

SUSTAINABILITY REPORT

Consolidated non-financial statement pursuant to Legislative Decree 254/2016

2021

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Letter to stakeholders

Dear stakeholders,

We are pleased to present the 2021 Consolidated Non-Financial Statement of Biesse Group, which outlines our approach to social responsibility. It reports the main results achieved in terms of economic, social and environmental sustainability and sets out future objectives with a commitment to contribute to meeting some of the 17 Sustainable Development Goals (SDGs) outlined in the United Nations 2030 Agenda.

The Non-financial statement is published at a time of profound change for the Group which has led to a restructuring of the Group's organisation, with the ultimate aim of conveying a business model that is resilient to continuously changing global conditions and the demands of our stakeholders.

We have decided to further increase our innovation efforts to be able to seize the opportunities associated with the new National Recovery and Resilience Plan (NRRP), an important economic policy and reform measure for our country. This will prepare us to be more proactive in our response to any future challenges we may face in pursuing the sustainable development goals of our business.

With the goal of strengthening the international sales network and making the organisation more effective, flexible, and efficient, including our international locations, we have adopted a transversal approach to work, based on processes, through which we aim to facilitate the implementation of future technological development projects.

The transformation is an opportunity to establish new growth plans that include sustainability issues. Our 2021-2023 business plan speaks of innovation, digitalisation and process efficiency, and how Corporate Social Responsibility needs to take on a strategic role in corporate decisions. In 2021, we established the Innovation, Corporate Social Responsibility & Quality Management department to pursue these objectives.

Conscious of the important role we play in the area in which we operate, thanks to our close relationships with partners and suppliers, and aware of our experience, we want to do our part by assuming the leadership role in developing the community.

Above all, we strongly believe that the development of our employees is fundamental. We are therefore committed to creating a stimulating environment and providing ongoing training and development opportunities, including through the introduction of specialist courses than can also be taken remotely. These new ways of learning will allow us to expand the number of employees involved in training while addressing sustainability issues in a more structured manner in view of the relevance of this topic and the need to create awareness throughout the company.

In response to the needs that emerged during the workgroups, we have implemented actions to guarantee the health and safety of workers, employees, customers, and suppliers. With this in mind, in 2021, Biesse S.p.A. has obtained certification of its workplace safety management system to ISO 45001 standards. This certification is only the beginning of greater safeguards and focus on our employees, representing a point of departure on which future decisions will be based.

To ensure business continuity and contribute to a decarbonised society, we have improved the efficiency of the energy supply system of the Group's main production plants. The rationalisation process initiated with this transformation has also enabled us to improve our environmental performance, allowing us to initiate the process for obtaining certification of our Environmental Management System according to the ISO 14001 standard.

As can be seen from the pages of this *Statement*, the innovation process is fully embodied in Open-I, Biesse Group's innovation lab, a place where we cultivate relationships with the academic world, with research, to gain access to the culture of innovation around the world. The Innovation, Corporate Social Responsibility & Quality Management department aims to inspire and reshape the Group's development.

Last year, we announced we could create a new business model that is both consistent with our growth expectations and resilient to market changes. Today, we can say that this transformation has begun and will enable us to face tomorrow's challenges more effectively.

The people that are the Biesse Group, our partners, and other collaborators, made this progress possible; the results we are presenting to you today stem from our desire to create a business of value. We hope that in reading this document, you too will find the passion and dedication that sets apart our way of doing business. Wishing you all an enjoyable read.

Roberto Selci

Managing Director of Biesse Group

Methodological note

This document constitutes the 2021 consolidated non-financial statement (hereinafter “NFS” or “Statement”), pursuant to Legislative Decree 254/2016 (implementing Directive 2014/95/EU), of the companies pertaining to the Group consisting of Biesse S.p.A. and its fully consolidated subsidiaries (hereinafter “Biesse Group” or the “Group”) and which addresses issues deemed to be significant and as required by Art. 3 of the Decree.

The NFS has been prepared in accordance with the Global Reporting Initiative Sustainability Reporting Standards published by the Global Reporting Initiative (GRI), in accordance with the Core option and in line with the corporate procedure for the preparation of the NFS. The GRI Content Index has been included as an attachment to the document, together with details of where the content has been addressed in compliance with the GRI. The content addressed by the NFS has been selected based on the results of a materiality analysis, as updated in 2021, that has enabled us to identify topics that are material to the Group and its stakeholders. The materiality matrix resulting from the analysis conducted was approved by the Control and Risks Committee on 25 October 2021 and has been presented in the section of this document headed “Stakeholders and materiality analysis”. It should be noted that, on account of the business sector, there have been no significant emissions of pollutants into the atmosphere other than greenhouse gas emissions.

The scope of the financial, social and environmental figures and other information is the same as that of Biesse Group's 2021 consolidated financial statements.

Any changes in the scope have been appropriately indicated in the document.

It should be noted that, compared with the financial statements for the year ended 31 December 2020, the scope of consolidation has changed following the establishment of the sales subsidiary Biesse Japan KK, controlled by Biesse Asia Pte Ltd, the establishment of the subsidiary Biesse Group Israel Ltd. (which is not currently operational) and the acquisition of Forvet S.p.A. Also, on 30 June 2021, the merger of Viet Italia S.r.l., B-soft S.r.l. and Uniteam S.p.A. into the parent company Biesse S.p.A. was completed. On 27 December 2021, Biesse Austria GMBH was liquidated.

To enable the comparability of data over time and to evaluate the Group's performance, where possible, prior year comparatives have been provided. Any restatement of previously published comparative amounts has been clearly stated as such.

Moreover, for the purpose of the correct presentation of performance and to ensure the reliability of the data, the use of estimates has been limited as much as possible and, if used, have been based on the best available methodologies and have been appropriately disclosed.

It was also conducted a first reporting exercise of activities potentially considered environmentally sustainable under the Taxonomy («eligible activities») according to the information requirements of the European regulation on Taxonomy (Art.10 of the delegated act to Regulation 852/20 published on 6/7/2021 and approved by the EU Parliament on 8/12/2021).

The non-financial statement is published annually. If any further information is required, please use the following email address: sustainability@biesse.com. This document is also available on Biesse Group's website www.biessegroup.com. This Statement was submitted for review and assessment by the Control and Risks Committee on 9 March 2022 and was approved by the Board of Directors of Biesse S.p.A. on 14 March 2022.

This document has been subject to procedures performed in a limited assurance engagement in accordance with the criteria indicated by International Standard on Assurance Engagements (ISAE) 3000 (Revised) by the auditors Deloitte & Touche S.p.A. The limited assurance engagement was

conducted by performing the procedures indicated in the "Report of the Independent Auditors" presented at the end of this document.

In consideration of the growing importance of sustainability issues, in 2021 the Innovation, Corporate Social Responsibility & Quality Management department was established to which the CSR Manager will report. The intent of this department is to develop an organic approach to sustainability within Biesse.

Sustainability risks

As disclosed in the NFS, through the enterprise risk management (ERM) process, Biesse Group intends to improve the process of identifying risks and opportunities by setting up a reliable model for decision-making and strategic planning designed to improve the quality of the business processes. With a view to continuous improvement, the Group has continued its analysis of the most significant risks linked to sustainability issues, relating to the areas identified by Legislative Decree 254/2016, in line with those already identified and agreed with the main control bodies for enterprise risk management purposes. In particular, the Group will perform an increasingly more in-depth analysis of risks concerning climate change in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Regarding the needs related to managing the pandemic, activities were focused on analysing the external variables and internal vulnerabilities of the business areas impacted by the Covid-19 pandemic and the related risks, in an environment mixed with government protocols and regulations for managing the crisis and reopening business activities.

Environment

The Group is committed to the constant pursuit of solutions aimed at ensuring responsible use of natural resources, greater efficiency in energy consumption and the management of atmospheric emissions. For this reason, Biesse Group plans to implement a project aimed at contributing positively to the protection and preservation of the environment through the gradual development of a structured continuous energy carrier monitoring system and the power factor correction of energy-intensive machinery, as well as the rationalisation of the exploitation of water resources.

As evidence of the Group's commitment to contribute to a sustainable and decarbonised economy and in addition to continuing to pursue its energy efficiency improvement schemes, in 2021, the contract for the purchase of GO (Guarantee of Origin) certified electricity from renewable sources was renewed for all Italian companies with the aim of significantly reducing indirect Scope 2 market-based CO₂ emissions. In addition, in order to continue with energy efficiency improvement activities, the Pesaro campus plans to install a dual medium-voltage power supply to reduce production stoppages in the event of network outages.

In this regard, in 2021, Biesse S.p.A. initiated the process for certification of its Environmental Management System to ISO 14001:2015 standards.

Personnel-related issues

The Group has already developed various initiatives aimed at investment in its human capital, particularly regarding corporate welfare and diversity and social inclusion. Biesse S.p.A. and Bre.Ma. Brenna Macchine S.r.l. have obtained certification of the workplace safety management system to ISO 45001:2018 standards.

To provide adequate personnel management during the Covid-19 pandemic, the Group has established a central safety management committee to ensure the highest standards of safety in all Biesse workplaces worldwide and has launched a series of important initiatives aimed at ensuring personal safety.

In addition, in an effort to help generate greater awareness of sustainability issues within the company, training courses will be launched involving both overseas locations and head office functions.

Human rights, supply chain and social issues

The Group plans to further develop the analysis of risks pertinent to human rights along the value chain, in line with industry best practice and the relevant international framework. In this regard, Biesse has launched a project to progressively integrate social and environmental aspects into the analysis of its suppliers.

Biesse Group is attentive to the development of social responsibility initiatives in the localities in which it operates.

Fight against active and passive corruption

To further strengthen the safeguards in place for issues concerning the fight against active and passive corruption, the Group has adopted a crime risk control plan pursuant to Legislative Decree 231/01 by planning periodic audit cycles involving the performance of specific control tests. The Group plans to continue such activities to maintain constant control over these issues.

Given the size and nature of the Group's operations, the development and implementation of planned projects could reasonably take between 12 and 36 months.

2021 IN A NUTSHELL

BIESSE GROUP'S IDENTITY

- ✓ Year founded: **1969**
- ✓ **36 legal entities, 14 manufacturing sites**, more than **250 registered patents**, customers in approximately **160 countries**, approximately **4,300 employees and other workers** around the world
- ✓ Biesse S.p.A. has been **listed on the STAR segment of the Milan Stock Exchange** since 2001
- ✓ **Transparent corporate governance** that complies with legislative requirements and Borsa Italiana's Corporate Governance Code
- ✓ Dedicated reporting channels have been activated in line with **"whistleblowing"** legislation"
- ✓ Over **2,400 employees and other workers** involved in **training** courses on issues pertinent to **Legislative Decree 231/2001** during 2021

ECONOMIC SUSTAINABILITY

- ✓ Over **€ 710 million of economic value distributed** by the Group in 2021
- ✓ Over **€ 742.2 million of total revenue** in 2021
- ✓ **93% of purchases from local suppliers**, as far as manufacturing plants in Italy and India are concerned
- ✓ **8 manufacturing plants awarded ISO 9001:2015** certification in Italy and India
- ✓ **260 persons** involved in research and development activities, totalling approximately **134,000 working hours**
- ✓ HSD is Lighthouse Plant of the Intelligent Factory Cluster with the Electrospindle 4.0 project

SOCIAL SUSTAINABILITY

- ✓ **95%** of employees have permanent contracts
- ✓ **Approximately 1,500 persons** have worked in Biesse Group for more than 10 years
- ✓ **97%** of senior management hired from the local community¹
- ✓ Over **100,000 hours** of training provided to personnel and other workers during 2021

¹ This figure relates to the significant locations of operations: *Italy and India*

- ✓ Over **9,500 hours** of training dedicated to safety at work provided to employees
- ✓ Workplace safety management system of Biesse S.p.A., Bre.Ma. Brenna Macchine S.r.l and HSD S.p.A certified to **UNI ISO 45001:2018** standard
- ✓ Support for social, cultural, artistic and sports initiatives in the **community**

ENVIRONMENTAL SUSTAINABILITY

- ✓ **100% of electricity** purchased from **renewable sources** with guarantees of origin for the Group's Italian companies
- ✓ **5,470 tonnes of CO₂ avoided** through the purchase of electricity from renewable sources with guarantees of origin for the Group's Italian companies (Scope 2 market-based)
- ✓ **16,500 m²** of photovoltaic panels installed
- ✓ **668 tonnes of CO₂ avoided** by using photovoltaic panels
- ✓ **91%** of waste products are non-hazardous
- ✓ Various **energy efficiency improvement** schemes implemented and planned as part of the environmental management system
- ✓ Environmental management system of HSD S.p.A. certified to the **UNI ISO 14001:2015** standard

Biesse Group's identity

Group overview

Biesse Group is an international company that designs, manufactures, and distributes systems and machinery for processing wood, glass, stone, metal, plastic and composite materials for the furniture, housing & construction, automotive and aerospace sectors. Founded in Pesaro in 1969 by Giancarlo Selci, it is listed on the STAR segment of the Italian Stock Exchange since 2001, and is currently included in the FTSE IT Mid Cap index. As of 31 December 2021, 80% of the Group's consolidated revenue was generated abroad. The Group operates in over 160 countries through 14 production plants and 36 companies and dealers in the world's largest markets, and includes industry-leading companies and prestigious Italian and international design brands among its customers. At 31 December 2021, the Group had approximately 4,300 employees and other workers around the world.

Vision

Biesse Group's vision is embodied by the term "Think forward": a stimulus to look ahead and anticipate the future by setting new standards to support technological innovation and digital transformation.

Mission

To create and share innovation through the conception, implementation and dissemination of integrated solutions and advanced services that enable us to produce better, more and safely, thus helping our customers to excel and succeed.

Values

Biesse Group is a global business with a strong Italian identity and is capable of communicating with its stakeholders based on the core values that characterise the Group: innovation, reliability, and respect.

Innovation is the driver of Biesse Group in its continuous pursuit of excellence to support the competitiveness of each customer. It constitutes the continuous development of solutions to provide customers with greater manufacturing efficiency, while simplifying their operations. It also constitutes the pursuit of automation and the simplification of processes designed to create safer working conditions.

Reliability comes not only from the technologies produced and the services offered, but also from a clear and proper relationship with all stakeholders, supported by the sharing of knowledge and experience and founded on a climate of mutual trust and transparency.

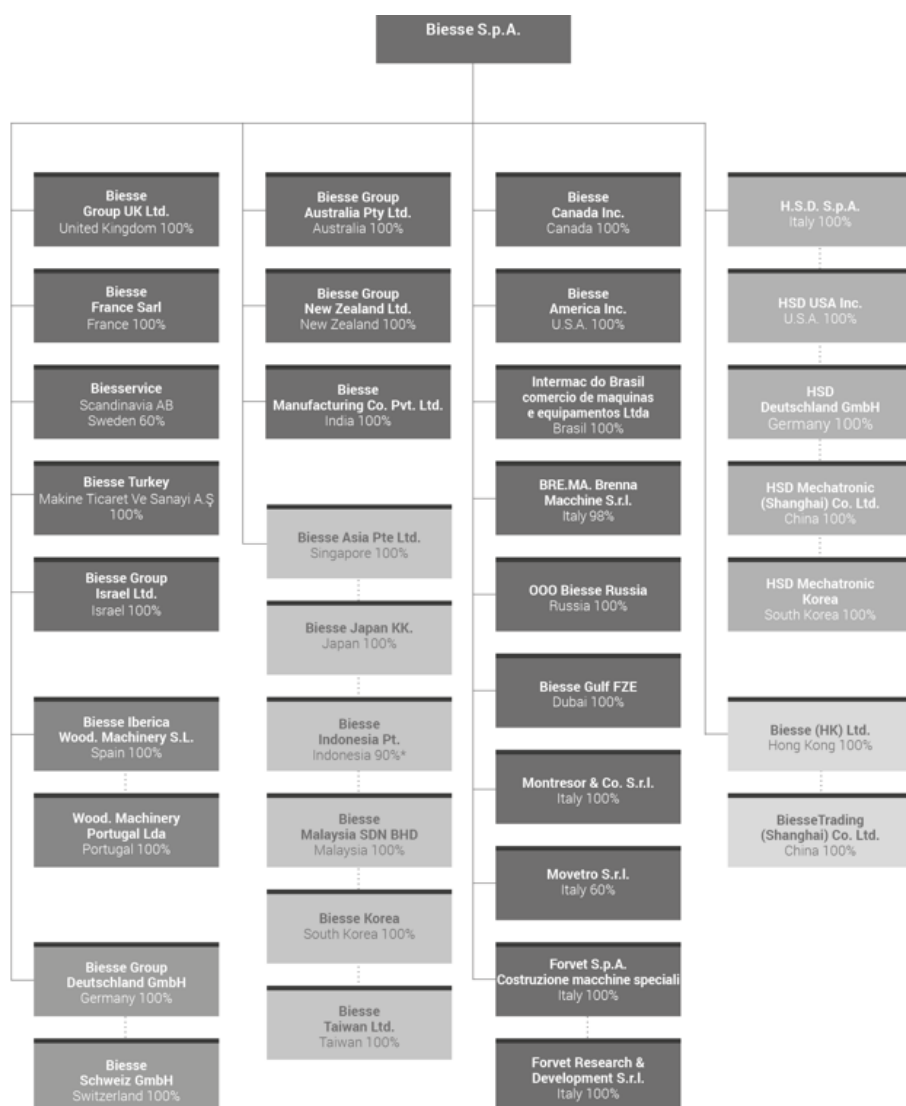
Respect is a sense of profound responsibility towards each of the stakeholders in contact with the world of Biesse, as well as being a transversal and intrinsic value in every aspect of one's working life. Respect for workers, which translates into the complete fulfilment of commitments made; Respect for the work of our customers, which takes the form of the design and production of efficient and safe solutions and of the commitment to maintain standards of excellence in the level of service; Respect for suppliers under existing agreements; Respect for the locality and community in which the company operates.

Respect forms the basis for every activity, in the full awareness that, currently, doing business primarily means a common thought process that contemplates a more sustainable economic, social and environmental future.

Biesse Group around the world

The development of the Group's international sales presence began at the end of the 1980s when it opened its first international office in the United States, which continues to be a cornerstone of the Group's strategy to this day. The Group's international offices are key to operating locally in those markets regarded as strategic, while fully respecting and leveraging local characteristics and cultures. In 2021, Biesse Group consolidated its presence with the opening of subsidiaries in Israel and Japan, both considered strategic markets, in order to continually improve the service offered to its customers, which is characterised by its extensive network and local presence.

Figure 1. Group structure at 31.12.2021²



² The various colours represent the subgroups in the chain of control.

Figure 2. Biesse Group around the world at 31.12.2021



The machinery and systems produced by the Group are designed for a diverse target market. Biesse Group operates in the market with the following brands:

Biesse

Biesse is the specialised brand associated with the manufacture and marketing of wood processing machinery. Since 1969, this business has designed, manufactured and marketed a complete range of technologies and solutions for the furniture, windows and doors and wood building components industries.

The Biesse brand offers solutions for the processing of technological, packaging, construction and visual communication materials, including the processing of expanded and compact plastic materials, composites and cardboard.

Intermac

Intermac is the brand under which the Group, since 1987, has designed, manufactured and marketed machinery for the processing of glass, stone and metal for flat glass and stone processing businesses and the furniture, construction and automotive industries. Born from an intuition to transfer the leadership it had acquired in wood processing centres to the glass industry, Intermac has revolutionised this industrial segment, having quickly become one of the most recognised brands in this sector.

HSD Mechatronics

The Group directly designs and manufactures all high-tech components for its machinery. Through HSD, a business sector dedicated to mechatronics, the Group designs, produces and markets electrospindles, dual-axis milling heads and technologically advanced components for the machining of metal, alloys, composite materials and wood for manufacturers in the automotive, aerospace, consumer electronics, robotics, furniture & building sectors.

Diamut

Diamut is the brand through which Biesse Group designs, manufactures and markets a complete range of tools for processing glass, natural and synthetic stone, and ceramic materials for use on automatic and semi-automatic CNC machines. Launched more than 30 years ago, it supplies companies operating in sectors ranging from the aeronautical industry to household appliances, from consumer electronics to furniture and architecture.

Forvet

Forvet is the brand through which Biesse Group designs, manufactures and markets special automated machines and systems for machining flat glass. Forvet S.p.A., founded in Volvera, Turin, in 1990, is known in Italy and throughout the world for its high-tech machines and unique solutions for machining glass that encapsulate a high-level of know-how, are capable of producing a complete product in a limited space, including loading, unloading and intralogistics that can be customised according to customer needs.

Biesse Group not only offers high-quality machinery and systems, components and complete plants, but also services aimed at fully meeting its customers' expectations. Through dedicated personnel, it provides pre-sales and after-sales services to ensure machinery and systems are correctly installed and commissioned, and that they are properly serviced over time.

Our history

Biesse was founded in 1969 as a company dedicated to the design, manufacture and distribution of wood processing machinery. In a few years, the company became an integral part and engine of the Italian furniture industry and expanded throughout the country. With the opening of the first foreign subsidiary, a strong internationalisation process was launched that helped to establish the brand around the world.

The Group's history is a journey made of ambitious choices, collaborations and investment in research that have made it possible to manufacture state-of-the-art machinery.

