



COSTRUZIONI ELETTROMECCANICHE BRESCIANE

---



# 2019 CONSOLIDATED NON-FINANCIAL DECLARATION

---

# Cembre S.p.A.

---

Head Office: Via Serenissima 9, Brescia, Italy  
Share Capital: EUR 8,840,000 (fully paid-up).  
Registration no: 00541390175 (Commercial Register of Brescia)

*This document contains translations of the consolidated non-financial Declaration prepared in the Italian language for the purpose of the Italian law and of CONSOB regulations (CONSOB is the public authority responsible for regulating the Italian securities market)*

## **Contents**

|  |           |
|--|-----------|
| <b>THE CORPORATE IDENTITY AND GROUP PROFILE</b>                                | <b>1</b>  |
| <b>ECONOMIC VALUE GENERATED AND DISTRIBUTED AND ECONOMIC IMPACT</b>            | <b>7</b>  |
| <b>MATERIALITY ANALYSIS AND STAKEHOLDER ENGAGEMENT</b>                         | <b>8</b>  |
| <b>MANAGEMENT OF ENVIRONMENTAL MATTERS</b>                                     | <b>10</b> |
| <i>Risks and opportunities</i>   | 10        |
| <i>The policies applied by the Cembre Group</i>                                | 10        |
| <i>Non-financial performance</i>   | 12        |
| <b>MANAGEMENT OF SOCIAL AND STAFF-RELATED MATTERS</b>                          | <b>18</b> |
| <i>Risks and opportunities</i>   | 18        |
| <i>The policies applied by the Cembre Group</i>                                | 18        |
| <i>Non-financial performance</i>   | 23        |
| <b>HEALTH AND SAFETY MANAGEMENT</b>  | <b>28</b> |
| <i>Risks and opportunities</i>   | 28        |
| <i>The policies applied by the Cembre Group</i>                                | 28        |
| <i>Non-financial performance</i>   | 30        |
| <b>MANAGEMENT OF THE FIGHT AGAINST CORRUPTION</b>                              | <b>33</b> |
| <i>Risks and opportunities</i>   | 33        |
| <i>The policies applied by the Cembre Group</i>                                | 33        |
| <i>Non-financial performance</i>   | 34        |
| <b>SUPPLY CHAIN MANAGEMENT</b>   | <b>35</b> |
| <i>Risks and opportunities</i>   | 35        |
| <i>The policies applied by the Cembre Group</i>                                | 35        |
| <i>Non-financial performance</i>   | 37        |
| <b>METHODOLOGICAL NOTE</b>   | <b>38</b> |
| <b>APPENDICES</b>  | <b>40</b> |
| <i>Table of correlation between the Cembre material topics and GRI aspects</i> | 40        |
| <i>GRI Standards correspondence table</i>                                      | 41        |

## **The corporate identity and Group profile**

Founded in 1969 in Brescia, Cembre is a European leader in the manufacture of compression connectors and related installation tools with a ten-year history of successes and growth.

**1969** Cembre (acronym for Costruzioni Elettro-Meccaniche BREsciane [Electro-Mechanical Constructions of Brescia]) is founded in Brescia

**1977** Production is moved to the current office in via Serenissima, Brescia

**1986** Cembre Ltd. is established in Coleshill, Birmingham, UK.

**1988** Cembre S.a.r.l. is established in Bagneaux, Paris.

**1990** The Cembre S.p.A Quality Management System is certified by LRQA according to ISO 9000:2008 standard

**1994** Establishment of Cembre España SL in Madrid, Spain

**1995** Establishment of Cembre AS in Stokke, Norway

**1997** Cembre GmbH is established in Munich, Germany Cembre S.p.A. is listed on the Milan Stock Exchange

**1999** OELMA s.r.l. is purchased, a company specialised in the production of cable glands and electrical materials in general. Cembre Inc. is established in Edison, New Jersey, USA

**2001** Cembre S.p.A. enters the STAR segment of the Italian Stock Exchange MTA.

**2002** Establishment of General Marking s.r.l. and acquisition of a company specialised in the production of row markers and electrical components

**2008** Certification of the Cembre S.p.A. Environmental Management System in accordance with standard ISO 14001:2004

**2011** Acquisition of 13,500 m<sup>2</sup> of warehouses adjacent to the Brescia office

**2012** Certification of the Cembre S.p.A. Worker Health and Safety Management System and that of the Italian regional offices, in accordance with standard OHSAS 18001:2007. Merger by acquisition of General Marking s.r.l. into Cembre S.p.A.

