



Passion in  
sustainable business  
and trust  
in our abilities.

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# Letter to stakeholder

From the President & CEO Cesare Agrati

Dear Stakeholders,

It is with great pride that I present the Agrati Sustainability Report in its first edition aligned with the recognised GRI Standards and that strengthens our past sustainability reporting practices. Indeed, the purpose of this document is to explain what running a sustainable business means for us from an environmental, economic and social perspective. We are glad to provide a document that gathers forward-looking ideas, promotes collaboration and illustrates encouraging changes. Recognizing the impact of our business activities, we decided to adopt an outward-looking view in reporting our performance, standing by our corporate values that are an expression of our sustainability strategy.

The information in this report represents a concrete response to the increased attention from all of our stakeholders regarding our sustainability strategy and our ability to comply with national and international legislation. None of what is recounted in the following pages would have been achievable without the passion of those working together, day after day, for the continuous improvement and the long-term sustainability of our productive organization. Our team philosophy entails being equipped with an articulated framework of resources, energy, competences, ideas, vision and solutions that – if integrated – assure the vital nourishment necessary for our growth. We feel that it is only appropriate to begin by citing the important changes that occurred in 2019. Indeed, throughout the year we consolidated a monitoring framework for various sustainability indicators, enriching the past editions of this report with the aim of ensuring a comprehensive understanding of corporate activities, performances, strategies and overall impact on the territory, people and environment. In 2020, we want to go one step further and present a Sustainability Report prepared in accordance with the EU Directive on disclosure of non-financial information (2014/95/EU), transposed in Italy by the Legislative Decree no. 254 of December 30, 2016, which will be published together with the yearly consolidated financial statements.

We are fully aware that sustainability is an essential value that will accompany our growth. Therefore, we are committed to minimizing externalities, reducing consumption of energy, water and other resources while reducing emissions, waste and pollution, at the same time reducing costs and improving profitability. Hence, increasing the efficiency of our operations becomes a fundamental factor in our success. At the same time, we want to protect our consumers by ensuring product safety while keeping our employees safe. Given the importance of our employees, we continue to adopt recruiting methods focusing on universities and social media platforms to attract and retain talents and we actively promote good relations between the Group and its greatest assets.

Conscious of the potential impact of our operations on the environment throughout the supply chain, the Group continues to engage its suppliers through an effective operations management and regular audits.

Lastly, concerning our governance, we believe that a strong corporate governance translates in understanding the risks factors and communicating transparently how we manage and reduce them in order ensure a long-term sustainable competitive advantage.

We believe that through our passion in doing sustainable business and by trusting our abilities, we build a better future every day.

**Cesare Agrati**  
President & CEO





**Agrati**







# 1. Agrati

## Profile and Business Activities

As of 2019 Agrati presents its Sustainability Report together with the Annual Report in order to be among the forerunners in the fasteners market from the Environmental, Social and Governance (ESG) point of view, in light of the new paradigms on sustainable finance and business competitiveness. The Agrati Corporate Social Responsibility Report (hereinafter also "Sustainability Report" or "Document") is published annually and contains non-financial information related to environmental, social and employment matters, as well as its action on human rights, anti-corruption and bribery issues. Based on the materiality principle, the Group describes the strategies linked to these issues in order to provide an exhaustive, transparent and accurate representation of the undertaken actions and the results achieved by the Group.

The reporting of non-financial information focuses on the issues emerged in the materiality analysis and therefore considered strategic and critical, not only from the Group's point of view, but also taking into account relevant stakeholders' expectations. Agrati cooperated and involved its main stakeholders in drafting this report, in the attempt of mapping the main social and environmental impacts that the Group's activities have on the surrounding communities.

Even though Agrati reports its socio-environmental information on a voluntary basis, the Group compiled this Sustainability Report inspired by the requirements of the Legislative Decree no. 254 of 30 December 2016, which introduced the obligation for large public interest entities to draft and publish a "Non-Financial Declaration". To this extent, a description of the 'Company's business model is provided, together with its main performance results, its management and organization, the provided products and services, the primary risks and the major policies and initiatives that are implemented with regards to social and environmental impacts.

This Sustainability Report is drafted in accordance with the GRI Sustainability Reporting Standards ("core" option), the guidelines of the Global Reporting Initiative used by companies worldwide. Agrati identified a set of indicators that best monitor and communicate the Company sustainability performance; a description of the mentioned disclosures can be found in the Note on Methodology section of this Document, which helps the reader to identify the material topic, the GRI disclosures and the pages of the document where they are located.

The reporting perimeter corresponds to that of the Consolidated Financial Statements and therefore includes information and complete data on all Agrati's companies consolidated using the full consolidation method with reference to the period from January 1, 2019 to December 31, 2019. The Report includes 2018 and 2019

figures and, where available, 2017 data. Explanatory notes and clarifying text are included in the document where the information was not available.

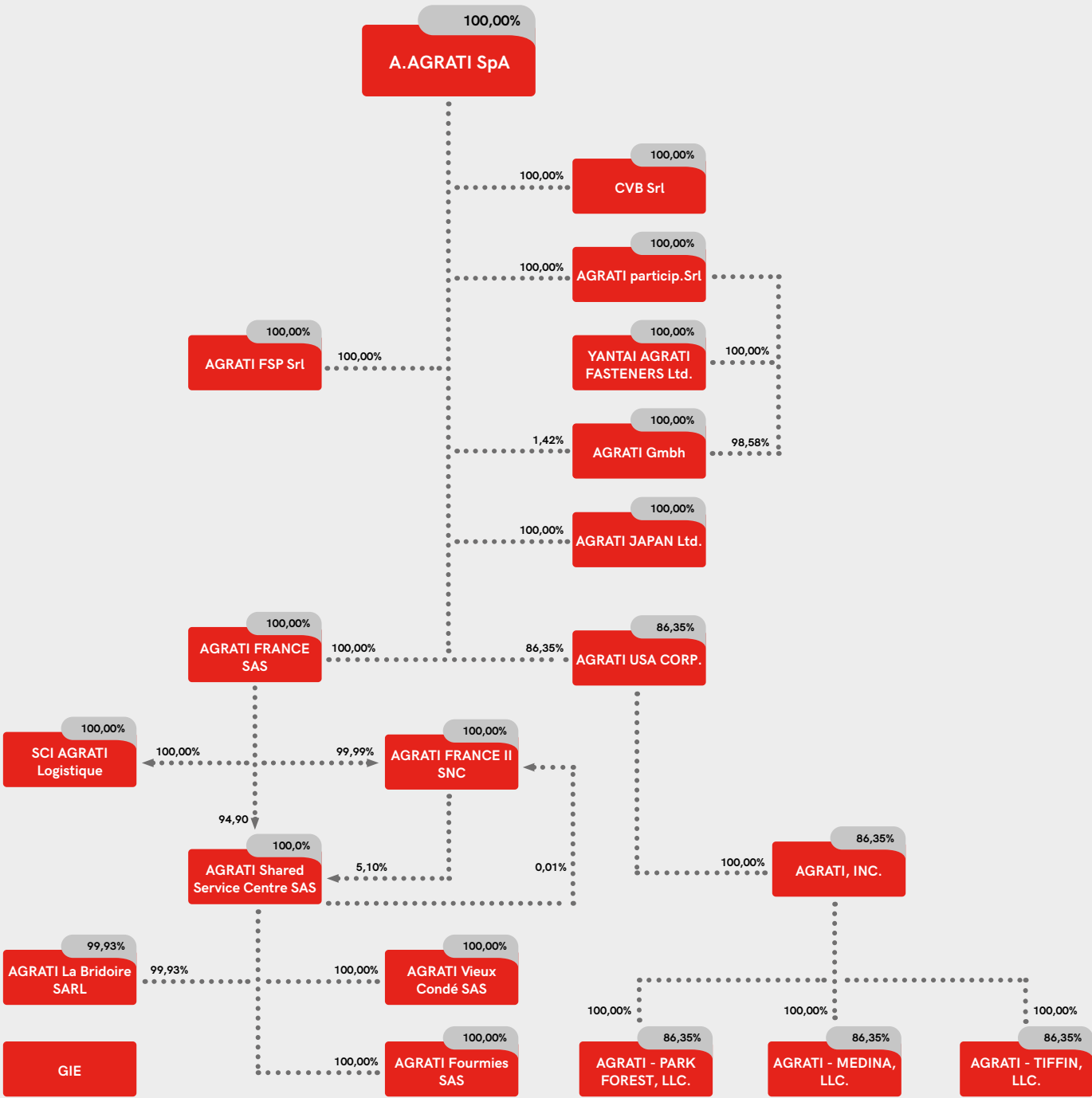
**Agrati**, headquartered in Italy in Veduggio con Colzano (Monza Brianza), operates in four regions (Italy, France, USA, China).

**A.Agrati S.p.A.** is the parent company of the Group and is controlled by Agrati family through Agrati Holding S.p.A. The main companies of Agrati are:

**A.Agrati S.p.A.**, with production facilities in Veduggio con Colzano, Dolzago, Cornate d'Adda and a logistic center in Trezzo sull'Adda that controls (directly or indirectly):

1. **CVB S.r.l.**, an Italian company dedicated to the production of special fasteners with production facilities in Tronzano Vercellese;
2. **Agrati-FSP S.r.l.**, an Italian company that operates as a Full Service Provider for selected Customers / part numbers with operative premises in Verona;
3. **Yantai Agrati Fasteners Co., Ltd.**, a Chinese company dedicated to the production of fasteners for the Chinese automotive market with production facilities in Yantai;
4. **Agrati France SAS**, a French holding company that holds the production facilities connected to Agrati La Bidoire S.a.r.l. (with production facilities in La Bidoire and Val Guiers); ii) Agrati Vieux-Condé SAS (with production facilities in Vieux-Condé); iii) Agrati Forumies SAS (with production facilities in Fourmies), the corporate office in Créteil connected to Agrati Shared Services Center SAS and the logistic services organized under SCI Agrati Logistique.
5. **Agrati USA Corp**, a US company that holds the 100% of the sub-holding company named Agrati Inc., the production facilities connected to Agrati Park Forest LLC (with production facilities in Park Forest (IL) and Valparaiso (IN) and a Sales Office in Southfield (MI)), Agrati Medina LLC (with production facilities in Medina (OH)) and Agrati Tiffin LLC (with production facilities in Tiffin (OH)).

A.Agrati S.p.A. controls also the sales offices organized under Agrati GmbH and Agrati Japan GK.





During 2019, Agrati received the following recognitions:

Industria Felix Prize	In 2019 Agrati received the INDUSTRIA FELIX PRIZE in the following category: - Top budget honour as the best company in Monza and Brianza The budget Mention criteria to receive this prize are measured in terms of ROI & ROE, number of employees, turnover / revenue, net profit, EBIDTA.
TOP500+ Monza Brianza	In December 2019, Agrati was ranked 12th among the TOP 500 companies of Monza Brianza: the award stems confirmation of the great production vocation that has always characterized the Company within the territory of Monza and Brianza.
China Awards	<p>In December 2019, during the Charity Dinner in favor of "Ai.Bi. – Associazione Amici dei Bambini", Cesare Agrati, President &amp; CEO of the Company, received the CHINA AWARDS 2019 as Top Investor. The aim of the event is to communicate the importance of internationalization for Italian and Chinese companies, focusing on the benefits arising from capital flow, people, ideas, assets and services between Italy and China.</p> <p>Agrati is located in China since 2006 though the company YAF (Yantai Agrati Fasteners Co., Ltd.) and counts more than 360 employees, a fully integrated production cycle, one Tech Center and a strong Sales organization through 5 offices in Shanghai, Beijing, Changchun, Guangzhou and Wuhan; these ones ensure the support of the main Chinese OEMs and the Tier 1 suppliers.</p>
WHP Project for A.Agrati S.p.A.	<p>In March 2019, for the second year in a row, Agrati was awarded by Assolombarda Confindustria Milan and Monza Brianza with the recognition of "WHP- Workplace Health Promotion» for the best practices implemented inside the Company during 2018. The protection of health, prevention and well-being of the employees is very important for Agrati.</p> <p>Since 2016, the Company has been carrying out the WHP (Workplace Health Promotion) Project, promoted by ATS Brianza.</p> <p>Agrati has changed its own organizational structures supporting healthy lifestyles in six thematic areas: nutrition, physical activity, smoking, disputing additive behaviour (alcohol, drugs, gambling), road safety and work-life balance, welfare and social responsibility.</p>

Business Model: presence on the territory and main operational data

Agrati is a truly global leader in fastening systems with footprints in all key geographies. Its operations are rooted in three different continents: Asia, Europe and the USA. The Company has a global platform with production plants and sales offices close to the main automotive Original Equipment Manufacturers, counting:

- 12 manufacturing plants  
Italy: Veduggio con Colzano, Dolzago, Cornate d’Adda, Tronzano Vercellese;  
France: Vieux-Condé, La Broidoire, Fourmies;  
China: Yantai;  
US: Park Forest, Valparaiso, Tiffin, Medina.
- 6 distribution and technical or sales assistance centres  
Italy: Trezzo sull’Adda, Verona;  
France: Vieux-Condé;  
US: Park Forest, Medina;  
Taiwan: Tainan City.

- 3 research and development centre in Italy  
Italy: Veduggio;  
China: Yantai;  
USA: Detroit.
- 13 sale offices  
Italy: Veduggio;  
US: Southfield;  
Germany: Braunschweig, Rot am See, Heidelberg, Munchen;  
Japan: Yokohama;  
China: Guangzhou, Yantai, Changchun, Wuhan, Shanghai.

With its over 1.000 equipment, Agrati covers a surface of over 300.000 square meters, employing 2.386 people, distributed as follows:

- 1.608 employees in Europe;
- 437 employees in the USA;
- 341 employees in China.

Globalization: countries of operations and markets served

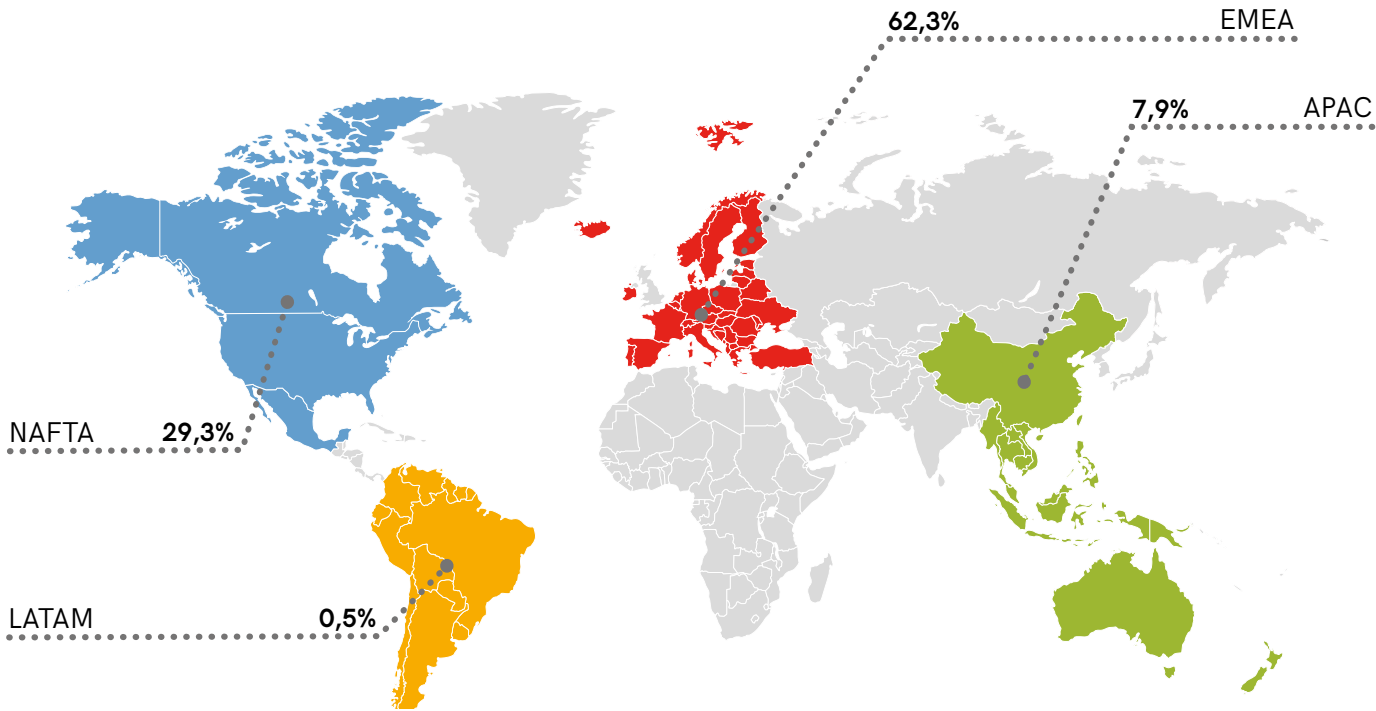
Even though Agrati history dates back to 1939, the Company has been able to cope with the globalization-led processes. Today, Agrati is a worldwide leader in fastening and component solutions supplying European, North American and Chinese automotive markets; it is indeed a global leader with 90% of its revenues coming from outside the Italian territory. This feature confirms the Company’s global presence that focuses mainly on the most specialized markets with high growth potential.

Agrati’s net revenues are mainly generated in the EMEA area, which accounts for 62.3% of the total. The remaining portion of the Group’s net revenues is generated in the NAFTA area for 29.3% of the total, in the APAC area for 7.9% and the remaining 0.5% in the LATAM area.

The strategy of Agrati is mainly focused on the automotive sector,

which constituted over 90% of net revenues in 2018. The remainder mainly relates to the industrial sector, which represents 7.3% of the Group’s total market.

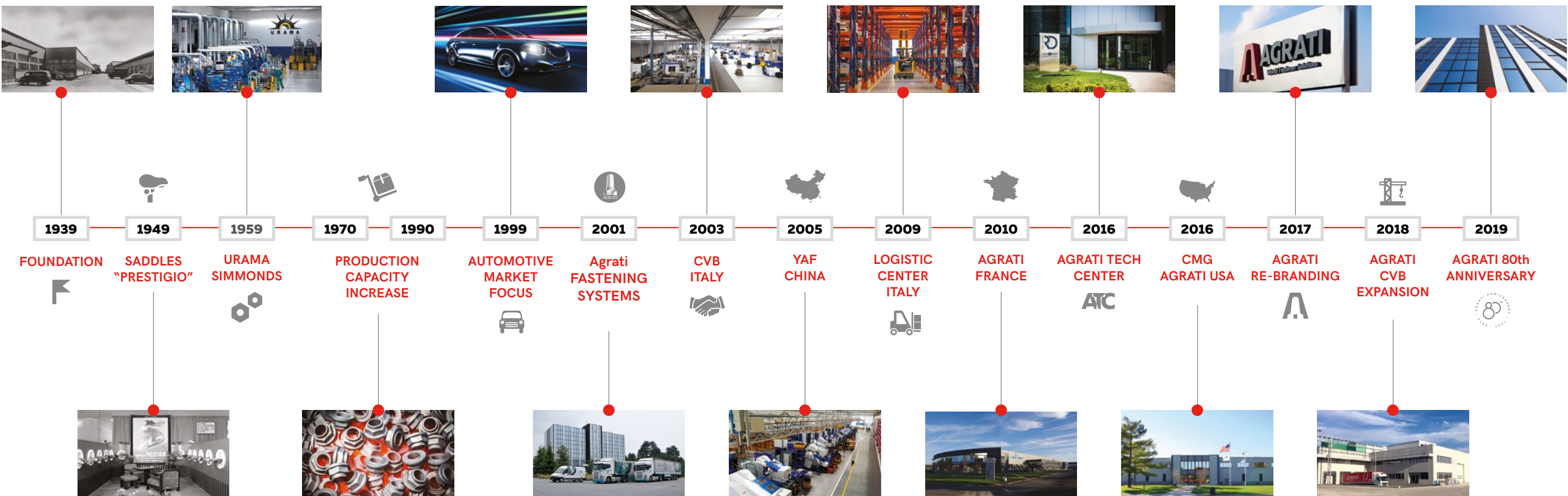
Globalization has represented a precise target for the company over the last 10 years and Agrati is now able to cover the world’s three leading automotive markets. The strategy implemented since 2006 has led to the creation of a production site in China exclusively focused on the local automotive market, the consolidation of Agrati’s position in Europe and the acquisition of a leading fastener manufacturer in the United States.







Agrati History



Agrati history begins in 1939, when a small manufacturing company made up of only 20 people was created; the entity had a very simple structure and a relatively low production volumes.

It was 1939 when Carlo, Luigi and Peppino Agrati inherited an iron-working workshop from their father, a blacksmith by trade. The three brothers decided to expand the business by introducing the production of screws for woodworking and furniture. In 1949, Agrati began developing in the field of screws and bolts, alongside the production of motorcycle saddles, under the Prestigio brand. Here, the main customers were Lambretta and Vespa.