- 1969:** Biesse was founded in Pesaro, Italy, to design, manufacture and distribute wood processing machinery
- 1978:** Logic Control, a numerical control wood drilling machine, was launched onto the market
- 1983:** Rover, a numerical control wood processing centre, was launched onto the market
- 1987:** Intermac was founded to design, manufacture, and distribute glass and stone processing machines
- 1989:** start of the internationalisation process: opening of the first branch abroad in the United States
- 1991:** the HSD business unit was established to design, manufacture and distribute electromechanical components
- 1994:** Biesse Systems was founded to design and manufacture integrated production lines and systems
- 2001:** Biesse S.p.A. was listed on the STAR segment of the Italian Stock Exchange
- 2006:** acquisition of Bre.Ma. Brenna Macchine S.r.l., a company that manufactures vertical boring and insertion machinery equipped with numerical control for the wood processing industry
- 2007:** acquisition of AGM Inc. in the United States and foundation of Intermac America
- 2008:** construction in Bangalore, India, of the first foreign manufacturing site
- 2011:** Viet, historic brand in the smoothing segment, became part of the Group
- 2014:** launch of bSolid and the bSuite software package
- 2016:** inauguration of the Biesse Campus in Charlotte, North Carolina, USA

2017: launch of SOPHIA and 4.0 ready machinery

2018: Biesse Group prepared its first Sustainability Report

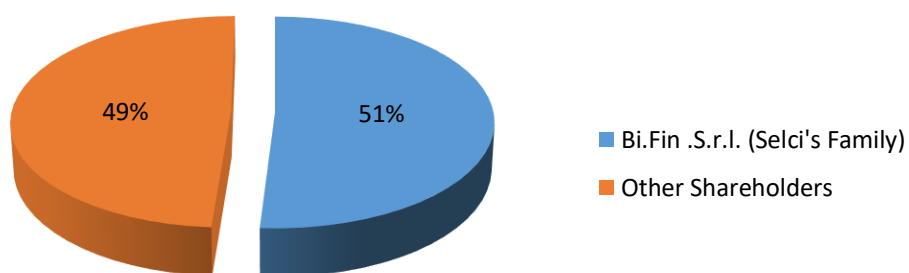
2021: acquisition of Forvet S.p.A. Costruzione Macchine Speciali, a manufacturer of special automated machines for machining glass; creation of the Corporate Social Responsibility department confirming the Group's commitment to social responsibility issues

Shareholders

Biesse S.p.A. has been listed on the STAR segment of the Milan Stock Exchange since 2001. Its share capital amounts to € 27,393,042, consisting of the same number of registered ordinary shares of Euro 1 each.

Set out below is a breakdown of shareholders at 31 December 2021:

Figure 3. Shareholders of Biesse S.p.A.



Corporate governance

Biesse S.p.A.'s corporate governance system complies with the principles set out in Borsa Italiana's Corporate Governance Code and with international best practice.

On 14 March 2022, the Board of Directors approved the report on corporate governance and ownership structure pursuant to Art. 123-bis of the Consolidated Finance Act, relating to financial year 2021. This report has been published on the Company's website www.biessegroup.com in the "Corporate Governance" subsection of the "Investor Relations" section and explicit reference is made thereto as required by law.

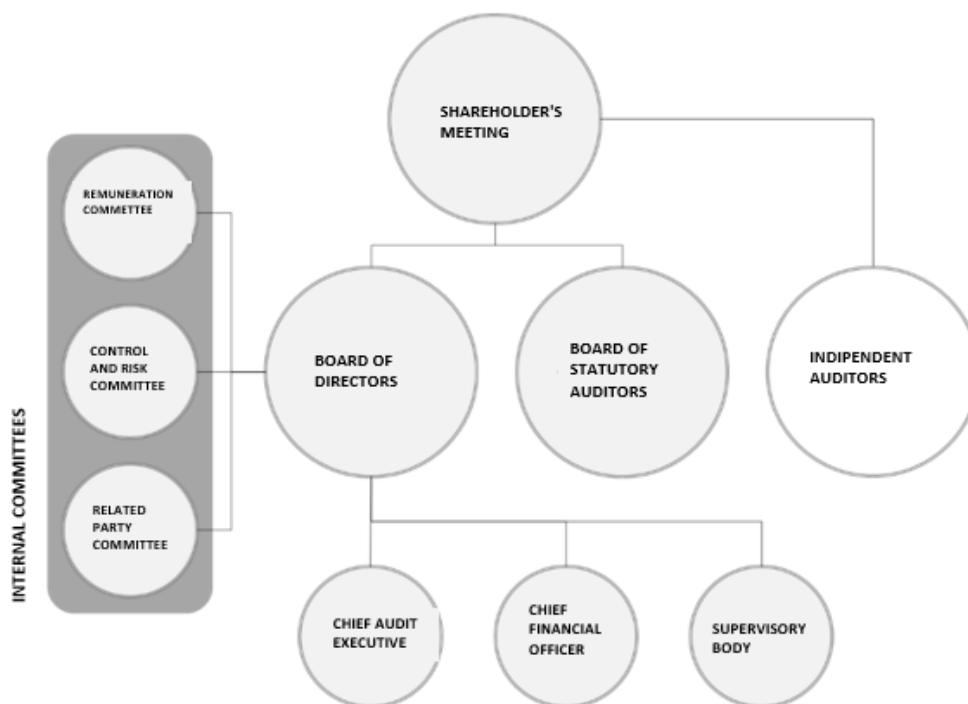
Biesse S.p.A. has adopted a traditional administration and control model, which requires general meetings of shareholders to be held and the appointment of a Board of Directors, a Board of Statutory Auditors, and independent auditors. The corporate bodies are appointed by the shareholders in the general meeting and have a three-year mandate.

The presence of independent directors, as defined by the Corporate Governance Code, and the role performed thereby within the Board of Directors and on corporate committees (Control and Risks Committee, Related Party Transactions Committee and Remuneration Committee), constitutes an appropriate means of ensuring an adequate balancing of interests of all shareholders and a significant level of discussion during meetings of the Board of Directors.

In accordance with the Corporate Governance Code, the Group has also adopted an internal control and risk management system, structured based on the COSO Internal Control - Integrated Framework, an authoritative international standard. The control system is compliant with the main corporate governance regulations and guidelines, such as:

- Law 262/2005 (Savings Law)
- Legislative Decree 231/2001 (Administrative liability of entities)
- Consob Regulations concerning Related Party Transactions
- Law 190/2012 (Anti-corruption)

Figure 4. Biesse S.p.A.'s Administration and Control Model



The **Board of Directors** is the central body of Biesse S.p.A.'s corporate governance system and its current members were appointed by the General Meeting of Shareholders on 28 April 2021 with a mandate that was due to expire on approval of the financial statements for the year ending 31 December 2023.

The composition of the Board of Directors of Biesse S.p.A.³ at 31 December 2021 is as follows:

- Giancarlo Selci, Chairman of the Board of Directors
- Roberto Selci, Managing Director
- Massimo Potenza, Co-Managing Director
- Alessandra Baronciani, Non-executive Director
- Rossella Schiavini, Lead Independent Director
- Ferruccio Borsani, Independent director
- Federica Ricceri, Independent director

As regards the independent directors serving on the Board of Directors of Biesse S.p.A., indicated below is the number of directorships or statutory auditor appointments in other companies listed on Italian and foreign regulated markets, in finance-sector companies, banks and insurance companies or in companies of significant size:

- Alessandra Baronciani: 1
- Rossella Schiavini: 2
- Ferruccio Borsani: 1

³ Directors' curricula vitae are available on the website www.biessegroup.com in the "Corporate Governance" subsection of the "Investor Relations" section".

The composition of the Board of Directors of Biesse S.p.A at 31 December 2021 in terms of gender and age group is as follows:

- 57% men and 43% women
- 14% in the 30-50 age group and 86% in the over 50 age group

As stated previously, in accordance with Borsa Italiana's Corporate Governance Code, Biesse S.p.A. has set up three **Board committees**:

- A **Remuneration Committee**, consisting of two independent directors, the main task of which is to assist the Board of Directors in establishing general remuneration policy for managing directors, executive directors, other directors assigned specific duties and key managers and to monitor the application of decisions taken by the Board of Directors.
- A **Control and Risks Committee**, consisting of two independent directors, which supports the Board of Directors in carrying out its duties relating to the internal control and risk management system, as well as those relating to the approval of periodic financial reports. The Control and Risks Committee has also been assigned the task of supervising sustainability issues related to the conduct of business activities and the dynamics of interaction with all stakeholders.
- A **Related Party Transactions Committee**, consisting of two independent directors, which supports the Board of Directors in the assessment, review, and approval of related party transactions.

The composition of the **Board of Statutory Auditors** at 31 December 2021 is as follows:

- Paolo De Mitri, Chairman
- Giovanni Ciurlo, Acting auditor
- Enrica Perusia, Acting auditor
- Maurizio Gennari, Alternate auditor
- Silvia Muzi, Alternate auditor

The composition of the **Supervisory Body** at 31 December 2021 is as follows:

- Giuseppe Carnesecchi, Chairman (external member)
- Domenico Ciccopiedi, Head of Internal Audit
- Elena Grasseti, Head of legal and corporate affairs

Head of Internal Audit:

- Domenico Ciccopiedi

Financial reporting manager:

- Pierre Giorgio Sallier de La Tour, Group CFO

Independent auditors:

- Deloitte & Touche S.p.A.

Business ethics and integrity

All business activities are conducted in line with the **Group's Code of Conduct**, to ensure full **compliance** with regulations in force at local, national, and international level. The Code of Conduct is the official document that sets out the ethical and behavioural values, commitments and responsibilities to be complied with in the conduct of business affairs by Group companies. Moreover, it governs the body of rights, duties and responsibilities that Biesse expressly assumes in dealings with parties with which it interacts in the conduct of its business activities. The Code of Conduct, together with other documents relating to business ethics and integrity, are available on the Group's website in the "Corporate Governance" subsection of the "Investor Relations" section.

In 2021, no cases arose of non-compliance or pecuniary sanctions imposed on Biesse Group concerning the following areas:

- Environmental laws and regulations
- Impact on health and safety of products and services offered
- Social and economic laws and regulations

Organisational, Management and Control Model pursuant to Legislative Decree 231/2001

Biesse S.p.A. and⁴ its main Italian subsidiaries, have adopted an **Organisational, Management and Control Model** (hereinafter **OMCM**) to prevent, as much as possible, the commission of offences under **Legislative Decree 231/2001**, such as environmental offences, corporate offences, offences arising from a breach of health and safety at work regulations and corruption offences. In 2021, the OMCM was updated to incorporate the latest changes to Legislative Decree 231/2001, which mainly relate to the introduction of tax offences. Biesse S.p.A.'s OMCM is publicly available on the company's website in the "Corporate Governance" subsection of the "Investor Relations" section, whereas the OMCMs of the other companies have been made available to employees via the corporate intranet. In order to actively promote business ethics and integrity, the persons most involved and senior management receive periodic training on issues pertinent to Legislative Decree 231/2001. Specifically, in order to reach the largest number of people possible with training courses on the foregoing topic, in 2021, training initiatives were held involving approximately 2,400 employees and other external workers. No matters were reported to the Supervisory Body in 2021 via the reporting channels available to all interested parties for the communication of unlawful conduct pursuant to Legislative Decree 231/2001 and the OMCMs. These channels are designed to ensure the protection of the identity of informants in accordance with Law No. 179 of 2017 (Whistleblowing law).

Fight against active and passive corruption

To promote and strengthen its commitment to counter corruption, Biesse Group has adopted an **Anti-bribery Code of Conduct**⁵, which sets out the rules of conduct that all employees and other workers must observe in the conduct of business to ensure compliance with anti-corruption regulations in force.

⁴ HSD, S.p.A. and Bre.Ma Brenna Macchine S.r.l.

⁵ The Anti-bribery Code of Conduct is available on the corporate intranet and has been published on the company's website in the "Corporate Governance" subsection of the "Investor Relations" section".

The Code, which has been distributed to all Group companies, has made it mandatory to apply the relevant principles and rules of conduct for the reasonable prevention of active and passive and direct or indirect corruption offences involving Italian or foreign private or public persons.

Specifically, the document sets out the rules of conduct to be observed in connection with various activities, such as:

- Dealings with the public administration
- Facilitation payments
- Loans to political parties
- Donations
- Sponsorships
- Gifts, presents, hospitality and entertainment
- Dealings with third parties

As a sign of their commitment to the fight against corruption, in addition to the Code, the Group companies, which have adopted an OMCM pursuant to Legislative Decree 231/01, have specific procedures that set out the rules of conduct to safeguard against the risk of public sector corruption associated with state funding, hygiene and safety at work and taxation. Furthermore, as a safeguard against the risk of private bribery, these companies are subject to periodic audit cycles. In the last year, no cases of active or passive corruption have been confirmed within the Group.

Transparency and approach to taxation

In line with the Group's Code of Conduct, Biesse's approach in its dealings with the public administration is inspired and aligned with the principles of correctness and honesty. The Group strives to fully comply with current tax legislation to adequately meet the expectations of its stakeholders, while also contributing - in accordance with the law - to the sustainable development processes of the countries and communities in which it operates by paying taxes.

The Group's approach to taxation also focuses on taking advantage of the opportunities available to it under the law to drive innovation and the pursuit of continuous excellence, through, for example, the processes linked to the Patent Box tax incentives and the incentives provided for under the Industry 4.0 programme.

In this regard, the Group maintains a fully collaborative, dialogue-based, and transparent relationship with the Italian tax authorities and other tax authorities in the countries in which it operates, avoiding any tax advocacy process that might involve monetary or non-monetary contributions to political or similar forces. This approach takes the form of full cooperation with the competent fiscal authorities.

To facilitate the continuous monitoring of tax regulations and ensure regulatory compliance, the Group has a dedicated "Tax Department" which is involved in the identification, management, and mitigation of tax risks/opportunities, within the broader context of the Enterprise Risk Management system which, ultimately, is approved by the Board of Directors of Biesse S.p.A. Tax risks (mainly risks associated with tax practices that could have a negative impact on the organisation's objectives or cause financial or reputational damage) are included in the Group's integrated risk management models.

Other important controls to mitigate risk factors in the tax area are, in addition to the responsible supervisory body, the channels made available by the Group to encourage the reporting of any illegal

or suspicious tax-related conduct, as well as the communication of any concerns related to taxation. These include both the reporting channels available for the communication of unlawful conduct pursuant to Legislative Decree 231/2001 (Whistleblowing law) and those made available during the broader and more informal stakeholder engagement initiatives organised by the Group, including for the periodic updating of the materiality matrix. Moreover, shareholders and investors can refer to Investor Relations as a permanent point of reference for any discussion and communication, including on tax matters. Finally, the Consolidated Financial Statements of Biesse Group are regularly audited by an independent auditor and provide transparent disclosure concerning the fiscal management of the Group⁶.

Table 1: Country by Country report

2021			
Tax jurisdiction	Primary activities of the organization	Corporate income taxes paid on a cash basis	Corporate income taxes determined on an accruals basis
Australia	Trading	22	-
Austria	Trading	- 750	- 750
Brasil	Trading	- 323	-
Canada	Trading	34,029	- 345,939
China	Trading	- 8,153	- 4,970
Korea	Trading	- 7,704	- 30,287
United Arab Emirates	Trading	-	-
France	Trading	- 204,647	- 789,224
Germany	Trading	- 420,366	- 394,799
Hong Kong	Trading	-	-
India	Production and Trading	- 3,418,259	- 1,745,829
Republic of Indonesia	Trading	- 23,011	- 35,675
Israel	Trading	-	-
Italy	Production and Trading	679,999	- 236,108
Japan	Trading	-	-
Malaysia	Trading	- 97,295	- 38,434
New Zealand	Trading	- 12,174	- 62,98
Portugal	Trading	- 28,266	- 28,266
Russia	Trading	- 204,016	- 174,300
Republic of Singapore	Trading	- 6,204	- 17,241
Spain	Trading	-	- 58,208
Sweden	Trading	- 20,040	- 17,542
Switzerland	Trading	- 36,828	- 37,071
Taiwan	Trading	- 17,642	- 29,752
Turkey	Trading	30,631	1,135
UK	Trading	- 445,760	- 397,428
USA	Trading	- 1,316,634	- 1,349,393

⁶ The consolidated financial statements of Biesse Group are available on the Group's website in the "Financial" subsection of the "Investor Relations" section.

2020

Tax jurisdiction	Primary activities of the organization	Corporate income taxes paid on a cash basis	Corporate income taxes determined on an accruals basis
Australia	Trading	- 24,805	288
Austria	Trading	- 875	- 875
Brasil	Trading	- 1,397	1,095
Canada	Trading	- 464,284	- 154,148
China	Trading	128,003	- 159,131
Korea	Trading	- 9,037	22,142
United Arab Emirates	Trading	-	-
France	Trading	- 800,475	- 363,558
Germany	Trading	- 53,929	- 384,884
Hong Kong	Trading	- 5	412
India	Production and Trading	- 3,037,781	- 851,482
Republic of Indonesia	Trading	6,055	- 44,853
Italy	Production and Trading	1,552,559	2,322,117
Japan	Trading	-	-
Malaysia	Trading	- 70,558	5,626
New Zealand	Trading	15,265	- 86,642
Portugal	Trading	- 14,234	- 14,234
Russia	Trading	1,527	6,687
Republic of Singapore	Trading	- 184,090	- 13,903
Spain	Trading	- 57,096	- 318
Sweden	Trading	- 18,561	- 21,828
Switzerland	Trading	- 9,253	- 35,294
Taiwan	Trading	- 1,896	- 5,127
Turkey	Trading	18,435	43,654
UK	Trading	- 140,624	- 107,779
USA	Trading	- 1,964,924	- 1,200,714

Human Rights

The Group recognises the intrinsic value and rights of every person and is committed to guaranteeing the dignity and professional and personal development of its employees and other workers in the conduct of activities carried out in the name of or on behalf of the Group. For this reason, the Group constantly strives to ensure safe, fair and non-discriminatory workplaces, in compliance with the relevant national and international regulatory framework, and inspired by the Universal Declaration of Human Rights proclaimed by the United Nations and by the fundamental International Labour Organization (ILO) conventions. Biesse Group rejects all forms of forced, compulsory or child labour and is committed to not establishing relationships with suppliers that directly or indirectly exploit and use child labour.

In addition to the Code of Conduct, the ethical and moral principles that guide the company's actions are further defined in the Ethics and Values Policy⁷.

The ethnic, religious, and cultural diversity that characterises the Group's employees around the world is considered to be a source of competitive advantage. Because of the type of risk identified in relation to business activities, in 2021, it was not deemed necessary to perform a further analysis of risks specifically associated with a potential violation of human rights.

⁷ The Ethics and Values Policies are available on the Group's website in the "Corporate Governance" subsection of the "Investor Relations" section.

Antitrust

The Group has adopted an **Antitrust Code** to ensure compliance with legislation concerning competition and market protection in the various countries in which it operates. The document is a follow-up to the Code of Conduct and develops, in particular, the section relating to competitive practices, as well as providing guidelines on conduct and omissions that comply with or violate antitrust legislation.

The Group firmly believes in competition in the various business sectors in which it operates, and its aim is to compete in a legitimate, loyal, and ethical manner in full compliance with competition protection rules. The rules set out in the document are designed to contribute to correct competitive market dynamics, in order to strengthen competition and the economic efficiency of a free market. In 2021, no cases were reported of pending or concluded legal actions regarding anti-competitive behaviour or violations of antitrust and monopoly legislation.

Risk management

Biesse Group has adopted an Enterprise Risk Management Policy in line with the requirements of Borsa Italiana's Corporate Governance Code. The aim of the Policy is the development of an integrated risk/opportunity management model based on international enterprise risk management standards, encompassing a global business risk model and the determination of risk mapping and risk scoring methodologies for the identification of priority business risks, the early assessment of potential adverse effects and the implementation of the most appropriate mitigating actions.

This model, which has been formalised under the above-mentioned Policy, aims to involve not only senior management, but also the heads of the main processes.

This approach extends to all types of risks/opportunities that are potentially significant for the Group, as set out in the risk map that categorises in four macro groups the internal or external areas of risk that characterise Biesse Group's business model:

- **Strategic risk:** Risks arising from external or internal factors, such as changes in the market environment and business decisions that are wrong and/or implemented inappropriately
- **Compliance and regulatory risk:** risks associated with specific legal regulations that the Group must comply with, both due to its business model and to the parent's status as a listed company
- **Financial and reporting risk:** risks that impact the financial position and the presentation of the results of operations
- **Operational risk:** risks pertinent to the purely operational part of the business that directly impact the Group's value creation capabilities

Through the Enterprise Risk Management process, Biesse Group intends to improve the identification of risks and opportunities to set up a model for decision-making and reliable strategic planning and to improve the quality of business flows and the external stakeholders' perception of the Group. As part of this process, the Group has mapped the most significant risks linked to sustainability issues, in line with those already identified and agreed with the main control bodies for enterprise risk management purposes. Set out below are Biesse Group's main sustainability risks:

STRATEGIC

- Trends in the global economy and changes in global geopolitics;
- Competitive environment and cyclicity of relevant industrial sectors;
- ● ● ● ● Stakeholder expectations;
- Ability to offer innovative products and services to customers (IoT 4.0);
- ● ● ● ● Cyber security – Information Security and Privacy;
- ● ● Direct and indirect impact of the business on the locality and on the community;
- Business continuity management.
- ● ● ● Availability of components and raw materials.

OPERATIONAL

- ● ● ● ● Sustainable management of the supply chain;
- ● ● Transparent management of the Group's image and of its products and services;
- Ability to attract and retain talent;
- Development of human resources and skills at all levels;
- Health and safety of people;
- Cooperation with workers' associations and unions;
- Sustainable management of energy consumption and atmospheric emissions (climate change);
- Conscious use of resources and sustainable waste management.

FINANCIAL & REPORTING

- Fluctuation in prices of raw materials and components;
- Ability to source adequate financial resources to meet funding requirements;
- ● ● ● ● Traceability of data and information relating to sustainability.

COMPLIANCE

- Ethics and integrity in business management and in the preparation of corporate documents;
- Active and passive corruption in the public and private sector;
- ● ● ● ● Risk management and compliance.

KEY – Relationship between identified risk factors and areas of sustainability pursuant to Legislative Decree 254/2016.

- Environmental; ● Social; ● Personnel-related;
- Human rights; ● Fight against active and passive corruption; ● Economic/Financial ⁸.