**2016** Closure of Cembre AS.

**2017** Certification of the Cembre Ltd Environmental Management System also in accordance with standard ISO 14001:2015.

**2018** Cembre GmbH acquires IKUMA GmH & Co. KG, a company specialised in marketing electrical materials, and IKUMA Verwaltungs GmbH, a non-operating company that carries out administration and management activities for IKUMA KG. Both companies have registered office in Weinstadt, near Stuttgart.

Since the very start, the company's policy can be summed up as a very simple concept:

**"The Cembre S.p.A. management team and all its collaborators aim to pursue the satisfaction of their customers and stakeholders as identified in the context analysis: employees, shareholders, entities and communities".**

In order to achieve this aim, Cembre S.p.A. hinges its work on the following principles:

- continuous increase of efficiency and effectiveness in process management;
- research and innovation to improve existing products and offer innovative products that stay one step ahead of market demands and our competitors;
- expansion of commercial penetration;
- heightened accountability, involvement and participation of, and listening to, its collaborators;
- environmental protection through the reduction of the environmental impact, energy consumption and the production of pollutants;
- safeguarding the health and safety of all staff operating in Cembre and all those using our products through an analysis and systematic reduction of risks;
- continuous improvement of its Company Management System;
- compliance with relevant or subscribed provisions, whether from laws, national or international regulations or arranged by the parties themselves;
- respect and optimisation of the values set out in the Corporate Code of Ethics.

#### **Mission**

*Cembre collaborates with its product users to develop the best possible technical and economic solutions in the field of electrical connections.*

***“The wealth of the range of products, the widespread nature and effectiveness of the sales network and the constant focus on customer needs, are further strengths boasted by the Cembre Group insofar as they are able to guarantee a significant commercial benefit in a global market that is evolving constantly.”***

The Cembre Group management team has set itself the aim of structuring the Company in a modern manner within the European and international market and supplying all corporate levels with the general rules and procedures necessary to guarantee the maintenance and improvement of product quality, the safeguarding of the environment and health and safety at work. The Corporate Policy, prepared by the General Management, sets out the aims and general guidelines to be pursued in maintaining and improving the Company Management System; these aims can be achieved through:

- the use of suitable resources;
- the dissemination within and, where envisaged, outside the Cembre Group, of the Corporate Policy, aims, indicators and targets envisaged;
- training of all staff on the Company Management System;
- the sensitisation of all collaborators towards the importance of satisfying both internal and external customers' needs;
- monitoring customer satisfaction levels;
- compliance with laws, regulations, provisions and procedures;
- the regular review of the Company Management System.