The 1950's saw an economic boom. The nuts and bolts market became increasingly in demand in terms of the quantity and quality, requiring unified and special high-resistance screw designs.

In 1957, Fiat launched the 500 on the market, with an austere two-seat layout and a rear bench. When the first "Cinquino" came out of the Mirafiori plant, Agrati realized that was the right time to specialize. In 1959, Agrati and Simmonds, a French company leader in the production of self-locking nuts and ring nuts, incorporated the Urama Simmonds. In order to focus entirely on bolts, especially for the automotive industry, the production of saddles was abandoned in 1962.

It was 1974. Austerity did not stop Agrati from forging Attrezzerie Adda in the same year, aimed to concentrate the knowledge and production of the equipment into a single hub, available to all group companies. From the late 1970's and throughout the 1980's, the thrust and intuitions of the new generation led to a doubling of the production capacity. The Company was still divided into four companies: Agrati, specialized in high-strength nuts and bolts, FEV

in low resistance screws, FIVIT in self-tapping screws whilst Urama, which liquidated its French partners in 1989, confirmed its excellence in the production of nuts.

Distribution companies were then established in France, Germany, England, Spain and the United States. If the 1980s were a time of growth and restructuring, the 1990s saw the company emerging from a crisis that lasted almost four years. The Italian political situation changed, leaving an institutional void unfavourable to the industry. The new millennium marked the beginning of the radical transformation of the company into a Group, with the production companies incorporated into A.Agrati S.p.A. and all services gradually centralized.

The special production capacity, particularly directed towards automotive customers, increased significantly as much as quality, logistics and product development with the construction in 2002 of a

new technical centre of 1.500 square meters in Veduggio. In addition, in 2003 Agrati acquired the company CVB of Borgo d'Ale, extending its product range to the special pieces, later called AFP: Advanced Form Parts.

In 2006 the green-field of YAF (Yantai Agrati Fastener) began. The decision to open a production site in China was dictated by the need to follow customers and their needs in terms of volumes. Today YAF is a company that counts on more than 360 employees, a fully integrated production cycle, 1 Tech Centre and a strong sales organization through 5 offices in Shanghai, Beijing, Changchun, Guangzhou and Wuhan that ensure the support of the main Chinese OEMs and TIERs1.

Since 2008 the Group has been led by Cesare Agrati, in the role of President & CEO with a governance perspective where ownership and Top Management team come together to aim for new goals.



The changes did not stop even during the crisis, with the opening in early 2009 of the new logistics centre in Trezzo D'Adda and in 2010 with the acquisition of the French division of Acument: 4 plants between the North and the South of France (Vieux Condé, Fourmies, La Broidoire, Amiens), and a commercial and application engineering office in Paris for a total of more than 800 employees. In 2015 there was a further investment in the supply chain department with the new logistic centre in Verona (Agrati FSP) and in Val Guiers (Agrati France). In 2016 YAF completed its third phase by increasing the production capacity (the second phase was completed in 2012). In the same year the new R&D Tech Centre in Veduggio was inaugurated, which became ATC in 2018.

In recent years, further changes have been made to both the organization and the business model with the aim of completing the company transformation. In this context, in 2017 Agrati launched its new logo with the pay-off "World Fastener Solutions". In 2018, CVB expanded its plant by 6.000 square metres, while in Agrati France there was the inauguration of the new heat and surface treatment lines at Val Guiers plant. In 2019, Agrati turned 80 years old. A new milestone has been added with the opening of a new sales and commercial office in Japan. Agrati is today a worldwide corporate leader in fasteners and components solutions with 12 production plants, 5 logistic centres, over 2.300 employees.

## Vision, Mission and Values of Agrati

### Mission

Agrati strongly believes in its mission of "Developing, with Customer, innovative fastening solutions". Cooperating directly with customers increases the likelihood that the manufactured product fits with the market needs and meets customers' expectations worldwide. Therefore, the mission of the Group is also summarised in its pay-off "World fastening solutions":

- **World:** Agrati is a technology supplier, specialized in complex fastenings, able to offer quality, high levels of service and significant technical competence primarily in Co-design activities; Agrati also created a Tech Centre, which fosters excellence in research and development in the sector.
- **Fasteners:** Screws, nuts and bolts represent the history of the company and reveal why the name Agrati is recognized and respected worldwide.
- **Solutions:** Advanced fastening systems are an essential service offered by the Group in addition to screws, nuts and bolts. Agrati offers products, services, components as well as ideas and solutions too. Over the years, Agrati has become a valuable support for customers in the processes of planning and validating complex products, including design, functional testing and the analysis of finished elements and prototyping.

### Vision

Agrati is committed to supply excellent products and services through cutting-edge technologies, always listening to its customers and developing a strong and cooperative relationship with them. In doing this, Agrati is determined in preserving and caring for the environment, monitoring its impacts on the society and the surrounding environment and keeping quality at the core of its processes. Customer satisfaction is Agrati's final goal, with the main aim to support and supply consumers on a global scale.

### Values

The Corporate Vision and Mission of Agrati arise from shared values that guide the Company's activities; they form the basis of the company's way of working and are proof that the people are the main and constant referent of Agrati's actions. The main Company values are the following:

- **Respect:** Agrati believes in the respect for colleagues, customers, suppliers, environment, rules and working principles.
- **Proactivity:** Agrati believes the ability to anticipate the customers' needs is a key strategy to success, as it provides extended enterprise value for all parties.
- **Innovation:** Agrati thinks innovation can be found everywhere in technology and in organizations outside the Company. To be innovative and prepared for the future, the Company solves problems and brings its customers new solutions able to provide value.
- **Accountability:** Agrati believes that accountability means to be held responsible for what the Company does, both at an individual and collective level. Being accountable means being held responsible for time, money, all expended resources and the achievement of results.
- **Communication:** Agrati is confident that building constructive relationships with its customers is the basis of success, as good relationships contribute to working well together.
- **Team Spirit:** Agrati thinks that the attitude of working together, sharing information and knowledge are prerogatives to cooperate and work well as a team.
- **Continuous learning:** Agrati believes in learning, sharing information and knowledge, giving everyone an opportunity to grow, as constant learning is vital for both the Company and its stakeholders.
- **Sustainability:** Agrati thinks that sustainability is the success factor that steers corporate growth and the achievement of the company's economic, operational, environmental and social targets.

The mentioned values are the base of Agrati's activities and allow the Company to reach its goals on an economic, governance, financial, social and environmental side. Moreover, they enable the Group to be recognized by its customers and more extensively by its stakeholders.





# Sustainability in Agrati







# 2. Sustainability in Agrati

## The approach to Sustainability

Agrati intends to integrate innovative economic, social and environmental business practices to deliver long-term value to shareholders, customers, partners, communities, employees and the environment, always keeping in mind that these sustainability practices must be integrated with core business activities. Agrati's main purpose is to use its scale and expertise to enable a more responsible, balanced and sustainable future. The Company strives to become even more sustainable in the fastening systems sector.

The sustainability is one of the Agrati's values and is intended to be "the success factor that steers corporate growth and the achievement of the company's economic, operational, environmental and social targets". In fact, other corporate values such as Continuous Learning, Innovation, Respect and Responsibility, contribute to the strengthening of Environmental, Social and Governance Company efforts. These shared values distinguish Agrati in the market, for its unique style, and inside the company, for the palpable sense of belonging that unites

all its collaborators. In addition, these values are embedded into corporate strategies such as the Research and Development initiatives, mainly aimed at promoting products, instruments, processes and behaviours that often increase technical efficiency, reduction of detrimental environmental impact, improvement of the health and safety conditions of employees and engagement of the customers and local communities. These initiatives have positive externalities also in terms of how sustainable the business activities are.

Agrati's approach to sustainability issues translates into concrete actions thanks to the Stakeholder Engagement's process, which identified the most relevant Stakeholders and the main engagement channels and mapped the material and most relevant topics from the Company's perspective via the Materiality Analysis procedure.



## Stakeholder engagement

Thanks to the stakeholder engagement, Agrati interacts with its stakeholders to the overall benefit of the corporate activities and the surrounding community. The successful completion of a corporate initiative usually depends on the stakeholders' perspectives and involvement. Therefore, stakeholder engagement represents a key tool for Agrati to listen and communicate with its main counterparts, in order to understand their level of satisfaction and their point of view on the company activities. This interaction represents an opportunity for the Company to understand the areas of improvement and which topics need to be leveraged on. The stakeholder engagement is also functional to identifying the relevant issues in the preparation

of the Sustainability Report, taking in consideration the different perspectives of the people or entities negatively or positively affected by the Company's initiatives. Agrati's attention towards its stakeholders is stated as a key principle in the Code of Ethics under the Corporate Social Responsibility paragraph, underlying that the strategies dedicated to the Group's main counterparts are part of the sustainability purpose.

Due to the diversified interaction methods adopted by Agrati, the Group has been able to identify five different categories of relevant stakeholders, with whom the Company interacts:

Stakeholders	Stakeholders' involvement opportunities	Stakeholders' expectations towards Agrati
Customers	<ul style="list-style-type: none"><li>- Co-design activities: promotion visit and workshop</li><li>- Audit performed by the customers in Agrati plants</li><li>- Agrati University: training workshop on fastener technology</li><li>- Agrati Tech Center: the structure to provide customer with the most advanced R&amp;D solutions: following customers from the early stages of defining fastening points of automotive platforms</li></ul>	<ul style="list-style-type: none"><li>- Satisfy customer requirements and drawings to Agrati engineered products</li><li>- Close collaboration, trustful and strong relationship</li><li>- Constantly looking for designing new products, technologies and process lines</li><li>- Ah hoc Full Services logistic lines</li><li>- Conciliate customer needs with expertise and training by learning and studying with them new solutions that support and teach them the 'language of fasteners'</li></ul>
Employees	<ul style="list-style-type: none"><li>- Internal job satisfaction and engagement surveys</li><li>- Communication through internal channels such as intranet</li><li>- Engagement opportunities and employee participation at plant level</li></ul>	<ul style="list-style-type: none"><li>- Retention of employees</li><li>- Professional development opportunities</li><li>- Clear responding to request submitted by employees</li></ul>
Suppliers	<ul style="list-style-type: none"><li>- Supplier evaluation: Vendor Rating performance, Quality Audit, yearly targets</li><li>- Group Purchasing meeting</li><li>- Daily activities of Purchasing manager</li></ul>	<ul style="list-style-type: none"><li>- Timely and proper fulfilment of contractual conditions</li><li>- Revision and examination of supplier accomplished targets</li><li>- If necessary, top management involvement with suppliers in specific meeting</li></ul>
Public Authorities	<ul style="list-style-type: none"><li>- Ordinary and extraordinary communication with supervisory authorities</li><li>- Data provision, report compilation, meetings</li></ul>	<ul style="list-style-type: none"><li>- Call for action to address global and national challenges: climate change, energy security, human rights, skills shortage, education</li><li>- Ensuring full compliance with current regulatory framework and specific regional laws</li></ul>
Mass Media	<ul style="list-style-type: none"><li>- Social media interactions</li><li>- Press releases and conferences</li></ul>	<ul style="list-style-type: none"><li>- Interest in information for target audience</li><li>- Active participation and communication through social media channel</li></ul>

Agrati is part of the following organizations:

<b>EIFI</b> <i>European Industrial Fasteners Institute</i>	European association of fasteners manufacturing industry
<b>IFI</b> <i>Indutrial Fasteners Institute</i>	North American association of industrial fasteners producers
<b>CLEPA</b>	European association of automotive suppliers
<b>ARTEMA</b>	French association of mechatronic industries
<b>UPIVEB</b>	Italian association of fastener producers
<b>ASSOLOMBARDA</b>	Association of business located in Milan, Monza e Brianza and Lodi
<b>American Chamber of Commerce in Italy</b>	Organization representing US business corporations
<b>ANFIA</b>	Italian association of automotive players
<b>ROADJOB</b>	Association of industrial players of Como, Lecco and Brianza

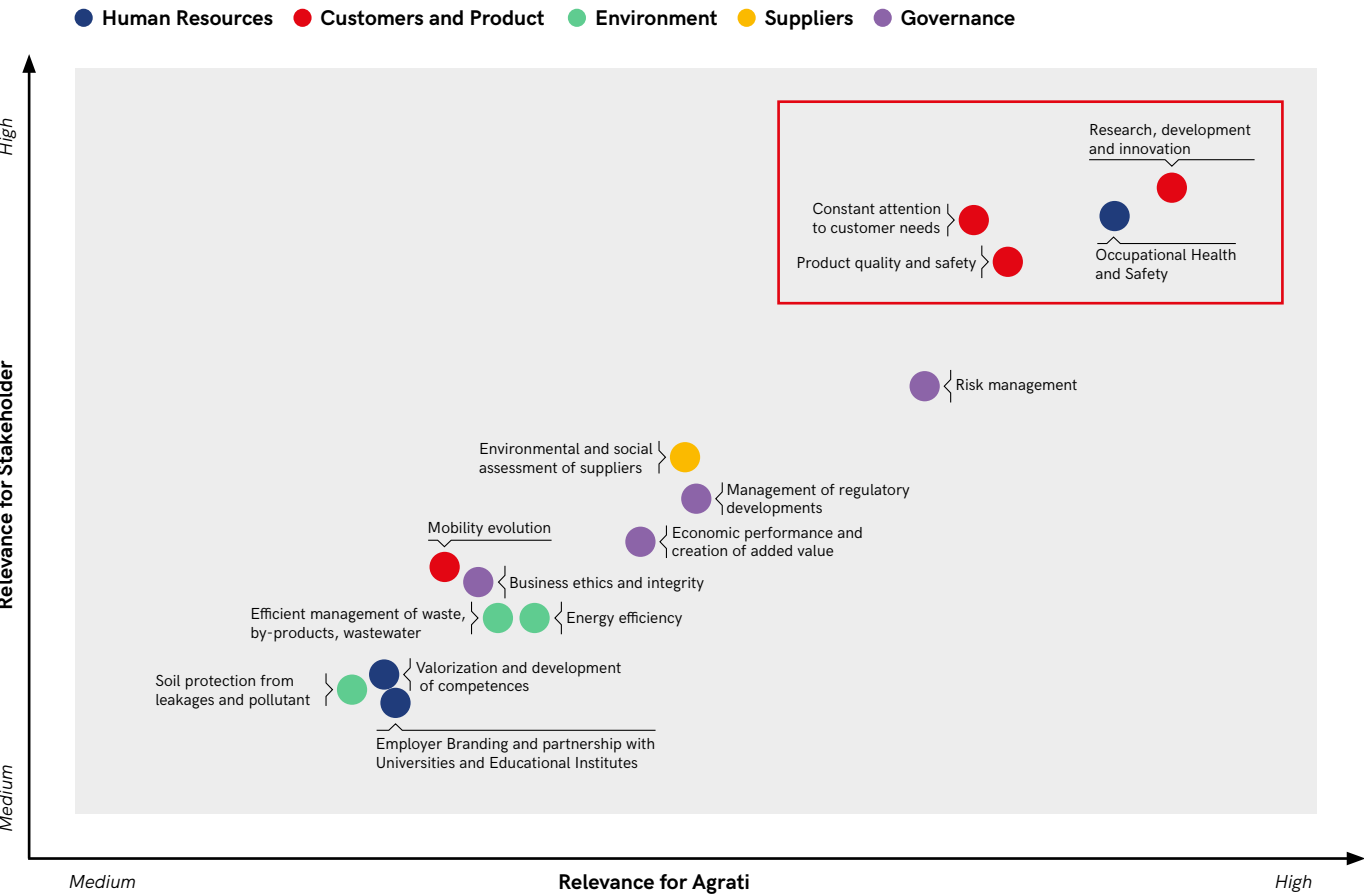
Agrati managers also hold a chair in the governance body of:

- EIFI;
- UPIVEB;
- RoadJob.

Materiality Analysis


















For the purpose of this Document, Agrati considers as material or relevant all those aspects that have a significant impact on the economic, social or environmental performances of the Company and that could substantially influence the assessments and decisions of its main stakeholders. The contents included in this Sustainability Report are the consequence of a structured Materiality Analysis lead through direct interviews with the Top Management and Employees. During the interviews, Top Management was asked to identify which were the most important aspects that have direct and indirect impacts on the Agrati’s activities. This process has allowed a comprehensive view of the Agrati’s approach to sustainability-related topics. Moreover, this analysis has been enriched by a benchmark analysis

mapping the approach to Corporate Social Responsibility taken by Agrati and its competitors. At the end of the analysis phase, a set of relevant issues was selected out of a larger group and was assessed by the first line of company managers. Managers ranked each topic according to the impact on their areas of interest and performed the same assessment from their stakeholders’ perspective. Agrati drafted a Sustainability Report in 2017 and 2018, but in these latter documents Materiality Analysis was not included. For this reason, the current year’s Sustainability Report is even more important for the Group, as it is based on a structure analysis which produced the Materiality Matrix below.





Agrati recorded 15 material topics divided into five macro-categories:

Material Topic	Relevant United Nations Sustainable Development Goals (SDGs)
<b>A specific focus on compliance and a strong business ethic Governance</b> <ul style="list-style-type: none"><li>• Risk management</li><li>• Management of regulatory development</li><li>• Economic performance and creation of added value</li><li>• Business ethics and integrity</li></ul>	 reduced inequalities  peace, justice and strong institutions  partnerships for the goals
<b>Focus on the well-being and development of all Agrati employees</b> <ul style="list-style-type: none"><li>• Occupational Health and safety</li><li>• Valorisation and development of competences</li><li>• Employer Branding and partnership with Universities and Educational Institutes</li></ul>	 good health and well-being  quality education  industry, innovation and infrastructure  sustainable cities and communities
<b>A high attention and care for products and relationships with customers</b> <ul style="list-style-type: none"><li>• Constant attention to customer needs</li><li>• Product quality and safety</li><li>• Research, development and innovation</li><li>• Mobility Evolution</li></ul>	 good health and well-being  decent work and economic growth  industry, innovation and infrastructure  sustainable cities and communities
<b>Looking forward to sustainable procurement</b> <ul style="list-style-type: none"><li>• Environmental and social assessment of suppliers</li></ul>	 industry, innovation and infrastructure  responsible consumption and production  partnerships for the goals
<b>Conduct activities causing no unnecessary environmental impact</b> <ul style="list-style-type: none"><li>• Energy efficiency</li><li>• Efficient management of waste, by-products and wastewater</li><li>• Soil protection from leakages and pollutant substances</li></ul>	 affordable and clean energy  responsible consumption and production  climate action

In order to grant a better comprehension of each material topic, the table below explains their main features:

Material Topic	Definition
<b>Occupational Health and safety</b>	Agrati is concerned with the safety, health, and welfare of people at work, and it is willing to foster a safe and healthy work environment.
<b>Valorisation and development of competences</b>	On a daily basis, Agrati engages in a dialogue with its employees, with the intent to value their potential and develop their skills.
<b>Employer Branding and partnership with Universities and Educational Institutes</b>	Agrati aims at constantly improving its reputation as a workplace. Therefore, it launches specific employer branding initiatives and develops relationships with Universities and other Educational Institutes in order to attract the best talent and to improve the employee value proposition.
<b>Research, development and innovation</b>	Innovation is a core concept for Agrati, since the Company operates in a sector where innovative products can make the difference. For this reason, research and development are essential, and they are at the very base of the Agrati Production System.
<b>Constant attention to customer needs</b>	For Agrati, consumers are key. The Company mission is based on customers’ needs, as it states “Developing, with Customer, innovative fastening solutions”. Agrati takes a step further in the relationship with its customers, involving them in the planning of their products in order to increase its customers’ satisfaction and loyalty.
<b>Product quality and safety</b>	Agrati places the highest value on providing customers with reliable products, which can be used in safe ways, because zero defects to customers mean zero defects to the final users.
<b>Mobility Evolution</b>	The evolution of mobility has led to look for alternative solutions such transport electrification. Mobility patterns are evolving in a multi-faceted and complex way, and Agrati needs to address this constant transition.
<b>Risk management</b>	The identification, evaluation, and prioritization of risks is pivotal for reaching success. When manufacturing a product or delivering a specific service, Agrati always tries to map the root causes of every inconvenience that happens along the supply chain, in order to transform each risk into a valuable opportunity.
<b>Management of regulatory development</b>	Compliance with the legislative provisions is mandatory for an enterprise as Agrati, and yet it is even more important to be prepared for a timely response to the development of regulatory provisions, in order to ensure compliance with the applicable law.
<b>Economic performance and creation of added value</b>	Agrati assesses its economic performance in terms of economic objectives’ achievement. These objectives are usually long-term, in order to connect economic social and environmental sustainability, all of which are necessary to create value.
<b>Business ethics and integrity</b>	Agrati believes that an organization’s success depends on its integrity, the one of its employees and its stakeholders in general. Therefore, the Company has an internal system of principles guiding its behaviour, in order to make business ethics and integrity two intrinsic corporate elements.
<b>Energy efficiency</b>	Agrati strives to use less energy to perform the same tasks, eliminating energy waste and creating positive externalities, such as the reduction of greenhouse gases (GHG).





