



# Consolidated non Financial Information 2017



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Prepared pursuant to article 4 of Italian legislative  
decree 254/2016

## Sustainability Report 2017



## Index

Letter to the Stakeholders .....	3
Method of preparation .....	4
1. The business of the Group .....	7
1.1 The Group in summary .....	7
1.2 History .....	14
1.3 Governance structure .....	15
1.4 Ethics, integrity and compliance .....	16
1.5 Management of risks and opportunities .....	18
2. Approach to Sustainability .....	20
3. The priorities of the Group .....	25
3.1 The people in the Group .....	26
3.2 The product .....	31
3.3 Economic value created and distributed .....	37
3.4 Environmental Responsibility .....	38
4. Performance indicators .....	42
Table of GRI standards .....	49
Report of the independent auditor .....	55

## Letter to the Stakeholders

Dear all,

I have pleasure in introducing you to the first edition of the Sustainability Report of the Emak Group, the result of a shared commitment and of a vision of sustainability in the medium-long-term. The objective of this Report is to offer all our stakeholders a 360° view of the projects undertaken by the Group aimed at pursuing the economic, social and environmental sustainability targets set by the Group. The Report is also a summary of the main results achieved on the issue of sustainability during 2017.

In particular, this Report describes the Group's strategies in the short, medium and long-term management of the economic, social and environmental impacts generated by its activities, and describes the policies and systems implemented to mitigate these impacts and the associated risks. In addition, the Report sets out the actions taken by the Group aimed at improving its performances with regards to sustainability, aware of its contribution to supporting a sustainable development at a local and global level.

The Group's priorities in 2017 related to the development of its people through structured training programmes, the development of products which are ever more innovative from the point of view of technical performance and reduced environmental impact. In this regard, intensive research has been carried out on identifying innovative technological solutions that permit an overall reduction in energy consumption and in the emission of pollutants into the atmosphere, while maintaining our products' high standards of performance. Research activity has also led to the development of increasingly user-friendly and fit-for-use products, serving a growing range of users at a global level.

A significant event in the year for our Group was the acquisition of the Lavorwash Group, an important enterprise in the production and marketing of products for the cleaning sector (pressure washers, vacuum cleaners, scrubber dryers) which will allow the Group to grow in the Pumps and High Pressure Water Jetting sector thanks to the extension and completion of the current product range. As a result of this operation, we will have an even more complete catalogue, enabling us to better serve our current customers and to acquire new ones.

The Chairman  
Fausto Bellamico

## Method of preparation

(102-45; 102-46; 102-50)

This document is the first consolidated Statement of a Non-Financial nature (hereinafter referred to also as the “Sustainability Report”) of the Emak Group relating to the financial year 2017.

As provided for by art. 5 of the Decree, this document is a separate report marked by a specific wording in order to identify it as the Non-Financial Statement provided for by the legislation.

The Group will prepare the Sustainability Report on an annual basis. The main objective of the document is, in fact, to respond to expectations of the stakeholders, setting out in a transparent manner and according to the guidelines recognised at international level, the work carried out to increase the Group’s sustainability.

Emak Group’s Sustainability Report has been prepared so as to allow for an understanding of the activities of the Group, its performance, its results and its impact on society and the environment, and covers the issues deemed relevant and provided for by Art. 3 of Leg. Dec. 254/16 with reference to the 2017 financial year (from 1 January to 31 December). In particular, the definition of significant aspects for the Group and its stakeholders has been carried out on the basis of a process of analyses of materiality described in the chapter “Approach to sustainability”.

This Sustainability Report 2017 has been prepared in compliance with the «GRI Sustainability Reporting Standards», published in 2016 by the Global Reporting Initiative (GRI), according to the «Core» option. The “GRI Content Index” section, in which the GRI table is reported in order to give full disclosure of coverage of the GRI indicators associated with each issue emerging as material, forms an integral part of this document.

With regards to economic-financial data, the reporting perimeter is the same as for the Consolidated Financial Statements of the Group. With relation to qualitative information and to quantitative data regarding social aspects, the parent company and its subsidiaries which are fully consolidated<sup>1</sup> in the consolidated financial statements of the Group have been included in the reporting perimeter.

With regards to qualitative information and quantitative data of an environmental nature, the Group companies that manage production sites have been included; companies with solely commercial offices and the newly-acquired Lavorwash Brasil Industrial have, instead, been excluded since they are considered as not significant for the purpose of allowing for an understanding of the Group’s business activities and of the impact they have generated.

The Investor Relations (IR) Department has been responsible for the collection of the data and the preparation of the Report, involving in every phase the competent corporate structures of Group companies included in the aforementioned perimeter.

For the purpose of permitting comparability of the data over time, comparison with data relating to 2016 has been reported; to guarantee the reliability of the data, the use of estimates has been limited as far as possible, and is appropriately indicated in the document where present.

With reference to extraordinary operations in the reporting period in question, it should be noted that the Lavorwash Group was acquired on 3 July 2017. The data and information relating to this Group are therefore included in the environmental and social data of the Group starting from July 2017.

This report was approved by the Board of Directors of Emak S.p.A. on 16 March 2018.

The Sustainability Report is also subject to a limited audit (“limited assurance engagement” according to the criteria set out by the ISAE 3000 standard Revised) on the part of Deloitte & Touche.

<sup>1</sup> For the list of fully consolidated Group companies, reference should be made to paragraph 2.2 – Principles of consolidation – of the Notes to the Consolidated Financial Statements of the Emak Group

It should be noted that the Emak Group has embarked upon a programme of continuous improvement as part of the analysis of risks generated or suffered regarding the issues provided for by Art. 3 of Leg. Dec. 254/16 and the development of relative management policies: Specifically:

### **Combatting corruption**

The question of combatting corruption has been considered for some time within the context of the Organisational Model pursuant to Leg. Dec. 231/01 adopted by the Parent Company and by the Italian subsidiaries. In addition, the Group will adopt an anti-corruption policy extended to the foreign subsidiaries in compliance with its commitment to the prevention of illegal practices, and plans to arrange for specific training in relation to these questions.

### **Social and staff-related issues**

Staff-related issues are dealt with through the HR International department, introduced in 2017 and which acts as a cross-departmental body responsible for the corporate management of all activities relating to foreign staff. With regards to the Italian companies, the Group has set up a committee composed of members of the Human Resources departments of every company, with the objective of managing such issues. The Group intends to promote common staff management practices at Group level through the above-indicated bodies.

The parent company, Emak S.p.A., adopts a Management System conforming to the SA 8000 standard, with the aim of safeguarding, developing and optimising staff management.

With regards to the health and safety of workers, Emak S.p.A. has adopted a safety policy since 2010. In addition, in 2017 the company, Geoline Electronic, implemented the OHSAS 18001 management system to obtain certification in 2018.

Issues relating to customers are controlled through specific management systems: Emak S.p.A., Tecomec S.r.l., Comet S.p.A., Geoline Electronic S.r.l. and Lavorwash S.p.A. have the UNI EN ISO 9001:2015 quality certification. Comet S.p.A., Ningbo Tecomec Manufacturing Co. Ltd. e Yong Kang Lavorwash Equipement Co. Ltd. have the UNI EN ISO 9001:2008 certification.

### **Human Rights**

This issue is controlled through the Group's Ethical Code, as well as within the sphere of the Emak S.p.A. Management System conforming to the SA 8000 certification, through which the company undertakes to safeguard human rights along the value chain.

For the purpose of extending the principles of the SA 8000 standard also to subsidiaries, the Parent Company will define a Group policy of human rights which includes the guidelines to be extended to the subsidiaries, and will arrange for specific training on these issues, particularly in those countries where local legislation is less strict than in Italy.

The Parent Company will also establish Group guidelines regarding the process of supplier assessment, arranging for integration of environmental and social aspects in the supply selection process.

### **Environment**

In 2017 the Group's commitment to environmental issues continued, having already set up for some time monitoring processes of consumptions aimed at reducing them both from the point of view of the management of raw materials and of energy, thanks to the efficient use of resources and an optimal management of waste. In this area the Group will define specific actions to be implemented for the reduction of the impacts of production sites, in line with reference contexts.

It should be noted that the companies Emak S.p.A. and Geoline Electronic S.r.l. have a Management System certified respectively UNI EN ISO 14001: 2015 and 14001: 2004. Emak S.p.A. also has a Mobility Manager with the objective of reducing emissions associated with home-work journeys and thereby promoting the sustainable mobility of staff.

The development and implementation of these projects will reasonably require a period of approximately two years (by December 2019).

The Group is committed to gradually integrating the practices and procedures relating to sustainability established by the Parent Company, also in relation to new acquisitions.

The Sustainability Report 2017 is published also on the [www.emakgroup.it](http://www.emakgroup.it) website in the “Sustainability” section.


Clarifications and further information can be requested via the following e-mail address: [info@emakgroup.it](mailto:info@emakgroup.it)



## 1. The business of the Group

The Emak Group is composed of 37 companies operating in the development, production and marketing of a wide range of products divided into three business segments: **Outdoor Power Equipment, Pumps and High Pressure Water Jetting** and **Component and Accessories**.

### 1.1 *The Group in summary*

37 Companies worldwide	424 €m Net global added value	around 3.300 suppliers	around 230 €m of purchases
3 Business segments	 <p><b>Emak</b><sup>®</sup> our <b>power</b>, your <b>passion</b></p>		2.029 employees
+ 31 % women compared to 2016	93.306 m <sup>3</sup> water consumption	around 120.000 GJ energy consumption	over 20.000 hours of training provided

## Vision and values

(102-16)

*“We intend to be one of the leading players at world level in the development, production and distribution of machines, components and accessories for gardening, agriculture, forestry and industry, offering innovative products and services, making the activities of our consumer and professional customers more efficient and enjoyable, guaranteeing them the best possible value.*

*We offer consumer and professional customers innovative products of unquestionable quality and reliability, which stand out for performance, comfort of use and design, through appropriate investments in research, technology and organisation.*

*We promote a strong selection, integration and development of the distribution network at a global level, ensuring a constant presence of company staff in the field.*

*We establish clear relations with our customers, helping them to access information and we guarantee an excellent service in terms of times of response, delivery and pre and post-sales support.*

*We wish to «engage», motivate and orientate all people towards the centrality of the customer so that every action is oriented towards creating and transferring value.*

*We invest in the development of people through training, teamwork, and the integration of external partners.*

*We encourage the contribution of everyone through listening, involvement and the constant sharing of objectives and results.*

*We want people who act with passion. We promote a sense of belonging and meritocracy so that everyone sees their contribution recognised and their expectations and aspirations satisfied.*

The values on which Emak Group’s operations are based, and which have been applied ever since its foundation are:

- **correctness**, that is, compliance with rules, transparency, the safeguarding of the rights of persons and of the environment;
- **expertise**, that is, continuous learning and the improvement of professional skills;
- **team spirit**, that is, working in a team to achieve shared goals, the respect of roles and trust in others;
- **innovative spirit**, that is, new and challenging objectives, innovative solutions, new ideas, openness to change.

Well aware of its role in the social and economic context, Emak pursues its future development and the creation of value by combining:

- **economic sustainability**, that is, a commitment to investing in the growth of the Group, guaranteeing its continuity into the future through a strategic plan based on the fundamental critical factors of success;
- **social sustainability**, intended as the willingness to take on board the legitimate expectations of the stakeholders and to redistribute the value created for the common interest;
- **environmental sustainability**, through the identification, regulation, control and progressive reduction of environmental impacts deriving directly or indirectly from the activities of the enterprise.

## The structure of the Group (102-2, 102-3, 102-4 e 102-6)

The Emak Group operates on the global market with a direct presence in 13 countries and a distribution network covering 5 continents.



The Group offers a wide range of products with recognised trademarks and refers to a target clientele highly diversified into three business segments:

- **Outdoor Power Equipment (OPE):** Emak S.p.A. and its commercial and productive subsidiaries operate in this segment;
- **Pumps and High Pressure Water Jetting (PWJ):** this segment is managed by Comet S.p.A. and its subsidiaries;
- **Components and Accessories (C&A):** this segment is managed by Tecomec S.r.l. and its subsidiaries, Sabart S.r.l. and Raico S.r.l..

The **Outdoor Power Equipment** segment includes activities for the development, manufacture and marketing of products for gardening and forestry activities and small machines for agriculture, such as brush-cutters, lawnmowers, garden tractors, chainsaws, motor hoes and walking tractors. The Group distributes its own products with the main trademarks: Oleo-Mac, Efco, Bertolini, Nibbi and Staub (the latter only to the French market). The Group's offer is directed to professionals and to private users with high expectations. The Group mainly operates in the specialised dealer channel, distributing its products through its own sales branches and, where not present directly, through a network of 150 distributors in more than 100 countries throughout the world.

The Group's reference market (considered as the channel of specialised dealers, excluding the large-scale retail trade) has an estimated value of 7-8 billion Euros. In mature markets such as North America and Western Europe, demand is predominantly related to replacement: the main driver is the trend of the economy and of the "gardening" culture. In emerging markets, such as the Far East, Eastern Europe and South America, demand is predominantly for a "first buy": the main driver in these areas is economic growth, the evolution of agricultural mechanisation and the relative policies of support. A further factor that influences demand is the price of commodities: the trend in the price of oil can influence the demand for alternative energy sources,

such as wood for heating and consequently a demand for chainsaws; the trend in the price of agricultural commodities influences investments in agricultural machinery.

Weather conditions are a factor that can influence the trend in demand for products in the segment (brush-cutters, lawnmowers and garden tractors in spring-summer and chainsaws in autumn-winter).

The **Pumps and High Pressure Water Jetting** line brings together activities for the development, manufacture and marketing of products (i) for agriculture, such as centrifugal and membrane pumps for spraying and weeding; (ii) for industry, including industrial pumps, high-pressure systems and machines for urban cleaning; (iii) for cleaning, that is, professional and semi-professional pressure washers, floor washing-drying machines and vacuum cleaners. The Group distributes its own products with the Comet, HPP, Lemasa, PTC Waterjetting Equipment, PTC Urban Cleaning Equipment and Lavor brand names. Customers of the Group include producers of spraying and weeding machines with regards to pumps for agriculture; builders and contractors in the industrial sector; specialised dealers and the large-scale retail trade for washing products.

The market has a global value estimated at between 3.5 and 4.5 billion Euros.

The pumps market for agriculture is mainly composed of Italian operators. The demand is strongly driven by the trend of the economic cycle, demographic growth and the consequent increase in the demand for agricultural products; in developing countries demand is linked to the development of agricultural mechanisation and relative policies of support.

The market of products for the industrial sector is continuously growing and demand is linked to the trend of several sectors/fields of application in which the systems are used, such as: hydro-demolition; water-washing and ship repairs; refineries; mines and quarries; the petroleum industry; underwater washing; the iron and steel industry; foundries; chemical processing plant; energy production; paper mills; transport; municipalities; food; automobile and engine manufacturing.

The demand for cleaning products is mainly linked to the economic cycle trend, the increase in hygienic standards, especially in emerging countries, and the development of the “do-it-yourself” culture in mature markets.

The **Components and Accessories** segment includes activities for the development, manufacture and marketing of products the most representative of which are wires and heads for brush-cutters, accessories for chainsaws (e.g. sharpeners), pistols, valves and nozzles for high pressure cleaners and for agricultural applications, precision farming (sensors and computers) and seats and technical parts for tractors. In this sector the Group operates partly through its own brands, Tecomec, Geoline, Geoline Electronic, Mecline, Sabart, and Raico, and partly distributing products for third party brands. The main customers of the Group are producers in the Outdoor Power Equipment sector, of spraying and weeding machines, high pressure cleaners, high pressure washing systems and specialised distributors.

The demand for components and accessories is linked to the economic cycle (business OEM) and the intensity of use of machines (aftermarket). The high pressure water jetting sector is linked to the economic cycle, to investments in the end markets for applications and hydrodynamic units. For products intended for the agricultural sector, demand is strongly linked to the growth of the economic cycle and in particular to the trend of agricultural commodity prices, demographic growth and the consequent increase in demand for agricultural products.

In general, the Group’s activity is influenced by seasonal fluctuations in demand. Products for gardening follow the end customer’s purchase model: most sales are concentrated in spring-summer, the period in which gardening activities are concentrated. The demand for forestry products is higher in the second part of the year while the demand for products in the Pumps and High Pressure Water Jetting sector is concentrated in the first half-year (marked seasonality in the demand for pumps for agriculture). The demand for products for industry and cleaning, on the other hand, is evenly distributed throughout the year.

## Production structure

The production model is flexible, focused on the high added value phases of engineering, industrialisation and assembly. The production plant are oriented towards “lean manufacturing”, with the involvement of the supply chain on the basis of the extended factory model.

With particular reference to the *Outdoor Power Equipment* segment, in portable products (such as brush-cutters and chainsaws), the motor is integrated in the machine and is entirely designed and drawn by the Group. The components are then made by external suppliers and assembled internally. With regards to

products on wheels (lawnmowers, garden tractors, motor hoes and rotary cultivators), the motor is acquired from primary producers and the machine is then assembled internally. With regards to lawnmowers, the Group produces the body of its products internally with a vertical process that goes from the processing of the metal sheet to the painting and final assembly.