The management and monitoring of these risks is an integral part of the Group's operating business model. The safeguards in place for identified risks, as far as the most significant sustainability issues for Biesse Group and its stakeholders are concerned, relate to organisational and control models and policies developed by the Group. These include: adoption of a Code of Conduct, an Anti-Bribery Code of Conduct and an Antitrust Code applicable to all Group companies; adoption by Biesse S.p.A. and the main Italian Group companies of an Organisation, Management and Control Model OMCM pursuant to Legislative Decree 231/01 ("Model 231"); adoption of specific policies concerning sustainability, quality, environment, health and safety, ethics and values applicable to all Group companies; maintenance, with a view to continuous improvement, of a Quality Management System certified to UNI ISO 9001:2015 standards and the gradual implementation of initiatives designed to improve product quality and reliability from a customer satisfaction perspective; implementation of an Occupational Health and Safety Management System in accordance with UNI ISO 45001:2018 standards to ensure full compliance with mandatory legislation and guarantee safe and healthy workplaces; constant monitoring of any non-compliance in environmental, social and labour law matters and of the main impacts, generated or suffered, related to the Group's activities; monitoring of energy consumption, implementation of energy efficiency initiatives and, where possible,

⁸ Area not specifically mentioned by Art. 3 of Legislative Decree 254/2016.

production/purchase of energy from renewable sources. In relation to risks associated with responsible supply chain management, the Group has adopted a Suppliers Quality Manual, which contains specific regulations concerning ethics, quality, health and safety and environmental protection. Further information about specific sustainability policies, procedures and initiatives adopted by the Group, as well as the mitigation of related risks, is provided in this document. The main economic-financial risk mitigation activities are disclosed in the Group's consolidated financial statements, to which reference should be made for further information thereon. A further in-depth analysis of ESG risks is also envisaged for risks generated and suffered because of climate change in compliance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

With specific reference to the Covid-19 pandemic, the main policies, procedures, and specific initiatives adopted to mitigate ESG risks related to the health emergency are reported in the various sections of this document. In particular, it should be noted that work continued on analysing the external variables and internal vulnerabilities of the business areas impacted by the Covid-19 pandemic and the related risks, in an environment mixed with government protocols and regulations for managing the crisis and reopening business activities. Against this backdrop, the Group demonstrated its resilience in interpreting the seriousness of the situation by implementing a set of measures aimed at ensuring the safety of individuals, as well as safeguarding the business. Smart working, the planning of preventive and periodic serological tests, the strict observance of all the provisions set out in the relevant Ministerial Decrees, as well as the establishment of management committees tasked with constantly monitoring the situation are the most important examples of activities implemented with respect to the above.

Approach to sustainability: Background

Since 2015, under the leadership of the United Nations General Assembly, the 2030 Agenda⁹ for Sustainable Development has been the blueprint for governments and the private sector to focus their efforts to protect the environment, reduce inequality and eradicate extreme poverty. The cornerstone of the Agenda are the 17 Sustainable Development Goals (SDGs). As illustrated in the following pages, the material topics identified by Biesse Group have been aligned with the related SDGs to better set the company's actions in the global context of Sustainable Development.

Figure 5. The 17 Sustainable Development Goals (SDGs)



In 2020, the pandemic had a major impact on the achievement of the Sustainable Development Goals (SDGs). Major challenges such as climate change and the loss of biodiversity have magnified related phenomena such as growing inequality and rising poverty. Against this backdrop, Europe continues to be a world leader in sustainable development policies. In fact, the conclusions of the European Council call for a global approach for overcoming the Covid-19 crisis, accelerating the implementation of the 2030 Agenda, and aligning investments through greener structural reforms to achieve the SDGs. The analyses conducted by ASVIS on the impact of the pandemic on the various goals highlight how delicate the situation in Italy is. Italy will have to make a significant change of pace to achieve the goals of the 2030 Agenda within the set timeframe. The National Recovery and Resilience Plan (NRRP) represents, for the country, a development opportunity that considers current and future environmental challenges, well-being, and social security with particular regard to future generations, integrating them into the economic recovery process¹⁰.

In terms of occupational health and safety, according to data released by INAIL for 2021, the number of reported accidents in Italy rose by 0.16% compared to 2020, while the number of fatal accidents fell by 3.86%¹¹.

The ability to meet the SDGs is vital for a climate-vulnerable country like Italy. As highlighted in the latest report from the Intergovernmental Panel on Climate Change (IPCC)¹², climate change is causing

⁹ United Nations General Assembly, A/RES/70/1 - Transforming our world: the 2030 Agenda for Sustainable Development (2015).

¹⁰ ASVIS, Italy and sustainable development goals – Report 2021 (2021).

¹¹ INAIL, 2021.

¹² Intergovernmental Panel on Climate Change – Sixth Assessment Report 2021.

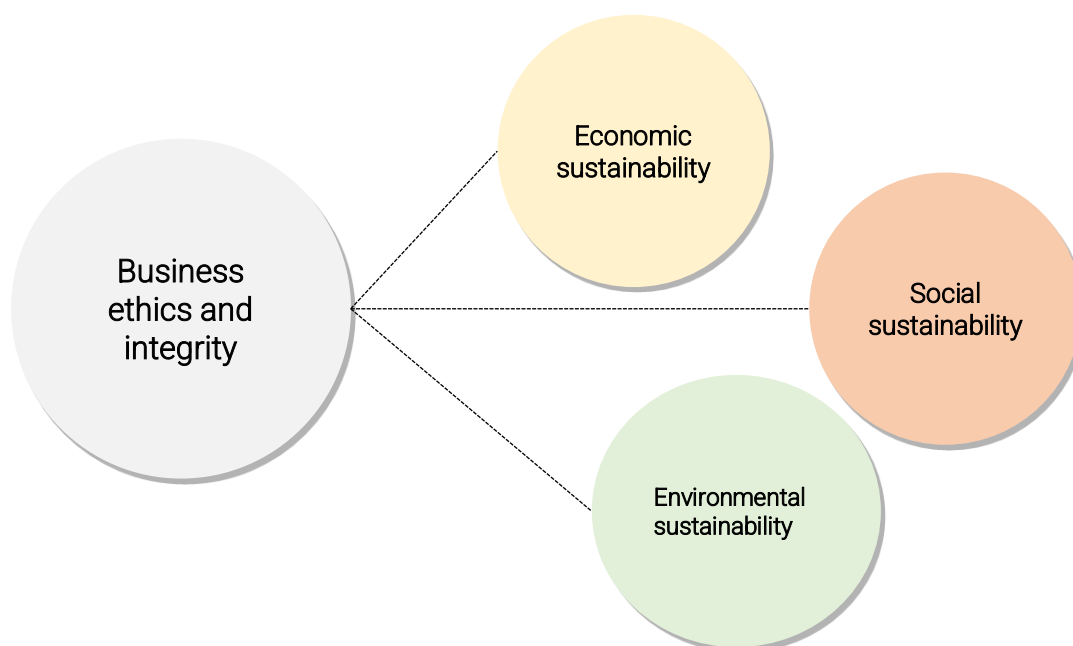
extreme weather and climate events, such as heat waves, heavy rainfall, droughts and tropical cyclones, in every region of the world, and evidence suggests that these changes are caused by human influence. Based on collected data and current emission trends, the global surface temperature will continue to increase until at least the middle of the century under all emission scenarios considered. Therefore, unless major reductions in CO₂ and other greenhouse gases are achieved in the coming decades, global warming of 1.5°C and 2°C will be exceeded during the 21st century. Following the Glasgow conference (COP 26)¹³ organised by the United Nations held in October 2021, the climate policy objective set out in the Paris Agreement was reaffirmed and strengthened. The target is to keep the rise in the global average temperature to no more than 1.5°C above pre-industrial levels. The introduction of such an objective implies that the climate policies implemented by the various countries will have to be updated and strengthened given that current estimates indicate that the 1.5°C objective will not be reached. Another important aspect of the COP 26 agreement was the commitment to phase out coal and other fossil fuels as energy sources. This last point is key to meeting the decarbonisation deadlines and constraints that Europe has set itself and which must be achieved through an energy transition. The constraints underlying this transition have, however, been affected in the last two years by the Covid-19 pandemic, which initially slowed down most of the world's industries and then pushed them to quickly to restart, creating disruptions along the entire supply chain, leading to a shortage of raw materials and causing prices to soar. However, as repeated by experts in the sector, the difficulties in meeting the COP26 targets are varied; the very technologies needed to develop renewable energy are not yet fully developed and for developing countries the costs involved are prohibitive. The energy transition also needs to include a reform of production methods to allow companies to be less energy-intensive and more efficient. In this global context, where the impacts of climate change are being increasingly felt at the local level, it is the individual state that should implement actions to counter it and mitigate the events it generates. In this context, the private sector can play an important role in upholding the promises made at COP26.

Biesse Group's approach

Based on an analysis of the 17 SDGs and of Community and national legislation related to non-financial reporting, the Group has identified the following reference macro areas on which to base its approach to sustainability, as part of an ethical and sustainable business management strategy: **Economic sustainability**, **Social sustainability** and **Environmental sustainability**. Specifically, the path of sustainability embarked upon by the Group aims to gradually gain a strategic understanding of sustainability in these macro areas, to identify the actions needed and to expand and extend the positive externalities of its work by implementing innovative solutions to control and mitigate the negative externalities.

Figure 6: Sustainability as seen by Biesse Group

¹³ The COP26 Glasgow Climate Pact 2021.



All activities carried out by the Group are performed in **recognition of the moral and social responsibilities that the Company has towards its stakeholders**, in the belief that the achievement of commercial objectives must be accompanied not only by compliance with specific corporate values, but also with regulations in force and general duties of honesty, integrity, fair competition, correctness and good faith. Business ethics and integrity are central to the Group's daily activities and its medium to long term sustainability strategy. As indicated in the previous chapter, the adoption of the **Code of Conduct** and of the **Anti-corruption Code of Conduct**, combined with the numerous other policies, codes and regulations aimed at guaranteeing compliance with business ethics and integrity, reflect the Group's commitment to absolute correctness and maximum transparency in the conduct of its business activities and of its relationships with stakeholders.

The Group adopted a **Sustainability Policy** inspired by Agenda 2030 setting out the Sustainable Development Goals (SDGs), by the Paris Agreement (COP21 - Conference of the Parties to the UNFCCC) and by the Ten Principles of the UN Global Compact and by taking account of Community (European Directive No. 95/2014) and national (Legislative Decree 254/2016) legislation concerning non-financial reporting, as well as the principles, values and rules contained in the Group's Code of Conduct and in the other corporate regulations and policies designed to ensure business ethics and integrity. This document was approved by the Board of Directors of Biesse S.p.A. on 26 February 2019.

Ensuring the economic sustainability of the business is the primary objective of any company. For Biesse Group, economic sustainability is synonymous with the **creation and distribution of value added for shareholders** and for **all other parties that form part of its value chain**, including trade partners, end customers and local communities. To ensure the achievement of such ambitious objectives, the Group strives for continuous improvement of the **reliability, safety and innovation of the products and services offered**, through a **careful selection of its suppliers**, constant investment in **research and development** and the approval of commercial decisions aimed at expansion in state-of-the-art sectors and strategic markets, both in Italy and abroad.



Economic sustainability



Social sustainability

Biesse Group believes that **people are the crucial pivot of its success** and that every business activity must be inspired by their protection and the **development of their wellbeing**, while fully **respecting cultural diversity**. In particular, it is essential to pursue **healthy and safe** conditions for employees in the workplace: these, in fact, must be given priority in the management of every activity, from the conception and design of machinery up to its installation and the provision of after-sales services, and must involve co-workers, suppliers, dealers and end customers. In recognition of its strong links to the **local community**, the Group is committed to **social and cultural initiatives** that contribute to the **development of the localities in which it operates**.

The Group is firmly convinced that taking the environment into account when carrying out all business activities is essential to be able to contribute to the creation of a harmonious coexistence among men, technology and nature and that commitment to sustainable development represents an important variable in business management strategy. The Group's environmental management system is inspired by the principles of **energy savings, reduction of the impact of production systems on the environment and compliance with relevant legislation**.



Environmental sustainability

Stakeholders and materiality analysis

Stakeholders

There are many persons, customers, partners, organisations, and entities that contribute directly or indirectly to the success of the Group and that, because of the role they play, can influence performance and decisions. As part of the path of sustainability embarked upon, Biesse Group has prepared a mapping of its main stakeholders, driven by the desire to increasingly encourage communication, dialogue and constant attention to relationships based on values of transparency and integrity. The engagement of internal and external stakeholders is an essential element of the Group's sustainability strategy. Thanks to a process of constant listening and discussion, the Group is more aware of the extent to which it is meeting the expectations and interests of its stakeholders and can identify the areas for which it needs to strengthen its commitment and those for which the adopted approach may be confirmed. The following figure provides a brief overview of the Group's main stakeholders:

Figure 7: Biesse Group's main stakeholders



The following table sets out the main activities and engagement actions undertaken by Biesse Group in connection with the key stakeholders, including those to meet expectations identified by stakeholder category:

Table 2. The Group's commitments and stakeholder expectations

Stakeholder	Summary of commitments and activities	Summary of engagement actions	Summary of stakeholder expectations
Trade associations	Constant discussions with trade associations ensures a thorough comprehension of market needs and trends, thus facilitating the safeguarding of the interests of businesses involved in the wood, glass, stone and plastic processing industries. The Group is an active member of numerous trade associations and contributes to the organisation of various meetings and round tables to facilitate discussion and contributes to the sector's sustainable growth.	<ul style="list-style-type: none"> • Meetings • Focus groups • Round tables 	<ul style="list-style-type: none"> • Compliance with participation requirements • Active participation of the Group in events and/or <u>activities</u> planned • Conduct of activities in line with the principles, codes and regulations of industry associations
Shareholders and investors	One of the Group's main objectives is the creation of value added for its shareholders. Via the Investor Relations Officer, the Group ensures a constant, clear, accurate and timely dialogue with its shareholders and investors and guarantees fair and transparent access to information relating to the stock market performance and trend of its shares. In particular, the publication of this consolidated non-financial statement forms part of the initiatives undertaken by the Group to encourage transparency towards its shareholders regarding economic, social and environmental issues.	<ul style="list-style-type: none"> • General meetings of shareholders • Channels of dialogue used by the Group's Investor Relations Officer • Company visits 	<ul style="list-style-type: none"> • Increase in share value • Transparency in relation to Corporate Governance, long-term objectives and business performance (economic, environmental - climate change and social issues) • Commitment to the fight against climate change
Customers	In order to fully meet its customers' needs, the Group promotes open and transparent communication, aimed at the comprehension of individual expectations and needs. The Group encourages dialogue with its customers to assist them in the selection and customisation of products and to offer reliable machinery and ad hoc engineering solutions for the creation of complete systems. Customers are frequently invited to events organised by the Group and to visit manufacturing sites, in order to fully understand our corporate culture and production methods.	<ul style="list-style-type: none"> • Direct customer assistance channels (Biesse Service and Biesse Parts) • Plants and showrooms visits • Invitations to events 	<ul style="list-style-type: none"> • Reliability, safety and technological innovation of <u>products</u> • Continuous assistance and advice • Information on the correct use and regular maintenance of the machinery
Financial community	The Group ensures the timely and precise measurement of economic performance and guarantees accurate and transparent reporting, in line with regulations in force, thus helping to establish a relationship of trust with the financial community. In order to maximise the dialogue with the financial community, the Group participates at events and conferences,	<ul style="list-style-type: none"> • Participation at events, conventions and conferences • Round tables 	<ul style="list-style-type: none"> • Ability to meet its own financial commitments • Compliance with legislation in force and principles of transparency, clarity, correctness and accountability

	as well as round tables and road shows to transmit information relating to the Group's performance and to understand relevant market trends.		<ul style="list-style-type: none"> • Absence of conflicts of interest • Constant dialogue based on transparency
Employees and their families	The Group is committed to the promotion of a sense of belonging for its employees by guaranteeing a safe work environment, which is devoid of discrimination and that encourages inclusion and the enhancement of diversity. To this end, initiatives are held to engage with and speak to employees and their families. Furthermore, the Group has opened specific channels of communication to promote reporting by employees of alleged violations of the Codes and Regulations adopted by the Group.	<ul style="list-style-type: none"> • Channels for the collection of reports of violations of Group regulations • Transparent corporate communication • Round table discussions with unions 	<ul style="list-style-type: none"> • Safe and fair workplaces • Occupational stability and corporate welfare • Opportunities for personal and professional growth paths • Fair remuneration policies and meritocratic systems
Suppliers and Trade partners	In order to create shared value for itself and for the components of the supply chain, the Group is committed to establishing and maintaining stable and lasting trade partnerships. The Group applies policies aimed at guaranteeing contractual transparency, integrity and fairness and encourages its suppliers to adopt socially responsible conduct. The Group constantly communicates with its suppliers, in order to understand their needs and to encourage continuous improvement of the commercial relationship therewith.	<ul style="list-style-type: none"> • Specific meetings • Round tables 	<ul style="list-style-type: none"> • Compliance with contractual conditions • Continuity of supply • Fair and non-discriminatory treatment • Possibility to develop strategic partnerships that improve their business
Sector-specific media and magazines	Biesse Group constantly collaborates with sector-specific media and magazines, through interviews, presentations and dedicated events. The Group is committed to helping to promote information campaigns relating to technological innovations, new machinery and new developments in the sector or any actions undertaken in the interests of the community and the environment. This is to ensure greater transparency and greater involvement of the main stakeholders within the world of Biesse.	<ul style="list-style-type: none"> • Interviews • Corporate presentations • Corporate events and trade fairs • Press conferences or workshops 	<ul style="list-style-type: none"> • Timely and accurate presentation of the Group's performance • Presentation of initiatives undertaken of a social and cultural nature • Presentation of technological innovations developed
Trade fair organisers	The Group collaborates with trade fair organisers to share know-how and innovation acquired in the production of its products, through the organisation of events and dedicated stands. Thanks to the effective and continuous relationship with trade fair organisers, the Group has managed to achieve a higher degree of customer and other stakeholder satisfaction.	<ul style="list-style-type: none"> • Participation at trade fairs • Interviews and contacts 	<ul style="list-style-type: none"> • Constant and continuous participation over time • Timely and correct compliance with contractual conditions
PA, government entities and control bodies	The Group guarantees the utmost integrity and correctness in relationships with the public administration, government entities and control bodies, based on principles, roles and responsibilities identified in accordance with legislation in force, with the objective of maintaining a constructive collaborative	<ul style="list-style-type: none"> • Institutional round tables • Formal communications 	<ul style="list-style-type: none"> • Compliance with current legislation • Fight against active and passive corruption • Prevention of offences as per Legislative Decree 231/2001

	relationship that serves the interests of the community.		<ul style="list-style-type: none"> Seriousness and transparency in addressing the needs of PA
Trade unions	Biesse Group has established a constructive dialogue with the trade unions, aimed at the complete protection of workers' rights in the context of activities carried out in the name of or on behalf of the Group.	<ul style="list-style-type: none"> Periodic meetings Round tables 	<ul style="list-style-type: none"> Preparation of measures to safeguard the health and safety of employees Compliance with contractual conditions Respect for and safeguard of human rights
Locality, local communities and NGOs	The Group is attentive to the needs of the local areas in which it operates and acts with a view to extending the positive externalities of its activities to local communities. Moreover, every year the Group is committed to the promotion of philanthropic initiatives. To this end, it listens to the requests and expectations of organisations active in different areas and collaborates with them in the support of local communities.	<ul style="list-style-type: none"> Initiatives to engage with local communities Dialogue with non-profit organisations for the payment of donations, contributions and sponsorships for sport and culture 	<ul style="list-style-type: none"> Business practices that protect the locality Promotion of local development Participation by the Group in and support for cultural development and social inclusion projects Support to the Territory in case of Emergency
Universities and research centres	The Group fosters a participatory dialogue with national and international universities, training schools and research centres and develops, with their contribution, projects of common interest to facilitate the entry of young people into the world of work and to seek new technologies and/or business practices.	<ul style="list-style-type: none"> Workgroups and workshops with university students Corporate presentations Career days at partner universities Partnerships with key universities and schools in Italy and abroad 	<ul style="list-style-type: none"> Involvement of students in work experience and internships Promotion of youth employment Collaboration with universities and research centres in order to develop and disseminate engineering skills and techniques

Materiality analysis

Biesse Group has implemented a materiality analysis process to provide a correct presentation and understanding of the activities of Biesse Group, its performance, its results and the impact thereof on environmental, social and personnel-related areas, on respect for human rights and on the fight against active and passive corruption. The analysis was performed by applying the following methodology:

1. Identification of sustainability topics

In order to identify the sustainability topics most closely related to the sector in which Biesse Group operates, an analysis was conducted of the main sustainability frameworks recognised internationally, such as UN Global Compact, UN Guiding Principles on Business and Human Rights, Sustainable Development Goals (SDGs) contained in Agenda 2030 for Sustainable Development and GRI Standards.

Consultation was also made of various external sources and sources within the Group as well as the main national and Community regulations and guidelines relating to non-financial information.