Material Topic	Definition
Efficient management of waste, by-products and wastewater	Waste management is key to reduction of consumption and material efficiency. Therefore, Agrati undertakes several actions to manage waste from inception to final disposal, always keeping in mind the basic principles of Lean Management supporting the Agrati Production System.
Soil protection from leakages and pollutant substances	Agrati engages its business practices in a sustainable way, in order to protect the surrounding environment, and more specifically, to preserve soil characteristics from pollutants’ effects.
Environmental and social assessment of suppliers	One of the main pillars of the Agrati Production System is the concept of Supply Chain Excellence. Therefore, the Company acknowledges that delivery and quality performances are no longer the only criteria to evaluate whether a supplier fits the Company’s requirements.

Beyond the listed material topics, it is pivotal to underline that four of them play a crucial role for the Group, being at the core of the Corporate identity, mission and activities.

The first topic is “Research, development and innovation” - a key factor in the Company’s strategic plans nowadays. Some studies have confirmed that at least 90% of corporations believe that innovation is a priority. The same studies show how companies with the capacity to innovate manage to have growth rates above the

market average, demonstrating the positive correlation between innovation and growth. Agrati undertakes several activities to develop existing or new services and products; the Company is indeed aware that research is the first stage to develop a potential product or an innovative production process. For this reason, Agrati also assesses for improvement its significant product and service categories as far as health and safety impacts are concerned. The launch of each new product is managed in accordance with the IATF 19649 standard, which provides the application of the Advanced Product Quality

Planning (APQP) process. This process measures the critical level of potential failure for any product feature; this level is normally defined by the product designer and by the customer. Based on this, Agrati develops the most suitable production process and control plan on the basis of a Failure Mode and Effect Analysis (FMEA) analysis. Furthermore, Agrati ensures that any employee having an impact on the product’s safety compliance is aware of and adequately trained on these impacts and on the methods of controlling and limiting the negative effects previously defined by Agrati.

Concerning the “Occupational Health and Safety”, the assessment of the Environment, Health and Safety (EHS) performance of suppliers and contractors showed significant results. In fact, through the Materiality Analysis, Agrati demonstrates that this topic contributes to the sustainable growth of the Company Business. This means that not only positive results were taken into account, but also the negative results coming from accidents and non-conformities are the basis for the creation of action plans to improve the EHS Management System. Agrati understands that the goal of occupational safety and health programs is to foster a safe and healthy work environment and is aware that co-workers, family members, employers, customers, and many others who might be affected by the workplace environment could also benefit from a good health and safety management and practice. For this specific reason, all Agrati manufacturing plants are certified ISO 14001 and OHSAS 18001, with the goal to transitioning to the ISO 45001 standard in 2020.

As regards the “Constant attention to customer needs”, Agrati supports its customers in all applications of fasteners technology with innovative products and solid technical solutions, for the new challenges ahead. The Group is responsible for the direct supply of materials to customers, guiding them along a productive and streamlined organization, based on outstanding products and B2B services. Agrati believes that customers are the Company’s greatest asset and, following the purpose of building a strong relationship with them by teaching and supporting them, it has created the University for Customers, a training focused on internal and external threading systems produced within Agrati. The program consists of a series of modular courses divided into main categories.

Regarding the “Product quality and safety”, the Group integrates quality and safety into the production processes since the first stages of product design. For this reason, Agrati implanted a quality management system according to ISO 9001 and IATF 16949 standards, validated by a third independent auditor (DNV GL). Indeed 100% of Agrati’s plants are ISO 9001 and IATF 16949 certified.





**Governance**

**AGRATI**







# 3. Governance

## Strategic Approach and Management

Agrati adopted a so-called “traditional” administration and control system pursuant to articles 2380-bis et seq. of the Italian Civil Code, which includes:

- a) a Board of Directors composed of 6 members in the persons of Cesare Agrati (Chairman), Paolo Giovanni Pozzi, Andrea Costantini, Alessandro Cattani, Giorgio Palumbo, Carlo Marchetti, in office until the date of the Shareholders’ Meeting

approving the 2020 Financial Statements; and  
b) a Board of Statutory Auditors composed of 3 standing members and 2 alternate members in the persons of Riccardo Garbagnati (Standing Auditor and Chairman), Ilaria Verani (Standing Auditor), Diego Maroni (Standing Auditor), Carlo Larcher (Alternate Auditor) and Oliviero Perni (Alternate Auditor).

## Board of Directors

A.Agrati S.p.A. is administered by a board of 6 directors. The Board of Directors is granted all the powers necessary and appropriate for the implementation and achievement of the corporate purposes,

which are not strictly reserved by law or the articles of association to the Shareholders’ meeting.  
The composition of the Board of Directors follows:

Position	Member	Year of birth	Seniority in office	In office since	In office until	Exec.	Non exec.	Indep. As per Cod	Attendance to meeting 2019
Chairman	Rag. Cesare Annibale Agrati	19/08/1944	>10 years	25/06/2018	Approval of the Financial Statement at 31.12.2020	X		No	100%
Executive Deputy Chairman	Dr. Andrea Costantini	22/05/1976	>10 years	25/06/2018	Approval of the Financial Statement at 31.12.2020	X		No	100%
Chief Executive Officer	Ing. Paolo Giovanni Pozzi	24/07/1967	>10 years	25/06/2018	Approval of the Financial Statement at 31.12.2020	X		No	100%
Director	Dr. Giorgio Palumbo	04/01/1942	>10 years	25/06/2018	Approval of the Financial Statement at 31.12.2020		X	No	100%
Director	Ing. Alessandro Cattani	15/08/1963	>10 years	25/06/2018	Approval of the Financial Statement at 31.12.2020		X	No	100%
Director	Dr. Carlo Marchetti	27/12/1973	>10 years	25/06/2018	Approval of the Financial Statement at 31.12.2020		X	No	100%
No. 5 of meetings held during the year of reference (2019)									

## Board of Statutory Auditors

The Board of Statutory Auditors is composed by 5 members: 3 acting auditors and 2 substitutes auditors.

Board of Statutory Auditors							
Position	Members	Year of birth	Date of the last appointment	In office since	In office until	Attendance to Board of Statutory Auditors’ meetings in 2019	Attendance to Board of Directors’ meeting in 2019
Chairman	Riccardo Garbagnati	31/01/1961	30/04/2019	>10 years	Approval of the Financial Statement at 31.12.2021	100%	100%
Acting auditor	Ilaria Verani	10/09/1968	30/04/2019	>10 years	Approval of the Financial Statement at 31.12.2021	80%	100%
Acting auditor	Diego Maroni	20/10/1961	30/04/2019	>10 years	Approval of the Financial Statement at 31.12.2021	100%	100%
No 5. of meetings held during the year of reference 2019.						Board of Statutory Auditors: 3/3	Board of Directors: 3/3

## Corporate governance

Within the framework of the Group management team, it has been created a **Group Executive Committee** to manage all sustainability-related practices. The role of the Executive Committee is primarily to provide financial oversight for the organization (including budgeting and financial planning, financial reporting, and the creation and monitoring of internal controls and accountability policies) and then to discuss the implementation of a wide range of different new projects. The members include: President & CEO, CEO, Operations Director, HR Director, Product Development Director, Group CAO, Group CFO and Sales Director. The meetings are hold with regular intervals (at least once every 15 days).

In addition to this, all the companies of the Group implemented a Management Committee attended by managers of all departments that meets at regular intervals (at least once every month).

The CSR Team is responsible for proposing, coordinating and launching projects and initiatives in the area of social responsibility. It monitors the action plans of the various organizational units, also considering the external best practices and examining stakeholder information and stakeholders’ requests on sustainability issues. As

Agrati engages in a transition towards the incorporation of the ESG factors into its own business model, the CSR Team is gaining more and more importance in the Company structure.

Agrati’s CSR Team is responsible for:

- the analysis of the material topics for the Company, based on an internal evaluation involving top management, trying to combine both the internal view and the stakeholders’ expectations;
- the definition of the relevant KPIs that help monitoring and fostering the management of the Company’s most relevant topics;
- the collection of the updated KPIs, performed on a yearly basis in the first quarter of the fiscal year.

The CSR Team drafts the Sustainability Report, coordinating all the departments of the Company that are involved in the data collection, analysis and consolidation.

The mentioned team is also responsible for employees’ engagement activities related to sustainability topics and for trainings on sustainability issues.

## Risk management

Agrati believes that the identification, evaluation, and prioritization of risks are pivotal for reaching success. For this reason, the Company tries to map all possible risks threatening its value chain whenever some risk factors (listed in this chapter) materialise and may have negative impacts on the Group's activity and its economic and financial situation.

As an international business, Agrati sustainability risks are diverse and inextricably linked to the regions in which it operates. The Group sustainability risk assessment is based on the idea that sustainability impact management must be integral to the way in which the company manages its business and it must be integrated throughout the entire management system.

### Environmental and Health & Safety risks

In order to reduce the Environmental and Health & Safety risks' exposure, Agrati adopted specific measures in accordance with the ISO 14001:2015 procedures on environmental management systems and OHSAS 18001:2007, replaced in March 2018 by ISO 45001:2018, on health and safety in the workplace. In accordance with environmental and safety in the workplace legislation, all Agrati's plants have the necessary environmental and health and safety authorizations

(including fire prevention certificates), as required by the respective national regulations. The respect of the law and legislation is followed by the adoption of specific measures in terms of environmental and safety performance.

### Supply Chain risks

Trends in raw material prices, possible supply difficulties and dependence on certain suppliers are categorized as Supply Chain risks. Agrati depends on external suppliers for the procurement of raw materials, mainly steel, for this reason it is exposed to the supply chain risks, such as the selection of the suppliers, the quality of raw materials and price fluctuation. In order to monitor the risk level of raw materials suppliers, the purchasing department carries out annual evaluations on all suppliers to ascertain their financial sustainability, supplier dependence, supplier saturation rate, natural risks, quality of their raw materials, technical/technological capabilities and the supply chain structure's compliance with Agrati's requirements. Moreover, in order to ensure the presence of a plurality of partners able to carry out the processes considered critical by type or purchase volume, the Group collaborates only with entities which undergo the purchasing department evaluation and certification.

### Risks related to human resources and protection of human rights

Agrati identifies as risks related to human resources all risks connected to personnel management. Specifically, an inability to attract and retain sufficient high-caliber employees could become a barrier to the continued success and growth of Agrati. This risk is mitigated with a clear HR strategy, which is aligned with the business strategy and focused on attracting, developing and retaining the best people for the company. This is underpinned by an employee framework which describes how Agrati manages its people consistently. Agrati's employees are introduced to a talent and performance management systems to help them identify and nurture their talent. In addition, the core of this management is the Agrati University, where people get the chance to learn and with the highest training quality standards and professors and to practice directly on the equipment they will use at work.

As far as the protection of human rights, Agrati poses great attention to this topic by implementing training session on general provision of Decree 231/2001 and whistleblowing process. Here, mechanisms for seeking advice about human rights are both internal and external. Either the update 231/01 model and the Ethical code represent useful instruments to reduce the number of discrimination related claims. The 231 Compliance Program Supervisory Board (hereinafter "OdV") with the support of the Legal Department are in charge for this activity. The OdV annually reports to the Board of Directors. The process will be strengthened with the implementation of the whistleblowing system in anonymous form and through an user-friendly system of reporting. In the upcoming 2020, the revised model will allow all the related information to flow to the OdV and in this way to outline better risk activities and put in place corrective actions wherever concerns are raised up.

### Business risks

Social risks are related to Agrati's specific nature and market sector, therefore product quality, product liability and litigation related to the performance of its activities. To address these risks, Agrati's companies have taken out insurance policies. Given the fact that some of the production phases of the Group's products may be outsourced to third party operators, the Company, especially the Quality Management System, has procedures aimed to ensure that the non-conformities of the suppliers of raw materials and components do not affect the finished products manufactured by Agrati.

Another topic to consider is Agrati's ability to keep on implementing product innovation also in relation to the continuous technological evolution of the sector and the development of the electric vehicle market. Indeed, the Group has to manage the timely implementation of development strategies and future programs to ensure long term value creation. As a result, the Group intends to pursue its development objectives through different strategic actions, such as:

- product diversification, in line with recent market trends that foresee an increasing use of ultra-resistant steels, light alloys and plastics and a growing focus on safety, comfort and assisted driving;

- geographical expansion, with a particular focus on the APAC region, characterized by high and growing volumes, where the Group aims to improve and consolidate its presence;
- vertical integration in the value chain (upstream or downstream) to increase margins or market share in a specific market and focus on higher value-added processes;
- market penetration, in terms of expansion of share-of-wallet on current customers and development of significant and still inactive customers through actions to strengthen the offer both in terms of the product portfolio and through expansion of the geographical presence;

### Corruption and regulatory compliance risks

A substantive ethical breach and/or non-compliance with laws or regulations could potentially damage Agrati's reputation, fines and prosecution. Agrati has a number of measures in place to mitigate this risk, including the adoption of the Ethical Code, the implementation of a specific organization and management model pursuant to Legislative Decree no. 231 of 8 June 2001 (the "Legislative Decree 231") and the organization of training programs to support the respect the Ethical Code and Anti-Bribery and Corruption and competition law procedures.

Furthermore, the potential non-conformity with the General Data Privacy Regulation ("GDPR") and, generally, the security of data constituting confidential knowledge is addressed by reducing the frequency of potential breaches of the system and by implementing new systems to ensure the safeguarding and protection of know-how and all related confidential information. In this context, Agrati keeps monitoring the functioning of IT systems and IT security and where possible the potential impact of cyber-attacks on the Group's activities. Especially because of the adoption of the Management, Organization and Control Model, in compliance with the "Legislative Decree 231", Agrati intends to ensure compliance in the conduct of its business activities in order to safeguard its reputation and all its stakeholders. The updated Model will help Agrati to mitigate the corruption and regulatory compliance risks because of the numerous control tools, such as formalised procedures and control activities introduced for each internal process.

In conclusion, Agrati certifications help the organization to monitor and review the risk assessment on a daily basis. This is why the Group pays attention to the renewal of its certifications. Currently, the Group is certified under ISO 9001, IATF 16949, ISO 14001, ISO 50001 and the OHSAS 18001 regulations (with reference to the latter, replaced in March 2018 by ISO 45001:2018, Agrati has already taken the necessary steps to adapt it). The Group also plans to acquire additional certifications for some of the Group's production sites and, specifically, to expand the coverage of the ISO 50001:2018 certifications outside of France for energy management systems.





# Responsible business management





## 4. Responsible Business Management

### Agrati business ethics and integrity

The main aim of Agrati's Code of Ethics is to define a set of values, which provide the basis for carrying out its business activities. It consists of references and guiding principles, and it complements legal and self-regulation obligations. Moreover, it sets out the values and principles on which the Company work is based, and it defines a strategy of corporate responsibility towards suppliers, customers, employees, shareholders and the company in general:

- Responsibility towards suppliers: Agrati aims at regulating the integrity of dealings, the confidentiality and the possible conflict of interests during the purchasing processes;
- Responsibility towards customers: Agrati commits to acquire and retain customers with continuous R&D, and to provide products and solutions that satisfy customer's expectations in terms of quality, service, safety and environmental impact;
- Responsibility towards employees: Agrati wants to provide a safe, stimulating and rewarding work environment, offering equal opportunities for learning and professional development;
- Responsibility towards shareholders: Agrati is committed to protecting shareholders' investments and achieving reasonable, sustainable returns through financial ethics;
- Responsibility towards the company: Agrati acts according to applicable legal provisions, expressing its support for the international protection of declared human rights, ensuring that it is not complicit in human rights violations and always paying attention to health, safety and environmental considerations with a view to contributing to sustainable development.

The Ethical Code also recognizes the importance of respecting the environment for the benefit of future generations, the value of diversity and the promotion of equal opportunities.

The Company is currently working on a new revision of the Code in order to align it with the recent changes occurred within the Group (e.g., integration of the US companies acquired at the end of 2016) and to the recent regulatory changes (e.g. introduction of whistleblowing and extension of the activities covered by the Decree). Moreover, with the recent review of General Terms and Conditions for subcontractors (new procedure GF.115) and suppliers (under final review), Agrati started to ask its counterparty to formally adhere to the Code.

The Code is also available to all employees online on a dedicated section of the internal "Intranet" and also supplied to each future employee to take acknowledgement of the document.

While executive-level positions maintain the responsibility to ensure the compliance with the Code, Agrati also implemented a supervisory board that periodically conduct audit and evaluations of compliance with the Code and report to the Board of Directors on annually basis.

### The Organization, Management and Control Model 231

The implementation of Anti-corruption and the above explained Business Ethics Code are extremely relevant considering the market in which Agrati operates, the size of Agrati facilities and employees' numbers. Not to mention all the problems related to the market of raw materials. For all these reasons, the anticorruption behaviour is a fundamental attitude of all Agrati functions, in every step of its value chain.

By the resolution of the Board of Directors, since 2010, Agrati has strengthened its Internal Control and Risk Management system by adopting its own Organization, Management and Control Model (hereinafter referred to as the "Model"), in compliance with the provisions of the Legislative Decree 231/2001. The 231 Model identifies high-risk activities and includes general principles, rules of conduct, control tools, administrative procedures, flows of information and a disciplinary systems that is designed to prevent, as much as possible, the occurrence of the crimes listed in the special part of the Model. As of today, the Model provides for a structured and organic system of guiding principles, operating procedures and other specific controls in the "health and safety" and "environmental" areas; the document is inspired by criteria of sound corporate management and it is aimed, among other things, at preventing the commission of crimes included in the Decree by those who work within the Company in various capacities. After its first adoption, the Model was updated and improved most recently in December 2018.

The Company intends to ensure compliance with the highest levels of fairness and integrity in the conduct of business activities in order to safeguard its reputation and all its stakeholders.

Through the voluntary adoption and effective implementation of the Model, the Company intends to pursue the following purposes:

- implement and strengthen the effectiveness of its Ethical Code and improve the internal control system along the business and support processes, further raising awareness among all recipients, so that in carrying out their activities they will behave in accordance with the applicable provisions of law and the highest levels of integrity and ethics;
- reiterate that any unlawful conduct is strongly condemned by the Company, insomuch as behaviour is contrary to provisions of the law or Ethical Code and Company procedures;
- make the recipients of the Model aware that, in case of violation, they may incur the provisions of the Model related to offences punishable by penalties both significant to them and directly to the Company itself;
- prevent the risks arising from the liability of the entities that have not adopted their own Model effectively.

In light of the above, the Company is currently updating the Model with regard to legal and doctrinal developments as well as the regulatory evolution of the Decree and the Company's organizational changes.



The revision of Model is aimed to implement an organic complex of principles, rules, provisions, organizational schemes and related tasks and responsibilities, which are functional to the implementation and to the diligent management of a system's control and monitoring of the activities identified as sensitive for the purposes of the Legislative Decree 231/2001. These activities have been analysed by each internal process, such as Purchasing, Operations and Customer Relationship Management. The analysis of the sensitive activities started with several interviews to the Manager of each process with the aim of understanding the way they perform their duties and if the procedures are correctly formalised or not. The next step is to analyse such procedures in order to understand possible gaps and implement new control measures. For each activity is structured an analysis with the result of the previous step and with the classification of all the crimes they could be committed during the implementation of the activity under consideration. The end of those steps brings up an evaluation of the internal control system by the aim of figure out its efficiency level and therefore to integrate it where it is necessary. Subsequently it is possible to give an evaluation of the internal control system with a score between "Low" and "High" and by comparing this level with the potential risk level (score given by the comparison of the frequency and the relevance of the potential risk of committing the crime under consideration), the result represents the residual risk level of committing the crime under consideration. The new Model will consist in an organic system of procedures and control activities, divided by the various processes.







## Agrati Policies

### Sustainability & Corporate Social Responsibility Policy

Agrati Sustainability & Corporate Social Responsibility Policy takes as prerogatives the respect for the Environment, Health and Safety. In order to proactively shape the global fastening systems market and to be recognized as a Leader in the automotive sector, Agrati ensures that its business is able to produce profitability, while ensuring the health, safety and well-being of its employees, as well as protecting the environment in which it operates. Through this policy, the Group integrates stakeholders' expectations in the Agrati's decision-making process on a daily basis. This policy aims to facilitate the integration of sustainability in the Group's strategy and processes. Agrati has set four main commitments to anticipate environmental and social challenges, manage the risks and opportunities they entail and ensure long-term growth:

- Act as a stakeholder-oriented organization;
- Developing solutions for sustainable growth;
- Manage Agrati operations in a responsible way;
- Promote the health and well-being of all employees.

As mentioned in this Policy, the document is meant to actively involve various actors, for instance managers, employees and business partners – both individually and collectively.