With regards to the products in the *Pumps and High Pressure Water Jetting* section, the pumps for agriculture and those for industry are fully designed in the Group's Research and Development structure; the components are made externally by selected suppliers and then assembled internally. The pumps are the core of the high pressure cleaners and other high pressure plant, while the motor and other mechanical components and the frame are acquired and then assembled internally.

As regards the *Components and Accessories* sector, the production model varies according to the product. The wire for brush-cutters follows an entirely vertical process, from the purchase of the raw material to the processing, to the packaging of the finished product. The heads for brush-cutters and the pistols for high pressure cleaners are partly produced internally, with regards to the plastic moulding, followed by assembly of the mechanical components purchased from external suppliers. The precision farming line involves the design of the electronic parts and development of the software, which are the added value parts of the product, carried out internally, as is the final assembly. The most significant parts in the forestry line are designed and developed by the Group, and assembles the components made externally. Other products, considering the type of processing required, for which internal manufacture is inefficient, are made and assembled by specific suppliers on the basis of the designs developed by the Group's R&D department.

Production volumes can easily change to adapt to fluctuations in demand through flexible management, and seasonal peaks can be satisfied through overtime or additional shifts, without the need for additional investments.

Every production site has specific characteristics that vary according to the production carried on inside. Overall, the Group uses 19 production sites.

Segmento	Società	Sede	Produzione
OPE	Emak	Bagnolo in Piano (RE) – Italia	Motoseghe, decespugliatori, troncatore, motocoltivatori, motofalciatrici, trasportatori
	Emak Tailong	Pozzilli (IS) - Italia	Rasaerba e motozappe
	Emak Jiangmen	Zhuhai - Cina	Cilindri per motori a scoppio
	Emak Jiangmen	Jiangmen - Cina	Motoseghe e decespugliatori rivolti al segmento price sensitive
PWJ	Comet	Reggio Emilia - Italia	Pompe, motopompe e gruppi di comando per agricoltura e industria ed idropultrici per il settore cleaning
	Valley	Paynesville, Minnesota - USA	Componenti ed accessori per i settori industria ed agricoltura
	P.T.C.	Rubiera (RE) - Italia	Impianti ad alta ed altissima pressione e macchine per l'urban cleaning
	Lemasa	Indaiatuba - Brasile	Pompe ad alta pressione
	Lavorwash	Pegognaga (MN) – Italia	Idropultrici, aspiratori, sistemi di pulizia industriali e professionali
	Yong Kang Lavorwash Equipment	Yongkang – Cina	Idropultrici ed aspiratori per il mercato sudamericano
	Lavorwash Brasil	Ribeirao Preto - Brasile	Idropultrici per il settore cleaning
C&A	Tecomec	Reggio Emilia - Italia	Accessori per macchine agricole da irrorazione e diserbo ed accessori e componenti per idropultrici
	Speed France	Amas - Francia	Filo in nylon e testine per decespugliatori
	Speed North America	Wooster, Ohio - USA	Filo in nylon per decespugliatori
	Speed Line South Africa	Pietermaritzburg - Sud Africa	Filo in nylon per decespugliatori
	Speed Industrie	Mohammedia - Marocco	Filo in nylon per decespugliatori
	Speed South America	Providencia, Santiago - Cile	Filo in nylon per decespugliatori
	Ningbo	Ningbo - Cina	Accessori e componenti per il lavaggio ad alta pressione, per motoseghe e per decespugliatori
	Geoline Electronic	Poggio Rusco (MN) - Italia	Computer, gruppi di comando e sistemi elettronici di controllo per macchine agricole da irrorazione e diserbo



## The composition of the Emak Group at 31.12.2017\*



- The companies included in the reporting perimeter of the Sustainability Report 2017 are set out in the “Method of preparation” in this document.



For a more detailed description of the business segments and relative quantitative economic data, reference should be made to the Annual Financial Report 2017 published on the website [www.emakgroup.it](http://www.emakgroup.it).

## 1.2 History

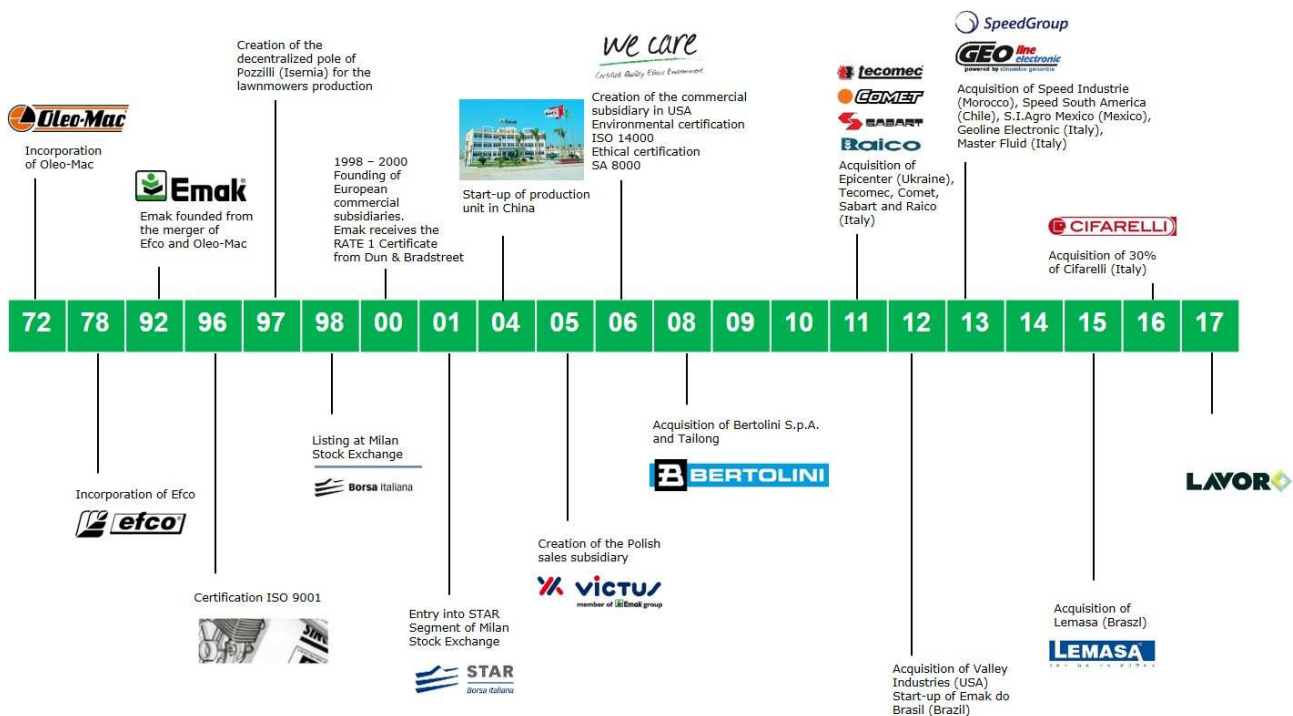
Emak was created in 1992 out of the merger of Oleo-Mac and Efco, two important companies specialised in the production of machines for gardening and the forestry sector and operating in the territory of the province of Reggio Emilia since the early 1970s.

In 1998 the company was quoted on the Milan Stock Exchange. Between 1998 and 2000, the company set up 4 commercial branches in Europe through the acquisition of its own importer in the major markets (Germany, France, United Kingdom and Belgium), completing, together with the already controlled Spanish subsidiary, its first phase of internationalisation.

In 2004 the Chinese company, Jiangmen (China), was incorporated, a factory dedicated to the production of hand-held products directed towards price-sensitive markets. Between 2005 and 2006 the Group increased its international presence acquiring its own Polish distributor and creating an American subsidiary. In 2008 there was the acquisition of the Chinese company, Tailong, producer of cylinders for internal combustion engines, and Bertolini, a historical producer of small machines for agriculture.

In 2011 Emak acquired Epicenter (Ukraine) and extended the range of markets served, entering into the Pumps and High Pressure Water Jetting (PWJ) segments (acquisition of the Comet Group) and Component and Accessories (C&A) (acquisition of the Tecomec Group, Sabart and Raico). The path of growth continued in 2012 with the creation of the sales branch Emak do Brasil and the acquisition of Valley Industries, a United States company marketing products in the PWJ sector. 2013 and 2014 were years of consolidation of the PWJ and C&A businesses with the introduction into the Group of the companies, Master Fluid (PWJ - urban cleaning), SI Agro Mexico (PWJ – sales branch), Geoline Electronic (C&A - precision farming), Speed South America and Speed Industrie (C&A – production and packaging of wire for brush-cutters).

In 2015 the Group invested in the Brazilian company, Lemasa, a local leader in the ultra-high pressure pumps (PWJ) sector, while in 2016 there was the acquisition of 30% of Cifarelli S.p.A. and the acquisition of Acquatecnica S.r.l., followed by its merger into PTC S.r.l.. The growth path continued in 2017 with the acquisition of the Lavorwash Group, which completes and reinforces the positioning of the Group in the PWJ segment.





### 1.3 Governance structure

(102-18)

The Board of Directors of the Emak Group is composed of 14 members, 5 of whom are female and 9 male, with an average age of 59 years and ranging from 38 to 80.

The composition of the Board of Directors at 31 December 2017 is shown in the table below:

Office	Name	Gender	Year of birth	Executivo (E) Non-executive (NE)
<b>Chairman and Chief Executive Officer</b>	Bellamico Fausto	M	1949	E
<b>Deputy Chairman; Director with powers</b>	Burani Aimone	M	1956	E
<b>Director with powers</b>	Slanzi Stefano	M	1958	E
<b>Director</b>	Baldi Francesca	F	1969	NE
<b>Director</b>	Bartoli Luigi	M	1966	NE
<b>Director</b>	Bartoli Ariello	M	1937	NE
<b>Director</b>	Becchi Paola	F	1967	NE
<b>Director</b>	Ferrari Giuliano	M	1950	NE
<b>Independent Director</b>	Iotti Elena	F	1979	NE
<b>Independent Director</b>	Lanza Alessandra	F	1971	NE
<b>Independent Director</b>	Livatino Massimo	M	1964	NE
<b>Director</b>	Salsapariglia Marzia	F	1961	NE
<b>Director</b>	Spaggiari Vilmo	M	1940	NE
<b>Director</b>	Zambelli Guerrino	M	1942	NE

The Board of Directors has set up four Committees supporting the Board in the respective spheres provided for by the Self-Regulatory Code to which Emak S.p.A. subscribes as a company listed on the Italian Stock Exchange. Specifically, the Committees set up are: the Remuneration Committee, the Control and Risk Committee (to which the task of supervising sustainability issues has been assigned), the Dealings with Related Parties Committee and the Appointments Committee (set up on 28 February 2018).

	31 December 2017	
	Men	Women
< 50 years	0	3
50-60 years	3	2
61-70 years	3	0
> 70 years	3	0

For a more detailed description of the Committees in the Emak Group, reference should be made to the Annual Financial Report for the year ended 31 December 2017 and the Corporate Governance Report and Ownership Structure 2017, published on the [www.emakgroup.it](http://www.emakgroup.it) website.



## 1.4 Ethics, integrity and compliance

(102-16 205-1, 205-2 e 205-3)

With the objective of ensuring conditions of correctness and transparency in the performance of their activities and to safeguard their own reputation and that of their subsidiaries and their stakeholders, Emak S.p.A., Tecomec S.r.l., Comet S.p.A., Sabart S.p.A. and Raico S.r.l., have adopted an **Organisation, Management and Control Model** on the basis of Leg. Dec. 231/2001. The Model adopted arises from the requirement, besides legislative, to properly manage the complexity of situations in which the company has to operate, clearly defining a series of principles and values to guide its activities.

In line with the adoption of the Organisation, Management and Control Model, the Parent Company, Emak S.p.A., has drawn up an **Ethical Code**, updated periodically and shared with the companies controlled by the Group. The Code establishes the corporate principles and values to which the company aspires in the performance of its activities and which form the identity of the enterprise, constantly orienting strategic choices and policies in the businesses in which it operates. The Ethical Code is, moreover, a moral undertaking towards the various stakeholders. Specifically, the principles and guiding corporate values are the following: correctness, expertise, team spirit, innovative spirit, impartiality and honesty, respect for persons, transparency in relations and confidentiality.

In certain cases (e.g. Tecomec S.r.l.), a number of Group companies have adapted the Ethical Code to their specific characteristics – while following Group standards, the contents have been adapted to individual identities and situations. The parent company's intention, in fact, is to formalise the procedures and values in which it believes in an Ethical Code at Group level, to provide all companies with a guide and a tool for reinforcing and disseminating the corporate culture.

In addition, with regards to communication, a project for a platform at Group level to be used as a tool for internal sharing and communication is in the development phase, in which the Ethical Code, together with other documents, can be easily shared also further to any updating. The companies in Italy that use model 231 undertake to train newly hired staff on the issues referred to in the Ethical Code and in the Model: new staff will be given an information pack regarding the regulations pursuant to Leg. Dec. 231/01 and the contents of the Organisational Model, as well as a copy of the Ethical Code, to ensure their awareness of what is considered to be of primary importance.

With respect to the Organisation, Management and Control Model and the principles and values contained in the Ethical Code, Emak S.p.A. and the other Italian companies in the Group have adopted a management procedure for reports received by the **Supervisory Body** and appropriate channels of communication have been set up for reporting non-conformities relating to administrative responsibility in the organisation. In compliance with what is provided for by the current legislation, the Group has also implemented a specific whistleblowing procedure.

Emak S.p.A. has decided, moreover, to voluntarily adopt a **Management System** conforming to the **SA 8000:2014** (Social Accountability) standard, with the objective of certifying the ethicality of its production processes and, indirectly, its own supply chain. Satisfaction of the requirements is verified through independent audits and expected performance levels are measured by means of indicators in line with the legislation in question. Compliance with the standard implies meeting a series of requirements relating to the following issues:

- child labour;
- forced labour;
- health and safety;
- freedom of association;
- discrimination;
- disciplinary practices;
- working hours;
- remuneration.

The SA 8000 Management System also provides for the creation of a **Social Performance Team (SPT)**, appointed by company Management, to supervise the organisational aspects of the SA with analyses of data collected and the assessment of potential risks. The SPT must, in fact, periodically (twice a year) carry out a

written assessment of the risks in order to attribute an order of priority in the areas of real or potential non-conformity with the Standard. This activity supports the company Risk Management system (Section 1.5: management of risks and opportunities) from which the methodology is taken.

In addition, the SA 8000 standard provides for a control of the supply chain with the aim of assessing conformity with respect to the issues provided for. Within the sphere of Sistema SA 8000, an Ethical System Manager has been appointed with the task of implementing the SA 8000 system and of promoting continuous improvement.

Finally, a reporting system is in place that protects anonymity and which allows employees to report any risks and/or anomalies.



For more details regarding Emak S.p.A's Ethical Code, reference should be made to the Code available on the [www.emak.it](http://www.emak.it) website

## Anti-corruption

The Emak Group pays great attention to the issue of the prevention of risks linked to corruption. In this context, in line with the Organisational Model pursuant to Leg. Dec. 231/2001, the parent company, Emak S.p.A., is committed to **contrasting every form of corruption**, whether active or passive, implementing all the necessary measures provided for by the Model and acting as an example for the other Group companies.

This Model is aimed at the prevention of offenses belonging to various categories, including corporate crime, extortion, undue inducement to give or promise utilities and corruption. In addition, a system of procedures, both manual and computerised, has been set up as a guideline to follow in relevant company processes and to provide for specific points of control, with the aim of guaranteeing the correctness, effectiveness and efficiency of company activities, also for the purposes as provided for by Leg. Dec. 231/2001.

No cases of corruption and/or relevant reports were registered in 2017.

## Human rights

The Emak Group supports and complies with human rights and promotes compliance of applicable employment regulations. The Group considers the impartial treatment of people as a fundamental value within the sphere of every relationship both internal and external and considers the individual, their values and their rights, as values to be safeguarded. The conduct of every employees and freelance worker must conform to the legislative and contractual regulations governing employment relations.

Through the dissemination of the Ethical Code, Group companies have set up a means of oversight with the aim of guaranteeing compliance of human rights, also in areas of greater potential risk with relation to these issues.

In addition, besides mere legal compliance, the implementation of an integrated Management System conforming also to the SA8000:2014 certification demonstrates the concrete commitment of the parent company, Emak S.p.A., to adopt socially responsible behaviours, as well as its focus on quality and continuous improvement and on the protection and safeguarding of human rights.

## 1.5 Management of risks and opportunities

(102-11 e 102-15)

The Group believes that an effective management of risks is a key factor for the maintenance of value over time. For the purpose of achieving its strategic objectives, the Group establishes guidelines for its risk management policy through its governance structure and Internal Control System.

In the context of its industrial operations, the Emak Group is exposed to a series of risks, the identification, assessment and management of which is assigned to the Managing Directors, business area managers (in their capacity as assigned Directors according to the Voluntary Self-Regulatory Code of Borsa Italiana S.p.A.), and the Control and Risks Committee.

The Directors in charge of internal control supervise the risk management process, following the guidelines established by the Board of Directors on the issue of risk management and verifying its proper functioning.

With the aim of preventing and managing more significant risks, the Group has a risk classification model, subdividing them on the basis of the company department from which that may derive or from which they can be managed, which provides for an assessment of the risks on the basis of an estimate of economic-financial impacts and the probability of occurrence.