2. Quantitative and qualitative analysis of identified topics

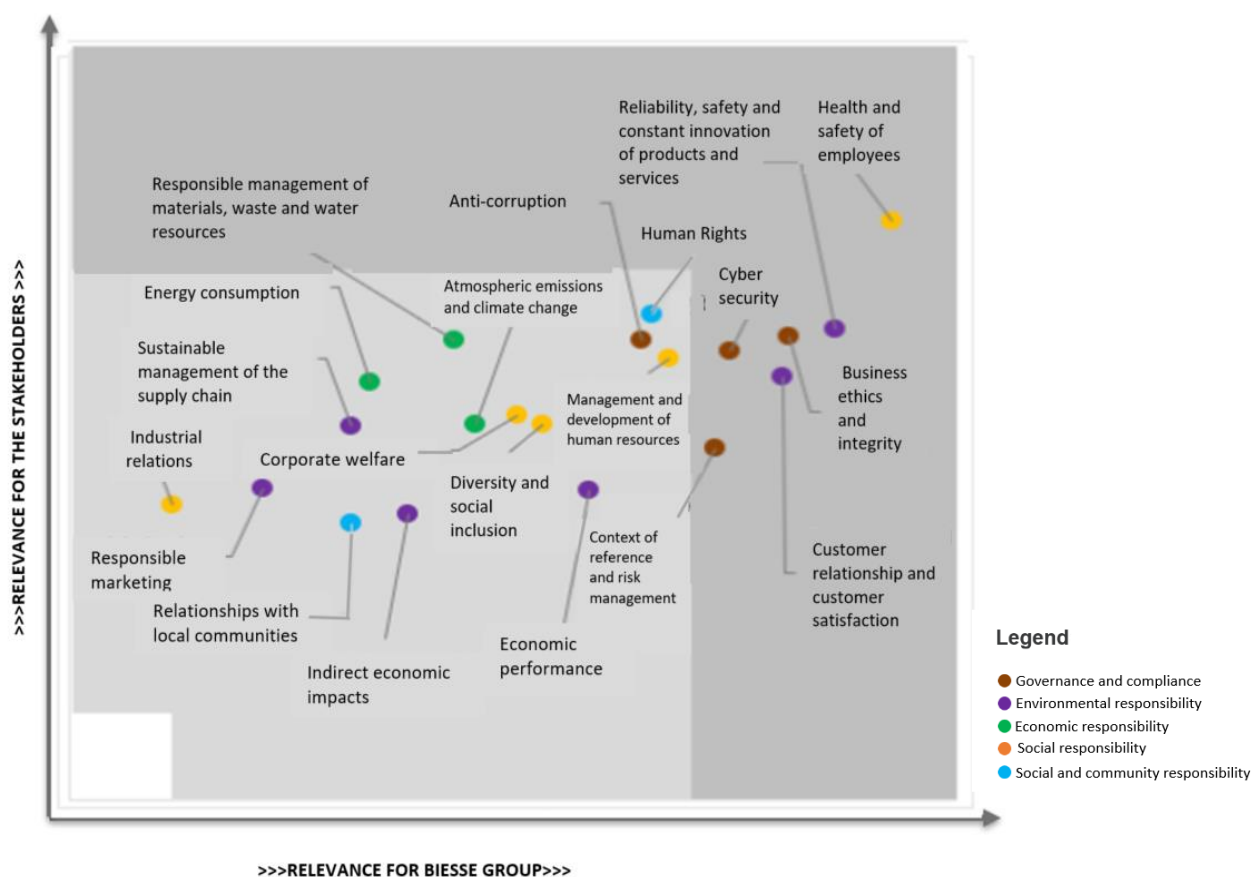
In 2021, a survey was undertaken with the objective of updating the materiality analysis with reference to the degree of materiality attributed by Biesse Group's stakeholders to the identified sustainability topics. This initiative saw the involvement of various categories of stakeholders (customers, suppliers and trade partners, employees and their families, financial community, shareholders, universities and research centres, trade associations, sector-specific media and magazines, and trade unions). The assessment was subsequently supplemented by a qualitative analysis that took account of the environment in which the Group operates and of the results of previous stakeholder engagement initiatives. In order to update the degree of materiality attributed by Biesse Group to these issues, a special survey was carried out involving the Group's top management.

3. Preparation and update of the materiality matrix

The assessments made were then presented in a materiality matrix. More specifically, the horizontal axis indicates the materiality of the identified topic to the Group (internal analysis), while the vertical axis indicates materiality to the stakeholders (analysis of outsiders' views). The matrix was submitted for approval by Biesse S.p.A.'s Control and Risks Committee (CCR) on 25 October 2021.

The analysis confirmed, compared to the previous year, the importance of the topics of **employee health and safety, reliability, safety and constant innovation of products and services, business ethics and integrity, customer relationships and customer satisfaction, cyber security**, as well as **frame of reference and risk management**.








Figure 8. Materiality matrix







The material topics identified have been matched to areas indicated by Legislative Decree 254/2016 and the main risks identified and managed by Biesse Group, as well as to the SDGs most impacted by the Group.

Table 3. Matching of material topics to the main areas of sustainability indicated by Legislative Decree 254/2016, the risks identified and the main relevant SDGs

AREA AS PER LEGISLATIVE DECREE 254/2016	MATERIAL TOPICS	MAIN RISKS IDENTIFIED BY BIESSE GROUP	ALIGNMENT WITH MAIN RELEVANT SDGs
Fight against active and passive corruption	<ul style="list-style-type: none"> Anti-corruption Business ethics and integrity Context of reference and risk management 	<ul style="list-style-type: none"> Stakeholder expectations (Strategic) Sustainable management of the supply chain (Operational) Transparent management of the Group's image and of its products and services (Operational) Traceability of data and information relating to sustainability (Financial & Reporting) Ethics and integrity in business management and in the preparation of corporate documents(Compliance) 	

		<ul style="list-style-type: none"> Active and passive corruption in the public and private sector (Compliance) Risk management and compliance (Compliance) 	
Personnel-related	<ul style="list-style-type: none"> Management and development of human resources Corporate welfare Diversity and social inclusion Industrial relations Health and safety of employees Cyber security 	<ul style="list-style-type: none"> Stakeholder expectations (Strategic) Cyber security – Information Security and Privacy (Strategic) Direct and indirect impact of the business on the locality and on the community (Strategic) Ability to attract and retain talent (Operational) Development of human resources and skills at all levels (Operational) Health and safety of people (Operational) Cooperation with workers' associations and unions (Operational) Traceability of data and information relating to sustainability (Financial & Reporting) Risk management and compliance (Compliance) 	  
Social	<ul style="list-style-type: none"> Reliability, safety and constant innovation of products and services Indirect economic impacts Cyber Security Sustainable management of the supply chain Customer relationship and customer satisfaction Responsible marketing Relationships with local communities 	<ul style="list-style-type: none"> Stakeholder expectations (Strategic) Cyber security – Information Security and Privacy (Strategic) Direct and indirect impact of the business on the locality and on the community (Strategic) Availability of raw materials and components (Strategic) Sustainable management of the supply chain (Operational) Transparent management of the Group's image and of its products and services (Operational) Traceability of data and information relating to sustainability (Financial & Reporting) Risk management and compliance (Compliance) 	 
Human rights	<ul style="list-style-type: none"> Human Rights 	<ul style="list-style-type: none"> Stakeholder expectations (Strategic) Cyber security – Information Security and Privacy (Strategic) Direct and indirect impact of the business on the locality and on the community (Strategic) Availability of raw materials and components (Strategic) Sustainable management of the supply chain (Operational) 	 

		<ul style="list-style-type: none"> Traceability of data and information relating to sustainability (Financial & Reporting) Risk management and compliance (Compliance) 	
Environmental	<ul style="list-style-type: none"> Energy consumption Responsible management of materials, waste and water resources Atmospheric emissions and climate change 	<ul style="list-style-type: none"> Stakeholder expectations (Strategic) Cyber security – Information Security and Privacy (Strategic) Direct and indirect impact of the business on the locality and on the community (Strategic) Availability of raw materials and components (Strategic) Sustainable management of the supply chain (Operational) Sustainable management of energy consumption and atmospheric emissions (Climate Change) Conscious use of resources and sustainable waste management (Operational) Traceability of data and information relating to sustainability (Financial & Reporting) Risk management and compliance (Compliance) 	  
Economic/financial	<ul style="list-style-type: none"> Economic Performance 	<ul style="list-style-type: none"> Trends in the global economy and changes in global geopolitics (Strategic) Competitive environment and cyclicity of relevant industrial sectors (Strategic) Stakeholder expectations (Strategic) Cyber security – Information Security and Privacy (Strategic) Ability to offer innovative products and services to customers (IoT 4.0) (Strategic) Business continuity management (Strategic) Availability of raw materials and components (Strategic) Sustainable management of the supply chain (Operational) Transparent management of the Group's image and of its products and services (Operational) Fluctuation in prices of raw materials and components (Financial & Reporting) Ability to source adequate financial resources to meet funding requirements (Financial & Reporting) Traceability of data and information relating to sustainability (Financial & Reporting) Risk management and compliance (Compliance) 	

Economic sustainability

In a nutshell:

- ✓ Over **€ 710 million of economic value distributed** by the Group in 2021
- ✓ Over **€ 742.2 million of total revenue** in 2021
- ✓ **93% of purchases from local suppliers**, as far as manufacturing plants in Italy and India are concerned
- ✓ 8 manufacturing plants awarded **ISO 9001:2015** certification in Italy and India
- ✓ **260** persons involved in research and development activities, totalling approximately **134,000** working hours
- ✓ HSD is Lighthouse Plant of the Intelligent Factory Cluster with the Electrospindle 4.0 project

Economic performance

The second half of 2021 confirmed the positive results reported in the first six months of the year. The encouraging increase in order intake through June and the resulting increase in the order backlog continued into the second half of 2021, thanks to the economic stimulus and pandemic response policies implemented by the governments of the main western countries. The Group's order intake at the end of 2021 was Euro 733,373 thousand, up 55.5% over 2020, while the order backlog stood at Euro 378,213 thousand, up 85.3% compared to December 2020.

This strong performance was made possible by both the particularly favourable market conditions and the Group's extensive distribution network, which allowed it to quickly respond to the clear signs of a recovery in the reference market.

Against this backdrop, Biesse Group revenue for the year ended 31 December 2021 amounted to Euro 742,199 thousand, an increase of 28.2% over 2020. The increase was seen in all geographical areas: Western Europe (32.3%), Asia-Oceania (38.5%), Eastern Europe (26.9%), North America (12.2%) and the Rest of the World (28%). Western Europe continued to be the Group's most important market with a turnover of Euro 288,765 thousand, representing 49.9% of the total. The breakdown of revenues by operating segment shows that Machine-Systems and Mechatronics increased by 28.2% and 33.7%, respectively, compared to 2020.

The increase in volumes described above is reflected in the operating profitability for the period, as indicated by EBITDA, which came in at Euro 79,672 thousand before non-recurring costs, an increase of 42.3%. Also of note is the improvement in operating profit before non-recurring items (EBIT) of Euro 34,064 thousand in 2021 compared to Euro 7,014 thousand in 2020, an increase of Euro 27,050 thousand with the margin on revenue going from 1.2% to 4.6%.

It should be noted that the Group's results for the year just ended were affected by "non-recurring events" and "impairment" which provided a positive contribution of Euro 11,657 thousand. The most significant item was the capital gain generated by the sale of the Chinese subsidiary Dongguan Korex Machinery Co. Ltd., which was partially offset by impairment losses on development costs for projects that are no longer considered strategic.

The favourable market environment also impacted the balance sheet, with a significant increase in inventory that was needed to fill the orders received. This increase was more than offset by the increase in payables to suppliers and advances from customers, resulting in a substantial decrease in net working capital. Finally, the acquisition of Forvet is the most significant change in cash outflows for investments in business combinations, however, more than offset by the proceeds from the sale of the Chinese stake finalized in the first months of 2021

In terms of the statement of financial position, net operating working capital decreased by Euro 36,119 thousand with respect to December 2020. Trade Receivables and Contractual Assets, amounting to Euro 125,962 thousand, increased by Euro 23,087 thousand (22.4%), reflecting the increase in sales volumes. Inventories, amounting to Euro 179,417 thousand, increased by Euro 49,569 thousand (38.2%) due to the increase in finished goods, raw materials, and semi-finished goods inventories to meet the significant growth in demand from customers, and the persistent difficulties in sourcing materials.

Trade Payables (amounting to Euro 186,660 thousand), whose trend is linked to the production cycle, increased by Euro 53,870 thousand, while Contract Liabilities (amounting to Euro 127,093 thousand), which are linked to order intake, increased by Euro 54,904 thousand compared to 31 December 2020 (+76.1%).

The Group reports net cash at 31 December 2021 of approximately Euro 124,603 million, an improvement of Euro 75,060 thousand compared to the December 2020 figure (+151.5%). The increase is mainly due to the contribution from operations, equal to 36.119 thousand euros.

Economic value generated and distributed

Economic value generated and distributed expresses in monetary terms the relationship between Biesse and the relevant socio-economic system, it measures Biesse's economic impact and its ability to create and distribute wealth to the key stakeholder categories, such as personnel, shareholders, lenders, the community, and the public administration. **Economic value generated** by the Group in 2021 amounted to over **Euro 780 million**, whereas the value **distributed** amounted to over **Euro 710 million**.

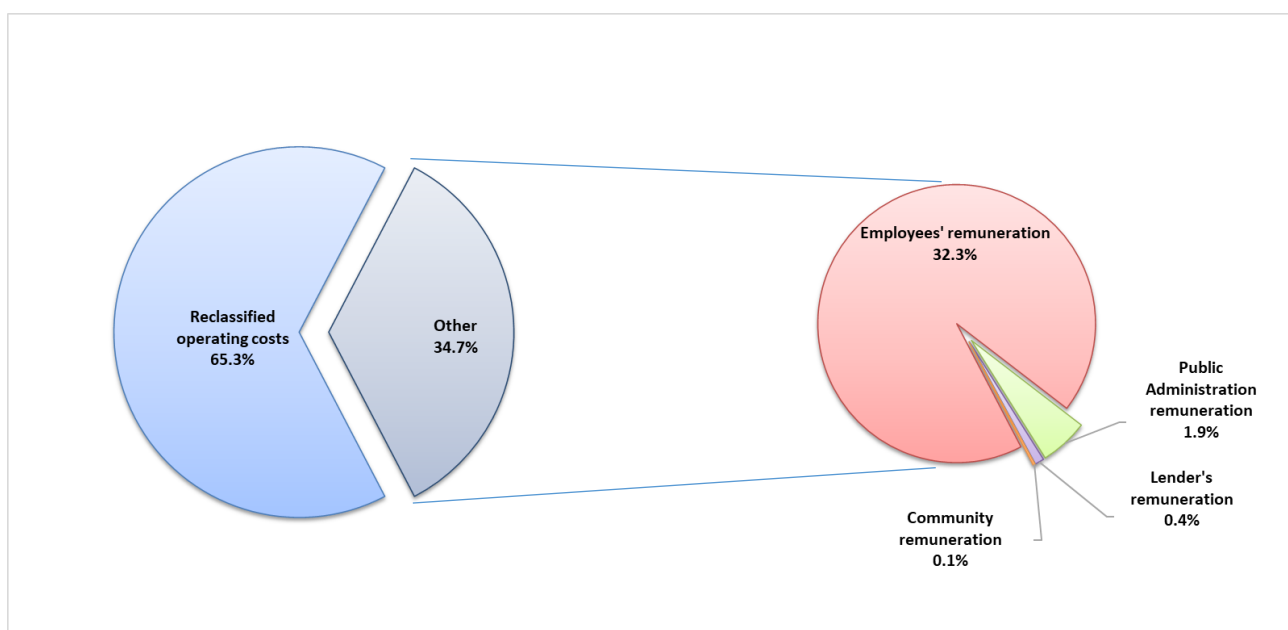
Table 4. Determination of economic value generated, distributed, and retained by Biesse Group

	2021	2020
Economic value generated by the Group	€ 780,245,507	€ 573,565,841
Economic value distributed by the Group	€ 710,533,817	€ 534,031,965
<i>of which: reclassified operating costs</i>	<u>€ 464,152,819</u>	<u>€ 327,006,424</u>
<i>of which: employee remuneration</i>	<u>€ 229,365,619</u>	<u>€ 197,462,498</u>
<i>of which: public administration remuneration</i>	<u>€ 13,854,053</u>	<u>€ 5,773,356</u>
<i>of which: lenders' remuneration</i>	<u>€ 2,595,191</u>	<u>€ 3,189,815</u>
<i>of which: shareholders' remuneration</i>	=	=
<i>of which: community remuneration</i>	<u>€ 566,136</u>	<u>€ 599,871</u>
Economic value retained by the Group	€ 69,711,690	€ 39,533,876

The portion of economic value attributable to **Reclassified operating costs** amounts to **Euro 464,152 thousand** and mainly includes costs incurred for the purchase of raw materials, ancillary materials, consumables and goods, cost of services, lease and rental costs, directors' and statutory auditors' remuneration and other operating costs. The portion of economic value distributed to **employees and other workers** amounts to **Euro 229,365 thousand** and accounts for approximately 32% of the total economic value distributed. This portion includes costs incurred for wages and salaries, awards and bonuses, social contributions, charges to pension plan provisions and other employee related costs.

A portion of economic value was distributed to the **public administration** in the year amounting to **Euro 13,854 thousand**. An amount was distributed to **lenders** of **Euro 2,595 thousand** resulting from finance costs. In relation to the remuneration of **risk capital**, given the steady deterioration of the situation at the time this document was approved, with evident and growing economic and social uncertainty, the Board of Directors of Biesse has prudentially decided not to proceed with the payment of an ordinary dividend. An amount of **Euro 566 thousand** was distributed to the community under the form of donations, sponsorships contributions¹⁴ and membership fees. This figure constitutes a further direct and indirect impact on the development of the locality for the benefit of local communities. To conclude, the amount of **Euro 69,711 thousand** constitutes the economic value retained by the Group, consisting mainly of profit for the year allocated to reserves, depreciation and amortisation, charges to provisions and impairment.

Figure 9. Economic value distributed by the Group in 2021



¹⁴ The figure for donations, sponsorships and contributions relates solely to Biesse S.p.A.

Innovation

Manufacturing tools and machinery that improve production and energy efficiency for customers while simplifying their work processes and increasing safety is the main objective of Biesse Group in the field of innovation.

The Group has always been focused on implementing technological solutions that are not only capable of constantly improving manufacturing performance and the reliability of the machinery, but that also relieve operators from physical and mental efforts to ensure their well-being and safety in the workplace and to reduce energy consumption and the environmental impact.

Particular attention has been given to simplicity of use, ergonomics, noise reduction and particles and fumes produced. The high degree of integration of mechanics, electronics and software renders the Group's products "intelligent" and "collaborative", as well as capable of guaranteeing autonomous functionality without the constant presence of an operator.

In 2021 the Innovation, Corporate Social Responsibility & Quality Management department was established to speed up the development of innovative processes and solutions not only by using our in-house expertise but also by forming productive partnerships and encouraging the exchange and proliferation of solutions from outside the company. The underlying idea is to use innovation as a means of achieving the sustainability goals, and the quality function to disseminate these topics throughout the company organisation and verify the results.

An important step in this direction was the launch of Open-I, the Biesse Group's innovation lab, an important new open innovation project which acts as an accelerator for new ideas and outstanding start-ups. Open-I provides a stimulating and dynamic environment in which to cultivate relationships with the academic world, universities, and research centres, with other accelerators, with venture capital and with other companies, thus further enhancing the Group's innovation ecosystem.

Biesse Group's Open-I was founded with high-level objectives in terms of innovation, with the aim of seeking solutions not only within the organisation but also externally, in complete synergy with its points of reference in Italy and Israel.

Product innovation

The transformation process the Group has been going through has led to changes in its offering, which is mainly focused on the development of:

- **systems**, that is, machines and automations perfectly integrated with each other and with the management software ecosystem used by customers;
- **intelligent machines** that are easy to use, connected, reliable and with native automation that makes them increasingly independent of operator intervention and easier to control remotely;
- **differentiating solutions** with levels of performance and innovation that exceed the needs of the various market segments in which the Group operates.

To achieve these objectives, the product development process, which comprises the idea generation (the product), development (R&D) and manufacturing (the prototype) phases, is managed by two specialist macro-clusters focused respectively on machines and systems.

The elimination of divisions and the introduction of a transversal approach based on processes have also made it possible to allocate resources more efficiently by establishing a design team focused exclusively on product development projects and a team dedicated to the continuous improvement of existing solutions.

The Research and Development function, which is centralised in Biesse S.p.A., can currently count on the experience of dedicated professionals, mechanical design engineers and software developers, who maintain contact with other professionals inside and outside the Group. In 2021, 260¹⁵ persons were involved in research and development activities, totalling approximately 134,000 working hours. The product innovation process has been enhanced by increasing the involvement of the Group's customers through:

- internal testing activities with materials and tools that simulate as closely as possible the working conditions of clients with a focus on exceeding the guaranteed levels of performance;
- beta-testing at the premises of selected partners for the final performance and reliability tests.

Customers, therefore, take a leading role in the research, testing and implementation processes of new technologies.

Biesse Group's ability to innovate and leverage its know-how for strategic success can be measured by factors such as the number of patents deposited. The Group currently has approximately **250 patents** which have contributed to the innovation of technological solutions present in the processing machinery market.

To actively contribute to research in the field of technological development, the Group encourages cooperation with other protagonists in the sector through networks that unite experts, research centres and universities, both in Italy and abroad. The main technological collaborations active in 2021 include those with the **University of Ancona** (study of vibrations, noise, fluid dynamics and thermodynamics and the development of predictive analysis algorithms to be implemented for advanced technologies for use in Industry 4.0), the Furniture Industry Consortium - **COSMOB**, (testing on processed products and materials), the Machine Tools and Production Systems Consortium - **MUSP** (within the cluster project relating to the mechatronics division), the **Intelligent Factory Cluster**, and with **EFFRA** (European Factory of the Future Research Association).

The Group is also a member of various consortiums and associations that promote and invest in industrial research in the field of machinery, production systems and the furniture industry, such as **ACIMALL** (Association of Italian manufacturers of machinery and accessories for wood processing), **AMAPLAST** (Association of Italian plastics and rubber processing machinery and moulds manufacturers), **Confindustria Marmomacchine** (Association of manufacturers of ornamental marble, granite and stone and of machinery, tools and equipment for the processing thereof), **GIMAV** (Italian association of suppliers of machinery and accessories for glass processing), **UCIMU** (Association of Italian manufacturers of machine tools, robots, automation and ancillary products), **VDMA** (German association for mechanical engineering in Europe).

From the product to services

Biesse Group constantly invests in developing easy to use solutions conceived by listening to customers and their needs, with a simple interface, designed to make everyday use of machinery practical. **B-Suite**, in particular, is a coordinated set of advanced software tools that make it easier to access the latest innovative technologies offered by the Group.

¹⁵ This value relates to the following legal entities: Biesse S.p.A., Bre.Ma. Brenna Macchine S.r.l., HSD S.p.A.

The Group has introduced numerous innovations and achieved significant results in the development of new technologies that enable connectivity between machines, as well as self-diagnosis that helps to identify potential issues and to improve the predictive maintenance process, as part of the **Industrial Internet of Things (IIoT)**.

In this regard, the **SOPHIA** platform is based on the connection of machinery to Microsoft's Azure cloud, making it possible to collect real-time data and information on technologies being used to optimise the performance and productivity of the machinery and systems. In fact, the data collected makes it possible to analyse the functionality of the systems, to identify any malfunctions and to assist customers with preventive maintenance to prevent breakdowns, thus minimising any interruption to the manufacturing process.

