

PASSION IN SUSTAINABLE BUSINESS AND TRUST IN OUR ABILITIES.

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#### Letter to stakeholder

Dear Stakeholders,

the year 2020 brought an array of new challenges: the global scenario has been characterized by the spread of COVID-19 with a tremendous impact both on people and industries.

Agrati put the highest priority in implementing prompt measures, as detailed in this document, to guarantee the safety of its employees and to face the emerged situation.

Still, it is with great pride that I present the Agrati Group Sustainability Report in its second edition aligned with the recognised GRI Standards and 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. 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 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.

Clubbots

Cesare Agrati The Chairman

#### The Agrati way: **The new ERM & Sustainability Function**

In light of the clear current global trends, and recognizing its responsibility as an economic actor, Agrati has chosen to adopt sustainability as a guiding pillar in its business model and approach. The impacts of Agrati both on social and environmental sustainability are clear and on this front the Group wants to turn them into an opportunity to rethink its strategy and shift towards a long term value creation approach.

At the base of the Group's actions towards sustainability, is the creation, in 2020 of the ERM & Sustainability function. The main goals of this function are:

- Developing a Carbon and Climate Strategy to direct the group's vision towards Carbon Neutrality and a shift towards serving the vehicle electrification market;
- Innovation through the lens of circular economy principles;
- Implementation of a Responsible Supply Chain Model;
- Implementation of an Enterprise Risk Management (ERM) model which integrates, within in it, all ESG risks, impacts and oppor tunities in order to holistically incorporate Sustainability aspects in strategic and operational processes;
- · Reinforcement of the control system through an internal audit plan defined through a risk-based approach and extended to ESG issues as well.

Leading and carrying forward this important project is a strong governance team lead by Andrea Costantini, Executive Vice President in charge of coordinating: Strategy & Planning, Risk Management and Sustainability and a coordination team which regularly reports the results of the project to the Board of Directors. Supporting him is a dedicated team specialized in Sustainability, Risk Management, Environment Health & Safety, Legal Affairs and Internal Audit.

With these ambitious plans Agrati aims to confirm its place as a forward looking leader within its sector, leading the way in the integration of sustainability within business models.



#### The Sustainability Team:



Andrea Costantini **Executive Vice-president** 

Project responsible



**Julien Errera** Group APS Leader & HSE Manager

Responsible of HSQE data manager and production contact person



Gianluca Bella Group Human Resources Director

Responsible for social data and policies



Francesco Arlati Group General Counsel

Responsible for governance and anti-corruption data



Marco Zanfrini Senior Internal Auditor

PMO assistance

#### The challenge for the future

The World Economic Forum, in its annual Global Risk Report, presents the top risks and trends facing the world. In the latest publication the following risk were highlighted as the most likely and impactful: Infectious disease, Climate action failure, Extreme weather, Human environmental damage, Natural resource crises, Digital power concentration and Digital inequality. All of these global risks and trends, concerning both public and private sector entities, can be seen to have clear links to the concept of sustainability. Sustainability, commonly defined as the ability to meet the needs of the present without compromising the ability of future generations to meet their needs, is composed of three pillars: Economic, Environmental and Social. Furthermore, the current socio-economic vulnerabilities exposed by the Coronavirus pandemic has accelerated and highlighted the urgent need to rethink current business models and practices. Coordinating effective international action to tackle these sustainability challenges is a fundamental aspect in determining success. The two main international actions have been the introduction of the Sustainable Development Goals (SDGs) and the Paris Agreement. The SDGs, approved as part of the 2030 Agenda for Sustainable Development by the UN General Assembly, are composed of 17 global goals to be achieved in a common effort towards sustainability. The Paris Agreement, established in 2015 during the COP21, aims to keep the global mean temperature rise well below  $2^{\circ}$  C from pre-industrial levels and continue action to limit the temperature rise to  $1.5^{\circ}$  C from pre-industrial levels, acknowledging that this could significantly reduce the risks and effects of climate change.

While all these risks are still relevant, starting from January 2020, the national and international scenario has been characterized by the



Top Global risks by Likelihood

Source: WEF, Global Risk Report 2021

spread of Coronavirus and the consequent restrictive measures for its containment by authorities of the countries concerned.

The corona virus pandemic deeply impacted all regions of operation around the world and consequently also Agrati business. Whilst the first stage of the epidemy concerned China and impacted YAF, the Chinese parent company based in Shangdong province, starting from February the spread of the virus significantly affected Italy too, and especially the Lombardy Region where the majority of the Group's activities are located. In the following months the virus also reached the other areas of operation: France and the USA.

The containment measures put in place by the Italian Government had immediate consequences on the organization and timing of the work as well as on the Group's business. Firstly, the effort was focused to support employees and their health, putting in place all the measures required by the authorities in order to guarantee a safe place of work and more.

Since the beginning of the emergency, Agrati's top management arranged a task force to monitor the situation and to provide all the possible timely support. Besides a more frequent communication, goods like masks, disinfectants and medicines were provided to all employees.

Indeed, thanks to the Chinese colleagues support, Agrati was able to donated 33.400 masks, mostly ffp2, to employees' families, voluntary associations (White, Red and Green Cross), family doctors in more than 20 cities in the area, 15 hospitals (Como, Lecco, Monza, Milan, Vimercate, Bergamo, Gravedona and Sondalo) and 2 retirement homes.

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.

On the 4th of May, after a period of reduced production, the Italian plants were authorized to start the whole production system directed to all their clients, not only the essential ones, automotive included. To further manage the delicate situation, aligned with trade unions, Agrati adopted a Covid-19 risk management procedure, compliant with the "Protocollo di regolamentazione delle misure per il contrasto e il contenimento della diffusione del virus Covid-19 negli ambienti di lavoro" issued by the italian Government.

Some of the actions undertaken were the temperature measurement for all people entering the plants, protocols implementation to guarantee interpersonal distancing, symptomatic subjects management, personal protective equipment distributed to all the personnel and the disinfection of all areas.

To support the management of Covid-19 in Italy Agrati participated in a research project in collaboration with the Faculty of Microbiology of "Università degli Studi di Milano", called "Controllo epidemiologico in un modello di prevenzione dell'infezione da Sars-CoV2 nella popolazione di dipendenti del Gruppo Agrati".

It allowed, on a voluntary basis, to carry out free serological tests to all the personnel, resulting in effective preventive measure, contributing at the same time to the precious research data gathering. 10% of the employees, were found to have been in contact with the virus and consequently 6% of them resulted positive to the following swab. This monitoring mechanism allowed Agrati to guarantee a safe return.

In accordance with "stay at home orders" made by American Government, combined with the temporary closing of Agrati Inc. automotive sector clients, activities were interrupted, with exception of logistic services for industrial sector and for come Tier of essential chains. Activities started comprehensively in May, and the plants adopted all the precautionary measures in line with those also adopted in the Italian plants.

As in Italy, French plants' activity was interrupted due to the Coid-19 emergency.

Operations restarted partially in April, to ensure urgent shipments processing and to avoid semi-finished product losses. In may the production activity started in its whole parts.

Chinese plant adhered to all security measures, which allowed it to maintain its productivity, resulting in increased production in comparison with the budget allocated.

The health emergency had and is still 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.

Agrati's top management had 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.

COVID-19 is, first and foremost, a humanitarian challenge. On this end Agrati **donated 50 thousand euros** to various hospitals and **further 34 thousand** contributing to the purchase of ventilators

for intensive care units.

This virus has affected communities on multiple continents. Thousands of health professionals are heroically battling the virus, putting their own lives at risk.

The ongoing vaccination campaign is a decisive positive step forward in the emergency, spreading the hope of coming back to "normality". 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.

At this point, there is no doubt on the tie interconnection between financial and non-financial themes.

# Sustainability in Agrat 2020 highlights

#### **ENVIRONMENT**



25



Key projects to improve energy efficiency

5.0 **ISO 14001** 

Certification for all sites

Products **ISO 50001** 

**Green Mobility** 

Innovative

Certification for all French sites





Incidents per billion vs 2019

**ISO 9001** 

Employee Satisfaction Indicator

#### **ISO 45001**

Certification for all sites

**IATF 16949** 

Certification for all sites

#### for all sites\* \*Except A.Agrati S.p.A. (certified OHSAS 18001) to transition in June 2021

Certification

### ERM & Sustainability

Function Established

231 Model Upadated

SOCIAL

#### GOVERNANCE

SUSTAINABILITY REPORT 2020



**Recycled** input materials



Hours of training per employee



Certified suppliers (ISO 9001 / 14001 / 45001 or OHSAS 18001)



Injury frequency rate



of purchases from local suppliers



of economic value generated





of economic value distributed

# ASTERIER World Fastener Solutions



#### 1. The Agrati Group

#### **Profile and Business Activities**

As of 2020 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 Group 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 Group 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 Group 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 Group's companies consolidated using the full consolidation method with reference to the period from January 1, 2020 to December 31, 2020. The Report includes 2020, 2019 and 2018 figures. 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):

- CVB S.r.l., an Italian company dedicated to the production of special fasteners with production facilities in Tronzano Vercellese;
- 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;
- 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 Bridoire S.a.r.l. (with production facilities in La Bridoire 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 subholding 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 (MII), 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 2020, Agrati received the following recognitions:

Industria Felix Prize	<ul> <li>Agrati received for the second year the INDUSTRIA FELIX PRIZE in the following categories:</li> <li>"Top budget honor as the best company in the Metal sector, Lombardia Region, North Italy"</li> <li>"Best company with International vocation for performance management and financial reliability in Monza Brianza."</li> <li>The budget Mention criterias to receive this prize are measured in terms of ROI &amp; ROE, number of employees, turnover / revenue, net profit, MOL.</li> </ul>
Whp Project for A.Agrati S.p.A.	The protection of health, prevention and well-being of our employees are very important topics for our company. Since 2016 we carry out the WHP Project - Workplace Health Promotion - promoted by ATS Brianza. A project that we care a lot through many initiatives related to health and corporate welfare. For the third consecutive year Agrati is awarded by Assolombarda Confindustria Milan and Monza Brianza with the recognition «WHP- Workplace Health Promotion» for the best practices implemented inside the Company during 2019. The main project carried out in 2019 is been the "Tobacco Free Company": a long-term project but one that is already having good results with the company's population.
Agrati S.p.A. Is Digital Star!	Agrati SpA is among the 350 winners of the DIGITAL STARS 2020 study that awards the most innovative companies in Italy inside the digital field. The German Institute of Quality and Finance, in cooperation with Repubblica Affari&Finanza (important italian daily newspaper), has first created a list of 2.000 companies with at least 50 potentially relevant employees, selected through public registers, databases, awards and other lists.
Supplier Quality Excellence Awards 2019 by GM	This prize confirms Agrati as a valued partner for GM for the outstanding performance in 2019.
Business Sustainability & Continuity by Schaeffler	At Schaeffler's first Digital Suppliers Day, held on September 15th, Agrati was honored for the "Business Sustainability & Continuity" category for its ongoing global collaboration with the various Schaeffler divisions in Europe, China and NAFTA. Schaeffler, like other leading Tiers1 in the automotive world, is committed to the development of new systems and components for "E-Mobility" and Agrati will be regarded as a development partner for new mechanical components for future engines.
Italy's Best Employers 2021	Agrati SpA is Italy's Best Employers among the 400 companies included in the ranking of Corriere della Sera, in collaboration with Statista, a market research company.
Top500+ Monza Brianza	Agrati SpA ranks 12th among the TOP 500 companies of Monza Brianza: a confirmation of the great production vocation that has always characterized Agrati within the territory of Monza and Brianza.

#### 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
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Italy: Veduggio con Colzano, Dolzago, Cornate d'Adda, Tronzano Vercellese; France: Vieux-Condé, La Bridoire, Fourmies; China: Yantai; US: Park Forest, Valparaiso, Tiffin, Medina.

#### 5 Logistic centres fo Italy: Trezzo sull'Adda, Verona; France: Vieux-Condé; US: Park Forest, Medina;

 A Research and development centre Italy: Veduggio; France: La Bridoire;

#### Globalization: countries of operations and markets served

Even though Agrati Group 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 EMEA, NAFTA, LATAM and APAC automotive markets; it is indeed a global leader with a large majority 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 Group's net revenues are mainly generated in the EMEA area, which accounts for 63% of the total. To follow, 27% of Group's net revenues are generated in NAFTA/LATAM area, and 10% in APAC



China: Yantai; USA: Southfield.

#### 14 Sales and application offices

Italy: Veduggio; France: Creteil; US: Southfield; Germany: Braunschweig, Rot am See, Heidelberg, Munchen; Japan: Yokohama, Nagoya; China: Changchun, Shanghai, Beijing, Tainan City; Korea: Yongin

With its over 1.000 equipment, Agrati covers a surface of over 300.000 square meters, employing 2.307 people, distributed as follows:

1.616 employees in Europe;
370 employees in the USA;
321 employees in China.

area. The strategy of Agrati Group is focused on the automotive sector, which constituted over 92% of net revenues in 2020. The remainder mainly relates to the industrial sector, which represents 7% 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 Group 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 ironworking 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 twoseat 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.

#### lt 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 Bridoire, 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 "Word 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 and in 2020 a new representative office in south Korea.



#### Mission, Vision and Values of Agrati

#### Mission

Agrati Group strongly believes in its mission of "Developing, with Customer, innovative fastening solutions".

Cooperating directly with clients 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 Group 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 Group 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 Group 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 Group's final goal, with the main aim to support and supply consumers on a global scale.

#### Values

The Corporate Vision and Mission of Agrati Group 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 Group'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.

# OUR APPROACH



### Sustainability in Agrati

#### 2. Sustainability in Agrati

#### The approach to Sustainability

Agrati's approach to Sustainability is centred around taking up the challenges presented by the current economic transition, focused on analysing risks and managing them through associated opportunities. As highlighted in the previous chapters the current global trends and risks are many and of varying nature, therefore, in order to manage them as comprehensively and effectively as possible Agrati has identified three key areas of action: **Decarbonisation, Responsible Supply Chain management** and **Circular Economy.** 

Agrati's goal is to **integrate** and **embed sustainability transversally** in **all** its **business processes** starting from risk management to product development and innovation.

To ensure effective management of these ambitions, in December 2020 the new function **ERM & Sustainability** was created. It is coordinated by the Executive Vice President Andrea Costantini. The aim of the function is to implement a Risk Management model in which decision-making and operational processes effectively manage change, creating value and transforming risks into opportunities. The ERM-Sustainability function is responsible for the integrated management approach of ESG risks and related opportunities.

Thus, this method allows Agrati to focus in particularly on the innovation opportunities linked to: decarbonization, responsible supply chain management and circular economy.

Under the ERM-Sustainability function, the Sustainability 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 Group engages in a transition towards the incorporation of the ESG factors into its own business model, the Sustainability Team is gaining more and more importance in the Company structure.