The Board of Directors attributes the Committee the tasks of assisting it, giving advice and making proposals, in the performance of its tasks regarding the internal control system and risk management and, in particular, in the definition of the guidelines for the internal control system and the periodic evaluation of its suitability, efficiency and effective functioning. The Committee supervises Internal Audit activities and examines, more generally, problems relating to the internal control system and risk management.

In addition to the above activities are those performed by the Internal Audit department, which evaluates the suitability of the internal control and risk management System, of which it is an integral part, with respect to the reference context in which the Group operates. In this sense, in the exercise of their role, Internal Audit checks the functioning and appropriateness of the risk management system, with particular attention to continuous improvement and management policies.

With regards to the risk management process, the different types of risk are classified on the basis of the consequences that the occurrence of certain events may have in terms of shortfalls in strategic, operating, or financial performance, or compliance with laws and/or regulations.

On at least an annual basis, the Internal Audit department carries out an assessment of the **internal control systems**, following the approach of the COSO 3 international framework, the results of which are shared with the Control and Risks Committee.

Another means for analysing possible internal problem areas are the **audits** that the companies receive from their customers as suppliers. The results of the audits provide, in fact, an overview of the areas at risk and a list of possible corrective actions to be implemented.

Finally, with regards to operations for the acquisition of new companies, a **Due Diligence** is performed, aimed at identifying the risks associated with such operations. A negative outcome could compromise the outcome of the acquisition negotiations. In addition, in view of the development of new plant, the potential impacts associated with their manufacture are evaluated.

The main risks linked to the issues of sustainability, identified further to an analysis carried out by the parent company, Emak S.p.A., are set out below:

- **strategic product risk:** risks associated with technical and technological obsolescence in relation to new technologies and new legislative requirements. Risks linked to the maintenance of product reliability and to the reduction of customer interest;
- **risk linked to liability towards the customer and towards third parties:** the Group is exposed to potential risks of liability towards customers or third parties connected with possible product liability due to potential design or product manufacture defects attributable to the Group and also attributable to third parties such as suppliers and assemblers. In addition, in the event that products are defective, or do not correspond to technical and legal specifications, the Group, also further to the request of the control authorities, could be obliged to withdraw such products from the market;

- **risk linked to the supply chain:** risks connected with the conduct of suppliers and the possible lack of visibility and control of suppliers' practices, with particular reference to the issues of compliance with environmental and social legislation and the issues of the quality control of products received;
- **risk of market response;** risks connected with the difficulty of keeping existing customers and in the acquisition of new customers, also in relation to the demands of the reference market;
- **risk linked to staff and health and safety in work places:** risks linked to an inadequate management of processes regarding the attraction, selection, development, motivation and retention of key professional figures inside the Group; risks connected with the possible occurrence of accidents and near misses in work places and the onset of professional illnesses;
- **external risk of natural events and variable climatic conditions:** risks linked to the management of emergencies and the prompt response to possible extreme natural events. In addition, meteorological conditions can impact the trend of sales of certain families of products. In general, weather conditions characterised by drought can lead to falls in the sale of gardening products such as lawnmowers and garden tractors, while winter conditions with mild temperatures negatively affect the sale of chainsaws;
- **compliance risk:** risks connected with failed compliance of current laws, with specific reference to environmental questions, (e.g. environmental damage, noise pollution, emissions, waste and discharges), human rights and corruption.

### **Assessment of risks associated with suppliers**

At Group level, all the companies carry out assessments of their suppliers, with the aim of identifying potential risks along the supply chain. These activities and procedures are consolidated for the companies belonging to the Outdoor Power Equipment segment, while the other companies are currently implementing this process.

A screening of suppliers at Group level is carried out every 3 months, followed by their classification into 3 **categories** on the basis of type of relationship between the Group and the supplier:

- **partners** – suppliers that meet stringent requirements on the basis of an inter-departmental scoring process;
- **strategic** – this category contains strategic suppliers for the Group but not vice-versa; to reduce the level of risk, the Group ensures that the suppliers falling into this category become partners or part suppliers;
- **part suppliers** - this category contains suppliers without stable dealings from a relationship point of view; they do not, therefore, represent a high risk for the Group.

The result of the screening of suppliers is represented in a **table of risk**, summarising the risk associated with every supplier, which guides the Group in decisions regarding possible replacement plans.

At present the screening of suppliers does not include specific social criteria, but the parent company, Emak S.p.A., by adopting the SA8000 Standard, requires its suppliers to respond to a questionnaire containing ethical and social issues in line with the requirements provided for by the Standard.

In addition, for non-European suppliers, reference is made to the local purchasing structure that carries out periodic audits and constantly monitors the supplies directed to both Italian and foreign factories.

## 2. Approach to Sustainability

(102-40, 102-42, 102-43, 102-44 e 102-47)

In the light of its reference context and with increasing awareness of the importance of adopting an integrated and synergic approach, the Emak Group has embarked upon a programme of assessment and reflection regarding the issues of sustainability with the aim of identifying a set of issues relevant both to the Group and to its stakeholders.

### Identification of the stakeholders

The Group has implemented a mapping and identification process of the main categories of stakeholder, giving rise to the following map of the main reference stakeholders:



The main channels of communication and dialogue with the Group's stakeholders are shown below:

Stakeholder	Thematic area	Main instruments of dialogue
<b>Employees and freelance workers</b>	<ul style="list-style-type: none"> <li>- Growth, development and training</li> <li>- Health and safety in the workplace</li> <li>- Diversity, equal opportunities and non-discrimination</li> <li>- Human rights and working conditions</li> <li>- Quality of work</li> <li>- Ethics, integrity and compliance</li> <li>- Identity and values</li> <li>- Industrial relations</li> <li>- Company welfare</li> </ul>	<ul style="list-style-type: none"> <li>- Training on values and organisational behaviour</li> <li>- Open day and internal events</li> <li>- Company portal</li> <li>- Survey of internal climate</li> <li>- Periodic newsletters and other communication</li> <li>- Communications to top management</li> <li>- Collective bargaining</li> <li>- Skills assessment process</li> </ul>
<b>University and Research Centres</b>	<ul style="list-style-type: none"> <li>- Transparency</li> <li>- Research, development and innovation</li> </ul>	<ul style="list-style-type: none"> <li>- Communications with top management</li> <li>- Financial relations</li> <li>- Scientific publications</li> <li>- Tenders and competitions</li> <li>- Training apprenticeships / internships</li> </ul>
<b>Customers (B2B)</b>	<ul style="list-style-type: none"> <li>- Anticipation and understanding of customer expectations and needs</li> <li>- Customer trust and satisfaction</li> <li>- Product quality and safety</li> </ul>	<ul style="list-style-type: none"> <li>- Institutional website</li> <li>- Assessment of customer satisfaction</li> <li>- Management of claims</li> <li>- Pre and post-sale customer service</li> <li>- Commercial communications</li> <li>- Participation in trade fairs and events</li> </ul>
<b>Consumers (B2C)</b>	<ul style="list-style-type: none"> <li>- Consumer trust and satisfaction</li> <li>- Product quality and safety</li> </ul>	<ul style="list-style-type: none"> <li>- Institutional website</li> <li>- Assessment of consumer satisfaction</li> <li>- Management of claims</li> <li>- Post-sale consumer service</li> <li>- Commercial communications</li> <li>- Participation in trade fairs and events</li> </ul>
<b>General Public</b>	<ul style="list-style-type: none"> <li>- Relations with the general public</li> <li>- Attention towards respect of the territory</li> <li>- Support of social initiatives</li> <li>- Support to employment</li> <li>- Legality</li> </ul>	<ul style="list-style-type: none"> <li>- Institutional website</li> <li>- Meetings and events in the territory</li> <li>- Press releases</li> <li>- Activities to support the artistic-cultural heritage in sites of public interest</li> <li>- National and regional research projects</li> <li>- Cooperation with artistic institutions of public interest</li> <li>- Support to charities and the voluntary sector</li> <li>- Sponsorships</li> </ul>
<b>Institutions and regulatory bodies</b>	<ul style="list-style-type: none"> <li>- Corporate Governance</li> <li>- Transparency</li> <li>- Economic-financial performance</li> <li>- Relations with institutions</li> </ul>	<ul style="list-style-type: none"> <li>- Institutional website</li> <li>- Information provided further to request</li> <li>- Reports and Statements</li> <li>- Shareholders' meetings</li> <li>- Press releases</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>- Transparency</li> <li>- Ethical responsibility</li> <li>- Human rights and working conditions</li> <li>- Continuity in relations</li> <li>- Qualification and assessment</li> <li>- Negotiating conditions</li> <li>- Development of partnerships</li> </ul>	<ul style="list-style-type: none"> <li>- Institutional website</li> <li>- Participation in initiatives and events</li> <li>- Negotiation reports</li> </ul>
<b>Shareholders and investors</b>	<ul style="list-style-type: none"> <li>- Corporate Governance</li> <li>- Transparency</li> <li>- Economic-financial performance</li> <li>- Ethics, integrity and compliance</li> </ul>	<ul style="list-style-type: none"> <li>- Institutional website</li> <li>- Financial reports</li> <li>- Road shows (meetings with the community)</li> <li>- Shareholders' meetings</li> <li>- Press releases</li> </ul>

The Emak Group, moreover, interacts and communicates with various associations, both in Italy and abroad. In particular, Group companies are members of the following associations:

(102-12, 102-13)

Body/Association	Description	Company
<b>ABIMAQ</b> <i>Brazilian Association of Machines and Equipment</i>	Association founded with the objective of strengthening and encouraging the national enterprise of machines and equipment.	Lemasa Lavorwash S.p.A.
<b>ABRALIMP</b> <i>Brazilian Association of professional cleaning market</i>	Association founded with the objective of integrating, arranging, encouraging and developing the whole value chain of the professional cleaning market.	Lavorwash S.p.A.
<b>AEA</b> <i>Agricultural Engineers Association</i>	English Trade Association which represents the manufacturers and importers of machinery for agriculture and green care.	Emak UK
<b>ALTSTOFF RECYCLING AUSTRIA</b>	Waste management service in Austria	Lavorwash S.p.A.
<b>APINDUSTRIA CONFIMI MANTOVA</b> <i>Association of Small and Medium Enterprises of Mantua</i>	Association founded with the aim of defending the interests and supporting the needs of small and medium enterprises of Mantua	Lavorwash S.p.A.
<b>AFIDAMP</b> <i>Association of Italian Manufacturers and Distributors of Machinery, Products and Tools for the Professional Cleaning and Hygiene Environments</i>	Association that brings together the various players in the professional cleaning supply chain in Italy	Lavorwash S.p.A.
<b>AXEMA</b> <i>Trade Association of the Agricultural Equipment industry</i>	Association that brings together French and international producers of machines for agriculture and green care	Emak France SAS
<b>BITKOM SERVICEGESELLSCHAFT MBH</b>	Digital Association of Germany	Lavorwash S.p.A.
<b>BVD</b> <i>German Association of Data Protection Officers</i>	Federal Association of Officers for Data Protection of Germany	Emak Deutschland GmbH
<b>CETA</b> <i>Cleaning Equipment Trade Association</i>	Association of manufacturers of cleaning machinery	Comet USA Inc.
<b>CFCIM</b> <i>French Chamber of Commerce and Industry in Morocco</i>	French Chamber of Commerce and Industry in Morocco	Speed Industrie Sarl
<b>CGPME</b> <i>General Confederation of Small and Medium Enterprises</i>	French organization representing employers of small and medium-sized enterprises	Speed France SAS
<b>CICC</b> <i>China-Italy Chamber of Commerce</i>	Association of Italian entrepreneurs and professionals and the People's Republic of China, which works to promote the internationalization and localization of Italian companies and to promote Made in Italy in the People's Republic of China.	Tailong (Zhuhai) Jiangmen
<i>European Union Chamber of Commerce in China</i>	Association representing the different business sectors of the European Union and the European companies operating in China	Jiangmen
<b>CONAI</b> <i>National Packaging Consortium</i>	Private consortium that operates non-profit in the recovery and recycling of the six packaging materials: steel, aluminum, paper, wood, plastic and glass	Lavorwash S.p.A.
<b>CONFAPI</b> <i>Italian Confederation of Small and Medium Enterprise</i>	Trade association representing the interests of small and medium-sized Italian companies	Geoline Electronic S.r.l.
<b>Confcommercio</b> <i>General Italian Confederation of Enterprises, Professional Activities and Employment</i>	Italian organization representing companies engaged in commerce, tourism and services (tertiary sector)	Emak S.p.A.
<b>CONOU</b>	Italian Consortium for the management, collection and treatment of mineral oils used	Lavorwash S.p.A.
<b>DER GRUNE PUNKT</b>	Waste management service in Germany	Lavorwash S.p.A.
<b>ECOPED</b>	National Consortium for the management of Waste of Electrical and Electronic Equipment, batteries and accumulators	Lavorwash S.p.A.
<b>EGMF</b> <i>European Garden Machinery industry Association</i>	Federation representing the interests of European manufacturers of machines for gardening, forestry and green care	Emak S.p.A.
<b>FederUnacom</b> <i>Italian Agricultural Machinery Manufacturers Federation</i>	Federation that groups the associations of the Italian manufacturers of agricultural machinery, of self-propelled agricultural machines, of tractors, of components for the various sectors represented and of machines for gardening	Emak S.p.A. Tecomec S.r.l.
<b>ICA</b> <i>International CarWash Association</i>	Non-profit commercial group representing the sales and supply segments of the professional car wash industry	Valley Industries LLP Comet USA Inc.
<b>IHK</b> <i>German Chamber of Industry and Commerce</i>	German Chamber of Industry and Commerce	Emak Deutschland GmbH
<b>INDICOD-ECR</b>	Italian association whose objective is the diffusion of barcodes	Lavorwash S.p.A.
<b>IVG</b> <i>Industry Garden Association</i>	National German Gardening Association which brings together manufacturers of green care machines	Emak Deutschland GmbH
<b>MANTOVA EXPORT</b>	Consultancy Consortium for companies in Mantua for import-export	Lavorwash S.p.A.
<b>NOVENTIZ GMBH</b>	Waste management service in Cologne, Germany	Lavorwash S.p.A.
<b>OPEAA</b> <i>The Outdoor Power Equipment Aftermarket Association</i>	Association born with the aim of encouraging the growth and the diffusion of quality spare parts and accessories for machines for the care of the green	Speed North America Inc.
<b>Unindustria Reggio Emilia</b> <i>Industrial Association of the province of Reggio Emilia</i>	Protects the interests of the associated industrial companies, small, medium or large, promoting the requests and guaranteeing representation for every aspect of industrial relevance and entrepreneurial importance	Emak S.p.A. Comet S.p.A. Tecomec S.r.l. PTC S.r.l.
<b>WJTA</b> <i>Water Jet Technology Association</i>	Association that includes users, manufacturers, suppliers and distributors of high pressure waterjet products and industrial vacuum equipment	Comet USA Inc.



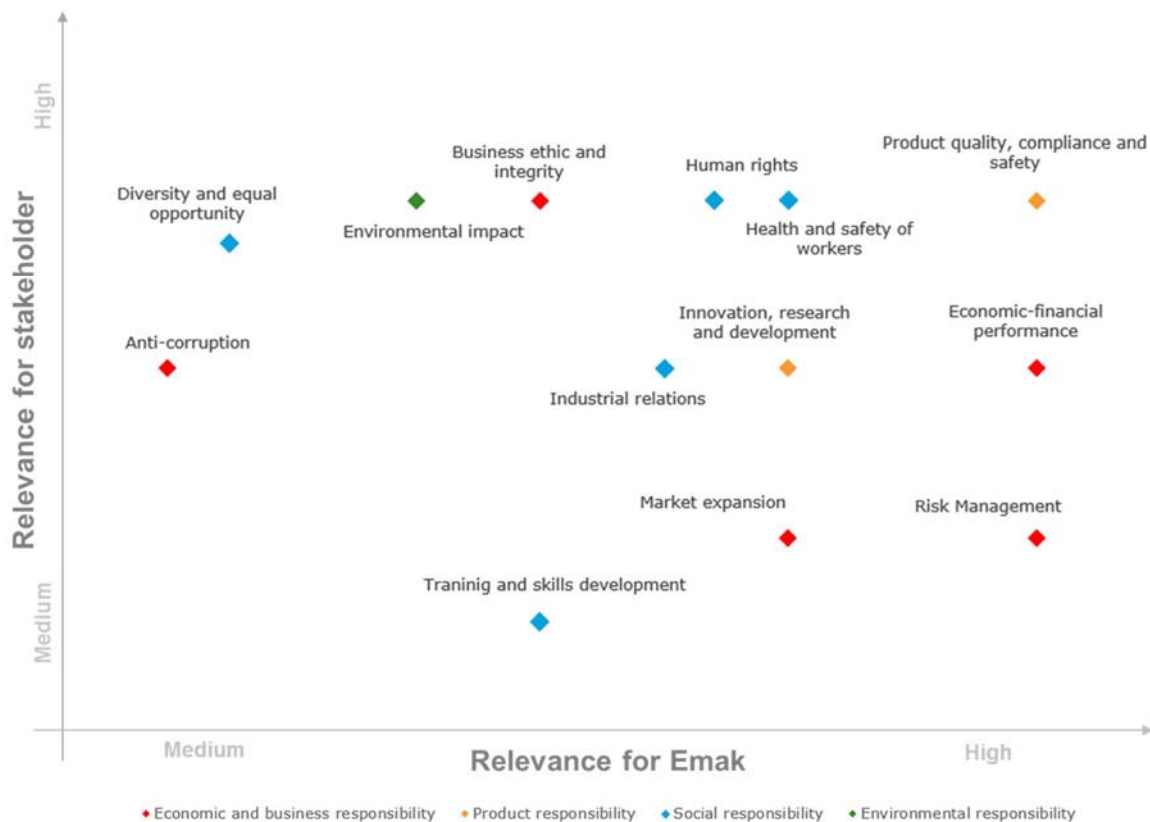
## Analysis of materiality

The process for the identification and assessment of significant issues has been carried out through an analysis of materiality, that is, an analysis that makes it possible to identify economic, social and environmental issues that are potentially able to influence the ability to create value in the Group and the interests of the stakeholders involved both directly and indirectly.

