

THE FUTURE IS OUR PRESENT

STRATEGIC SUSTAINABILITY PLAN

November 2020



GEFRAN

BEYOND TECHNOLOGY

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GEFRAN
BEYOND TECHNOLOGY



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The future is our present.





OUR COMPANY IS SOLID, A COMPANY BUILT WITH PASSION AND DETERMINATION BY THOSE WHO FOUNDED IT. IN FIFTY YEARS OF ACTIVITY, MANY PEOPLE HAVE CONTRIBUTED TO ITS SUCCESS: EMPLOYEES, CUSTOMERS, SUPPLIERS, FINANCIAL INSTITUTIONS, UNIVERSITIES... A LIVING AND FLOURISHING FABRIC, A COMMUNITY AND A COMMUNION OF INTENT IN WHICH IDEAS, PROJECTS, PRODUCTS AND INNOVATION WERE BORN AND DEVELOPED.

TO ENSURE THE CONTINUITY OF THIS SUCCESS IN THE FUTURE, IT IS ESSENTIAL TO INVEST IN ORDER FOR THIS COMMUNITY TO REMAIN ALIVE.

→

The company's actions, which are strongly oriented towards sustainability, have over time guaranteed productivity, employment, people's well-being and, last but not least, value and financial solidity, which are crucial to the company's survival.

With the strategic sustainability plan, which we are presenting here today, we intend to take another step forward in consolidating our commitment.

The value of the plan is twofold: on the one hand, it contains the founding elements of our sustainability strategy, thus directing our commitments and investments towards objectives that must subsequently become measurable; on the other, by sharing the plan with our stakeholders, it allows us to align our targets with them.

We have chosen to align ourselves with a broad strategic initiative, we have defined a plan

of commitments in line with the Sustainable Development Goals defined by the United Nations (Global Compact), identifying the Sustainable Development Goals (SDGs) to which we can make tangible contributions.

- > **Ensure access to affordable, reliable, sustainable and modern energy systems for everyone.**
- > **Build a resilient infrastructure and promote innovation and fair, responsible and sustainable industrialisation.**
- > **Stimulate long-lasting, inclusive and sustainable economic growth, full and productive employment and decent work for everyone.**
- > **Ensure sustainable production and consumption patterns.**
- > **Take urgent measures to combat climate change and its consequences.**
- > **Strengthen sustainable development implementation means and renew its global partnership.**

We will do this through tangible initiatives, illustrated and scheduled in this document, with the concreteness and determination that distinguishes us.

We have chosen a number of work guidelines that are close to our corporate DNA and our daily actions. We have identified our commitments in a structured and shared process.

We have chosen a number of work guidelines that are close to our corporate DNA and our daily actions: investment in innovation, development of products dedicated to energy efficiency, dissemination of a sustainability culture among our suppliers, extension of certifications (environmental management, occupational health and safety, corporate social responsibility) and implementation of a performance assessment and feedback system open to all Group employees.

We have identified our commitments in a structured and shared process, which we believe will lead us to achieve the important and

challenging objectives we have set ourselves, through actual involvement of our stakeholders and reporting transparency for careful measurement of the impacts.

Companies are the true engine of change locally and we feel we have an economic and social responsibility, our choices are guided by a long-term vision: as he who built this company often says, starting from his garage, we must design the Gefran of the next generations, the Gefran of the future.

A sincere thank you to all those who have contributed to the definition of our strategic plan and who, in the difficult times we are currently experiencing, have continued with confidence to act with a perspective also extended to the generations to come.

Because at Gefran, the future is our present.

“ *Companies are the true engine of change locally and we feel we have an economic and social responsibility, our choices are guided by a long-term vision.* ”



Giovanna Franceschetti

Vice-Chairman with powers related to sustainability

Sustainable by vocation



01.1

More than fifty years of history, with an eye on tomorrow



The Gefran Group stems from an entrepreneurial intuition at the end of the sixties and immediately made its mark in Italy and abroad, thanks to the concept of an regulation tool that would dictate standards in its sector. In the eighties, the company expanded its production to include sensors and then, having acquired a historic company in the electrical drives sector in the two thousands, widened its technological range.

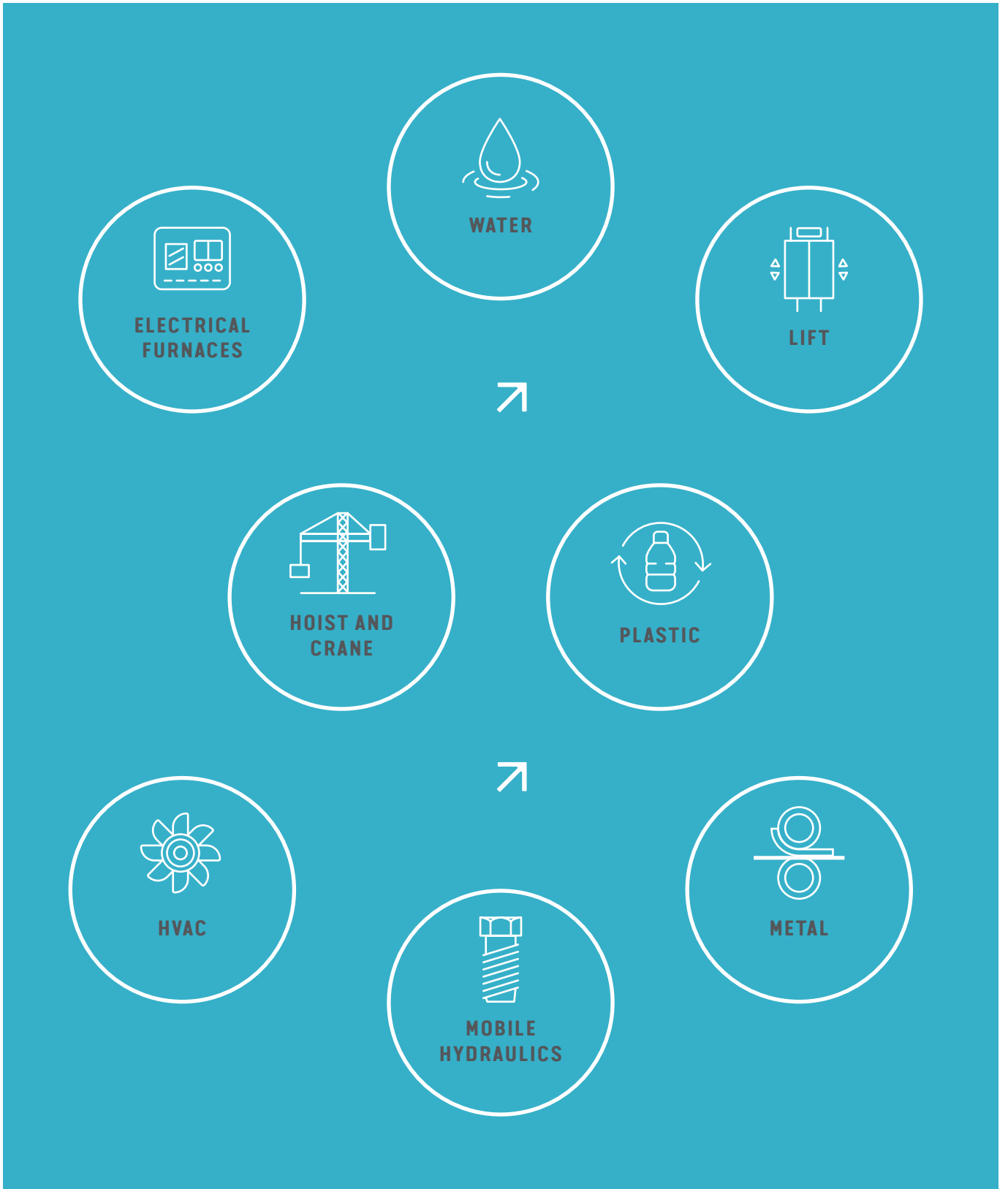
In 1998, the Parent Company, Gefran S.p.A., was listed on the Milan Stock Exchange and, as from 2001, joined the new “STAR” (Segmento Titoli con Alti Requisiti), segment of the Telematic Stock Market, for small to mid-sized companies meeting specific requirements regarding transparency, liquidity and corporate governance and which today is called “FTSE Italia STAR”.

Today we design, produce and distribute products in three main business areas: industrial

sensors, automation components and motion control devices for electronic control of electric motors.

The entire product range, which is unique in its breadth, quality and specialisation, provides tailored turnkey solutions in multiple automation sectors.

Three main business areas: industrial sensors, automation components and motion control devices for electronic control of electric motors.



OEM

DISTRIBUTOR

SYSTEM
INTEGRATOR

END
USERS

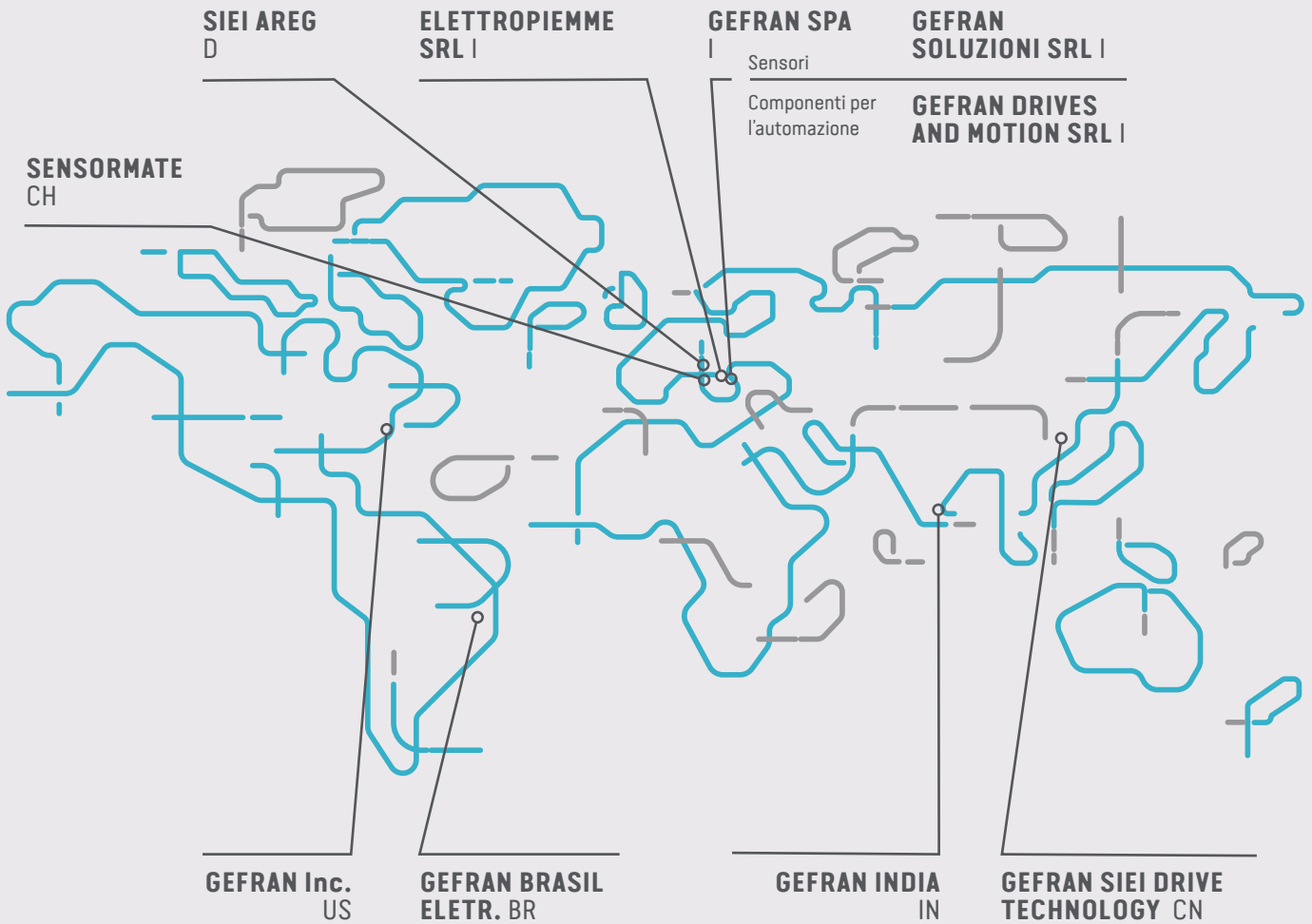
01.2

Local roots, global horizons



With strong links with the local area in which it was founded, our Group has maintained its headquarters in Italy, in Provaglio di Iseo (BS), in the heart of the industrial fabric of Lombardy, in what was its historic headquarters. The development path undertaken over the years has led the strengthening of the Gefran Group: **today there are 16 companies operating in Italy and abroad, 10 of which are also production units.** In every Gefran plant, in Italy and worldwide, the production divisions have total control of the process chain: from design to production, right through to customer relationship management.