Agrati's Sustainability 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 Sustainability Team drafts the Sustainability Report, involving all key departments from all locations in order to collect comprehensive and reliable data regarding the Group's Sustainability performance. The data collected is then consolidated into the Sustainability Report which represents a key tool to monitor and communicate internally and externally Agrati's sustainability performance and progress.

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

On this end the Sustainability team is working on implementing a series of awareness and training campaigns in 2021, aiming to promote bottom-up and inclusive approaches to innovative sustainability solutions spread throughout the whole Group.

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 Group'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.

#### **CLIMATE STRATEGY 2021**

Following the clear decarbonization and electrification trend of the automotive industry, at the end of 2020 Agrati started developing a Carbon Strategy. The goal of the strategy is to align the Group's activities with the main international Pacts and strategies such as the Paris Agreement and the European Green Deal, which aim to maintain temperature rise below 1.5°C compared to preindustrial levels and reach Carbon neutrality in Europe by 2050. Furthermore, considering the current socio-economic crisis, the Group wants to align its Carbon strategy with the international carbon Strategy framework and in particular with EU "Going climate – neutral by 2050 – A strategy long term vision for a prosperous, modern, competitive and climate – neutral EU economy", European Commission's Recovery Plan, Next GenerationEU, and the "Piano Nazionale di Ripresa e Resilienza" the investment program presented by Italy, to the European Commission, regarding the NextGenerationEU plan.

In this context, Agrati has been monitoring the evolving business models of its clients through targeted benchmark analysis, which show clear shifts towards vehicle electrification and decarbonization. Almost 60% of Agrati's clients have set targets of Carbon Neutrality, and over 70% have implemented Scope 3 reduction targets, which directly impact and involve

have implemented Scope 3 reduction targ Agrati's activities and business. Therefore, the implementation of the Car

Therefore, the implementation of the Carbon Strategy will enable the Group to continue being a first choice for its clients by anticipating the increasingly strict threshold requirements, regarding decarbonization, in place for suppliers and be a best and leading practice within its sector.

Throughout 2021, the Group will continue developing the ESG-ERM model to identify and assess the Climate Risks the Group is exposed to and expand its Carbon Inventory in order to also include Scope 3 emissions, as well as the already monitored Scope 1 and 2 emissions. Inspired by the recommendations of the Science Based Targets Initative (SBTi), the Group will develop a clear decarbonization strategy, which will include: specific reduction targets for Scope 1, 2 & 3, a clear timeline and associated mitigation plans and specific actions.





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 Group 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 Group'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 Group interacts with its relevant issues in the preparation of the Sustainability Report, taking stakeholders to the overall benefit of the corporate activities and the in consideration the different perspectives of the people or entities surrounding community. The successful completion of a corporate negatively or positively affected by the Company's initiatives. initiative usually depends on the stakeholders' perspectives and Agrati Group's attention towards its stakeholders is stated as a involvement. Therefore, stakeholder engagement represents a key key principle in the Code of Ethics under the Corporate Social tool for Agrati to listen and communicate with its main counterparts, Responsibility paragraph, underlying that the strategies dedicated to in order to understand their level of satisfaction and their point of view the Group's main counterparts are part of the sustainability purpose. on the company activities. This interaction represents an opportunity for the Company to understand the areas of improvement and which Due to the diversified interaction methods adopted by Agrati, the topics need to be leveraged on. Group has been able to identify five different categories of relevant The stakeholder engagement is also functional to identifying the stakeholders, with whom the Company interacts:

Stakeholders	Stakeholders' involvement opportunities	Stakeholders' expectations towards Agrati
Customers	<ul> <li>Co-design activities: promotion visit and workshop</li> <li>Audit performed by the customers in Agrati plants</li> </ul>	<ul> <li>Satisfy customer requirements and drawing: Agrati engineered products</li> <li>Close collaboration, trustful and stro relationship</li> </ul>
	- Agrati University: training workshop on fastener technology	<ul> <li>Constantly looking for designing new production technologies and process lines</li> </ul>
	<ul> <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> <li>Ad hoc Full Services logistic lines</li> <li>Conciliate customer needs with expertise a training by learning and studying with th new solutions that support and teach them 'language of fasteners'</li> </ul>
Employees	<ul> <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> <li>Retention of employees</li> <li>Professional development opportunities</li> <li>Clear responding to request submitted employees</li> </ul>
Suppliers	<ul> <li>Supplier evaluation: Vendor Rating performance, Quality Audit, yearly targets</li> <li>Group Purchasing meeting</li> <li>Daily activities of Purchasing manager</li> <li>Agrati University: specific courses to increase suppliers' technological level, set closer relationship and develop stronger cooperation</li> </ul>	<ul> <li>Timely and proper fulfilment of contract conditions</li> <li>Revision and examination of supp accomplished targets</li> <li>If necessary, top management involvem with suppliers in specific meeting</li> </ul>
Public Authorities	<ul> <li>Ordinary and extraordinary communication with supervisory authorities</li> <li>Data provision, report compilation, meetings</li> </ul>	<ul> <li>Call for action to address global and natio challenges: climate change, energy secur human rights, skills shortage, education</li> <li>Ensuring full compliance with curr regulatory framework and specific regional la</li> </ul>
Local communities	<ul> <li>Every Agrati plant involves the local schools present in the area in order to engage with current students to provide information regarding Agrati's activities and in some cases provide training</li> <li>Several employee initiatives, for supporting the economic, social and cultural development of local communities through selected associations</li> </ul>	<ul> <li>Manage economic, social, cultural, and environmental impacts on local communities</li> <li>Anticipate and avoid negative impacts on lo communities</li> </ul>



#### Agrati is part of the following organizations:

<b>EIFI</b> European Industrial Fasteners Institute	European association of fasteners manufacturing industry is the recognized European industry association representing producers of bolts, screws, washers, nuts, rivets and other mechanical industrial fasteners <i>Agrati managers also hold a chair in the governance body.</i>
IFI Industrial Fasteners Institute	North American association of industrial fasteners producers is a trade association helpful to Agrati to gain collective strength and knowledge to accomplish tasks, projects, and objectives that are not practical or econominally feasible for a single company. Beyond this general benefit, there are many tangible and specific benefits to be gained from IFI membership.
CLEPA	European association of automotive suppliers deliver innovative solutions for road transport. Thanks to a wide range of innovative technologies, safe, smart and sustainable mobility improves every day, for the greater benefit of consumers, in terms of cost and comfort.
ARTEMA	French association of mechatronic industries is the trade association that brings together more than 150 member companies: suppliers of components, solutions and systems in different fields.
UPIVEB	Italian association of fastener producers gathers as members all the Italian fastener manufacturers who have reached the highest production efficiency levels, and are in a position to offer advanced products, the high quality of which is officially recognized and appreciated by both the domestic and the international markets. <i>Agrati managers also hold a chair in the governance body.</i>
ASSOLOMBARDA	Association of business located in Milan, Monza e Brianza and Lodi is the largest territorial association of the entire entrepreneurial system in Italy. The Association aims to protect and represent the enterprises' interests in dealing with the political world, with social and political organizations and with local authorities as well as with trade unions.
UNSIDER	Unisider is the Italian Body Federated to UNI in charge of carrying out standardisation activities for the steel sector (steel and cast iron) and the sector dedicated to materials, equipment and structures at sea for the oil and natural gas industries. Unisider draws up technical standards in the sector that contribute to improving the efficiency and effectiveness of the Italian economic and social system and to support technological innovation, competitiveness, trade promotion, consumer protection, environmental protection and product and process quality. <i>Agrati managers also hold a chair in the governance body.</i>
American Chamber of Commerce in Italy	Organization representing US business corporations is the world's largest business organization representing companies of all sizes across every sector of the economy. It advocates for probusiness policies that help businesses create jobs and grow economy.
ANFIA	Italian association of automotive players represents and offers services to companies in the automotive sector in order to support and strengthen their competitiveness, their growth in foreign markets and their integration within transportation systems.
ROADJOB	Association of industrial players of Como, Lecco and Brianza is a non-profit association that wants to create concrete initiatives to enhance the social fabric and bring young people closer to the world of industry. Agrati managers also hold a chair in the governance body.

ANRA

The National Association of Risk Managers and Insurance Companies Managers promotes the exchange of experience and information among its members on company risk management, business management, insurance policies, definition and management of insurance contracts and it contributes to the progress and dissemination of risk management techniques, through the organisation of training courses, professional refresher courses and any other initiative.

#### **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 an online survey directed to 22 members of Top Management from a variety of functions and geographic locations.

During the interviews, the Top Management was asked to identify which were the most important aspects that have direct and indirect impacts on the Agrati Group's activities.

This process has allowed a comprehensive view of the Agrati Group's approach to sustainability-related topics. Moreover, this analysis has been enriched by a benchmark analysis mapping the approach



Furthermore, the Materiality Analysis, evaluated the impacts that Economic Performance & Creation of value added, Risk Management Covid-19 has had on the Group's material topics, in order to highlight and Employee Wellbeing. key business areas susceptible to the wider developments and spread These impacts are both direct, such as the risk of infection and safety of the Covid-19 pandemic. The material topics most impacted by the of employees, but also indirect through increased market volatility and pandemic resulted to be the following: Occupational Health & Safety, unstable business conditions.

to Corporate Social Responsibility taken by Agrati Group 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. Whilst topics concerning Clients and Products confirmed to be amongst the most relevant for the Group, topics around Human Resources and Governance have become increasingly relevant, when comparing the results of the Materiality Analysis 2020 with the first 2019 analysis. The most relevant material topics in 2020 are: Occupational Health & Safety, Constant attention to customer needs, Economic Performance & Creation of value added, Business Ethics & Integrity, and Research & Development and Innovation.

Agrati Group recorded 20 material topics divided into five macro-categories:

Material Topic	Relevant United Nations Sustainable Development Goals (SDGs)
A specific focus on compliance and a strong business ethic Governance • Risk management • Management of regulatory development • Economic performance and creation of added value • Business ethics and integrity	10 REDUCED MEQNATIVES 16 PEACE, JUSTICE AND STRONG INSTITUTIONS INSTITUTIONS
<ul> <li>Focus on the well-being and development of all Agrati employees</li> <li>Occupational Health and safety</li> <li>Valorisation and development of competences</li> <li>Employer Branding and partnership with Universities and Educational Institutes</li> <li>Employee Wellbeing</li> </ul>	3 GOOD HEALTH AND WELL-BEING 
<ul> <li>A high attention and care for products and relationships with clients</li> <li>Constant attention to customer needs</li> <li>Product quality and safety</li> <li>Research, development and innovation</li> <li>Proper Complaint Management</li> <li>Digitalization and Industry 4.0</li> <li>Mobility Evolution</li> </ul>	3 GOOD HEALTH AND WELL-BEING AND WELL-BEING AND AND AND AFFASTRUCTURE AND AFFASTRUCTU
<ul> <li>Looking ahead to sustainable procurement</li> <li>Environmental and social assessment and responsible se lection of suppliers</li> <li>Collaboration with supplier and promotion of supplier driven innovation</li> </ul>	8 BECENT WORK AND COMMUNIC GROWTH
Conduct activities causing no unnecessary environmental impact <ul> <li>Energy efficiency</li> <li>Efficient management of waste, by-products and wastewater</li> <li>Soil protection from leakages and pollutant substances</li> </ul>	7 AFFORDABLE AND CLEAN DRIVET CONSUMPTION AND PRODUCTION AND PRODUCTION

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 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 16949 standard, which provides the application of the Advanced Product Quality Planning (APQP) process.

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 Group demonstrated 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 health and safety 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 ISO 45001 standard from 2020, with the exception of Agrati SpA which is scheduled to obtain the two certification by June 2021.

Regarding **"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. Finally, 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 implemented a quality management system according to ISO 9001 and IATF 16949 standards in all plants, validated by a third independent auditor.





#### 3. Governance

#### 2020 HIGHLIGHTS

• ERM & Sustainability function established

#### RELEVANT SDGs



#### Sustainable Corporate governance

Agrati's corporate governance system has been structured in order to guarantee adherence to the guiding principles of transparency, accountability, security and sustainability at all levels of the organization, starting from the board of directors and managers.

Within the framework of the Group management team, two advisory committees have been created:

**A. Project Committee.** The role of the Project Committee is to discuss the implementation of a wide range of different new projects. Attendees includes CEO, Executive Vice President, Operations Director, Group CFO, HR Director, Product Development Director and Sales Director, that meets at regular intervals (at least once every 15 days).

**B.** Finance Committee. The role of the Finance 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). Attendees are President & CEO, CEO, Executive Vice President,

Group CFO, Operations Director, HR Director, Product Development Director and Sales Director, that meets at regular intervals (at least once 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).

As anticipated in chapter 2, in December 2020, the new ERM & Sustainability function was created, coordinated by the Executive Vice President. This decision was made in order to manage sustainability issues at a strategic level and integrate it within business processes. Supporting the ERM & Sustainability function is the Sustainability team and the Internal Audit, providing a strong and competent team to manage a new strategic pillar. The role of the new function will be to manage the transition towards: decarbonization, vehicle electrification, innovation towards crucial economy models, responsible supply chain management and integrated risk management.

#### **Risk management**

Agrati Group 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's sustainability risks are diverse and inextricably linked to the regions in which it operates. The Group's 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.

A system of Balanced Scorecard, shared by the management at Group level, sets the goals and verifies their achievement for each function.

In 2020 the Group began developing an Enterprise Risk Management

(ERM) model that incorporates, transversally, the ESG risks.

After a constructive assessment, the internal team identified the main risks for Agrati. The identification phase of ERM-sustainability topics that are material for the Group's industry and situation took into account the following different information sources: functions' risk analysis, the Group quality manual the Group's Financial Statements, the Organisation, Management and Control Model pursuant to Legislative Decree No. 231/2001, the Code of Ethics, Agrati's Policies and Procedures. External documents, such as risk and scenario changes reports, prepared by the World Economic Forum, GRI and FERMA, and benchmarking analysis on the fasteners/automotive industry players, are taking into account in order to create a complete and robust risk matrix.

The ESG-ERM framework is based on three key pillars: the first pillar, "External Risks" encompasses all risk related to Regulatory Evolution, Country specific risks, Climate Change and Finance, the

second pillar, "Strategic Risks" includes all activities directly linked to the Group's Strategy, and the third pillar, "Internal Risks" covers core business and business support risks.

In general, the ERM model aims to: align risk appetite with strategy, enhance risk response decisions, avoid operational, financial or reputational losses, identify and manage multiple and cross-enterprise risks, seize opportunities and identify specific actions to continuously improve risk mitigation. The Integration of ESG risks within the framework will enable a holistic and comprehensive approach to identifying the transversal impact of these risks throughout the whole value chain.

One-to-one interviews will be conducted in order to carefully and precisely assess the current mitigation systems and measures in place and evaluate the exposure and vulnerability to key ESG risks.