Potentially significant aspects have been identified on the basis of the GRI standards and best practices of the sector, taking account also of the issues provided for by Art. 3 of Leg. Dec. 254/2016. These aspects have been subject to evaluation on the part of the Group's management, through an internal survey, with the aim of producing a materiality matrix.

The final result of the evaluations made, verified by management, is reflected in the following **materiality matrix** which, on the x axis shows the significance of the issues for the Emak Group and on the y axis, their significance for the reference stakeholders.

*Emak Group Materiality matrix*



Specifically:

- a strong interest emerges in the **issues of economic and business responsibility** such as ethics and integrity, the economic-financial performance of the Group, the risk management and prevention systems and the fight against corruption, whether active or passive;
- with regards to **product responsibility**, a fundamental element for Emak's business is the conformity of its products, as well as quality, and the safety of its customers; Emak invests in research and development with the aim of providing consistently efficient, and at the same time, sustainable products;
- among **social issues**, those relating to health and safety at work, the protection of diversity, equal opportunities and the respect for human rights are particularly important;
- the most significant **environmental issues** are water and energy consumption and atmospheric emissions associated with the Group's production processes.

Significant issue	Description	Perimeter of impact	Emak's role <sup>2</sup>
<b>Economic and business responsibility</b>			
<b>Anti-corruption</b>	Group commitment in the fight against corruption, whether active or passive, also in consideration of best practice in the sector.	Group Suppliers	Direct Contribution
<b>Ethics and business integrity</b>	Promotion of best practice in Corporate Governance and compliance with standards in the area of ethics, integrity and legal and regulatory compliance	Group Suppliers	Direct Contribution
<b>Economic-financial performance</b>	Achievement of positive economic-financial results in the short-term and economic equilibrium in the medium-long term, consistent with the creation of value for the various categories of Stakeholders	Group	Direct
<b>Market expansion</b>	The presence of the Group at national and international level and expansion of activities into new countries through a strategy identified on the basis of a careful analysis of the different market segments	Group	Direct
<b>Risk management system</b>	Implementation of a structured and extensive system aimed at identifying, assessing and managing risks and uncertainties, including environmental, social and/or new emerging risks which are significant for the Group's activities	Group	Direct
<b>Social responsibility</b>			
<b>Human rights</b>	The respect, promotion and safeguarding of human rights and working conditions in the performance of activities (prohibition of child labour, anti-corruption and compliance with ethical and/or conduct codes)	Group Suppliers	Direct Contribution
<b>Diversity and equal opportunities</b>	Development of work practices and conditions suitable for ensuring equal opportunities, through the removal of every form of discrimination and of moral or psychological violence	Group	Direct
<b>Training and skills development</b>	Offer of development and training programmes aimed at strengthening people's skills and consolidating professionalism in the role held	Group	Direct
<b>Industrial relations</b>	Promotion of the freedom of association and expression among workers, aimed at guaranteeing them the right to be represented, also through membership of trade unions and/or category associations	Group	Direct
<b>Health and safety of workers</b>	Respect of legislative provisions and agreements entered into and the promotion of actions and practices aimed at minimising risks for people's health and safety	Group*	Direct
<b>Environmental responsibility</b>			
<b>Environmental impacts**</b>	Commitment to increasing the efficiency of water and energy consumptions with the aim of reducing consumptions and consequent impacts, and commitment regarding the management and reduction of atmospheric emissions	Group production sites Energy suppliers	Direct Indirect Contribution
<b>Product responsibility</b>			
<b>Innovation, research and development</b>	Research and development activity aimed at the continuous improvement of quality and the development of innovation, guaranteeing the protection of intellectual property	Group Universities and research centres	Direct Contribution
<b>Quality, conformity and product safety</b>	Identification and reduction of potential risks to the health and safety of a product along its entire value chain	Group Suppliers	Direct Contribution

\* The organization assesses the possibility of collecting data from employers of external collaborators and suppliers who work at Group sites in order to report any accidents and occupational diseases.

\*\* The emissions aspect, within the environmental impact of production, was relevant only with regard to CO2 emissions

<sup>2</sup> Emak's role refers to the type of impact and can be classified as "direct", "indirect", or "contribution" on the basis of the role that the organisation has in the generation of the impact.

### 3. The priorities of the Group

The following chapter focuses on the priorities of the Emak Group, defined on the basis of materiality and of major strategic interests, grouped together into two clusters:

- the people in the Group;
- the product.



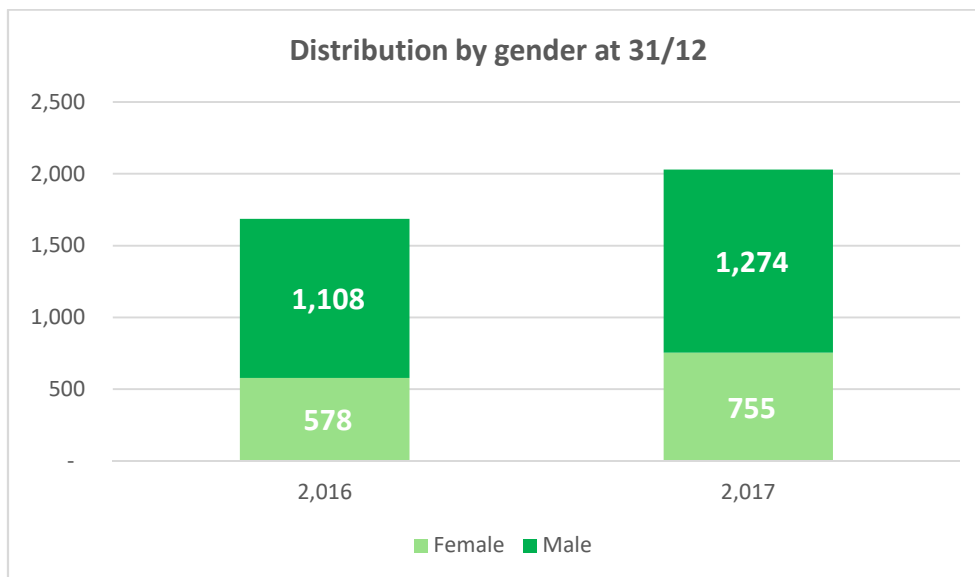
### 3.1 The people in the Group

(102-8, 102-41, 402-1 e 405-1)

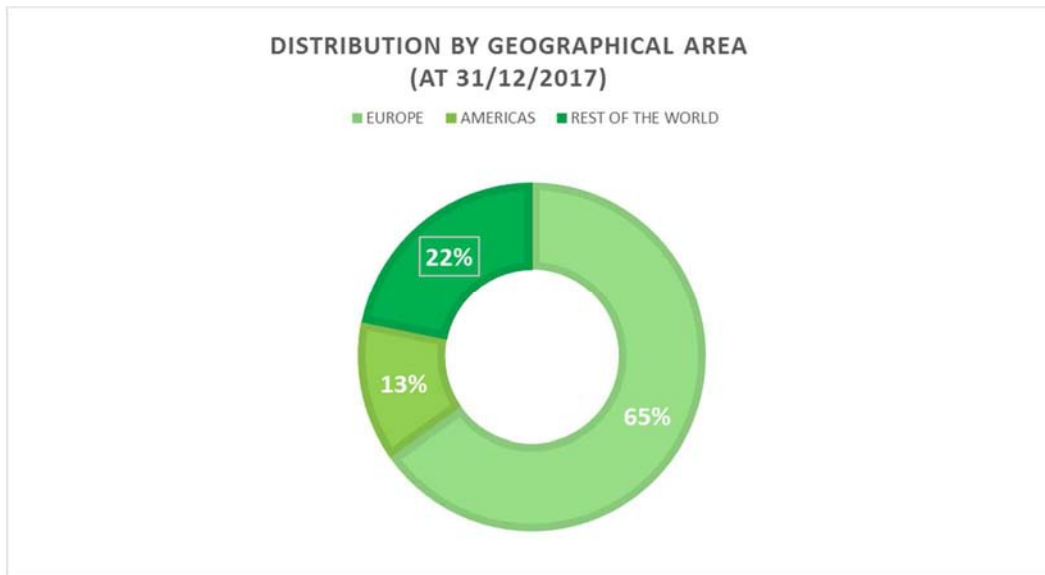
The Emak Group aims for excellence through the continuous improvement of its professionalism and the extensive involvement of staff at all levels. The staff and freelance workers involved in the Group’s activities are a strategic and precious resource, and for this reason the Group undertakes to guarantee respect of their rights, fostering their wellbeing and promoting their professional development.

Given the organisational structure of the of the Group and its strong presence both in the Italian territory and abroad, in 2016 an analysis was carried out to understand as far as possible the different methods for managing issues relating to human resources, focusing on the foreign branches. This analysis led to the introduction in 2017 of a cross-departmental figure for the management, from a corporate point of view, of all the control and organisation activities regarding foreign staff. With regards, instead, to the management of the aforementioned issues on the part of the companies operating in the Italian territory, the Group has set up a specific committee composed of members of the Human Resources department of each company. The Group firmly believes that human resources are a vital company asset and as such must be put in the position to make the maximum possible contribution.

At 31 December 2017 the Group’s workforce numbered 2,029 people, an increase of 20% compared to the previous year (1,686 employees in 2016). Male employees account for 63% of staff, and female 37%.

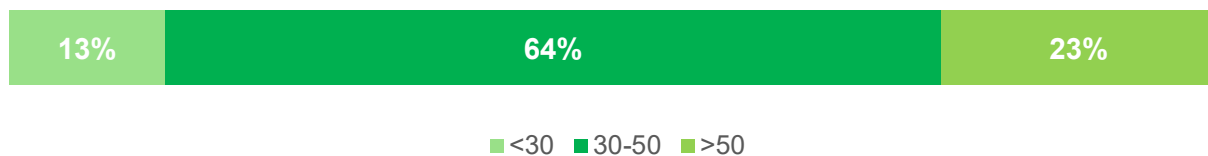


The company population is largely concentrated in Europe (65% with 1,322 employees), while the remaining part is distributed in the Americas (13% with 264 people) and other countries classified as “rest of the world” (22% with 443 employees). In detail, the distribution of employees by geographical area remains in line with that in 2016.



With regards to the breakdown of staff by age band, most employees are concentrated in the 30 to 50 band (62% with 1,273 people); 25% of staff are over 50 years of age, while 13% are under 30.

#### Distribution of employees by age group (at 31/12/2017)



In line with the previous year, permanent contracts remain predominant (99% against 1% of fixed contracts), confirming the Group’s wish to create strong and long-lasting professional relationships.

The Group is also committed to promoting dialogue with its employees, with the aim of reconciling people’s needs with the Group’s growth objectives. This commitment means entering into different categories of contracts: from national and/or sector bargaining, to collective and/or company contracts, to individual contracts. 77% of employees were covered by collective bargaining agreements in 2017.

Specifically, National Collective Bargaining Agreements (NCBA) are widely applied in Italy: staff are fully covered by the NCBA of the Engineering and Plant Installation industries, the NCBA of Small and Medium Engineering and Plant Installation Industries, the NCBA of the trade industry, by specific contracts for executives and supplementary company agreements that regulate industrial relations.

At a European and extra-European level, local laws are generally followed and, where applicable, a number of specific collective agreements of the operating country are followed.

For example, in France the “*convention collective industrie textiles*” and the “*convention collective nationale des entreprises de commission de courtage et de commerce intra-communautaire et d’importation - exportation de france metropolitaine*” are applied.

In China Chinese employment law is followed and any negotiations are agreed directly with the managers.

In South Africa the companies come under the Metal and Engineering Industries Bargaining Council (MEIBC). Employees subscribe therefore to the agreement between the SEIFSA (the name of the employers' association) and MEIBC. This agreement covers all employment aspects, from working hours, to remuneration, holidays, allowances and termination of employment.

In Brazil, all the procedures are based on the CLT (Consolidation of Labour Laws) and on the collective agreement with the National Union of Machinery Industries.

## Training and wellbeing of employees

### (404-1 and human rights indicators)

The Emak Group invests in the development of its people through training and orientation towards precise objectives, through dedicated courses and updating, with the aim of strengthening the specific skills of every member of staff inside the organisation.

The different companies in the Group periodically carry out an assessment of the performance of employees with the aim of identifying any professional gaps, and which lead, together with an analysis of specific training needs and specific requests for professional updating, to precise training programmes.

20,708 hours of training and skills development activities were organised in 2017, with an average per head of 10.2 hours, registering an increase compared to the previous year, resulting from the higher number of employees. In detail, the training hours by different categories of employee can be broken down as follows:<sup>3</sup>



Some examples of the types of training and instruction organised include:

- **language training**, aimed at improving language skill, with the awarding of certificates;
- training on **health and safety** issues, that is, relating to the learning of legal and/or company rules and regulations on the issue of safety;
- **training on model 231**, on the issues of **anti-corruption** and on compliance with local legislations;

<sup>3</sup> The 2016 figure does not include training organised by Emak S.p.A. and Raico S.r.l.

- **technical and specialist** courses, relating to both IT issues (e.g. courses on Excel, Word and Marketing) aimed at strengthening the skills that enable jobs to be performed with expertise and safety (e.g. the driving and use of forklift trucks or specific training for product development)
- **management development** courses, that is, continuous improvement in managerial skills for employees that hold positions of responsibility or operate in specific areas (such as logistics, sales and accounts);
- **coaching** programmes, for personal and professional development.

Specifically, in 2017 28% of the training hours organised related to issues regarding health and safety, 1% to issues connected with anti-corruption and the remaining 71% to the other aforementioned areas. In 2017 hours of training in Anti-corruption and health and safety fell in percentage terms comparison with the “general” areas.

Hours of training by type (2017)

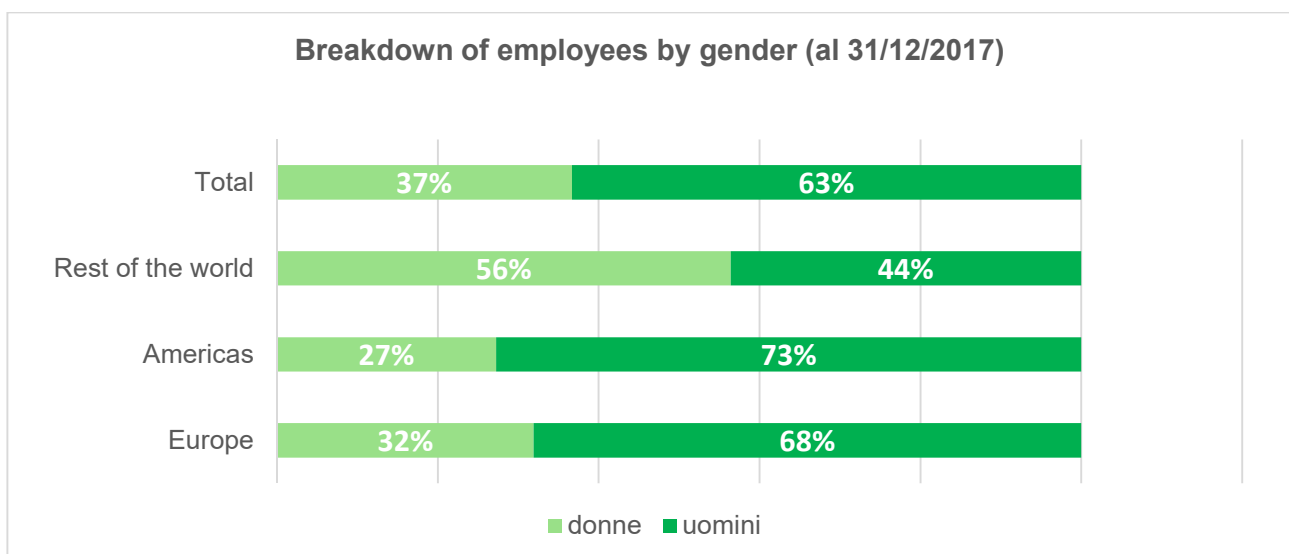


In addition, with different frequencies for the various companies, analyses of internal climate are carried out to evaluate the level of employee satisfaction and to identify any areas where action could be taken to improve the wellbeing of the people in the Group.