Through the direct connection to **Parts**, the Group's spare parts portal, the platform facilitates the simple and efficient management of spare parts, guaranteeing constant assistance and quality to all its customers. Accordingly, the **IIoT** solution has become an integral part of the products to offer customers more value from the machinery.

An important IIoT innovation was the development, by HSD Mechatronics, of the first **wi-fi connected electrospindle Patent Pending**. This electrospindle, which can communicate with the most commonly used devices through an app, makes it easier for the user to monitor the component, guaranteeing faster and less costly maintenance, accurate and fast diagnostics, in addition to improved safety and flexibility in use.

With the Electrospindle 4.0 project, HSD becomes the first Italian medium-sized company to be the Lighthouse Plant of the Intelligent Factory Cluster, following the likes of companies such as Ansaldo Energia, ABB, Hitachi Rail and Tenova-Ori Martin. This was made official in December 2020 when the Minister for Economic Development signed the decree authorising the special Agreement for Innovation, which envisages investments towards the realisation of the innovative Zero Defects Manufacturing project. Financial contributions from the Italian Ministry of Economic Development (MISE) and the Regions of Marche, Lazio and Umbria will be made to support the Electrospindle 4.0 project for the design of interconnected electrospindles. For HSD, the objective is to establish a digitalised, interconnected, intelligent, resilient supply chain focused on quality and time-to-market.

Cyber security

Biesse Group considers the protection of the assets and information that make up the Group's information resources to be of fundamental importance. The Group has embarked on a process of continuous development and growth through the careful management of cyber security topics aimed at preserving the availability, integrity, and confidentiality of data, as well as the continuity of the services provided and protection against fraud.

These topics are included within the "ICT End User Global Policy", issued in 2019, and which constitutes a reference for all Group employees for properly using the ICT tools made available by the Company. The above policy places a significant focus on the "secure" management of Company data and assets and on the importance of the conduct of each employee to ensure that their complete availability, integrity, and confidentiality are preserved.

To increase awareness of this in all employees, starting in 2021, "Information Security Awareness" was launched, an internal communications campaign through which targeted thematic information is periodically provided through company devices to raise awareness among company personnel about data and information security risks and protection from cyber attacks.

Within the Biesse Group organisational structure, the IT Department periodically conducts reviews to identify any vulnerabilities or gaps that need to be addressed to mitigate and minimise the related risks. Moreover, in collaboration with Internal Audit, a risk assessment and remediation process for IT

and cyber security issues is carried out annually. The ICT Security Manager is responsible for managing cyber security projects and matters throughout the Group.

Among the primary risks identified and managed by the Group are the risk of mishandling of data and tools, the risk of phishing and fraud, and the risk of malware. These risks are managed through specific platforms and technological infrastructures and by continuously providing information and training to employees. A Security Information and Event Management (SIEM) system is in place to continuously monitor the infrastructure and all suspicious events. The SIEM system can collect and correlate all security events generated by devices connected to the company network. This tool forms the basis of security monitoring activities that are conducted 24 hours a day with the support of a dedicated SOC (Security Operation Centre) structure.

With a view towards continuous improvement, a strategic improvement plan was prepared which forms the basis of the cyber security initiatives for the next three-year period. This plan is centred on "Security by Design and by Default", a key concept for guiding the Group through the digitalisation process.

In relation to the Covid-19 pandemic and the effects it has on work activities, steps were taken to increase the effectiveness of monitoring with regard to breaches of Company accounts. These initiatives are particularly important in a situation, such as lockdowns, in which various functions performed their duties by connecting to company systems from remote locations via VPN.

Biesse Group complies with the existing regulatory framework governing the processing of personal data, including the General Data Protection Regulation "GDPR" (EU Regulation No. 2016/679). This Regulation, based on the principle of accountability, makes each personal data controller responsible for implementing regulatory, organisational, and technological steps to appropriately comply, using a risk-based approach, with the regulatory principles of the GDPR.

In 2021, there were no complaints or substantiated incidents of privacy breaches or data loss regarding customers or employees.

Process innovation

Biesse Group aims to improve product lifecycle management through solutions that enable the integration of data, processes, and business systems, in synergy with the user. These solutions streamline the management of information throughout a product's lifecycle, from its conception to design and from production to after-sales support.

This process is reflected in the construction of a map of the Group's high-level processes, both operational and in terms of developing the business, which makes it possible to identify their relationships to facilitate the exchange of data and information and ensure that company objectives are achieved more efficiently and effectively. The process owner plays an important role in this context, and is tasked with the role of change agent, meaning that he or she is a person with cross-functional responsibility entrusted by the company with monitoring change.

The Quality Department is responsible for overseeing and ensuring the functioning of an approach based on process management, with the ultimate aim of facilitating the sharing of information, removing organisational barriers, and working to ensure that cross-functional processes and activities are clearly defined and controlled, and that roles and responsibilities are clearly identified.

Biesse Group among the "Sustainability Leaders" according to *Sole 24 Ore* and Statista

Biesse Group's commitment to all aspects of sustainability - economic, environmental, and social - has been recognised in the "Sustainability Leaders" survey organised by the Italian financial newspaper *Il Sole 24 Ore* and conducted by Statista, which places Biesse among the top 150 companies in Italy. Biesse is also featured in the first Italian ESG Report produced by V-Finance (IR Top Consulting), which analysed the Non-Financial Statements (NFS) of all the Italian companies listed on the Italian Stock Exchange (376) in their respective markets (MTA, FTSE Mib and AIM). The analysis was carried out according to the industry standards of SASB's Materiality Map® across 5 areas: environment, social capital, human capital, business model & innovation, leadership & governance. Biesse Group was at the top in the "Human capital" and "Business model & innovation" categories.

Biesse Group is listed among Italy's Best Employers by Statista and *Corriere della Sera*

Biesse Group is once again recognised among Italy's Best Employers by Statista and *Corriere della Sera*, placing fifth in Italy in the "mechanical and plant engineering" sector with a score of 7.71 points. The ranking compiled by Statista, a German company that collects and processes economic and financial data, in collaboration with *Il Corriere della Sera*, analysed the attractiveness of over 3,000 companies to identify the best companies to work for in Italy, and was based on a survey involving 22,500 workers.

Biesse Group featured among Deloitte's "Best Managed Companies"

Biesse is among the winners of the fourth edition of the "Best Managed Companies" Award, the award established by Deloitte Private in an initiative supported by ALTIS Università Cattolica, ELITE (the Borsa Italiana programme that supports the development and growth of high potential companies) and Confindustria. The winning companies stood out for their strategy, skills and innovation, commitment and corporate culture, governance and performance, global reach, and sustainability.

Biesse Group is among the outstanding companies led by Cavalieri del Lavoro, the highest Italian honour for captains of industry

Biesse Group was included among the outstanding companies led by Cavalieri del Lavoro in a study cited in the "Affari&Finanza" section of the Italian daily newspaper, *La Repubblica*. Transparency, lawfulness, social responsibility, and sustainability were the characteristics on which the study was based.

The Group at the service of its customers

Customer centrality and satisfaction form the basis of a strategic approach that starts with the sustainable management of the supply chain and continues throughout all stages of the lifespan of the product, through advanced industrial consulting, support, and maintenance services. With over 500 Field Service Engineers and over 100 Hotliners in various markets, the Group is capable of offering installation and commissioning services, remote support, diagnostics and maintenance, technical training services and procurement of spare parts for machinery and components on-site and online. In 2021, our technicians were involved in 56,000 on-site interventions for a total of one million hours. There were also 317,000 shipments of spare parts to meet our customers' needs.

The Group has added dedicated personnel, such as Service Area Managers, and developed new digital channels to improve the customer experience. Furthermore, surveys of markets and dealers were developed with the objective of obtaining a large number of opinions to help identify areas of improvement for services offered by the Group. In 2021, the Dealer Hub was launched, a portal that provides timely monitoring of service requests, thus facilitating interaction between Biesse and its dealers.

In the belief that providing training and opportunities for professional growth are essential for improving service quality, the localisation of skills, diagnostic knowledge and the development of top-quality technical and managerial personnel, a training centre was established to support the Group's entire Service network. The Biesse training centre aims to enhance technical skills and optimise product performance. Classrooms, machines used exclusively for training and workshops for hands-on learning are available to customers, dealers and Biesse personnel. A catalogue of online and in-person courses is published periodically and made available to the Group's partners, enabling them to discover the world of software, become master programmers and learn about product updates. During 2021, approximately 350 online and classroom training modules were made available and over 400 training sessions were conducted. Training has never stopped; instead, the way it is used by customers, dealers and technicians in the market has changed, further enhancing its value and importance.

The Sophia digital platform has made it possible to guarantee continuity and quality in customer support even during the pandemic. The Sophia IoT and Sophia Parts portals allow customers to navigate in a personalised area where they can access all the information regarding the performance of their machines and their purchases. Through the portal, customers can order spare parts, create a spare parts shopping cart while checking the price list, stock availability, and the status of the order in real-time.

The Sophia platform is available 24 hours a day, 7 days a week. The platform and its apps are multilingual, everyday tools that are perfectly integrated with the most widely used operating systems.

Quality Management System

With the objective of offering high-quality standards to its customers, in 1996, Biesse S.p.A. adopted a Quality Management System certified to the ISO 9001:2015 international standard. As of 31 December 2021, the certification also applies to the Italian companies Bre.Ma. Brenna Macchine S.r.l., HSD S.p.A. and the Indian company Biesse Manufacturing Co. Pvt. Ltd.

The main company processes and activities are formalised in a document system managed by the Innovation, Corporate Social Responsibility & Quality Management department. To guarantee the standardisation of the processes, most of the Quality System documents are available (in Italian and English) and may be accessed by all Group companies via the corporate intranet.

In 2021, all the Group's manufacturing units that had already been certified passed the audit of compliance with the ISO 9001:2015 standard.

Compliance with the ISO 9001:2015 standard is assured through periodic internal audits that involve the processes of all the production plants.

Prior to being delivered to the customer, all machinery must pass testing required by regulations in force, as well as specific tests depending on product type. In 2021, 200,000 checks were carried out on products being shipped. Product Quality is achieved by accurately measuring the main values and characteristics of the assembled components. For this reason, all the mechanical and electrical instruments used are subjected to rigorous quality controls, conducted by using approximately 9,000 measuring instruments, which are periodically checked and calibrated by accredited laboratories. In 2021, 60,000 production lots of material were checked. The Group also has 12 three-dimensional measuring machines to check strategic components, plus various laser trackers and interferometers that are used during testing that have resulted in an increase in measurement accuracy, a reduction in testing times and the possibility to increase the variables measured.

Product reliability

The Group strives for continuous improvement through a proactive organisational system aimed at increasing machine reliability and customer satisfaction.

The commitment to experimental development and the pursuit of new machinery and technologies is always considered a priority. For the Group, reliability is linked to the strengthening of the entire production process. The development process for a new product is standardised and formalised via specific procedures and operational instructions, which detail all the stages thereof.

Customer centrality and satisfaction form the basis of a strategic approach implemented through the organisation of and control over the supply chain. The Quality department analyses reports related to the replacement of components under warranty and the technical interventions made by the technicians of the Service function.

Periodic meetings on reliability issues attended by all the business functions involved are held to share and discuss the Group's main quality indicators.

Some of the most important actions taken in 2021 to improve process efficiency, reduce costs related to low-quality products and promote continuous improvement include:

- the development and improvement of a problem-solving methodology
- application of the Failure Mode and Effect Analysis (FMEA) methodology during product development, as a preventive activity
- the introduction of DMS (Daily Meeting System), which involves planning structured and standardised daily activities to achieve certain goals through stand-up meetings, multidisciplinary teams, and visual management.

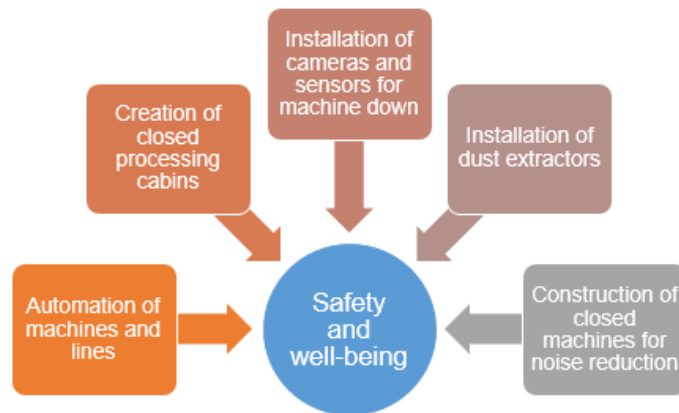
Technology at the service of customers and their safety

With the objective of guaranteeing its customers the highest machinery safety standards, the Group subjects all models produced to a stringent risk analysis in the design phase, with particular attention being paid to risks associated with any mechanical and electrical elements, as well as those linked to operators' behaviour, in order to guarantee levels of performance that exceed those required by the Machinery Directive 2006/42/EC and other international, Community and national legislation and regulations. In the testing phase, tests are performed of the level of noise emitted during operation and of electromagnetic compatibility with particular reference to radiation emitted and the immunity

of machinery to radiation that it could be subjected to in the relevant industrial environment, plus electrical grounding tests are also performed.

Over the last twenty years, the Group has actively participated with its experts in the work that gave rise to the drafting of standards currently in force, both at European level (EN Standards) and at the global level (ISO Standards). This work has followed the natural transformation of the sector, having been initially focused on wood processing machinery, prior to moving on to glass and stone processing machinery.

Figure 10: Course of action for well-being and the safe use of machinery



The showroom as the principal point of contact with customers throughout the world

Direct and immediate contact with technology, anywhere in the world, is guaranteed by Biesse Group showrooms, which have always been exceptional vantage points for discovering new products, observing them up close and testing out their potential. The desire to bring the customer closer to the technologies is manifested in the strategy of upgrading showrooms and in the events. The traditional showroom is evolving and transforming itself from being solely an exhibition of machinery to a place for exchanging ideas and meeting people, where customers are presented with solutions to help their businesses grow. Seminars and training courses are increasingly combined with events to ensure that customers can gain a better understanding of the potential of Biesse technology.

Subsequent to the restrictions arising from the Covid-19 emergency, the Group has accelerated an established trend, enhancing the services offered, giving customers the opportunity to choose how and where to experience Biesse technology: in the showroom, with customised services and a personalised reception, in compliance with the applicable safety requirements, or directly from a remote location, with the same level of professionalism, thanks to a team capable of handling every request, from personalising the demo to testing the materials.

The supply chain

Of the many components of the Group's technological solutions, quality of supply is an essential element for the development of reliable products.

The Group adopts a responsible approach for the management of the entire supply chain, from small local businesses to large multinational organisations, by creating relationships that go beyond mere trade transactions and by encouraging lasting and mutually satisfactory collaborations with more qualified partners that share the Group's principles.

In a market that is increasingly mindful of and focused on creating value for the customer, the most innovative and dynamic organisations must focus their core strength on continuous improvement.

It is in the Group's interests to make use of evaluation tools to verify the suitability of suppliers with a view to an ongoing relationship; the evaluation considers ethical issues and product quality and safety. For this reason, relationships with suppliers are developed in a fully transparent manner, based on General conditions of supply, which are applied to all contracts, on Quality standards, which are directly referred to on orders and that are pertinent to the activities that the supplier undertakes to carry out to ensure the quality of the finished product and on the Code of Conduct, which includes specific references to respect for human rights, environmental protection and the health and safety of workers.

In addition to the above, with a view to a virtuous process of continuous improvement, the Group has adopted a Suppliers Quality Manual, which contains key information on the procurement process and on the quality management system. In preparing this document, the intention was to create a tool to clarify in advance the expectations and requirements to be met by the suppliers, in order to facilitate communication with all trade partners and ensure optimal performance of the entire supply chain in accordance with the main sustainability criteria. Specifically, Biesse Group asks its suppliers to guarantee high-quality standards, to comply, within their own organisations, with all regulations governing health and safety in the workplace and with applicable environmental legislation.

The development and retention of suppliers' technical skills are considered growth factors from a technological, innovative, and competitive perspective. Accordingly, the Group encourages its territorial partners to embark on growth paths in terms of skills and organisation.

Within each production plant, inspections are performed of all incoming purchased materials. The accuracy of the inspections depends on the complexity of the part: they may range from simple dimensional and visual checks to the use of three-dimensional measuring machines, hardness testing of materials, and checks on the type of material used. To ensure a transparent and reliable process, which leads a quality product, the Group also makes use of external laboratories for specific metallography, electron microscopy, chemical analysis, mechanical and destructive tests. All measuring instruments used are periodically calibrated to ensure precise measurement. Moreover, next generation testing systems have been developed and introduced to improve the inspection process for purchased electrical assemblies, and process control methodologies have been introduced in line with the IATF 16949 Automotive Standard and with ISO 9001:2015.

To assess the quality and safety of their products, suppliers are subjected to daily monitoring via dedicated software, which considers the quality failure rate (INQF), production stoppages, the level of service and the supplier's organisation subsequent to audit. The aforementioned indicators, duly weighted based on the results of the audits conducted at the selection phase, contribute to the determination of the merit rating assigned to each supplier, which also considers their internal organisation and the process control methods adopted thereby. An analysis of the causes of production stoppages has led to the implementation of continuous improvement activities, which have achieved a notable decrease in the number of stoppages.

This approach makes it possible to establish relationships with quality suppliers and to develop an increasingly more effective and sustainable process, which leads to the creation of efficient and lasting partnerships.

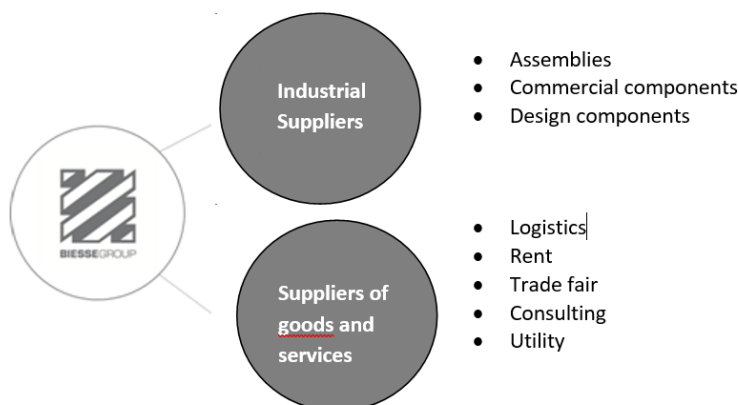
During the Covid-19 emergency, the Biesse Group further strengthened its ties with its suppliers, seeking to find common solutions to deal with this particular moment of difficulty together. To meet its commitments to fair relations with suppliers, Biesse Group guaranteed the prompt and uninterrupted flow of payments to its suppliers, carefully verifying that the commitments made, and the objectives agreed, were achievable and sustainable.

The Biesse Group monitored its supply chain through periodic contacts and checks, to verify that it remains sound: this involved verifying the ability of suppliers to adapt and rapidly manage a very complex organisational and production environment as well as carefully monitoring their ability to secure sufficient resources to deal with the emergency economic situation. The close relationship the Group has with its suppliers has enabled it to overcome the procurement difficulties encountered over the past year in the best way possible, guaranteeing adequate levels of service and quality.

Features of the supply chain

The Group's supply chain consists of two main categories of suppliers: industrial suppliers of manufactured products and suppliers of goods and services.

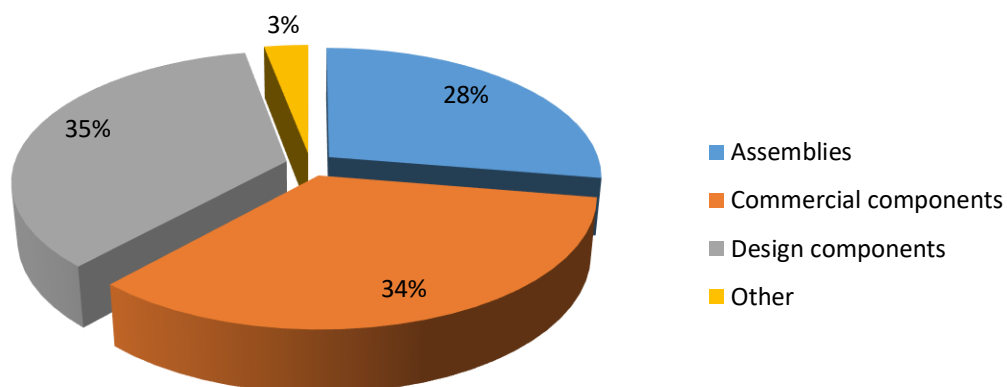
Figure 11. The main categories of Biesse Group's suppliers



The main industrial suppliers used by the Group in the last year number around 1,000¹⁶ and accounted for approximately Euro 312 million of purchases in 2021 (compared to Euro 206 million in 2020). The Group develops trusting relationships with its suppliers which are based on collaboration and the quality of professional services.

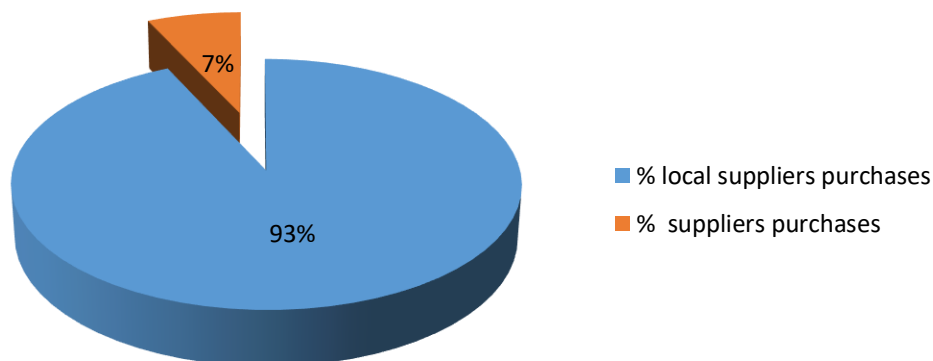
¹⁶ To provide more representative figures relating to the industrial supply chain, the number of "main suppliers" and the amount of purchases from manufacturing suppliers were calculated based on the consolidation of the information relating to the supply chain of Biesse S.p.A. and HSD S.p.A., Bre.Ma Brenna Macchine Srl, and Biesse Manufacturing Co. Pvt. Ltd.