### Environment, Health & Safety Policy

In line with Agrati's strategy and the Group's Ethical Code, Agrati developed an Environment, Health & Safety Policy and it is committed to provide safe, healthy and environmentally friendly workplaces wherever it operates. Agrati Environmental Programs and Risk control Plans are the Group's cornerstones of a successful sustainable business.

Indeed, this policy identifies the guiding principles to which the strategies and objectives for the environmental management of Group companies must refer in order to ensure environmental protection and visible EHS Active Leadership and to reinforce EHS culture to both employees and contractors through a robust EHS Management System. The Group's ambition is to respond to the challenges posed by the current professional contexts. All of this nurture the Group's motivation towards continuous improvement while managing the efficiency to guarantee its ability to create long-term value, in a logic of compliance with rules and regulation and of control of H&S risks. The principles underlying the Policy are inspired by sectoral best practices and expressed by specific commitments: zero accidents and environmental damage, care for people's Safety and Health and for the operative workplaces of Agrati.

### Agrati Supplier Quality Manual

Agrati manages the relationship with its suppliers through the Agrati Supplier Quality Manual, a document that describes the Company's standardized and global approach and sets out the basic tools and requirements to maintain a high level of quality. Agrati is determined to establish and develop close and long-lasting partnerships with its business partners, : the products and services provided by its suppliers have a direct impact on the quality of the ones provided to the customers from the Company.

The requirements included in the mentioned Manual are mandatory for the Group to reach its targets and to facilitate a common and sustainable growth shared with its suppliers, with the objective to satisfy the Company's customers. The provisions of the Manual are applicable for materials and services like coating, machining (i.e. rolling, turning, grinding and other), semi-finished or finished products, patches, washers, heat treatments, sub-assemblies and final Process Selections.

Agrati asks its suppliers to submit documents such as the supplier business register license, the Quality Management System – a third party certification – if applicable, signed-off copies of Agrati's Sustainability & Corporate Social Responsibility Policy, the General Purchasing Conditions and the Non-Disclosure Agreement.



## Management systems

The protection of the environment, health and safety at work represents an essential value that accompany the growth of Agrati's business. These principles are recognized in the corporate EHS strategy, as well as in the policies concretely implemented in compliance with the Group's Ethical Code. The achievement of EHS objectives is pursued with "sustainability" logics, which have been described in the Ethical Code as essential cornerstones of the company's values.

Compliance, with the laws and regulations applicable in the various countries where the Group operates, is at the basis of the business growth. The implementation and maintenance of Management Systems in compliance with international EHS standards (ISO 14001 and OHSAS 18001) are a guarantee of strict application of rules and standards aimed at continuous improvement of process performance. The cornerstones of these Management Systems are consistent with the EHS policies and objectives at the corporate level, which are reviewed and approved annually by the Group management and from which other policies and objectives derive at the local level (by country and by plant).

In addition, an accredited independent auditor (DNV), which has certified their compliance with international certification requirements for 2018, audits the EHS Management Systems annually.

The EHS Management System documents are published on the Company's intranet for a proper management of updates and for quick consultation by all employees.

Among the innovations introduced by the new ISO standards (ISO 14001 for Environment and ISO 45001:18 for Health & Safety, which will replace OHSAS 18001 by 12/3/2021) there is the Risk and Opportunity Assessment, which addresses EHS specific issues within a broader context and considering all stakeholders, both internal and external to the organization. This assessment was reviewed and approved by the Group's Management at the end of the year.

During the year, the specific assessments within the General Risk Assessment Document (DVR), pursuant to Legislative Decree 81/08 regarding Health and Safety, were updated.

The checks on the precise and correct application of laws and regulations, which were also carried out during the year by specialized third-party consultants, did not reveal critical non-compliance situations relating to safety, health or environmental issues.

In support of these verifications, the activity carried out by the Supervisory Body have a particular importance. Through specific periodic audits, it also contributed to the emergence of some minor risk situations (in relation to which appropriate remedial actions were taken).

Lastly, it is worth mentioning the ongoing training process, which is a fundamental aspect of the prevention culture promoted and spread throughout the Group. EHS training covers not only the mandatory topics defined by law, but also explains specialized and continuous improvement areas that contribute to the growth of the culture of prevention and risk management.

## Information and data security

Earning and keeping the trust of customers is of paramount importance. Agrati considers the comprehensive protection of all data provided or made available to the Group, concerning customers as well as employees, to be an integral part of its business activities. Therefore, it treats them with an extremely high level of care and attention. Customers trust Agrati to keep their – and its own – data safe and to offer reliable products. Agrati complies with its legal obligations to protect customer data, which can differ from country to country. Indeed, all business units have adopted the General Data Protection Regulation (GDPR) 679/2016/EU that qualifies as binding corporate rules. The goal here is to ensure compliance with the requirements under the current legislation, with privacy regulations and with the regulations protecting both customers and workers data. That is why all collected information is kept under strict confidence and will not be sold, reused, rented, loaned, or otherwise disclosed to third parties.

The key aspects of the Agrati's security strategy are designed to adapt this latter to industry standards and needs. The processes and technical measures in this area are based on continuous observation of possible threat situations through internal and external security reviews, to make sure that system is always available, and all employees are deeply aware of legislations requirements and updates. Agrati has implemented various policies on GDPR: the "Data Breach" policy; the "Records Retention" policy; the policy on visitor's register data retention.



**Economic performance:  
creation and distribution  
of the economic value  
generated**







# 5. Economic performance: creation and distribution of the economic value generated

Agrati is fully committed to create value and to distribute it to its stakeholders. The calculation of value added gives the Company a better and clear understanding of its economic impacts among its fundamental stakeholder. This distribution allows the Group to determine how much and how wealth it created, and who benefited more from this distribution.

In 2019, the value added generated by Agrati's activities and distributed to its distinct stakeholders totalled € 521.919 million,

equivalent to 82,3% of revenues, with a stable incidence of economic value distributed to suppliers and employees, equivalent to 70,8% and 26% respectively. Economic value is almost exclusively distributed to local suppliers by geographical area as described in the section 7 (Suppliers).  
In addition, the Company is strongly committed to long term growth as total Investments (Tangible and Intangible assets) for the year 2019 amounted to € 59,7 million (after IFRS 16 implementation) equivalent to 9,4% of the Net Revenues (6,9% in the previous year 2018).

Economic value generated, distributed and retained* (€ thousand)	2019	2018	2017
Economic value generated	633.813	652.912	658.077
Economic value distributed	521.919	540.154	534.683
Suppliers	369.436	377.615	377.568
Employees	135.492	138.261	136.753
Investors and lenders	13.957	13.005	1.657
Government & Public Institution	2.093	11.174	18.583
Economic value retained	111.894	112.758	123.394

\* As from the year ending 31 December 2017, the Group has exercised its right to voluntarily adopt the international accounting standards (hereinafter also "International Financial Reporting Standards" or "IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Commission for the preparation of the Financial Statements pursuant to Article 4 of Italian Legislative Decree No 38 of 28 February 2005, which governs the exercise of options set forth in Article 5 of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 concerning the application of the international accounting standards.





# Agrati's People







# 6. Agrati’s people

## Being an Agrati employer

Personnel management policies have maintained adherence to current labour legislation and the principles of the company’s Code of Ethics (Responsibility towards Employees), with the primary aim of aligning the company’s human resources (skills, knowledge and abilities) to the needs of the global economic context and at the same time allowing our employees to develop and grow. The Company plans projects and staff motivation activities aimed at increasing the level of employee satisfaction and, consequently, individual and company performance.

With around 2.380 employees in 5 subsidiaries on three continents, Agrati workforce have special significance with respect to sustainability. Healthy, motivated and well-trained employees are the key to succeed. Responsibility for labour practices lies with the

HR Manager of each companies who reports directly to the CEO or General Manager. There is then a dotted line relationship with Group HR Director and Group CEO.

Agrati is fully committed to offer its employees the deal workplace, that is why every two years it conducts an engagement survey. This one is carried out in the form of a volunteer, anonymous and confidential questionnaire in which employees have the opportunity to speak about their working environment, colleagues, their relationship with their direct superior and their opinion on the products’ quality. The 2018 results of the survey showed an increase in employee participation and a satisfaction indicator of 82,3%. The results are important because they guide future decisions on activities to be undertaken.

Employees’ headcount by region<sup>1</sup> (No.)

	2019			2018		
	Men	Women	Total	Men	Women	Total
Europe	1.421	187	1.608	1.443	190	1.633
America	336	101	437	350	107	457
Asia	253	88	341	277	100	377
Total	2.010	376	2.386	2.070	397	2.467

**Agrati Care** is one of the seven pillars on which the Lean Thinking of the Agrati Production System (APS) is based. The employees’ safety is the starting point of the Agrati’s well-being idea, and the Company strives to enlarge this concept to all its stakeholders, in the attempt to reduce the accident rate, to limit the gravity of the possible accident, and to ultimately understand and improve the physical and psychological well-being of all employees. The «Agrati Care» concept is therefore a way to extend the welfare and the motivation of the people working for the Company, keeping them onboard with a high level of enthusiasm.



<sup>1</sup> The three macro-areas include the countries specified below:  
Europe: including Italy and France;  
America: including United States;  
Asia: including China.

## Occupational Health and Safety

The protection of the health and safety at work is a pivotal feature that meets the needs of Agrati to ensure a sustainable and durable business growth. Therefore, the Company drafted several important documents, which are common to Environment and Health and Safety management, namely the EHS Corporate strategy and the Group’s policies and Ethical Code. Annually, these documents are reviewed and approved by the top management: all the plants receive specific instructions on a country basis to draft policies and objectives at local level. The final document set consists of procedures, operating instructions and forms that supports the EHS Management Systems, with the purpose of ensuring process repeatability, providing support and tools for monitoring and performing a continuous improvement.

The Group complies with all regulations, standards and applicable laws on this matter, in all various countries where it operates. The implementation and maintenance of certifications according to the schemes of the international EHS standards are key strategy to ensure the continuous performance improvement.

- Agrati also ensures the monitoring of the process and the correct application of the EHS standard through the following set of:
- External audits, which can be performed to the system or can be specific, as the legal compliance audit;
  - Internal audits, as the compliance checklist or the internal system audit;
  - Improvement audits, as the behavioural observation visits.

Occupational Health and Safety is one of the main priorities of Agrati, and this is why clear and defined targets have been set for the year 2020.

Agrati is also convinced that in order to reach environmental goals, the Group has to act as a single entity, and the commitment of all the employees is essential. The communication with Agrati’s human capital is meant not only to raise awareness among all the controlled entities but also to engage with customers, suppliers, local authorities and neighbours. In fact, the connection with all stakeholders is fundamental, especially with those who are external to the Company. These latter are provided with information available to visitors at the plant’s entrance, with the information communicated in the event of a contract, by answering questionnaires and stakeholders’ requests.

Therefore, the communication of the Company’s policies and of the main initiatives is the key to raise awareness among the Group’s human capital. The language used changes whether the beneficiaries are offices or plants’ employees. All communication concerning Environment, Health and Safety and Sustainability are made available internally via the company Intranet, as well as via the plant’s notice boards or “totems”. Internal scheduled meetings at all levels guarantee maximum communication and involvement, participation and consultation of all employees. During the contractual phase of contractors and external stakeholders, communication on this matter is clear and guaranteed through full disclosure of EHS and Sustainability policies.

### EHS & SUSTAINABILITY OBJECTIVES 2020

Safety	Health-Wellbeing	EHS Management
<ul style="list-style-type: none"><li>• Zero severe accidents</li><li>• Injury Frequency Rate: 9,5</li><li>• Injury Severity Rate: 0,14</li></ul>	<ul style="list-style-type: none"><li>• Responsible Chemical Management</li><li>• Promotion of Wellness programs in every Plant</li></ul>	<ul style="list-style-type: none"><li>• Switch from OHSAS 18001 to ISO 45001 by March 2021;</li><li>• Obtain ISO 14001 certification for FSP Plant by the first quarter of 2020;</li><li>• Certify the two integrated ISO 45001 &amp; ISO 14001 at the US Country level by the first quarter of 2020;</li><li>• Maintain the existing ISO 50001 certification in Agrati France</li></ul>

Some examples of Environment, Health and Safety documents issued at the Corporate level can be found in the following:

- Injury analysis form. This is the standard format for analysing the root causes of an accident, using problem solving techniques, as well as for identifying the appropriate prevention and protection measures. All countries and plants are required to use this form.
- EHS Events Analysis Reporting procedure. This procedure describes the process to be applied in Agrati when EHS accidents and near misses take place. It describes the methods of reporting, the forms. Lastly, for significant cases, a REX report is prepared for publication at Group level for the benefit of all plants in the Agrati world.
- EHS Reporting Manual. Contain the list of EHS indicators used in Agrati. For each of them, the detailed information is given applicability, definition, preferred data source, additional note about the indicator, when relevant.
- EHS Directive 003 Lockout (L.O.T.O.). The procedure describes how to de energize a machine or an equipment which could unexpectedly start-up, before servicing and maintenance interventions.

Agrati therefore drafts and adopts several business policies practices and commitments in order to guarantee the Occupational Health and Safety. The Environment, Health & Safety Policy defines principles and commitments of senior management in meeting legal and other requirements, the management of H&S risks and environmental impacts, the commitments towards continuous improvement, the correct communication to all interested parties.

Furthermore, this policy ensures that Agrati business is sustainable, produces profitability, but at the same time addresses the health, safety and well-being of its employees, as well as the environment in which they operate. In order to make this possible, the Group integrates its ambitions and the expectations of its stakeholders in the daily decision-making process, anticipating the environmental and social challenges and managing the risks and opportunities towards a long-term growth.

Another example on how Agrati manages the critical issues relating to Occupational Health and Safety is that all the Company plants are certified ISO 14001 (the last plant to be certified in the first quarter of 2020 will be the FSP Plant). Moreover, all plants are also certified OHSAS 18001, with the intention to transition to ISO 45001 in 2020. Agrati Inc. will be certified ISO 45001 in the first quarter of 2020.

A functioning Organizational Health and Safety management system

also foresees a communication channel where employees can report potential Health and Safety crimes; Agrati indeed has a confidential whistleblowing channel, where every report is received and analysed by a person or an entity independent from the organization itself, which handles the report confidentially. At a corporate level, parameters defined to guarantee legislative compliance are outsourced to specialized external providers on an annual basis. This approach ensures that the Company does not incur the risk of non-application or incorrect application of mandatory standards, or deviation from limits for certain specific measurement parameters. Agrati provides training on reporting mechanisms to its employees. This allows Agrati to monitor initiatives’ results and define future improvement plans.

On a local level the Environment, Health and Safety managers of each Agrati plant are in charge of updating the indicators created to monitor EHS performance, and for this purpose, an EHS manual has been defined to describe each indicator. Part of them flows into corporate BSCs (Balance scorecards), while others are used at Group level and flow into shared network folders for their maximum diffusion.

During 2019, as well as during 2018 and 2017, 100% of employees were covered by an occupational health and safety management system. Agrati also pays constant attention to the health and safety of all those people who, despite not being Group employees, operate in the company plants or office facilities providing 100% of them with occupational health and safety management system’s cover.

Health and safety performance is a key measure of Agrati’s duty of care. Thanks to a centralized data collection, Agrati has the possibility of assessing occupational health and safety data and make comparisons at a Group level. Generally, low injury and absentee rates are linked with positive trends in staff morale and productivity. Health and safety management practices result in fewer occupational health and safety incidents. During 2019, the total amount of hours worked was 4.777.048 for both employees and other workers. In 2019, there were no cases of fatal incidents. Below are the work-related injuries rates for the last three years and the distribution by geographical area.

Employees and workers rate\* of recordable work-related injuries by region (%)

	2019	2018	2017**
Europe	12,9	11,8	17,2
America	4,9	1,7	2,9
Asia	1,9	4,3	6,6
<b>Total</b>	<b>8,8</b>	<b>7,9</b>	<b>11,3</b>

*\* The calculation of reported accident rates takes into account accidents occurred to both employees and workers that have taken place at the workplace, including the ones with high consequences. More precisely, the accident frequency rate is calculated using the following formula: No. of recordable accidents / No. of hours worked) x 1,000,000*

*The “Appendix” section provides further details.*

*\*\* In 2017 an injury with high consequences occurred: an employee lost permanently his sight from one eye. After this accident he filed a lawsuit against A.Agrati S.p.A.*

For what concerns the work-related injuries, the most frequent types of incidents were bruises and crushing hands during machine setup (62%) and slipping down machine stairs (32%). In order to reduce the slipping risk, plants set up anti-slip surfaces and ergonomic

assessments and implemented lifting devices. In all Agrati’s plants, in order to eliminate the slipping risk, employees are trained to use the handrail when getting down the stairs and provided them with slip-proof safety shoes.

Number of recordable work-related ill health and fatalities as a result of work-related ill health of employees (No.)

	2019	2018	2017
Total number of recordable work-related ill health	1	2	1
Total number of fatalities as a result of work-related ill health	0	0	0

More specifically, concerning the days of absence from work related to illnesses or health issues, there were neither work-related health problems nor fatalities relating to other workers.



## Coronavirus emergency

Starting from January 2020, the national and international scenario has been characterized by the spread of Coronavirus and the consequent restrictive measures for its containment by authorities of the countries concerned.

The first stage of the epidemy concerned China and impacted YAF, the Chinese parent company based in the Shangdong province. Since the beginning of the emergency, Agrati's top management arranged a task force to monitor the situation and to provide all the possible helps to the Chinese colleagues. The main actions put in place have been frequent communications, attention to employees and delivery of goods like masks, disinfectants and medicines.

Then, starting from the second half of February, the spread of the virus is significantly affecting Italy and, in particular, the Lombardy Region (where the majority of the Group's activities are located), in terms of number of cases and speed of spread. These are challenging times and the coronavirus pandemic has impacted numerous people around the globe, including some members of the Agrati community. The containment measures put in place by the Italian Government are having immediate consequences on the organization and timing of the work as well as on the Group's business. Both in Italy, France and nowadays also in US, Agrati's top management has made significant decisions in order to face the problems caused by the ongoing emergency. In accordance with local authorities and the World Health Organization, Agrati decided to take all the possible actions aimed at reducing the spread of the virus

among the organization. The effort was firstly addressed to protect the employees and their health, adopting all the measured suggested and allowed by the authorities. Then, the capabilities and the resources of the Company has been focused to help and support the local hospitals and sanitary organizations that were struggling with the emergency. These have been put into effect with the donation of goods that suffered supply shortages in this period, like masks and medical instruments. A similar approach, only deferred for a few weeks, was also implemented in all the American plants of Agrati Inc., when the pandemic situation made it necessary.

The current health emergency is having direct and indirect repercussions on the general trend of the economy and on the propensity to consume and invest, leading to a context of general uncertainty. The evolution of the situation, its potential effects on the financial statements as well as on the evolution of management, are not foreseeable and will be subject to constant monitoring throughout the year.

COVID-19 is, first and foremost, a humanitarian challenge. This virus has affected communities on multiple continents. Thousands of health professionals are heroically battling the virus, putting their own lives at risk. Overstretched health systems mean that Italy and the rest of Europe will need time and help to return to a semblance of normalcy. Any protracted health emergency could affect, even significantly, the Group's activities, strategies and prospects.

## Welfare and diversity

At Agrati, employees are the most important asset. That is why the Group works hard to identify individuals that share Agrati's values and openly welcome and translate them in their daily actions. This is important because, when values resonate with employees' personal ideals, the Group is able to provide a greater sense of belonging resulting in a more engaged and supportive workforce. Currently Agrati does not have in place a specific policy on diversity, neither specific criteria and regulation for the appointment of the members of the Board of Directors and of the Board of Statutory Auditors. However, the implementation of a diversity policy would be relevant for Agrati for the following reasons: i) the market in which Agrati operates; ii) the size, the worldwide presence and the numbers of total employee, reason for Agrati needs to consolidate the inclusion as a value of the organization. The update of the 231 Model and of the Ethical Code represent a good starting point to contribute reinforcing Agrati approach to this topic.

As far as gender differences are concerned, men represent the predominant percentage of the total workforce. In fact, 84% of employees are men against a female component of 16%, which appears to be in line with the particular characteristics of the Automotive industry and related job market. To achieve a positive working environment, it is Agrati's responsibility to nurture a system where different employees with diverse age ranges are encouraged to take smart risks, try new ideas, and seize opportunities. Indeed, the distribution of personnel by age band sees 16% under 30, 29% between 31 and 40, 32% between 41 and 50 and 23% over 50. The concept of diversity and inclusion means also taking care of people with disabilities. In particular, 50 people with disabilities were working in the company on the 31 December 2019. The proof of Agrati's commitment towards its employees on the matter of employment is the percentage of staff hire with a permanent contract. More than 88% are hired with a permanent contract. Furthermore, 73% of the workforce is covered by a collective bargaining system. Moreover, Agrati brand's major ability to attract talented and young people is also reflected in very low average age of 41,9 years.

People by age and gender (No.)