### Diversity and equal opportunities

Emak, being able to count on a strong global presence, favours a multicultural approach and the presence of people of different ethnic groups as an important element of diversity within the Group. In addition, the presence of females in the Group workforce is a further determining factor in fostering diversity, inclusion and a culture marked by the integration of contributions and professional skills. At 31 December 2017 there were 755 females in the Group, accounting for 37% of the workforce, an increase compared to the previous year (34%, 578 female employees).

Breakdown of employees by gender (al 31/12/2017)



The Group is committed to respecting individual dignity and the physical and moral integrity of every person, and to avoiding exercising any form of discrimination, to safeguarding diversity, to guaranteeing equal opportunities and to promoting the personal, professional and cultural development of people.

Group companies, in fulfilment of what is required by national laws, arrange to insert people with disabilities into their businesses and in some cases partnerships with social cooperatives are established with the objective of improving the social integration of disadvantaged people.

## Health and safety

### (403-2)

The Group undertakes to safeguard the health and safety of its people in places of work through a **constant activity of analysis and research**. The final objective is the creation of a safe and healthy work environment thanks to the adoption of measures and procedures aimed at preventing accidents and damage to health, and at mitigating and reducing potential risks.

The main activities set up to create a safe work environment refer to the assessment of work-related risks and the consequent preparation of prevention and corrective action plans (e.g. the 5s methodology, a systematic method for the effectiveness and optimisation of operating performances, and the provision of Individual Protection Devices), the monitoring of accidents and injuries (e.g. through a database) and the drawing up of annual reports. In some cases Group companies are supported by expert external consultants in the prevention of risks to further improve the work environment.


The Italian companies in the Group undertake, moreover, to comply with what is required by national health and safety regulations (e.g. Leg. Dec. 81/200) receiving legal compliance audits on the part of an independent certification body.

The Group's commitment to preventing accidents is also reflected in the provision of health and safety training and awareness programmes for staff. Specifically, courses are given relating to the handling of loads, the use of machinery (e.g. forklift truck), emergency plans and fire-prevention and the training of staff in first aid.

The Italian companies in the Group parent company, Emak S.p.A., have embarked upon a series of improvement actions that go beyond what is required by the current laws on the matter (Leg. Dec. 81 of 2008). The companies, in fact, periodically carry out an analysis of their work activities identifying the risks associated with them and the corrective actions to be implemented. The outcome of the analysis is a **risk assessment document**, updated on a three-year basis and in the event of organisational changes. This document is drawn up by the employer representative with the cooperation of members of the Health and Safety Team (Health and Safety Manager), the company doctor and workers' health and safety representatives. The companies also provide Individual Protection Devices (IPDs) to staff operating in work areas where they are required, and each year draws up an evacuation plan for emergencies. Staff participate in training and updating courses on health and safety. For the purpose of implementing improvement actions, episodes of occupational accidents and illness are monitored, comparing the trend in indices from year to year.

During 2017, the company, Geoline Electronic, implemented the BSOHSAS 18001 (Occupational Health and Safety Assessment Series) management system with the aim of obtaining certification in 2018.

In 2017 there were 54 accidents at Group level, with a seriousness index of 0.36.

 For more information regarding accident indices, reference should be made to the "Performance indices" section of this document.



## 3.2 The product

### Supply chain

(102-9 e 102-10)

EMAK Group's supply is composed of around 3,300 suppliers, subdivided between consolidated suppliers of material for production and suppliers of occasional services. The value of Group purchases in 2017 was around 230 million euros.

Common suppliers account for around 12% of the total. The Group, through the Corporate Purchasing Department, has set up synergy and optimisation plans aimed at further increasing and consolidating the perimeter of common suppliers.

Suppliers are inserted within the context of global Group supply and are governed by common commercial rules and conditions where possible, regulated by framework Agreements, which take into consideration the specific needs deriving from the particular characteristics of the business sectors in which the Group operates. With regards to geographical area, 70% of the supply chain lies within the European Union and 30% outside, largely in the Far East directly serving the production sites situated in those areas. The geographical distribution of the supply chain can vary depending on the specific nature of the single businesses. With regards to the *Outdoor Power Equipment* line, for example, around 25% of suppliers are situated at less than 100km from the Production Site: these are historical suppliers with a longstanding relationship with the company.

The management of the relationship with suppliers in the Far East is assigned to local teams (Purchases and Quality) present in the various factories with the supervision of the relevant Italian staff: both local control on the part of qualified staff and control at various levels on the part of the Head Office, is therefore guaranteed.

The main suppliers are classified at Corporate level, according to indicators that assess strategic importance, performance, supply characteristics, supplier replaceability and the level of independence, as well as financial risk, into

- Partners
- Strategic
- Part Suppliers

The main commodities purchased are: plastics, parts made of cast aluminium, parts in moulded and shaped metal, final products, electric induction and brush motors, metal work and spare parts.

The main changes in the year in the Group's supply chain structure are mainly as follows:

- Changes due to qualitative problems
- Changes due to the high risk of supplies or external factors such as closures/cessation of the supplier's business which could potentially affect the production continuity of the Group's factories
- Changes due to purchases marketing, aimed at obtaining improved technical-commercial conditions

The main activities have affected around 80 suppliers at Group level, including suppliers judged to be at high risk and those with resourcing projects for qualitative problems: the main commodities affected are plastic, cylinders, metalwork, rubber, and mechanical processing.

50% of cases involve a geographical shift of supplies, typically from Europe to Asia. In the case of purchases marketing, the Group's policy is to maintain double sourcing of supplies with reference to risk management.

At present such procedures relate to companies operating in the *Outdoor Power Equipment* segment, but are being extended to all the companies in the Group.

### Supplier analysis and assessment

(407-1, 408-1, 409-2, 414-1)

An evaluation of environmental and ethical aspects forms part of the assessment of suppliers both upon their initial introduction into Emak's Register of suppliers and in the periodic assessment of performance. The assessment of a potential supplier is carried out with checklists as part of the initial approval process, while the periodic assessment of a supplier already inserted into the Register of suppliers is carried out during supplier visits by a specific team (Quality - Purchases). This type of audit has a qualitative outcome in terms of the reporting of any non-conformities to the Certified Systems Manager and the Purchases Management and the definition of a shared action plan for the investigation and correction of any non-conforming situations. Audits are performed on a periodic basis on the trend of accidents, turnover or aspects relating to safety and ethics through the compilation of questionnaires and/or checklists.

In the perimeter of Italian suppliers, specific training/informative sessions on the sustainability policies developed by the Group are organised, in particular on environmental-social and safety at work issues: these meetings are directed to suppliers of potentially critical commodities (e.g.: painters, plastic processors, assemblers).

In a number of supply contracts for certain types of purchase (e.g.: transport), there is a specific section on environmental and ethical tissues.

The assessment and classification of suppliers already present in the Register of suppliers, includes a specific section that checks the presence of environmental and ethical certification and evaluates the supplier regarding particular changes or improvements in this area. On the basis of the quality audits received, the Group does not have suppliers at high risk on these issues: partners are mostly structured companies, operating for some time in the market and informed on this issue.

For Extra-European suppliers, the companies rely on local teams (Quality-Purchases) that carry out periodic audits and constantly control supplies directed either to extra-European or Italian factories. In the event of the introduction of suppliers in new projects, both general preliminary audits (Quality) and detailed specific audits on issues relating to the environment, safety and ethics (for example, through checklists) are performed.

The factories in the *Outdoor Power Equipment* sector, in which the right of workers to exercise freedom of association and collective bargaining is guaranteed, serve as comparative references for the compilation of the checklists.

New suppliers are visited and assessed according to the SA8000 checklist and Audit Quality schedules.

The selection of suppliers and the assignment of business regulated by contracts is carried out through clear, certain and non-discriminatory procedures, based on criteria linked exclusively to the objective competitiveness of the services and products offered and their quality, considering also the supplier's compliance with the SA8000 standard and, in general, the principles set out in the Ethical Code. The periodic check on the part of appointed staff, through checklists and audits, guarantees that the Register of suppliers is constantly updated with approved and useable suppliers. The check of clauses relating to human rights forms part of this procedure.

This procedure is also applied to Extra-EEC suppliers: a new supplier introduction and assessment procedure and the sharing of a new SA8000 checklist to be used during the Purchases-Quality audit has been in operation since 2017. The audits are carried out by appointed qualified staff and transmitted for certification and control to the appointed Parent Company structure. In the event that the audits performed on new potential suppliers produce negative outcomes, also with a number of minor failings, the Group prefers not to initiate business dealings.

Periodic internal training programmes are organised for the auditors (Quality and Purchases) by the Certification Systems Manager. The assessment schedules for new suppliers prepared by the Quality department have sections on environmental and ethical aspects which form part of the preliminary assessment of the supplier: in the event there are elements or indications of a worsening in the conditions, of potential problem areas or of effective non-conformity, specific action and possible improvement plans are drawn up.

New suppliers are promptly informed of Emak's Ethical Code, and are invited to visit the Emak website in the Social responsibility section and to examine the integrated policies of the Group upon entry into the Register of suppliers.

In 2017, **100% of the new suppliers**<sup>4</sup> (10 suppliers linked to projects for the development of new products in the Far East) were assessed and examined on the basis of the social criteria and related to human rights without any evidence being found of non-conformities. Considering, however, the sensitivity of the issues referred to and the lack of complete knowledge of these new suppliers, in the presence or otherwise of any reports, further examination will be carried out through targeted audits on site by July 2018.

<sup>4</sup> The figure does not include the suppliers of the newly acquired Gruppo Lavorwash whose purchase processes are being progressively integrated with the Parent Company's procedures.

The Group believes it is essential to keep extra-European supplies monitored centrally and to promote training projects for the Purchases-Quality staff so that the issues relating to the environment, safety and ethics are constantly held in consideration in order to limit risk. In this regard, auditors have been made aware of, and formally trained to pay attention to, these aspects and to report any non-conformities, also potential.

At present most of the procedures described refer to the companies operating in the *Outdoor Power Equipment* segment, but are being extended to all the companies in the Group.

## Research and development

Research and development is one of the fundamental pillars on which to base the strategy of continuous growth and success for the Group. The Group, in fact, considers investment in research as a means for obtaining competitive advantage in national and international markets to be of strategic importance. For this reason, where possible, the Group covers its products with **international patents**.

The activity focuses on product innovation, considered as the development of new, more efficient technologies in terms of performance, lower energy consumption and with lower impacts from an environmental point of view. In addition, the Group has for some years set up **cooperation projects with the academic world**, with the aim of the reciprocal exchange of know-how from a continuous improvement point of view for its products and performance levels.

The main activities carried out by the Group companies during 2017, subdivided by business lines, are shown below.

## Outdoor Power Equipment

Besides the consolidation of the sales of the products launched in the second half of 2016, including the new professional 25cc top handle chainsaw (developed for pruning olives and fruit trees and characterised by an excellent weight/power ratio), a 40cc brush-cutter for developing markets and a compact rotary cultivator for private use, a series of important products for the company were launched in 2017. These included, in particular, a further professional top handle chainsaw with 35cc for pruning operations on tall plants, a chainsaw line of 51cc and 56cc designed for developing markets and a renewed line of professional rotary cultivators for intensive use in agriculture.

The development of important technologies for the future also continued during the year, such as:

- **catalytic technology** for small two-stroke motors on portable devices for reducing polluting emissions. In 2017 the Group completed the development programme of a new type of motor fitted with an EGR (Exhaust Gas Recirculation) system which makes it possible to reduce the machine's consumption and emissions by recirculating exhaust gas. The Group has registered a patent on this new technology, which will be applied on a number of product families starting from 2018.
- **electronic control system for "Engine Management" of the engine**: self-adaptive engines able to stabilize on the optimum conditions of efficiency, thereby reducing energy consumption and therefore emissions. The reasons for the development of this technology are as follows:
  - reduction in emissions (estimated reduction - 5%)
  - elimination of any manual intervention to correct carburation;
  - ease of use;
  - optimisation of performance in any condition.
- **electric battery technology** for the reduction of emissions generated by combustion engines, which will get off the ground in the later part of 2018 with the first 5 applications.
- **biodegradable plastic materials** (e.g. plastics deriving from the activity of sugar cane bacteria) which will allow for the sustainable disposal of end-of-life products thanks to their biodegradability in the environment (in around 3 months); analyses are currently being carried on this issue to verify possible application on the Group's machines.
- **methodological activities** (based on numerical simulations) with the aim of creating cutting-edge instruments in the product research, design and development phase. After the research PhD in

cooperation with the University of Modena completed in 2017, the Group has set up new cooperation projects with the University of Modena and the University of Bologna for the development of predictive models for engine cooling and simulation.

### **Pumps and High Pressure Water Jetting**

Within the sphere of the range of products for **agriculture**, the development of centrifugal pumps intended for sale in the North and South American markets has been completed. The main feature of these products is a high flow rate of water at low pressure with very contained dimensions. In addition, the new series of membrane pumps intended to be fitted on sprayers has been completed and industrialised. The modular design and the development of the internal fluid dynamics have made it possible to obtain high performance levels in terms of flow and priming capability with a high level of efficiency and low noise. With regards to the **industrial products**, the development of pumps in the medium-high pressure fields with the HPP brand has been completed. In the field of very high pressure pumps, the Group has invested in new simulation software for analysing vibrations, hydrodynamics and working under stress in order to better understand the physical phenomena relating to hydrodynamic units. This software has also helped in the study of the life-cycle of fourth generation high pressure valves, besides enabling a reduction in the number of real prototypes, thereby contributing significantly to a reduction in environmental impact. Finally, a new rotating nozzle fitted with an efficient speed regulation system, controllable by means of a magnetic brake, has been developed. Specially developed for treating surfaces, it can be used manually or with a pistol or automated.

With regards to the **washing products**, in 2017 the Group created a series of new products that will renew and extend the product range. In particular, a new pressure washer has been developed for amateur use fitted with an electronic system to regulate engine speed, which makes it possible to regulate the pressure according to circumstances, thereby controlling energy consumption and avoiding the wasting of water. In the professional range, three new cold water pressure washers have been launched, replacing the previous models, characterised by a renewed design and new solutions that ensure greater efficiency at the same performance levels. An ash separator powered by a rechargeable 18V lithium-ion battery has been launched on the market during the year, fitted with a switch to select speed, to either save energy or use at maximum power. Developed with the aim of extending the range, a product has been introduced with a compact design but, most of all, with a lower environmental impact thanks to the energy-saving function.

### **Components and accessories**

The development and implementation of cutting systems for brush-cutters and electric and battery trimmers continued during the year, in cooperation with leading global manufacturers. The projects developed were mainly focused on the research of new material for wires, heads and blades, besides the identification of new aerodynamic forms with the aim of reducing energy consumption, noise and vibrations, as required by new international standards. With regards to machines and accessories dedicated to the maintenance of chainsaws, development continues on the range of professional products.

With regards to the line of accessories intended for the agricultural sector, research and development was further directed towards projects for the feeding/farming integration of electronic control systems. The objective was to obtain, with this new generation of products, the development of solutions for managing soil treatments according to crop production efficiency. In addition, the range of flowmeters and sensors intended for spraying and weeding machines was completed. Finally, with the support of Italian universities, a research project was launched for the collection of data for the generation of work maps for the development of applications for cloud platforms.

As part of the development of products for the industrial washing sector, further investments were made in research aimed at implementing and extending the range of pressure regulating valves. This initiative was carried out in cooperation with the University of Modena and Reggio Emilia, which tested and supported the project in the study and experimental phase for various technical solutions, also involving the registration of industrial patents. Moreover, in 2017, development continued on the professional range with the introduction of a catalogue of new products for high pressure and flow uses. The line intended for heads and rotary nozzles for industrial applications was also further extended.

### **Product quality and safety**

**(416-1 and 416-2)**

The Group strongly believes that quality is an essential factor for guiding the company in its corporate mission. All Group companies therefore strive to guarantee the highest quality.

In this context, the table below shows the certifications obtained by Group companies, demonstrating the joint efforts to ensure product quality:

Company	Certificazioni
Emak S.p.A.	ISO 9001:2015 ISO 14001:2015 SA8000:2014
Tecomec S.r.l.	ISO 9001 2015
Comet S.p.A.	ISO 9001:2008
Geoline Electronic S.r.l.	ISO 9001:2015 ISO 14001:2004
Lavorwash S.p.A.	ISO 9001:2015
Ningbo Tecomec Manufacturing Co. Ltd.	ISO 9001:2008
Yong Kang Lavorwash Equipement Co. Ltd.	ISO 9001:2008

### **Outdoor Power Equipment**

With regards to the health and safety of the products developed, all **approval** and **certification** activities are carried out internally in laboratories equipped with specific instruments, with the exception of electromagnetic compatibility, which is carried out in laboratories near to the company. Every three months the instrumentation used for checking the quality and safety features of the product is re-certified so as to monitor and correct any wear and tear. The products developed are evaluated with regards to the safety of the mechanical parts, the noise produced, the emissions generated (according to the indications of the Emissions Directive), vibrations and electromagnetic compatibility. The Machines Directive provides the guidelines relating to elements that must be verified with regards to product safety.