12 PRODUCTION PLANTS



4

Sensors factories

2

Automation components factories

4

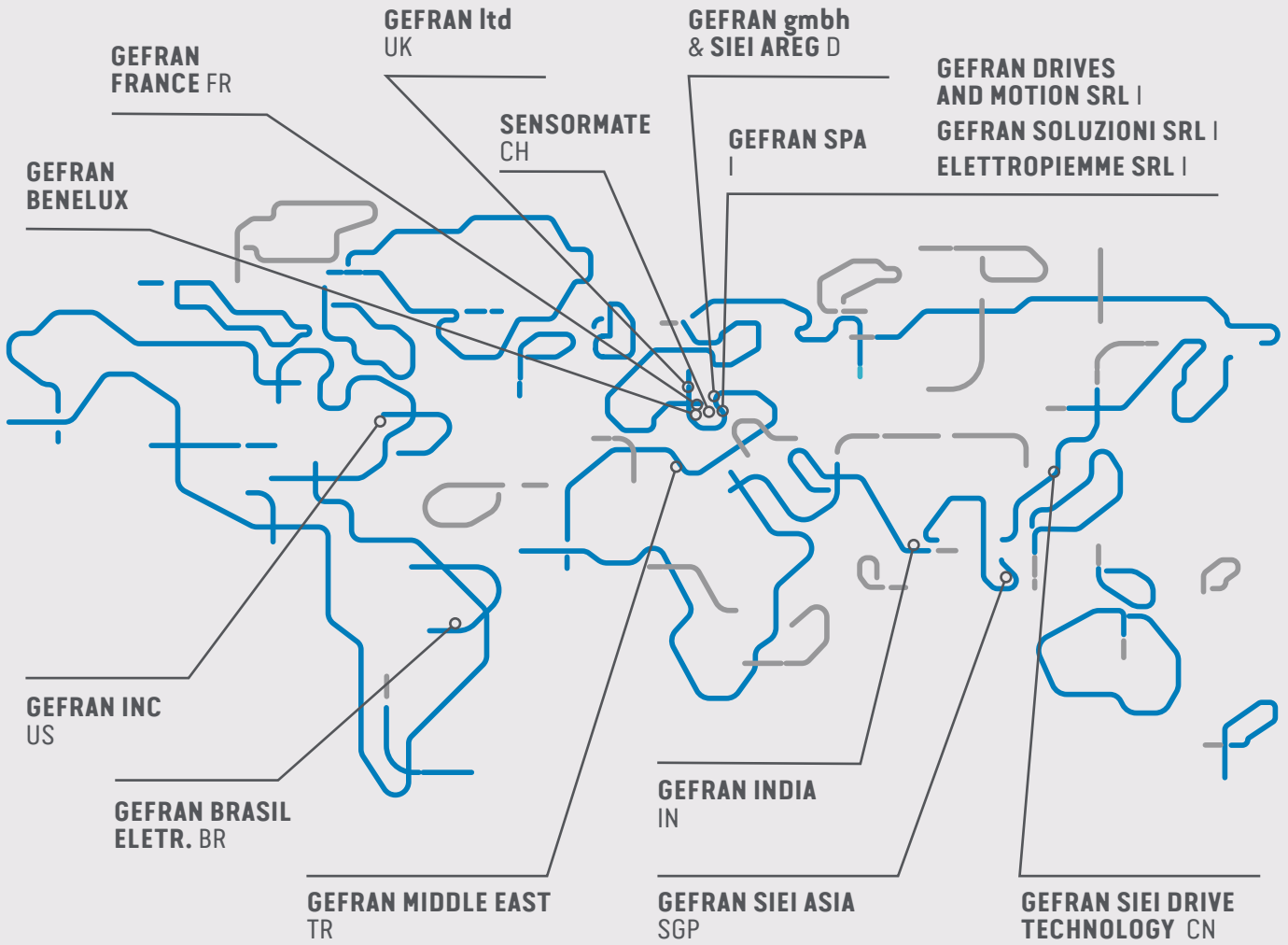
Motion control factories

2

Electric panels



SALES ORGANISATIONS 16



11

In Europe

3

In Asia

1

In Latin America

1

In US



01.3

The *Gefran Way*: our identity



The elements that characterise our corporate identity, our promise, our purpose, our payoff and our guiding principles represent our approach to sustainability: a choice of vision and perspective, a process aimed at building the conditions for tomorrow in the present.

Who we are, what we want and how we do it, this is the Gefran way. A compass to orient us and also a yardstick to verify the consistency between what we say and what we do.

The Gefran way guides us in the way we make decisions every day, in every area of our company and with reference to each process, it inspires the style with which we work together, with which we work with our customers and shows us the room for improvement and development of our skills, so that they are increasingly aligned with our way of being.

The Gefran way describes the experience we want to offer our stakeholders. It is our reference when we want to transmit value and trust: so that in our company everyone can really feel that they are making a difference, that they are the unmistakable protagonists.

This identity of ours is summarised in the payoff we have chosen: BEYOND TECHNOLOGY: at Gefran we exploit everything that is "behind" the technology and we go beyond technology, beyond the product, beyond the response to the needs of companies and our partners, with a prospective vision of tomorrow's market.

The Gefran way is a compass to orient us and also a yardstick to verify the consistency between what we say and what we do.



WE EMBRACE
TECHNOLOGY

WE ARE
CONSCIOUS

WE CARE

WE WORK
HARD

WE SMILE

WE ARE STRONG

WE BELIEVE
IN WHAT WE DO

PASSION MOVES
US FORWARD

OUR VISION
IS GLOBAL

OUR VISION
IS LOCAL TOO

WE MAKE IT EASY
FOR YOU

WE MEAN BUSINESS

WE ARE COMMITTED

WE RISE TO
THE CHALLENGE

THE FUTURE
IS OUR PRESENT

Our promise



WE HAVE SOLID ROOTS IN INDUSTRIAL AUTOMATION AND TECHNOLOGICAL INNOVATION.

WE LISTEN AND WORK WITH PASSION TO FIND THE MOST EFFECTIVE SOLUTIONS, CREATING WINNING AND SUSTAINABLE RELATIONSHIPS.

THIS IS OUR STRENGTH.

WE WORK WITH COMPANIES THAT WANT TO IMPROVE TECHNOLOGICAL PROCESSES, WITH PEOPLE WHO BELIEVE IN PROFESSIONAL GROWTH AND TALENT, WITH STAKEHOLDERS WHO HAVE AN INTEREST IN CREATING VALUE FOR THE COMMUNITY AND THE LOCAL AREA.

THIS IS OUR WORLD.

THIS IS THE GEFRAN WAY!

Our purpose



THE FUTURE IS OUR PRESENT.

BE PROTAGONISTS IN TECHNOLOGY EVOLUTION, RECOGNISED AS A POINT OF REFERENCE FOR THOSE WHO BUILD INDUSTRIAL VALUE AND INNOVATION.

BE INTERPRETERS OF SUSTAINABLE GROWTH, OPEN TO THE MARKET, COMPANIES AND THE PEOPLE WE WORK AND LIVE WITH.

Our guiding principles



THE PROCESS OF AWARENESS OF OUR IDENTITY HAS TAKEN SHAPE THROUGH THE DECLARATION OF THE GROUP'S GUIDING PRINCIPLES, WHICH GUIDE OUR BEHAVIOUR.

THESE **HAVE ALWAYS BEEN OUR CULTURAL VALUES, WHAT WE BELIEVE IN.**

THESE PRINCIPLES REFLECT OUR **NEEDS AND ASPIRATIONS.**



Integrity

We are fully committed to establishing trust by promoting quality standards and practices, commitment to products and sustainable relationships with stakeholders. We are experts in designing effective solutions and providing services that anticipate the client's needs.



Initiative

We understand the importance of timely responses, flexibility of proposals, and above all, searching for best possible solutions.



Innovation

We anticipate the needs of the future and understand how to implement our vision in the present. We invest in designing premium quality solutions and services and possess the know-how for ongoing innovation and creativity.

GEFRAN'S NUMBERS

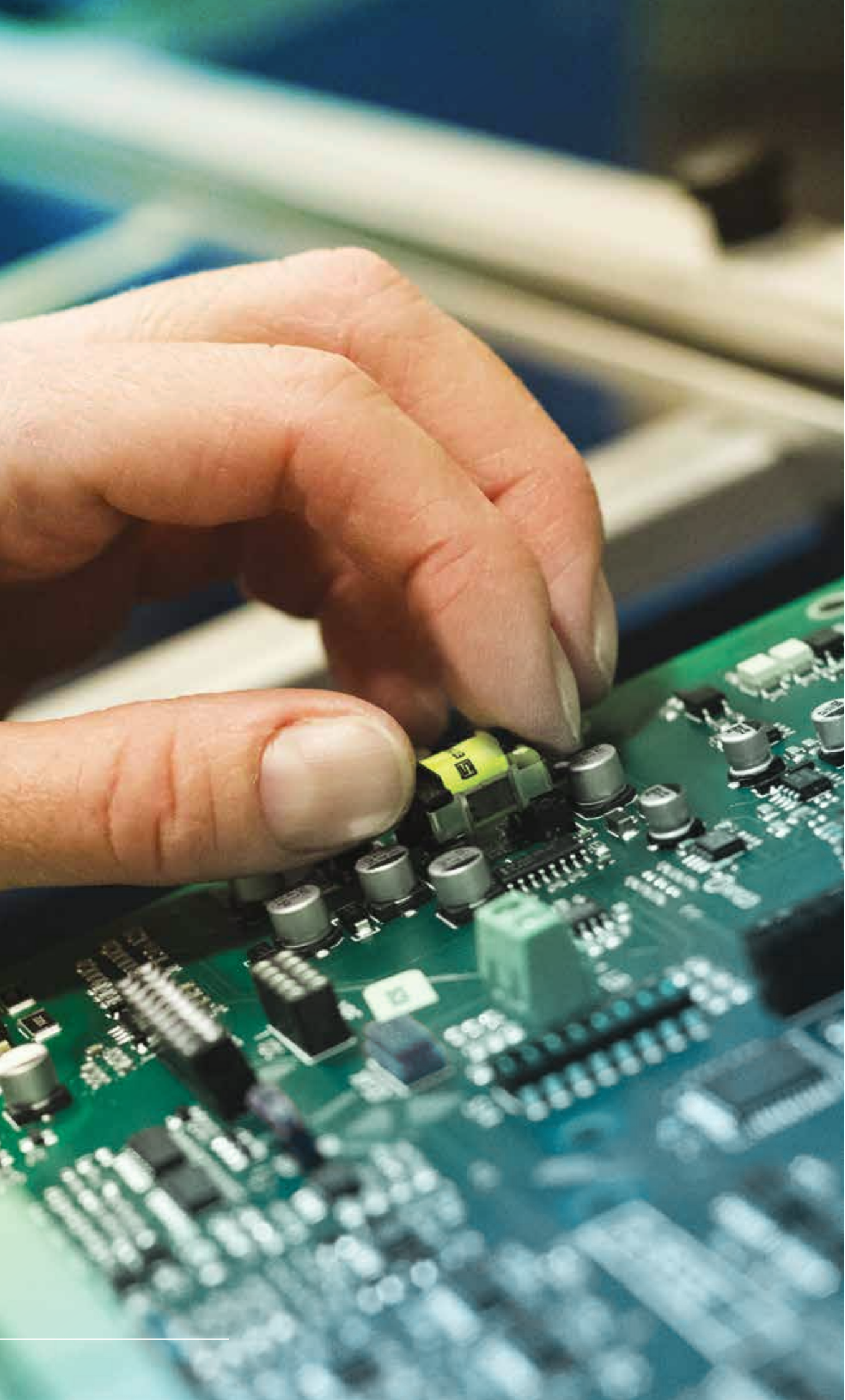


Financial indicators (*)		2019
Revenues	(Euro / 000)	140,535
EBITDA	(Euro / 000)	19,730
	%	14.0%
EBIT	(Euro / 000)	10,375
	%	7.4%
Profit (loss) before tax	(Euro / 000)	10,069
Result from operating activities	(Euro / 000)	7,042
Profit (loss) from assets held for sale	(Euro / 000)	-
Group net profit (loss)	(Euro / 000)	7,042
	%	5.0%