This process will enable to establish an action plan to mitigate current risks exposure gap.

A continuously evolving risk management model will become an essential and differentiating factor, in order to guarantee the Company a successful and resilient future, in a world characterized by sudden and extreme changes, in part conditioned by the development of technology, but also by new and disruptive external risks (e.g. pandemic risk and climate change risks).

Companies will have to combine three elements: strategic planning, risk management and sustainability, in a holistic vision, which if successful, will be rewarded primarily by the community, and then recognize also by customers, suppliers and employees.

#### **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 procedures on environmental management systems and OHSAS 18001, replaced in March 2018 by ISO 45001, on health and safety in the workplace. In accordance with environmental and safety in the workplace legislation, all Agrati Group'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 Group depends on external suppliers for the procurement of raw materials, mainly steel. For this reason the Group is exposed to supply chain risks when it comes to: the selection of the suppliers, the quality of raw materials and price fluctuation. In order to monitor the risk level of raw material 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 risks related to human resources (HR) 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.

Additional risks are the **reduction of individual performance**, lack of motivation and bad internal climate, which could compromise employee personal satisfaction, wellbeing and business growth.

As far as the protection of **human rights**, Agrati poses great attention to this topic by implementing training session on general provision of whistleblowing process and Decree 231/2001.

Here, mechanisms for seeking advice about human rights are both internal and external. Both, the update of the Ethical code and 231/01 model represent useful instruments to reduce the number of discrimination related claims.

The 231 Compliance Program Supervisory Board ("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 has been strengthened with the implementation of the whistleblowing system in anonymous form and through a user-friendly system of reporting. Throughout 2020 Agrati implemented a Group level Whistleblowing procedure aimed to allow its stakeholders to report complaints regarding internal corruption behaviours carried out by both executives, managers and employees.

According to the procedure (the full text is published on the intranet and on the public website as a summary), every stakeholder may submit to the Supervisory Body (an independent committee appointed by the Board of Directors) a report. The Supervisory Body will analyse the report and as consequence provide a feedback. If it is ascertained that the report is funded, the Company shall take appropriate disciplinary measures, including legal actions if necessary.

The procedure has been developed in accordance with automotive sector standards, European directives and national legislations.

In order to improve the mitigation process related to Human Resources risk, the Group has decided to provide general information on the procedure during 2021 and specific training to relevant top management members.

#### **Business risks**

Business risks are related to Agrati Group'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 System Management, has procedures aimed to ensure that the non-conformities of the suppliers of raw materials, components and all other subcontracting activities do not affect the finished products manufactured by Agrati Group.

Another topic to consider is Agrati Group's ability to ensure continuous product innovation, in relation to the technological evolution of the sector and the development of the electric vehicle market. 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.

If the company does not take the necessary steps to incorporate risk analyses into the shop floor processes since the beginning, can end up paying the price of a product that is out of specification, contaminated or a consumer safety risk. The resolution process ends up costing the organization time, resources and money to resolve, otherwise known as the Cost of Poor Quality (COPQ).

In order to create better management of their processes and procedures, Agrati Group uses the risk management program combined with technological devices, to obtain a more predictive system that can help in identify and manage hazards and risks more proactively and to avoid poor quality output.

#### 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 support the respect of 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

Governance

and Control Model, 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 ISO45001/OHSAS18001.

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 certifications outside of France for energy management systems.



#### **Strategic Approach and Management**

Agrati Group 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 2020
President & CEO	Rag. Cesare Annibale Agrati	19/08/1944	>10 years	25/06/2018	Approval of the Financial Statement at 31.12.2020	Х		No	100%
Executive Vice President	Dr. Andrea Costantini	22/05/1976	> 5 years	25/06/2018	Approval of the Financial Statement at 31.12.2020	Х		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	Х		No	100%
Director	Dr. Giorgio Palumbo	04/01/1942	>10 years	25/06/2018	Approval of the Financial Statement at 31.12.2020		Х	No	100%
Director	Ing. Alessandro Cattani	15/08/1963	>10 years	25/06/2018	Approval of the Financial Statement at 31.12.2020		Х	No	100%
Director	Dr. Carlo Marchetti	27/12/1973	>10 years	25/06/2018	Approval of the Financial Statement at 31.12.2020		Х	No	100%

#### **Board of Statutory Auditors**

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

Position	Members	Year of birth	Date of the last appointment	In office since	In office until	Attendence to Board of Statutory Auditors' meetings in 2020	Attendence to Board o Directors meeting ir 2020
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	100%	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 meetin	gs held during the	year of reference 2	2020		Board of Statutory Auditors: 3/3	Board of Directors: 3/3

#### **Supervisory Body**

The Supervisory Body, in office in A.Agrati S.p.A., C.V.B. S.r.l. and is responsible for the management of the whistleblowing system at Agrati-FSP S.r.l., is granted all the powers necessary and appropriate Group Level. for the implementation and control of the Organization, Management It is composed of the following members: and Control Model pursuant to Legislative Decree 231/2001, and it

	Supervisory Body							
Attendence of Supervisory's Board meetings	In office until	Date of the last appointment	Year of birth	Members	Position			
100%	08/05/2023	08/05/2020	20/10/1961	Diego Maroni	President			
100%	08/05/2023	08/05/2020	31/01/1961	Riccardo Garbagnati	Member			
75%	08/05/2023	08/05/2020	03/03/1959	Carlo Monti	Member			

# ETHICS POLICY SECURITY

Responsible business management

4

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#### 4. Responsible Business Management

#### 2020 HIGHLIGHTS

• Code of Ethics updated

• 231 Model updated

#### Agrati business ethics and integrity

The purpose of Agrati Group's Code of Ethics is to guide the behaviour of those involved every day in its business towards integrity, impartiality, fairness, respect, enhancement of people and transparency. The Code of Ethics is part of the Company's strategy and organisation and represents one of the main tools to ensure compliance with the principles and values that have characterised Agrati since its constitution. It contains the values to which all employees, members of the Boards, managers and third parties must conform, and it defines a strategy of corporate responsibility towards communities, employees and collaborators, suppliers, customer, shareholders, Governments and the law in general:

- Responsibility towards **communities**: Agrati supports the development, cohesion and environmental protection of the territories in which it operates and is also committed to supporting the needs and requirements of the community.
- Responsibility towards **suppliers**: Relations with suppliers are regulated only by objective criteria and maintain stable, transparent and cooperative relationships with them;
- Responsibility towards **customers**: Agrati commits to acquire and retain customers with continuous R&D, and to provide products and solutions that satisfy customer expectations in terms of quality, service, safety and environmental impact;
- Responsibility towards **employees and collaborators**: Agrati is committed in protecting the health and safety of the working environment for employees and third parties; it undertakes to respect and value the exclusive contribution of each individual and to create an inclusive work environment that respects the dignity of each worker, equality, respect and continuous learning;
- Responsibility towards **shareholders**: Agrati Group is committed to protecting shareholders' investments and achieving reasonable, sustainable returns through financial ethics;
- Responsibility towards the Governments and Public Administrations: Agrati attaches great importance in supporting and collaborating with government bodies and public administrations, respecting the laws and regulations governing transactions with them;
- Responsibility towards the **law in general**: Agrati is committed to ensuring that all its activities are carried out in compliance with applicable national and international regulations; Agrati is also committed in protecting and making responsible use of the ideas,

RELEVANT SDGs



innovations, technologies, brands and confidential information of customers, suppliers, employees and other stakeholders.

In September 2020, the Board of Directors approved the updated Code of Ethics, written in Italian, English, Chinese and French. The new version is aligned with the changes occurred within the Group and the recent regulatory requirements.

The Code is available to all employees online on a dedicated section of the internal "Intranet" and also supplied in local language to each future employee to take acknowledgement of the document. Furthermore, throughout 2021 the Group will provide training on the Ethical Code to all employees. Moreover, with the recent review of the General Terms and conditions for subcontractors and suppliers, Agrati requires its counterparty to formally adhere to the Code. The Ethical Code recognizes the importance of respecting the environment for the benefit of future generations, the value of diversity and the promotion of equal opportunities.

Agrati is committed to ensuring equal opportunities and no discrimination of any kind on the grounds of ethnicity, gender, language, religion, political opinion, social origin or any other condition is tolerated. Diversity is considered as a key value for the company. For this reason, Agrati takes into account the contribution of each and recognise the strength of differences.

Furthermore, dignity of each individual is considered as the guiding principle of any activity. Agrati observes and promotes respect for human rights in all Countries and does not tolerate any behavior in any way detrimental to human dignity. The Group does not use child Labor, provides fair compensation and benefits in accordance with applicable law, does not use forced or compulsory Labor, recognizes and respects the right to work and freedom of association, does not tolerate any form of discrimination, complies with working time regulations, does not tolerate and does not make use of trafficking in human beings and slavery.

While executive-level positions maintain the responsibility to ensure the compliance with the Code, Agrati also implemented a Supervisory Body that is the recipient of the Whistleblowing reports and periodically conduct audit and evaluations of compliance with the Code; the Supervisory Body reports to the Board of Directors.

#### The Organization, Management and Control Model 231

The implementation of Anti-corruption and the above explained Code of Ethics are extremely relevant considering the market in which Agrati operates, the size of Agrati facilities, employee numbers and the issues 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, A.Agrati S.p.A. and C.V.B. s.r.l. have strengthened their Internal Control and Risk Management system by adopting their own Organization, Management and Control Model (hereinafter referred to as the "Model"), in compliance with the provisions of the Legislative Decree 231/2001. After its first adoption, in September 2020, the companies updated the Model in the light of legal and doctrinal developments as well as the regulatory evolution of the Decree and the companies' organizational and structural changes, in addition the Model was adopted also by Agrati-FSP S.r.l..

The revision of Model 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.

During 2020, a series of activities were carried out to identify, map and assess the risks pursuant to Legislative Decree 231/2001, which can be summarised as follows: (i) analysis of the corporate context, through the examination of corporate documentation and interviews with the persons in charge of the activities, in order to map the areas of the Company's activity relevant to the offences in accordance with the Decree; (ii) analysis of potential risks with the identification of the offences which may potentially be committed during the activity; (iii) "as-is analysis" through which the existing system of preventive controls in the various risk areas was analysed; (iv) "gap analysis" through which a series of areas for integration and/or improvement in the system of controls were identified, against which the appropriate actions to be taken were defined; (v) sharing of the results and improvement actions with the managers of the activities.

On the basis of the results of these activities, the new Organisational, Management and Control Model was approved and further internal procedures were implemented, in addition to the values spread by the Code of Ethics, in order to cover main areas exposed to corruption, as the supplier approval process, the expenses report procedures, the power of attorney system, which prevents corruption risks through a defined and robust "four eyes principle".

Furthermore, with the approval of the new Code of Ethic and the analysis carried out for the new Model 231, Agrati is now implementing an anti-corruption policy and a set of new Group procedures in order to better respond to the corruption risks (e.g. "Relations with Public Authority", "gifts", "sponsorships").

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.

#### **Agrati Policies**

#### Sustainability & Corporate Social Responsibility Policy

Agrati Sustainability & Corporate Social Responsibility Policy takes as prerogatives the respect for the Environment and 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;
- Develop solutions for sustainable growth;
- Manage Agrati operations in a responsible way;
- Promote the health & safety and well-being of all employees.

As mentioned in this Policy, the document is meant to actively involve diverse 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 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.

#### **Quality Policy**

The Agrati Group Policy, approved by the CEO and all directors in 2020, states the purpose and strategic direction to align all organization's function and provides a framework for quality

#### objectives.

- The main objectives outlined in the policy are:
- satisfy the norms and the customer specific requirements;
- motivate staff to achieve the targets;
- achieve excellent quality and service performance;
- develop with the customer innovative solutions;
- deploy the APS global industrial system;
- analyse and reduce risks, develop opportunities.

Aligned with its vision, the group maintain as its guiding targets: "Zero defect", "Zero delay" and "Lean Thinking" in all plants. The Group committed to put in place the organization and resources to achieve its goals implementing continuous improvement. In this way Agrati will reach the satisfaction of its customers, employees and shareholders.

#### Agrati Group Supplier Quality Manual

Agrati manages the relationship with its suppliers through the Agrati Group 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, since the products and services provided by its suppliers have a direct impact on the quality of the Company's products, solutions and services provided to the client.

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 Group 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 represent an essential value that accompany the growth of Agrati Group'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/ISO 45001) 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 for Health & Safety, which will replace OHSAS 18001 by mid of 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.

The control 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 is of 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 topics mandatorily 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, ittreats the mwithan extremely highlevel 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 clients 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 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 profoundly 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.

In addition, preventing and mitigating the risk of cyber attacks is essential for Agrati, to preserve its cyber security, avoid loss of sensitive information, time and money.

The topic of cybersecurity is managed at all levels: from its implementation in the Group ERM model to specific operational guidelines which employees adopt every single day.

To manage the risk of cyber-attacks, the Group, continuously seeks to identify potential breaches and improve network and computer security. To mitigate potential vulnerabilities all employees are asked to access sensitive data only from controlled devices.

This issue has become of increasing importance during the current pandemic, as employees were working from home on different networks.

Nonetheless Agrati managed the transition to homeworking without any further IT implementations given the already structured VPN and safe network system in place.



# VALUE

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

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

#### 2020 HIGHLIGHTS

• 516.585 thousand € of economic value generated

• 459.170 thousand € of economic value distributed

RELEVANT SDGs



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 is created, and who benefited more from this distribution. In 2020, the value added generated by Agrati's activities and distributed to its different stakeholders totalled € 459.170 thousand, equivalent to 89% of revenues, with a strong incidence of economic value distributed to suppliers and employees, equivalent to 74% and 24% respectively; in 2020 Agrati decided not to liquidate dividends in order to strengthen the financial structure of Group. In addition, economic value is mostly distributed to local suppliers by geographical area as described in the section 7 (Suppliers).

#### Economic value generated, distributed and retained (€ thousand) Agrati Group

	2018	2019	2020
Economic value generated	652.912	633.813	516.585
Economic value distributed	592.121	574.752	459.170
Suppliers	420.876	415.660	341.338
Employees	138.261	135.492	109.473
Investors and lenders	21.084	21.248	6.575
Government & Public Institution	11.900	2.352	1.784
Economic value retained	60.791	59.061	57.415

Note: amounts referred to Consolidated Financial Statements. From the fiscal year 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.

#### Tax Transparency

Agrati acknowledges the centrality of taxes for fiscal policy and macroeconomic stability of countries, and in this respect recognizes the centrality of fiscal transparency and reporting. Clear reporting on this theme develops trust and credibility between Agrati and its external stakeholders, spreading a transparent image of the Group's fiscal structure and strategy.

Agrati operates in several countries under different jurisdictions, making even more important the adoption of a shared management approach of the tax policy, balanced and integrated with ethical, social and sustainable development, which plays a relevant role in Agrati strategy.