During the **production phase**, a sample check is carried out through a functional and safety test aimed at evaluating the machine's conformity. The introduction of a person dedicated full-time to the evaluation of product conformity in the production phase has been provided for since February 2017. Today, in fact, monitoring of the machines is carried out only in the product development phase (technical area).

The department dedicated to product Quality and Safety is particularly active and attentive in relation to the constantly evolving reference legislation context. Emak is a member of EUROMOT, the category association of engine manufacturers at a European level which is involved in supporting the development of future scenarios regarding the reference sector (e.g. emissions, etc.). Emak also follows the evolution of legislation affecting the sector (Emissions Directive, Machines Directive Revision, Noise Directive, WEEE Directive - The Waste Electrical and Electronic Equipment Directive - ISO standards, etc.) in order to be constantly updated and in line with the requirements requested by the current laws in countries where it has production sites. Finally, Emak takes part in the ISO meetings relating to changes and developments regarding the safety of products in the reference markets.

There were no cases of product non-conformity in 2017.

### **Pumps and High Pressure Water Jetting**

In the Pumps and High Pressure Water Jetting segment, there are various procedures in place to monitor and guarantee quality and safety in the different phases for the design, production and marketing of the product in the market. Specifically, in Comet S.p.A., the reference company for the activities of the segment, there is a procedure that describes the criteria adopted by the technical department for preparing the Technical File of designed, manufactured and marketed Finished Products. Among other things, this document sets out analyses of the risks associated with the use of the developed products, which follows the criteria indicated in

the directives/standards which the product has to comply with. The analysis of risks, as well as the use and maintenance booklet, is revised every time a modification makes this necessary (modification of the product and/or the issue of new relevant regulations). The File also shows the results of conformity tests carried out in company or external laboratories.

A further procedure in place relates to the definition and description of the activities, responsibilities and flow of information linked to the product design cycle so as to ensure that the quality requirements of the product are complied with and implemented.

In addition, there is a Technical procedure aimed at defining the production process control requirements for subcontracted suppliers of finished products.

The production processes are subject to a specific Technical Procedure with the aim of defining the operating procedures for structuring the production process and of ensuring that these are implemented in controlled conditions. The organisation provides for specific procedures that accompany the production process of a number of machines subject to a PED Directive (Directive relating to equipment under pressure).

Every product non-conformity found during the design and production phase is registered and any corrective actions are planned.

The Lavorwash Group operates according to the ISO 9001 system and has adopted a procedure that establishes criteria and controls with regards to the design, production and quality control of both incoming and outgoing products.

### **Components and accessories**

With regards to evaluation activities regarding the health and safety of the products developed, there is an internal procedure that establishes the activities and responsibilities regarding the design and engineering phases of new products. Specifically, during the design phase the laws and standards to which the product is subject are reviewed (e.g. the REACH regulation - Registration, Evaluation, Authorisation and Restriction of Chemicals, and the RoHS directive - Restriction of Hazardous Substances Directive) on the basis of the final market of the product. Higher levels of safety are requested for a number of products, such as power tools. In these cases, the well-established procedure imposed by management is the issue of a certification by third party bodies: for the European market, the certification is issued by the TÜV company (Technischer Überwachungsverein), while for the United States market by UL (Underwriters Laboratories). In the event that it is considered necessary internally or is explicitly requested by the customer, an FMEA (Failure Mode and Effect Analysis) risk analysis is applied. Finally, for those products that are not regulated by specific legislation (e.g. accessories), reference is made to the standard to which the finished product is subject.

In 2017 there was one case of product non-conformity which did not lead to any harm for the final user or legal action against the Group. Specifically, the non-conformity related, for a number of production lots, to a switch for chain sharpeners for the chainsaws purchased from a third party supplier. It was an automatic release device which served as a safety device and the non-conformity consisted in the possible failure of the mechanism. As soon as it was informed of the non-conformity, the Group arranged for the identification of all the sharpeners at risk and the segregation of company stocks of these machines and switches. The situation was communicated to all the customers that had received the machines at risk, in order to block sales. Finally, the machines were withdrawn from the market.

### 3.3 Economic value created and distributed

(201-1)

Added value is the wealth produced by the Emak Group and redistributed to the various stakeholders under various forms.

Through a reclassification of the income statement, the figures regarding the creation and distribution of added value provide an indication of how the Group has created wealth for its stakeholders, highlighting the economic effects produced by business management with reference to the main categories of interested parties.

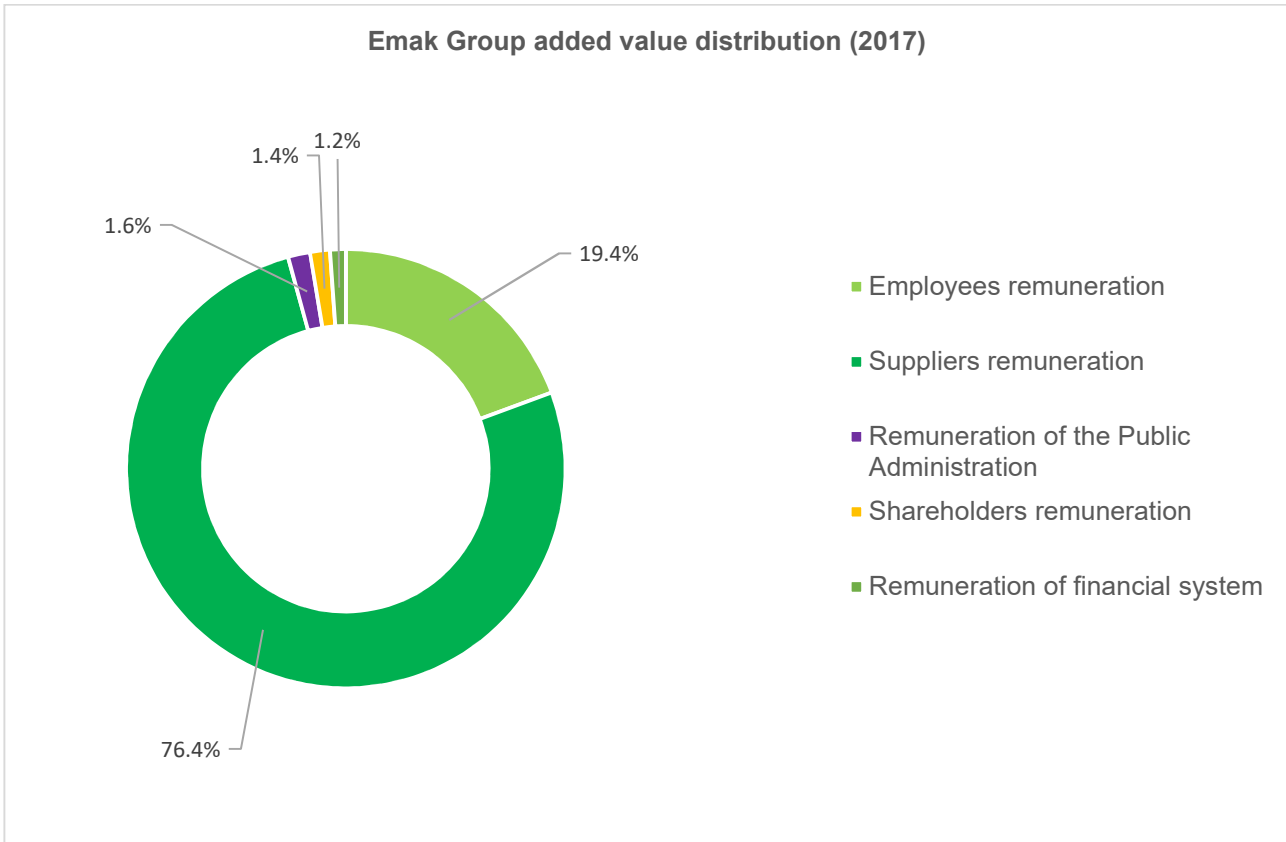
The net global added value of distributed by the Group in 2017 is 413.6 million euros.

Most of this value, equal to 76.4%, is represented by the “remuneration of suppliers”; this heading is mainly composed of costs for services and raw materials. This is followed by the “remuneration of staff” (19.4%), represented by salaries, employee severance indemnity and social security costs. Then there is “remuneration of the Public Administration”, composed of tax on income, “remuneration of the financial system” and “remuneration of the shareholders”, composed of the profit attributable to minority interests and distributed profits.

Prospectus for determining the Added Value			
€/000	2016		2017
<i>Sales</i>	391,879		422,155
<i>Other operating incomes</i>	2,589		3,684
<i>Change in inventories</i>	-12,116		14,168
<i>Income from equity investment</i>	205		389
<i>Financial income</i>	7,105		1,807
<i>Exchange gains and losses</i>	3,407		-4,218
<b>Global gross Added Value</b>	<b>393,069</b>		<b>437,985</b>
<i>Amortization, depreciation and impairment losses</i>	17,600		13,955
<b>Global net Added Value</b>	<b>375,469</b>		<b>424,030</b>

Prospectus for the allocation of the Added Value			
<b>Employees remuneration</b>	<b>73,039</b>		<b>80,055</b>
<i>Personnel expenses</i>	73,039		80,055
<b>Suppliers remuneration</b>	<b>269,844</b>		<b>316,020</b>
<i>Raw materials, consumable and goods</i>	198,172		234,565
<i>Other operating costs and provisions</i>	71,672		81,455
<b>Remuneration of the Public Administration</b>	<b>8,847</b>		<b>6,700</b>
<i>Income taxes</i>	8,847		6,700
<b>Shareholders remuneration</b>	<b>5,812</b>		<b>5,994</b>
<i>(Profit)/loss attributable to non controlling interests</i>	88		270
<i>Dividend distributed to shareholders*</i>	5,724		5,724
<b>Remuneration of financial system</b>	<b>6,056</b>		<b>4,820</b>
<i>Financial expenses</i>	6,056		4,820
<b>Global net Added Value distributed</b>	<b>363,598</b>		<b>413,589</b>

\*The profit distributed to shareholders for the financial year 2017 corresponds to the destination of the economic result for the year of Emak SpA. as dividend that the Board of Directors will propose to the Shareholders' Meeting.



### 3.4 Environmental Responsibility

**(302-1, 303-1 e 305-1)**

The Group believes that the protection of the environment in which it operates is of fundamental importance, considering the natural environment as an asset to be safeguarded, in harmony with the Group's activities and with due consideration for future generations. For this reason, the Group undertakes to monitor and reduce the environmental impacts generated by its activities and products along the entire life cycle, from design to production, adopting eco-sustainable and recyclable materials, as well as efficient processes from the point of view of energy consumption.

With regards to the creation of responsible products, the parent company, Emak S.p.A., has created a logo that expresses its green vision: **we care**. Emak S.p.A. was, in fact, the first company in the world in the sector to have obtained certifications in three fundamental areas of corporate sustainability, that is, Ethics, Environment and Quality. The entire supply chain, from design to distribution, has a quality certification attesting its value and reliability.

Emak S.p.A. implements its commitment to sustainable development through the Integrated Management System, which combines the Quality System ISO 9001, the Ethical System SA8000 and the Environmental System ISO14001 standards in a synergistic manner. In particular, according to what is provided for by ISO 9001, Emak has carried out an analysis of environmental risks, and through the ISO 14001 certification, the company is able to improve the management of environmental aspects linked to its activities, monitoring their impacts and improving performance.

In addition, Emak has a **Mobility Manager** with the objective of collecting data on the company's workforce and of drawing up a plan of home-work journeys, thereby reducing the emissions linked to transport in line with the principles of sustainable mobility (discouraging personal car use for short journeys and choosing alternative means of transport such as public transport and car-pooling).

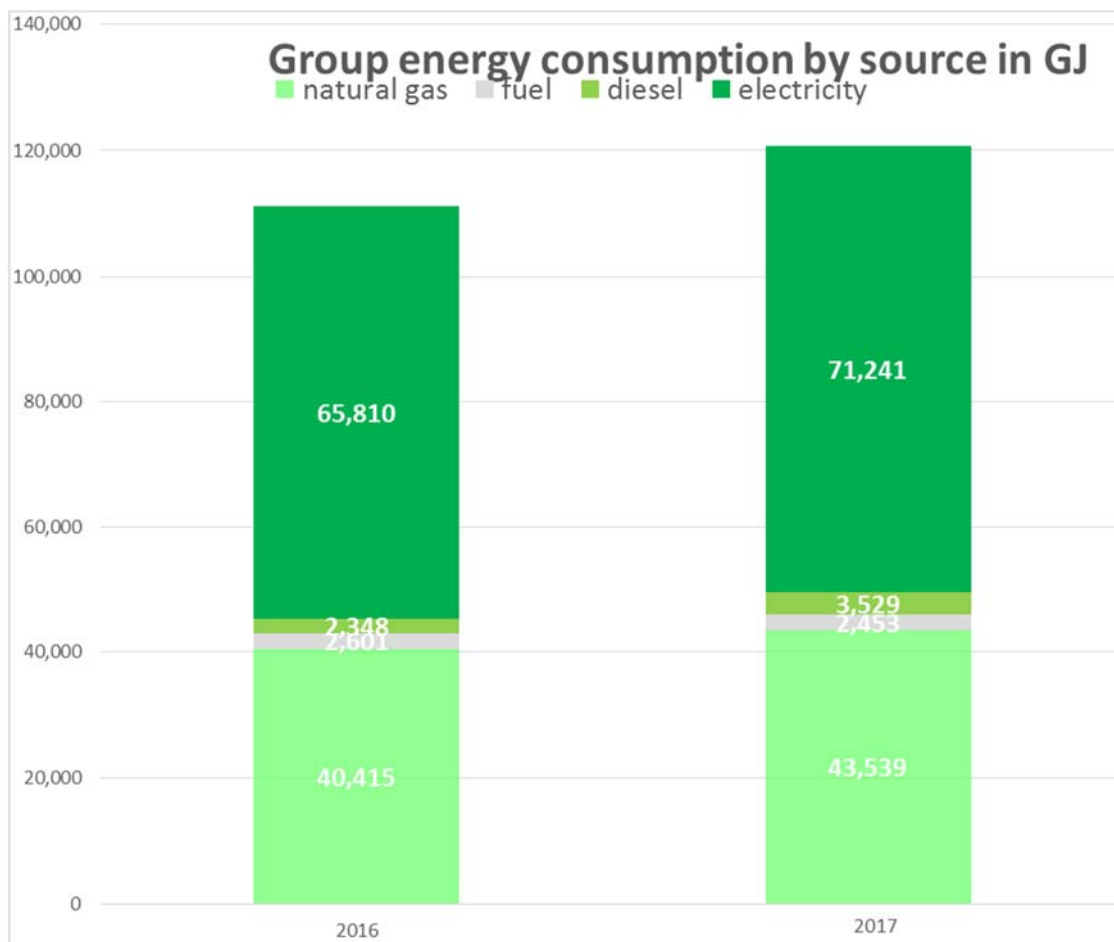


## Energy consumption

The Group is committed to monitoring and reducing its energy consumption, implementing improvement actions aimed at reducing waste and making energy use in offices and factories more efficient. In various companies of the Group, initiatives have been taken aimed at improved energy efficiency, such as the installation of energy-saving lighting, replacing neon lights with LED lights, installing automatic movement sensors in warehouses and factories, automatic switch-off lighting systems and air-conditioning/heating systems and photovoltaic panels.

The group also encourages responsible behaviour among its staff, aimed at reducing energy consumption and promotes best practice (e.g. turning off lights and reducing the temperature in non-occupied areas).

The Group's energy consumption mainly relates to the use of natural gas and other fuels for heating buildings and factories and for the production processes, besides electricity acquired directly from the network and used for heating/cooling and for the Group's production processes.

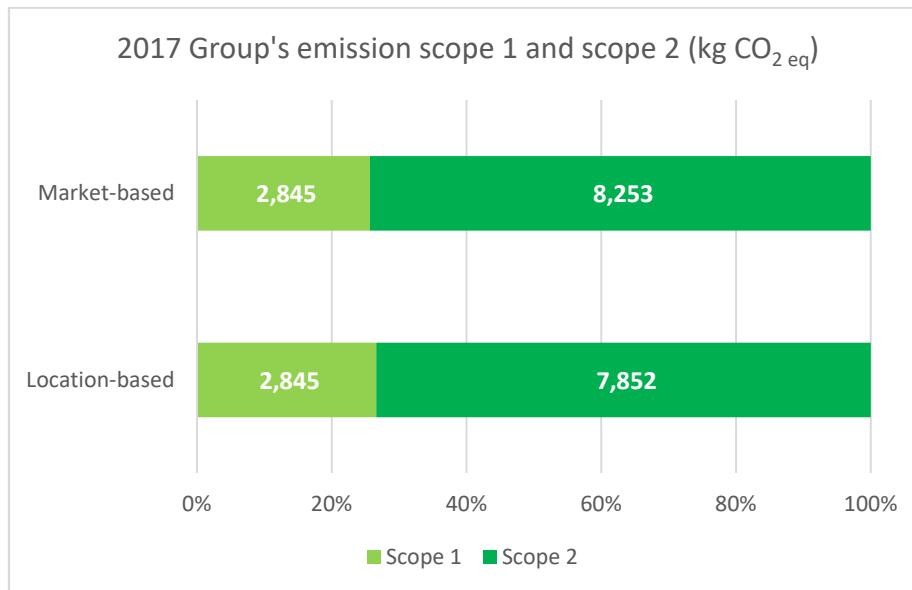


Specifically, 43,539 GJ of fuel from non-renewable sources (natural gas, diesel and petrol) were consumed in 2017, while the total consumption of electricity was 71,241 GJ. Overall energy consumption was therefore 120,761 GJ. In terms of percentages, most of the consumption is attributable to the use of electricity (around 59%); 36%, instead, is attributable to the consumption of natural gas for internal heating. There was an increased in the consumption of energy in 2017 caused by the addition of the Italian and Chinese production companies of the Lavorwash Group, besides an increase in production activities.