	2019			2018		
	Men	Women	Total	Men	Women	Total
< 30	341	50	391	364	53	417
31-40	576	106	682	586	119	705
41-50	653	110	763	650	107	757
> 50	445	105	550	478	110	588
Total	2.015	371	2.386	2.078	389	2.467

People by classification level and gender (No.)

	2019			2018		
	Men	Women	Total	Men	Women	Total
Manager	198	40	238	192	40	232
White-collar workers	386	183	569	388	186	574
Blue-collar workers	1431	148	1.579	1.490	171	1.661
Total	2.015	371	2.386	2.070	397	2.467





Agrati People with part-time contracts by gender (No.)

	2019			2018		
	Men	Women	Total	Men	Women	Total
Full-time	1.999	353	2.352	2.066	367	2.433
Part-time	11	23	34	11	23	34
Total	2.010	376	2.386	2.077	390	2.467

Developing skills and competences:  
“We learn by doing”

Agrati University is one of the seven pillars on which the Lean Thinking of the Agrati Production System (APS) is based. It is a learning center composed by a group of skilled trainers that teach to Agrati Employees the best way to perform a core job. All the courses organized by the University have been defined to improve the skills and competences of Agrati employees, with the declared aim to reach excellence.



All Agrati’s employees must attend training courses on all processes where the product life cycle is concerned. Agrati manages its internal core competences with its internal University, a learning centre composed of skilled trainers that teach Agrati Employees the best way to perform jobs.

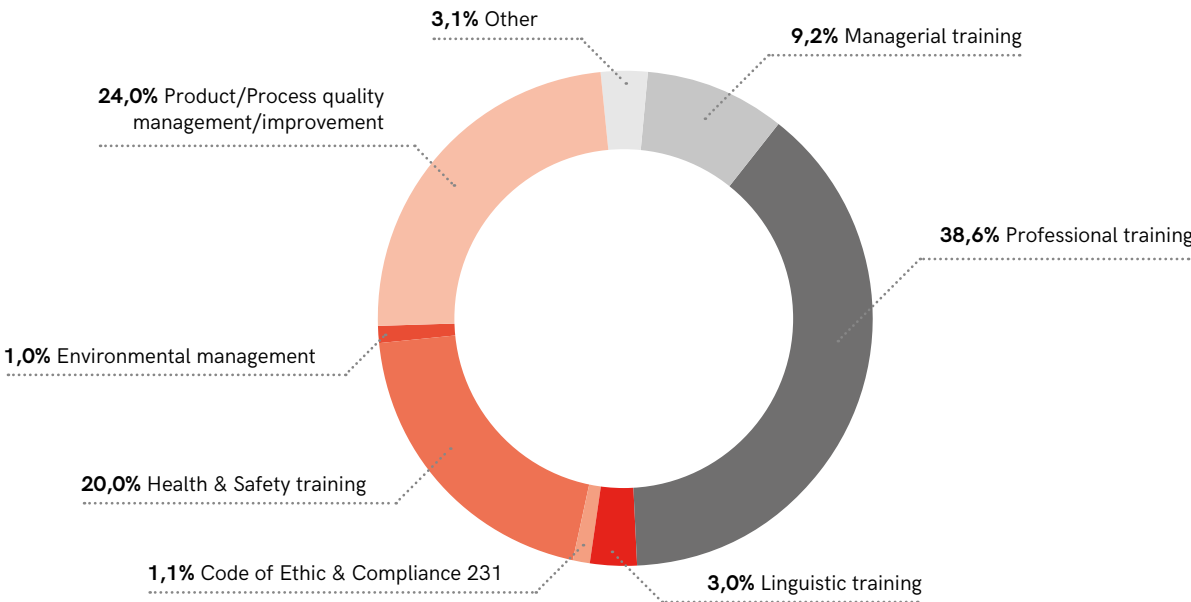
Agrati’s knowledge becomes a dynamic factor, continuously shared and enhanced through learning. The ability to learn is essential in generating and using knowledge as the base to reach the company’s goals. It provides also a large overview on support that Agrati can offer, such as TCS; R&D, Co-Design.

Agrati University is composed by 3 main training areas dedicated to Employees, Customers, Schools.

- Employees: internal courses about our core competences and focused on 8 training path. The aim is professional growth and development of Agrati People.
- Customers: technical workshop held within customers sites with aim to build a strong relationship with them and to be a business partner and not only a supplier.
- Schools: courses hold by Agrati trainers in high schools and university with aim of employer branding, talent attraction and anticipation of future HR needs.

An important element is regular training offered to Agrati employees: in 2019, over 41.000 hours of training were provided and each employee received 26 hours of training on average, reaching an average of 28 hours per year for blue-collars workers, around 19 hours for managers and around 23 hours for white collars workers. Here, almost 100% of the training hours were delivered in classrooms. The responsibility for raising awareness and controlling human right issues (e.g. non-discrimination, freedom of association and the right to collective bargaining) rests with Corporate compliance and goes along the entire supply chain.

Training provided by type and content (% on total hours)







## Talent attraction and retention

Agrati has developed a strategy of talent attraction managing several tools: participation to specific career day held in university and high schools; membership in local association (Roadjob) dedicated to promote the company and the work in the factory; an account LinkedIn Recruiter, which allows the Company to look for unaware talent, to capture interest, to build a talent pipeline, to capture applicants and to engage with candidates directly. According to the Company Reports, concerning the positions linked to the ICT sector, 13% of the potential employees that visited the LinkedIn job offer also applied for it; for the positions linked to project management activities, the percentage equals 14%; concerning the technical positions such as engineering roles, the percentage equals 18%.

On LinkedIn, Agrati case ads have received 1.3 million impressions; the Company was able to calculate the conversion factors from the “aware” step when the ad is shown (in) to the “Considering” step which is when they decide to apply for the position. The Awareness to Engagement Conversion factor is equal to 2,8% and the Engagement to Considering Conversion factor equals 9,1%.

During 2019, Agrati implemented two projects to give a more active role to employees within the all departments, allowing them to express

their full potential and increasing their retention rate. Agrati aims at rising employees’ engagement, increasing the team spirit, making sure to grant the best employees’ experience and professionalism and making the organization more efficient and stronger.

These projects were:

- the Improvement Proposals;
- the “Toyota Project”: for a more visual Factory.

The second project, started in 2019, is based on a daily and weekly performance meeting that allows having a complete picture of the state of the art inside the plant. The project aimed at making the result more transparent, sharing and managing issues, complying on intervention priorities, giving voice to the department team, accompanying supervisors to the Genba<sup>2</sup>.

Concerning the proposals for improvements and the suggestions, within the 31 December 2019, 934 proposals were presented by employees – the target was 653. Concerning the Veduggio plant, 452 proposals were presented, of which the 17% is still pending, the 12% was rejected and the 11% is terminated.

### People hired by region (No.)

	2019			2018		
	Men	Women	Total	Men	Women	Total
Europe	79	10	89	137	25	162
America	92	21	113	102	20	122
Asia	21	5	26	48	3	51
Total	192	36	228	287	48	335

<sup>2</sup> Genba is a Japanese term meaning “the actual place”, where the problems are visible.

### People terminated by region (No.)

	2019			2018		
	Men	Women	Total	Men	Women	Total
Europe	86	24	110	94	16	110
America	99	15	114	108	20	128
Asia	43	17	60	34	6	40
Total	228	56	284	236	42	278

### People hired and terminated by age in 2019 (No.)

	2019		2018	
	Hired	Terminated	Hired	Terminated
< 30	97	78	115	86
31-40	73	92	112	78
41-50	44	46	62	58
> 50	14	68	46	56
Total	228	284	335	278







**Suppliers**





# 7. Suppliers

Agrati takes good care of its supply chain dynamics, as the Company has its Plants spread throughout the globe, it employees people from all over the world, it purchases raw materials and products from suppliers having their production plants far away from the Company's

headquarters and supplying, on its turn, customers on different markets. Most of Agrati's suppliers are based in Europe (59%), while the rest is mainly based in North America (28%) and Asia (13%).

## Value of supplies by geographical area (€)

**Supply Chain Excellence** is one of the seven pillars on which the Lean Thinking of the Agrati Production System (APS) is based. It is aimed at driving superior performance through vendor and manufacturing plants management; Agrati integrated warehouses have been specifically optimized for all phases linked to the logistics cycle, and this has been possible thanks to the relocation of the warehouses in strategic areas.

	2019	2018	2017
Europe	149.193.852	171.938.471	149.548.267
North America	79.334.112	50.368.784	50.680.224
Asia	28.339.415	30.552.135	28.790.032
Total	256.867.378	252.859.390	229.018.523

## Value of supplies by category \* (\*)

	2019	2018	2017
Raw material	128.499.247	136.355.511	118.896.949
Subcontracting	60.044.574	59.141.220	55.822.541
Finished/semi-finished products	15.589.433	14.763.349	15.288.633
MRO	13.365.856	10.095.159	8.022.540
Washer/competent	32.058.151	24.566.907	22.272.353
Tools	7.310.117	7.937.245	8.715.506
Total	256.867.378	252.859.390	229.018.523

\* The data are influenced year by year by the trend of market prices: specifically, the price of raw material can have important variations in the time. Since local data are extracted from different ERP systems, the process of data collection is still under revision and improvement: the data relating to 2019 have been subject to deeper analysis and are the results of an updated methodology.  
(\*) All the data appearing on the tables of this section refer to the TOP100 suppliers of Agrati by spend with Agrati. TOP100 suppliers represent in fact around 75% of total spend of direct materials: this decision has been taken in order to limit the amount of information - the total amount of suppliers is in fact over 1.500.

## Supplier management policy

The *Agrati Supplier Quality Manual* sets out the requirements and basics that suppliers must follow in order to make their business partnership with Agrati a long-lasting relationship. The suppliers are evaluated on their ability to implement a quality assurance approach, to implement a reliable qualification process on products and processes, to develop the necessary logistic conditions to ensure on-time deliveries, to be capable of developing an effective continuous improvement approach. All these activities are aimed at ensuring the durability of the relationship.

At the very base of Agrati's relation with its suppliers there is the need to only work with partners certified according to standards IATF 16949 or minimum ISO 9001. If the supplied parts are manufactured using special processes, suppliers must be also qualified to specific standards (CQI-9 standard for heat treatment, CQI-11 standard for plating and CQI-12 standard for zinc-lamellar coating).

Moreover, the Company strives to work with partners that are environmentally and socially conscious, and that implement an environmental, health and safety management system based on ISO 14001 and OHSAS 18001. Agrati also requests a list of third-party qualifications and the conformity to standards updated every year.

In terms of guarantees and responsibilities, Agrati makes sure that its suppliers benefit from sufficient insurance coverage that might enable them to face issues linked to the civil liability; the mentioned

insurance should cover bodily injury, material damage, damage caused by delivered goods including product recall, removal and replacement expenses.

Agrati believes that, given the length of its supply chain, the accountability and transparency are surely two fundamental characteristics of its relationships with suppliers. The traceability systems must at least comply with the ISO 9001 standard, and should allow the suppliers to identify non-conforming issues linked to their products, to meet the customer or the regulatory response time requirements, to make sure that adequate information is stored and retained, and that the traceability requirements are extended to externally provided products with safety and regulatory requirements. Concerning safety, the Company wants its suppliers to appoint a Product Safety Representative (PSR), who has knowledge about products manufactured for the Company, risk assessment and product safety methodologies. These appointed people provide support during engineering as well as production phases and must be part of the suppliers' management team.

Transparency is not the only key point of the Agrati purchasing strategy; quality is another very important feature of the relationship with the suppliers, as the mentioned relation is based on four main pillars:

1. Panel entrance and management;
2. Prevention in Product & Process;
3. Performance management in execution;
4. Continuous Improvement management.

Therefore, the Supplier Quality process is made of the following steps:



The suppliers are preliminary investigated through an assessment of four key aspects, namely the supplier risk assessment, the business sustainability, the leadership and the business excellence. All the suppliers that do not have a formal risk evaluation available are considered as "high risk" suppliers; this assessment is performed by the Purchasing Department.

In general, all the parties that enter into a business relationship with the Agrati need to comply with the fairness in their operations. For this reason, all the suppliers are provided with the Company Code of Ethics, so that they can commit to the same values and respect, other than the Code of Ethics itself, also to labour, environmental, occupational health and safety, product and service life cycle and conflict minerals standard, and to comply to international regulation as the REACH.



Once a potential supplier fulfils the Agrati business criteria, like financial strength, industrial footprint or technical expertise, and has successfully obtained a Quality Management System certification, a Supplier business register license and a process audit on technical know-how, it can be integrated into the Panel List. After the Supplier Qualification follows the Product Qualification, according to which the suppliers are evaluated based on their Advanced Product Quality Plan (APQP) and the Process Failure Mode and Effects Analysis (P-FMEA). At this stage, the suppliers can be awarded after an evaluation of four different parameters that are assessed by three different functions:

- Risk Assessment – Sourcing Team;
- Agrati Process Audit – Supplier Quality Team;
- SPQD Plan – Project Management Team.

If during the normal process of supply a Non-Conformity (NC) is found, the Company sends out a Non Conformity Report that has to be filled in by the supplier, who must also implement a containment action plan within 24 hours after having received the Report. Suppliers must implement specific corrective actions to avoid the reoccurrence of the same issue.

The Agrati asks its suppliers to continuously promote quality improvement and increase global performances, based on a continuous improvement plan; moreover, suppliers have to assure annual re-qualification of the product. In addition, according to the European Regulation n. 1907/2006 (REACH), the Agrati requires its suppliers to complete the REACH questionnaire in accordance with the requirements, and to review it every six months.

Number of certified suppliers (n.)

	2019	2018	2017
ISO14001	23	24	25
IATF	46	47	48

*\* Data on certifications are currently duly collected from suppliers since they concur to the Vendor Rating process: this process is currently considering only ISO9001 certification, IATF certification and ISO 14001 certification. Above data are based as previously on TOP 100 suppliers. The data variation in the different years is mainly due to the change of suppliers with are year by year part of TOP 100.*

Responsible supply chain management: supplier performance monitoring and evaluation

Agrati operates a global network of manufacturing sites to follow customer demands and stay as geographically close to them as possible. Thus, in order to spread sustainability culture over, Agrati’s suppliers are required to fill a sort of supplier identity card, called “Sustainability Chart”. This is one of the main tools developed by Agrati to enhance its supply chain’s sustainable performance.

Since 2014 every supplier has to fill a Sustainability Chart, containing all environmental and social information.

Agrati ensures that human rights and the environmental principles that constitute its reference system are decisive criteria in the process of selecting a new supplier. Indeed, to be integrated in the Agrati panel, a feasible supplier must not only be compliant with the laws and regulations in force in all the countries in which it operates, but also promote and respect the Internationally recognized human rights as freedom of association and collective bargaining, elimination of all forms of forced and compulsory and child labour and fight of all corruption. In the event of non-compliance by the Supplier with these rights and principles, the Supplier must put in place corrective action plans. In addition, Agrati reserves the right to impose penalties up to the exclusion of the Supplier from the group supplier’s panel. Agrati wishes to take part in a process of progress and accompanying

the Supplier, but reserves the right to carry out or have carried out audits at any time at the Supplier in order to have the conformity of the practices of the Supplier to the requirements as set out above. Conversely, Agrati fills in the EcoVadis questionnaire whenever it is the supplier of a customer in the French automotive sector. As a supplier, this tool represents a great opportunity to monitor the sustainability performance. The Group aims to improve its environmental and social practices by harnessing its influence of global logistics chains, through EcoVadis’ collaborative platform. Once the questionnaire is submitted, Agrati is able to assess its commitment, as far as sustainability is concerned, and to understand how it is perceived and evaluated by its main customers.

Agrati supplier universe currently consists of over 1.500 spend suppliers. As previously mentioned, Agrati purchases materials/ services from business partners around the globe, but most of the components are sourced within the continent of its point of demand. As Agrati is manufacturing today in 12 sites in 4 Countries on 3 continents, the supply chain shows a strategy of international development centred upon the local area. This is proved by the high percentage of purchases received from local suppliers, equal to 95% of purchases. Here, the definition of “local” is normally used considering the perimeter of the relevant Continent. More specifically, only suppliers based on the same continent as the relevant Agrati factory can ensure a lead-time which is compatible with the one requested from customers and can allow a fluent management in case of quality issues.

Purchases from local suppliers (on total purchases by geographical area)

	Europe	North America	Asia
Local for Local turnover (€)	486.442.028	201.677.275	50.625.988
Local for Local percentage	97%	89%	99%

*\* Turnover “gross” of intercompany elisions*

PRODUCT QUALIFICATION





## Customers and products





## 8. Customers and products

### Constant attention to customer needs

The Group has to be innovative and move fast to turn ideas into products and services that create differentiating customer experiences to keep pace with customers' evolving needs and at the same time continuing to deliver on Agrati's Customer Promise. The continuous attention to customers' needs is a key point in Agrati's philosophy. This approach brings to a close collaboration with the customers that turns into a trustful and strong relationship. Agrati strongly believes that customers are a great asset for the company because it is thanks to them that the Group is prompted to constantly look for and design new products, new technologies and new process lines. The key indicator of the continuous attention to customers is the ability to develop new products following customers' requirements: the Group is able to develop around 1.000 new products every year, and considering that there are around 15.000 active parts, the innovation ratio is around 7%. This is the core activity of the Group's technical department that starts from the customer requirements and drawings that are transferred into engineered products.

The initiatives that better explain Agrati's attention to customers in terms of products are co-design and Full Service Provider. While the first means designing complete automotive platforms and industrial development of complex parts, the latter signifies deploying the widest range of fastening products as well as logistic solutions at a global market level. In this way, Agrati is able to offer its customers with the best solutions in terms of product and price with the flexibility of a fully equipped logistics centre for every requirement.

Another asset that helps Agrati enrich its relationship with customers is the Agrati University. During the year, several training workshop on fastener technology are organized. Starting from the basics of fastener terminology, the course builds up to more technical modules on more advanced fastening systems. These kinds of courses, intended for engineers, buyers, purchasing managers, quality and manufacturing department staff, represent a great opportunity to enhance Agrati network and reputation.

Another side of the Group's idea of attention to customers is product quality. The customer quality department is focused on understanding how to transfer the customers' requirements into Agrati's processes, organization. Every year around 100 audits are performed by the customers in Agrati plants, with the goal to verify if the application of the quality standards is in line with their requirements.

Starting from 2015, the Agrati has defined a specific approach to manage customer relationships with a dedicated team, where many functions of the organization are involved, from sales to quality. This model is applied to the customers that represents the 80% of actual revenues, and the target is to achieve 85% in 2020.

Finally, Agrati is active on the main social media (Facebook and

LinkedIn) within which the company publishes a large amount of content conceived for the various public segments. The Group considers its social media channels as a way to better reach its stakeholders, and more specifically its customers. The area of the Company that is responsible for the social media management is the Communications and Marketing team; this latter manages the Agrati page of LinkedIn, Facebook, Twitter and YouTube. Agrati has a total of 8.958 followers, of which almost 90% is composed by LinkedIn followers, while the 8,4% is composed by Facebook followers.

The most important advantage of using social media for Agrati is to create a network of relationships, a dedicated community and certainly to guarantee a brand identity. The most suitable social network for Agrati's type of business is LinkedIn, which allows the Company to reach its reference cluster, mainly the automotive and mechanical engineering industries. According to a report of LinkedIn activities in terms of followers, impressions and job applications, concerning the search "Followers by Top Industry", the top three Industries by followers are the Mechanical or Industrial Engineering Industry (84%), the Automotive Sector (55,3%), and the Machinery Sector (29%). Relating to the search "Followers by Top Functions", the top three functions by followers are Operations (88%), Engineering (76%) and Sales (68%). Concerning the genders of followers, the 70% of them are male, while the 30% are female, while concerning the seniority of followers, the 45% of them are entry level employees, 30% are senior, 13% are managers and 12% are directors.

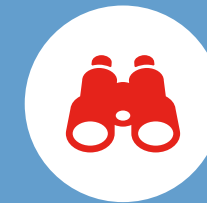
### Product's quality and security

Agrati wants to ensure all of its stakeholders that the metal that enters and exits in its plants is sustainable and transparent, fully compliant with the highest ethical and quality standards. This commitment is supported by its quality manual, which outlines the operation of the company with all its internal processes. The Group works with the industry's foremost bodies, providing its expertise to define the quality and sustainability criteria that govern the industry itself: each corporate procedure requires that a Process Manager who undertakes to delegate the execution of tasks to the personnel in their department. This responsibility, however, cannot be delegated.

It is the obligation of each manager to determine the basic requirements of the personnel to be assigned to a given task and to assess the training needs, on the basis of the skills necessary to

execute a given task and measuring the effectiveness.

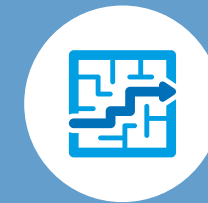
All Group Policies reissued in 2019<sup>3</sup> include systemic commitments and complete the strategic vision of the upper management. Precisely, it is in this policy documents that short- and medium-term goals and missions come from, as well as the principles contained in the Group's Ethical Code. Agrati's approach aims to satisfy several goals such as respect norms and customers specific requirements, achieve excellent quality and service performance and develop with the customer innovative fastening solutions while deploying the APS global industrial system, analysing and reducing risks and developing opportunities. The group acknowledges the fact that these objectives would not be achievable without motivating its staff.