#### Agrati's Approach

Current income taxes are calculated based on the tax rate in force at the financial statements date. Current tax receivables and payables are measured at the amount expected to be recovered from or paid to the tax authorities.

Management periodically evaluates the choices made in determining taxes with reference to situations in which current tax legislation lends to interpretation and, if it considers it appropriate, it accounts for provisions determined on the basis of the taxes it expects to pay to the tax authorities.

Deferred taxes are recognized: on the basis of temporary differences arising between the tax base and the carrying amount of assets and liabilities in the balance sheet and only if there are probable future

#### Revenues and Taxes paid by Jurisdiction (€ thousands)

	Number of Employees	Revenues from third-party sales	Revenues from intra-group transactions	Profit/(loss) before tax	Tangible assets other than cash and cash equivalents	Corporate income tax accrued on profit/loss
Italy	995	254.551	14.366	11.525	416.803	2,191
France	621	98.654	3.197	(311)	82.819	160
USA	370	135.654	36	(7.421)	200.013	(1.713
China	321	45.892	566	4.110	52.513	1.029
Total	2.307	534.751	18.165	7.903	752.149	1.667

For a description of each country's activities, see page 19.

taxable profits against which the deferred tax assets can be utilized. Furthermore, deferred taxes are determined on the basis of tax rates and laws that are in force or substantially in force at the financial statements date and that are expected to be in force when the deferred tax assets are realized or the deferred tax liabilities are paid.

#### Tax Governance and Control Framework

Agrati has a structured governance and control framework in order to ensure compliance, efficiency and transparency regarding taxation. There are clear roles and responsibilities: the CFO, who take care of all the fiscal fulfilments necessary for the regular execution of any type of transaction carried out by the company, oversees all aspects. Supporting him is the Group Accounting function and an external specialized tax firm.

Furthermore, Agrati has adopted a clear operating methodology on transfer pricing which allows to effectively monitor all aspects connected to the topic. Agrati annually drafts the **Master file** that allows a complete transparency and traceability of the entire process and facilitate any subsequent controls.

The financial statements are audited by KPMG and during audit activities the audit team carries out appropriate controls on tax within its tax office. KPMG conduct specific audit procedures on declarations and tax models.

# CARE EMPOWERMENT SATISFACTION



#### 6. Agrati's people

#### 2020 HIGHLIGHTS

- 84% Employee Satisfaction Indicator
- 11 hours of training per employee
- 12,3 Injury Frequency Rate
- ISO 45001 certification for all sites<sup>1</sup>

#### Being an Agrati employee

#### **AGRATI CARE**

- Our employee's safety is the starting point of our well-being idea, the concept that Agrati Group enlarges to all stakeholders. Main effort aims to:
- Reduce our accident rate
- Reduce gravity of accident
- Understand and improve physical and psychological well-being of employees, extending this concept even to their families

Our Employees satisfaction is our final target. Agrati Care concept is our way to extend the welfare of our employees to keep them on board with the right level of motivation.

Personnel management policies have maintained adherence to current labour legislation and the principles of the company's new 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.

We promote entrepreneurship in our

company by supporting people's ideas and

creativity and providing each of them skills

and competence to innovate and improve our

daily and future activities.

**EMPOWERMENT** 

**RELEVANT SDGs** 

Agrati Group applies an HR Model. This model is composed by two core parts: HR mission and HR Values, and three evolving and constantly improving components: HR Strategy, 5 HR Pillars and HR process. The HR Strategy is aligned with the business strategy; actual strategical guidelines include attract and retain talents, motivate people, assure fair evaluation and consistent salaries, align human assets to the business strategy, develop Glocal leaders, develop competences and improve performances.

The 5 HR pillars are: organizational model, Agrati university, Agrati care, Manual of Competences and Workforce Plan.

The HR process includes: budgeting & reporting, recruitment and induction, evaluation, training, talent review, compensation and benefits, communication, payroll, labour union.

With around 2.307 employees in 5 subsidiaries on three continents,

#### Employees' headcount by region<sup>2</sup> (No.)

		2018			2019				
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Europe	1.463	199	1.662	1.436	186	1.622	1.426	190	1.616
America	359	98	457	336	103	439	282	88	370
Asia	277	100	377	247	88	335	238	83	321
Total	2.099	397	2.496	2.019	377	2.396	1.946	361	2.307

Agrati is fully committed to offer its employees the ideal workplace, that is why every two years it conducts an engagement survey.

The employee engagement survey is carried on a voluntary basis and anonymously through a 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 2020 results of the survey showed a satisfaction indicator of 84%. These results are extremely positive for Agrati considering that the satisfaction level amongst its employees was able to increase despite the complications caused by the Coronavirus.

This result proves the Agrati's ability to maintain employee wellbeing as a priority, especially in difficult periods.

<sup>2</sup> The three macro-areas include the countries specified below: Europe: including Italy and France; America: including United States; Asia: including China.

<sup>1</sup> A.Agrati S.p.A. is currently transitioning to the ISO 45001 certification

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Agrati workforce is of 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 functional connection with Group HR Director and Group CEO.

#### **Occupational Health and Safety**

The protection of the health and safety at work is a pivotal feature that meets the needs of Agrati Group 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.

These documents are periodically 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. In addition, medical and healthcare services are included in two main programs, the employee benefits plan (insurance plan managed by global broker) and collective agreement (Italy and France).

The Group complies with all regulations, standards and applicable laws on this topic, 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 on the overall system or can be specific, as the legal compliance audit;
- Internal audits, as the compliance checklist or the internal audit; • Improvement audits, as the behavioural observation visits.

Occupational Health and Safety is one of the main priorities of Agrati Group, and this is why clear and defined targets have been set every vear.

#### EHS GOALS 2021

Safety	Health-Wellbeing	EHS Management		
<ul> <li>Zero Severe accidents</li> <li>Injury Frequency rate: 9.5</li> <li>Injury severity rate: 0.14</li> <li>Start training on "Shared vigilance" in France</li> </ul>	<ul> <li>Promote at minimum one healthy program/initiative per plant</li> </ul>	<ul> <li>Finalize transition to ISO 45001 for all sites</li> <li>Prepare EHS Management System to corporate certification in 2022</li> </ul>		

In 2020 the Group had a successful transition from OHSAS 18001 and obtained the ISO 45001 certification in all its plants, with the only exception of Agrati SpA which is expected to receive it by mid 2021. In terms of accidents, Agrati reached an Injury frequency rate of 12.3. To note, the occurrence of one serious accident in France, the employee suffered from a cardiac arrest during working hours, nonetheless was concluded that the heart attack was not caused by the work being carried out but to prior health conditions.

Whilst the group was not able to reach all of the established safety targets for 2020, a key contributing factor was the instability caused by the Coronavirus. The pandemic reduced the working hours and most of the communication around safety was concentrated on the management and containment of the virus in order to reduce contagions within the Plants.

#### **EMPLOYEES WELLBEING DURING** COVID-19

Ensuring the wellbeing and safety of Agrati's employees during the Covid-19 pandemic has been one of the key priorities of the Group. In this perspective, a series of measures were implemented, aligned with the national recommendations and best practices.

The Group's management implemented all the measures outlined in the Protocol, including: (i) the introduction of home working and staff rotation, (ii) the special sanitation of offices, bathrooms and dining areas, (iii) access control for all employees and suppliers (with body temperature control and the provision of specific PPE, including masks FFP.2 - FFP.3 and protective gloves). (iv) serological campaigns test on a voluntary base made in some country according to local laws and agreement with Trade Union.

In addition, permits were provided for employees at high risk of infection (over 60 years of age), non-urgent expenses and investments were suspended, and an insurance policy was taken out to cover the risk of hospitalisation.

Agrati's employees expressed their appreciation and satisfaction for the efforts made ad the measures put in place, during meetings with company trade union representatives.

This was considered a big success, which highlights Agrati's capacity to prioritize and value its employees especially in time of crises like the current one.

Agrati Group is also convinced that in order to reach EHS 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.

Agrati Group 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.

A functioning Organizational Health and Safety management system also foresees a communication channel where employees can report potential Health and Safety crimes; Agrati Group indeed has a confidential whistleblowing channel, where every report is received and analysed by the Supervisory Body, that is independent from the organization and handles the report ensuring confidentially and nonretaliation. 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 Group 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 these indicators flows into corporate BSCs (Balance scorecards), while others are used at Group level and flow into shared network folders for their maximum diffusion.

During 2020, as well as during 2019 and 2018, 100% of employees were covered by an occupational health and safety management system.

Agrati Group 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. During 2020, the total amount of hours worked was 3.836.644 for both employees and other workers

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

	2018	2019	2020
Europe	12,18	13,32	16,68
America	1,71	4,89	6,29
Asia	4,29	1,91	5,42
Total	8,07	9,01	12,25

\* 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

For what concerns the work-related injuries, the most frequent In all Agrati's plants, in order to eliminate the slipping risk, employees types of incidents were bruises and crushing hands during machine are trained to use the handrail when getting down the stairs and setup, followed by slipping down machine stairs. In order to reduce provided them with slip-proof safety shoes. the slipping risk, plants set up anti-slip surfaces and ergonomic In 2020, the number of recordable work-related ill health were 5, assessments and implemented lifting devices. 30% less than the previous year.

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

	2018	2019	2020
Total number of recordable work-related ill health	2	7	5

In addition, a key business aspect to note regarding Health & Safety, The inclusion of such an indicator, highlights the priority placed by is the inclusion of a specific H&S target within the group's MBOs. All the Group regarding Health and Safety. beneficiaries of the MBOs are evaluated on a series of KPIs, one of the entity level KPI is the "injury frequency indicator".

#### 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.

The Ethical Code encloses the social values of the Group, in particular those concerning welfare, inclusion and diversity. Considering the market in which Agrati operates, the number of employees and the Group's global presence, attention towards inclusion and diversity is a fundamental aspect. These values, whilst already applied daily, will be further consolidated in a formalized group policy.

Furthermore, some companies of the Agrati Group promote wellbeing programs and initiatives which include medical visits, tobacco free areas, fitness activities and improved work environment conditions. One this end the group has set the target of implementing at least one wellbeing initiatives per plant throughout 2021.

The composition of Agrati's employees is spread out over several

age categories: 16% of employees are under 30 years old, 29% between 31 and 40, 31% between 41 and 50, and 24% are over 50. This distribution allows for a diverse working team with a range of experiences and skills, with an average age of 43 years old.

In terms of gender differences, men represent a larger proportion of the work force, accounting for 84% of all employees against a female component of 16%. This figure remains in line with the particular characteristics of the Automotive industry and related job market. In addition, for Agrati, the concept of diversity and inclusion means also taking care of people with disabilities. On this end 54 people with disabilities were working in the company as of December 31st, 2020, this is a 15% increase compared to the previous year.

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 85% are hired with a permanent contract. Furthermore, 87% of the workforce is covered by a collective bargaining system, an increase of 13% compared to 2019.

#### People by classification level and gender (No.)\*

	2020						
	Men	Women	Total				
Manager	196	46	242				
White-collar workers	347	171	518				
Blue-collar workers	1.403	144	1.547				
Total	1.946	361	2.307				

\*Due to changes in the data collection methodology only the 2020 data is available.

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

	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Full-time	2.089	374	2.463	2.009	354	2.363	1.937	335	2.272
Part-time	10	23	33	10	23	33	9	26	35
Total	2.099	397	2.496	2.019	377	2.396	1.946	361	2.307

#### People by age and gender (No.)

	2020						
	Men	Women	Total				
< 30	323	39	362				
31-40	572	102	674				
41-50	606	112	718				
> 50	445	108	553				
Total	1.946	361	2.307				

#### Employees by Age



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62

31-40 40-50

Agrati's people



#### Agrati University: 'We learn by doing'

**AGRATI UNIVERSITY** 

Our Knowledge. Our Excellence.

the best way to perform a core job.

and enhanced through learning.

AGRATI

Agrati University is a learning center composed by a

group of skilled trainers that teach to Agrati Employees

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. Our knowledge is a dynamic factor, continuously shared

UNIVERSITY

#### Training hours by gender and employee category (No.)

		2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	
Managers	3.854	955	4.809	3.732	912	4.645	1.536	467	2.001	
White Collars	8.553	4.092	12.645	9.107	2.656	11.763	4.538	1.323	5.861	
Blue Collars	26.042	1.745	27.787	41.541	2.708	44.249	17.051	1.177	18.227	
Total	38.449	6.792	45.241	54.380	6.276	60.656	23.125	2.967	26.089	

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



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 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 paths. 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 employment needs.

A new training area has been recently added to the actively involve suppliers in Agrati University, to raise awareness, increase relationship and improve the overall performance of suppliers. Agrati's knowledge is 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.

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.

An important element is regular training offered to Agrati employees: in 2020, 26.089 hours of training were provided, reaching an average of 11.3 hours for each employee. Part of the training was carried out in physical classrooms and another portion, due to the Covid-19 restrictions was organized through e-learning.

The training courses consisted of mainly Professional Training (48%) and Health & Safety training (40%).

Furthermore, each local company has identified specific managerial courses addressed to their managers. These courses are mainly related to people management, leadership, negotiation or coaching programs held by internal certified coaches.



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Agrati's people

5% Product Process quality

4% Managerial training

48% Professional training

The following is a project implanted by Agrati in order to increase employee engagement and involvement:

#### EMPLOYEE ENGAGEMENT PROJECTS

From 2019, Agrati Group has implemented two projects to give a more active role to employees within all departments, allowing them to express their full potential and increasing their retention rate.

Agrati Group aims at increasing 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 first one is an innovative internal process, introduced some years ago and reviewed in 2019, with the aim to reinforce the continuous improvement culture, increasing the empowerment of employees, enhancing problem solving and strengthen team building spirit.

With this method, employees are asked to collaborate each other to suggest actions in order to improve the internal processes of the department or shop floor where they work.

The idea is submitted by the employee to his supervisor and then will be evaluated though further steps, and finally it can turn even into cross-function projects.

This system is also composed by dedicated "improvement teams", that regularly meet together to discuss new ideas and follow a specific training program that enhance the continuous improvement culture and spread it into the Company.

All headquarter employees at all levels are involved in this initiative, resulting every year in numerous improvement proposals.

This method helps the Company improving its efficiency and its financial results. 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>3</sup>.

#### Talent attraction and retention

Agrati has developed a strategy of talent attraction managing several views, 10% more than 2019. This resulted in 5.038 job applications, tools: participation to specific career day held in university and accounting for an increase of 42% compared to 2019. high schools; membership in local association (Roadjob) dedicated On LinkedIn, Agrati case ads have received 1 million impressions; to promote the company and the work in the factory; an account the Company was able to calculate the conversion factors from the LinkedIn Recruiter, which allows the Company to look for unaware "aware" step when the ad is shown (in) to the "Considering" step talent, to capture interest, to build a talent pipeline, to capture which is when they decide to apply for the position. applicants and to engage with candidates directly. The Awareness to Engagement Conversion factor is equal to 3,9% According to the Company Reports, in 2020, Agrati recorded 576.251 and the Engagement to Considering Conversion factor equals 12,6%.

