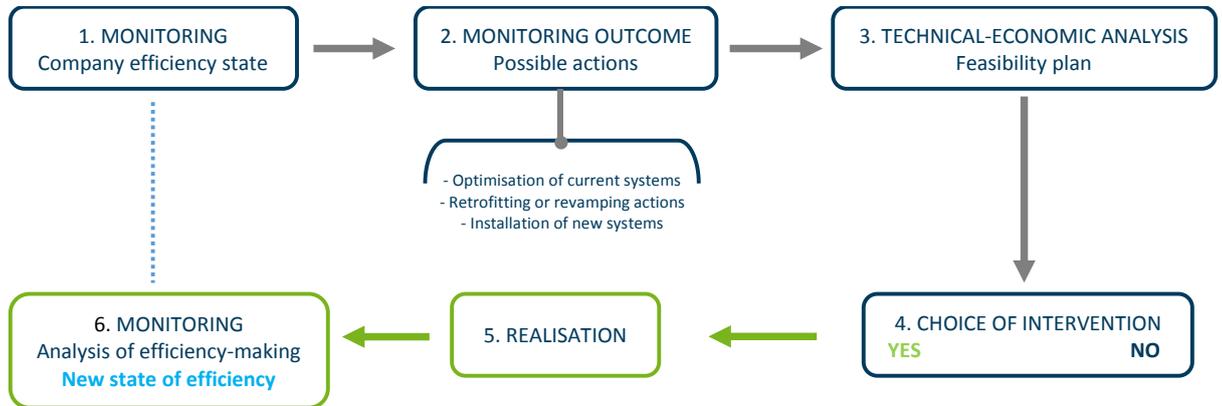
Today, the need to reduce consumption and making the most of energy resources has increased the importance and necessity of monitoring. Through the latter, it is possible to efficiently manage energy consumption, with a view to reducing emissions, while at the same time obtaining benefits and economic savings. Piovan Group has become part of this context with Winenergy, a consumption monitoring and analysis system, deploying proprietary software.



Winenergy monitoring systems allow to measure in real time the quantities of vectors and energy flows used in the company: electricity, fluid flow rate (e.g. natural gas, compressed air, water), temperature and pressure. They, therefore, make it possible to analyse energy performance, not only of individual users, but also of entire lines and production sites. The aim is to identify energy consumption centres and map the company's energy efficiency status, contributing to identifying inefficiencies.

In this way, it is possible to make evaluations with the aim of formulating hypotheses of intervention to improve the efficiency of what has been measured. Via a feasibility study, the following items are evaluated:

- the potential benefits, not only from the standpoint of reduced consumption, but also in economic terms
- the times of return on the investment identified



Energys S.r.l., through its activity of monitoring energy consumption thanks to the proprietary software Winenergy and its status as a certified ESCo, provides its customers with a solution to meet the legal obligation on energy audits, in accordance with the UNI CEI EN 16247 regulation.

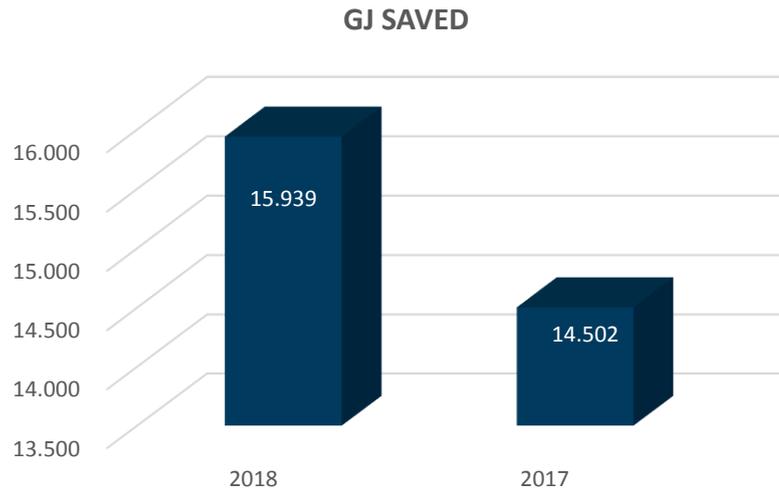
6.2.2 WHITE CERTIFICATES

White certificates, also known as Energy Efficiency Certificates (Italian acronym TEE), are tradable certificates certifying the achievement of energy savings in energy end-use via energy efficiency projects and measures.

Energys, as a certified ESCo, is authorised to manage the white certificate mechanism, by submitting projects and measures required for the issuing of energy efficiency certificates.

In 2018, Energys S.r.l. sold 2,189 energy efficiency certificates (TEEs), +4% compared to the certificates issued in 2017.

White certificates obtained by Energys S.r.l. in 2018 have allowed its customers to save 15,939 GJ. The figures confirm a positive trend compared to the previous year.