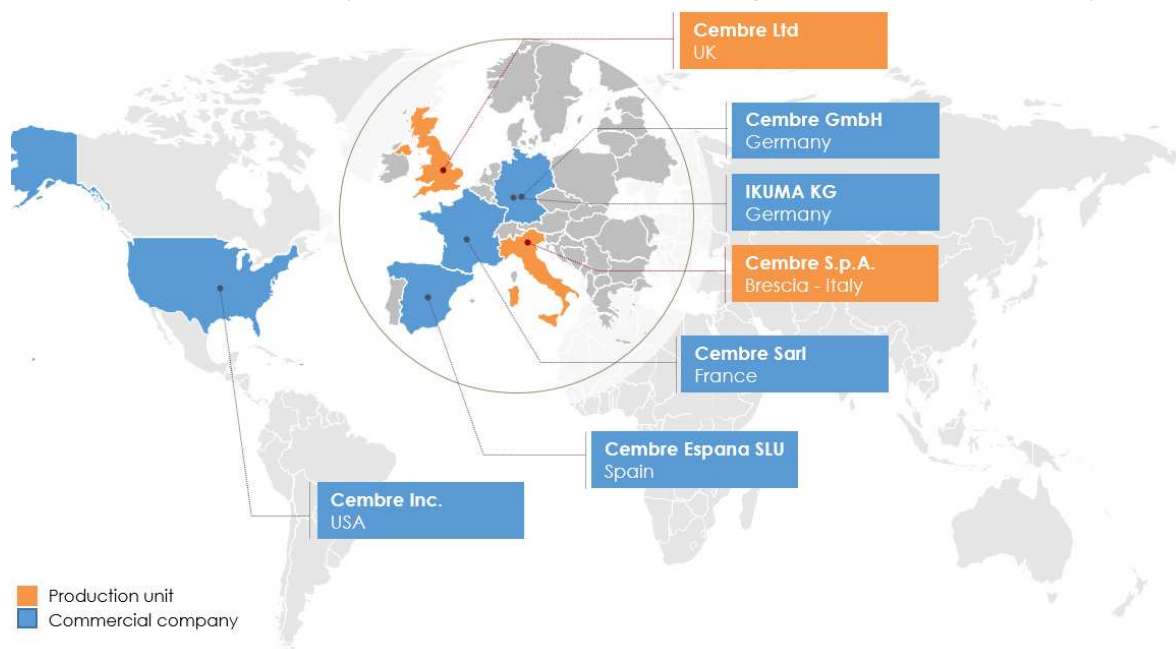
The Corporate Policy, indicators and targets of the Cembre Group ensue from a careful, objective analysis of the internal situation, the results achieved and possible future developments, as well as of the external environment, customer demands and those made by other stakeholders.

The Company Management System, which is standardised in accordance with the provisions of standards ISO 9001:2015, ISO 14001:2015 and standard BS OHSAS 18001:2007 is the tool used to translate the principles of the Corporate Policy into goals, and monitor their achievement. The Group Management, the directors of the subsidiaries and all managers of the various company areas are involved in encouraging staff to participate more and ensuring the continuous improvement of the effectiveness and efficiency of processes, in order to satisfy the established objectives.

All activities carried out by the Cembre Group are focussed on ensuring both internal and external customer satisfaction; this is constantly monitored, not only on the basis of the analysis of the complaints received, but through the documented monitoring of the activities carried out and the regular measurement of the quality of the services offered. The documentation collected is reviewed by the Managers in collaboration with the Company Management System Manager and the departments involved in the activities.

### **Group Structure**

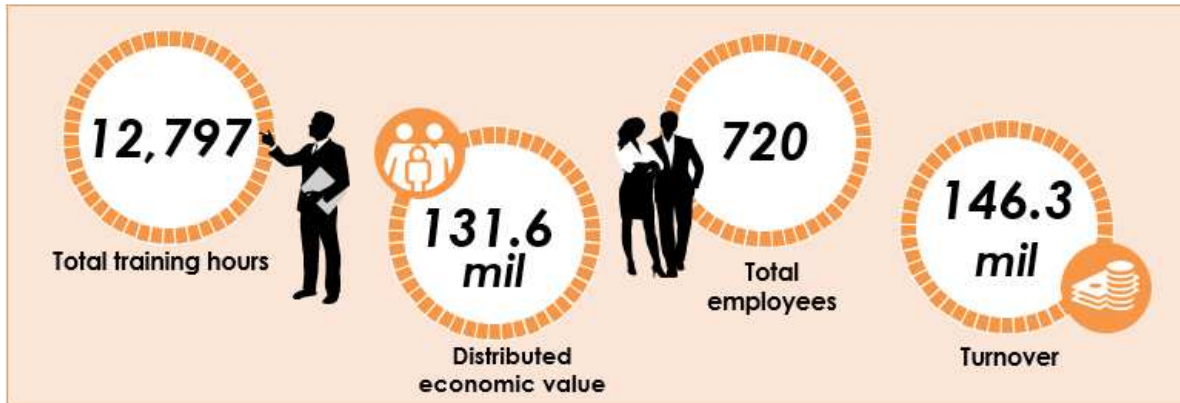
The Cembre Group consists of eight companies; the parent company Cembre S.p.A., based in Brescia, is the largest production unit and directly and indirectly holds 100% of all the Group companies. In addition to serving its Italian and foreign customers, the parent company also supplies products that are marketed by the foreign subsidiaries on the respective national markets. The Group's second most important production unit is based in Birmingham, in the United Kingdom and is mainly dedicated to the British market; the other six companies are instead purely commercial, with the exception of IKUMA Verwaltungs GmbH, a non-operating company that exclusively performs administration and management activities for IKUMA KG, and are based in the vicinity of Paris, Madrid, Munich, Stuttgart and Edison (New Jersey, USA).