## Emissions

Direct and indirect CO<sub>2</sub> eq emissions associated with the main consumption activities of the Group can be subdivided into two categories:

- **direct emissions (Scope 1):** emission of greenhouse gases due to direct fuel consumption on the part of the Group (e.g. natural gas, diesel and petrol);
- **indirect emissions (Scope 2):** emissions of greenhouse gases deriving from the consumption of electricity, heat and steam imported and consumed by the Group.



In line with the commitment to reduce its energy consumption, the Group seeks to achieve a decrease in emissions directly and indirectly generated by its activities. Emissions of CO<sub>2</sub> eq in 2017 calculated with the location-based method were 10,773 kg; 74% of the emissions is attributable to electricity (scope 2), while 26% is attributable to the use of fuels (scope 1).

Using, instead the market-based method, the emissions produced by the Group in 2017 were 11,365 kg; compared to the location-based method, the contribution associated with the use of electricity increases (scope 2).

In 2017 there was an increase of 10% in emission compared to the values for 2016. This increase is attributable to the presence of new production sites further to the acquisition of the Lavorwash Group. In addition, there was an increase in production activities.

With regard to the quantification of other atmospheric emissions different from CO<sub>2</sub> emissions, various case studies are reported among the companies of the Group. In particular

- Companies that are not subject to authorization as they do not produce significant emissions into the atmosphere;
- Company subject to periodic inspections and they have the obligation to air emissions permit. For example, at a national level, Emak S.p.A. and Lavorwash S.p.A. monitor their emissions into the atmosphere (PM) pursuant to Legislative Decree 152/06. In particular, the emissions are sampled through sampling of gaseous fluids conveyed in the emission chimney, according to the UNI EN 13284-1: 2003 sampling method. The sampling results are described in specific test reports where the values of the samples sampled (mg / NM<sup>3</sup>) are compared with the limits established by the reference standard. For 2017 there are no exceedances of the emission limit values. In some establishments subject to environmental licensing (eg Ningbo and Tailong in China), the emission control is performed by the competent authorities on an annual basis; for an estimate of emissions in the year, the sampled value is then multiplied by the annual working. For the Chinese

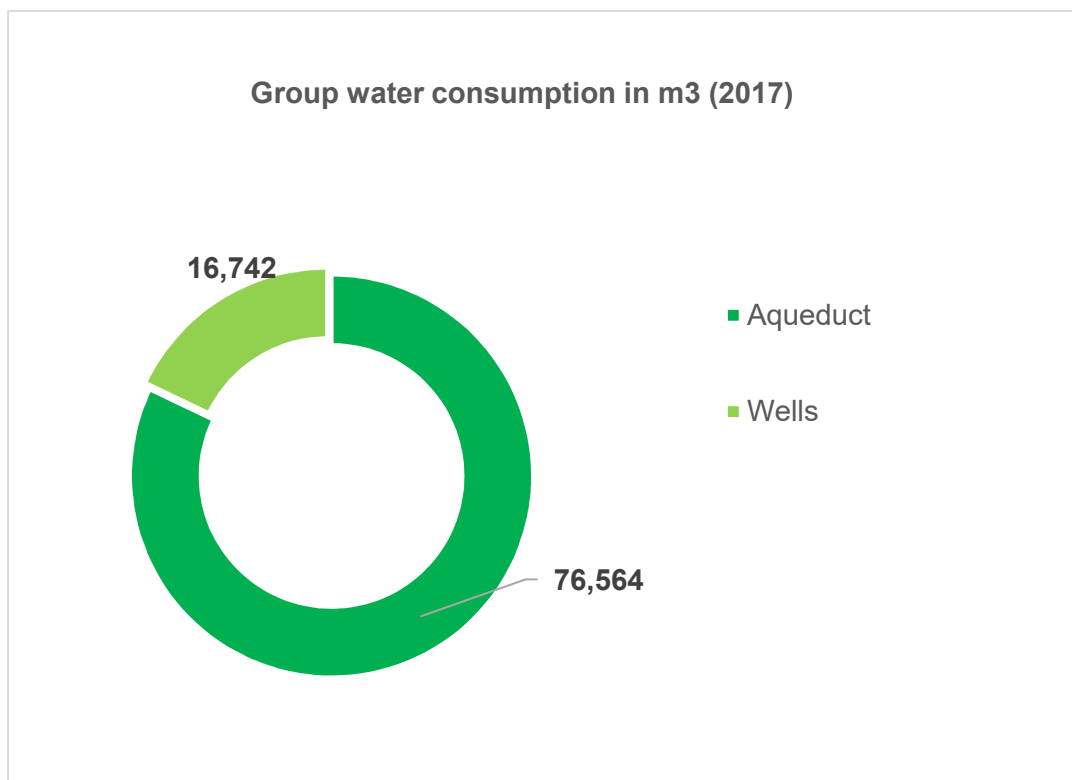
plants Ningbo and Jiangmen, the estimated emissions are equal to 15,405 kg of NOx, 480 kg of SOx and 148 kg of particulate matter.

## Water consumption

The Group pays particular attention to the consumption of water resources and implements actions aimed at reducing water consumption along the entire life cycle of the product from the design phase to the production phase.

Actions taken relate, for example, to the continuous monitoring of any losses from pipes in the water network so as to promptly take action and avoid high losses, the recovery and re-use of water collected in appropriate tanks, and the use of water in closed cycles with regards to production processes.

The total quantity of water consumption was 93.306 m<sup>3</sup>: supplies were mainly taken from aqueducts (82% of the total), while a lower quantity derives from wells situated near the production sites (18%). Overall, water consumption increased by 7.6% compared to 2016, while the proportion of water taken from aqueducts and wells remained the same.



## 4. Performance indicators

### Figures relating to human resources

#### Total number of employees by country, gender and type of contract at 31 December

	2016			2017		
	Male	Female	Total	Male	Female	Total
<b>EUROPE</b>	<b>790</b>	<b>327</b>	<b>1,117</b>	<b>900</b>	<b>422</b>	<b>1,322</b>
permanent	783	321	1,104	885	414	1,299
temporary	7	6	13	15	8	23
<b>AMERICAS</b>	<b>166</b>	<b>60</b>	<b>226</b>	<b>192</b>	<b>72</b>	<b>264</b>
permanent	166	59	225	191	69	260
temporary	-	1	1	1	3	4
<b>REST OF THE WORLD</b>	<b>152</b>	<b>191</b>	<b>343</b>	<b>193</b>	<b>250</b>	<b>443</b>
permanent	152	191	343	193	250	443
temporary	-	-	-	-	-	-
<b>TOTAL GROUP</b>	<b>1,108</b>	<b>578</b>	<b>1,686</b>	<b>1,285</b>	<b>744</b>	<b>2,029</b>
permanent	1,101	571	1,672	1,269	733	2,002
temporary	7	7	14	16	11	27

#### Total number of employees by country, full-time/part-time and gender at 31 December

	2016			2017		
	Male	Female	Total	Male	Female	Total
<b>EUROPE</b>	<b>790</b>	<b>327</b>	<b>1,117</b>	<b>900</b>	<b>422</b>	<b>1,322</b>
Full-time	765	235	1,000	867	309	1,176
Part-time	25	92	117	33	113	146
<b>AMERICAS</b>	<b>166</b>	<b>60</b>	<b>226</b>	<b>192</b>	<b>72</b>	<b>264</b>
Full-time	165	59	224	192	72	264
Part-time	1	1	2	-	-	-
<b>REST OF THE WORLD</b>	<b>152</b>	<b>191</b>	<b>343</b>	<b>193</b>	<b>250</b>	<b>443</b>
Full-time	152	190	342	193	249	442
Part-time	-	1	1	-	1	1
<b>TOTAL GROUP</b>	<b>1,108</b>	<b>578</b>	<b>1,686</b>	<b>1,285</b>	<b>744</b>	<b>2,029</b>
Full-time	1,082	484	1,566	1,252	630	1,882
Part-time	26	94	120	33	114	147

#### Total number of external workers subdivided by professional figure and gender at 31 December

	2016			2017		
	Male	Female	Total	Male	Female	Total
<b>TOTAL GROUP</b>	<b>107</b>	<b>66</b>	<b>172</b>	<b>113</b>	<b>71</b>	<b>184</b>
Agency and other	107	66	172	113	71	184
Stage	-	-	-	-	-	-

**Total number of employees by professional status and gender at 31 December**

	2016			2017		
	Male	Female	Total	Male	Female	Total
<b>EUROPE</b>	<b>790</b>	<b>327</b>	<b>1,117</b>	<b>900</b>	<b>422</b>	<b>1,322</b>
Executives	53	10	63	64	9	73
Employees	348	177	525	395	219	614
Workers	389	140	529	441	194	635
<b>AMERICAS</b>	<b>166</b>	<b>60</b>	<b>226</b>	<b>192</b>	<b>72</b>	<b>264</b>
Executives	17	1	18	17	1	18
Employees	87	35	122	94	40	134
Workers	62	24	86	81	31	112
<b>REST OF THE WORLD</b>	<b>152</b>	<b>191</b>	<b>343</b>	<b>193</b>	<b>250</b>	<b>443</b>
Executives	6	6	12	9	6	15
Employees	82	41	123	82	55	137
Workers	64	144	208	102	189	291
<b>TOTAL GROUP</b>	<b>1,108</b>	<b>578</b>	<b>1,686</b>	<b>1,285</b>	<b>744</b>	<b>2,029</b>
Executives	76	17	93	90	16	106
Employees	517	253	770	571	314	885
Workers	515	308	823	624	414	1,038

**Total number of employees by status and age band at 31 December**

	2016				2017			
	< 30	30 - 50	> 50	Total	< 30	30 - 50	> 50	Total
<b>EUROPE</b>	<b>63</b>	<b>714</b>	<b>340</b>	<b>1,117</b>	<b>95</b>	<b>837</b>	<b>390</b>	<b>1,322</b>
Executives	1	35	27	63	2	39	32	73
Employees	37	332	156	525	55	384	175	614
Workers	25	347	157	529	38	414	183	635
<b>AMERICAS</b>	<b>59</b>	<b>132</b>	<b>35</b>	<b>226</b>	<b>64</b>	<b>160</b>	<b>40</b>	<b>264</b>
Executives	-	8	10	18	-	6	12	18
Employees	31	78	13	122	30	93	11	134
Workers	28	46	12	86	34	61	17	112
<b>REST OF THE WORLD</b>	<b>72</b>	<b>256</b>	<b>15</b>	<b>343</b>	<b>102</b>	<b>309</b>	<b>32</b>	<b>443</b>
Executives	1	9	2	12	1	12	2	15
Employees	21	97	5	123	27	100	10	137
Workers	50	150	8	208	74	197	20	291
<b>TOTAL GROUP</b>	<b>194</b>	<b>1,102</b>	<b>390</b>	<b>1,686</b>	<b>261</b>	<b>1,306</b>	<b>462</b>	<b>2,029</b>
Executives	2	52	39	93	3	57	46	106
Employees	89	507	174	770	112	577	196	885
Workers	103	543	177	823	146	672	220	1,038

**Employees belonging to protected categories by professional status and gender at 31 December**

	2016			2017		
	Male	Female	Total	Male	Female	Total
<b>TOTAL GROUP</b>	<b>31</b>	<b>16</b>	<b>47</b>	<b>44</b>	<b>21</b>	<b>63</b>
Executives	-	-	-	-	-	-
Employees	7	2	9	8	4	12
Workers	24	14	38	35	16	51

**Newly-hired staff by gender and age band**

	2016			2017		
	Male	Female	Total	Male	Female	Total
<b>EUROPE</b>						
<30 years old	13	6	19	13	9	22
30-50 years old	24	4	28	31	3	34
> 50 years old	10	1	11	3	1	4
<b>Total</b>	<b>47</b>	<b>11</b>	<b>58</b>	<b>47</b>	<b>13</b>	<b>60</b>
<b>Incoming turnover (%)</b>	<b>5.9%</b>	<b>3.4%</b>	<b>5.2%</b>	<b>5.9%</b>	<b>4.6%</b>	<b>5.4%</b>
<b>AMERICAS</b>						
<30 years old	14	4	18	13	6	19
30-50 years old	18	4	22	24	8	32
> 50 years old	3	1	4	4	2	6
<b>Total</b>	<b>35</b>	<b>9</b>	<b>44</b>	<b>41</b>	<b>16</b>	<b>57</b>
<b>Incoming turnover (%)</b>	<b>21.1%</b>	<b>15.0%</b>	<b>19.5%</b>	<b>24.7%</b>	<b>26.7%</b>	<b>25.2%</b>
<b>REST OF THE WORLD</b>						
<30 years old	13	2	15	17	9	26
30-50 years old	5	4	9	20	18	38
> 50 years old	-	-	-	4	2	6
<b>Total</b>	<b>18</b>	<b>6</b>	<b>24</b>	<b>41</b>	<b>29</b>	<b>70</b>
<b>Incoming turnover (%)</b>	<b>11.8%</b>	<b>3.1%</b>	<b>7.0%</b>	<b>27.0%</b>	<b>15.2%</b>	<b>20.4%</b>
<b>GROUP</b>						
<30 years old	40	12	52	43	24	67
30-50 years old	47	12	59	75	29	104
> 50 years old	13	2	15	11	5	16
<b>Total</b>	<b>100</b>	<b>26</b>	<b>126</b>	<b>129</b>	<b>58</b>	<b>187</b>
<b>Incoming turnover (%)</b>	<b>9.0%</b>	<b>4.5%</b>	<b>7.5%</b>	<b>11.6%</b>	<b>10.0%</b>	<b>11.1%</b>

**Outgoing staff by gender and age band**

	2016			2017		
	Male	Female	Total	Male	Female	Total
<b>EUROPE</b>						
<30 years old	2	-	2	8	3	11
30-50 years old	18	4	22	34	5	39
> 50 years old	9	5	14	15	12	27
<b>Total</b>	<b>29</b>	<b>9</b>	<b>38</b>	<b>57</b>	<b>20</b>	<b>77</b>
<b>Outgoing turnover (%)</b>	<b>3.7%</b>	<b>2.8%</b>	<b>3.4%</b>	<b>7.2%</b>	<b>6.1%</b>	<b>6.9%</b>
<b>AMERICAS</b>						
<30 years old	18	3	21	16	-	16
30-50 years old	24	3	27	12	9	21
> 50 years old	9	2	11	9	-	9
<b>Total</b>	<b>51</b>	<b>8</b>	<b>59</b>	<b>37</b>	<b>9</b>	<b>46</b>
<b>Outgoing turnover (%)</b>	<b>30.7%</b>	<b>13.3%</b>	<b>26.1%</b>	<b>22.3%</b>	<b>15.0%</b>	<b>20.4%</b>
<b>REST OF THE WORLD</b>						
<30 years old	12	8	20	31	15	46
30-50 years old	12	28	40	31	25	56
> 50 years old	-	3	3	2	-	2
<b>Total</b>	<b>24</b>	<b>39</b>	<b>63</b>	<b>64</b>	<b>40</b>	<b>104</b>
<b>Outgoing turnover (%)</b>	<b>15.8%</b>	<b>20.4%</b>	<b>18.4%</b>	<b>42.1%</b>	<b>20.9%</b>	<b>30.3%</b>
<b>GROUP</b>						
<30 years old	32	11	43	55	18	73
30-50 years old	54	35	89	77	39	116
> 50 years old	18	10	28	26	12	38
<b>Total</b>	<b>104</b>	<b>56</b>	<b>160</b>	<b>158</b>	<b>69</b>	<b>227</b>
<b>Outgoing turnover (%)</b>	<b>9.4%</b>	<b>9.7%</b>	<b>9.5%</b>	<b>14.3%</b>	<b>11.9%</b>	<b>13.5%</b>

**Number of hours of professional training by status and gender**

2016 <sup>5</sup>						
	Male		Female		Total	
	No, hours	Average per capita	No, hours	Average per capita	No, hours	Average per capita
<b>TOTAL GROUP</b>	<b>12,068</b>	<b>10.9</b>	<b>8,279</b>	<b>14.3</b>	<b>20,347</b>	<b>12.1</b>
Executives	1,144	15.1	293	17.2	1,437	15.5
Employees	6,461	12.5	3,037	12.0	9,497	12.3
Workers	4,464	8.7	4,950	16.1	9,413	11.4
<i>of which anticorruption</i>	298	0.3	850	1.5	1,148	0.7
<i>of which health and safety</i>	5,158	4.7	2,966	5.1	8,124	4.8

2017						
	Male		Female		Total	
	No, hours	Average per capita	No, hours	Average per capita	No, hours	Average per capita
<b>TOTAL GROUP</b>	<b>12,801</b>	<b>10.0</b>	<b>8,043</b>	<b>10.8</b>	<b>20,708</b>	<b>10.2</b>
Executives	986	11.0	114	7.1	1,100	10.4
Employees	5,810	10.2	2,326	7.4	8,000	9.0
Workers	6,005	9.6	5,603	13.5	11,608	11.2
<i>of which anticorruption</i>	85	0.1	120	0.2	205	0.1
<i>of which health and safety</i>	3,878	3.0	1,939	2.6	5,777	2.8

<sup>5</sup> The figures for training shown do not include the training organised by Raico S.r.l.