Equity and financial indicators (*)		2019
Invested capital from operations	(Euro / 000)	88,331
Net working capital	(Euro / 000)	28,542
Shareholders' equity	(Euro / 000)	75,044
Net financial position	(Euro / 000)	(13,287)
Investments	(Euro / 000)	16,006
Operating cash flow	(Euro / 000)	18,045
Return on investment ROI (EBIT/Net Invested Capital)	(Euro / 000)	7,042
	%	11.7%

Human Capital (*)		2019
Total employees	nr	829
of whom Women	nr	251
	%	30.3%
of whom Men	nr	578
	%	69.7%

(*) from the consolidated Non-Financial Disclosure as at 31 December 2019



Sustainable development pillars



02

FOR GEFRAN, FINANCIAL, SOCIAL AND ENVIRONMENTAL SUSTAINABILITY HAVE ALWAYS REPRESENTED A WAY OF BEING AND OPERATING, AS WELL AS A PRECISE RESPONSIBILITY HORIZON.

IN LINE WITH ITS PRINCIPLES, THROUGHOUT ITS HISTORY OUR GROUP HAS IN FACT SHOWN A CONTINUOUS INTEREST AND COMMITMENT IN CARRYING OUT INITIATIVES AND ACTIVITIES RELATED TO THE SUSTAINABLE DEVELOPMENT OF THE AREAS IN WHICH IT OPERATES, WITH THE AIM OF CREATING VALUE FOR ITS STAKEHOLDERS.

THE LOCAL AREA, PEOPLE AND THE ENVIRONMENT ARE THEREFORE THE GUIDELINES OF A COMMON AND SHARED PATH, WHICH IS PART OF GEFRAN'S VERY IDENTITY.

02.1

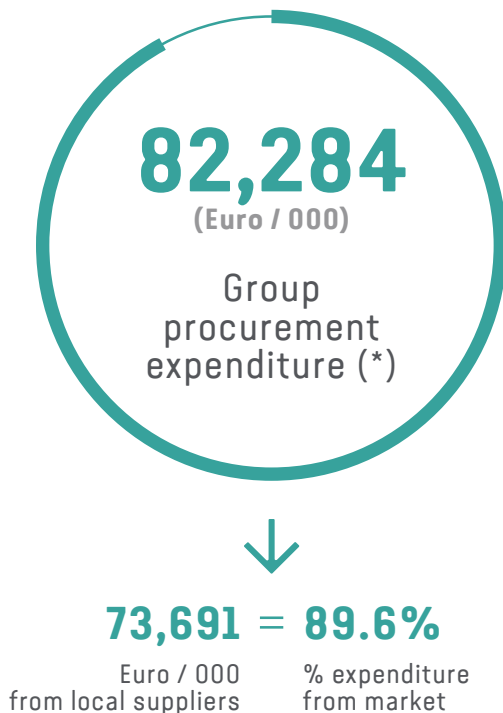
Gefran in support of the local area

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Since its foundation, Gefran has linked many of its activities to the area in which it was founded and has grown. An area consisting of an industrial fabric of solid companies and specialised technical skills, with which a virtuous relationship of mutual collaboration has been developed.

Gefran has developed the same approach in all countries worldwide in which our Group is present with its companies and production units, in the belief that the local vocation is a decisive competitive factor, as well as an added value for the various local systems.





SUSTAINABILITY PACT WITH SUPPLIERS

At a global level, the Group's total procurement expenditure exceeds 80 million euros, of which approx. 90% is from local suppliers, i.e. located in the same country as the Gefran plant they supply.

Not only. Many of the Group's most important suppliers have their production sites near Gefran plants. A choice guided by the belief, born out by the facts, that local suppliers are able to achieve the same performance, in terms of *total cost*, as those located in other parts of the world.

Management of the ethical, environmental and social impact at all levels of the supply chain is considered one of the keys to the success of the Group's business.

As a multinational corporation, Gefran purchases raw materials, products and services from suppliers in various different countries, in different cultural, social and economic contexts. This is why we decided to come up with a policy establishing general standards for assessment of suppliers and the basic principles characterising the Group's approach to sustainable management of the supply chain.

This document, which we have called the *Sustainability Pact*, supplements the principles of the Global Compact and the Group's Code of Ethics and Conduct with aspects relating to environmental, reputational and financial risk and has been signed by all our most important suppliers.

The key goal of the sustainability pact is to direct Group companies to work with suppliers who share the Group's vision of sustainability and manage their business in an ethical, responsible way, demonstrating respect for people and the environment.

To facilitate signing the *Sustainability Pact*, a form has also been implemented in a digital "*E-Procurement*" platform, dedicated to the preliminary registration and accreditation of new suppliers: signing the *Sustainability Pact* is a binding prerequisite for the successful conclusion of the accreditation process.

(*) from the consolidated Non-Financial Disclosure as at 31 December 2019

However, signing the *Sustainability Pact* does not guarantee having a full assessment and mitigating the potential risk that human rights may not be fully complied with in the supply chain or that suppliers' activities may be subject to a significant risk of incidents related to child labour, forced labour and violations of the freedom of association and collective bargaining. This aspect has therefore been identified as a potential area for improvement aimed at mitigating these risks, for which specific interventions have been made. A special section on sustainability focusing in particular on health and safety aspects has now been added to the supplier assessment and qualification form.

The goal is to increase awareness of the importance of these issues through joint initiatives, partnerships and events with the goal of enhancing not only the culture but the value of the company, while demonstrating perfect respect for the local area and its particular features.



→

SUPPORT AND PARTICIPATION

The local area, for Gefran, means collaboration, support and participation.

From this conviction comes the long-standing **strategic collaboration with the University of Brescia**, which over the years has allowed the joint development of various projects, the mutual exchange of skills, resources and constant technical and technological updating. Equally significant is **the collaboration, as part of the industry-innovation relationship, with the CSMT technology centre.**

The Group also promotes **various social, medical and educational initiatives aimed at local associations rooted in the area:** partnerships consolidated over time, confirmed and renewed from year to year.

02.2

Gefran and its people



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There is no distinction between company and people because Gefran is its people.

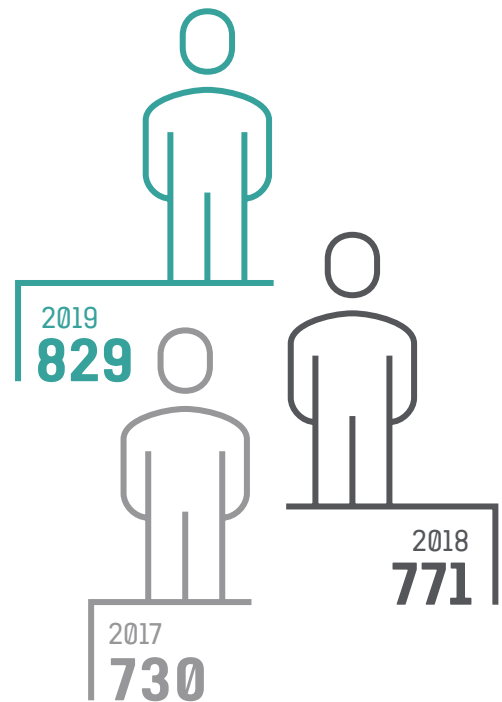
This concept is metaphorically inscribed in the "Beyond Technology" payoff and inspires the entire Gefran Way. Gefran is at all times committed to quality of life at and outside work.

The Group currently has more than 800 employees, with a trend of constant growth over the last three years.

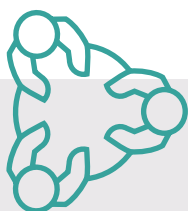
Approx. 68% of employees are employed in the Group's Italian locations, 10% in Europe, 14% in Asia and 7% in North and South America.

Gefran is at all times committed to quality of life at and outside work.

NUMBER OF EMPLOYEES BY COMPANY (*)



(*) from the consolidated Non-Financial Disclosure as at 31 December 2019



OUR PEOPLE

Number of employees by company (*)



Gefran S.p.A.	Italy	137	185	322
Gefran Drives and Motion S.r.l.	Italy	31	118	149
Gefran Soluzioni S.r.l.	Italy	6	47	53
Elettropiemme S.r.l.	Italy	3	39	42
Gefran Benelux Nv	Belgium	4	11	15
Gefran France S.A.	France	1	6	7
Gefran Deutschland Gmbh	Germany	6	16	22
Siei Areg Gmbh	Germany	1	13	14
Gefran UK Ltd	UK	1	1	2
Sensormate AG	Switzerland	4	15	19
Gefran Middle East Ltd Sti	Turkey	1	3	4
Gefran Inc	US	7	25	32
Gefran Brasil Elettroel. Ltda	Brazil	9	21	30
Gefran Siei Asia Pte Ltd	Singapore	5	5	10
Gefran Siei Drives Tech. Pte Ltd	China (PRC)	32	44	76
Gefran India Private Ltd	India	3	29	32
TOTAL GROUP		251	578	829

Breakdown by geographical region (*)



Italy	177	389	566
Europe	18	65	83
America	16	46	62
Asia	40	78	118
TOTAL GROUP	251	578	829


WOMEN


MEN


TOTAL



OCCUPATIONAL HEALTH AND SAFETY

With regard to the health of its employees and ensuring compliance with occupational safety legislation, our Group is constantly committed to providing its employees with all the tools to enable them to carry out their activities in

safe conditions, whether in the form of safety equipment or training.

Thanks to the numerous initiatives implemented, the number of occupational accidents involving Group employees is considered minor.

Total accidents (*)	2019	2018	2017
No. accidents	7	5	1
of which serious	1	-	-
% of total	14.3%	0.0%	0.0%
of which fatal	-	-	-
% of total	0.0%	0.0%	0.0%
Working days lost due to accidents	317	198	61
of which accidents on the way to or from work	2	1	-
% of total	28.6%	20.0%	0.0%
of which working days lost due to accidents on the way to or from work	5	55	-

(*) from the consolidated Non-Financial Disclosure as at 31 December 2019



FLY GEFRAN TALENT ACADEMY

The challenge of creating a professional world to which people want to belong represents Gefran's culture and values. This is part of the mission of the People & Organization department, which leads a series of initiatives to achieve the Group's objectives.

FLY the Gefran Talent Academy focuses on development of people's strong points. The goal is continued development and support for each person's distinctive skill set and development of the talent of all Gefran people.

Gefran addresses this major challenge with the systematic aim of developing its employees. Talent does not identify a person, but is a unique set of an individual's characteristics.

We use a variety of tools and methods aimed as much at existing staff as at new employees.

Our definition of talent is a set of skills, in line with corporate values and consistent with the specific nature of the organisation required to achieve our business strategy.

Thanks to the launch of FLY, over the last two years it has been possible to significantly increase training hours carried out in the Group at all levels.