\*The non-operating company IKUMA Verwaltungs GmbH, not shown in the figure, has the same registered office as IKUMA KG

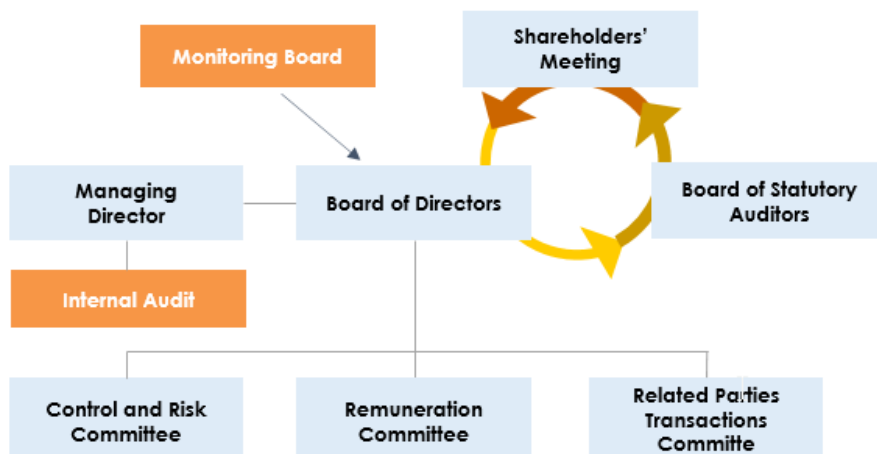
The direct presence in important countries of western Europe and the United States enables the Group to effectively reach the individual markets, increasing contact with the customer and assuring immediate, qualified, technical-commercial assistance.

### **Group highlights**



### **Cembre Group governance**

Cembre S.p.A. is organised according to a “traditional” administration and control model, with the presence of a Shareholders' Meeting, a Board of Directors and a Board of Statutory Auditors. The Cembre corporate governance structure is based on the central role of the Board of Directors, as the body in charge of Company administration, which has chosen, from amongst its members, a Managing Director assigned full powers of Board management with the exception of those that cannot be delegated by law and the examination and approval of significant operations and related party transactions. Within the Board, the Remuneration Committee, the Control and Risks Committee and the Related Party Transactions Committee, have been established. The Group’s consolidated financial statements, the separate financial statements of the Parent Company and the reporting packages of the subsidiaries are audited by an independent audit firm.



Cembre S.p.A. has been listed on the Telematic Stock Market (MTA) since December 15, 1997, and since September 24, 2001 in the STAR segment. The share capital is Euro 8,840,000.00,

subscribed and paid-in, divided up into 17,000,000 shares each with a face value of Euro 0.52. The free float at the date of this report, is 25.41%; Cembre S.p.A. is controlled by Lysne S.p.A., an equity holding company with registered office in Brescia.

***Sustainability has always been viewed with great attention by Cembre; indeed, this is why the company has decided that it was best to keep the responsibility for these aspects with the Board of Directors.***

Cembre S.p.A. acknowledges the need to hinge its work on the following principles:

- increase of efficiency and effectiveness in corporate process management;
- research and innovation to improve existing products and offer innovative products and solutions that stay one step ahead of market demands and our competitors;
- improvement of its Company Management System;
- heightened accountability, involvement and participation of, and listening to, its collaborators;
- respect for human rights;
- environmental protection;
- safeguarding the health and safety of all staff operating in the Company and all those using products through an analysis and systematic reduction of risks;
- risk management and compliance.