Figure 12. % value of purchases from manufacturing suppliers, by category



As regards the geographical breakdown of the purchase value, approximately 93% relates to local suppliers¹⁷. The Group's decision to source most of its supplies locally is not only because of the logistical advantages and technical skills but is also due to the desire to contribute to the support and social development of the local area and surrounding communities directly and indirectly.

Figure 13. % of purchases from local manufacturing suppliers by the Group's main production hubs¹⁸



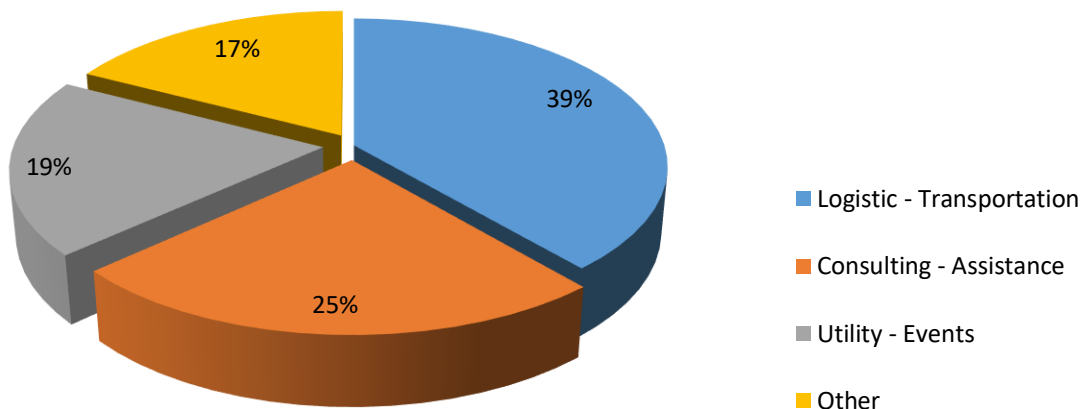
¹⁷ Local suppliers are Italian and Indian suppliers, with specific reference to the Group's production hubs. This figure relates to the significant locations of operations: *Italy and India*.

¹⁸ Due to the specific characteristics of the various types of assemblies purchased by the Group, note that part of the amount of purchases from local suppliers for this product category is distributed to multiple sub-suppliers located in different geographical areas. Please note that the data do not include the company Forvet S.p.A. which will be included in the next report.

Non-manufacturing suppliers are those that the Group turns to for the purchase of goods and services, such as telephony, energy, transport, design, buildings, company fleets, cleaning, installation, consulting, marketing, advertising agencies and IT projects. The supplier evaluation is carried out using a model that considers merits and costs and is applied to all product categories with an emphasis on areas having a high economic impact.

Non-manufacturing purchases in 2021 by Biesse S.p.A. alone amounted to approximately Euro 38 million (up 33% compared to Euro 25.3 million in 2020). 80% of this amount was generated by approximately 99 suppliers, 9 of which are foreign.

Figure 14. Purchases from non-manufacturing suppliers of Biesse S.p.A, by category



Social Sustainability

In a nutshell:

- ✓ **95%** of employees have permanent contracts
- ✓ **Approximately 1,500 persons** have worked in Biesse Group for more than 10 years
- ✓ **97%** of senior management hired from the local community¹⁹
- ✓ Over **100,000 hours** of training provided to personnel and other workers during 2021
- ✓ Over **9,500 hours** of training dedicated to safety at work provided to employees
- ✓ Workplace safety management system of Biesse S.p.A. and Bre.Ma. Brenna Macchine S.r.l certified to **UNI ISO 45001:2018** standard
- ✓ Support for social, cultural, artistic and sports initiatives in the **community**

This figure relates to the significant locations of operations: *Italy and India*

Its people

The Group acknowledges people are indispensable for its success, because the ability to innovate and pursue excellence in the realisation of products is the consequence of the passion and dedication of all those who form part of the Biesse family.

To pursue this objective, in 2021, a department responsible for talent acquisition, talent management and training processes was created.

On 31 December 2021, the Group had 3,828 employees, consisting of 3,344 men and 484 women, compared to 3,763 employees on 31 December 2020.

95% of employees have permanent contracts, providing proof that corporate policy is designed to create stable relationships with our workers.

Table 5. Number of employees of Biesse Group, by type of contract (permanent/temporary), gender and geographical area.

		AT 31 DECEMBER 2021			AT 31 DECEMBER 2020		
Geographical area	Type of contract	Men	Women	Total	Men	Women	Total
Italy	Permanent	2,050	277	2,327	2,052	271	2,323
	Temporary	12	6	18	51	9	60
	sub-total: Italy	2,062	283	2,345	2,103	280	2,383
Abroad	Permanent	1,126	182	1,308	1,074	180	1,254
	Temporary	156	19	175	108	18	126
	sub-total: Abroad	1,282	201	1,483	1,182	198	1,380
Total	Permanent	3,176	459	3,635	3,126	451	3,577
	Temporary	168	25	193	159	27	186
	Total	3,344	484	3,828	3,285	478	3,763

The Group prefers full-time contracts over part-time work arrangements. In fact, at 31 December 2021, there were 3,748 full-time contracts in place compared to 80 part-time contracts.

Table 6. Number of employees of Biesse Group, by type of contract (full-time / part-time) and gender.

AT 31 DECEMBER 2021				AT 31 DECEMBER 2020		
Type of contract	Men	Women	Total	Men	Women	Total
Full-time	3,329	419	3,748	3,271	412	3,683
Part-time	15	65	80	14	66	80
Total	3,344	484	3,828	3,285	478	3,763

In addition to the 3,828 employees at 31 December 2021, there were 523 other workers, in varying capacities, most of whom were temporary male staff, who contribute to the creation of the Group's machinery and technological innovations.

The design and implementation of effective employee attraction and selection systems ensures the sustainable growth of the Group and is a guarantee of transparency and fairness, in full respect of equal opportunities and the development of individual skills. Biesse Group strives for continuous improvement in selection processes, aimed at identifying not only the immediately required skills and abilities, but also the potential needed to grow together and to take on other roles over time. The objective is to strengthen all areas of the business, trusting the skills of the more experienced men and women, combined with the enthusiasm of those who are setting out on their professional development path.

The recruitment of young people by the Group contributes significantly to the achievement of the following three strategic objectives:

- *digital mindset*: Biesse Group machinery has a software soul that becomes digital when in contact with customers. Young colleagues that have grown up in a connected world can contribute to nurturing this culture that has been confirmed to be a distinctive feature of the Group's offering.
- *international dimension*: approximately 80% of the Group's customers are located abroad. Familiarity with international cultures is essential to establish solid relationships between the central functions, which govern the conception and design of technological solutions, and customers who operate in markets with differing characteristics. The recruitment of resources with international study experience makes it possible to shorten the distance between Biesse and its customers.
- *innovation*: the recruitment of young people facilitates and speeds up the identification of innovative technologies and processes.

The main talent attraction and selection strategies implemented by the Group include multiple activities carried out in cooperation with academic institutes at the national level. Cooperation with educational institutions enables the Group to make new contacts and to activate a preferential channel for the recruitment of young people. Biesse Group has always cultivated relationships with local technical institutes, in order to select the best resources, who are motivated to undertake a career path after having obtained their diploma. In this regard, specific recruiting events are conducted to meet young people nearing graduation and invite them to the company for mini assessments, days organised specifically for the profiles being sought.

Lectures, seminars and career days are some activities conducted on the premises of the main Italian universities. The selection of young talent takes place via assessment sessions, in which candidates are subjected to psycho-aptitude tests and self-presentations. New recruits receive on-the-job training by working alongside senior colleagues as well as participating in specific training sessions.

With a view to future growth and improvement, more emphasis was placed on internal job rotation in 2021 to encourage employee mobility within the Group and allow them to pursue new career opportunities, thus encouraging the acquisition of new skills and transfers at both a departmental and operating facility level.

Table 7. Number of new hires and new hire turnover rate, by gender, age group and geographical area

NEW HIRES						2021
Geographical area	Gender	<30 years old	30-50 years old	>50 years old	Total	Turnover (based on total workforce)
Italy	Men	39	80	33	152	4.0%
	Women	3	6	3	12	0.3%
	Total	42	86	36	164	4.3%
	Turnover (based on total workforce)	1.1%	2.2%	0.9%	4.3%	
Abroad	Men	309	53	79	441	11.5%
	Women	25	12	13	50	1.3%
	Total	334	65	92	491	12.8%
	Turnover (based on total workforce)	8.7%	1.7%	2.4%	12.8%	
Total	Men	348	133	112	593	15.5%
	Women	28	18	16	62	1.6%
	Total	376	151	128	655	17.1%
	Turnover (based on total workforce)	9.8%	3.9%	3.3%	17.1%	

NEW HIRES						2020
Geographical area	Gender	<30 years old	30-50 years old	>50 years old	Total	Turnover (based on total workforce)
Italy	Men	36	21	3	60	1.6%
	Women	2	2	0	4	0.1%
	Total	38	23	3	64	1.7%
	Turnover (based on total workforce)	1.0%	0.6%	0.1%	1.7%	
Abroad	Men	110	35	9	154	4.1%
	Women	15	16	4	35	0.9%
	Total	125	51	13	189	5.0%
	Turnover (based on total workforce)	3.3%	1.4%	0.3%	5.0%	
Total	Men	146	56	12	214	5.7%
	Women	17	18	4	39	1.0%
	Total	163	74	16	253	6.7%
	Turnover (based on total workforce)	4.3%	2.0%	0.4%	6.7%	

Table 8. Number of leavers and leaver turnover rate, by gender, age group and geographical area

LEAVERS						
						2021
Geographical area	Gender	<30 years old	30-50 years old	>50 years old	Total	Turnover (based on total workforce)
Italy	Men	39	127	77	243	6.3%
	Women	1	9	8	18	0.5%
	Total	40	136	85	261	6.8%
	Turnover (based on total workforce)	1.0%	3.6%	2.2%	6.8%	
Abroad	Men	240	59	50	349	9.1%
	Women	16	15	13	44	1.1%
	Total	256	74	63	393	10.3%
	Turnover (based on total workforce)	6.7%	1.9%	1.6%	10.3%	
Total	Men	279	186	127	592	15.5%
	Women	17	24	21	62	1.6%
	Total	296	210	148	654	17.1%
	Turnover (based on total workforce)	7.7%	5.5%	3.9%	17.1%	

LEAVERS						
						2020
Geographical area	Gender	<30 years old	30-50 years old	>50 years old	Total	Turnover (based on total workforce)
Italy	Men	19	34	35	88	2.4%
	Women	3	4	4	11	0.3%
	Total	22	38	39	99	2.6%
	Turnover (based on total workforce)	0.6%	1.0%	1.0%	2.6%	
Abroad	Men	78	137	37	252	6.7%
	Women	13	46	7	66	1.8%
	Total	91	183	44	318	8.5%
	Turnover (based on total workforce)	2.4%	4.9%	1.2%	8.5%	
Total	Men	97	171	72	340	9.1%
	Women	16	50	11	77	2.0%
	Total	113	221	83	417	11.1%
	Turnover (based on total workforce)	3.0%	5.9%	2.2%	11.1%	

Training and continuous improvement

Training of employees ensures continuous innovation, reliability and quality of the products and services that the Group offers its customers. It is structured to provide a varied and inclusive offering designed to involve professional members of staff at all levels.

In fact, it is the Group's belief that growth can be solid and continuous over time only through specific investment in the development and refinement of its employees' skills.

In 2021, the way in which training is delivered was reviewed, with a shift away from lessons in the classroom to virtual lessons and e-learning. The use of new technological platforms made it easier to reach colleagues who are geographically distant and to reach a target group of younger people who are more used to digital learning.

In 2021, the Group provided over 100,000 hours of training to its employees, compared to around 70,000 in 2020, consisting of training for blue-collar workers, technicians, office staff, occupational health and safety, anti-corruption, Legislative Decree 231/2001, cyber security and privacy, soft skills and professional development.

In 2021, the sales personnel of the subsidiaries were involved in weekly training sessions, organised by language and time zone, focusing on product innovations and new sales tools. In total, about 2,000 hours of training were provided for this activity using fully digital methods. The switch to remote training has eliminated the inefficiencies that inevitably resulted from organising training sessions at the Headquarters.

Service personnel and customers have been trained on the entire portfolio of Biesse Group machinery. Regarding service, advanced troubleshooting courses have been developed to improve their diagnostic skills, also making use of the automated diagnostic software installed on the products.

Technical training of employees currently runs parallel to the technological development of products and the new services offered by the Group in order to always guarantee value added for customers. A great deal of attention has also been paid to evaluating the effectiveness of the courses, with specific tests and practical exercises being developed to verify successful completion.

As evidence of the attention given by the Group to all aspects of its business ethics and integrity, during 2021, various on-site and remote involvement, information and training sessions were held on Legislative Decree 231/2001, reporting channels available for the communication of unlawful conduct pursuant to Legislative Decree 231/2001 (Whistleblowing law), the Code of Conduct, anti-bribery and human rights that involved over 3,100 employees.

To comply with Regulation (EU) 2016/679 (GDPR), courses were organised to raise employees' awareness of privacy issues. In order to make employees aware of the importance of data protection, their responsibilities in relation thereto and the Group's reputation, training has continued on cyber security.

To design and deliver standardised and tailor-made training courses and increasing the efficiency of the human resources, a dedicated process, called the Training Lab, was established in HSD.

Further information concerning key figures relating to training is indicated below.

Table 9. Hours of training provided (broken down by labour category and gender) ²⁰

2021				2020		
Labour category	Hours Men	Hours Women	Total	Hours Men	Hours Women	Total
White Collar	53,320	1,491	54,811	36,437	1,484	37,921
Blue Collar	44,877	86	44,963	30,542	482	31,024
Total Hours (Employees)	98,197	1,577	99,774	66,979	1,966	68,945
of which: Technical training	82,675	743	83,418	56,941	679	57,620
of which: Professional and management skills training	6,667	123	6,790	4,635	759	5,394
of which: Health and safety training	8,855	712	9,567	5,403	528	5,931
Total Hours (Other workers)	3,358	57	3,415	1,737	65	1,802

Table 9.b Average hours of training provided (broken down by labour category and gender)

2021				2020		
Labour category	Average hours Men	Average hours Women	Total average hours	Average hours Men	Average hours Women	Total average hours
White Collar	27.6	3.2	22.8	5.0	1.5	4.4
Blue Collar	31.8	4.8	31.5	13.0	28.7	13.2
Average hours: Employees	29.4	3.3	26.1	8.3	2.8	7.6
Average hours: Other workers	6.6	3.6	6.5	0.1	-	0.1

Table 10. Number of employees who received training or communications on the Code of Conduct and human rights

2021				2020		
Labour category	Men	Women	Total	Men	Women	Total
White Collar	1,218	421	1,639	1,280	315	1,595
Blue Collar	1,303	25	1,328	1,361	25	1,386
Other workers	172	13	185	97	16	113
TOTAL	2,693	459	3,152	2,738	356	3,094

Evaluation of resources

On completion of the training process, an individual performance and professional development evaluation process then forms part of Biesse Group's personnel development strategy. The Group believes it is important to offer its resources tangible career advancement opportunities, and that this is one of the most important determinant factors affecting employee loyalty and the development of their skills.

The fundamental principles underlying the evaluation process adopted by the Group recognise as key factors the setting of objectives and expectations for each employee in line with the corporate vision, the sharing thereof, the evaluation of the results achieved and the preparation of a development plan.

²⁰ Please note that the data do not include the company Forvet S. p. A. , which will be included in the next report..

The consolidation of the performance evaluation process in recent years fulfils certain objectives, such as the enhancement of Group management's leadership style and the implementation of processes that are deemed by younger employees to be essential for their participation in the current working environment. The adoption of a performance management process facilitates the retention of highly skilled colleagues, who are increasingly motivated by challenging and growth-oriented work environments.

Because the Group has grown to a significant size in terms of number of subsidiaries and employees around the world, the ability to organically manage HR processes through the use of effective tools becomes essential. For this reason, a dedicated management system has been introduced to integrate and standardise personnel management and development processes at Group level, including the administration of employee data and selection, training and evaluation processes.

Occupational health and safety

The health and safety of employees are fundamental conditions that merit special attention via prevention, technological development, training and continuous monitoring. All business activities are carried out in line with the occupational health and safety regulations in force, as well as with the requirements of the Code of Conduct and the Safety Policy. Moreover, the Group guarantees the highest safety standards to operators through organisational and operational measures, but also through technical measures, the continuous alignment with new technologies, individual protection devices, as well as through the development of training courses.

Regarding the Group's Italian companies, the safety management system requires certain roles to be filled, in line with relevant regulations. To this effect, for each production unit, persons internal or external to the Group have been appointed to the position of health and safety manager and to act as health and safety officers, within the parameters of the law. To guarantee adequate employee representation within the safety management system, employees are asked to elect their employee safety representatives. Employees undergo medical examinations for fitness to work as required by applicable regulations.

In 2021, in addition to the certification previously obtained by HSD S.p.A., both Biesse S.p.A and Bre.ma Brenna Macchine S.r.l. were also certified for their Occupational Health and Safety Management System in accordance with the international **UNI ISO 45001:2018** standard. To maintain certification, periodic internal and third-party audits are carried out to verify the continued compliance of the management system.

The focus on the health of our employees is continually reinforced by a constant dialogue with the trade unions, and with the communities where the Group operates. Proof of this is the workplace safety protocol, signed by Biesse Group and trade union representatives, in anticipation of the gradual, safe resumption of production activities in an environment marked by the Covid-19 pandemic. The protocol was approved quickly (April 2020) and was welcomed by all parties involved, setting an example for other companies in the area to follow. Along with the protocol, a central safety management committee has been set up that can quickly intervene when the situation changes, and whose ultimate aim is ensuring the highest standards, not only at the headquarters, but also at the subsidiaries around the world. An innovative and comprehensive safety plan was also introduced, which includes an extensive smart working programme, periodic serological screening for employees, a plan for the periodic sanitisation of work areas, new working hours to avoid gatherings, monitoring of temperatures at the entrances to the workplace, mandatory use of personal protective equipment, training and more.

Also starting last year is the "Be Safe " project which aims to inform interested parties, using online and offline tools, about all the actions taken by the Group to safeguard people's safety.

As evidence of the sensitivity of Biesse Group personnel to issues concerning safety at work, note that, in 2021, 83²¹ near misses were reported. The issues reported were reviewed to determine the cause thereof and to improve the prevention system in place.

The system for recording near misses was implemented using the management system used by the company. This system allows all authorised parties to report dangerous situations, optimising how health and safety conditions in the workplace are managed.

In 2021, 63 workplace injuries were recorded (compared to 60 in 2020), including one with serious consequences²² involving an employee of Biesse Asia Pte. Ltd. which occurred while the employee was working. No fatal injuries were reported. Further information concerning key figures relating to health and safety are indicated below.

Table 11. Number of injuries recorded

		2021	2020
Geographical area	Number of cases	Total	Total
Italy	Total Injuries	33	32
	<i>of which high-consequence injuries</i>	0	0
	<i>of which: fatalities</i>	0	0
Abroad	Total Injuries	30	28
	<i>of which high-consequence injuries</i>	1	1 ²³
	<i>of which: fatalities</i>	0	0
Total	Total Injuries	63	60
	<i>of which high-consequence injuries</i>	1	1
	<i>of which: fatalities</i>	0	0

Table 12. Injury rates²⁴

		2021	2020
Geographical area	Injury rate	Total	Total
Italy	Injury rate	8.54	9.50
	<i>rate of high-consequence injuries</i>	0	0
	<i>rate of fatalities</i>	0	0
	Worked hours	3,864,767	3,368,037
Abroad	Injury rate	10.10	10.53
	<i>rate of high-consequence injuries</i>	0.34	0.38
	<i>rate of fatalities</i>	0	0
	Worked hours	2,970,718	2,659,967
Total	Injury rate	9.22	9.95
	<i>rate of high-consequence injuries</i>	0.15	0.17
	<i>rate of fatalities</i>	0	0
	Worked hours	6,835,485	6,028,005

²¹ Includes near misses at Biesse S.p.A., HSD S.p.A. and Biesse Manufacturing Co. Pvt. Ltd.

²² Work-related injury that results in a fatality or in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months (GRI Standards definition).

²³ An accident recorded in 2020 was reclassified as a serious accident due to the prolonged period of absence from work by the employee.

²⁴ Rates of injury were calculated using the following formula: (number of injuries / hours worked) x 1,000,000.

The main types of injury are lacerations and contusions.

Regarding Biesse Group's other workers (temporary workers), a total of 9 injuries were reported in 2021, of which 7 in Italy and 2 abroad. The overall injury rate for other workers was 10.45²⁵.

In line with that mentioned above for the Italian companies, the other foreign Group companies have also implemented a safety management system in compliance with local regulations.

Biesse Manufacturing Co. Pvt. Ltd. has adopted an Occupational Health and Safety Management System and has set up a watchdog committee. Within the facility there is a designated person tasked with raising staff awareness on occupational health and safety issues, planning and conducting audits to identify and report on any risk situations and conditions, assisting plant management in fulfilling its obligations in this area, setting annual targets and supporting management in achieving the established objectives. Moreover, corporate policies were revised and there was an increase in raising awareness, including through the posting of specific signs, and in training in order to prepare employees to act correctly in emergency situations and to reduce the number of accidents. Among the various initiatives undertaken to counter the Covid-19 pandemic was a vaccination campaign for employees and their families at the Bangalore facility.

Industrial relations

Over the years, the Biesse Group has put in place an effective industrial relations system based on sharing with workers' representatives the management of organisational and economic issues related to the variability in demand, efficiency and productivity, the management of internal or external issues, the work environment, safety, and the introduction of company welfare tools for improving working conditions and work-life balance.

The trade unions participate at different levels, ranging from periodic or specific briefings, to consultations and participatory activities, to agreements that need to be finalised to plan work activities or to deal with specific issues.