## Absenteeism and occupational diseases

	2016 <sup>6</sup>											
	EUROPE			AMERICAS			REST OF THE WORLD			GROUP		
	M	F	Tot	M	F	Tot	M	F	Tot	M	F	Tot
<b>Injuries</b>	19	8	27	-	-	-	4	3	7	23	11	34
<i>of which fatal</i>	-	-	-	-	-	-	-	-	-	-	-	-
Lost days	9,812	4,615	14,427	895	426	1,321	266	252	518	10,973	5,293	16,266
<b>Seriousness index</b>	0.19	0.56	0.29	0	0	0	0.13	0.19	0.16	0.15	0.36	0.22
<b>Accident rate</b>	15.0	18.0	15.8	0	0	0	14.3	7.9	10.6	12.7	11.7	12.1
<b>Occupational disease rate</b>	0	0	0	0	0	0	0	0	0	0	0	0
<b>Absenteeism rate</b>	5%	6.4%	5.4%	2.1%	2.8%	2.3%	0.7%	0.5%	0.6%	4%	3.9%	4%

	2017											
	EUROPE			AMERICAS			REST OF THE WORLD			GROUP		
	M	F	Tot	M	F	Tot	M	F	Tot	M	F	Tot
<b>Injuries</b>	23	12	35	1	5	6	7	5	12	31	22	53
<i>of which fatal</i>	-	-	-	-	-	-	-	-	-	-	-	-
Lost days	7,697	4,306	12,003	790	421	1,211	213	301	514	8,700	5,028	13,728
<b>Seriousness index</b>	0.32	0.40	0.35	0.23	0.07	0.19	0.22	0.19	0.20	0.29	0.28	0.29
<b>Accident rate</b>	17.0	23.0	18.7	2.6	35.7	11.6	20.1	10.3	14.4	14.9	19.2	16.5
<b>Occupational disease rate</b>	0.00	0.00	0.00	0.0	0.0	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Absenteeism rate</b>	3.8%	5.2%	4.2%	1.6%	2.4%	1.9%	0.5%	0.5%	0.5%	3.0%	3.1%	3.0%

The accident rate has been calculated as the relationship between the total number of accidents and the total hours worked, using a multiplication factor of 100,000,

The seriousness index has been calculated as the relationship between the total number of days lost for injury or illness and the total hours worked, using a multiplication factor of 1,000,

The occupational disease rate has been calculated as the relationship between the total number of recognised cases of occupational disease and the total number of hours worked,

The absenteeism rate has been calculated as the relationship between the total number of days absent and the total workable days,

<sup>6</sup> The data shown do not include those for the company, Raico S.r.l.



## Environmental data

### Group energy consumption

Energy consumption	Unit of measurement	2016	2017
Fuel from non-renewable sources	GJ	45,364	49,521
<i>of which for heating</i>	GJ	40,444	45,121
<i>of which for productive process</i>	GJ	4,920	4,400
Fuel from renewable sources	GJ	0	0
Total electric energy consumption <sup>7</sup>	GJ	65,810	71,241
<b>Total energy consumption</b>	<b>GJ</b>	<b>111,174</b>	<b>120,762</b>

### Details of energy consumption – fuel type

	Unit of measurement	2016		2017		
		Consumption [uom]	GJ	Unit of measurement	Consumption [uom]	GJ
Natural gas	m <sup>3</sup>	1,148,262	40,415	m <sup>3</sup>	1,237,022	43,539
Gasoline	l	79,433	2,601	l	74,924	2,453
Diesel	l	64,646	2,348	l	98,007	3,529
Electric energy	kWh	18,280,444	65,810	kWh	19,789,047	71,241

### Details of scope 1\* and scope 2\*\* emissions (Location-based method) for the Group

	2016			2017		
	Scope 1 ton CO <sub>2</sub>	Scope 2 ton CO <sub>2</sub>	Total ton CO <sub>2</sub>	Scope 1 ton CO <sub>2</sub>	Scope 2 ton CO <sub>2</sub>	Total ton CO <sub>2</sub>
Europe	2,396	2,146	4,542	2,599	2,394	4,993
Americas	124	1,898	2,022	173	2,037	2,210
Rest of the World	75	3,101	3,176	73	3,421	3,494
<b>Total</b>	<b>2,595</b>	<b>7,145</b>	<b>9,740</b>	<b>2,845</b>	<b>7,852</b>	<b>10,697</b>

### Details of scope 1\* and scope 2\*\* emissions (Market-based method) for the Group

	2016			2017		
	Scope 1 ton CO <sub>2</sub>	Scope 2 ton CO <sub>2</sub>	Total ton CO <sub>2</sub>	Scope 1 ton CO <sub>2</sub>	Scope 2 ton CO <sub>2</sub>	Total ton CO <sub>2</sub>
Europe	2,396	2,502	4,898	2,599	2,795	5,394
Americas	124	1,898	2,022	173	2,037	2,210
Rest of the World	75	3,101	3,176	73	3,421	3,494
<b>Total</b>	<b>2,595</b>	<b>7,501</b>	<b>10,096</b>	<b>2,845</b>	<b>8,253</b>	<b>11,098</b>

\*For the calculation of scope 1 emissions, different emission factors were considered on the basis of the type of fuel used, Natural gas: ISPRA 2017 for emissions in the national territory (Italy), IPCC 2006 for emissions in non-Italian territories; Petrol: DEFRA 2014 for national and foreign emissions; diesel: ISPRA 2017 for emissions in the national territory (Italy), DEFRA 2014 for emissions originating in non-Italian territories,

<sup>7</sup> It should be noted that the Group has not made use of certificates of origin for the acquisition of energy from renewable sources.

*\*\* Scope II emissions have been calculated with the location-based method. However, they have also been calculated with the market-based method, using the emission factors relating to the "residual mix" (AIB-2016 European Residual Mix), where available. Otherwise, the same emission factors used for the location-based method have also been used for the market-based method.*

*For the calculation of scope 2 emissions using the location-based method, average emission factors relating to the national generation of energy for the different countries of operation have been used (source: Terna - international comparisons, 2015). For the calculation of CO<sub>2</sub> eq, Terna's emission factors (CO<sub>2</sub>) were increased by 5% (estimate of the contribution deriving from other non-Co<sub>2</sub> emissions - source: ISPRA, 2017)*

### Water consumption of the Group by source of supply

	2016	2017
	Consumption [m <sup>3</sup> ]	Consumption [m <sup>3</sup> ]
Municipal water	82,716	76,564
Groundwater (e.g, wells)	4,000	16,742
<b>Total water withdrawal</b>	<b>86,716</b>	<b>93,306</b>

## Table of GRI standards

The table below shows Group information based on the GRI Standards with reference to Emak's materiality analysis, For all information provided, reference to the section in this Sustainability Report is also indicated,

<b>Universal Standards</b>		
<b>GRI Standard</b>	<b>Disclosure</b>	<b>Page number</b>
<b>GRI 102: General Disclosures 2017</b>		
<b>Organizational profile</b>		
102-1	Name of the organization,	4-6
102-2	Main brands, products, and services,	9-11
102-3	Location of headquarter,	The headquarter is located in Bagnolo in Piano (RE), Italy
102-4	Number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the Sustainability Report,	9
102-5	Ownership and legal form,	13
102-6	Markets served (including geographic locations where products and services are offered, sectors served, types of customers and beneficiaries),	9-11
102-7	Scale of the organization,	9-11; 27
102-8	Total number of employees and other workers by contract and by gender,	26-28; 45-46
102-9	A description of the organization's supply chain,	31-32
102-10	Significant changes in the period to the organization's size and structure, or to the supply chain,	4
102-11	How the organization applies the Precautionary Principle or approach,	18-19
102-12	Externally-developed economic, environmental and social charters, principles and codes of conduct to which the organization subscribes, or which it endorses,	16-17
102-13	Memberships to associations and to national or international organizations encouraging sustainability,	22
<b>Strategia</b>		
102-14	A statement from the top manager who leads the organization,	3
102-15	Description of key impacts, risks, and opportunities,	18-19
<b>Etica e integrità</b>		
102-16	Organization's values, principles, standards, and norms of behaviour,	8; 16-17
<b>Governance</b>		
102-18	Governance structure	15
<b>Stakeholder Engagement</b>		

102-40	A list of stakeholder groups engaged by the organization,	20
102-41	Percentage of total employees covered by collective bargaining agreements,	27
102-42	The basis for identifying stakeholders with whom to engage,	20-22
102-43	The organization's approach to stakeholder engagement and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process,	20-23
102-44	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded, including its reporting, List of the stakeholder groups that raised each of the key topics and concerns,	21;23-25
102-45	A list of all entities included in the organization's consolidated financial statements or equivalent documents,	4
102-46	An explanation of the process for defining the report content and the topic boundaries,	4; 35; 49-50
102-47	A list of the material topics identified in the process for defining report content,	23-25
102-48	Any restatements of information given in previous reports, and the reasons for such restatements,	The 2017 Sustainability Report is the First Sustainability Report of the Group,
102-49	Significant changes from previous reporting periods in the list of material topics and topic Boundaries,	The 2017 Sustainability Report is the First Sustainability Report of the Group,
102-50	Reporting period (fiscal year or calendar year),	4
102-51	If applicable, the date of the most recent previous report,	The 2017 Sustainability Report is the First Sustainability Report of the Group,
102-52	Reporting cycle (annual or biennial),	4
102-53	The contact point for questions regarding the report or its contents,	6
102-54	Specify if the organization has prepared the report in accordance with the GRI Standards,	4
102-55	GRI Content Index	49-54
102-56	External assurance	55-57

GRI Standard	Disclosure	Page number	Omission
<b>Material topics</b>			
<b>Economic</b>			
<b>ECONOMIC PERFORMANCE</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	23-25	
103-2	General information on the management approach and its characteristics	37-38	
103-3	Evaluation of the management approach	37-38;18-19	
<b>GRI 201: Economic performance 2016</b>			
201-1	Direct economic value generated and distributed	37-38	
<b>ANTI-CORRUPTION</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	23-25	
103-2	General information on the management approach and its characteristics	16-17	
103-3	Evaluation of the management approach	16-19	
<b>GRI 205: Anti-corruption 2016</b>			
205-3	Confirmed incidents of corruption and actions taken	16-17	
<b>ANTI-COMPETITIVE BEHAVIOR</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	23-25	
103-2	General information on the management approach and its characteristics	16-17	
103-3	Evaluation of the management approach	16-19	
<b>GRI 206: Anti-competitive behavior 2016</b>			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices and main outcomes	No confirmed episodes occurred in 2017	
<b>Environmental</b>			
<b>ENERGY</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	23-25	
103-2	General information on the management approach and its characteristics	39;47	
103-3	Evaluation of the management approach	39;47;18-19	
<b>GRI 302: Energy 2016</b>			
302-1	Energy consumption within the organization	39;47	
<b>WATER</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	23-25	
103-2	General information on the management approach and its characteristics	41;48	
103-3	Evaluation of the management approach	41;48;18-19	
<b>GRI 303: Water 2016</b>			
303-1	Water withdrawal by source	41;48	
<b>EMISSIONS</b>			

<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	23-25	
103-2	General information on the management approach and its characteristics	40;47	
103-3	Evaluation of the management approach	40;47;18-19	
<b>GRI 305: Emissions 2016</b>			
305-1	Direct GHG emissions	40;47	
305-2	Energy indirect GHG emissions	40;47	
<b>ENVIRONMENTAL COMPLIANCE</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	23-25	
103-2	General information on the management approach and its characteristics	16-17	
103-3	Evaluation of the management approach	16-19	
<b>GRI 307: Environmental compliance 2016</b>			
307-1	Non-compliance with environmental laws and regulations	During 2017 the Group didn't receive any significant administrative sanctions,	
<b>Social</b>			
<b>EMPLOYMENT</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	23-25	
103-2	General information on the management approach and its characteristics	26-30	
103-3	Evaluation of the management approach	18-19; 26-30	
<b>GRI 401: Employment 2016</b>			
401-1	New employee hires and employee turnover	44	
<b>LABOR/MANAGEMENT RELATIONS</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	23-25	
103-2	General information on the management approach and its characteristics	28	
103-3	Evaluation of the management approach	18-19; 28	
<b>GRI 402: Labor/Management Relations 2016</b>			
402-1	Minimum notice periods regarding operational changes	The Group complies with what defined from local legislations and applied contracts,	
<b>OCCUPATIONAL HEALTH AND SAFETY</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	23-25	
103-2	General information on the management approach and its characteristics	30	
103-3	Evaluation of the management approach	18-19;30	
<b>GRI 403-2: occupational health and safety 2016</b>			

403-2	Types of injury and rates of injury, occupational diseases, lost days, absenteeism and number of work-related fatalities by region and gender,	31-32;46	
<b>TRAINING</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	23-25	
103-2	General information on the management approach and its characteristics	29	
103-3	Evaluation of the management approach	18-19;29	
<b>GRI 404: Training and education 2016</b>			
404-1	Average hours of training per year per employee by gender and employee category,	28-29;45	
<b>DIVERSITY AND EQUAL OPPORTUNITY</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	23-25	
103-2	General information on the management approach and its characteristics	15;29-30	
103-3	Evaluation of the management approach	15;18-19;29-30	
<b>GRI 405: Diversity and equal opportunity 2016</b>			
405-1	Diversity of governance bodies and employees	15;29-30;43	
<b>NON-DISCRIMINATION</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	23-25	
103-2	General information on the management approach and its characteristics	31	
103-3	Evaluation of the management approach	18-19;31	
<b>GRI 406: Non discrimination 2016</b>			
406-1	Incidents of discrimination and corrective actions taken	No confirmed episodes occurred in 2017	
<b>HUMAN RIGHTS</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	23-25	
103-2	General information on the management approach and its characteristics	17	
103-3	Evaluation of the management approach	18-19	
<b>GRI 412: human rights assessment 2016</b>			
412-1	Operations that have been subject to human rights reviews or impact assessments	32	
<b>SUPPLIER SOCIAL ASSESSMENT</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	23-25	
103-2	General information on the management approach and its characteristics	31-33	
103-3	Evaluation of the management approach	18-19;31-33	
<b>GRI 414: Supplier social assessment 2016</b>			
414-1	New suppliers that were screened using social criteria	32	
<b>CUSTOMER HEALTH AND SAFETY</b>			
<b>GRI 103: Management Approach 2016</b>			

103-1	Explanation of the material topic and its boundary	23-25	
103-2	General information on the management approach and its characteristics	37-38	
103-3	Evaluation of the management approach	18-19;37-38	
<b>GRI 416: Customer health and safety 2016</b>			
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	35-36	
<b>SOCIOECONOMIC COMPLIANCE</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1	Explanation of the material topic and its boundary	23-25	
103-2	General information on the management approach and its characteristics	16-17	
103-3	Evaluation of the management approach	16-19	
<b>GRI 419: Socioeconomic compliance 2016</b>			
419-1	Non-compliance with laws and regulations in the social and economic area	During 2017 the Group didn't receive any significant administrative sanctions	
<b>Market expansion</b>			
103-1	Explanation of the material topic and its boundary	23-25	
103-2	General information on the management approach and its characteristics	7-11	
103-3	Evaluation of the management approach	7-11;18-19	
<b>Risk management</b>			
103-1	Explanation of the material topic and its boundary	23-25	
103-2	General information on the management approach and its characteristics	18-19	
103-3	Evaluation of the management approach	18-19	
<b>Innovation, research and development</b>			
103-1	Explanation of the material topic and its boundary	23-25	
103-2	General information on the management approach and its characteristics	33-34	
103-3	Evaluation of the management approach	18-19;33-34	



**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**

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

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter the "Decree") and to article 5 of the CONSOB Regulation n. 20267, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Emak Group (the "Group") as of December 31, 2017 prepared on the basis of art. 4 of the Decree, and approved by the Board of Directors on March 16, 2018 (hereinafter the "NFS").

**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 in 2016 by GRI – Global Reporting Initiative (hereinafter "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 Emak 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).

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 Emak S.p.A. and with the employees of Comet S.p.A., Lavorwash S.p.A., Jiangmen Emak Outdoor Power Equipment Co.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 parent company's and subsidiaries' 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, Emak S.p.A., Comet S.p.A. e Lavorwash S.p.A., which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out site visits, 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 Emak Group as of December 31, 2017 is not prepared, in all material aspects, in accordance with article 3 and 4 of the Decree and the GRI Standards.

**Other Matter**

The data for the year ended December 31, 2016 presented for comparative purposes in the NFS have not been subject to a limited or to a reasonable assurance engagement.

DELOITTE & TOUCHE S.p.A.

**Domenico Farioli**

Partner

Parma, Italy  
March 29, 2018

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



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