The Group governance model is described within the *“Report on Corporate Governance and Ownership Structures”*, prepared in accordance with the provisions of Art. 123-bis of the Consolidated Finance Act and published on the website [www.cembre.com](http://www.cembre.com), [www.cembre.com](http://www.cembre.com), to which reference is made for more details.

### **The sales network**

In Italy, Cembre S.p.A. operates through an extensive distribution network, with its own or leased offices and warehouses in Turin, Milan, Brescia, Padua, Bologna and Florence; in the other regions, it operates through agents, organised for technical-commercial assistance and with warehouses for rapid deliveries. Cembre is also present in the main countries across the globe, thanks to a network of representatives or correspondents, who can guarantee immediate, qualified technical-commercial assistance and rapid deliveries of products from their warehouses. As already described above, the growth in Cembre’s business volumes and the consequent need to supply suitable support to foreign customers, over the years has led to the establishment of companies in the main European countries and in the United States of America.





The Cembre sales force worldwide numbers more than 100 functionaries dedicated to daily visits to customers.



## Economic value generated and distributed and economic impact

In 2019, the economic value generated by the Group was 148.2 million euros. The analysis given below shows the flow of resources sent to the various stakeholders, such as employees, suppliers of goods, services and capital and the Public Administration and general public, by means of external donations.

The table below also shows the growth trend of the last 3 years, which represent the peak of a development process that has continued incessantly since the year of foundation (1969).

| <b>Economic figures</b>                                 | <b>2019</b>      | <b>2018</b>      | <b>2017</b>      |
|---|------------------|------------------|------------------|
| (thousands of euros)                                    |                  |                  |                  |
| Revenues from sales and services                        | € 146,296        | € 144,096        | € 132,637        |
| Other income and revenues, net of the use of provisions | € 979            | € 611            | € 1,150          |
| Losses on receivables                                   | (€ 53)           | (€ 26)           | (€ 17)           |
| Capitalised internal construction costs                 | € 1,055          | € 958            | € 939            |
| Write-down of current assets                            | (€ 28)           | (€ 89)           | (€ 7)            |
| Financial income  | € 7              | € 8              | € 86             |
| Foreign exchange gains (losses)                         | (€ 81)           | (€ 82)           | (€ 512)          |
| <b>ECONOMIC VALUE GENERATED (A)</b>                     | <b>€ 148,175</b> | <b>€ 145,476</b> | <b>€ 134,276</b> |
| Distributed to employees                                | € 41,693         | € 39,989         | € 37,251         |
| Distributed to suppliers                                | € 69,448         | € 70,120         | € 63,969         |
| Distributed to lenders                                  | € 170            | € 57             | € 35             |
| Distributed to shareholders <sup>1</sup>                | € 15,048         | € 15,048         | € 13,372         |
| Distributed to the public administration                | € 5,247          | € 5,630          | € 3,848          |
| External donations                                      | € 35             | € 31             | € 35             |
| <b>ECONOMIC VALUE DISTRIBUTED (B)</b>                   | <b>€ 131,641</b> | <b>€ 130,875</b> | <b>€ 118,510</b> |
| <b>ECONOMIC VALUE WITHHELD BY THE GROUP</b>             | <b>€ 16,534</b>  | <b>€ 14,601</b>  | <b>€ 15,766</b>  |
| Amortisation, depreciation, provisions and other        | € 9,892          | € 6,914          | € 6,411          |
| Self-financing  | € 6,642          | € 7,687          | € 9,355          |
| <b>ECONOMIC VALUE WITHHELD BY THE GROUP</b>             | <b>€ 16,534</b>  | <b>€ 14,601</b>  | <b>€ 15,766</b>  |

<sup>1</sup> For each year of reporting, the value of the dividends proposed for approval at the Shareholders' Meeting is assigned to the value distributed to shareholders (not recorded as liability at December 31).