ZERO DEFECTS  
PLANTS



ZERO DELAY



LEAN THINKING  
APPROACH IN ALL

A format review of results named "Management reviews" is conducted yearly by the Group's Steering Committee according to a specific procedure. The minimum content of the review is about Audits results, Customers data (satisfaction, claims, feedback), Processes status, Review of actions, Changes that can affect Management System. Based on this data, the General Manager and the Project Pilots make conclusions on adequacy, performance and efficiency of processes and decides on guidance and resources to be implemented for next year. Contextually, Country and Plant Management can also conduct management reviews in their respective areas, while plants' management reviews are conducted by the plant management at least once a year.

In addition to the annual management review, a periodic quality committee is organized to review the quality results of the site and to take corrective or preventive measures. Simultaneously, a same approach for EHS is adopted with periodic EHS meetings at Plant Level, involving different actors, including Unions, with the purpose to share EHS indicators, accidents, actions. Finally, they provide a framework for the establishment and implementation of the objectives and targets.

<sup>3</sup> Quality, EHS (Environment, Health and Safety) and CSR (Corporate Social Responsibility)



Agrati target may be summarized in the following way:

Focus	KPI	Frequency
Financial	Turnover, EBITDA, Fixed Cost, Total inventory, Net debt/Ebitda	Monthly
Customer	NL special parts, Service rate, IPB (Incident Per Billion)	Monthly
Process	Purchasing savings, Operation savings, number of PPAPs, OEE plants, scraps, Direct & Indirect labour costs	Monthly
People	Headcount, Suggestions, Injury frequency rate,	Monthly

Processes are directly assured by centralized functions and are common to all entities of Agrati. Project Pilots ensure that processes produce the expected results and ensure that resources are used optimally. They take into account internal, customers and legal evolutions and define the criteria for acceptance of products and services in line with the customers' requirements (external or internal). Follow-up and performance indicators, allowing evaluating efficiency of processes, are defined every year during the management review.

The launch of each new product is managed by Agrati in accordance with IATF 19649 standard that provides for the application of the Advanced Product Quality Planning - APQP process. Thanks to this process, 100% of Agrati products health and safety impacts are assessed for improvement.

This process evaluates the level of criticality in case of failure for each individual product feature (this level is normally defined by the product designer - the customer). Based on this, Agrati prepares the most suitable production process and control plan on the basis of an FMEA (Failure Mode and Effect Analysis) analysis. In addition

to this, Agrati ensures that any employee that has an impact on the compliance of the safety features of the products is aware of and adequately trained on these impacts and on the methods of controlling and limiting the effect that Agrati has defined.

100% Plants with IAFT 16949 quality certification.

Thanks to the Agrati Corporate quality System, Agrati monitors the quality level received by customers through the IPB (Incidents Per Billion parts delivered) indicator. Since 2015, this indicator is monitored monthly at plant, company and group level.

In addition to this, from 2019 Agrati can annually monitor complaints that have been forwarded to the Group for defects relating to product characteristics defined by the customer's "safety" technical specifications, at plant, company and Group level.

Focus	Quantity shipped (No.)	Concerns (No.)	Incident per Billion	Concerns (No.)	Involved IPBs (safety features)
2017	7.452.344.926	321	43,1	9	1,2
2018	7.496.514.238	264	35,2	9	1,2
2019	6.391.600.299	199	31,1	6	0,9

The data revealed how the trend of the last 3 years sees a reduction in both the number of complaints (IPB) and complaints relating to security. Regarding the number of concerns received during 2019, there is a significant decrease from the previous year: from a 18% decrease in 2018 to a 25% decrease in 2019.

This path was strengthened by Quality Improvement Plan called "2020 - Quality Improvement Project" launched in 2018. The project is based on four axes:

- Standardize, through the adoption of specific tools like Agrati Production System, Quality Standards, 5S lean manufacturing;
- Maximize effects, amplifying the improvement effect through lessons learned and paperless audit;
- Respect of the standards through a "zero tolerance" policy, applying integrated auditing systems and processes;
- Improve, through a "more than enough" approach aimed at reaching the excellence in problem solving effectiveness

The project implies the strict collaboration between operations, quality, human resources and technical departments; this wide organization demonstrate the strong effort of the Company towards the creation and the spread of a customer centric culture.

The progress of the plan is monitored monthly at the level of the individual activities and annually as a whole.

Agrati 2020 Project

Following the acquisition of the American Group "Continental Midland", Agrati launched a project to integrate the five American units into the Group's Quality System. The project, launched in early 2019 under the name "Agrati 2020 Project", commenced in May 2019 for the sites of Park Forest, Valparaiso and Southfield, whilst

the last two sites of Medina and Tiffin are scheduled by December 2019. On the EHS side, the American operating units are working to achieve health and safety certification (ISO 45001) by the end of 2019, to flank the ISO 14001 certification already obtained.







## Agrati guidelines

**Operational Excellence** is one of the seven pillars on which the Lean Thinking of the Agrati Production System (APS) is based. It resumes the Agrati's aim to be a benchmark in their industrial sector, through improved efficiency, productivity, reduced set up times and improved equipment reliability.

Agrati bases its philosophy on five key strategic points through which it differentiates itself in the fastener market; thanks to these strategic points, the Company attempts to always listen to customers and develop relationships built on close cooperation and trust with them. The five strategic points are Product Excellence, Co-Design, Globalization, Innovation, FSP: Full Service Provider. Each of them will be further developed in this Report.

Agrati is recognized as one of the leading manufacturers of fasteners solutions in different application fields. Agrati is a suppliers of technology, specialised in complex fasteners, able to offer quality, high levels of service and, above all, great technical expertise that is mainly developed in the activity of Co-Design. The experience gained over the years has meant that the company became a valuable support for the design and validation of complex products, from design to execution of functional tests, passing through analysis to finished elements and prototyping.

The Agrati Tech Centre (ATC) represents another Key factor for the Group: an integrated team of experts involved in different fields – material engineering, moulding and mechanical processes, coatings, design, applications and experiments – with the mission to develop and promote innovative solutions, aiming to be a reliable, dynamic partner, with an elevated technical competence to ensure comprehensive and profitable support of fastening solutions. This department employs highly specialised personnel in various technical fields including mechanical, chemical, material science and aeronautical engineers. The Agrati Tech Centre mission is to develop and promote innovative solutions, aiming to be a reliable, dynamic partner, with an elevated technical competence to ensure comprehensive and profitable support in the field of fastening systems.

The ATC team:

- offers in-depth and continuously updated skills and experience combined with modern and reliable machinery and instruments;
- can fully meet the customer 's technical requests;
- develops tailor-made designed and engineered solutions;
- carries out all the possible research required in the "design by experiment" approach on the fastening systems;
- works with universities and research institutes with an open and clear approach.

Thanks to the combined and synergistic work of the team and a dedicated staff, Agrati was able to launch one of its core businesses: co-design. This multidisciplinary service involves all Agrati skills in fastener design, analysis and validation, starting from a blank page to the mass production of a fully functional component or all fixtures of a vehicle, with the product and assembly process validated by the customer.

ATC activities lead to a gradual and constant customer fidelity and is based on a work approach that involves the customer's technicians and engineers being proactive and able to anticipate the technical needs and demands each day.

### ATC'S ROLE IN EHS SUSTAINABILITY

The co-design projects mainly aim to define the best and functional joint in consideration of the customer's various objectives including the right mechanical resistance, optimal weight, tailor made dimensioning, the best choice of raw materials, resistance class and surface finishes in compliance with international standards, along with REACH and RoHS regulations.

As a direct consequence, ATC actively partners with OEMs and Tiers, in achieving suitable outcomes in the assembled components, dedicated to weight reduction and CO2 emission aspects.

What's more, Agrati customers also have the opportunity to make their production process more efficient, being attentive to ergonomics, safety and productivity of assembly lines to promote worker well-being.

ATC is fully involved in the supply network concerning the development and industrialization of functional surface coating solutions: over the last 3 years ATC has managed 70 projects to research and develop products with tailor-made surface coatings aimed at achieving the desired performance, such as prevention of different types of corrosion, the control of the friction coefficient, the request for aesthetic requirements, and the efficiency of the application processes in accordance with existing regulations. Ecoplate, Highblack, Silverwheel, Agratilube, ATcote are some examples of the surface coatings developed.

Thanks to direct cooperation with the other internal departments, ATC constantly works to solve problems and to improve the molding process (finished element analysis, experimentation and investigations to increase the useful life of the molding tools), to minimize and better manage waste, to employ high-performance chemical products with the aim of improving fundamental processes such as the preparation of the raw material (from annealing to drawing) and heat treatments.





FSP: Full service provider

Not only the Agrati manufactures products, but it is also a full service provider at a global market level. The Company can indeed offer a multi-generational deep rooted experience, a deep knowledge in fastening systems and a new-generation lab equipment and testing capability; Agrati drives the customers with its productive and streamlined organization, based on its outstanding products and B2B services. The business is founded on unique competences which complete the Agrati’s core production, by supporting the customers in all applications of fasteners technology with innovative products and solid technical solutions for the new challenges ahead.

Agrati FSP, the distribution company owned by Agrati, is a real Full Service Provider at global market level, deploying the widest range of fastening products as well as logistic solutions, even ad hoc ones. Also, the new assortment of products, which are related to the new automotive needs, are inside the products’ panel since they can provide solutions and keys for innovative ideas together with a quick development and delivery of prototypes, through co-design and engineering support and ground-breaking logistic models.

The mission of FSP is to be a real partner in a changing process with the power of a Manufacturer Group and the flexibility of a logistic provider. Agrati FSP specializes in consignment stock, kanban services, customized packaging projects. Indeed, the Company is responsible for the direct supply of material to the customers and they

can count on the stable base of the Agrati’s support and production plants.

FSP well-established internal Purchasing Division works along the on-site Quality and Logistic Departments. This allows Agrati to give to the final customer the best solutions in terms of product and price but also the flexibility of a fully equipped logistics Centre for every requirement.

Quality, Engineering, Supply Chain and Procurement: these are the 4 pillars on which the Agrati’s full service provider philosophy is based on the productive side. FSP works also on a daily basis on having a strong and even relation with the customers, consolidating the business upon fair and professional roots from a transparent source of the “state of the art”: this is a commitment and also the Company’s will.

Agrati Full Service Provider (FSP), the distribution company owned by Agrati, grants a full complement of customized logistic services. Through FSP, Agrati provides the direct management of materials flow to the customer, with the ability to handle reduced flows and capillary delivery.

Global presence



Co-Design

Co-Design: a dedicated and integrated team which involves Agrati Technical Customer Services and R&D, focused on working directly with the engineering and Customers R&D departments, to design, test and validate all the joints of new automotive and commercial vehicle components and complete full systems. This multidisciplinary service involves all Agrati skills in fastener design, analysis and validation, starting from a blank page to the mass production of a fully functional component or all fixtures of a vehicle, with the product and assembly process validated by the customer.

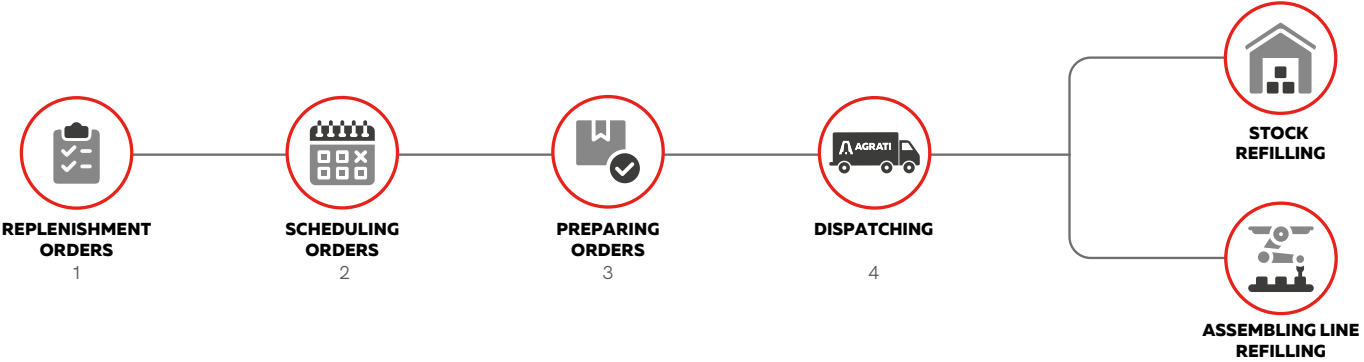
The service is composed by three main phases:

- **Design & Calculation:** Agrati manages the analysis of the joint with its working loads, to make the calculation and design of the fastening systems, integrated by FEM analysis for a complete nonlinear joint calculation. The Company has dedicated lab tests on components to optimize the calculations and to integrate the database of its proprietary software and workstations with the aim to define the best tailor-made solution. Fastener design can range in various degrees of complication, starting from pure engineering calculation according to VDI2230 and passing through 2D simulations of joint behaviour, arriving to 3D thermomechanical simulations of all the members of the joint. During the design phase, specific information about the joint elements and the fasteners can be assessed via testing experiences; these data are useful to base the calculations on real tested parameters that help in the design of the joint. The design phase usually ends with a drawing definition, together with a first proposal of tightening strategy.
- **Prototyping:** Agrati produces in-house small batches of parts, which are used for the validation tests; the Company can offer a very prompt service that cuts the cost and improves efficiency of the development, with a manufacturing process that is representative of the serial process. The designed fastener can be produced in limited quantities in order to prepare prototypes for the end customer, make tests, validations and production line setups before serial production. The prototype can be produced in various ways depending from the required

volumes, the availability of WIP parts in Agrati facilities and the geometry of the part to be realized itself. ATC can use various technologies: from bar, via turning and modification of WIP or with a full cold forging process. To achieve its goals, ATC uses a profound collaboration with trusty suppliers in the area of operation as well as its internal resources.

- **Testing and Validation:** Agrati manages tightening tests on complete systems to validate the tightening procedure, to measure the clamping force by ultrasonic devices. The Company is equipped with latest generation machines to be able to measure the mechanical strength, fatigue performance, chemical composition, friction coefficients, stiffness and torque and tension correlations, corrosion resistance, cleanliness level and metallurgical analysis. ATC is equipped with state of the art technology in order to perform testing activities in laboratory or at the customer facilities, depending on the specific needs and the type of project. ATC is also equipped with a tailor made Dynamic Bench, able to perform dynamic analysis on real components. A verification of all the needed parameters is done to make sure the joint properly works during the product deployment. The focus in joint validation mainly relates to two fields of expertise: tightening strategy and relaxation performance verification. The two areas relate respectively to what happens in the assembly facility and the joint performance. Agrati supports the customer in both giving advice and technical inputs to solve potential issues.

The number of co-design activities is very variable, depending on the wideness of the project. In 2018 and 2019, there were around 10 co-design activities per year. To be more precise, in 2019, Agrati conducted 20 visits to promote its engineering services and succeeded to manage 12 workshops at customer and eventually 9 activities of Codesign, which consisted in the development of at least one product starting from its design followed by an experimental validation.







## Innovation

**Continuous Improvement** is one of the seven pillars on which the Lean Thinking of the Agrati Production System (APS) is based. Through this concept, the Agrati endeavors to reach cost reductions, process efficiency and productivity control.

Following the latest trends in the automotive sector, Agrati has developed new innovative products to cope with the market needs for research and development. For instance, though the usage of thermoplastics material moulded with forged steel parts it is possible to introduce a saving on weight and ensure the proper electric insulation, fundamental in the actual trend towards electric vehicles.

In order to face the future challenges of the automotive sector, Agrati has decided to set itself ambitious goals regarding innovation, reviewing its approach and organisational model. First of all, an Innovation Team has been set up comprised of resources who, with various roles, have the objective of dealing with technological discontinuity, proposing radical solutions and modifications that can characterise the years to come. To support this strategy, Agrati has also decided to open up to the outside world by adopting a so-called open innovation approach, involving other entities of various natures. This includes realities such as Universities, Research Centres, accelerators and start-ups along with also companies operating in sectors that may seem quite detached from Agrati's core business yet with which synergies and initiatives of common interest can arise. In this context, the Group has recently undertaken a path towards Industry 4.0 which allowed Agrati to enter a new context of digitisation in the processes, enabling a virtuous circle that starts from the collection of production data that is then managed and processed in cloud computing infrastructure for the structured management of big data aimed at the continuous improvement of efficiency

Best practice, improvement, formalization and sharing are part of the Agrati's common culture and language worldwide.

and productivity. For Agrati, Industry 4.0 means the possibility of introducing innovation and technological advancements in the various phases of the process in order to digitise and automate the production process as much as possible. In particular, the scope of such development is to monitor the machines for production control and progress, geolocation for managing logistics in handling materials, introducing AGV (Automated Guided Vehicles) and SDV (Self-Driving Vehicles), visual checking systems auto-applied to specific operations, predictive maintenance and the application of technological solutions related to ergonomics to reduce operator fatigue. In terms of sustainability, various initiatives to improve production processes are aimed at increasing efficiency and energy savings through the reduction of the power required or through the recovery and reuse of energy consumed at certain stages. The concept of circular economy is also one of the guidelines behind the development of innovative fastening solutions intended to increase the chances of recycling materials and components. Last but not least is the continuous modernisation of plants for the management of operator safety and environmental protection. To continuously meet the expectations of the automotive sector, Agrati will continue to work to improve its products and propose effective fastening solutions. To this end, the Agrati efforts will aim to identify components, materials, functional characteristics, technical specifications, etc. able to offer customers innovative and competitive products and services. On this path, the approach will be increasingly open to comparison and the influence of the outside world.



### INNOVATION DAY

Developing the ability to innovate is also achieved through the creation of a corporate culture focused on innovation. To this end, Innovation Day is held each year as a celebratory moment that involves customers, suppliers and external partners, with the aim of showing how invention, new technologies and the continuous pursuit of high-performance solutions can represent the winning strategy in an extremely competitive market. Through this event, Agrati can compare other industrial realities in the automotive sector and more, exchanging opinions and ideas on the main trends and technological developments underway in order to identify new business opportunities.

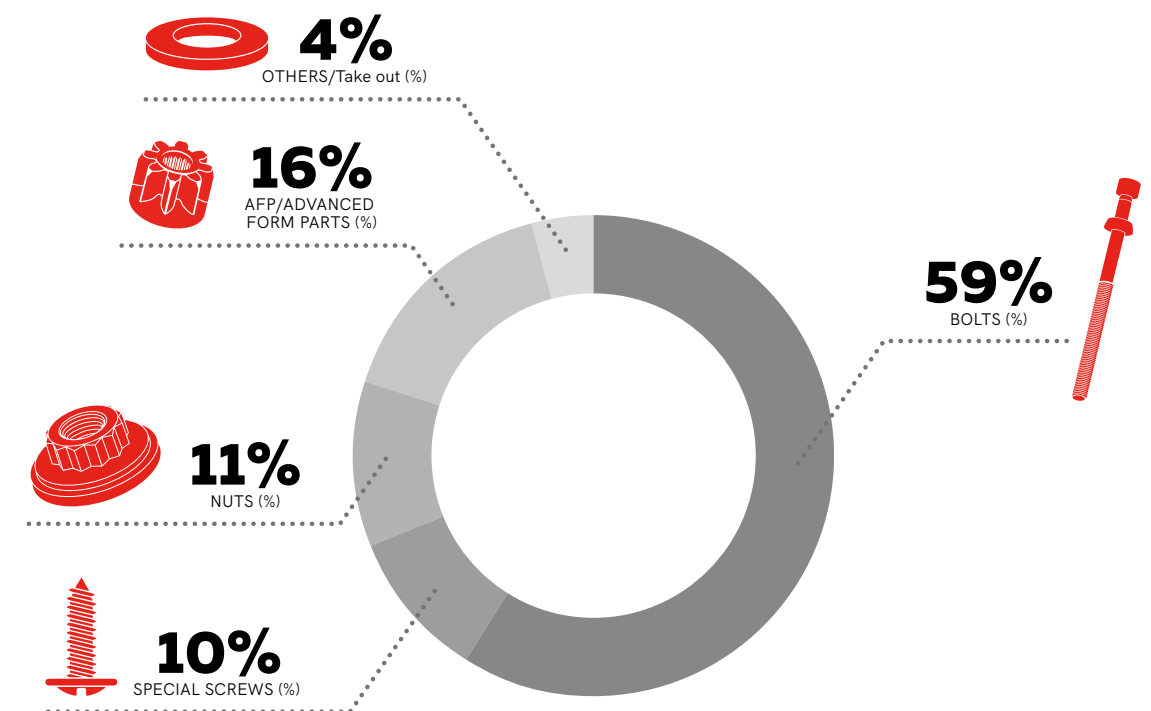
## Innovation's dimensions: product and process

Agrati is the world number 7 manufacturer of automotive metallic fastening systems. Its products can be divided into four main categories: screws, bolts, nuts and AFP. The wide range of products is an element of distinction from main competitors. The experience and the skills gained over time allow Agrati to carry out heat treatments on its products in compliance with the standards of the automotive world: quench and tempering, case-hardening, carbo-nitriding and induction hardening, in order to better adapt the screws to specific applications. The Company also offers a wide variety of coatings (corrosion resistance, appearance, friction coefficient, self-braking function, sealing function). Among them Agrati offers various products:

- Bolts: A mechanical element made by an externally threaded shank and a head at one end. The bolts are mainly used as fasteners, together with counterparts that have a female thread (nuts or internally threaded parts). Agrati is able to produce special bolts according to customer drawings, for the main automotive applications: suspensions, brakes, steering, wheels, body, interiors, safety systems, engine and driveline. From technical point of view, a bolt is a mechanical element constituted by a helical external thread and by a head that permits the installation through tightening tools. It is a simple product that transforms the circular movement into straight, often used to develop joints that can be easily assembled and disassembled;
- Advanced Formed Parts (AFD): A fastening element or metal component characterized by a complex geometry, obtained by cold forging process and one or more eventual machining operations, used in the automotive sector and according to

the customer specific demand. These parts are manufactured according to strict customer specifications and are used in several fields of automotive applications: chassis, seating, brakes and safety systems, engine, powertrain & driveline systems. The key feature about this product is that the cold forging process allows Agrati to obtain complex geometries with high production rate, yet minimize scrapped material and being able to sell them at a competitive price compared to other manufacturing technologies;

- Nuts: A fastening element consisting of an external key wrench and internal thread, passing or not, used for assemblies with externally threaded counterparts (screws, pins and studs). Nuts have many different applications in the automotive, commercial vehicle markets: chassis, body & interiors, brakes and safety solutions, engine, powertrain and driveline systems. The main advantage a nut can offer lies in its modularity and plurality of solutions, which provide an ease of replacement and use versatility through simple threaded holes;
- Special Screws: Fasteners with an external thread, and yet different from common bolts or screws due to their design crafted to offer additional functions to the tightening into an internal threaded or unthreaded counterpart. Special screws produced by Agrati offer functions such as self-tapping into sheet metal, self-forming into metal, self-forming screws into plastic counter parts, paint clearing, ground path contact, clinch-ability, weldability. Screws are designed to fulfil customer demands on specific applications, among which are adapted geometry thread shape, head and tip shapes; drive system; mechanical properties and finishing.