According to the Company Reports, in 2020, Agrati recorded 576.251 job impressions, 13% more than the previous year, 29.183 job

#### People hired by region (No.)

	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Europe	108	20	128	91	14	105	61	9	70
America	102	20	122	92	21	113	44	13	57
Asia	41	3	44	12	3	15	1	14	15
Total	251	43	294	195	38	233	106	36	142

#### People terminated by region (No.)\*

	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Europe	95	16	111	98	14	112	77	6	83
America	99	15	114	108	20	128	101	29	130
Asia	53	7	60	48	18	66	25	7	32
Total	247	38	285	254	52	306	203	42	245

\*The figured include "intercompany" movements.

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

	2020	
	Hired	Terminated
< 30	43	42
31-40	47	56
41-50	22	49
> 50	30	98
Total	142	245

\*Due to changes in the data collection methodology, only the 2020 data is available

 $^{\rm 3}$  Genba is a Japanese term meaning "the actual place", where the problems are visible.



#### 7. Environmental Sustainability

#### 2020 HIGHLIGHTS

- 3 key projects developed to improve energy efficiency
- ISO 14001 certification in all sites
- ISO 50001 certification in all French sites



**RELEVANT SDGs** 

#### TECHNOLOGY, ENERGY AND ENVIRONMENT:

- Technology is a core part of our business, we keep our equipment up-to-date and we search for the latest state-of-the art available on the market in order to reach an Industry 4.0 standard in our plants.
- We want to maintain a light footprint on global resources, we invest to reduce our environmental footprint and to lower our energy consumption.

The Agrati Group 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 the goals, being them a 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 Code of Ethics; which in 2021 will be consolidated in the Group Climate Strategy.

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

50001). Through these instruments, the Group is on the pursuit of continuous improvement and amelioration of performance. The documents and initiatives that are key to the Group Environmental

Among the EHS Group Goals there is the commitment to

ZERO ENVIRONMENTAL DAMAGE Management System are represented by the Environment, Health and Safety and Sustainability Policies and the goals issued at corporate level. These documents are annually reviewed and approved by the top management of the Agrati Group, drafting Policies and objectives at local level (Country and Plant).

The Procedures, the Operating Instructions and the Forms support the EHS Management System, guaranteeing process repeatability



and providing support, rigor, and tools for monitoring and continuous improvement of performances.

The importance that the environmental management holds for the Agrati Company is embodied by the Company targets for 2021:
#### Circular economy and circular innovation

Agrati acknowledges the importance of moving towards Circular business Models, in order to reduce the environmental and social impacts of its activities.

Aligned with the New European Commission, Circular Economy Action Plan, which is understood as "a production and consumption model which involves reusing, repairing, refurbishing and recycling existing materials and products to keep materials within the economy wherever possible".

The Group recognizes the importance of implementing a circular business strategy in a systemic way, reasoning and integrating all parts of the structure, from the induction of raw materials to the final disposal, trying to reduce negative impacts and develop a sustainable way of operating.



Agrati wants to face this new challenge as an opportunity to develop new sustainable processes and products and establish collaborative partnerships with both suppliers and clients.

This innovative attitude will be based on three core principles:

- 1. Design out waste and pollution;
- 2. Keep products and materials in use;
- 3. Regenerate natural systems.

Agrati's innovative approach, integrating new technologies in all its processes and using them to think in a holistic manner its production, has empowered the Group to develop a circular thinking. Developing innovative fastening solutions, has enabled more efficient processes in terms of waste minimization, increasing the possibility of recycling materials and components.

Thanks to Agrati's open innovation approach, which involves external stakeholders, such as Universities, Research Centres, accelerators and start-ups, in order to develop ideas and enhance synergies and common interests, will act as a catalyst for Circular Innovation.

The circular approach will enable the Company to innovate, mitigate its impacts on the environment, keep up with wider mark trends, spread good practices along the supply chain and generate costs saving solutions.

Environmental sustainability

#### **Resource Conservation**

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 Group 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 Group to take into consideration the needs of all the internal and external communities.

#### 2021-2025 Vision

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 vision takes into consideration the continuous improvement of the environmental performances, as:

- Definition of a low carbon strategy and targets;
- Improve energy efficiency, aiming for 0 waste of energy;
- Develop ISO 50001 Certification;
- Increase use of renewable energy;
- Reduce waste & consumption of chemicals, oils;
- Anticipate & search for "clean" solutions;
- Develop Digitalization.





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.

#### From vision to action

A key aspect of Agrati Group'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.

In order to reach the goals set by the Environmental Management System, Agrati Group 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 Group, 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 Group'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  $^4$ , or for structural and strategic needs  $^5$ .

Each functional manager is authorized to validate expenses in accordance with the approved budget.

Agrati Group 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 EHS and Purchasing departments, 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;
- energy and water providers;
- waste movements disposal suppliers.



<sup>4</sup> Meaning the expenses on cost center or projects. <sup>5</sup> Meaning the Capital Expenditure (Capex).

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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.

Therefore, Agrati Group has a confidential information channel, available to all employees and aimed at reporting potential EHS crimes. The recipient of this report is the Supervisory Body 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 CO2 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 Group 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 energy 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

#### Description of initiatives focused on the reductions in energy consumption (Gj)

Initiatives focused on the reductions in energy consumption (Gj)	2.080
	2020*

are aggregate<sup>6</sup>.

\*Whilst numerous energy related activities were carried out also during 2019 and 2018, due to improvements in the data collection methodology they have not been quantified with the new methodology.



The main projects deployed throughout 2020 aiming to reduce energy consumption within the organization were:

- installation of new Variable Speed Drive (VSD) compressor (A.Agrati SpA);
- optimization of working-logic of compressors (fixed and VSD) (A.Agrati SpA);
- optimization of air consumption in forging and thread-rolling department (A.Agrati SpA);
- heat recovery system on Ebner furnaces (A.Agrati SpA);
- start of compressed air consumption reduction (CVB srl);
- heat recovery system on furnaces (Agrati France Fourmies plant);
  installation of a new compressor (Agrati Inc. Tiffin plant);
- Installation of a new compression (Agrati Inc. Park Forest & Valparaiso plants).

The total Agrati Group direct and indirect energy consumption has been equal to:

#### Total Direct Energy Consumption (Gj)

		1	1
	2018	2019	2020
Total Direct Energy Consumption	679.618	635.453	551.402
Non Renewable Sources			
Fuel (Diesel)	7.612	7.053	6.044
Natural Gas	283.046	264.096	226.748
Methane	388.316	363.423	317.371
Renewable Sources			
Photovoltaic	644	881	1.239
Total Indirect Energy Consumption	441.586	430.468	392.206
Non Renewable Sources	440.942	429.587	390.967
Renewable Sources	_	-	-
Total Energy Consumption	1.120.560	1.065.040	942.369

The Group, in 2020, reduced its overall energy consumption by 12%. Some of this reduction was achieved thanks to the previously mentioned initiatives aimed at energy efficiency, nonetheless most of the decrease can be linked back to the lower productions levels as a result of the Covid-19 pandemic.

Concerning the non-renewable sources, in the Agrati Group plants natural gas is mainly 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 Italian plants, forklifts are electric driven as well as in China, while we have LNG in France and part of the US while **liquid petroleum gas** (LPG) is used as an adjustment of the internal atmosphere of quenching furnaces.

<sup>6</sup>The reported data refer to: A.Agrati S.p.A., Agrati France, Agrati Inc., CVB srl, Agrati-FSP srl and Yantai Agrati Fasteners Co.

For what concerns CVB, from 2019 the activation of a new plant mainly caused an increase in energy electric consumption.

In terms of energy intensity, while there was an improvement between 2018 and 2019 of 11% thanks to energy efficiency initiatives, in 2020 there was a slight increase. This increase can be linked back to the lower production rates during Q2 and Q3 caused by Covid-19, which reduced the efficiency of the machines as they weren't operating at full capacity and intermittently meaning that per unit of output produced the energy requirement was slightly higher than what it would be at full production capacity.

The group aims to return, in 2021, on the positive trend achieved in 2018 and 2019 and continue with energy efficiency initiatives aimed to reducing energy intensity and requirements.

#### Energy intensity (GJ/t)\*

	2018	2019	2020
Energy intensity	1,63	1,45	1,56

\* The organisation specific metric chosen to calculate the energy intensity indicator 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.

#### **Energy Consumption and Intensity**



#### **Agrati's Emissions**

#### Total direct and indirect GHG emissions t.CO2e

	2018	2019	2020
Direct emissions (scope 1)	34.798	32.522	28.195
Indirect emissions (scope 2)	34.017	33.515	29.417
Total CO2e	68.815	66.037	57.611
Emissions Intensity (t.CO2e/t.)	0,10	0,09	0,10

.Source: Scope 1 emission factors DEFRA 2020, Scope 2 emission factors Terna 2018

#### CO<sub>2</sub> Emissions



The Group's direct and indirect emissions have been consistently decreasing over the last two years. Between 2018 and 2019 emissions decreased by 4%, which then decreased a further 13% between 2019 and 2020. Similarly to the energy consumption, this can be partly linked to the effects of the Covid-19 which lowered overall production levels. Nonetheless, this is a positive result as the group was able to reduce its contribution to Greenhouse gasses in the atmosphere, reducing the impacts of climate Change.

The emissions intensity, which weight emission over production volumes, have remained consistent in the last three years.

The management and reduction of C02 emissions will be at the base of the group's Climate Strategy, which will be published in 2021. Currently, the group is expanding its carbon inventory, in order to include Scope 3 emissions deriving from upstream and downstream activities.

#### Significant emissions by weight (t)

	2018	2019	2020
Nox	114,36	114,41	106,20
Sox	20,08	19,72	17,76
Volatile organic compounds (VOC)	12,20	20,71	10,13
Particulate matter (PM)	18,69	22,47	22,86

<sup>7</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.

Emissions Intensity (t.CO2/t.)

The completed carbon inventory will then be used to assess the Group's current emissions and establish a set of targets, following international guidelines and goals such as the Paris Agreement and the Science Based Targets Initiative. The identification of the decarbonization targets will then be supplemented with a clear implementation timeline and a list of projects and activities which will be carried out in order to start transitioning towards Carbon Neutrality.

Moreover, as a matter of fact, air pollutants have adverse effects on climate, ecosystems, air quality, habitats, agriculture, and human and animal health, and therefore international laws and regulations are more and more increasing the requirements on the control of air emissions.

In the attempt to comply with the applicable laws on the subject, Agrati Group reports the main significant air emissions<sup>7</sup> by weight, as shown in the following table:

#### Waste management

Agrati Group'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)

	2018	2019	2020
Hazardous Waste	8.312	8.336	7.105
recycled	2.465	2.556	2.041
recovered	3.885	3.336	2.855
incinerated	264	462	481
going to landfill	1.698	1.982	1.728
Non-hazardous waste	20.263	18.054	15.398
recycled	3.557	3.183	2.767
recovered	11.776	10.724	9.436
composted	81	58	39
going to landfill	4.850	4.090	3.156
Total	28.575	26.390	22.502

In the Agrati Group 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.

#### 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 Group'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 2020, Agrati Group's total water withdrawn was 397 Mega Litres, while the total water discharged was 284 Mega Litres, which makes the total water consumption equal to 113 Mega Litres. The main features can be found in the following tables:

#### Water withdrawal by source (Mega liters)

	2018 All Areas	2019 All areas	2020 All areas
Surface water	56,76	45,83	31,22
from freshwater	56,76	45,83	31,02
from other water	-	-	-
Ground water	2,60	2,52	58,39
from freshwater	2,60	2,52	58,39
from other water	-	-	_
Third-party water	329,92	317,69	307,44
from freshwater	320,42	306,45	299,58
from other water	9,50	11,24	7,86
Total water withdrawal	389,28	366,04	397,05

Regarding water stress, the overall exposure of the group is relatively low. In the Italian and American plants the water stress level is low and of no concern.

In France, in general the risk remains low but in particularly dry periods the group, following recommendations of local authorities, reduced at a minimum consumption levels; nonetheless this remains extremely rare.

#### Water discharge by destination (Mega liters)

	2018	2019	2020
surface water	33,40	43,63	31,51
ground water	4,73	5,44	3,51
third party water	408,77	248,87	249,96
Total water discharge	446,90	297,94	284,98

Water discharged volumes are influenced by production levels;<br/>moreover, the presence of certain substances on discharge is<br/>influenced by the contribution of each step of the production process,<br/>as some processes are continuous, and some others are batch.Daily internal tests are led for most critical substances or parameters,<br/>and in addition external tests are performed on average every three<br/>months (please note that the frequency may vary depending on site<br/>location).

Concerning the YAF plant, where the risk is considered higher, Agrati currently follows all guidelines and recommendations of the local authorities but is planning on developing a preventative plan in 2021 in order to anticipate and prevent risks associated with water shortages.

# GREEN MOBILITY

# **Product Excellence** and Innovation



#### 8. Product Excellence and Innovation

#### 2020 HIGHLIGHTS

- -6% Incidents per billion compared to 2019
- 3 Innovative Green Mobility Products
- ISO 9001 certification for all plants
- IATF 16949 certification for all plants

#### **RELEVANT SDGs**



#### 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.

During 2020, due to the Covid-19 pandemic some unexpected situations took place even on the Customer side. Indeed, there were several interruptions, resulting in the invocation of contractual force majeure clauses in relation to European plants. Nonetheless, Agrati Group maintained a continuous communication with them honouring the relationships created in the years prior to the pandemic.

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. This is the core activity of the Group's technical department: starting from the customer requirements and drawings and transferring them 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 clients 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 and workshops, intended not only for Agrati's engineers, buyers, purchasing managers, quality and manufacturing department staff, but also for customers and suppliers, represent a great opportunity to enhance Agrati network and reputation.

One of the most important pillars of Agrati'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 Group 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. Reaching our 2020 target, the model was applied to customers representing 85% of actual revenues.

The Company, starting from 2020, developed a specific initiative to strengthen its attention to customers called "Customer Strategy Roadmap". The goal of this initiative is to have a regular and solid monitoring of the health status of the Group's main customers. The focus points of this analysis are sales development, new business acquisition, new product development, quality and service levels. All these aspects are analyzed in detail, and the results are shared with all the functions that are directly or indirectly involved with customers. Ultimately, this activity turns into a specific action plan, with a list of detailed initiatives aimed at improving the customer's pain points. The Agrati Group procedure "Customer Claim Management" defines responsibilities and methods for customer quality complaints management. It applies to all customer quality and logistics complaints in all the plants of the Group, but also applied to intercompany complaints.