Industrial relations between the company and workers' representatives consists of periodic meetings held approximately every 40 days during which discussions are held on the Group's results and financial position, the organisation of work, issues such as health and safety in the workplace (analysing injuries, near misses and processes to improve working conditions), professional training and skills development.

The main issues faced in 2021 can be summarised as follows:

- Management of the health emergency caused by the Covid-19;
- Use of the ordinary layoff benefits fund citing Covid as the reason to deal with the health emergency during the first half of 2021;
- Use of the defensive solidarity contract to right-size the "indirect" and fixed cost structure of the organisation under the Company's new "One Company" organisational model;

²⁵ Data on the health and safety of external workers include only the "temporary employee" category and not other types of non-employee personnel working at the Group's sites and/or under the Group's control because of their significance and the availability of such data over which the Group does not exercise direct control. The data does not include the company Forvet S.p.A.. They will be included in the next reporting.

- Management of redundancies based on the principle of non-opposition to dismissal, with financial incentives for leaving;
- Need to increase production to try to absorb the order backlog that had emerged during the pandemic and to address the surge in orders, including through the introduction of shift work;
- Stipulation of the proximity agreement for the 2021 - 2022 period relating to the flexible management of fixed-term and temporary contracts;
- Renewal of the corporate performance bonus, modification of the welfare plan to include a specific provision for 2021, and negotiations for the renewal of the supplementary company agreement, which has been extended;
- Management of the mergers by incorporation of Viet S.r.l., Uniteam S.p.A., Bre.Ma. Brenna Macchine S.r.l., within the framework of the "One Company" organisational rationalisation project.

The Covid -19 emergency, apart from anticipating the need to re-think the organisation, highlighted the need to build a sense of belonging and commitment to one's work, to build an organisation that is capable of responding in terms of productivity, efficiency, quality and flexibility, to meet the expectations placed on the Group as it becomes increasingly international.

In order to guarantee employees fair, safe, accessible and sustainable workplaces and working conditions, it is essential to maintain an effective industrial relations system. Over the years, the Group has established a fruitful dialogue with the trade unions, in order to find the best solutions to reconcile people's needs with those of the business, guaranteeing every employee a transparent employment relationship and the full protection of his/her rights, regardless of the form of the contract that is characterised by the countries in which he/she works.

Industrial relations between the business and employees' representatives involve periodic meetings, during which a review is conducted of the trend in the Group's results and financial position, as well as of specific issues, such as occupational health and safety (analysis of injuries, near misses, processes for improving working conditions and issues specifically related to the pandemic), professional training and skills development.

In addition to their customary role of sitting at negotiating tables, trade union representatives are often directly involved in organisational improvement processes.

As far as the Italian Group companies are concerned, it should be noted that 100% of employees are covered by collective labour agreements.

Corporate welfare

Because the Group is attentive to the well-being and quality of life of its employees, it has committed to planning actions to improve the employee satisfaction and the corporate climate, by focusing on numerous initiatives concerning corporate welfare.

The preparation of a good welfare plan helps to reward and retain employees, makes the business more attractive to new candidates and guarantees appropriate management of internal relations, thus improving the working environment.

As part of the corporate welfare plan, all Italian employees are offered the chance to choose from a series of tax-exempt services related to health, well-being, education, recreation, sport and travel. In addition to the payment of annual amounts due for 2021, the corporate welfare plan, which is targeted at all blue-collar workers, office workers and middle managers employed in Italy, provides for, in accordance with the collective labour agreement for metalworkers, the possibility for each employee to convert his/her corporate performance bonus each year to flexible benefits. In view of the possibility and the individual choice to convert all or part of the bonus to corporate welfare benefits, the value of

the flexible benefits made available on the corporate platform will be increased by the Group to the extent of 13% of the amount of the accrued bonus. Moreover, in light of the particularly critical issues caused by the pandemic, the Group has introduced a contractual welfare plan for 2021 for all workers who do not have an individual financial incentive plan (MBO).

In addition to the foregoing, the Group offers a canteen service to employees in the main production plants in Italy and abroad, a transport service for workers in Pesaro and Bangalore.

In 2021, as far as Italian Group employees are concerned, the corporate partnership scheme was revised and extended, with the objective of obtaining beneficial terms for local and nationwide recreational activities.

Other forms of welfare aimed at protecting the health of workers and work-life balance, such as the introduction of flexible working arrangements and periodic analyses of the risk of Covid-19 infection through serological tests and molecular and antigen swab tests, were also introduced as a result of the health crisis. Finally, in 2021, welfare services regulated by the second-tier of the collective labour agreement were confirmed, including pension fund supplements, reimbursements for day care services, schools, universities, school textbook reimbursements, summer camp reimbursements and the use of spending vouchers.

Benefits and remuneration

The Group's remuneration policy is based on incentive schemes designed to recognise the commitment and merits of employees, while, at the same time encouraging a sense of belonging, attracting excellent resources from outside the Group and aligning employees' interests with the objectives of sustainable value creation for shareholders over a medium to long term time frame. To guarantee fairness and transparency, the Group has designed a remuneration system for executive directors and key managers in line with the size and organisational characteristics of the Group and with the market in which it operates. This remuneration envisages an annual fixed component and a variable component linked to the achievement of specific earnings based and non-earnings based performance objectives. The variable component of remuneration is paid upon the achievement of predetermined earnings and/or individual targets, through two incentive schemes, one of which is short term (MBO) that envisages the award of an annual bonus based on the achievement of quantitative and qualitative objectives, while the other is medium to long term (LTI) and envisages the payment of a three-year bonus subject to the achievement of earnings and financial targets. As far as benefits are concerned, the Group has committed and continues to commit itself to guaranteeing its employees transparency and clarity. Disbursement mechanisms may vary, not dependent on different contractual forms (full-time, part-time, permanent or temporary), but on different geographical areas, because relevant regulations may include or exclude certain services.

Diversity and social inclusion

Biesse Group acknowledges the centrality of human resources in the belief that the key factor of success of every enterprise consists of the professional contribution made by its employees in a climate of loyalty and mutual trust. Accordingly, for the purposes of personnel selection, recruitment and career advancement, the Group performs assessments solely based on a matching of expected profiles to required profiles and on transparent and verifiable considerations of merit, in accordance with established procedures. The management of employment relationships is oriented towards guaranteeing equal opportunities and facilitating the professional development of employees. The Group is committed not to make any direct or indirect discrimination in the personnel selection and evaluation process, based on trade union, political, religious, racial, language or gender related

reasons. Group policies encourage the selection and recruitment of local personnel, including senior management, at all locations where Biesse operates around the world.

Table 13. Percentage of employees by labour category and gender²⁶

Labour category	AT 31 DECEMBER 2021			AT 31 DECEMBER 2020		
	Men	Women	Total	Men	Women	Total
White Collar	50.5%	12.2%	62.7%	51.3%	12.1%	63.4%
Blue Collar	36.9%	0.5%	37.3%	36.0%	0.6%	36.6%
Total (%)	87.4%	12.64%	100.0%	87.3%	12.7%	100.0%

Table 14. Percentage of employees by labour category and age group

Labour category	AT 31 DECEMBER 2021			
	<30 years old	30-50 years old	>50 years old	Total
White Collar	5.3%	18.4%	39.0%	62.7%
Blue Collar	9.4%	7.8%	20.1%	37.3%
Total (%)	14.7%	26.2%	59.1%	100.0%

Labour category	AT 31 DECEMBER 2020			
	<30 years old	30-50 years old	>50 years old	Total
White Collar	6.7%	40.8%	15.9%	63.4%
Blue Collar	8.5%	20.8%	7.2%	36.6%
Total (%)	15.3%	61.7%	23.1%	100.0%

A sign of the commitment to develop an organisation that is as multicultural as possible and mindful of local sensitivities is the prevalence of senior managers hired locally²⁷. Furthermore, this approach makes it possible to contribute indirectly to the generation of further value in the regions in which the Group operates.

Figure 15: % of senior management hired from the local community



Attentive to the needs of protected categories, the Group acts in line with regulations in force in the countries in which it operates and guarantees the same conditions and the same opportunities offered to other employees.

²⁶ To consistently present Biesse Group's employees, the "white collar" category comprises professional members of staff that hold positions as manager, mid-manager, and office staff, whereas the "blue collar" category comprises professional members of staff assigned to workers' functions.

²⁷ This figure relates to the significant locations of operations: *Italy and India*.

Biesse Group and its localities

The Group is in contact with institutions, training bodies and organisations active in the local area. It listens to their requests and expectations and is attentive to the needs of the various local communities in which it operates. It is committed to the promotion of social and cultural initiatives, favouring collaborations aimed at supporting training and the locality, while paying particular attention to projects focused on children, youth and culture.

With a firm belief in the value of constant training, it fosters a participatory dialogue with national and international institutions, universities, training schools and research centres and develops, with their contribution, projects of common interest to facilitate the entry of young people into the world of work, while conducting research for the development of new technologies and business practices. In the year just ended, Biesse Group has supported numerous social, cultural, scientific and sports initiatives, having made contributions and donations of approximately Euro 570,000 and by having collaborated with various national and international non-profit institutions and entities.

Social commitment

The main social initiatives promoted by the Group in 2021 are the following:

Biesse Group and Eataly together in supporting the World Food Program

Biesse Group, through the Christmas gift delivered to its Italian employees, has supported, together with Eataly, the UN World Food Program School Feeding Project. For every Eataly package delivered, the WFP provides a school meal to children in the poorest countries of the world, guaranteeing them access to education, health and proper nutrition.

Support for "Progetti del Cuore" initiative

Biesse Group supported "Progetti del Cuore", a local initiative designed to provide the Municipality of Pesaro with a specially equipped vehicle for transporting people with disabilities, guaranteeing them a free mobility service.

Support to "I Bambini delle Fate" association

Biesse Group's support of the "I Bambini delle Fate" association, which began in 2018, was renewed again this year. Since 2005, the association has provided economic support for social inclusion projects and initiatives run by local partners that benefit families facing the challenge of autism and disabilities.

The educational value of sports

Biesse Group believes in the importance of promoting sports culture as an educational and aggregative element for young people, thus offering them an opportunity to engage and challenge themselves in a healthy and constructive manner. For this reason, the Group has confirmed its support for various local sports clubs, focusing particularly on youth. In 2021, it actively supported the ASD Futura team (modern pentathlon), Team Vis Sauro (swimming), Victoria Libertas Pallacanestro (basketball team), Bees Basketball, Pesaro rugby, Robursport women's volleyball team, GS Muraglia Calcio (football team), VIS Pesaro (football team), Gimnall (rhythmic gymnastics) and other sports clubs.

Fight against waste in collaboration with Banco Alimentare and Caritas

Thanks to an active contribution by Banco Alimentare and Caritas, unconsumed food in the company canteen on the Pesaro campus is recovered under a project inspired by circular economy models,

thus fighting waste, and making good use of food that would otherwise have been discarded. **Banco Alimentare** recovers hot meals, bread, desserts, fruit and vegetables from the company canteen three times a week and, thanks to its volunteers, it redistributes them locally the same day, thus offering tangible, constant support to the needy. Thanks to an ongoing relationship with the Group, **Caritas** also collects, on a daily basis, excess food from the canteen, with which it provides support to "Casa Tabanelli", an emergency reception centre in Pesaro, thus guaranteeing a meal every day to the centre's guests. Although activities in 2021 were limited by the closure of the company canteen for most of the year, approximately **8,000 full meals** were recovered.

Biesse Manufacturing India

In 2021, Biesse Manufacturing, which always supports the local area, contributed to several important initiatives such as the project to expand the local police station in Madanayakanahalli to provide staff with sufficient space to guarantee adequate social distancing and the commissioning of a well near Alur village, Bangalore, to provide the community with drinking water. Biesse Manufacturing also provided support to the Confederation of Indian Industry (CII) by contributing to pandemic management initiatives.

Biesse UK

In 2021, Biesse UK took part in the Step2IT campaign launched by the charity The Furniture Makers' Company, encouraging its employees to take a virtual journey of 1,053 miles with the goal of donating £1 for every mile they walked, cycled, or ran. The money raised went to support local people impacted by the pandemic.

Biesse France

In October, referred to as "Pink October" because it is the month dedicated to the prevention of breast cancer, Biesse France contributed to raising awareness among its stakeholders through a social campaign and initiatives such as "The Solidarity Breakfast" which served as an opportunity to raise funds.

Also in 2021, Biesse France provided support for the "*Le Restos du Coeur*" project by organising a fundraising event during the Christmas holidays aimed at supporting the needy children supported by the organisation. The proceeds were used to provide Christmas packages to the children supported by the association.

Synergy between school and business

SITUM: the Group's collaboration with the Polytechnical University of Marche and the University of Perugia

In 2021, Biesse Group, together with other local businesses, will become a laboratory for SITUM, the Regional Innovation School of Umbria Marche project sponsored by the Polytechnical University of Marche and the University of Perugia. SITUM was created with the objective of revitalising the employment market by creating synergy between the academic and business worlds and offering new opportunities to local youth. SITUM establishes a bridge between the demand for skills and people in the business world and socio-economic stakeholders and the educational programmes of the universities.

Biesse Group contributes to the education of future craftsmen

In 2021, Biesse continued its partnership with the Professional Institute "Industry and Craftsmanship for Made in Italy", Wood-Furnishings Sector, Bramante-Genga of Pesaro to train and support the craftsmen of the future. The project, which focuses on sharing technologies, human resources and

skills, has led to the introduction of the Woodworker and Design Draftsman Course (leFP), with Biesse taking an active part in a series of lessons on specific topics.

Biesse Manufacturing India

Biesse Manufacturing has partnered with Kiet Group of Institutions in the opening of the Centre for Advanced Woodworking. The initiative was launched to promote professional and technical training in woodworking technology. Biesse Manufacturing will provide state-of-the-art woodworking machinery and software and will assist in developing professional training courses.

Biesse France

During 2021, Biesse France supported the Ecole Supérieur du Bois in Nantes, which offers training programmes for future engineers and technicians working in the wood and organic material sector, by supplying some of the technology used by students in the carpentry workshop. An online event to train carpentry students, with the focus on wood panels, was also sponsored in conjunction with the association *"Les compagnons du devoir"*.

Biesse Iberica

Biesse Iberica has partnered with the Escuela de la Madera del SAE institute in Lucena to train people specialised in woodworking technology. Biesse Iberica will in fact provide the institute with its design software, thus guaranteeing the students acquire key skills for the labour market while also encouraging the exchange and development of these tools.

Institutional communication and transparency

In order to guarantee the utmost transparency vis-à-vis stakeholders, Biesse Group uses its internal and external communication channels.

To pursue the same objective, the Group has adopted a policy which sets out the rules for brand usage and guidelines for applying visuals, as well as for various communication tools, such as letter heading, trade fairs, product catalogues and digital communication. Furthermore, internal guidelines have been prepared for communication via social networks, in order to enable each employee to make best use of this communication tool and to make contact, in a responsible manner, with Biesse Group's social media.

The Group prepares financial press releases and institutional/commercial communications with the support of a press office that coordinates relations with the national media.

Financial press releases are mainly targeted at investors and shareholders and are disseminated to the target financial audience by the Group's Investor Relations Officer.

It should be noted that, in 2021, no cases arose of non-compliance with voluntary regulations and codes concerning communications and marketing.

Environmental Sustainability

In a nutshell:

- ✓ **100% of electricity** purchased from **renewable sources** with guarantees of origin for the Group's Italian companies
- ✓ **5,470 tonnes of CO₂ avoided** through the purchase of electricity from renewable sources with guarantees of origin for the Group's Italian companies (Scope 2 market-based)
- ✓ **16,500 m²** of photovoltaic panels installed
- ✓ **668 tonnes of CO₂ avoided** by using photovoltaic panels
- ✓ **91%** of waste products are non-hazardous
- ✓ Various **energy efficiency improvement** schemes implemented and planned as part of the environmental management system
- ✓ Environmental management system of HSD S.p.A. certified to the **UNI ISO 14001:2015** standard

Approach to environmental management

Biesse Group is committed to contributing to protecting and safeguarding the environment through the development of strategies and initiatives aimed at minimising the environmental impact of its activities. Accordingly, the Group is committed to the constant pursuit of the most appropriate solutions to ensure responsible use of resources, a decrease in energy consumption and better management of atmospheric emissions.

In line with its Environmental Policy, the Group has identified the following lines of strategic action:

- **Natural resource savings**

Biesse Group is committed to produce better, by consuming less energy and fewer resources and by optimising the management of environmental aspects (resources, water, waste and commodities) to leave a less impoverished and more liveable environment for future generations.

The commitment comprises a revision of Biesse products by redesigning and studying them with the objective of obtaining a low environmental impact in terms of longer life and greater flexibility, energy savings and increased recyclability of components.

- **Reduction of the impact of production systems**

Biesse Group is committed to reviewing and redesigning processes and technologies that prevent and/or reduce their environmental impact. This will only be possible by applying the best operating techniques and by ensuring rational and efficient use of energy resources and commodities.

- **Compliance with relevant legislation**

Biesse Group's commitment to compliance with environmental legislation constitutes an obligatory passage point and reflects the maturity achieved by the production facilities and the environmental management system, which guarantees a sustainable use of natural resources and the management of waste.

Energy consumption and emissions

Energy management

The focus on efficient management of energy consumption has led Biesse Group to initiate actions aimed at reducing direct and indirect emissions, generating cost savings, and reducing consumption; to this end, Biesse S.p.A. and HSD S.p.A. have voluntarily appointed an Energy Manager who is qualified as an Energy Management Expert (EME). In compliance with Legislative Decree 102/2014 (that transposes EU Directive 27/2012 on energy efficiency, modified by EU Directive 2018/2002), since Biesse S.p.A. and HSD S.p.A. are defined as "Large Enterprises", energy audits are conducted every four years on their main manufacturing plants. In 2021, HSD S.p.A. obtained certification of its Environmental Management System to ISO 14001:2015 standards.

Good conduct is encouraged throughout the Group with a view to the reduction of employees' daily energy consumption in performing their work. Furthermore, investments are constantly made in waste reduction devices, for example, for periods of inactivity (nights, weekends, and holidays), and in highly efficient energy systems, which may even involve the replacement of old, less efficient systems.

Electricity used by the Group is mainly for the supply of power for production cycles in manufacturing plants and, to a lesser extent, for offices and services. Total electricity consumed in 2021 corresponds to approximately 64,958 GJ, an increase of approximately 16% compared to the 2020 figure. The variance is attributable to the increase in production in 2021 over the previous year, which was affected by the restrictions applied during the Covid-19 emergency. As a sign of the Group's commitment to contribute to a sustainable, decarbonised economy, following on from last year, all Italian companies of the Group have purchased electricity from GO certified renewable sources, with the aim of significantly reducing indirect Scope 2 market-based CO₂ emissions. Thanks to this commitment, in 2021, approximately **66%** of the total electricity purchased by the Biesse Group came from renewable sources.

Table 15. Electricity consumption (GJ)

	2021	2020
Nature of consumption ²⁸	Consumption in GJ	Consumption in GJ
Electricity purchased	60,653	53,362
<i>Of which from renewable sources</i>	42,901	35,208
Electricity self-produced and consumed from renewable energy sources	4,304	2,857
Total electricity consumption	64,958	56,219

The methods adopted by the Group to reduce energy consumption are constantly evolving and consist of a mix of activities ranging from awareness and adoption of responsible behaviour of personnel to investments in new tools and technologies.

The Pesaro campus has photovoltaic systems with a total area covered by solar panels of about 16,500 m² and a total installed capacity of 1,265 kWp. The future expansion of the photovoltaic systems will allow the Group to further reduce its dependence on the grid for its energy purchases and lower the impact on costs. In 2021 about 1,618 MWh of clean energy was generated, providing 13% of Biesse S.p.A.'s electricity requirements.

The Group develops initiatives aimed at a more efficient use of energy resources and a reduction of its environmental impact. In this regard, the following initiatives have been implemented:

²⁸ For 2021, the GJ conversion factors are based on 2021 UK Government GHG Conversion Factors for Company Reporting.

- project to convert the medium-voltage electricity network at the Pesaro campus into a ring-type system, to allow a dual power supply in the event of a fault and to reduce production stoppages in the event of network outages;
- completion of the centralised power factor correction for the production plants located on the Pesaro campus and expansion of the automatic system for monitoring energy carrier consumption to reduce energy consumption and thus the amount of CO₂ released into the atmosphere; gradual replacement of lighting fixtures in several production plants and sales subsidiaries with LED lighting systems;
- replacement of certain cabin transformers and electrical panels with new units equipped with magneto thermal switches with real-time control of energy consumption;
- constant maintenance of existing aspiration and compressed air systems; installation of high-efficiency IE4 motors in the inverter suction lines for speed modulation in accordance with variations in the quantity of air to be drawn.

In a broader context, the Group continues to implement structured continuous energy carrier monitoring systems (electricity, thermal, natural gas, and compressed air).

Other energy consumption consists of the use of petrol, diesel, and natural gas, as shown in the following table:

Table 16. Classification of energy consumption within Biesse Group

	2021	2020
Energy source ²⁹	Consumption in GJ	Consumption in GJ
Petrol (for haulage)	6,055	4,909
Diesel	42,641	35,803
<i>of which: for haulage</i>	38,350	31,950
Natural Gas (for heating)	58,197	54,899
LPG	564	1,484
Total electricity consumed (plant operation, offices and cooling)	64,958	56,219
<i>of which purchased</i>	60,653	53,362
<i>of which purchased from renewable sources</i>	42,901	35,208
<i>of which self-produced from renewable energy sources</i>	5,242	4,140
→ <i>of which sold</i>	(938)	(1,283)
Total energy consumption	172,415	153,314
of which: from renewable energy sources	47,205	38,065

Total energy consumption increased with respect to the previous year, due to the increase in production in 2021 with respect to 2020.

²⁹ For 2021, the GJ conversion factors are based on 2021 UK Government GHG Conversion Factors for Company Reporting. The data does not include the company Forvet S.p.A.. They will be included in the next reporting.