7. ENVIRONMENT

Piovan Group places great attention to the social responsibility deriving from the impact its business operations have on the environment in which they are carried out and, consequently, it steers its business towards actions and behaviour which are as ecologically sustainable as possible.

As explained in the section on the reporting perimeter (Section 1.1), this section reports on the environmental performance indicators, for the parent company only, Piovan S.p.A., whose impact from an environmental point of view may be linked to two significant areas:

- **energy consumption**
- **waste management**

7.1 ENERGY CONSUMPTION MANAGEMENT

Piovan S.p.A. production activity is essentially an assembly activity: it is, therefore, a non-energy intensive activity compared to actual manufacturing operations and does not require large amounts of water for processing. Nevertheless, Piovan has chosen to also report the indicators related to greenhouse gas emissions linked to the consumption of natural gas and electricity.

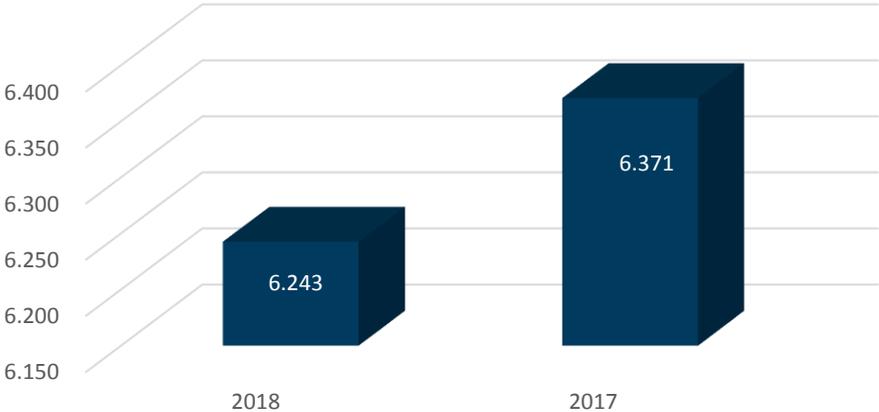
Piovan S.p.A. conducts its operations in compliance with domestic and EU environmental laws and regulations: in 2018, no monetary or other penalties were enforced against the Company regarding environment-related matters.

In 2018, electricity purchased from non-renewable sources and natural gas accounted for total energy consumption.

Electricity purchased is used both in the production process and for normal business activities. In 2018, consumption totalled 6,243 GJ, corresponding to the

emission of 746 metric tonnes of CO₂ into the atmosphere. The use of electricity during the year was slightly lower than in the previous period.

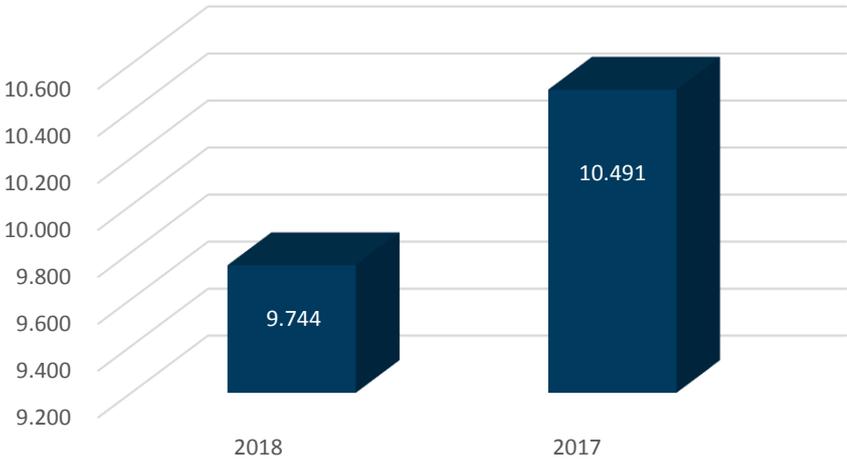
ELECTRICITY CONSUMPTION (GJ)



The consumption of **natural gas** does not refer to the production process, but is mainly related to building heating and therefore is linked to the trend of atmospheric conditions.

In 2018, consumption totalled 9,744 GJ: it decreased by 7% compared to previous year and corresponds to the emission of 514 metric tonnes of CO₂ into the atmosphere.

CONSUMPTION OF NATURAL GAS (GJ)



7.2 WASTE MANAGEMENT

Waste generated by Piovan S.p.A. operations is essentially waste from the production process. On the one hand, it consists of mixed packaging materials, such as paper, cardboard and wood, on the other, of assembly process scrap waste, such as ferrous material, aluminium and steel chips. In 2018, 488 metric tonnes of waste were collected, of which 417 tonnes of non-hazardous waste and 70 tonnes of hazardous waste. The latter primarily consisted of liquid waste, residues and waste resulting from the post-processing metal washing.

Compared to 2017, waste collection decreased slightly, by -1%.