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 Corporate Profile of LinkedIn and Facebook. Agrati Group has a total of 13.343 followers, of which almost 93% is from LinkedIn, while 7% from Facebook.

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 between January and December 2020, concerning the search "Followers by Sector", the top three Industries by followers are the Industrial Engineering Industry (80%), the Automotive Sector (13%), and the Machinery Sector (7%). Relating to the search "Followers by Functions", the top three functions by followers are Operations (17%), Engineering (14%) and Sales (12%).

Concerning the seniority of followers, the 42% of them are entry level employees, 31% are senior, 13% are managers and 6% are directors.

#### Product's quality and security

#### **QUALITY**

Quality system, as main goals, has to:

- satisfy norms and customer specific requirements;
- achieve excellent quality and service performance;
- develop with the customer innovative fastening solutions;
- analyze and reduce risks, develop opportunities.

We are committed to put in place the organization and resources to achieve our goals and commit to continuous improvement.

Agrati wants to ensure all 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.

Nearly 10% of Agrati's products have been classified as "Safety Products" and, in addition to ensure top performance as with all other products, specific procedures were defined.

Agrati's Safety Products Management Procedure defines the methods

for identifying and managing security parts, critical parts or parts subject to regulation.

The organization documents processes for the management of product-safety related products and manufacturing process which include definition of responsibilities, of escalation process and flow of information, including top management and customer notification. In addition to this, Agrati Group has nominated for each manufacturing plant a «Product Safety Officer» (PSB), who is responsible for setting up business risk management systems.

Employees skills are at the base of Agrati's high product quality; each manager is committed to determine the requirements of the personnel assigned to a specific task and to assess the training needs. Furthermore, staff competences and awareness are ensured through the "Agrati University" training process: employees have to complete a training course both theoretic and practical with expert personnel

#### **OUR TARGETS**

- Zero defects
- Zero delay
- «Lean Thinking» in all plants

#### **STEP 2021**

- IPB (customer claims): < 32
- On Time Delivery: > 95%
- Continuous quality costs reduction
- Reduction of any internal scrap or waste

as mentor and dedicated machinery, in addition periodic and specific courses are implemented, such as "Safety products management" enabling the correct management and control of product safety. The application is ensured through the "Training" Group procedures and is provided to all new employees every three years to ensure that the competence level is always optimal.

All Group Policies<sup>8</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. In particular, the Group Quality Policy, states the purpose and sets the strategic direction of the company, to align all 'organization's function, providing a framework for quality objectives, including a commitment to meet applicable requirements in terms of quality and safety.

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.

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'

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Product Excellence and Innovation



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. The Quality function together with the Operations function, especially the Continuous Improvement, subsequently collaborate to ensure the application of the improvement plans.

Processes are directly assured by centralized functions and are common to all entities of Agrati Group. Project Pilots ensure that processes produce the expected results and ensure that resources are used optimally. They consider 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. Agrati implemented a quality management system, covering 100% of Agrati's plants, according to ISO 9001 and IATF 16949 standards, validated by a third independent auditor (DNV).

The launch of each new product is managed by Agrati Group in accordance with IATF 16949 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).

<sup>&</sup>lt;sup>8</sup> Quality, EHS (Environment, Health and Safety) and CSR (Corporate Social Responsibility)

Based on this, following the design of the product and of the production process, in accordance internal procedures, the mode and effects of any potential failure are analysed through FMEA (Failure Mode and Effect Analysis) techniques.

The Control Plan is then defined for each individual product, i.e. the list of all quality controls for each of the production and final validation phases.

The checks can be carried out by the production staff, by the internal quality, by laboratory staff or by external companies in charge. An escalation process is then established to properly and timely read to any quality, safety and serious environmental issue those will be recorded by the quality staff using specific systems.

A sharing approach, called "LESSONS LEARNED ensures the transmission of information to each site of the Agrati Group.

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.

Thanks to the Agrati Group 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 100% Plants with IATF 16949 quality certification.

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. The target for 2020 was to reach 95% on time deliveries and have less than 41 IPB (customer complaints).

	Quantity shipped (No. in billion)	Concerns (No.)	Incident per Billion	Concerns regarding "Safety" features (No.)	Involved IPBs (safety features)
2018	10,16	251	24,71	5	0,49
2019	9,87	232	23,51	9	0,91
2020	7,84	174	22,20	5	0,64



#### **Product Concerns and Incidents**



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 there is a significant decrease from the previous year: from a 18% decrease in 2019 to a 25% decrease in 2020.

Further reducing concerns and incidents per billion, is a key success factor for Agrati which highlights its ability to maintain and improve quality standards even during the Covid-19 emergency.

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;

#### Be a global partner: complete support for the customers

solutions in different application fields.

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

Incident per Billion

- 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 Tech Centre & co-design



The Agrati Tech Centre (ATC) represents one of the Key factors 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

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.

#### Co-Design

Co-Design is the engineering service that ATC can offer to their customers.

The team that develops Co-design projects is cross-departmental: it involves ATC experts, the engineering department and the Application Engineer team.

Co-Design activities range from the design and validation of all the fastening points of complete automotive platforms and models, to the development of specific solutions and complex components, following the customer from the early stages of defining its most complex systems.

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 on 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 Group 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 2020 there were 11 co-design activities. Agrati conducted 15 activities to promote its engineering services.



#### 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 finishing 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

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Not only the Agrati Group manufactures products, but it is also a full service provider at global 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 Group, is a real Full Service Provider at global 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 onsite 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 Group'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's strength: continuous innovation

Following the latest trends in the automotive sector, Agrati Group 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 particular the main investments made in the last two years in R&D in order to improve effectiveness towards the customer are Dynamic Bench test in Veduggio plant (for more information please refer to paragraph "Co-design"), a Cleanliness System white Chamber and scanner in YAF plant and Torque and Tension machine in US plant.

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 order to involve all levels and employees, in the innovation process, more than 30 courses are internally implemented to train employees on R&D, spreading from introductory to more technical courses, such as: Edison Method - Training Edison Innovation Lab, INNOVATION Training and Advanced training on NOF coatings.

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 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. Finally, is the continuous modernisation of plants for the management

of operator safety and environmental protection.







**GREEN MOBILITY** 

**SAFETY & COMFORT** 

INNOVATION













#### **DRIVING ASSISTANCE**







#### **Delivering Innovative Products**

Agrati's ability to innovate is widely expressed in the number of projects launched and patent filed. During 2020, Agrati was able to realize 258 prototypes. An overview of Agrati innovations:

PRODUCTS INNOVATION				
	NEW MATERIALS	<ul> <li>Advanced thermoplastic for over moulded products</li> <li>Add new properties using technical polymers</li> <li>New coatings for disruptive performance</li> </ul>		
	<b>EV BATTERIES</b>	<ul> <li>Innovative cell to cell mechanical joining solutions</li> <li>Control &amp; reliability of electrical contacts</li> <li>Embedded sensors for battery maintenance</li> </ul>		
	SMART FASTENERS	<ul> <li>Connect the smart fasteners to the vehicle or the infrastructure through an IoT layer</li> </ul>		
PROCESS INNOVATION				
DIGITALIZATION RECKON	PROCESS CONTROL	NEW TECHNOLOGIES	PROCESS AUTOMATION	

#### ODA (ORDER OF ACTIVITY)

ODA (Order of Activity) is a Database where Agrati collects all the information linked to the R&D Projects, that is also a repository for any claims coming from the customers, clearly explained in the Group Procedure Product Design and Development / Process Innovation.

The PPM (Microsoft Project) will be the new software to be implemented during the year in order to manage in a more effective way all the R&D Projects, useful for collecting complaints coming from the customers as well. In general, about security in the field of "innovation projects", a procedure has been implemented which requires an NDA to be signed by the employee involved. This is important in order to maintain that regime of confidentiality of information, which must remain limited exclusively to the persons concerned. This procedure was drawn up by the Innovation Board, which in addition to ensuring that it is respected, also evaluates to which people it should be extended. For R&D activities, including also Co-Design projects, we are used to sign with our stakeholders NDA in order to protect the info's exchange.



#### **Environmental Sustainability Through Product Innovation**

Product Innovation is an embedded process in Agrati's mission to reduce the environmental impacts. Furthermore, the shift towards vehicle electrification is transforming the demands of clients and subsequently Agrati has put in place in several innovative projects in order to keep up with this quickly evolving market.



#### **GREEN MOBILITY**

#### CuCrZn screw

This product is made of a special material, a metal alloy made of copper, chrome, and zirconium. This material is used in electronic components, where electrical conductivity is a critical performance that has to be afforded, along with mechanical properties and cleanliness requirements. This special material is not common in the fastener industry, and its processing has been deeply studied by Agrati technicians.

#### Long bolts for battery pack

Agrati acquired an important project for the supply of a component that is applied to the battery pack of an e-bike.

The special features of these bolts are the geometry due to the unusual length of the shank and the strict cleanliness requirements.

This project required the purchase of a special cold forming machine, able to stamp these long and thin bolts and to afford the cleanliness and quality.

#### AGPOLIEVO™

The use of polymers is something that is being more and more widespread in the automotive industry. There are many reasons behind that trend: weight reduction, the possibility to realize products with complex geometries, high mechanical properties and electrical insulation.

Agrati developped a proprietary technical polymer, AGPOLIEVO<sup>™</sup>, for electrical applications that have a mix of properties such as: electrical resistence up to 400V, flame and heat resistance, dimensional stability and mechanical toughness.





#### **REDUCING ENVIRONMENTAL IMPACT**



#### **ECOPLATE**<sup>™</sup>

Coatings represent an important element of a metallic component and are crucial to determine the quality of the final product.

Agrati in its R&D activity, developed in the last years some proprietary coatings like ECOPLATE<sup>m</sup>, an alkaline zinc-based galvanic coating, sealed with topcoat.

It's completely nickel free, but it keeps similar performances as a galvanic ZnNi coating. ECOPLATE<sup>™</sup> provides friction stability, self-loosening resistance and high corrosion resistance.

#### AGRATI / E-NOVIA PARTNERSHIP, ACCELLERATING DIGITAL INNOVATION

Agrati's investment into e-Novia, a factory of "deep tech" companies, is a further example of the Group's efforts and vision towards product and process innovation.

The partnership, established three years ago but consolidated and expanded in 2020, will focus on innovative technologies, more specifically they will be centered around Artificial Intelligence, big data and vehicle electrification.

This investment will be supplementing and consolidating the research center inaugurated in June 2020 in collaboration with Politecnico di Milano called "Jrc Matt - Joint Research Center Metal And Transformation Technologies"

Throughout the following years, several technology innovation projects will be developed and implemented in partnership with e-Novia.

"We are focusing on specific projects to apply new technologies vertically to our processes and products. In particular, we would like to equip our screws and bolts with sensors to collect information on their life cycle and thus offer our customers services that give them a competitive advantage in terms of quality, safety and timing of maintenance and replacement of components. Safety also depends on our components."

Paolo Pozzi, CEO

SUSTAINABILITY REPORT 2020

#### Research for carbon steels that don't need annealing, quenching and tempering heat treatment

Research and development project about production of carbon steels destinated to the extralong and thin fasteners production by cold forming, with the target to reach the 10.9 property class without quenching and tempering heat treatment.

The steels wire chemical formulations and metallurgical properties will be designed and produced to meet both the requirements of easy cold formability and final strength targets.

Both annealing of wire and quenching and tempering heat treatment of fasteners will be avoided, resulting in a shorter and more agile Agrati production cycle with corresponding environmental-friendly footprint.



# SUPPLY CHAIN EXCELLENCE

# Responsible Value Chain



### 9. Responsible Value Chain

#### 2020 HIGHLIGHTS

- 62% of purchases from local suppliers<sup>9</sup>
- 62% recycled input materials
- 1.206 Certified suppliers (ISO 9001/14001/45001 or OHSAS 18001)

Agrati Group takes good care of its supply chain dynamics, as the Company has its Plants spread throughout the globe, it employs 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.

Raw materials are directly supplied by steel production suppliers. Energy and chemicals are used to prepare the raw material for the cold forging process. Oil and chemicals are used for the cold forging machines and for the subsequent quenching and tempering process. Furthermore, external suppliers are used for subcontracting,

#### RELEVANT SDGs



for activities like surface coating, mechanical processing, patch application as main activities.

A final selection and packaging is made at the finished goods warehouse.

Most of Agrati's suppliers are based in Europe (59%) the vast majority of them are located in Italy, Germany, France and Spain, while the rest is mainly based in North America (28%) and Asia (13%).

#### SUPPLY CHAIN EXCELLENCE

The Supply Chain function is focused to serve customers with the best service level reducing total logistic costs.

> Supply Chain is aimed to drive superior performance through vendors management and manufacturing plant management.

Kanban is a part of Supply Chain and is a planning concept to streamline operations and improve efficiency throughout the value chain.

#### **OPERATIONAL EXCELLENCE**

Operational Excellence resumes our aim to be a benchmark in our industrial sector.

Improve efficiency, productivity, maintenance.

These are among our targets in each plant, to reach top class manufacturing worldwide.

#### Value of supplies by geographical area $(\mathbf{\xi})$

	2018	2019	2020
Europe	295.544.287	283.082.552	233.642.208
America	121.963.829	125.232.798	95.352.778
Asia	35.086.195	33.114.083	31.721.878
Total	452.594.312	441.429.432	360.716.864

#### Value of supplies by main categories (€) \*

	2018	2019	2020
Raw material	143.599.235	130.093.036	94.394.335
Subcontracting	81.289.586	77.631.803	62.438.510
Finished/semi-finished products	60.975.047	59.971.270	49.909.348
MRO	36.594.285	34.704.959	25.937.093
Washer/competent	28.236.378	28.631.759	21.542.227
Other	101.899.781	110.396.606	106.495.350
Total	452.594.312	441.429.432	360.716.864

\* 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.



<sup>°</sup> Local refers to: for Europe national suppliers, for America in the same state, and for Asia in the same province

#### VALUE CHAIN: ESG PERSPECTIVE

In order to consolidate its initial efforts in the context of Sustainable procurement and purchasing, the ERM & Sustainability function is developing a Responsible Supply Chain Model.

The aim of the model is to develop tools and methodologies that combine the evaluation and monitoring of suppliers both from a social and environmental point of view in order to ensure all of the Group's suppliers are aligned with Agrati's vision; in terms of decarbonization, climate change mitigation but also working conditions and human rights.

After an initial mapping of suppliers, the group will develop a monitoring tool in order to establish a continuous interaction with the suppliers and maintain oversight of the whole value chain.

Subsequently Agrati will conduct a series of controls on specific suppliers, in order to identify areas of improvement in its supply chain and ensure sustainable business practices across the entire value chain through dedicated follow ups.

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 table below.