Also through FLY, starting in 2021, Gefran will develop a programme focused on skills development and performance improvement, involving all Group employees. **One of the pillars of Gefran's sustainability strategy will in fact be the project to offer its employees equal opportunities for professional growth and career development.**

FLY includes specific programmes for development of potential, including:

- > *Long-term partnerships with universities*
- > *Masters in innovation*
- > *Managerial coaching*
- > *Mentoring and reciprocal mentoring*
- > *On the job training*
- > *Participation in focus groups and workshops*
- > *Classroom education.*

WE LOVE
TO FLY



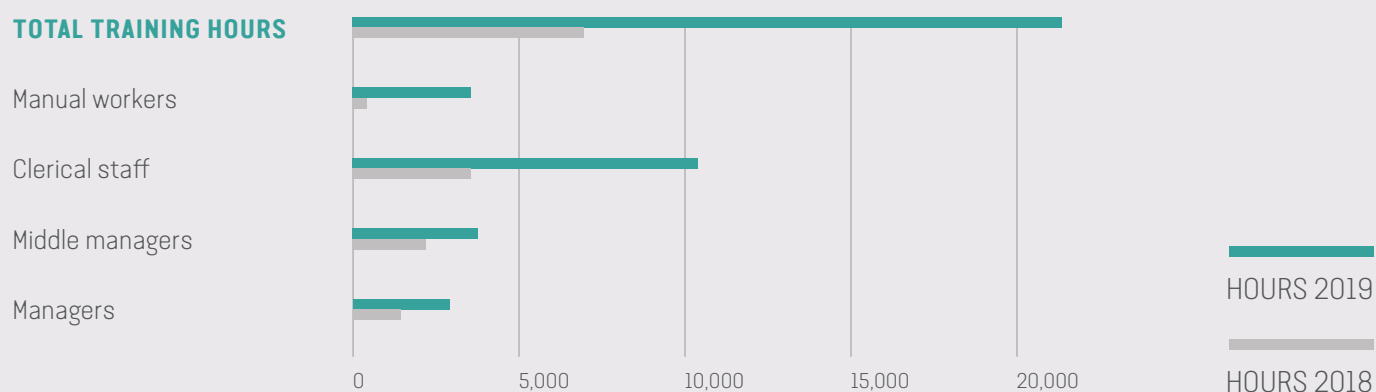


TRAINING BY GEFRAN

Training hours spent on the development of soft skills (*)	2019	2018
Managers	1,527	816
Middle managers	3,340	1,417
Clerical staff	3,314	1,210
Manual workers	2,031	223
TOTAL HOURS OF SOFT SKILL TRAINING	10,212	3,666

Hours of technical training (*)	2019	2018
Managers	1,398	174
Middle managers	643	619
Clerical staff	7,062	2,468
Manual workers	2,017	330
TOTAL HOURS OF TECHNICAL TRAINING	11,120	3,591

Total hours of training in Gefran Group



(*) from the consolidated Non-Financial Disclosure as at 31 December 2019



THE VALUE OF DIVERSITY

Diversity is a value for us and, as such, it must be protected.

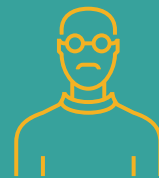
At Gefran we respect people's right to choose a life style that meets their specific requirements, knowing that **each person's uniqueness must be properly encouraged as it offers**

great potential for the company's growth.

Within a workplace, different points of view - whether different genders or ages, sexual or religious orientation, physical or technical abilities, ethnic or cultural origins - generate **debate, innovation and change.**



4 GENERATION REPRESENTED



Baby Boomers
1944 / 1960



Generation X
1961 / 1980



Millenials
1981 / 1995



Generation Z
born after 1995



WELLFRAN - PEOPLE IN GEFRAN

WELLFRAN - People in GEFRAN is the set of **initiatives and actions through which Gefran looks after its employees' wellbeing, where wellbeing is understood in a holistic sense and, at the same time, as the possibility of people achieving their full potential.**

The logo that we have chosen to represent Wellfran has several meanings but is based on a single key concept: there is common ground where each of us can cultivate our uniqueness.

The elements that stand out the most are the two flowers: a flower garden is not just something beautiful but tells us that the soil in which these flowers grow is fertile. The "petals" of these flowers are people whose "feet" are in the same soil but who are each facing outward in their own direction.

The Wellfran logo has several meanings but is based on a single key concept: there is common ground where each of us can cultivate our uniqueness.



The colours and shapes remind us of the importance of diversity: the uniqueness of the people who make up our organisation and make it strong.

Within Wellfran, there are a number of corporate welfare initiatives that provide for a wide range of programmes designed specifically to meet the needs and requirements of the different age groups and countries. In Italy, for example, there is a complete and innovative package of flexible benefits, consisting of numerous services, facilities and agreements which are easily accessible online through a dedicated web portal that offers goods and services to support the family (education, assistance, summer centres, sports, leisure activities, etc.), mortgages, welfare, health care, travel, shopping trolley, as well as benefits in terms of flexible working hours and smart working.





02.3

Gefran protects the environment

→

Environmental protection is probably the first topic that people think of when talking about sustainability.

Gefran's production and commercial activities, by their very nature, mean that **our company is not classified as an energy-intensive company**. This is also evident from the energy audit carried out, the monitoring activity implemented (through DATALOGGER control monitors) and periodic performance reporting, with regard to energy consumption and atmospheric emissions.

GEFRAN PROMOTES SUSTAINABLE GROWTH GEARED TOWARDS RESPECT FOR THE ENVIRONMENT AND PUBLIC HEALTH, DEVELOPING MANAGEMENT SYSTEMS THAT COMPLY WITH THE LAWS IN FORCE AND PURSUING CONTINUOUS IMPROVEMENT IN ENVIRONMENTAL PERFORMANCE.

”

From the **Gefran Group Code of Ethics and Conduct**

More than 50% of electricity consumption is for lighting. This is why the Group has introduced a series of initiatives aimed at improving energy performance and reducing emissions.

→

ELECTRICITY AND EMISSION REDUCTION

In particular, the most significant electricity consumption is related to the use of production machinery, cooling and ventilation circuits, but mainly to lighting; the latter alone accounts for more than 50% of total electricity consumption.

In this context, **the Group has launched a series of initiatives aimed at improving energy performance and reducing emissions**, such as the installation of LED lighting fixtures managed by DALI (Digital Addressing Lighting Interface) protocols and motion detectors for switching on the lights, ongoing structural investments in plants (e.g. installation of new-generation refrigeration units and attention to energy performance in the construction of new areas), and investments in more energy-efficient industrial systems and production machinery (e.g. replacement of welding ovens).

→

WATER CONSUMPTION

As far as water consumption is concerned, it should be noted that **no water is used in the production processes and there are no industrial discharges**: the production cycle does not include processing or treatment of materials and components that may represent a significant risk of pollution or environmental damage.

Nevertheless, **in order to mitigate any possible risk, Gefran has activated a series of controls and monitoring**, such as the installation of level sensors in washing water and compressor condensate collection tanks, automatic warning signals in case of filling and installation of differential pressure switches for visual alerts in case of filter malfunction before expulsion into the air.

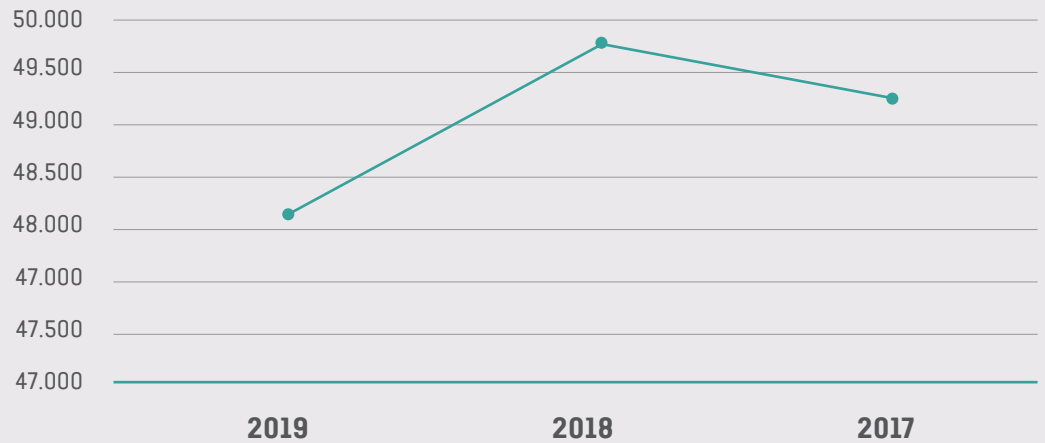
ENERGY AND WATER PERFORMANCE INDICATORS



TOTAL ENERGY CONSUMPTION GJ

ENERGY INTENSITY GJ over revenues (*)

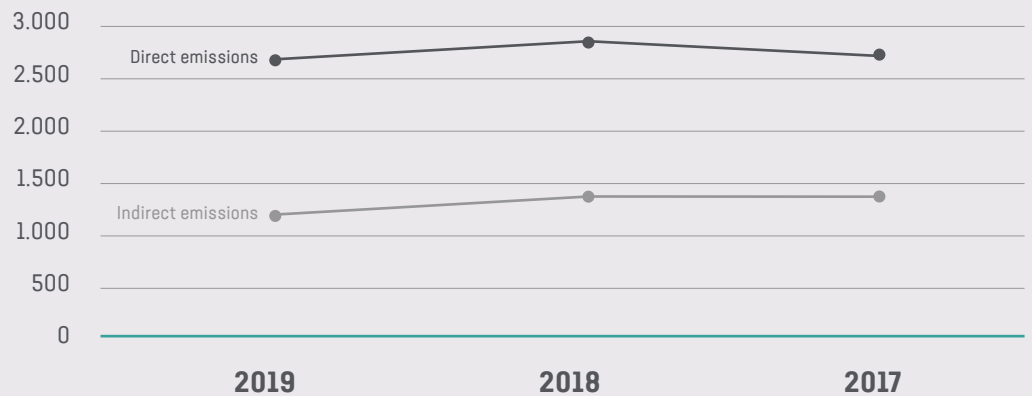
2019 > 0,371
2018 > 0,401
2017 > 0,415



GREENHOUSE GAS EMISSIONS TCO₂

EMISSION INTENSITY TCO₂ over revenues (*)

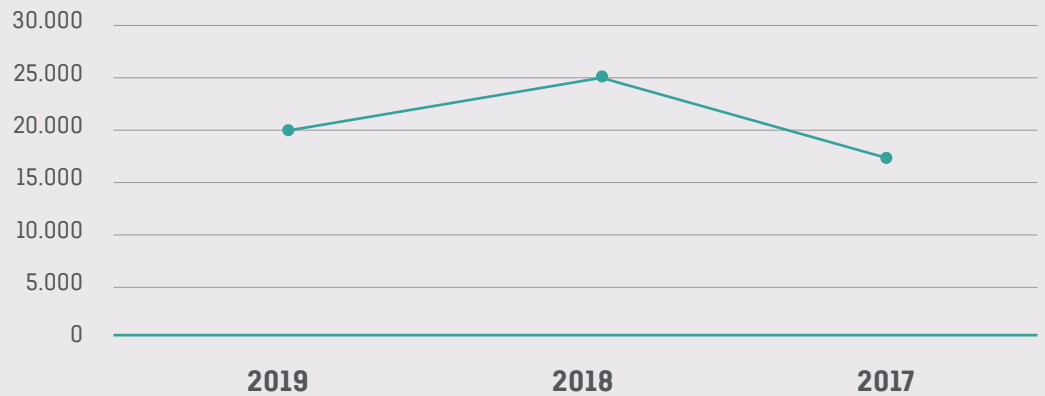
2019 > 0,031
2018 > 0,034
2017 > 0,034



TOTALE WATER CONSUMPTION M³

M³ water consumption from aqueduct (*)

2019 > 19.970
2018 > 24.671
2017 > 17.852



(*) from the consolidated Non-Financial Disclosure as at 31 December 2019

→

THE “QUALITY, SAFETY AND ENVIRONMENT” DEPARTMENT

With a view to optimising the use of energy resources at every level and in order to reduce the environmental impact deriving from the same, **the role of the integrated “Quality, Safety and Environment” department in the Group is fundamental, with skills also dedicated to environmental and energy saving issues.** Its tasks include in particular:

- > complete management of industrial waste (storage and disposal), in accordance with current legislation and organisation of separate collection in the company;
- > management of general authorisations and related provisions issued by the competent bodies regarding atmospheric emissions;
- > monitoring of energy consumption and collection of data on energy resource consumption;
- > organisation of training programmes for personnel on environmental, health and safety issues.