## Materiality analysis and stakeholder engagement

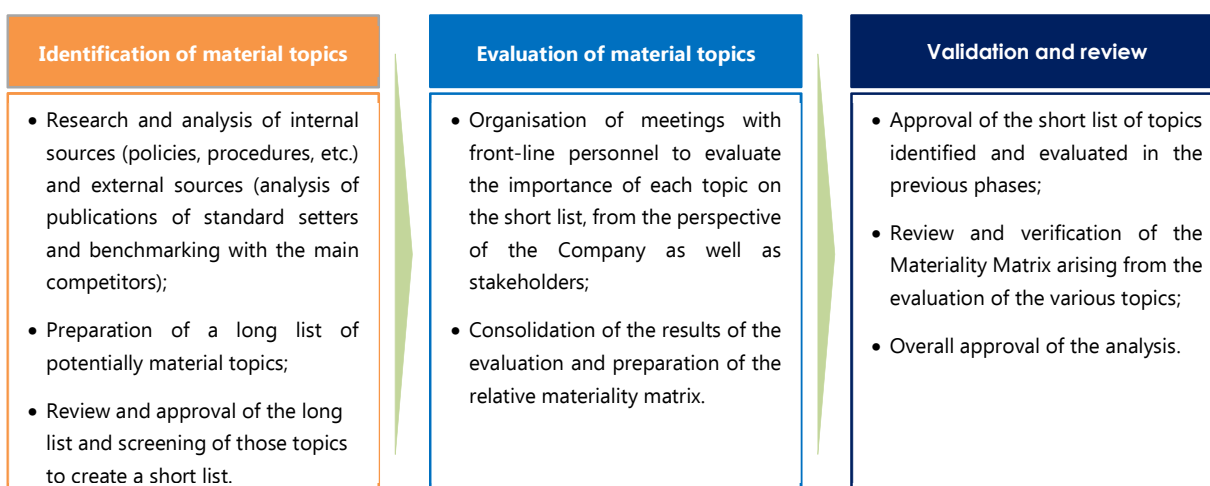
The Cembre Group non-financial report is focused on the importance of the various aspects relative to its business.

To this end, the main Company "stakeholders" have been identified, i.e. the shareholders, customers, staff, suppliers, local communities and institutions.

A materiality analysis has therefore been developed, carried out according to the GRI (Global Reporting Initiative) sustainability reporting guidelines, aimed at identifying the matters that could considerably affect the Group's capacity to create value in the short-, medium- and long-term, and which are most relevant to the Group and its stakeholders.

The matters identified as material are worthy of dedicated reporting as they can influence stakeholders' decisions and reflect the Group's social, environmental and economic impact.

The materiality analysis process was structured as follows:



The results of the materiality analysis are summarised and represented graphically in the "materiality matrix" (see graph below); more specifically, this matrix is a graphical representation of the importance attributed to each matter from Management's viewpoint (x axis) and that of the stakeholders (y axis).