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 The percentage of steel from scrap increased in the last years: further mechanical characteristics. increase is limited mainly by the customers' requirements, which In general, using EAF material allows to avoid the use of the Basic sometimes are imposing BOF steel, and technical requirements, since Oxygen Furnace (BOF) material: this latter implies the use of natural BOF material can be easily used for more complicated parts.

#### Total Weight of material used to produce core business products (t)

	2018	2019	2020
Nonrenewable materials	185.600	173.803	149.711
Raw Materials	160.364	150,229	131.604
Associated Process Materials E.g. Oils and Chemical Products)	7.306	6.824	5.679
Semi-manufactured goods or parts	17.658	16.488	12.275
Materials for Packaging Purposes	273	262	153
Renewable materials	4.725	4.414	3.591
Total weight of materials	190.325	178.217	153.302

#### Recycled materials used to produce core business products

	2018	2019	2020
Total recycled input materials used to manufacture the organization's primary products (t)	105.713,50	107.796,61	95.072,82
% of recycled input materials over total weight of materials used	56%	60%	62%

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 and Brazil.

#### **Recyled Input Materials**



• % of recycled input materials over total weight of materials used

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

	Europe	America	Asia
Total products and services expenses spent on local suppliers	144.425.742 €	76.000.000 €	2.350.424 €
% of products and services expenses spent on suppliers that are local	62%	80%	7%

\* Local refers to: for Europe national suppliers, for America in the same state, and for Asia in the same province

#### Supplier management policy

The Agrati Group Supplier Quality Manual sets out the requirements and targets that suppliers must follow in order to make their business partnership with Agrati a long-lasting relationship.

These targets are considered on an annual basis in order to monitor the performances and, consequently, by means of the results of the Vendor Rating, suppliers are notified of their results every 6 months. The Vendor Rating criteria, specifically, are explained in the Supply Quality Manual, and is performed two times per year (June and December).

The suppliers are evaluated on their ability to implement a quality assurance approach, on how they face quality problems when occurred, in order to implement a reliable qualification process on products and processes.

Further mechanism of evaluation is defining quality results in terms of IPB (Incidents per Billion), aiming to develop the necessary logistic conditions to ensure on-time deliveries, to be capable of developing an effective continuous improvement approach adopting business sustainability analysis, as well.

In addition, at least every 3 years all suppliers are subject to a Quality Audit, performed on the basis of a specific checklist and methodology explained in the Supplier Quality Manual.

Furthermore, relevant data on Suppliers and Purchasing activities are subject to specific revision and examination during the Group Purchasing Meeting which takes place every 6 months, with the participation of the CEO, first line Group Managers, company General Managers and Purchasing Managers.

During the meeting, special emphasis is given to the examination of the Vendor Rating results, when results of suppliers are compared for each specific commodity. Main targets of Purchasing are related to Annual Saving and Bonus in order to reduce costs. Whenever is needed, are also organized specific meetings on individual topics with top management.

To reinforce the relationship with suppliers, internal training is provided periodically on main purchasing aspects and on legal aspects, especially for buyers with low level experience, supported by the Legal function, in order to make Agrati continuously updated with regulations changes and improvements.

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 or ISO 45001.

Agrati also requests a list of third-party qualifications and the conformity to standards updated every year.

Environmental and social assessment and responsible selection of supplier is one key driver to determine the sustainable performance of the company.

Accurate assessment can drive improvements not only inside the company but can also contribute to widely spread the culture and implementation of sustainable practices into the entire value chain. The Risk Assessment procedure on new and on existing suppliers has been tested to integrate specific environmental, safety and

sustainability criteria: this will be implemented at a Group level throughout 2021.



In terms of guarantees and responsibilities, Agrati Group 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 Group 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:



D. Sustain QCD Supplier Performances



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 Group 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 Group 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 Group requires its suppliers to complete the REACH questionnaire in accordance with the requirements, and to review it every six months.

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.

Agrati supplier universe currently consists of over 1.500 main spend suppliers.

As previously mentioned, Agrati purchases materials/services from business partners around the globe, but most of the components are

#### SUPPLIER MANAGEMENT DURING COVID-19

The Covid-19 emergency had a significant impact on supply chain and purchasing activities: production stops, risk of stock shortage or excess, biohazard. Agrati revised its purchasing strategy based on the following main aspects: global and long-term perspectives with each supplier, quality performance, financial sustainability, price and leadtime in deliveries, cost control.

Before and during the period of activities stops, Agrati sent out specific surveys to all main suppliers, in order to check their ability to operate and their preparedness in terms of prevention measures to protect employees. In addition, Agrati closely monitored the financial situation of supplier in order to make sure about their financial strength to face the crisis period.

#### Number of certified suppliers (n.)

	2018	2019	2020
ISO 9001	1.006	997	973
ISO 14001	187	193	198
ISO 45001 or OHSAS 18001	30	32	35

\* 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 on suppliers subject to the Vendor Rating procedure.

# 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

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

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.

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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. For Europe Local refer to National Suppliers, for North America Suppliers within the State and Asia Suppliers within the Province. 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.



# Appendix

#### **Board of Directors**

	Age	Gender	EX.	NON EX.	INDEP
1 Rag. Cesare Annibale Agrati	76	Male	•		no
2 Dr. Andrea Costantini	44	Male	•		no
3 Ing. Paolo Giovanni Pozzi	53	Male	•		no
4 Dr. Giorgio Palumbo	78	Male		•	no
5 Ing. Alessandro Cattani	57	Male		•	no
6 Dr. Carlo Marchetti	47	Male		•	no

#### Workforce

	2018					2019	2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Employees (Headcount)	2.099	397	2.496	2.019	377	2.396	1.946	361	2.307

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

		2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	
Europe	1.463	199	1.662	1.436	186	1.622	1.426	190	1.616	
America	359	98	457	336	103	439	282	88	370	
Asia	277	100	377	247	88	335	238	83	321	
Total	2.099	397	2.496	2.019	377	2.396	1.946	361	2.307	

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

		2018			2019			2020		
	Women	Total	Men	Women	Total	Men	Women	Total	Total	
Permanent contract	1.757	297	2.054	1.751	301	2.052	1.681	288	1.969	
Fixed-term contract	343	99	442	264	80	344	265	73	338	
Total	2.099	397	2.496	2,019	377	2.396	1.946	361	2.307	

#### Turnover by age (%)

	20					
	<30	31-40	41-50	>50		
Hiring rate	30%	33%	15%	21%		
Termination rate	17%	23%	20%	40%		

#### Turnover rate by geographical area (%)

			2020
	Europe	America	Asia
Hiring rate	49%	40%	11%
Termination rate	34%	53%	13%

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

	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Full time	2.089	374	2.463	2.009	354	2.363	1.937	335	2.272
Part time	10	23	33	10	23	33	9	26	35
Total	2.099	397	2.496	2.019	377	2.396	1.946	361	2.307

#### Turnover by gender (%)

	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Hiring rate	12%	11%	12%	10%	10%	10%	5%	10%	6%
Termination rate	12%	10%	11%	13%	14%	13%	10%	12%	11%

#### Hours of training by classification level and gender (h)

	2018			2019				2020	
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Manager	3.854	955	4.809	3.732	912	4.645	1.536	467	2.003
White- collars	8.553	4.092	12.645	9.107	2.656	11.763	4.538	1.323	5.861
Blue-collars	26.042	1.745	27.787	41.541	2.708	44.249	17.051	1.177	18.227
Total	38.449	6.792	45.241	54.380	6.276	60.656	23.125	2.967	26.09

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

	2018	2019	2020
Total number of recordable work-related injuries			
Europe	35	36	38
America	2	5	4
Asia	5	2	5
Total	42	43	47
Number of fatalities			1
Europe	0	0	1
America	0	0	C
Asia	0	0	C
Total	0	0	1
Total number of hours worked			1
Europe	2.872.633	2.703.352	2.278.046
America	1.168.133	1.023.168	636.241
Asia	1.164.273	1.045.466	922.357
Total	5.205.039	4.771.986	3.836.644

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

Rate of recordable work-related injuries	2018	2019	2020
	12,18		
	12,18		
Europe	,	13,32	16,68
America	1,71	4,89	6,29
Asia	4,29	1,91	5,42
Total	8,07	9,01	12,2
Rate of fatalities as a result of work related injuries			
Europe	0	0	0,4
America	0	0	0,0
Asia	0	0	0,0
Total	0	0	0,2

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

	2018	2019	2020	
Total number of recordable work-related ill health				
Europe	2	3	2	
America	0	4	3	
Asia	0	0	0	
Total	2	7	5	
Total number of fatalities as a result of work-related	ill health	`		
Europe	0	0	C	
America	0	0	0	
Asia	0	0	0	
Total	0	0	0	

	2018	2019	2020
Total number of recordable work-related ill health			
Europe	2	3	2
America	0	4	3
Asia	0	0	0
Total	2	7	5
Total number of fatalities as a result of work-related i	ll health		
Europe	0	0	0
America	0	0	0
Asia	0	0	0
Total	0	0	0

#### Total number of Near Miss (No,)

	2018	2019	2020		
Total number of Near Miss					
Europe	113	135	119		
America	0	3	4		
Asia	0	0	0		
Total	113	138	123		

# **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 124 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 Group's performance from January 1, 2020, through December 31, 2020. During 2020 the group restructured its sustainability governance and implemented a new dedicated function, subsequently this changed and improved the data collection methodology and a result most of the 2018 and 2019 values were restated in order to have a methodological alignment across all years reported.

The drafting of the 2020 Sustainability Report is an annual reporting process, subject to analysis and approval from several actors, whose main responsibilities are as follows:

· The Sustainability 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

To request information, it is possible to contact Andrea Costantini - Executive Vice President: <u>sustainability@agrati.com</u>

data collection, analysis and consolidation phase, then checking and validating the information given by the different Functions, The Sustainability 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.





#### **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 Agrati's activities that are more signific involved in company activities,
Inclusiveness	Agrati takes into account the expectat participate in or are influenced by th description of the Group's main stake stakeholders' requests and expectation
Sustainability Context	The Sustainability Report has taken in which the Group operates and the moconstant relationship with Agrati' client
Completeness	The aspects and scope of the Report a social and environmental impacts, as fa
Balance	The Report covers the Group's main su found the topic material for itself and are still opportunities for further enhan
Comparability	The indicators contained in the Report comparison over time, therefore allowin Figures for, 2018, 2019 and 2020 contextualization of the information,
Accuracy	To guarantee the accuracy and compar measured, limiting the use of estimates
Timeliness	Agrati's Sustainability Report is meant t presentation of the Consolidated Finan
Reliability	All the data and information reported functions and have been processed bas accuracy,
Clarity	Agrati's Sustainability Report contains in to all kind of stakeholders,

ect the main direct economic, environmental and social impacts of gnificant for the Group and the internal and external stakeholders

ctations and interests of all stakeholders who for various reasons y the Company's activities, The Sustainability Report provides a takeholders and their main expression channels used to identify tions,

n into account the social, economic and environmental context in e most significant Topics for the automotive industry thanks to a lients and the academic world,

ort allow the stakeholders to evaluate the Group's main economic, as far as Agrati's business is concerned,

in sustainability performances, It reflects aspects where the Group and its stakeholder, even when the performance showed that there shancements,

port have been selected and presented in a manner that enables a owing stakeholders to analyse changes in the Group's performance, 020 have been indicated appropriately if useful for purposes of

nparability of the reported information, the data have been directly ates to the extent possible,

ant to be prepared annually and disclosed in the same period of the inancial Statement,

rted have been validated by the Heads of the relevant company based on documents that prove their existence, completeness and

ns information presented in such a way as to be clear and accessible

#### Definition of material topics

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

MATERIAL TOPIC	DEFINITION
Product quality and safety	Ensuring that any single product meets quality and safety requirements before customers and final user disposal seeking daily improvement of production processes and quality tests
Constant attention to customer needs	Involving customers in product planning by keeping pace with their needs in order to ensure its customer satisfaction and loyalty and securing Agrati's customer promise
Economic performance and creation of added value	Setting and monitoring economic objectives that are consistent with a long-term vision and match with the integration of environmental, social and governance aspects into the business strategy
Research, development and innovation	Developing innovative and forward-looking products using the best technologies available on the market and staying updated to the newest trends by listening clients' expectations
Valorisation and development of competences	Dialogue with employees aimed at assessing and enhancing their potential and develop their skills by listening to their ambitions
Employee Wellbeing	Adopting due measures to secure employee wellbeing, being aware of the different nature of their needs and then protecting human capital as pivotal for Company's success
Digitalization and Industry 4,0	Adapting to the fast-changing environment by aligning with digitalization and the Industry 4,0 paradigm in order to improve production efficiency and quality while making the organization even more lean
Mobility Evolution	Taking into account the transition to sustainable mobility solutions embracing the opportunities offered by composite materials and energy efficiency mechanism
Energy efficiency	Reducing energy consumption and emissions from pollutant substances to limit the impact on climate change by implementing targeted initiatives to limit direct and indirect consumption and promoting energy efficiency especially during production steps
Environmental and social assessment and responsible selection of suppliers	Assessing suppliers according to environmental, social and governance criteria alongside with their delivery and quality performances in order to pursue supply chain's operational continuity and ensure they fit with the Company's principles, Embedding sustainability in procurement practices by sourcing raw material, semi-finished products and services from suppliers that meet sustainability and responsibility criteria
Occupational Health and safety	Ensuring health and well-being of Agrati's people and a safe and healthy work environment by complying with all regulation and standards applicable on this subject matter and in all the countries where it operates
Business ethics and integrity	Adopting an internal system of guiding principles as a sound approach to ensure ethics and integrity throughout the whole business, in employees and stakeholders' conduct
Employer Branding and partnership with Universities and Educational Institutes	Improving the reputation by launching specific employer branding initiatives and developing relationships with Universities and other Educational Institutes in order to attract the best talents and to improve the employee value proposition

Risk management	Regular identification, evaluation, and inconvenience by considering emerginand ensure the Company's success
Proper complaint management	Adopting a proper approach for mana of fulfilling their requests always
Soil protection against leakages and pollutants	Sourcing natural resources in a respon in order to avoid soil erosion, reduce impacts of industrial activities
Management of regulatory development	Ensuring compliance with applicable l dialogue with institutions and through
Efficient management of waste, by-products and wastewater	Pursuing responsible consumption a production procedures and by adop processes from inception to disposal i
Collaboration with suppliers and promotion of suppliers driven innovations	Engaging with the Group's suppliers in the development of innovative solutio

and prioritization of risks, Mapping the root causes of every ing risks, in order to transform each risk into a valuable opportunity

naging customers' complaints in a timely manner and with the aim

onsible way and taking due actions to prevent leakages and pollution ced fertility, acidification and salinization of soil contamination as

e laws through regular alignment with norms, by keeping a constant gh timely adaptation to evolving provisions

and production by embedding the principles of circularity in pting an approach for waste management encompassing all the l in order to reduce the Company's environmental footprint

in order to mutually support in the scope of the partnership and in ions as a way to deliver shared value