Piovan S.p.A. places great importance on sorted waste collection. In all manufacturing departments, offices and refreshment areas, special "islands" have been set up for sorted collection (paper and cardboard, wet waste, PET, cans, used batteries and dry non-recyclable waste), for encouraging the recovery of recyclable materials and proper disposal of those that cannot be recovered, but may be potentially harmful to the environment. All staff have been informed about the criteria and compliance with waste sorting.

All waste generated by company operations is collected and disposed of in accordance with legislation in force.

The process of collecting, treating and recycling non-hazardous waste is managed by an important local operator, primarily providing integrated environmental hygiene, integrated waste cycle and water-service supply services. The operator gives priority to material recycling and recovery, through local awareness-raising initiatives, obtaining about 65% of waste from sorted collection (2017 data). Moreover, through the sorting chain, about 97% of materials collected in the reference territory by this operator have been converted into a resource to be put back into the market as a second¹ raw material.

Piovan S.p.A. relies on two other local suppliers for the disposal of hazardous waste.

8. SOCIAL ASPECTS

8.1 PERSONNEL MANAGEMENT

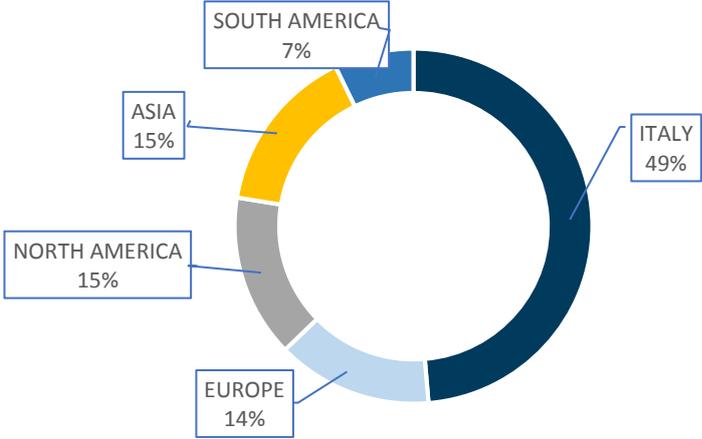
PIOVAN considers human resources an **indispensable and essential element** for the Company's existence and for the pursuit of its objectives. Management and development of human resources is oriented towards enhancing skills, potential and the commitment of each person, by adopting objective and documented evaluation criteria.

In the management of human resources, the Company bases its choices and the rules of conduct to be adopted on the ethical principles and values of **equality, cohesion, honesty, respect and protection of the person**. In its internal relations and in its relations with all third parties, it firmly avoids any form of discrimination, promoting respect for work and workers. Piovan Group operates at all times with

¹ Source: 2017 Sustainability Report, Veritas Group

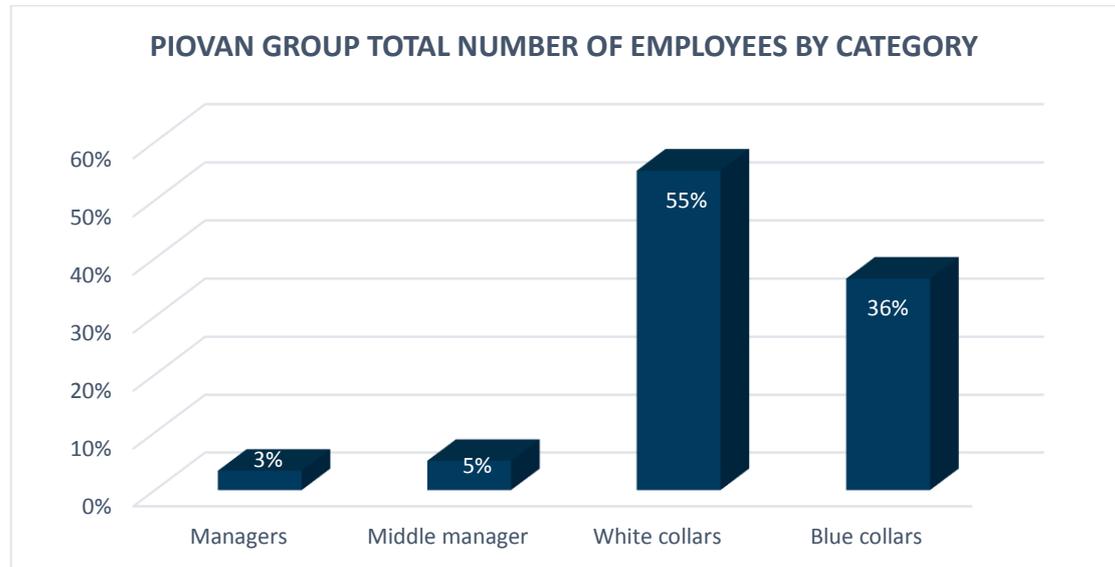
the aim of ensuring protection of the physical and moral integrity of workers, encouraging continuous advancement of their technical and professional skills. Piovan Group encourages participation and responsible involvement of its staff, also through social exchange, to improve staff inclusion and make individuals fully aware of its values and its culture. Piovan Group operates taking into account the needs of the community in which it works, contributing to promoting quality of life and economic, social, cultural and civil development, while also promoting the meeting and exchange, sharing and generation of knowledge.