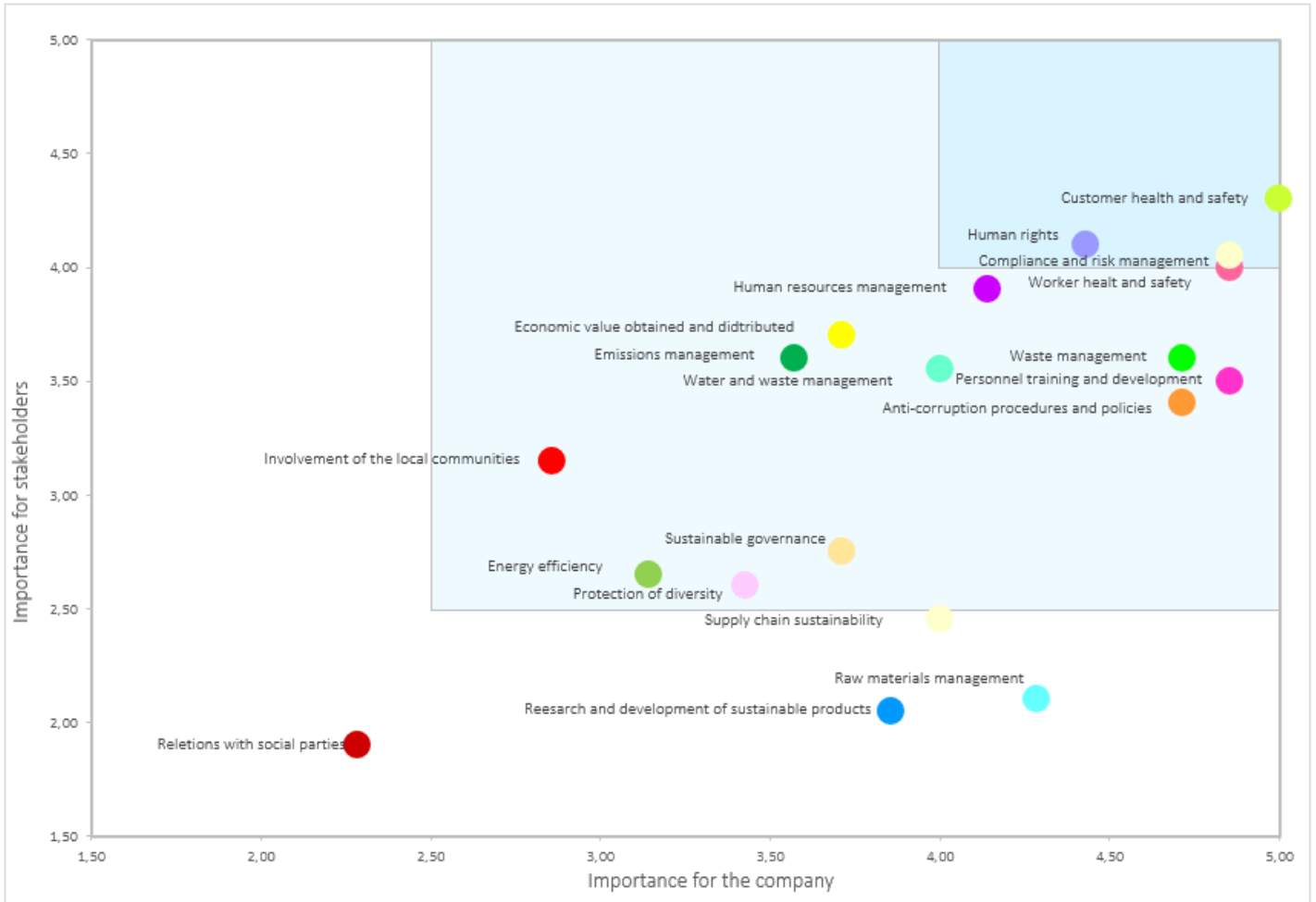
Therefore, the higher up on the right the matter within the graph, the more important it is for both parties. The material matters emerging during the analysis are the starting point from which the Company has focused its non-financial information report.

The matters of "Relations with personnel", "Sustainable supply chain management" and "Raw materials management", despite the fact that they were considered as of reduced relevance for Cembre, will also be reported on, insofar as this is specifically required by Italian Legislative Decree no. 254/2016.

The materiality analysis was carried out for the first reporting year (2017); subsequently, the management did not feel it necessary to update this analysis, as no significant changes were made to the company structure and activities. Although their meaning did not change, for a

clearer disclosure, some names of the material themes reported in the table have changed from the 2018 Non-Financial Disclosure.

A new procedure is the process of being analysed and will be approved in the next few months, which requires a three-yearly update of the materiality matrix, nonetheless making provision for an annual verification of its validity.



## **Management of environmental matters**

### ***Risks and opportunities***

In line with international models and best practices (COSO Integrated Framework), the Cembre internal control system is based on company procedures that are relevant to the prevention and monitoring of operational risks, such as, for example, the Environmental Management System UNI EN ISO 14001. Environmental risks are analysed in view of the environmental impact assessment, which is reviewed at least once a year or at different frequencies if new production processes are installed. The Company's main environmental risks are connected with the purification of water of the galvanic chemical plant, the management of some hazardous waste and the consumption of oils and chemical products. Cembre S.p.A. uses tin in its production process, which comes under the scope of materials potentially coming from zones of conflict. Therefore, in order to protect itself against this eventuality, it adopts a specific procedure that regulates the management of this material and allows it to be purchased only where it is certified as not coming from a conflict zone. In short, the main risks to which Cembre is subject, are:

- risk of environmental pollution due to inadequacy or malfunction of the water purification and disposal plants or incorrect handling, use and storage of hazardous substances, oils and chemical products;
- risk of non-conformity of plants due to obsolescence, wear and tear or legislative changes.