→

WASTE PRODUCTION

With particular reference to the production of industrial waste, it should be noted that **the waste generated is mainly of a non-hazardous nature**: the incidence of hazardous waste generated at the Group level is in fact very low, less than 7% of the total.

7%
the incidence of hazardous waste generated at the Group level

The Gefran Group has production and sales facilities in environments with very different characteristics, due to their different geographical location, so actions to protect the environment must be differentiated according to the location in question.

The Group is continuously looking at **ways to improve energy performance and protect resources** in order, among other things, to encourage the reduction of greenhouse gas emissions. This is also possible thanks to continuous innovation in Gefran’s production and management processes. The initiatives already launched, including the use of 100% recyclable material in our packaging, the implementation of digital solutions to replace paper-based solutions and the optimisation of business trips (use of e-learning platforms, webinars, virtual meetings via digital platforms), all go in this direction.

Total waste produced in Kg (*)	2019	2018
Total waste produced	507,379	557,311
of which hazardous	34,347	38,453
% of total	6,8%	6,9%
of which non-hazardous	473,032	518,858
% of total	93,2%	93,1%

(*) from the consolidated Non-Financial Disclosure as at 31 December 2019

A shared path



OUR CORPORATE IDENTITY, OUR GUIDING PRINCIPLES, OUR PURPOSE AND OUR CONSTANT COMMITMENT OVER THE YEARS TO **SUSTAINABLE DEVELOPMENT ATTENTIVE TO PEOPLE, THE LOCAL AREA AND THE ENVIRONMENT.**

GEFRAN HAS ALWAYS BEEN ACTIVE IN TERMS OF SUSTAINABILITY, DEMONSTRATING CONTINUOUS INTEREST AND COMMITMENT IN THE IMPLEMENTATION OF INITIATIVES AND ACTIVITIES RELATED TO THESE ISSUES.



In line with its principles, the Group has always been committed to improving its responsibility with regard to these aspects, with the goal of **creating value for its stakeholders**, contributing to sustainable development in the areas in which it operates.

It is in Gefran's nature to seize opportunities and turn them into strengths. It occurs daily in every area of the company.

The introduction of a number of directives in 2016, which essentially made it mandatory to communicate correctly and objectively the non-financial impacts of the activities of entities considered to be of public interest, proved to be an excellent opportunity for Gefran to explicitly demonstrate its interest in sustainability issues.

With this awareness, we decided to take a step forward by further integrating sustainability

into our business, strategy choices and daily practices and in 2019 we embarked on a path of consolidation of our commitment.

Our path, which led us to the drafting of this strategic sustainability plan, has seen us go through some fundamental stages:

- > the definition and structuring of our **sustainability governance**;
- > the performance of external stakeholder **engagement activities**;
- > the definition of our **sustainability strategy**.

03.1

Sustainability governance



GEFRAN CONDUCTS ITS BUSINESS, BOTH INTERNALLY AND EXTERNALLY, **IN COMPLIANCE WITH CURRENT LAWS AND MARKET RULES**, COMPLYING WITH THE PRINCIPLES CONTAINED IN THE " *CODE OF ETHICS AND CONDUCT*", UPDATED BY THE BOARD OF DIRECTORS ON 11 FEBRUARY 2016.

Gefran declares that it is free not to enter into or continue any relationship with anyone who demonstrates that it does not comply with its content and spirit and/or violates its principles and rules of conduct. In addition to complying with current laws in the countries in which it operates, Gefran is committed to complying with universally recognised ethical and moral principles:



Integrity



Honesty and professionalism



Enthusiasm and passion



Practicality and reliability



Flexibility



Sustainability

In May 2020, the Board of Directors of Gefran Spa formally established, **the Sustainability Committee** among its board committees and approved its regulations.

Giovanna Franceschetti, Vice-Chairman with powers related to sustainability from 2017, Marcello Perini, Group Chief Executive Officer and Cristina Mollis, Independent Director with extensive experience on these issues were appointed as members of the committee.

Gefran's Sustainability Committee is responsible for supervising all the Group's sustainability activities and reporting progress to the Board of Directors.

To carry out these tasks, the Committee relies on a Working Group, led by the Group CFO, which includes representatives of the various company departments, and is responsible for carrying out all the preparatory activities for defining and implementing Gefran's

sustainability strategy, as well as drafting the first sustainability policy document. The Working Group carries out these activities also through close collaboration with the representatives of all the Group's subsidiaries.

The first pillar of the process undertaken by the Group is the establishment of a Sustainability Committee in 2020.

SUSTAINABILITY COMMITTEE

PROJECT MANAGER
Fausta Coffano

WORKING GROUP

Assistance of the Project Manager
Chiara Mazzucchelli

Commercial Department
Marcello Sbardolini

HSE Department
Marco Debellini

People & Organization Department
Patrizia Belotti

Procurement Department
Stefano Mazzola

Operations Department
Gianluigi Gritti

Compliance Department
Vittorio Grasso (Legal)
Silvio Fanini (Quality)

03.2

Stakeholder engagement activities



IN SUSTAINABILITY REPORTING, **MATERIALITY IS THE PRINCIPLE THAT DETERMINES WHICH ISSUES ARE IMPORTANT ENOUGH TO MAKE REPORTING ESSENTIAL.**

Global Reporting Initiative

THE **MATERIALITY MATRIX** IS A TOOL THAT MAPS THE IMPORTANCE OF THE MATERIAL ISSUES IDENTIFIED, ACCORDING TO THE POINT OF VIEW OF SOCIETY AND STAKEHOLDERS. IN TRACING THE IMPORTANCE OF THE ISSUES, THE MATRIX MAKES IT POSSIBLE TO IDENTIFY THE AREAS AROUND WHICH ONE'S STRATEGIC APPROACH TO SUSTAINABILITY SHOULD BE STRUCTURED.



In 2017, the Group conducted an internal materiality analysis process, which allowed us to identify the most important aspects in terms of their direct economic, social and/or environmental impact, as well as the potential influence in the assessments and decisions of our stakeholders. These are the issues that were identified.

This activity was conducive to the construction of the materiality matrix, as a starting point for reporting in the 2017 Declaration, also adopted in the 2018 Declaration.

Subsequently, during 2019, Gefran deemed it necessary to update this matrix, carrying out a series of analyses at the Group level to refine the engagement process according to the points of attention identified.

Considering dialogue with its stakeholders to be fundamental, the Group embarked on a more structured path, which initially led to the identification of the main stakeholder categories and, subsequently, to various involvement and dialogue initiatives.

THE ISSUES IDENTIFIED BY THE MATERIALITY ANALYSIS IN 2017

Economic	Environmental	Social Working practices	Social Local and international communities	Social Product liability	Cross-functional
Economic value attracted and distributed and economic impact	Raw materials management	Human capital management	Relations with local communities and organisations	Consumer health and safety	Sustainable management of supply chain
	Energy efficiency	Industrial relations	Relations with training and research bodies and universities		Compliance and risk management
	Management of water usage and discharge	Employee health and safety management	Fight against corruption		Sustainable governance
	Emissions management	Personnel training and development			
	Waste management	Protection of employee diversity and non-discrimination			
	Research and development into sustainable products	Respect for human rights			

The *Panel Analyses* led to the identification of **7 stakeholder categories**, for which certain **involvement activities were already underway, both individual** (visits, dedicated events in the company) **and collective** (publications on websites, social networks and media, participation in and organisation of conferences).

These engagement activities were mostly of an informative and consultative nature, while only with a few stakeholders (suppliers in particular) were true partnerships initiated.

In light of this, **Gefran felt it was essential to actively involve its stakeholders, organising opportunities for discussion.** A choice that allowed us to share our new sustainability path, collect direct feedback according to the points of attention identified and obtain a further update of the materiality matrix.

ANALYSIS OF THE PANEL



GEFRAN
BEYOND TECHNOLOGY



STAKEHOLDER PRIORITIES AND EXPECTATIONS

1 ANALYSIS OF THE STAKEHOLDER PANEL

2 STAKEHOLDER ENGAGEMENT

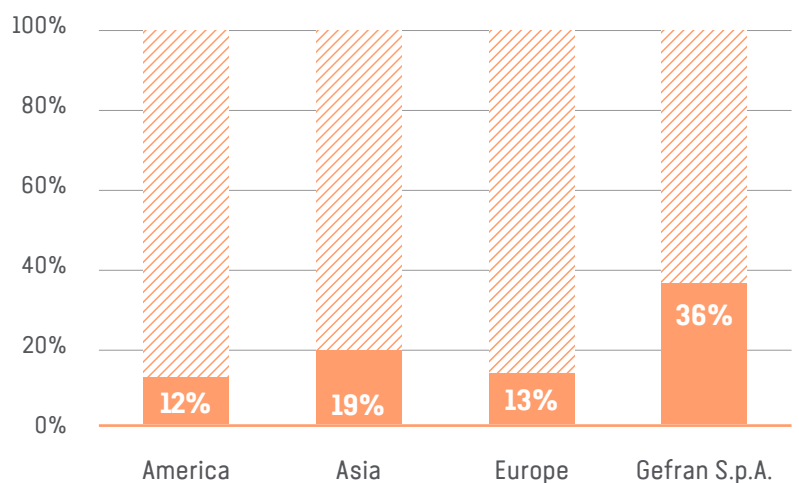
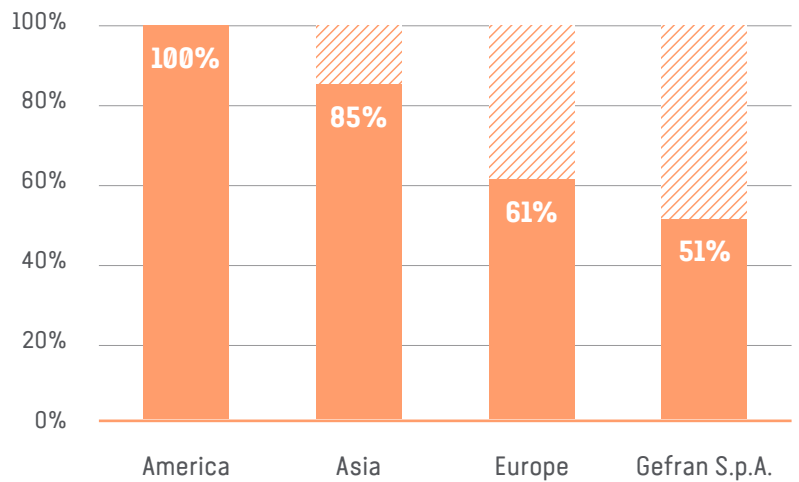
3 ANALYSIS OF THE RESULTS

In July and August 2019, the first involvement activity was therefore carried out, with the aim of understanding the opinions and expectations only of certain specific categories of stakeholders, specifically employees and suppliers.

On-line questionnaires prepared in all languages

used in the Group were used in order to ensure maximum engagement of the stakeholders interviewed.

A total of 1,047 questionnaires were sent, and 550 responses received (equal to a 52% response rate), 63% of which came from employees and 21% from suppliers.



Recorded responses Missing responses



With the aim of encouraging more complete and direct involvement, in November 2019 **we organised the first multi-stakeholder engagement and materiality analysis event, which was attended by representatives of all stakeholder categories.**

The event was the first step in involving representatives of the Group's various types of stakeholders (Shareholders, Employees,

Customers, Institutions, Suppliers, Training and Research Bodies, as well as local communities) in an interactive way, presenting the path taken by Gefran, taking advantage of possible ideas for improvement and understanding possible needs and expectations in this regard. In this context, representatives of the various stakeholder categories were asked to assess the material issues identified by the Group through an interactive platform.