**PERCENTAGE BREAKDOWN OF PIOVAN GROUP EMPLOYEES
WORLDWIDE BY GEOGRAPHICAL AREA**



In 2018, Piovan Group had 1,044 employees, up 4% on 2017.

The Group's Italian personnel are employed under **national collective bargaining agreements² - 100% of workers**, in line with the corporate policy of creating stable and enduring employment for its workers.

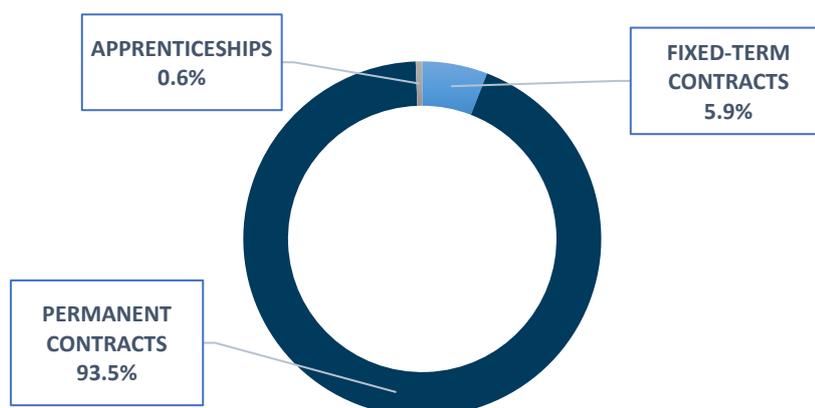


The breakdown of the workforce well reflects the business model of Piovan Group, which aims to maintain within the structure the professional figures that constitute critical and distinctive know-how areas. At Group level, the majority of employees fall into the category of office workers, 55% of the total, totalling 575 employees. As described in Perimeter Reporting (Section 1.1), the data relating to the types of contract adopted, breakdown by gender, age range and termination and hiring rates will be examined only for the Italian companies (Piovan S.p.A., Aquatech S.r.l., Energys S.r.l., Penta S.r.l. and Progema S.r.l.).

93.5% of the Group's Italian staff, or 475 employees, are employed under **permanent** contracts.

² The Company is regulated by the National Collective Bargaining Agreement for the Mechanical Engineering Industry and system installation.

PERCENTAGE BREAKDOWN OF ITALIAN EMPLOYEES BY TYPE OF CONTRACT



92.8% of male workers are employed under permanent contracts, while this percentage is 98.4% for female workers. The breakdown of Italian personnel by gender shows that women represent only 12% of the total workforce. This percentage is attributable to the Group's core business, which has a highly technical engineering and metalwork engineering focus.

TOTAL NUMBER OF PIOVAN GROUP ITALIAN COMPANY EMPLOYEES WITH BREAKDOWN BY TYPE OF CONTRACT AND GENDER

	MEN	WOMEN	TOTAL
PERMANENT CONTRACT	415	60	475
FIXED-TERM CONTRACT	29	1	30
APPRENTICESHIPS	3	0	3
TOTAL	447	61	508

At 31/12/2018, there were 10 on-going internships in various areas, such as Service, Assembly and Research & Development.

TOTAL NUMBER OF PIOVAN GROUP ITALIAN COMPANY EMPLOYEES WITH BREAKDOWN BY CATEGORY AND GENDER

	MEN	WOMEN	TOTAL
BLUE COLLARS	236	0	236
WHITE COLLARS	183	59	242
MIDDLE-MANAGERS	17	2	19
MANAGERS	11	0	11
TOTAL	447	61	508

TOTAL NUMBER OF PIOVAN GROUP ITALIAN COMPANY EMPLOYEES WITH BREAKDOWN BY AGE AND GENDER

		MEN	WOMAN	TOTAL
AGE	< 30 years	43	5	48
	From 30 to 50 years	273	42	315
	> 50 years	131	14	145
	TOTAL	447	61	508

Piovan Group grants **part-time** to male and female workers who request such a contract on reasonable grounds; in 2018, part-time contracts of the Italian companies totalled 21, 20 of which were relevant to women, **33% of the total number of women in Italy**, as at 31 December 2018. Part-time contracts granted as at 31/12/2018 involved **4%** of the workforce.

To date, approximately 1% of Piovan S.p.A. and Aquatech S.r.l. workforce belongs to protected categories. No cases of discrimination of any kind were reported in 2018.

The **recruitment rate** (calculated as the number of workers hired during the period compared to the workforce at the end of the period) was **12%**. Most new recruits are under 30 years. In the year, **60** new workers entered and 31 left the company.