### Delivering innovative products

Applying Agrati innovative efficiency approach at the preliminary design stage has resulted in streamlined engineering and significant cost reductions, while maintaining high safety standards.

The Agrati developed new products for the new safety belt retractor system, in order to enable customers to grant a safe journey to passengers, as required by the latest regulations. Moreover, the Company developed parts in aluminium, stainless steels and copper, to fulfil the needs of the customer in several applications; these initiatives guarantee weight reduction, corrosion resistance and the best electric connection. With the aim of developing more complex parts, including different material and production processes, Agrati tries to draft reliable strategies that enable the customers to cope with the current revolution happening in the Automotive market.

**Differential Nut** has given Agrati a chance to count some important innovations:

- new materials - never used before by the Company - such as rubbers, graphitic lubricants and polymers for special applications;
- new technologies for mechanical processing - for instance rolling of turned surfaces - specific cleaning for protection and cleanliness requirements of components and special assemblies;
- new dedicated machines for machining, cleaning and assembly, developed with the best suppliers and with a Co-Design approach.

All these improvements allowed the Agrati to increase its technical skill, which are an asset in a fast changing environment as the automotive sector; this led to the opening of new potential businesses and reinforced the customer loyalty, giving a boost to the Company reputation in its own market segment.

**Fixation Busbar** represents another example of an innovative product. The key elements of this product are the following:

- introduction of New Production Process, that is to say the "Overmolding";
- manufacturing in co-Design with German OEM, to guarantee challenging mechanical and isolation properties in the field of hybrid and electric vehicles;
- Development of new cheaper materials to create a win-win situation for Agrati and its customers;

Moreover, this product represents a Pilot Project in the area of electrification for Agrati; therefore, it has a key importance in the Company's production strategies.

Agrati's ability to innovate is widely expressed in the number of projects launched and patent filed. In 2019, both of them saw an increase. In fact, 8 experimental activities aimed at pursuing a goal of innovation were launched and 23 patents were filled, 4 times more than 2018. During the same year, Agrati was able to realize 278 prototypes, 25% more in comparison to last year.





# Environment







# 9. Environment

The Agrati is constantly trying to reduce the Company’s environmental footprint and to lower its energy consumption; in doing this, the development of new technologies is pivotal to reach these goals, being it the main part of the Agrati business results. The protection of the environment as well as sustainability are essential values that help and facilitate the Company business growth. These principles are at the very base of the EHS Corporate strategy, as well as the Group’s Policies and Ethical Code.

Compliance with the regulations and the applicable laws in the various countries where Agrati operates guarantees a conscious and aware business development; for this reason, Agrati pays attention to the implementation and maintenance of certifications compliant to the schemes of the international EHS standards (ISO 14001 and ISO

Among the EHS Group goals there is the commitment to **ZERO ENVIRONMENTAL DAMAGE**

50001). Through these instruments, the Group is on the pursuit of continuous improvement and amelioration of performance.

The importance that the environmental management holds for the Agrati Company is embodied by the Company targets for 2020:

EHS & SUSTAINABILITY OBJECTIVES 2020	
Sustainability	Environment
<ul style="list-style-type: none"><li>Set up a new Sustainability balance adhering to GRI standards</li><li>Promote sustainability initiatives</li><li>Promote and enhance Sustainability performances in the Supply Chain</li></ul>	<ul style="list-style-type: none"><li>Continuous improvement of the Environmental performances (reduction of energy consumption, greenhouse gas emissions, air quality, natural resources management, water, waste. In particular:<ul style="list-style-type: none"><li>Energy intensity: - 1,5% by 2020 from 2017 level</li><li>Water intensity: Rationalize consumptions, recycle where possible and ensure proper monitoring</li><li>Waste intensity: Reduce, improving recyclability, optimizing transportation</li></ul></li></ul>

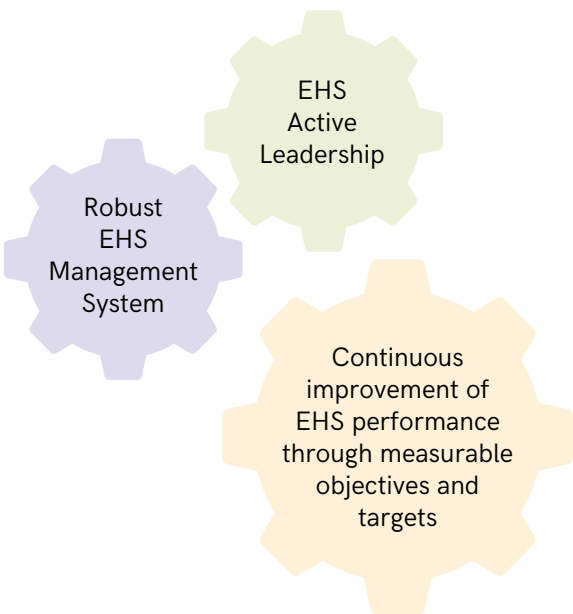
## Conduct activities causing no unnecessary environmental impact

The Group Environment, Health and Safety Policy shows how Agrati is trying to avoid any Environmental damage, minimizing its impacts and striving for continuous improvement of the EHS performance, always in compliance with applicable laws. In order to achieve these ambitious goals, the Agrati acts through a visible EHS Active Leadership, a robust EHS Management System in place and the continuous improvement of the EHS performance through measurable objectives and targets. The stakeholder engagement keeps being one of the main assets of the EHS policy implementation, because it allows the Agrati to take into consideration the needs of all the internal and external communities.

The Group’s commitment towards a robust EHS Policy is reflected in the intention of transforming the policy into commitments that have to be realized through dedicated actions. As an evidence of the fact that Agrati looks forward and does not limit its strategic view to the current fiscal year, the Group EHS Objectives 2020 takes into consideration the continuous improvement of the environmental performances, as:

- reduction of energy consumption;
- reduction of greenhouse gas (GHG) emissions;
- amelioration of the air quality;
- natural resource management;
- water and waste management.

Agrati is committed to reach its goals in the environmental sphere because the environmental aspect is material to the Group. As a matter of fact, this latter reflects one of the main willingness of Agrati, that is to say the purpose to continue growing responsibly. As already mentioned, respecting the regulations and the applicable laws on this matter and the search for continuous performance improvements are key principles of the Group’s policies and objectives; for this reason, throughout the Materiality Analysis, the Company has paid significant attention to the environmental aspects, as energy management, water and waste related aspects. In addition to it, Agrati is responsible for



guaranteeing that all the Group stakeholders respect its environmental values.

Another key aspect of Agrati ’s Environmental Management System is that all the 12 Agrati manufacturing plants are ISO 14001 certified, therefore having a complete set of procedures and instructions able to manage its impacts on the surrounding environment and to draft appropriate reports, to solve complaints and to address critical issues and emergencies. Moreover, the three Agrati manufacturing plants in France are also certified ISO 50001.

100% of Agrati plants are certified according to ISO 14001  
The four Agrati plants in France are also certified ISO 50001

<sup>4</sup> The 12 Agrati manufacturing plants are: Agrati S.p.A. (Veduggio, Dolzago, Cornate d’Adda, Trezzo sull’Adda); Agrati FSP S.r.l. (ISO 14001 certification will be achieved within June 2020); CVB S.r.l.; Agrati Vieux Condé SAS; Agrati Fourmies SAS; Agrati La Brindoire SARL; Agrati Inc. (Park Forest, Valparaiso, Medina, Tiffin); YAF Ltd. (Yantay Agrati Fasteners).





In order to reach the goals set by the Environmental Management System, Agrati is aware of the fact that appropriate resources, both on the human capital and on the economic side, need to be defined and approved based on the annual EHS objectives at the corporate and at the local level.

Concerning the management and training of human capital, the organization charts show the hierarchy of roles and responsibilities within the Organization; specific job descriptions are drafted for determined tasks, and they are communicated to the entire Group by posting on company bulletin boards and publishing on the Intranet. In order to be fully compliant with the regulations and the applicable laws obligations, as well as by the important and binding standards defined by Agrati, specific training plans on Environment, Health and Safety related matters are guaranteed to all the employees. Indeed, training is undoubtedly one of the assets Agrati's culture, and therefore all the Company employees receive training on EHS Management system awareness. In addition, other training linked to Environmental topics are delivered to people with active roles related to the environmental spheres, and roles and responsibilities related to the environment are clearly set and defined.

On the economic side, the necessary resources are defined annually in the budget for the ordinary functioning of the Organization<sup>5</sup>, or for structural and strategic needs<sup>6</sup>. Each functional manager is authorized to validate expenses in accordance with the approved budget.

- Agrati has in place internal and external mechanisms for seeking advice on ethical and lawful environmental management, assigning roles and responsibilities for the mentioned mechanisms to facilitate the communication and the providing of useful advice. More in detail, specialized environmental providers have been selected by the Purchasing Department, based on competencies and skills required by the applicable laws and necessary for the Environment, Health and Safety Department. The set of the specific EHS providers cover the following topics (the list is not exhaustive):

- laboratories for environmental analysis;
- specific analyses on field related to environmental aspects;
- information on new laws and the respective impact;
- legal assessment audits;
- training;
- PPE's suppliers;
- electricity, water providers;
- waste movements - disposal suppliers.

At last, dedicated information channels are available for facilitating the flow of information and a whistleblowing system is active at Group level. The mentioned system has been set by the Group in order to manage and ascertain any unlawful conduct, and to adopt the proper measures to solve the issue and maintaining the anonymity (whistleblowing). Therefore, Agrati has a confidential information channel, available to all employees and aimed at reporting potential EHS crimes. The recipient of this report is an independent entity or person that handles the reporting and ensures the confidentiality, and that communicates the outcomes of the reports to the reporting party. So far, trainings on the reporting mechanisms have been provided only to employees.

## Energy efficiency and emissions

Being the CO<sub>2</sub> emissions from energy and power generation one of the main contributors to the emission of climate-altering substances, energy efficiency has tremendous impacts to boost economic growth and to lower the carbon footprint. Agrati is committed to increase the rate of progress and to facilitate the transition towards a low carbon economy and production, and the introduction of a certified Energy Management System in line with the ISO 50001 standard is an example of the Company commitment.

Therefore, Agrati is strongly committed to reduce its impact due to the use of electricity and to contain global warming. Renewable energy is integrated into the Company processes, as are the most efficient energy consumption systems; moreover, Agrati invests in reducing its environmental impact and lowering the energy consumption. The following table describes the major initiatives undertaken by the Group in order to reduce the energy consumption; the reported data are aggregate<sup>7</sup>.

Description of initiatives focused on the reductions in energy consumption (Gj)	2019	2018	Amount of reduction
Replacement of processing systems with more efficient technology	10.440,2	14.687,2	-29%
Optimization of general technical equipment management	134.908,1	139.135,6	-3%
Other	65.015,3	65.015,3	0%
<b>Total</b>	<b>218.838,1</b>	<b>210.363,6</b>	<b>-4%</b>

The data shown in the table have been collected in all Agrati's manufacturing plants before - 2018 - and after - 2019 - the technical interventions; in the case of A.Agrati S.p.A., the optimization of compressed air production and compressed air usage has been done through the following activities:

- installation of new VSD - Variable Speed Drive compressor Ingersoll Rand 250ne;
- optimization of working-logic of compressors (fixed and VSD);
- optimization of air consumption in forging and thread-rolling department;
- annual compressed air leak detection made by the supplier.

For what concerns the YAF plant, the reduction of the energy consumption has been possible through two main initiatives:

- the replacement of the old incandescent with LED lights;
- the substitution of an old heating system, fed with natural gas, for winter heating with new one, which works with power.

Concerning CVB's plant, the reduction of the energy consumption has been achieved thanks to a new geothermal system for the new plant.

As the GHG emissions are a major contributor to climate change, Agrati is trying to reduce them as a direct result of specific initiatives undertaken during 2018 and 2019, which results can be found in the following table.

Description of initiatives focused on the reductions in GHG emissions (t. Co <sub>2</sub> eq)	2019	2018	Amount of reductions
Replacement of processing systems with more efficient technology	1.584,6	1.725,6	-8%
Optimization of general technical equipment management	539,6	730,5	-26%
Other	2.900	2.494,3	+16%
<b>Total</b>	<b>4.950,4</b>	<b>5.024,2</b>	<b>+1%</b>

<sup>5</sup> Meaning the expenses on cost center or projects.

<sup>6</sup> Meaning the Capital Expenditure (Capex).

<sup>7</sup> The reported data refer to: Agrati S.p.A., Agrati France, Agrati Inc., CVB, FSP and YAF.





During 2019, the total Agrati direct and indirect energy consumption has been equal to:

Total Direct Energy Consumption (Gj)	2019	2018	2017
Total Direct Energy Consumption	1.014.468	953.010,6	866.042,7
Total Indirect Energy Consumption	246.108,2	185.187,1	178.898,5

Concerning the non-renewable sources, in the A.Agrati S.p.A. plants natural gas is used for heat treatment, namely for the processes of quenching, tempering and annealing, but also for plants heating systems and for the washing machines. For what concerns the Veduggio plant, diesel is used for forklifts, while **liquid petroleum gas** (LPG) is used as an adjustment of the internal atmosphere of quenching furnaces. Concerning CVB, from 2019 the activation of a new plant mainly caused an increase in energy electric consumption.

Focusing on the main results<sup>8</sup>, in the A.Agrati S.p.A. plants there is a decreasing trend of both direct and indirect energy due mainly to the decrease of production rates from year 2017 to 2019, but also to energy savings and efficiency improvements. Thanks to these evidences, it is also possible to calculate the energy intensity, which main results are shown in the following table.

Energy intensity (GJ/t*)	2019	2018	2017
Direct Energy intensity	1,3	1,2	1,1
Indirect Energy intensity	0,5	0,2	0,2

\* The organisation specif metric chosen to calculate the ratio is the over cumulative production of each step of production process, of all workshops expressed in tons. The type of energy included in the intensity ratio are electricity, diesel, LPG and natural gas.

In the A.Agrati S.p.A. plants the direct and indirect energy intensity have an increasing trend due to a decrease in production rates and in the energy consumption and efficiency improvements. In the YAF plants, due to the changes on product composition and equipment obsolescence, there was not a considerable record of

energy efficiency in 2019, and the Company already set efficiency KPIs to ensure a continuous improvement. In the CVB plants, the decrease in the direct energy intensity is due to the lower natural gas consumption rates.

Total direct and indirect GHG emissions t.CO <sub>2</sub>	2019	2018	2017
Direct emissions (scope 1)	42.692,7	48.550,7	47.468,4
Indirect emissions (scope 2)	23.769,6	25.406,4	25.487,7
Other emissions (Scope 3)*	-	-	-
<b>Total</b>	<b>66.462,3</b>	<b>73.957,1</b>	<b>72.511,1</b>
<b>Emission Intensity (t.CO2/t.)</b>	<b>0,09</b>	<b>0,09</b>	<b>0,09</b>

\* As a result of the current ESH, emission scope 3 are not recorded.

<sup>8</sup> Concerning A.Agrati S.p.A. and YAF, the company vehicle consumptions are not available.

Direct greenhouse gas (GHG) emissions come from sources that are controlled by the reporting entity, while indirect GHG emissions occur as a consequence of the activities of the reporting entity, but due to sources owned or controlled by other entities. Agrati quantifies the amount of direct and indirect GHG emission, in order to assess its environmental and carbon footprint. Moreover, as a matter of fact, air pollutants have adverse effects on climate, ecosystems, air quality,

habitats, agriculture, and human and animal health, and this is why international laws and regulations are more and more increasing the requirements on the control of air emissions<sup>9</sup>. In the attempt to comply with the applicable laws on the subject, Agrati reports the main significant air emissions by weight, as shown in the following table:

Significant emissions by weight (t)	2019	2018	2017
Nox	8,4	9,4	8,3
Sox	1,5	1,3	1,5
Volatile organic compounds (VOC)	4,7	13,4	10,6
Particulate matter (PM)	5,9	6,2	5,6

## Waste management

Agrati's commitment to reduce its environmental impact does not end in improving the energy efficiency and reducing the GHG and air emissions. In accordance with the idea of circular economy,

the Company is convinced that an efficient waste management and disposal system is pivotal to reduce the Group carbon footprint and the impact on the environment.

Waste (t)	2019	2018	2017
Hazardous waste	8.135,3	8.046,2	4.402,7
Non-hazardous waste	13.988,3	15.659,8	13.459,2
Non-treated wooden waste	19,6	23,1	24,5
Cardboard	29	29,4	28,2
Metal scraps and pieces	6	59,5	8,6
Domestic waste	12,3	19,8	16,1
<b>Total</b>	<b>22.123,5</b>	<b>23.706</b>	<b>17.265,9</b>

<sup>9</sup> The emissions are based on the analysis of external laboratory: once every year or two years, all the emissions are subject to external laboratories control.





Waste disposal (t)	2019	2018	2017
Hazardous waste	4.038,8	4.452,5	4.293,1
of which sent to recovery	2.178,3	2.363,0	2.063,7
of which sent to landfill	1.804,5	2.065,5	2.229,4
Non-hazardous waste	13.574,0	14.923,0	13.474,4
of which sent to recovery	10.714,7	11.791,1	10.558,2
of which sent to landfill	2.290,3	2.820,9	2.916,1
<b>Total waste disposed</b>	<b>17.612,8</b>	<b>19.375,5</b>	<b>17.767,4</b>

In the A.Agrati S.p.A. plants, waste quantities are directly influenced by production rates and by the performances of waste water treatment stations, on which the Company is investing a lot, searching for new technologies and solutions. Relating to YAF plants the EHS function performs an annual analysis to find the way for waste reduction, which is fundamental for material and resource efficiency goals. In the CVB plant, the increase in the hazardous waste was caused by the production mix caused.

A good management of waste derives, indeed, from a good management of the materials which are used in the plants' production processes. Therefore, Agrati always tries to keep up to date the reports on the renewable and non-renewable materials used to manufacture their products, as reported in the following table:

Weight of material used to produce core business products	2019	2018	2017
Iron scrap and castings (t)	116.000	122.000	122.000
Iron scrap	116.000	122.000	122.000
Iron raw casting	-	-	-
Recycled material used (%)			
Iron scrap	71%	69%	69%
Iron raw casting	29%	31%	31%

The material that is being recycled the most is steel: in fact, the Electric Arc Furnace (EAF) uses scrap steel which is re-melted and finally chemically corrected to ensure the adequate chemical and mechanical characteristics. In general, using EAF material allows to avoid the use of the Basic Oxygen Furnace (BOF) material: this latter implies the use of natural resources like iron ore and carbon coke which are extracted from mines, and consequently allows to

avoid major transportation activities, as the vast majority of iron ore and carbon coke are coming from mines located in Australia. The percentage of steel from scrap increased in the last years: further increase is limited mainly by the customers' requirements, which sometimes are imposing BOF steel, and technical requirements, since BOF material can be easily used for more complicated parts.