#### Material topics and related GRI Standards

Material to15 15 pics identified by Agrati	Reference GRI Standards	Impacts boundary			
		Internal impact	External impact	Boundary limitations	
Risk management	102: General disclosure – Strategy (2016)	•	Suppliers		
Management of regulatory development	*	•			
Economic performance and creation of added value	201: Economic performance (2016) 207: Tax	•			
Business ethics and integrity	205: Anti-corruption (2016) 206: Anti-competitive Behaviour (2016) 307: Environmental Compliance (2016) 419: Socioeconomic compliance (2016	•	Suppliers Clients		
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		
Employee wellbeing	403: Occupational Health and Safety (2018)	•			
Constant attention to customer needs	<ul><li>416: Customer Health and Safety</li><li>(2016)</li><li>418: Customer Privacy (2016)</li></ul>		Clients		
Product quality and safety	416: Customer Health and Safety (2016)	•	Clients		
Research, development and innovation	301: Materials (2016) 302: Energy (2016) 305: Emissions (2016)		Community Clients		
Proper complaint management	416: Customer Health and Safety (2016)	•	Clients		
Digitalization and Industry 4,0		•	Clients		
Mobility Evolution	*	•	Community Clients		

204: Procurement Practices (2016) 301: Materials (2016)	•	Suppliers	
204: Procurement Practices (2016) 301: Materials (2016)	•	Suppliers	
302: Energy (2016) 305: Emissions (2016)	•	Community	
306: Waste (2020)	•	Community	
303: Water and Effluents (2018)	•	Community	
	301: Materials (2016)         204: Procurement Practices (2016)         301: Materials (2016)         302: Energy (2016)         305: Emissions (2016)         306: Waste (2020)	301: Materials (2016)         204: Procurement Practices (2016)         301: Materials (2016)         302: Energy (2016)         305: Emissions (2016)         306: Waste (2020)	301: Materials (2016)Suppliers204: Procurement Practices (2016) 301: Materials (2016)•Suppliers302: Energy (2016) 305: Emissions (2016)•Community306: Waste (2020)•Community

#### **GRI Table of contents**

GRI ID	Disclosure	Paragraph	Omissions and Information
GENERAL	STANDARD DISCLOSURES (2016)		
ORGANIZ	TIONAL PROFILE (2016)		
102-1	Name of the organisation	Profile and Business Activities	
102-2	Activities, brands, products, and services	Profile and Business Activities	
102-3	Location of headquarters	Profile and Business Activities	
102-4	Location of operations	Profile and Business Activities	
102-5	Ownership and legal form	Profile and Business Activities	
102-6	Markets served	Profile and Business Activities	
102-7	Scale of the organisation	Profile and Business Activities, Financial report	
102-8	Information on employees and other workers	Profile and Business Activities Being an Agrati Employee Appendix	
102-9	Supply chain	Profile and Business Activities Responsible Value Chain	
102-10	Significant changes to the organization and its supply chain	-	In 2020, there were no significant changes to the organization's size, structure, ownership, or supply chain
102-11	Precautionary principle or approach	Agrati's ERM-Sustainability Function Risk Management	
102-12	External initiatives	-	Agrati Group does not adopt any codes and principles that are externa to the organization
102-13	Membership of associations	Stakeholder Engagement	
STRATEGY	(2016)		
102-14	Statement from senior decision- maker	Letter to Stakeholder	
102-15	Key impacts, risks, and opportunities	<ul> <li>The Challenge for the Future</li> <li>Risk Management</li> <li>The approach to Sustainability</li> <li>Climate strategy 2021</li> </ul>	The Challenge for the Future

ETHICS AN	ID INTEGRITY (2016)	
102-16	Values, principles, standards, and norms of behaviour	<ul><li>Vision, Mission a</li><li>Agrati business e</li></ul>
GOVERNA	NCE (2016)	
102-18	Governance structure	<ul> <li>Board of Directo</li> <li>Board of Statuto</li> <li>Supervisory Bode</li> <li>Agrati's ERM-Sus</li> <li>The approach to</li> <li>Appendix</li> </ul>
102-22	Composition of the highest governance body and its committees	<ul> <li>Board of Directo</li> <li>Appendix</li> </ul>
STAKEHOL	DER ENGAGEMENT (2016)	
102-40	List of stakeholder Groups	Stakeholder Engag
102-41	Collective bargaining agreements	<ul> <li>Occupational He</li> <li>Welfare and Dive</li> </ul>
102-42	Identifying and selecting stakeholders	Stakeholder Engag
102-43	Approach to stakeholder engagement	Stakeholder Engag
102-44	Key topics and concerns raised	Stakeholder Engag
REPORTIN	G PRACTICE (2016)	
102-45	Entities included in the consolidated financial statements	Profile and Busines
102-46	Defining report content and topic Boundaries	Reporting Standard
102-47	List of material topics	Definition of mater
102-48	Restatements of information	Reporting standard
102-49	Changes in reporting	
102-50	Reporting period	Reporting Standard
102-51	Date of most recent report	
102-52	Reporting cycle	Reporting Standard
102-53	Contact point for questions regarding the report	Reporting Standard
102-54	Claims of reporting in accordance with the GRI Standards	Reporting Standard
102-55	GRI content index	GRI Table of Conte

on and Value of Agrati ss ethics and integrity	
ectors autory Auditors Body -Sustainability Function n to Sustainability	
ectors	
gagement	
Health and Safety Diversity	
gagement	
gagement	
gagement	
iness Activities	
dard, Scope and Process	
aterial topics	
dard, scope and process	
	No significant changes have been reported during the year
dard, Scope and Process	
	June 2020
dard, Scope and Process	
dard, Scope and Process	
dard, Scope and Process	
ontents	

102-56	External assurance	-	The 2020 Sustainability Report has	_	301-1	Materials used by weight or volume
	not been externally audited in a logic of incremental development of the sustainability reporting system, However, the completeness		301-2	Recycled input materials used		
			ASPECT	ASPECT: E	NERGY (2016)	
			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,		103-1, 103-2, 103-3	Management approach
CATEGORY	: ECONOMIC PERFORMANCE					
ASPECT: E	CONOMIC PERFORMANCE (2016)					
103-1, 103-2, 103-3	Management approach	<ul> <li>Economic performance: creation of distribution of the economic value generated</li> </ul>		-	302-1	Energy consumption within the organisation
100 0		<ul><li>Materiality Analysis</li><li>Definition of material topics</li></ul>		_	302-2	Energy consumption outside of the organization
		<ul> <li>Material topics and related GRI Standards</li> </ul>			302-3	Energy intensity
				_	302-4	Reduction of energy consumption
201-1	Direct economic value generated and	Economic performance: creation of			ASPECT: V	VATER AND EFFLUENTS (2018)
	distributed	distribution of the economic value generated			103-1, 103-2, 103-3	Management approach
ASPECT: P	ROCUREMENT PRACTICE (2016)				105 5	
103-1, 103-2, 103-3	Management approach	<ul> <li>Risk Management</li> <li>Responsible Value Chain</li> </ul>		_		
204-1	Proportion of spending on local suppliers	Responsible Value Chain		_	303-1	Interactions with water as a shared resource
ASPECT: A	NTI-CORRUPTION (2016)				303-2	Management of water discharge related impacts
103-1,	Management approach	- Risk Management		_	303-3	Water withdrawal
103-2,		- Agrati Policies		_	303-4	Water discharge
103-3		- Agrati business ethics and integrity		_	303-5	Water consumption
		<ul> <li>The Organization, Management and Control Model 231</li> </ul>				MISSIONS (2016)
		<ul> <li>Materiality Analysis</li> <li>Definition of material topics</li> <li>Material topics and related GRI Standards</li> </ul>			103-1, 103-2, 103-3	Management approach
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 2020, there were no corruption- related complaints reported within the Group	_	305-1	Direct (Scope 1) GHG emissions
ASPECT: A	NTI-COMPETITIVE BEHAVIOUR (2016)		the Group	_	305-2	Energy indirect (Scope 2) GHG
103-1,	Management approach	- Responsible Value Chain		_	205 4	emissions
103-2, 103-3		<ul> <li>Agrati Policies</li> <li>Materiality Analysis</li> <li>Definition of material topics</li> <li>Material topics and related GRI Standards</li> </ul>		-	305-4	GHG emissions intensity

Responsible Value Chain	
Responsible Value Chain	
<ul> <li>Energy Efficiency and emissions</li> <li>Agrati Policies</li> <li>The approach to Sustainability</li> <li>Climate strategy 2021</li> <li>Materiality Analysis</li> <li>Definition of material topics</li> <li>Material topics and related GRI Standards</li> </ul>	
Energy Efficiency and emissions	
<ul> <li>Soil defence</li> <li>Materiality Analysis</li> <li>Definition of material topics</li> <li>Material topics and related GRI Standards</li> </ul>	
Soil defence	
<ul> <li>The approach to Sustainability</li> <li>Climate strategy 2021</li> <li>Agrati's emissions</li> <li>Agrati Policies</li> <li>Materiality Analysis</li> <li>Definition of material topics</li> <li>Material topics and related GRI Standards</li> </ul>	
Agrati's emissions	
Agrati's emissions	
Agrati's emissions	

305-6	Emissions of ozone-depleting substances (ODS)	Agrati's emissions	
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	Agrati's emissions	
ASPECT: W	ASTE (2016)		
103-1, 103-2, 103-3	Management approach	<ul> <li>Waste Management</li> <li>Agrati Policies</li> <li>Materiality Analysis</li> <li>Definition of material topics</li> <li>Material topics and related GRI Standards</li> </ul>	
306-2	Waste by type and disposal method	Waste Management	
306-3	Significant spills		In 2020, none of the Agrati plants reported significant spills,
ASPECT: EN	VVIRONMENTAL COMPLIANCE (2016)		
103-1, 103-2, 103-3	Management approach	<ul> <li>Risk Management</li> <li>Agrati Policies</li> <li>Environmental Sustainability</li> <li>Materiality Analysis</li> <li>Definition of material topics</li> <li>Material topics and related GRI Standards</li> </ul>	
307-1	Non-compliance with environmental laws and regulations	-	In 2020, Agrati did not received any pecuniary fines due to non- compliance with environmental laws and regulations,
ASPECT: SU	JPPLIER ENVIRONMENTAL ASSESSMEN	Т (2016)	
103-1, 103-2, 103-3	Management approach	<ul> <li>Responsible value chain</li> <li>Materiality Analysis</li> <li>Definition of material topics</li> <li>Material topics and related GRI Standards</li> </ul>	
CATEGORY	: SOCIAL PERFORMANCE		
ASPECT: EN	MPLOYMENT (2016)		
103-1, 103-2, 103-3	management approach	<ul> <li>Risk Management</li> <li>Being an Agrati employee</li> <li>Welfare and diversity</li> <li>Talent attraction and retention</li> <li>Materiality Analysis</li> <li>Definition of material topics</li> <li>Material topics and related GRI Standards</li> </ul>	
401-1	New employee hires and employee turnover	<ul> <li>Talent attraction and retention</li> <li>Appendix</li> </ul>	
ASPECT: O	CCUPATIONAL HEALTH AND SAFETY (20	018)	

	103-1, 103-2, 103-3	Management approach	<ul> <li>Risk Manageme</li> <li>Agrati Policies</li> <li>Occupational H</li> <li>Materiality Ana</li> <li>Definition of m</li> <li>Material topics</li> <li>Standards</li> </ul>
	403-1	Occupational health and safety management system	Occupational He
_	403-2	Hazard identification, risk assessment, and incident investigation	Occupational Hea
	403-3	Occupational health services	Occupational Hea
_	403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Hea
	403-5	Worker training on occupational health and safety	Occupational Hea
	403-6	Promotion of worker health	<ul> <li>The challenge</li> <li>Occupational F</li> </ul>
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	<ul> <li>Risk Manageme</li> <li>Agrati Policies</li> <li>Occupational H</li> </ul>
	403-8	Workers covered by an occupational health and safety management system	Occupational Hea
_	403-9	Work-related injuries	<ul> <li>Occupational H</li> <li>Appendix</li> </ul>
	403-10	Work-related ill health	<ul> <li>Occupational H</li> <li>Appendix</li> </ul>
	ASPECT: TR	AINING AND EDUCATION (2016)	
	103-1, 103-2, 103-3	Management approach	<ul> <li>Agrati Universi</li> <li>Agrati Policies</li> <li>Materiality Ana</li> <li>Definition of m</li> <li>Material topics</li> <li>Standards</li> </ul>
_	404-1	Average hours of training per year per employee	Agrati University
	404-2	Programs for upgrading employee skills and transition assistance programs	Agrati University
	404-3	Percentage of employees receiving regular performance and career development reviews	Agrati University
	ASPECT: SU	PPLIER SOCIAL ASSESSMENT (2016)	

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MATERIAL 103-1, 103-2, 103-3	TOPIC: MOBILITY EVOLUTION Management approach	<ul> <li>Agrati Policies</li> <li>Environmental Sustainability Through Product Innovation</li> </ul>	
103-1, 103-2, 103-3	Management approach	<ul> <li>Risk Management</li> <li>Agrati Policies</li> <li>Materiality Analysis</li> <li>Definition of material topics</li> <li>Material topics and related GRI Standards</li> </ul>	
MATERIAL	TOPIC: MANAGEMENT OF REGULATOR	RY DEVELOPMENT	
MATERIAL	TOPICS THAT ARE NOT COVERED BY G		
419-1	Non-compliance with laws and regulations in the social and economic area	-	In 2020, there were no cases of non compliance with laws and regulation the social and economic area within the Group
103-1, 103-2, 103-3	Management approach	<ul> <li>Agrati Policies</li> <li>Materiality Analysis</li> <li>Definition of material topics</li> <li>Material topics and related GRI Standards</li> </ul>	
ASPECT: S	OCIOECONOMIC COMPLIANCE (2016)		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	In 2020 there were no substantiated complaints concerning breaches of customer privacy and losses of customer data
103-1, 103-2, 103-3	Management approach	<ul> <li>Materiality Analysis</li> <li>Definition of material topics</li> <li>Material topics and related GRI Standards</li> </ul>	
ASPECT: C	USTOMER PRIVACY (2016)		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Product's quality and security	
416-1	Assessment of the health and safety impacts of product and service categories	Product's quality and security	
103-1, 103-2, 103-3	Management approach	<ul> <li>Product's quality and security</li> <li>Agrati Policies</li> <li>Materiality Analysis</li> <li>Definition of material topics</li> <li>Material topics and related GRI Standards</li> </ul>	
ASPECT: C	USTOMER HEALTH AND SAFETY (2016)		
103-2, 103-3		<ul> <li>Responsible value chain</li> <li>Agrati Policies</li> <li>Materiality Analysis</li> <li>Definition of material topics</li> <li>Material topics and related GRI Standards</li> </ul>	