	HIRED STAFF	2018	% of total recruitment	2017	% of total recruitment
AGE	< 30 years	27	45%	31	47%
	From 30 to 50 years	24	40%	29	44%
	> 50 years	9	15%	6	9%
	TOTAL	60		66	
GENDER	Man	56	93%	59	89%
	Woman	4	7%	7	11%
	TOTAL	60		66	

	TERMINATIONS	2018	% of total terminations	2017	% of total terminations
AGE	< 30 years	8	26%	10	26%
	From 30 to 50 years	12	39%	13	34%
	> 50 years	11	35%	15	39%
	TOTAL	31		38	
GENDER	Man	30	97%	33	87%
	Woman	1	3%	5	13%
	TOTAL	31		38	

The Group's focus on individual job satisfaction is shown in the **low turnover rate** of staff. In fact, with an increase in sales revenue of 16% at a global level, in Italy, where the activity of the parent company is concentrated and approximately 50% of the sales revenue³, the recruitment rate was 12% and the **employee turnover rate was 6%**.

Newly recruited staff undergo on-the-job training supported by experienced personnel. This promotes professional growth and facilitates resource exchanges across various job roles. Newly hired staff receive a copy of the internal corporate policy, a copy of the national collective bargaining agreement, a copy of all agreements in force at the time of recruitment and initial training is carried out by the human resources office, in order to make new staff integration as smooth as possible.

³ Sales revenue of the Italian companies in 2018 accounted for 45% of total sales revenue. The increase in Italian company sales revenue was 37%.

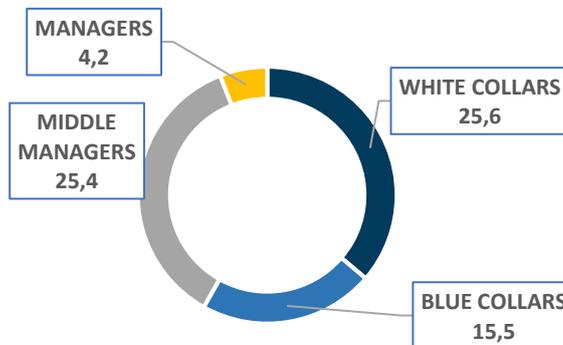
8.2 TRAINING AND DEVELOPMENT

Piovan Group considers training a strategic resource. The investment in training is therefore not only relevant to the initial one, but is distributed over time, in order to promote professional growth, individual motivation and professionalism to ensure the quality of the product/service. Piovan has always believed that **the development and sharing of skills are factors determining the creation of a solid and successful company.**

The training areas involve the entire production process and all departments in the company. Every year, a training budget plan is prepared, filled in by various managers and approved by top management. The Group attaches great importance to on-going training, especially in the Service department and, in order to guarantee the customer quality and efficiency, on-the-job training is constantly carried out.

The data on average training hours, as already described in the Reporting Perimeter (Section 1.1), for this year, only regards Piovan S.p.A. and Aquatech S.r.l.. The average number of training hours provided to each employee in 2018 totalled **20 hours**, covering occupational safety, specialist training, professional development, English language and topics related to Legislative Decree 231/2001. The average training hours provided to female staff in 2018 totalled 9 hours, while the average male staff training hours totalled 21 hours. It should be noted that most of the training hours focused on occupational safety and, therefore, involved more workers, who were predominantly male.

TRAINING HOURS PER CAPITA BY GROUP
PROFESSIONAL CATEGORY



There are various initiatives to improve the training and professional growth of the people who work in the Group. Since constant research and innovation are principles that inspire the philosophy of Piovan Group, the skills of its employees must be developed in accordance with these principles.

8.3 OCCUPATIONAL HEALTH AND SAFETY

Piovan Group considers **the safety and health of its employees as a priority**, with the aim of guaranteeing a comfortable and safe workplace. The risks and costs associated with a less responsible approach to health and safety at work are now a corporate and social burden that is no longer sustainable. For these reasons, the Company is committed to managing its manufacturing operations, at each site, in full compliance with existing laws and regulations, in order to avoid or reduce, as far as possible, any occupational risks, with a view to protecting the safety of its employees and any other individuals who may be, directly or indirectly, involved in corporate activities.

Piovan Group is committed to preparing and keeping full risk analysis updated, where any possible **prevention and protection measures** may be identified, as well as any necessary action to improve occupational safety conditions.

The Company is also committed to encouraging a culture of occupational health and safety, enabling staff to work productively together towards maximising the effectiveness of the adopted prevention system.

This section reports on the indicators relating to occupational safety for Piovan S.p.A. and Aquatech S.r.l. only.

In order to guarantee and ensure the safety of employees, periodic **maintenance** operations were carried out in the various work environments and production plants during 2018:

- **structural** maintenance, relevant to, for example, heating and air conditioning systems and all fire-fighting equipment
- **work equipment** maintenance, relevant to, for example, forklifts, overhead travelling cranes and jib cranes
- **machine tools** maintenance

In addition, when customers and/or third parties visit the Company's premises, they are duly informed in advance of all risk factors and all appropriate preventive measures are adopted.