The information obtained from the stakeholder engagement activity permitted development of the engagement process and updating of the position of material issues in the materiality matrix in order to better reflect stakeholders' point of view. We thus drew up the new materiality matrix to be applied to non-financial reporting in 2019.

The stakeholder engagement activity permitted development of the engagement process and updating of the position of material issues in the materiality matrix in order to better reflect stakeholders' point of view.

THE MATERIALITY MATRIX



The definition of the matrix was the first stage of a formal stakeholder engagement activity on sustainability issues.

A future-oriented commitment



04.1

Definition of the sustainability strategy

→

From the point of view of an inclusive path, identification of the material issues (opportunity risks that we have to manage within our business, and the context in which we operate) was the starting point.

With the involvement of the internal departments of the Parent Company and subsidiaries, through a series of meetings aimed at analysing their vision for the future of the Group and possible concrete commitments towards even more sustainable development, we analysed material issues with a broad vision, inspired by the Sustainable Development Goals defined by the United Nations.

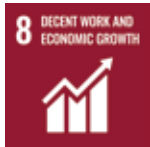
Through the collection and analysis of current and potential initiatives, with the contribution of expert consultants in the sector, we have identified the *Sustainable Development Goals (SDGs)* that are most interconnected with our commitments, our business and our activity, identifying certain priorities and identifying for each goal the specific targets to which the Group can make a tangible contribution.



The Sustainable Development Goals (SDGs) that are most interconnected with Gefran's commitments



- > ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY SYSTEMS FOR ALL.



- > STIMULATE LONG-LASTING, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL.



- > BUILD A RESILIENT INFRASTRUCTURE AND PROMOTING INNOVATION AND FAIR, RESPONSIBLE AND SUSTAINABLE INDUSTRIALISATION.



- > ENSURE SUSTAINABLE PRODUCTION AND CONSUMPTION PATTERNS.



- > TAKE URGENT MEASURES TO COMBAT CLIMATE CHANGE AND ITS CONSEQUENCES.



- > STRENGTHEN SUSTAINABLE DEVELOPMENT IMPLEMENTATION MEANS AND RENEW ITS GLOBAL PARTNERSHIP.



I propose that you, the business leaders gathered in Davos, and we, the United Nations, initiate a Global Compact of shared principles and values, which will give a human face to the global market.

Kofi Annan

Secretary General of the United Nations | World Economic Forum | 31 January 1999 | Davos

THE UNITED NATIONS GLOBAL COMPACT

THE UNITED NATIONS GLOBAL COMPACT
STEMMED FROM THE DESIRE TO **PROMOTE
A SUSTAINABLE GLOBAL ECONOMY,**
THROUGH COLLABORATION ON THE MOST
CRITICAL GLOBALIZATION ASPECTS,
ALIGNING THE OBJECTIVES OF THE
INTERNATIONAL COMMUNITY WITH THOSE
OF THE PRIVATE INTERESTS OF THE
BUSINESS WORLD.

THIS IS A VOLUNTARY AND GLOBAL
INITIATIVE, WHICH INVITES COMPANIES
TO ALIGN THEIR APPROACH TO
THE ISSUES OF HUMAN RIGHTS,
ENVIRONMENTAL PROTECTION, WORKERS'
RIGHTS AND THE FIGHT AGAINST
CORRUPTION IN ORDER TO SUPPORT
THE ACHIEVEMENT OF COMMON
OBJECTIVES (*SUSTAINABLE
DEVELOPMENT GOALS - SDGS*).

1999

World Economic Forum in Davos

For the first time the former Secretary
General of the United Nations, Kofi Annan,
invited the leaders of the world economy
present at the meeting to sign a "Global
Compact" with the United Nations.

2000

United Nations Building in New York

Launch of the United Nations Global Compact.

TODAY

More than 18,000 companies

from 160 countries worldwide have
adhered, thus creating a new network
of worldwide collaboration.



**SUSTAINABLE
DEVELOPMENT
GOALS**

04.2

From Sustainable Development Objectives to tangible commitments in our business

AFTER GIVING PRIORITY TO THE SDGS TO WHICH WE CAN REALISTICALLY CONTRIBUTE, AND THEN CHOOSING SPECIFIC TARGETS, **WE HAVE IDENTIFIED THE COMMITMENTS WE WILL MAKE TO MAKE A TANGIBLE CONTRIBUTION TO THEIR ACHIEVEMENT, AND HAVE DISSEMINATED THESE COMMITMENTS IN OUR ORGANISATION AND IN OUR BUSINESS.**

SDG TARGET: SUSTAINABLE DEVELOPMENT GOALS

GEFRAN'S COMMITMENT TO ACHIEVING SUSTAINABLE DEVELOPMENT GOALS

FROM COMMITMENTS TO OUR BUSINESS, OUR GOALS



7.3 By 2030, double the overall rate of energy efficiency improvement.

Promote the responsible use and efficiency improvement of energy resources.

Facilitate the reduction and/or efficiency improvement of energy consumption through the implementation of new technological/organisational solutions.



8.5 By 2030, ensure full and productive employment and decent work conditions for women and men, including young people and people with disabilities, and fair remuneration for work of equal value.

Offer all employees equal opportunities for professional growth and career development.

Increase the company population with access to regular feedback on performance.

SDG TARGET: SUSTAINABLE DEVELOPMENT GOALS

GEFRAN'S COMMITMENT TO ACHIEVING SUSTAINABLE DEVELOPMENT GOALS

FROM COMMITMENTS TO OUR BUSINESS, OUR GOALS



8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking, and ensure the prohibition and elimination of the worst forms of child labour, including the recruitment and employment of child soldiers. Finally, by 2025, put an end to child labour in all its forms.

Work to avoid all forms of child labour and slavery throughout the supply chain, especially in countries where workers' rights are not explicitly protected.

Ensure respect for and protection of human rights for all personnel and the supply chain of the entire Group.

Adoption of management systems aimed at complying with internationally recognised standards in the field of human rights protection, including throughout the supply chain.



8.8 Protect labour rights and promote a healthy and safe working environment for all workers, including immigrants, particularly immigrant women, and temporary workers.

Ensure a safe working environment within the company and promote safety at work also throughout the supply chain, especially in those countries where workers' rights are not explicitly protected.

Ensure compliance with occupational health and safety issues for all personnel and the supply chain of the entire Group.

Implementation of an OHS management system in all Group companies, in compliance with internationally recognised standards, aimed at protecting the health and safety of workers, preventing and mitigating any risks connected with work activities, including throughout the supply chain.

SDG TARGET: SUSTAINABLE DEVELOPMENT GOALS

GEFRAN'S COMMITMENT TO ACHIEVING SUSTAINABLE DEVELOPMENT GOALS

FROM COMMITMENTS TO OUR BUSINESS, OUR GOALS



9.5 Strengthen scientific research, promote the technological capabilities of the industrial sector in all countries, especially in developing countries, as well as encourage innovation and considerably increase the number of workers per million people in the research and development sector and expenditure - both public and private - on research and development by 2030.

Promote research and development of innovative and quality solutions and services, as well as the evolution of business processes and practices aimed at defining a more efficient and effective organisation.

Invest in innovation, in the research and development of quality solutions and services, constantly and creatively renewing our know-how.

In all Group companies, disseminate best practices identified with regard to business processes and practices aimed at defining a more efficient and effective organisation.



12.2 By 2030, achieve sustainable management and efficient use of natural resources.

Ensure responsible management of resources in all Group activities, including through a sustainable raw materials supply chain.

Reinforce responsible purchasing choices through sustainable procurement.

Implementation of solutions to ensure efficient use of raw materials and resources in business processes.



12.8 By 2030, ensure that everyone in every part of the world has the relevant information and awareness of what sustainable development is and the importance of having a lifestyle in harmony with nature.

Promote a culture of economic, social and environmental sustainability in the Gefran world.

Invest in raising awareness of the Group, its supply network and the surrounding community on the importance of achieving sustainable development.

SDG TARGET: SUSTAINABLE DEVELOPMENT GOALS

GEFRAN'S COMMITMENT TO ACHIEVING SUSTAINABLE DEVELOPMENT GOALS

FROM COMMITMENTS TO OUR BUSINESS, OUR GOALS



13.3 Improve education, awareness-raising and human and institutional capacity on climate change in the areas of mitigation, adaptation, impact reduction and early warning.

Reduce the impact of the Group's activities on climate change.

Invest in solutions to reduce the impact of the Group's activities on climate change.



17.16 Strengthen global partnerships for sustainable development, supported by multilateral partnerships that develop and share knowledge, skills, technological and financial resources, in order to achieve Sustainable Development Goals in all countries, especially developing countries.

Participate in collaborations at the local, national or international level, with research and development bodies, consortia, unions and associations in the industrial automation sector and public administrations, in order to promote achievement of the Sustainable Development Goals.

Participate in collaborations at the local, national or international level, with research and development bodies, consortia, unions and associations in the industrial automation sector and public administrations, in order to promote achievement of the Sustainable Development Goals.



Concrete projects



05

FOLLOWING AN ANALYSIS OF THE STATED COMMITMENTS, POSSIBLE INITIATIVES TO BE LAUNCHED AND ALREADY UNDERWAY IN RELATION TO EACH SDG TARGET, THE SUSTAINABILITY COMMITTEE HAS IDENTIFIED A NUMBER OF PROJECTS THAT WE BELIEVE TO BE FUNDAMENTAL TO THE PURSUIT OF GEFRAN'S SUSTAINABILITY STRATEGY.

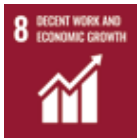
OVER THE NEXT THREE TO FIVE YEARS THE GROUP'S FOCUS WILL BE ON THE IMPLEMENTATION OF 4 PROJECTS, EACH OF WHICH FINDS ITS RAISON D'ÊTRE IN THE INITIATIVES IDENTIFIED AND THE SDG TARGETS SET OUT ABOVE.



1

TALENT DEVELOPMENT AND CONSTANT FEEDBACK GUARANTEE

We intend to ensure all Group employees the opportunity to develop their skills and improve their performance through implementation of a methodological assessment and feedback system, open to all.



2

DIFFUSION OF SUSTAINABILITY CULTURE

We identify sharing and transmission of a sustainability culture to our suppliers as a priority, addressing mainly local or small/medium-sized suppliers, which by their very nature cannot easily access sustainability issues or which, although interested in implementing them, have greater difficulty in finding resources to launch concrete projects.



3

OBTAINING NEW CERTIFICATIONS

We intend to extend current certifications and implement an environmental management system, an occupational health and safety management system and a management system for aspects related to corporate social responsibility (respect for human rights, workers' rights, protection against exploitation of minors, guarantee of safety and health in the workplace).



4

SUSTAINABLE INNOVATION

R&D has always been a key element for Gefran, a lever for creating value: innovation necessarily involves key processes to achieve sustainability goals. Our project is aimed at analysing how Gefran can further expand its offer, developing new products in the Industry 4.0 context and implementing a number of "pilot solutions" in terms of analysis and skills development to be launched on the market. The focus will be on energy efficiency, evolution of technological skills towards an increasingly digital approach and Open Innovation.



05.1

Talent development and constant feedback guarantee



→

The dynamic evolution of the current context, characterised by a cultural change towards *New Ways Of Working* and entry in the working world of Millennials, requires organisations to align the conduct and objectives of their people with the digital transformation strategy of their business models.

In this context, traditional approaches are no longer adequate: **it is necessary to re-conceive performance management systems**, as a fundamental lever of organisational performance. Approach by objectives, continuous feedback, speed and frequency of assessment and continuous improvement: these are the ingredients that characterise modern performance management systems.