Emissions of CO₂

Biesse Group, which is aware of the adverse impact arising from climate change, constantly tracks its direct and indirect emissions:

Direct emissions (Scope 1) resulting from the operation of plants and machinery owned by the company, such as heating systems (natural gas consumption), diesel fuel systems, cars in the company pool, air conditioning systems.

Indirect emissions (Scope 2) from the generation of electricity purchased and consumed by the organisation

In particular, as regards direct emissions (Scope 1), Biesse Group produced approximately 6,200 tonnes of **CO₂e**, an increase of 10.4% compared to last year.

Table 17. Classification of Biesse Group's Scope 1 emissions

	2021	2020
Nature of emissions	Emissions (ton CO ₂ e)	Emissions(ton CO ₂ e)
Total direct emissions (Scope 1)³⁰	6,197	5,613
of which: due to natural gas	2,947	2,802
of which: due to diesel	2,829	2,410
→ of which: due to diesel for haulage	2,523	2,135
of which: due to petrol for haulage	387	313
of which: due to LPG	34	88

Regarding indirect emissions (Scope 2), the emissions of CO₂ produced in 2021 amounted to approximately 2,716 tonnes (market-based), in line with the previous year. In 2021, 5,470 tonnes of CO₂ (Scope 2 - market-based method) were avoided through the purchase of electricity from renewable sources with guarantees of origin for the Group's Italian companies. This is in line with the Group's commitment to progressively contribute to the transition towards a sustainable and decarbonised economy. Furthermore, electricity produced by photovoltaic plants in 2021 made it possible to reduce CO₂ atmospheric emissions by approximately 668 additional tonnes³¹.

³⁰ Conversion factors used for the computation of 2021 Scope 1 emissions are based on 2021 UK Government GHG Conversion Factors for Company Reporting.

³¹ To determine the tonnes of CO₂ not emitted into the atmosphere, use was made of conversion coefficients indicated by AIB's European Residual Mixes 2020. The figure comprises CO₂ avoided as a result of self-produced energy by the plants owned by Biesse and the unowned plant used by Montresor & Co. S.r.l.. The data does not include the company Forvet S.p.A.. They will be included in the next reporting.

Table 18. Classification of Biesse Group's Scope 2 emissions

Nature of emissions ³²	2021	2020
	Emissions (ton CO ₂)	Emissions (ton CO ₂)
Total indirect emissions (Scope 2) ³³ (location based)	6,427	6,052
Total indirect emissions (Scope 2) ³⁴ (market based)	2,716	2,712

With particular reference to the management of direct emissions, note that the Group has adopted a specific policy on pooled purchasing of company car fleets that requires new car purchases to be assessed based on their average CO₂ atmospheric emissions value.

³² Scope 2 emissions are expressed in tonnes of CO₂, although, according to relevant technical literature, the percentage included for natural gas and nitrous oxide has a negligible effect on total greenhouse gas emissions (CO₂ equivalent).

³³ For the purpose of calculating Scope 2 emissions of 2021, location based method, the emission factors reported in TERNA, International Comparisons 2019 (data as at 31 December) were used

³⁴ For the purpose of the computation of 2021 Scope 2 emissions (market-based method), use was made of the emission factors indicated by AIB's European Residual Mixes 2020 for European countries and the emission factors indicated in the previous note for the other countries in which Biesse Group operates.

Materials used and waste management

Greater efficiency of use of materials in production processes translates to a reduction in costs, waste, and scrap, all of which benefits the environment. For these reasons, the Group promotes the responsible management of materials and waste, with particular attention to the processing and disposal of hazardous waste.

A dedicated department ensures compliance with current legislation concerning the management of the storage, transport, and disposal of hazardous and non-hazardous waste. The amendments to the new Legislative Decree 116/2020, which modified the Environmental Code, have also been incorporated.

With a view to continuous improvement and efficiency gains in production systems, Biesse Group has almost entirely eliminated the disposal of materials at rubbish dumps, through recovery and recycling, and through the rationalisation of raw materials used. With specific reference to wood panels used for machinery testing, to reduce the quantity that needs to be disposed of, a policy has been implemented, at the Group's main units, for the intelligent and responsible reuse of materials.

Moreover, Biesse undertakes, as much as possible, to use ecological, recyclable packaging for the shipment of spare parts, by passing from solutions such as expanded foam and plastic adhesive tape to filler cardboard and paper adhesive tape.

In 2021, Biesse Group produced over 2,319 tonnes of waste, of which approximately 91% consisted of non-hazardous waste.

Table 19. Classification of waste by type and by disposal method³⁵

2021				
Disposal method	Unit of measurement	Hazardous	Not hazardous	Total
Recycling	T	-	400	400
Recovery and disposal	T	79	1,628	1,707
Incineration	T	36	-	36
Landfill	T	3	4	6
Storage	T	68	43	111
Other	T	21	38	59
Total	T	207	2,113	2,319

2020				
Disposal method	Unit of measurement	Hazardous	Not hazardous	Total
Recycling	T	0	265	265
Recovery and disposal	T	100	1,638	1,738
Incineration	T	38	-	38
Landfill	T	3	5	8
Storage	T	54	27	81
Other	T	18	32	50
Total	T	213	1,967	2,180

³⁵ The waste produced by Biesse Group's foreign non-manufacturing subsidiaries have been estimated based on prior year average waste figures for the most representative subsidiaries and on employee numbers. By adopting this methodology, approximately 13% of total waste produced is based on estimates. The data does not include the company Forvet S.p.A.. They will be included in the next reporting.

Our sense of responsibility towards the environment, combined with the desire to offer customers a low-priced product with the same level of quality and reliability of new products, has led the Group to work to give new life to higher value used original components.

Accordingly, starting with a used original component, through a process of disassembly, cleaning, reconditioning, reassembly and final testing, the Group can give new life to used components, thus offering customers many advantages. In fact, in terms of savings, prices are 50% lower than those of new components and waiting times are much shorter than repair times, given that reconditioned parts are usually already available. As with other components, reconditioned parts are also 100% guaranteed and meet the same quality and reliability standards applicable to new products. Lastly, the reuse of used components is also a gesture of respect for and awareness of the environment in which we live since it translates into energy consumption and material savings.

Management of water resources

The Group plans to develop strategies to improve the management of water resources, even though it does not need huge quantities of water for its production cycles, as a matter of respect for this precious resource for the well-being of the community.

The use of water resources is linked to a large extent to normal consumption for sanitary use. As far as production is concerned, water is mainly used for trials and testing of glass and stone processing machinery with water jet cutting systems. Biesse S.p.A. uses a closed circuit purification system for the water used in the production process so that it can be reused in the process itself and reducing the amount of water withdrawn for the process to a minimum.

As a further sign of the Group's commitment to responsible management of water resources, at Biesse Manufacturing's plant in Makali, India, sanitary wastewater is collected and treated in a purification system and then reused for irrigation of the manufacturing plant's green areas.

The amount of water withdrawn in 2021 was 60.91 ML, not significantly different from the approximately 60.09 ML withdrawn in 2020.

All the water drawn comes from the aqueduct or from wells. Regarding the management of the impacts related to water discharges, the Group complies with the standards required by the regulations in force in each place it operates.

Table 20. Classification of water withdrawn by Biesse Group by source³⁶

Unit of measurement ML			2021		2020	
Source	Total	Of which water-stressed areas	Total	Of which water-stressed areas	Total	Of which water-stressed areas
Well	45.87	24.64	37.19	19.30		
Water from aqueduct	15.04	9.94	22.90	10.47		
Totale	60.91	34.58	60.09	29.77		

³⁶ Amounts relating to water withdrawals by Biesse Group's foreign non-manufacturing subsidiaries have been estimated based on prior year water withdrawal figures for the most representative subsidiaries and on employee numbers. By adopting this methodology, approximately 10% of total water withdrawals is based on estimates. The World Resource Institute's online 'Aqueduct' tool was used to assess the level of water stress.

Regarding water withdrawals, based on available information, all water withdrawn is estimated to be fresh water ($\leq 1,000$ mg/l total dissolved solids) and as regards third-party water resources in water-stressed areas, about 95% is groundwater and the remaining 5% surface water. The data does not include the company Forvet S.p.A.. They will be included in the next reporting.

Taxonomy

EU Regulation 2020/852 and its delegated acts (hereinafter the "Regulation") introduced the EU taxonomy, a classification system that implement the European Union's climate and environmental goals into objective criteria relating to specific economic activities. Starting from this Non-Financial Statement, Biesse Group is required to report to what extent its revenues, capital expenditure (Capex) and operating expenses (Opex) are considered "eligible" with respect to the criteria defined by the Regulation and its interpretative documents with regard to the objectives of mitigation and adaptation to the climate change.

Comparing the activities of the Biesse Group, in consideration of the NACE codes of the Companies of the Group, with the list of activities included in the Regulation and the most recent interpretations, it has been assessed that there are no activities considered eligible in accordance with the Regulation.

Table 21. Taxonomy

	2021 <i>Eligible</i> quote	2021 <i>Not Eligible</i> quote
Revenue	0%	100%
Capex	0%	100%
Opex	0%	100%

This analysis represents a preliminary step with respect to the future analysis of "alignment", which will be carried out also considering the criteria of technical screening, starting from next year's Non-Financial Statement.

In the coming months, further analysis will be carried out, in view of the progressive evolution of the Regulation, of its interpretation and application, as well as of the strategic decisions taken by the Group.

Boundaries and impact of material topics

Material Topics	Boundaries of the impact	Role of Biesse Group
Economic Performance	Biesse Group	Caused by Biesse Group
Reliability, safety and constant innovation of products and services	Biesse Group, Suppliers, Research Centres, Universities	Caused by Biesse Group Directly associated with Biesse Group through a business relationship
Customer relationship and customer satisfaction	Biesse Group	Caused by Biesse Group
Management and development of human resources	Biesse Group	Caused by Biesse Group
Health and safety of employees	Biesse Group, with particular reference to the production plants ³⁷	Caused by Biesse Group
Human rights	Biesse Group, Suppliers	Caused by Biesse Group Directly associated with Biesse Group through a business relationship
Business ethics and integrity	Biesse Group	Caused by Biesse Group
Corporate Welfare	Biesse Group	Caused by Biesse Group
Energy consumption	Biesse Group, with particular reference to the production plants	Caused by Biesse Group
Responsible marketing	Biesse Group	Caused by Biesse Group
Context of reference and risk management	Biesse Group	Caused by Biesse Group
Cyber security	Biesse Group	Caused by Biesse Group Directly associated with Biesse Group through a business relationship
Indirect economic impacts	Biesse Group, Suppliers	Directly associated with the Group through a business relationship
Sustainable management of the supply chain	Biesse Group, with particular reference to manufacturing suppliers	Caused by Biesse Group
Anti-corruption	Biesse Group	Caused by Biesse Group
Sustainable management of materials, waste and water resources	Biesse Group, with particular reference to the production plants	Caused by Biesse Group
Relationships with local communities	Biesse Group	Caused by Biesse Group
Diversity and social inclusion	Biesse Group	Caused by Biesse Group
Atmospheric emissions and climate change	Biesse Group, with particular reference to production plants and Electricity suppliers	Caused by Biesse Group Directly associated with the Group through a business relationship

³⁷ Data on the health and safety of external workers include only the "temporary employee" category and not other types of non-employee personnel working at the Group's sites and/or under the Group's control because of their significance and the availability of such data over which the Group does not exercise direct control.

Industrial relations	Biesse Group, Relations with the unions	To which the Group contributes
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GRI: Content index

GRI Standard	Disclosure	Page	Omission	Notes
GRI 101 FOUNDATION (2016)				
GRI 102 GENERAL DISCLOSURE (2016)				
ORGANISATIONAL PROFILE				
102: General Disclosures (2016)	102-1 Name of the organisation	4		
	102-2 Main brands, products and services	9-12		
	102-3 Location of headquarters	9		
	102-4 Location of operations	9-12		
	102-5 Ownership and legal form	9-12		
	102-6 Markets served	9-12		
	102-7 Scale of the organisation	10; 14; 40; 55		
	102-8 Information on employees and other workers	55		
	102-9 Supply chain	50-53		
	102-10 Significant changes to the organisation and its supply chain	4; 50-53		
	102-11 Precautionary Principle or approach	23-25		
	102-12 External initiatives	5-6; 24; 41-43;		
	102-13 Membership of associations	43		
STRATEGY				
102: General Disclosures (2016)	102-14 Statement from senior decision-maker	2-3		
ETHICS AND INTEGRITY				
102: General Disclosures (2016)	102-16 Values, principles, standards, and norms of Behaviour	9; 18-22; 23-25; 50-51		
GOVERNANCE				
102: General Disclosures (2016)	102-18 Governance structure	15-17		
STAKEHOLDER ENGAGEMENT				
102: General Disclosures (2016)	102-40 List of stakeholder groups	30-33		
	102-41 Collective bargaining agreements	63-64		As far as the Italian Group companies are concerned, it should be noted that 100% of employees are covered by collective labour agreements. At Group level, approximately 62% of employees are

				covered by collective labour agreements.
	102-42 Identifying and selecting Stakeholders	30-33		
	102-43 Approach to stakeholder engagement	33-33		
	102-44 Key topics and concerns raised	30-37		
REPORTING PRACTICE				
102: General Disclosures (2016)	102-45 Entities included in the consolidated financial statements	4-5; 10		
	102-46 Defining report content and topic boundaries	4-5		
	102-47 List of material topics	35; 79-80		
	102-48 Restatements of information	4-5; 62		
	102-49 Changes in reporting	4-5		
	102-50 Reporting period	4-5		
	102-51 Date of most recent report	4-5		
	102-52 Reporting cycle	4-5		
	102-53 Contact point for questions regarding the report	4-5		
	102-54 Claims of reporting in accordance with the GRI Standards	4-5		
	102-55 GRI content index	81-86		
	102-56 External assurance	4-5; 87-89		
MATERIAL TOPICS				
ECONOMIC PERFORMANCE				
103: Management Approach (2016)	103-1 Explanation of the material topic and its Boundary	35; 79		
	103-2 The management approach and its components	38-41		
	103-3 Evaluation of the management approach	4-6; 38-41		
201: Economic Performance (2016)	201-1 Direct economic value generated and distributed	40-41		
RELIABILITY, SAFETY AND CONSTANT INNOVATION OF PRODUCTS AND SERVICES				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	35; 79		
	103-2 The management approach and its components	42-44		
	103-3 Evaluation of the management approach	4-6; 42-44		
416: Customer health and safety (2016)	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	18		
CUSTOMER RELATIONSHIP AND CUSTOMER SATISFACTION				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	35; 79		
	103-2 The management approach and its components	47-49		
	103-3 Evaluation of the management approach	47-49		
MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	35; 79		

	103-2 The management approach and its components	55-61		
	103-3 Evaluation of the management approach	4-6; 55-61		
401: Employment (2016)	401-1 New employee hires and employee turnover	57-58		
404: Training and Education	404-1 Average hours of training per year per employee	60		
HEALTH AND SAFETY OF EMPLOYEES				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	35; 79		
	103-2 The management approach and its components	61-63		
	103-3 Evaluation of the management approach	4-6; 61-63		
403: Occupational health and safety (2018)	403-1 Occupational health and safety management system	61-63		
	403-2 Hazard identification, risk assessment, and incident investigation	61-63		
	403-3 Occupational health services	61-63		
	403-4 Worker participation, consultation, and communication on occupational health and safety	61-63		
	403-5 Worker training on occupational health and safety	59; 61-63		
	403-6 Promotion of worker health	61-65		
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	41-43; 61-63		
	403-9 Work-related injuries	62		
HUMAN RIGHTS				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	35; 79		
	103-2 The management approach and its components	21		
	103-3 Evaluation of the management approach	4-6; 21		
412: Human Rights Assessment (2016)	412-1 Operations that have been subject to human rights reviews or impact assessments	21		
BUSINESS ETHICS AND INTEGRITY				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	35; 79		
	103-2 The management approach and its components	18-22		
	103-3 Evaluation of the management approach	4-6; 18-22		
206: Anticompetitive behavior (2016)	206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	22		
207: Tax (2019)	207-1 Approach to tax	19-21		
	207-2 Tax governance, control, and risk management	19-21		
	207-3 Stakeholder engagement and management of concerns related to tax	19-21		
ENERGY CONSUMPTION				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	35; 79		
	103-2 The management approach and its components	70-73		
	103-3 Evaluation of the management approach	4-6; 70-73		
302: Energy (2016)	302-1 Energy consumption within the organisation	73		

CORPORATE WELFARE				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	35; 79		
	103-2 The management approach and its components	64-65		
	103-3 Evaluation of the management approach	4-6; 64-65		
401: Employment (2016)	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	65		
RESPONSIBLE MARKETING				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	35; 79		
	103-2 The management approach and its components	69		
	103-3 Evaluation of the management approach	69		
417: Marketing and Labelling (2016)	417-3 Incidents of non-compliance concerning marketing communications	69		
CONTEXT OF REFERENCE AND RISK MANAGEMENT				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	35; 79		
	103-2 The management approach and its components	23-27		
	103-3 Evaluation of the management approach	4-6; 23-27		
307: Environmental Compliance (2016)	307-1 Non-compliance with environmental laws and regulations	18		
419: Socioeconomic Compliance (2016)	419-1 Non-compliance with laws and regulations in the social and economic area	18		
INDIRECT ECONOMIC IMPACTS				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	35; 79		
	103-2 The management approach and its components	38-41; 50-53		
	103-3 Evaluation of the management approach	4-6; 38-41; 50-53		
203: Significant indirect economic impacts (2016)	203-2 Significant indirect economic impacts	38-41; 50-53; 67-69		
SUSTAINABLE MANAGEMENT OF THE SUPPLY CHAIN				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	35; 79		
	103-2 The management approach and its components	50-53		
	103-3 Evaluation of the management approach	4-6; 50-53		
204: Procurement Practices (2016)	204-1 Proportion of spending on local suppliers	52		
SUSTAINABLE MANAGEMENT OF MATERIALS, WASTE AND WATER RESOURCES				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	35; 79		
	103-2 The management approach and its components	71; 76-77		
	103-3 Evaluation of the management approach	76-77		
303: Water and Effluents (2018)	303-1 Interactions with water as a shared resource	77		
	303-2 Management of water discharge-related impacts	77		

	303-3 Water withdrawal	77		
306: Effluents and Waste (2020)	306-1 Waste generation and significant waste-related impacts	76-77		
	306-2 Management of significant waste-related impacts	76-77		
	306-3 Waste generated	76		
ANTI-CORRUPTION				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	35; 79		
	103-2 The management approach and its components	18-19		
	103-3 Evaluation of the management approach	4-6; 18-19		
205: Anti-corruption (2016)	205-3 Confirmed incidents of corruption and actions taken	19		
DIVERSITY AND SOCIAL INCLUSION				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	35; 79		
	103-2 The management approach and its components	54-58; 65-66		
	103-3 Evaluation of the management approach	4-6; 54-58; 65-66		
405: Diversity and Equal Opportunity (2016)	405-1 Diversity of governance bodies and employees	17; 66		
202: Market Presence (2016)	202-2 Proportion of senior management hired from the local community	66		
RELATIONSHIPS WITH LOCAL COMMUNITIES				
GRI 103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	35; 79		
	103-2 The management approach and its components	67-69		
	103-3 Evaluation of the management approach	4-6; 67-69		
413: Local communities (2016)	413-2 Operations with significant actual and potential negative impacts on local communities	-		No operations were recorded with significant actual and potential negative impacts on local communities.
ATMOSPHERIC EMISSIONS AND CLIMATE CHANGE				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	35; 79		
	103-2 The management approach and its components	70-75		
	103-3 Evaluation of the management approach	4-6; 70-75		
305: Emissions (2016)	305-1 Direct (Scope 1) GHG emissions	74		
	305-2 Energy indirect (Scope 2) GHG emissions	75		
INDUSTRIAL RELATIONS				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	33; 80		
	103-2 The management approach and its components	63-64		
	103-3 Evaluation of the management approach	4-6; 63-64		
402: Labor/Management Relations (2016)	402-1 Minimum notice periods regarding operational changes	-		Minimum notice periods are defined within national collective labour contracts, if any, and by laws in force in the

				countries in which the Group operates.
CYBER SECURITY				
103: Management Approach (2016)	103-1 Explanation of the material topic and its boundary	35; 79		
	103-2 The management approach and its components	44-45		
	103-3 Evaluation of the management approach	4-6; 44-45		
418: Customer Privacy (2016)	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	45		

**INDEPENDENT AUDITOR'S REPORT
ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,
PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND
ART. 5 OF CONSOB REGULATION N. 20267/2018**

**To the Board of Directors of
Biesse S.p.A.**

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Biesse S.p.A. and its subsidiaries (hereinafter "Biesse Group" or "Group") as of December 31, 2021 prepared on the basis of art. 4 of the Decree and approved by the Board of Directors on March 14, 2022 (hereinafter "NFS").

Our limited assurance engagement does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph "Taxonomy".

Responsibility of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" established by GRI – Global Reporting Initiative ("GRI Standards"), which they have identified as reporting framework.

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.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

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

Auditor's Independence and quality control

We have complied with the independence and 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 auditing firm applies *International Standard on Quality Control 1 (ISQC Italia 1)* and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereinafter "*ISAE 3000 Revised*"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do 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 NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included 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 selection process in place in light of the provisions of art.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 with the Decree;
3. comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the Biesse Group;

4. understanding of the following matters:

- business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
- policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
- main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a) of this report;

5. understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions with the management of Biesse S.p.A. and with the employees of HSD S.p.A., Biesse Manufacturing Co. Pvt. Ltd. and Biesse Group UK Ltd. and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- at the group level:
 - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
 - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.
- for the following companies, Biesse S.p.A., HSD S.p.A., Biesse Manufacturing Co. Pvt. Ltd. and Biesse Group UK Ltd., which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out remote meetings, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Biesse Group as of December 31, 2021 is not prepared, in all material aspects, in accordance with article 3 and 4 of the Decree and the GRI Standards.

Our conclusion on the NFS does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph "Taxonomy".

DELOITTE & TOUCHE S.p.A.

Signed by
Stefano Montanari
Partner

Bologna, Italy
March 28, 2022