In order to implement the prevention measures, **3 defibrillators** (2 in Piovan S.p.A. and 1 in Aquatech S.r.l.) were purchased and strategically positioned, and 18 workers were authorised to use them.

In 2018, 9 small accidents were reported in Piovan S.p.A., of which 2 on the way to work and 1 in Aquatech S.r.l.. For both companies, no reported accidents were fatal, and 9 accidents involved male staff and 1 accident involved a female member of staff. In the period, 179 days were lost attributable to accidents, calculated from the first day of such accident.

The table below shows the main accident indexes for 2018 for Piovan S.p.A. and Aquatech S.r.l..

	Piovan S.p.A.	Aquatech S.r.l.
Accidents at work	9	1
<i>of which fatal</i>	0	0
<i>of which on the way to work</i>	2	0
Days lost due to accident	158	21
Number of cases of occupational diseases	0	0
FI - frequency index	13	11
SI - severity index	0.23	0.23

The frequency index measures the incidence of occupational accidents per million hours worked, in relation to the number of hours worked (number of accidents*1,000,000/ hours worked).

The severity index expresses the severity of accidents at work on conventional lost days per thousand hours, in relation to the number of hours worked (number of days lost*1,000/hours worked).

Analysis of health and safety risks does not reveal any special categories of workers with a high incidence and/or high risk of specific occupational diseases.

In order to improve the perception of occupational health and safety and compliance with prevention measures, the following training and refresher courses were organised in 2018:

- **general safety and safety for low/high risk employees:** these courses involved 303 employees, for a total of 2,140 training hours.
- **electrical and fire prevention safety** for 79 employees, for a total of 848 training hours.
- **safety in the use of forklifts and the mobile lifting platform**, which involved 37 employees for 408 training hours.
- **first aid and safety officers** involving 53 employees, for a total of 652 training hours.

8.4 FAIRNESS IN BUSINESS RELATIONS

Fairness, honesty and transparency are the founding values of the company and are disclosed to management in order to preserve and improve the good conduct of the group and its brand. The **Code of Ethics**, as a self-regulation tool, has the aim of rendering the company's operations transparent, while providing guideline for steering them in an ethical direction. The Code aims to identify the principles and specific rules of conduct that must inspire the conduct of Group employees.

The Code of Ethics is available and may be consulted via the link:

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

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

8.5 EMPLOYEE-RELATED PROJECTS AND CORPORATE WELFARE

Already very attentive to the well-being of the people in the company, Piovan S.p.a. has developed a welfare plan that allows employees to improve the work-life balance and access to innovative personnel management policies.

Numerous actions have been put in place, commencing with **flexible working hours**, allowing greater freedom in time management and the **granting of** various types of **part-time**. As far as personal growth is concerned, events are periodically organised, intended as workshops for generating ideas for personal growth and occasions for "feeling better" both physically and mentally. Piovan S.p.a. also considers the workplace environment important and, to make it as comfortable as possible, there are hot and cold water dispensers, hot drink, soft drink and snack vending machines and special breakout areas.

Privileging people has always been one of Piovan S.p.a. most important values and, for this purpose, the "**Piovan Club**" project was established, which offers a series of services for employees and their families in the provinces of Padua, Venice and Treviso. Five main areas have been identified - Health, Finance, Insurance Services, Wellness and Sport and Family - considered to be of common interest and for each of them Piovan S.p.a. has selected and identified valid service providers offering exclusive deals.

The Piovan Club is dynamic, versatile and constantly updated, thanks also to suggestions made directly by employees. The HR department is responsible for agreements with service providers and contacts companies, stores, pharmacies, gyms, insurance companies and banks, operating in the area, so that being part of Piovan S.p.a. is a benefit for employees who have the chance of taking advantage of favourable discounts in the area. Agreements concluded with operators are notified by e-mail and archived internally.

In addition to this project, there are many corporate incentives and economic advantages, such as, for example:

- vacation bonuses, paid annually to each employee in advance of the summer vacation period
- performance bonuses, paid annually to each employee on the basis of the company's final results. The basis for calculating the bonus is an addition to the first-level bargaining agreement signed with the trade unions and workers' representatives during the first half of the year
- Corporate welfare: the option for all employees to choose whether the performance bonus or the bonus under the national collective bargaining agreement is paid in the form of remuneration or in the form of flexible benefits (goods and services in kind), reducing the tax wedge in favour of the employee. The portal managed by the external service provider, with which an agreement has been signed, has numerous services and goods available to employees (5 macro-areas are covered: reimbursement of school expenses, healthcare, supplementary pensions, sports and recreation and vouchers) with a special focus on family structures

- option of applying for a corporate loan; the company has set up a Loan Fund for employees who need to borrow money
- marriage bonus, paid to employees that decide to get married

All these benefits are provided to all employees, regardless of whether they are full-time, part-time or fixed-term⁴.