It is our intention to ensure all Group employees the opportunity to develop their skills and improve their performance. We believe that this can be achieved by promoting access to a structured system that integrates the skills model ("the what"), assessment of strengths and preferred behavioural styles in harmony with the Gefran Way ("the how") and a new performance management criterion that includes mentoring, periodic opportunities for discussion and reciprocal feedback. This system will be consistent with the skills development process itself, already launched with kenFLY Academy, Gefran's digital hub containing talent development plans.

It was therefore decided **to find a discussion mode that could reach and be understood**

by everyone, through the creation of a common language and its dissemination. A mode that is based on a method that is recognised and regulated and organised through several levels of involvement.

In the preliminary phase of the project, the infrastructure through which it will be possible to provide all employees with the necessary training to learn and practise their skills has already been identified, so that feedback can be given, received and adequately processed.

The Gefran population will be involved through a dedicated digital platform, part of a wider system for the development and management of human capital, with training groups structured according to geographical (all employees in a given area/country), role (employees from each Group company with the same role) or necessity (employees from each Group company who need access to the same type of training, regardless of their role) criteria.

In order to respond to the need for a structured tool for performance assessment and feedback management, we have decided to use two complementary and recognised systems, namely the *Skills Model* (“the what”) and a *Behaviour Style Assessment Tool* (“the how”).

The Skills Model, which will include the definition of each skill and its assessment criteria through observable and measurable performance, will be developed and shared. The same model will become “common language” not only

Through this integrated system we aim, on the one hand, to encourage the strengthening of soft skills, on the other, activation and empowerment of the management team.

for assessment and feedback, but also for the definition of job descriptions and scouting and selection criteria.

Through the *Behaviour Style Assessment Tool*, an opportunity for discussion will be created, in which the strengths and behaviours usually chosen by a person will be highlighted, in both favourable as well as unfavourable conditions. Feedback will focus on the evidence of the strengths identified and those required which, depending on the situation, must be confirmed, extended or moderated.

Through this integrated system we aim, on the one hand, to encourage the strengthening of soft skills, integrate and support technical and role training initiatives and, on the other, activation and empowerment of the management team,

strengthening the aptitude for mentoring, continuous, objective and specific feedback and *People Development*.

At the end of the project, presumably by the end of 2024, we expect to reach 100% of the Gefran population.

With reference to the table on page 50, the SDG targets, our commitments and our objectives to which this project is addressed are the following:

SDG TARGET: SUSTAINABLE DEVELOPMENT GOALS	GEFRAN'S COMMITMENT TO ACHIEVING SUSTAINABLE DEVELOPMENT GOALS	FROM COMMITMENTS TO OUR BUSINESS, OUR GOALS
 <p>8.5 By 2030, ensure full and productive employment and decent work conditions for women and men, including young people and people with disabilities, and fair remuneration for work of equal value.</p>	<p>Offer all employees equal opportunities for professional growth and career development.</p>	<p>Increase the company population with access to regular feedback on performance.</p>
 <p>8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking, and ensure the prohibition and elimination of the worst forms of child labour, including the recruitment and employment of child soldiers. Finally, by 2025, put an end to child labour in all its forms.</p>	<p>Work to avoid all forms of child labour and slavery throughout the supply chain, especially in countries where workers' rights are not explicitly protected.</p>	<p>Ensure respect for and protection of human rights for all personnel and the supply chain of the entire Group.</p> <p>Adoption of management systems aimed at complying with internationally recognised standards in the field of human rights protection, including throughout the supply chain.</p>
 <p>8.8 Protect labour rights and promote a healthy and safe working environment for all workers, including immigrants, particularly immigrant women, and temporary workers.</p>	<p>Ensure a safe working environment within the company and promote safety at work also throughout the supply chain, especially in those countries where workers' rights are not explicitly protected.</p>	<p>Ensure compliance with occupational health and safety issues for all personnel and the supply chain of the entire Group.</p> <p>Implementation of an OHS management system in all Group companies, in compliance with internationally recognised standards, aimed at protecting the health and safety of workers, preventing and mitigating any risks connected with work activities, including throughout the supply chain.</p>



05.2

Diffusion of sustainability culture

THE OBJECTIVE OF THIS PROJECT IS **TO SHARE AND TRANSMIT A SUSTAINABILITY CULTURE TO OUR SUPPLIERS**, ADDRESSING MAINLY LOCAL OR SMALL/MEDIUM-SIZED SUPPLIERS, WHICH BY THEIR VERY NATURE CANNOT EASILY ACCESS SUSTAINABILITY ISSUES OR WHICH, ALTHOUGH INTERESTED IN IMPLEMENTING THEM, HAVE GREATER DIFFICULTY IN FINDING RESOURCES TO LAUNCH CONCRETE PROJECTS.

THE PROJECT WILL BE DEVELOPED IN THREE MACRO-PHASES.

THIS CYCLE WILL INITIALLY BE SET UP FOR THE GROUP'S ITALIAN COMPANIES, WHILE SUBSEQUENTLY, WITH THE SAME PROCESS, FOREIGN SUBSIDIARIES WILL ALSO BE INVOLVED.

1

INTERNAL TRAINING

In the first phase, the internal work team will receive training on sustainability issues. Through this process, knowledge and skills will be made available to manage any supplier needs, to review the assessment and audit forms and to identify the supplier panel to be involved. The way in which partners will be involved, which can also be differentiated, will be defined and the KPIs for evaluation of the effectiveness of the involvement plan that will be implemented will be established.

2

DISSEMINATING A SUSTAINABILITY CULTURE

The second phase will aim to disseminate and develop a sustainability culture among the selected partners. For this phase, various types of involvement activities will be organised (collective workshops, surveys, audits, assessments, etc.), after which we will be able to identify specific projects to work on, together with the identified stakeholders.

3

PROJECT DEVELOPMENT

The third phase will be dedicated to developing the projects identified, in partnership with the suppliers involved.



With reference to the table on page 50, the SDG targets, our commitments and our objectives to which this project is addressed are the following:

SDG TARGET: SUSTAINABLE DEVELOPMENT GOALS	GEFRAN'S COMMITMENT TO ACHIEVING SUSTAINABLE DEVELOPMENT GOALS	FROM COMMITMENTS TO OUR BUSINESS, OUR GOALS
 <p>12.8 By 2030, ensure that everyone in every part of the world has the relevant information and awareness of what sustainable development is and the importance of having a lifestyle in harmony with nature.</p>	<p>Promote a culture of economic, social and environmental sustainability in the Gefran world.</p>	<p>Invest in raising awareness of the Group, its supply network and the surrounding community on the importance of achieving sustainable development.</p>
 <p>17.16 Strengthen global partnerships for sustainable development, supported by multilateral partnerships that develop and share knowledge, skills, technological and financial resources, in order to achieve Sustainable Development Goals in all countries, especially developing countries.</p>	<p>Participate in collaborations at the local, national or international level, with research and development bodies, consortia, unions and associations in the industrial automation sector and public administrations, in order to promote achievement of the Sustainable Development Goals.</p>	<p>Participate in collaborations at the local, national or international level, with research and development bodies, consortia, unions and associations in the industrial automation sector and public administrations, in order to promote achievement of the Sustainable Development Goals.</p>

05.3

Obtaining new certifications

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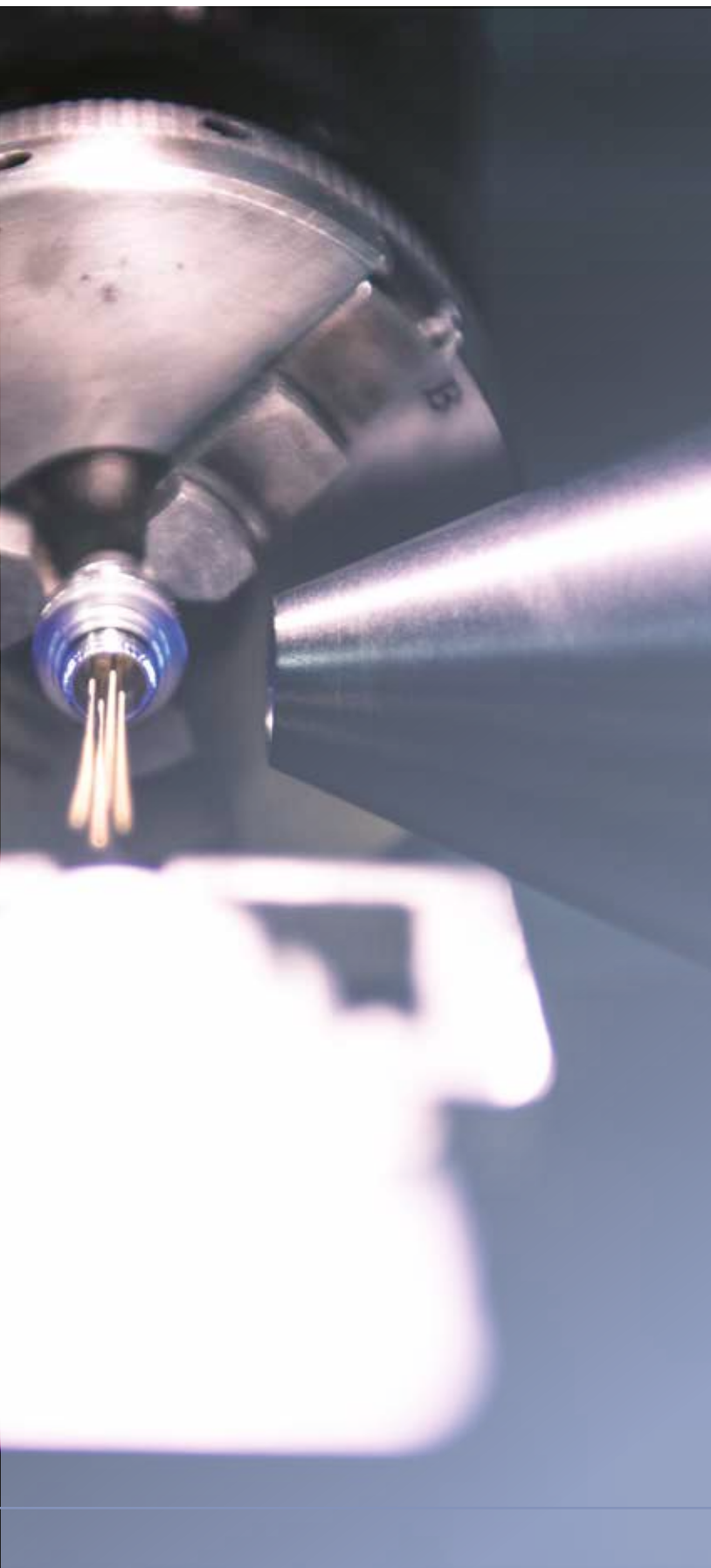
Through this project we aim to obtain an Integrated Management System (IMS) for the Italian Group companies which, in addition to the already implemented ISO9001, also includes certification in the occupational health and safety (ISO45001) and environmental (ISO14001) field. Specifically:

> **ISO 45001** defines the requirements for an occupational health and safety management system and provides guidance for its use, in order to enable organisations to provide safe and healthy workplaces, preventing occupational accidents and health problems, as well as pro-actively improving OHS;

> **ISO 14001** sets out the requirements for an adequate management system to keep the environmental impacts of its activities under control, and systematically seeks their improvement in a consistent, effective and above all sustainable manner.

In addition to these management systems, in the social sphere we have currently identified **SA8000** certification, the international standard drawn up by CEPAA and aimed at certifying certain aspects of company operations relating to corporate social responsibility, such as respect for human rights, respect for workers' rights, protection against exploitation of minors,

We aim to obtain an Integrated Management System (IMS) for the Italian Group companies which, in addition to the already implemented ISO9001, also includes certification in the occupational health and safety (ISO45001) and environmental (ISO14001) field.



as well as guarantees of safety and health in the workplace. However, evaluation of the tool that best represents the Group in the field of social responsibility, in relation to its peculiarities and needs, is still in progress. The most suitable solution, once defined, will be included in the integration plan.

It is our intention to subsequently extend these certifications to all foreign subsidiaries.