## Soil defence

Soil defence allows the prevention of loss of the top most layer of the soil from weathering, such as erosion or reduced fertility caused by over usage, acidification and salinization of soil contamination. At a first glance, these kind of impacts on the natural environment might seem the result of a merely agricultural activity; nevertheless, every kind of industrial activity has its own kind of impact on the soil, and in order to facilitate a transition towards a greener economy, companies must put more effort in preventing soil spoil. One of the Agrati's

main impacts on the natural surrounding environment is the use of water, which the Company tries to exploit in a sustainable way, mainly monitoring the withdrawal and discharge rates of the resource. During 2019, Agrati's total water withdrawn was 384 Mega Litres, while the total water discharged was 238 Mega Litres, which makes the total water consumption equal to 146 Mega Litres. The main features can be found in the following tables:

Water withdrawal by source (Mega liters)	2019 All Areas	2018 All areas	2017 All areas
Surface water	61,6	59,6	41,3
from freshwater	61,6	59,6	41,3
Third-party water	322,4	327,9	309,4
from freshwater	310,6	327,9	297,2
from other water	11,7	-	12,2
<b>Total water withdrawal</b>	<b>384</b>	<b>387,4</b>	<b>350,7</b>







In the A.Agrati S.p.A. and YAF plants there are no areas subject to water stress. For what concerns the CVB plant, during 2019 a new equipment related to the furnace, namely an evaporative tower,

has been installed, and it is one of the main reasons why the water consumption increased.

Water discharge (Mega liters)	2019	2018	2017
by destination			
Total water discharged	238	240	228
surface water	44	41	39
ground water	5	5	5
third party water	188	194	184
by category			
freshwater	238	240	228
other water	207	207	200
<b>Total water discharge</b>	<b>31</b>	<b>33</b>	<b>28</b>

Water discharged volumes are influenced by production levels; moreover, the presence of certain substances on discharge is influenced by the contribution of each step of the production process, as some processes are continuous 24h/day 7day/7, and some others

are batch. Daily internal tests are led for most critical substances or parameters, and in addition external tests are performed every three months. In the CVB plants, given the increase in the consumption, also the volume discharged is increased during the 2019.







# Appendix

## Board of Directors

	Age	Gender	EX.	NON EX.	INDEP
1 Rag. Cesare Annibale Agrati	75	Male	•		no
2 Dr. Andrea Costantini	43	Male	•		no
3 Ing. Paolo Giovanni Pozzi	52	Male	•		no
4 Dr. Giorgio Palumbo	77	Male		•	no
5 Ing. Alessandro Cattani	56	Male		•	no
6 Dr. Carlo Marchetti	46	Male		•	no

## Workforce

	2019			2018		
	Men	Women	Total	Men	Women	Total
Employees (Headcount)	2.010	376	2.386	2.077	390	2.467
Temporaries	108	32	140	131	51	182

## Temporaries by gender and geographical area (FTE) No.

	2019			2018		
	Men	Women	Total	Men	Women	Total
Europe	90	6	96	107	14	121
America	18	26	44	24	37	61
Asia	-	-	-	-	-	-
Total	108	32	140	131	51	182

## Employees by gender and geographical area (No.)

	2019			2018		
	Men	Women	Total	Men	Women	Total
Europe	1.421	187	1.608	1.443	190	1.633
America	336	101	437	350	107	457
Asia	253	88	341	277	100	377
Total	2.010	376	2.386	2.070	397	2.467

## Employees by employment contract and gender (No.)

	2019			2018		
	Men	Women	Total	Men	Women	Total
Permanent contract	1.785	304	2.089	1.795	304	2.099
Fixed-term contract	225	72	297	282	86	368
Total	2.010	376	2.386	2.077	390	2.467





Employees by employment contract and gender (No.)

	2019			2018		
	Men	Women	Total	Men	Women	Total
Full-time employees	1.999	353	2.352	2.066	367	2.433
Part-time employees	11	23	34	11	23	34
Total	2.010	376	2.386	2.077	390	2.467

Turnover by gender (%)

	2019			2018		
	Men	Women	Total	Men	Women	Total
Hiring rate	9,6%	9,6%	9,6%	13,8%	12,3%	13,6%
Termination rate	11,3%	14,9%	11,9%	11,4%	10,8%	11,3%

Turnover by age (%)

	2019				2018			
	<30	31-40	41-50	>50	<30	31-40	41-50	>51
Hiring rate	24,81%	10,70%	5,77%	2,55%	27,58%	15,89%	8,19%	7,82%
Termination rate	19,95%	13,49%	6,03%	12,36%	20,62%	11,06%	7,66%	9,52%

Turnover rate by geographical area (%)

	2019			2018		
	Europe	America	Asia	Europe	America	Asia
Hiring rate	5,5%	25,9%	7,6%	9,9%	26,7%	13,5%
Termination rate	6,8%	26,1%	17,6%	6,7%	28,0%	10,6%

Hours of training by classification level and gender (h)

	2019					
	Men	Women	Total	Men	Women	Total
Manager	198	40	238	166	31	197
White-collars	386	183	569	326	139	465
Blue-collars	1.431	148	1.579	1.228	120	1.348
Total	2.015	371	2.386	1.720	290	2.010

The number of recordable work-related injuries of employees by region (No)

	2019	2018	2017
Total number of recordable work-related injuries			
Europe	35,0	34,0	48,0
America	5,0	2,0	4,0
Asia	2,0	5,0	7,0
Total	42,0	41,0	59,0
Number of fatalities			
Europe	-	-	-
America	-	-	-
Asia	-	-	-
Total	-	-	-
Total number of hours worked			
Europe	2.706.989	2.872.362	2.790.447
America	1.024.189	1.180.644	1.371.590
Asia	1.045.870	1.164.273	1.068.351
Total	4.777.048,00	5.217.279,00	5.230.388,25





Rate of recordable work-related injuries of employees by region (%)

	2019	2018	2017
Rate of recordable work-related injuries			
Europe	12,9	11,8	17,2
America	4,9	1,7	2,9
Asia	1,9	4,3	6,6
Total	8,8	7,9	11,3
Rate of fatalities as a result of work related injuries			
Europe	-	-	-
America	-	-	-
Asia	-	-	-
Total	-	-	-

Number of recordable work-related ill health and fatalities as a result of work-related ill health of employees by region (No.)

	2019	2018	2017
Total number of recordable work-related ill health			
Europe	-	-	-
America	1	2	1
Asia	-	-	-
Total	1	2	1
Total number of fatalities as a result of work-related ill health			
Europe	-	-	-
America	-	-	-
Asia	-	-	-
Total	-	-	-

Total number of Near Miss (No.)

	2019	2018	2017
Total number of Near Miss			
Europe	234	216	180
America	14	0	0
Asia	2	1	0
Total	250	217	180





## Methodological Note







# Methodological Note

## Reporting standard, scope and process

This Sustainability Report, which will be published annually, is drafted in accordance with the GRI Standards; concerning the application of the Standard, the Company decided to apply the core in accordance option.

In order to facilitate the reading process and the understanding of the connection between the material topics and the related GRI Standards, on **page 99** of this Document the GRI Content Index is shown. This Report describes topics considered “relevant” according to the materiality analysis — that is, they have been considered capable of reflecting the social and environmental impacts of the Group’s activities or influencing the decisions of its stakeholders.

The qualitative and quantitative data contained in this Sustainability Report refers to the Agrati’s performance from January 1, 2019, through December 31, 2019. Figures relating to 2018 and, where available, 2017 fiscal years are provided for comparison.

The drafting of the 2019 Sustainability Report is an annual reporting process, subject to analysis and approval from several actors, whose main responsibilities are as follows:

- The CSR team is responsible for managing several activities related to sustainability issues, among which there is the drafting of the Sustainability Report. The mentioned team coordinates and involves all the main corporate functions in the data collection, analysis and consolidation phase, then checking and validating the information given by the different Functions. The CSR team also facilitates the collection of data necessary to perform the Materiality Analysis, the results of which are pivotal for the drafting of the Sustainability Report. The mentioned team is also responsible for the definition and the update of relevant KPIs that explain how the Company manages the most relevant topics;
- The Board of Directors approves the Sustainability Report.
- Once approved, the Report is made available for all the Group’s stakeholders through its publication on the corporate website.



To request information, it is possible to contact Andrea Costantini – Vice President and Group CFO:  
[andrea.costantini@agrati.com](mailto:andrea.costantini@agrati.com)

## Reporting principles

The following principles have been taken into consideration in defining and reporting the contents of the Consolidated Disclosure on Non-Financial Information:

Materiality	The Report covers aspects that reflect the main direct economic, environmental and social impacts of Agrati’s activities that are more significant for the Group and the internal and external stakeholders involved in company activities.
Inclusiveness	Agrati takes into account the expectations and interests of all stakeholders who for various reasons participate in or are influenced by the Company’s activities. The Sustainability Report provides a description of the Group’s main stakeholders and their main expression channels used to identify stakeholders’ requests and expectations.
Sustainability Context	The Sustainability Report has taken into account the social, economic and environmental context in which the Group operates and the most significant Topics for the automotive industry thanks to a constant relationship with Agrati’ customers and the academic world.
Completeness	The aspects and scope of the Report allow the stakeholders to evaluate the Group’s main economic, social and environmental impacts, as far as Agrati’s business is concerned.
Balance	The Report covers the Group’s main sustainability performances. It reflects aspects where the Group found the topic material for itself and its stakeholder, even when the performance showed that there are still opportunities for further enhancements.
Comparability	The indicators contained in the Report have been selected and presented in a manner that enables a comparison over time, therefore allowing stakeholders to analyse changes in the Group’s performance. Figures for 2017, 2018 and 2019 have been indicated appropriately if useful for purposes of contextualization of the information.
Accuracy	To guarantee the accuracy and comparability of the reported information, the data have been directly measured, limiting the use of estimates to the extent possible.
Timeliness	Agrati’s Sustainability Report is meant to be prepared annually and disclosed in the same period of the presentation of the Consolidated Financial Statement.
Reliability	All the data and information reported have been validated by the Heads of the relevant company functions and have been processed based on documents that prove their existence, completeness and accuracy.
Clarity	Agrati’s Sustainability Report contains information presented in such a way as to be clear and accessible to all kind of stakeholders.





Material topics and related GRI Standards

Material topics identified by Agrati	Reference GRI Standards	Internal impact	External impact	Boundary limitations
Risk management	102: General disclosure – Strategy (2016)	•	Suppliers	
Economic performance and creation of added value	201: Economic performance (2016)			
Business ethics and integrity	205: Anti-corruption (2016) 206: Anti-competitive Behaviour (2016) 307: Environmental Compliance (2016) 412: Human Rights assessment (2016) 419: Socioeconomic compliance (2016)	•	Suppliers	
Occupational Health and safety	403: Occupational Health and Safety (2018)	•	Workers and contractors	
Valorisation and development of competences	404: Training and Education (2016)	•		
Employer Branding and partnership with Universities and Educational Institutes	401: Employment (2016) 404: Training and Education (2016)	•	Community	
Constant attention to customer needs	416: Customer Health and Safety (2016)	•	Customers	
Product quality and safety	416: Customer Health and Safety (2016)	•	Customers	
Research, development and innovation	302: Energy (2016) 305: Emissions (2016)	•	Community Customers	
Environmental and social assessment of suppliers	204: Procurement Practices (2016) 301: Materials (2016) 308: Supplier Environmental Assessment (2016) 414: Supplier Social Assessment (2016)	•	Suppliers	
Energy efficiency	302: Energy (2016) 305: Emissions (2016)	•	Community	
Efficient management of waste, by-products and wastewater	306: Effluents and Waste (2016)	•	Community	
Soil protection from leakages and pollutant substances	303: Water and Effluents (2018)	•	Community	

GRI Table of contents

GRI CONTENT INDEX			
GRI ID	Disclosure	Page number or disclosure	Omissions
GENERAL STANDARD DISCLOSURES (2016)			
ORGANIZATIONAL PROFILE (2016)			
102-1	Name of the organisation		
102-2	Activities, brands, products, and services		
102-3	Location of headquarters		
102-4	Location of operations		
102-5	Ownership and legal form		
102-6	Markets served		
102-7	Scale of the organisation		
102-8	Information on employees and other workers		
102-9	Supply chain		
102-10	Significant changes to the organization and its supply chain	In 2019, there were no significant changes to the organization's size, structure, ownership, or supply chain	
102-11	Precautionary principle or approach		
102-12	External initiatives	Agrati does not adopt any codes and principles that are external to the organization	
102-13	Membership of associations		
STRATEGY (2016)			
102-14	Statement from senior decision-maker		
102-15	Key impacts, risks, and opportunities		
ETHICS AND INTEGRITY (2016)			
102-16	Values, principles, standards, and norms of behaviour		
GOVERNANCE (2016)			
102-18	Governance structure		
102-22	Composition of the highest governance body and its committees	Corporate Governance and Ownership Structure Report	





GRI CONTENT INDEX			
GRI ID	Disclosure	Page number or disclosure	Omissions
GENERAL STANDARD DISCLOSURES (2016)			
STAKEHOLDER ENGAGEMENT (2016)			
102-40	List of stakeholder groups		
102-41	Collective bargaining agreements		
102-42	Identifying and selecting stakeholders		
102-43	Approach to stakeholder engagement		
102-44	Key topics and concerns raised		
REPORTING PRACTICE (2016)			
102-45	Entities included in the consolidated financial statements		
102-46	Defining report content and topic Boundaries		
102-47	List of material topics		
102-48	Restatements of information	No restatements were made as it is the first Sustainability Report	
102-49	Changes in reporting	No significant changes have been reported during the year	
102-50	Reporting period		
102-51	Date of most recent report		
102-52	Reporting cycle		
102-53	Contact point for questions regarding the report		
102-54	Claims of reporting in accordance with the GRI Standards		
102-55	GRI content index		
102-56	External assurance	The 2019 Sustainability Report has not been externally audited in a logic of incremental development of the sustainability reporting system. However, the completeness and truthfulness of the data and information contained therein is guaranteed by their origin from the company's operational and financial reporting systems and are drawn up in accordance with the relevant GRI standards.	

GRI CONTENT INDEX			
GRI ID	Disclosure	Page number or disclosure	Omissions
CATEGORY: ECONOMIC PERFORMANCE			
ASPECT: ECONOMIC PERFORMANCE (2016)			
103-1, 103-2, 103-3	Management approach		
201-1	Direct economic value generated and distributed		
ASPECT: PROCUREMENT PRACTICE (2016)			
103-1, 103-2, 103-3	Management approach		
204-1	Proportion of spending on local suppliers		
ASPECT: ANTI-CORRUPTION (2016)			
103-1, 103-2, 103-3	Management approach		
205-1	Operations assessed for risks related to corruption		
205-2	Communication and training about anti-corruption policies and procedures	Agrati's business integrity policies and procedures have been communicated to all personnel	
205-3	Confirmed incidents of corruption and actions taken	In 2019, there were no corruption-related complaints reported within the Group	
ASPECT: ANTI-COMPETITIVE BEHAVIOUR (2016)			
103-1, 103-2, 103-3	Management approach		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No legal action relating to unfair competition, antitrust and monopolistic practices were reported in 2019	





GRI CONTENT INDEX			
GRI ID	Disclosure	Page number or disclosure	Omissions
CATEGORY: ENVIRONMENTAL PERFORMANCE			
ASPECT: MATERIALS (2016)			
103-1, 103-2, 103-3	Management approach		
301-1	Materials used by weight or volume		
301-2	Recycled input materials used		
ASPECT: ENERGY (2016)			
103-1, 103-2, 103-3	Management approach		
302-1	Energy consumption within the organisation		
302-2	Energy consumption outside of the organization		
302-3	Energy intensity		
302-4	Reduction of energy consumption		
ASPECT: WATER AND EFFLUENTS (2018)			
103-1, 103-2, 103-3	Management approach		
303-1	Interactions with water as a shared resource		
303-2	Management of water discharge related impacts		
303-3	Water withdrawal		Water withdrawal is not located in areas with water stress.
303-4	Water discharge		Water withdrawal is not located in areas with water stress.
303-5	Water consumption	Water storage does not have a significant impact in relation with the use of water resources	Water withdrawal is not located in areas with water stress.
ASPECT: EMISSIONS (2016)			
103-1, 103-2, 103-3	General requirements about the management approach and its components		
305-1	Direct (Scope 1) GHG emissions		
305-2	Energy indirect (Scope 2) GHG emissions		
305-4	GHG emissions intensity		
305-5	Reduction of GHG emissions		

GRI CONTENT INDEX			
GRI ID	Disclosure	Page number or disclosure	Omissions
CATEGORY: ENVIRONMENTAL PERFORMANCE			
ASPECT: EMISSIONS (2016)			
305-6	Emissions of ozone-depleting substances (ODS)	In 2019, Agrati reported no emissions of ozone-depleting substances (ODS)	
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions		
ASPECT: EFFLUENTS AND WASTE (2016)			
103-1, 103-2, 103-3	Management approach		
306-2	Waste by type and disposal method		
306-3	Significant spills	In 2019, none of the Agrati plants reported significant spills.	
ASPECT: ENVIRONMENTAL COMPLIANCE (2016)			
103-1, 103-2, 103-3	Management approach		
307-1	Non-compliance with environmental laws and regulations	In 2019, Agrati did not received any pecuniary fines due to non-compliance with environmental laws and regulations.	
ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT (2016)			
103-1, 103-2, 103-3	Management approach		





GRI CONTENT INDEX			
GRI ID	Disclosure	Page number or disclosure	Omissions
CATEGORY: SOCIAL PERFORMANCE			
ASPECT: EMPLOYMENT (2016)			
103-1, 103-2, 103-3	General requirements about the management approach and its components		
401-1	New employee hires and employee turnover		
ASPECT: OCCUPATIONAL HEALTH AND SAFETY (2018)			
103-1, 103-2, 103-3	Management approach		
403-1	Occupational health and safety management system		
403-2	Hazard identification, risk assessment, and incident investigation		
403-3	Occupational health services		
403-4	Worker participation, consultation, and communication on occupational health and safety		
403-5	Worker training on occupational health and safety		
403-6	Promotion of worker health		
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		
403-8	Workers covered by an occupational health and safety management system		
403-9	Work-related injuries		Agrati could not calculate the number and injury rates of employees and workers separately. Due to its internal system, it was not able to report distinctly the high consequence injuries from the others, as well.
403-10	Work-related ill health		Due to its internal system, Agrati could not calculate the number and injury rates of employees and workers separately.
ASPECT: TRAINING AND EDUCATION (2016)			
103-1, 103-2, 103-3	Management approach		
404-1	Average hours of training per year per employee		

GRI CONTENT INDEX			
GRI ID	Disclosure	Page number or disclosure	Omissions
CATEGORY: ENVIRONMENTAL PERFORMANCE			
ASPECT: TRAINING AND EDUCATION (2016)			
404-2	Programs for upgrading employee skills and transition assistance programs		
404-3	Percentage of employees receiving regular performance and career development reviews		
ASPECT: HUMAN RIGHTS ASSESSMENT (2016)			
103-1, 103-2, 103-3	Management approach	In 2019, Agrati have received 5 claims: 3 from people employed by A.Agrati S.p.A and 2 from people employed by Agrati, Inc.: for mobbing and/or unfair dismissal.	
412-2	Employee training on human rights policies or procedures	In 2019, 1,55% of Agrati people was trained on human rights policies providing 47 hours overall.	
ASPECT: SUPPLIER SOCIAL ASSESSMENT (2016)			
103-1, 103-2, 103-3	Management approach		
ASPECT: CUSTOMER HEALTH AND SAFETY (2016)			
103-1, 103-2, 103-3	Management approach		
416-1	Assessment of the health and safety impacts of product and service categories		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No incident of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle was reported during the year.	
ASPECT: SOCIOECONOMIC COMPLIANCE (2016)			
103-1, 103-2, 103-3	Management approach		
419-1	Non-compliance with laws and regulations in the social and economic area	Agrati did not receive any fines or sanctions for non-compliance with laws and/or regulations in the social and economic area	





GRI CONTENT INDEX			
GRI ID	Disclosure	Page number or disclosure	Omissions
MATERIAL TOPICS THAT ARE NOT COVERED BY GRI INDICATORS			
MATERIAL TOPIC: MANAGEMENT OF REGULATORY DEVELOPMENT			
103-1, 103-2, 103-3	Management approach		
MATERIAL TOPIC: MOBILITY EVOLUTION			
103-1, 103-2, 103-3	Management approach		