Putting people at the centre means that much attention is also paid to health-related subject matters, from the use of ergonomic chairs to wellness events and, last but not least, the **in-company canteen service**, which places great attention to proper nutrition and quality of food raw materials. Inside the headquarters of Piovan S.p.a. there is the company canteen, which offers a high quality service, with the weekly publication of the menu, with indication of allergens and ingredients. As a sign of attention to the health of the employees, the caloric level of the proposed dishes is indicated daily. The menu is certified by a nutritionist biologist enrolled in the register of biologists. Piovan S.p.a. contributes a very significant part of the cost of the meal for each employee.

8.6 INITIATIVES FOR LOCAL COMMUNITIES

Piovan S.p.a.'s social commitment is based on the concept of corporate responsibility to the social community where it operates and is an expression of the will of the company's top management. The deep bond with the territory translates into a continuous exchange of knowledge and experience, as the performance and success of the company are also a reflection of the **well-being of the society** in which it operates. For these reasons, Piovan S.p.a. supports and promotes training and cultural programs, with a focus on technical training.

Since 2012, Piovan S.p.a. has formed a close working relationship with the **Istituto Tecnico Superiore Meccatronico del Veneto**, a school of technology that is structured as a "small polytechnic" specialised in mechatronics, whose goal is to train high-profile technical specialists. The two study paths available for the students on our territory are: Higher Technician for the Innovation of Processes and Mechanical Products and Higher Technician for Automation and Mechatronic Systems. The school offers a training path which is different from standard university paths and is characterised by a high percentage of in-company training and by classroom teaching, based on project work, case simulations and laboratory sessions. During the academic year, students have three days of class-based lessons and two days of internships in the company, thus gaining experience of the real working world.

Within the framework of these school-work projects, over the last five years, Piovan S.p.a. has hosted several interns. Three of them, at the end of their training, were hired and now work in R&D and the Technical Office, demonstrating the effectiveness of the close working relationship between school and the world of work.

Piovan S.p.a. also promotes training through its relations with universities, specifically with the University of Padua and the University of Ferrara. By

⁴ Benefits provided to the employees if they are in the payroll at the end of the year.

participating in events organised by universities, including career days, Piovan S.p.a. encourages meetings with students and graduates. **University partnerships** play a key role in attracting new talents and in synergistically contributing new ideas and solutions, with a view to consolidating corporate know-how.

Piovan S.p.a. also contributes to sponsoring and endorsing sports and youth activities in the area.

9. MANAGERIAL APPROACH

WITHIN THE SCOPE OF LEGISLATIVE DECREE. 254/2016:	MANAGERIAL APPROACH AND ITS COMPONENTS
HUMAN RESOURCES AND HUMAN RIGHTS	Code of Ethics
	Organisation, Management and Control Model, pursuant to Legislative Decree 231/2001 (ITA)
	Corporate welfare initiatives
ANTI-CORRUPTION	Code of Ethics
	Organisation, Management and Control Model, pursuant to Legislative Decree 231/2001 (ITA)
	Code of Conduct for listed companies prepared by the Corporate Governance Committee of Borsa Italiana Spa (ITA)
	1INFO system for the storage of Regulated Information as required by the Transparency Directive (ITA)
SOCIAL	Code of Ethics
	Organisation, Management and Control Model, pursuant to Legislative Decree 231/2001 (ITA)
	Quality management system certified to ISO 9001
	Integrated ERP system (SAP)
	Use of the ECOVADIS platform
	Supplier quality control procedure
	CRM and electronic document management
	Controls according to the Machinery Directive valid for the European Community area (EC marking)
ENVIRONMENT	Regulatory compliance and possession of all authorisations issued by the competent bodies.

10. REPORTING PROCESS AND TABLE OF GRI INDICATORS

The preparation of the consolidated non-financial disclosure for Piovan Group for the year 2018 is based on a reporting process which involved Corporate Management, the Human Resources office and the Administration, Finance and Control office. The material topics were identified directly by Management and were subsequently assessed by persons within the organisation actually involved in the drafting of the Disclosure.

- The conversion factors used to convert the different energy quantities into GJ are taken from the GRI, which in turn uses indicators from The Greenhouse Gas Protocol (GHG) Initiative - a corporate accounting and reporting standard of the World Resources Institute (WRI) and the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) as a reference.
- The emission factors used to calculate CO₂ emissions in this NFD are taken from the "Guidelines for the measurement and reporting of emissions in the UK Emission Trading Scheme" and are consistent with the National Air Emission Inventory and the carbon values provided by the generic model PP3.02 (Underlying Climate Change Agreement).
- This Disclosure was approved by the Board of Directors of Piovan Group on 14 March 2019.
- This Disclosure is subject to limited assurance engagement, in accordance with the principle of "International Engagements ISAE 3000 (Revised)" by BDO Italia S.p.a.. This Disclosure is published on the Piovan Group's website in order to make it available in a transparent manner to all stakeholders.