To achieve these objectives, a process structured in a series of macro phases has been identified:

- > **Analysis of the reference context**, of the issues in question (HSE and social);
- > **Definition of an action plan** for the Group's Italian companies: construction of the Integrated Management System (documentation and training) and its implementation, concluding with obtaining certifications;
- > **Involvement of foreign subsidiaries with production sites**, for which the steps described in the previous phase will be followed, defining the priority of intervention in the light of the peculiarities of each company.

In order to effectively implement the integration of the management system and harmonise the approach and management of the various issues, Gefran has deemed it essential to create the integrated “Quality, Safety and Environment” function, with Group-wide responsibility.

With reference to the table on page 50, the SDG targets, our commitments and our objectives to which this project is addressed are the following:

SDG TARGET: SUSTAINABLE DEVELOPMENT GOALS	GEFRAN'S COMMITMENT TO ACHIEVING SUSTAINABLE DEVELOPMENT GOALS	FROM COMMITMENTS TO OUR BUSINESS, OUR GOALS
 <p>8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking, and ensure the prohibition and elimination of the worst forms of child labour, including the recruitment and employment of child soldiers. Finally, by 2025, put an end to child labour in all its forms.</p>	<p>Work to avoid all forms of child labour and slavery throughout the supply chain, especially in countries where workers' rights are not explicitly protected.</p>	<p>Ensure respect for and protection of human rights for all personnel and the supply chain of the entire Group.</p> <p>Adoption of management systems aimed at complying with internationally recognised standards in the field of human rights protection, including throughout the supply chain.</p>
 <p>8.8 Protect labour rights and promote a healthy and safe working environment for all workers, including immigrants, particularly immigrant women, and temporary workers.</p>	<p>Ensure a safe working environment within the company and promote safety at work also throughout the supply chain, especially in those countries where workers' rights are not explicitly protected.</p>	<p>Ensure compliance with occupational health and safety issues for all personnel and the supply chain of the entire Group.</p> <p>Implementation of an OHS management system in all Group companies, in compliance with internationally recognised standards, aimed at protecting the health and safety of workers, preventing and mitigating any risks connected with work activities, including throughout the supply chain.</p>
 <p>13.3 Improve education, awareness-raising and human and institutional capacity on climate change in the areas of mitigation, adaptation, impact reduction and early warning.</p>	<p>Reduce the impact of the Group's activities on climate change.</p>	<p>Invest in solutions to reduce the impact of the Group's activities on climate change.</p>

05.4

Sustainable innovation



The objective of this project is to promote the innovation process in two fundamental directions:

- > Incremental innovation that concerns the expansion of communication, self-diagnosis and performance analysis capabilities and those of control of the specific application in existing products.
- > Discontinuous innovation aimed at analysing how Gefran can further expand its offer, in the Industry 4.0 context, by implementing a number of “pilot solutions” to be launched on the market to address issues such as predictive maintenance, performance optimisation and remote machine and plant management.

In the area of discontinuous innovation, the aim is to scale the Industry 4.0 approach across the entire range of products and services.

Incremental innovation guides the development of our products to express better performance and advanced functionalities able to guarantee significant energy saving to the end user, thanks to both the intrinsic efficiency of the product (for example in the relay-power controller range and in the ADL inverter range), as well as the possibility of managing the entire application in a more efficient way, leveraging the increased availability of field data and the development of more advanced control functions (SDG 7.3).

In the area of discontinuous innovation, the aim is to scale the Industry 4.0 approach across the entire range of products and services, while contributing to the dissemination of a digital culture and a service-based business approach throughout the Group (SDG 9.5). We are aware that by the very nature of discontinuity, this innovation path requires us to extend our *Open Innovation* approach to the entire ecosystem in question.



Innovation projects, in addition to relying on researchers and scholarship holders to carry out the activities, aim to involve customers and partners in the development of technological architectures and marketable solutions (SDG 17.6).

In this process, the technological prerequisites of reference are: *Digital Twin* and *IT-OT Convergence*.

Digital Twin: a digital equivalent object can be defined for each physical device or system. This object includes a representation of the properties and capabilities of its physical dual. Information such as the following can be included in the *Digital Twin* of an object: 3D physical representation, circuit diagram, description of electrical or thermal behaviour, managed data modelling. The *Digital Twin* is a fundamental tool for the machine manufacturer and the end user, for example, to simulate the device during the design phase or to interact with it during operations through production management applications.

IT-OT convergence: the integration of production management, field data acquisition and maintenance management applications (*Operations Technology - OT*) and management, financial, logistics and resource and material planning applications (*Information Technology - IT*) allows a value-focused approach to

Incremental innovation guides the development of our products to express better performance and advanced functionalities able to guarantee significant energy saving to the end user.

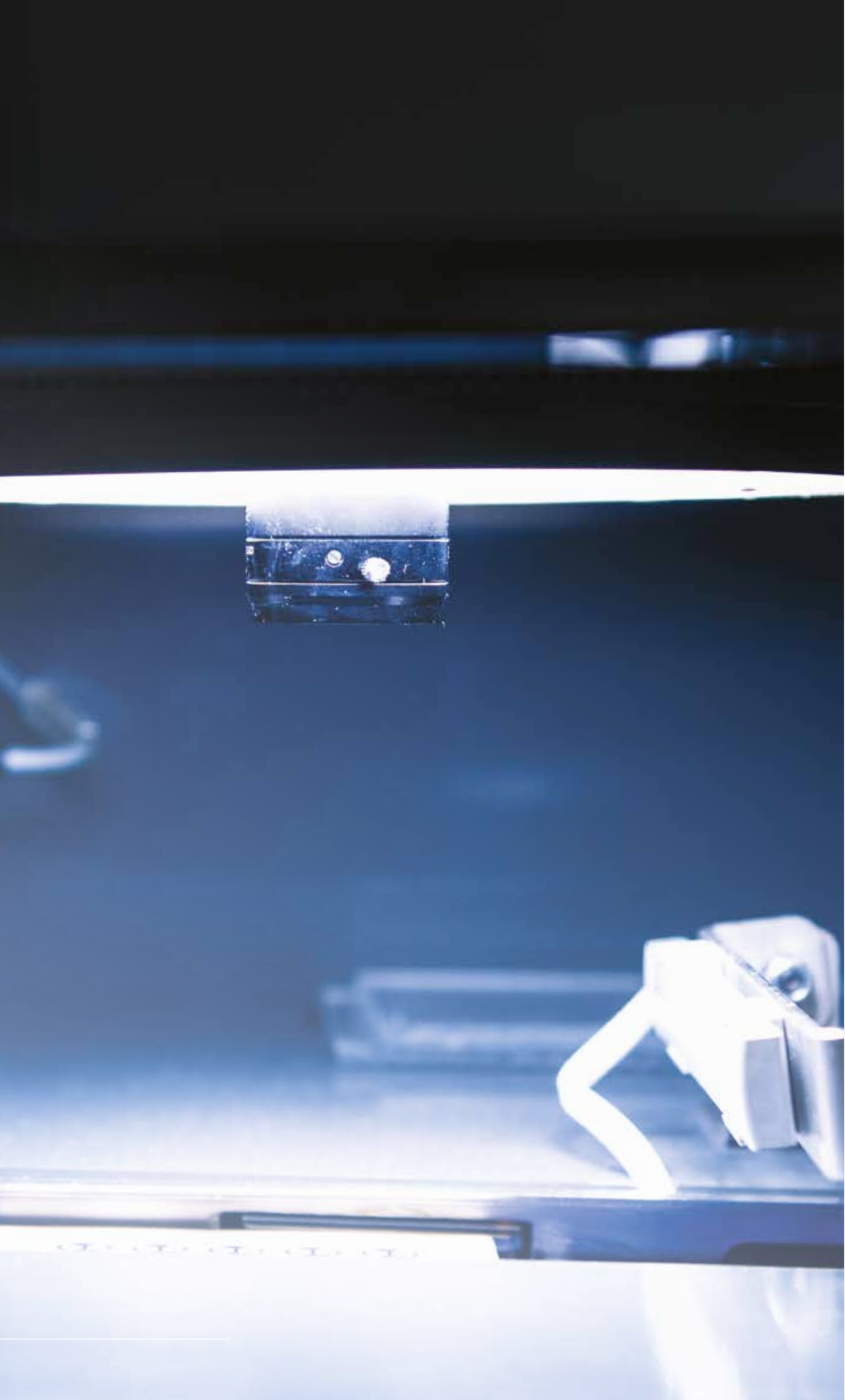
operations which is more responsive to the market and supply chain and more resilient to downtime and other unforeseen events. In this sense, of particular significance is the intelligent, integrated management of the data necessary for process control (*OT*) and of that used for optimisation of consumption, minimisation of downtime and integrated management of production, data that can be collected from Gefran's products suitably developed for this purpose.

Application of the previous technological prerequisites to the Gefran product range will allow the **creation of Industry 4.0 pilot solutions for industrial applications on which process support software**, such as *predictive maintenance* or performance optimization, can be implemented.

The activity is aimed at both creating marketable solutions and at putting the architectural and modelling skills covered by the previous two areas of activity into practice, with the aim of developing a standard method and tools to extend the approach to further application areas.

With reference to the table on page 50, the SDG targets, our commitments and our objectives to which this project is addressed are the following:

SDG TARGET: SUSTAINABLE DEVELOPMENT GOALS	GEFRAN'S COMMITMENT TO ACHIEVING SUSTAINABLE DEVELOPMENT GOALS	FROM COMMITMENTS TO OUR BUSINESS, OUR GOALS
 <p>7.3 By 2030, double the overall rate of energy efficiency improvement.</p>	<p>Promote the responsible use and efficiency improvement of energy resources.</p>	<p>Facilitate the reduction and/or efficiency improvement of energy consumption through the implementation of new technological/organisational solutions.</p>
 <p>9.5 Strengthen scientific research, promote the technological capabilities of the industrial sector in all countries, especially in developing countries, as well as encourage innovation and considerably increase the number of workers per million people in the research and development sector and expenditure - both public and private - on research and development by 2030.</p>	<p>Promote research and development of innovative and quality solutions and services, as well as the evolution of business processes and practices aimed at defining a more efficient and effective organisation</p>	<p>Invest in innovation, in the research and development of quality solutions and services, constantly and creatively renewing our know-how.</p>
 <p>17.16 Strengthen global partnerships for sustainable development, supported by multilateral partnerships that develop and share knowledge, skills, technological and financial resources, in order to achieve Sustainable Development Goals in all countries, especially developing countries.</p>	<p>Participate in collaborations at the local, national or international level, with research and development bodies, consortia, unions and associations in the industrial automation sector and public administrations, in order to promote achievement of the Sustainable Development Goals.</p>	<p>Participate in collaborations at the local, national or international level, with research and development bodies, consortia, unions and associations in the industrial automation sector and public administrations, in order to promote achievement of the Sustainable Development Goals.</p>



On the way to the future

WE HAVE DECIDED TO
NARRATE OUR PROCESS
TOWARDS OUR STAKEHOLDERS
IN A TRANSPARENT MANNER,
IN ORDER TO MAKE THEM
INCREASINGLY INVOLVED.
TO COMPLETE THIS INITIAL
PHASE, GEFRAN'S INTENTION
IS CONSOLIDATED WITH THE
PUBLICATION OF A FORMAL
DOCUMENT, THE STRATEGIC
PLAN.

→

In the plan, we have described Gefran's operational practices with reference to economic, social and environmental issues, and shared future projects aimed at increasingly consolidating the Group's sustainable vision. The Group has shown **significant sensitivity towards environmental and social issues**, highlighting possible areas for improvement in terms of energy efficiency and emissions reduction, and proposing various initiatives to be ever closer to its people and the surrounding community.

Innovation and collaboration with research/training institutes are considered an integral part of the Group's corporate identity, strategy and success.

The plan is intended to be a first concrete step, testifying to the fact that Gefran has embarked on a formalised process which, starting from the definition of the Governance and sustainability strategy, includes the declaration of the commitments that the Group will undertake in the coming years with the community and its stakeholders, in line with the objectives stated in the *Global Compact*.