10.1 TABLE OF GRI INDICATORS ("GRI REFERENCED" OPTION)

GRI STANDARD TITLE	DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE NUMBER	OMISSION
GRI 102 - General Disclosures	102-1	Name of the organization	Cover	
	102-2	Activities, brands, products, and services	12 - 13; 27	
	102-3	Location of headquarters	12 - 14	
	102-4	Location of operations	12 - 14	
	102-5	Ownership and legal form	12 - 15	

GRI STANDARD TITLE	DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE NUMBER	OMISSION
	102-6	Markets served	12 - 13	
	102-7	Scale of the organization	12 - 14	
	102-8	Information on employees and other workers	13, 36 - 41	
	102-9	Supply chain	28 - 29	
	102-10	Significant changes to the organization and its supply chain	14	
	102-11	Precautionary Principle or approach	23 - 24	
	102-12	External initiatives	46 - 47	
	102-13	Membership of associations	28	
GRI 102 - General Disclosures	102-14	Statement from senior decision-maker	6	
GRI 102 - General Disclosures	102-16	Values, principles, standards, and norms of behavior	6; 18 - 19	
GRI 102 - General Disclosures	102-18	Governance structure	15	
GRI 102 - General Disclosures	102-40	List of stakeholder groups	9	
	102-41	Collective bargaining agreements	39	
	102-42	Identifying and selecting stakeholders	9	
GRI 102 - General Disclosures	102-45	Entities included in the consolidated financial statements	12; 15	
	102-46	Defining report content and topic Boundaries	8 - 9	
	102-47	List of material topics	9 - 11	
	102-48	Restatements of information	n.a.	
	102-49	Changes in reporting	14	
	102-50	Reporting period	7	
	102-51	Date of most recent report	7	

GRI STANDARD TITLE	DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE NUMBER	OMISSION
	102-52	Reporting cycle	7	
	102-53	Contact point for questions regarding the report	8	
	102-54	Claims of reporting in accordance with the GRI Standards	7	
	102-55	GRI content index	49 - 53	
	102-56	External assurance	54	
GRI 201 - Economic Performance	103	Management Approach	48	
	201-1	Direct economic value generated and distributed	21 - 22	
GRI 205 - Anti-corruption	103	Management Approach	48	
	205-3	Confirmed incidents of corruption and actions taken	19 - 20	
GRI 302 - Energy	103	Management Approach	48	
	302-1	Energy consumption within the organization	34 - 35	
GRI 305 Emissions	103	Management Approach	48	
	305-1	Direct (Scope 1) GHG emissions	35	
	305-2	Energy indirect (Scope 2) GHG emissions	35	
GRI 306 - Effluents and Waste	103	Management Approach	48	
	306-2	Waste by type and disposal method	36	
GRI 307 - Environmental Compliance	103	Management Approach	48	
	307-1	Non-compliance with environmental laws and regulations	36	
GRI 401 - Employment	103	Management Approach	48	
	401-1	New employee hires and employee turnover	41	
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	45 - 46	
GRI 403 - Occupational Health and Safety	103	Management Approach	48	
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	43 - 44	

GRI STANDARD TITLE	DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE NUMBER	OMISSION
	403-3	Workers with high incidence or high risk of diseases related to their occupation	44	
GRI 404 - Training and Education	103	Management Approach	48	
	404-1	Average hours of training per year per employee	42	
GRI 405 - Diversity and Equal Opportunity	103	Management Approach		
	405-1	Diversity of governance bodies and employees	16 – 17; 39 - 40	
GRI 406 - Non-discrimination	103	Management Approach	48	
	406-1	Incidents of discrimination and corrective actions taken	40	
GRI 413 - Local Communities	103	Management Approach	48	
	413-1	Operations with local community engagement, impact assessments, and development programs	46 - 47	
GRI 416 - Customer Health and Safety	103	Management Approach	48	
	416-1	Assessment of the health and safety impacts of product and service categories	28	

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 18, 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 of January 18, 2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of PIOVAN S.p.A. and subsidiaries (the "Group") as of December 31, 2018 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on February 15, 2019 (hereinafter the "NFS").

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"), 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' 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.

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.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of PIOVAN Group as of December 31, 2018 has not been prepared, in all material respects, in accordance with the requirements of article 3 and 4 of the Decree and the Global Reporting Initiative Sustainability Reporting Standards" established by GRI - Global Reporting Initiative ("GRI Standards").

Other matters

The comparative information included in the non financial statement for the year ended December 31, 2017, was not examined by auditors.

Padova, March 26, 2019

BDO Italia S.p.A.

Stefano Bianchi
Socio

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



Piovan S.p.A. Sustainability Report 2018

PIOVAN S.p.A.
Via delle Industrie 16 - 30036
S. Maria di Sala VE - Italy