Cembre has protected itself against the risk of environmental pollution by means of a constant control of its plants and through their regular maintenance. The use, preservation and disposal of hazardous and chemical substances is assured by applying rigorous procedures that are updated from time to time. These substances are kept in dedicated areas, segregated with respect to the other materials needed for the production process. The staff involved in the management are specifically trained and instructed.

Plant conformity is guaranteed through the continuous update of the management system, frequent, scheduled emissions monitoring, including with the support of specialised consultancy firms. Moreover, the continuous renewal of the production lines prevents the risk of obsolescence and wear and tear of machinery.

### ***The policies applied by the Cembre Group***

As has been seen from the Cembre materiality matrix, environmental matters are extremely important for Cembre and are therefore included in the company's business practices. As for all other matters, the Corporate Policy is established by the Cembre Group Management team and stems from a careful, objective analysis of multiple aspects, such as: the internal situation, the results achieved, future objectives, the context in which the Company operates and the demands made by customers and stakeholders. The Corporate Policy is formalised by the Cembre Group Management team and subscribed by the Cembre S.p.A. Management team, within a document that is given out and presented to all Company staff; it is then disclosed to

external stakeholders through publication on the website. Following a careful assessment of the risks to the environment, associated with the activities carried out, indicators are chosen through which the level achieved can be quantified and verified, and any areas for improvement, identified.

In order to integrate this policy and attention paid to the environment in pursuing the Company's business, Cembre S.p.A. has implemented a Company Management System compliant with standard ISO 14001 for environmental management, for which certification was obtained in 2008; this is updated on a regular basis to ensure that the Management System remains effective and improves continuously. The project was extended to subsidiary Cembre Ltd. (UK), representing the second production site of the Cembre Group; thus the certification of the Environmental Management System according to the ISO 14001:2015 standard now extends to both Cembre S.p.A. and Cembre Ltd. Legislative compliance is also assured through the verification and update of applicable laws and regulations by means of a legislative verification programme, at least once a year, which is documented and disclosed to the company Management team. Verification of legislative compliance is audited both internally and externally, by third party certifying entities.

The Company has envisaged different ways by which to monitor and manage environmental data:

- once a month, consumption of energy, raw materials and water is monitored and compared with the hours of production and/or pieces produced, for each operative department, so as to obtain a series of clear, unique performance indicators. This data is highlighted by means of suitable graphs distributed to the Management and each Department Manager, so that it is disclosed to each individual operator;
- for the Italian plant, polluting emissions from flues and waste management are controlled annually, as required by the law, by the Environmental Management Department; more specifically, air-conditioning plants and the consumption of cryogenic gases are verified.
- waste water is controlled every day by the Department Manager and at least once a month by a qualified external company.

Customers' interest in environmental management in their supply chain is increasingly great. Cembre, in fact, receives various requests to fill in questionnaires connected with the management of environmental aspects and worker health and safety. Over the various years, the company has undergone numerous customer audits, including run by Batenburg, DEKRA, Rail for PRORAIL, DB, SNCF, etc., obtaining positive results. Finally, in compliance with Italian Legislative Decree no. 102/2014, Cembre has carried out an energy diagnosis; consequently, various energy efficiency improvements have been planned and implemented, including: the installation and commissioning of a new geothermal plant, the construction of a new warehouse with photovoltaic panels, the adoption of "smart" control systems through which to reduce the incidence of air loss on the compressor network, used in the plant, and the analysis of residual consumption when the plant is not operating, collaboration with *Sinergia Consulting* to find how to reduce the incidence of air loss by the compressors used in the plant and reduce energy consumption when the plant is closed.

With a view to minimising the environmental impact, including through indirect actions, Cembre has stipulated an agreement with the *Brescia Mobilità Group* to guarantee its employees the possibility of using public transport when travelling to and from work and home, at special rates.

In 2019, the in-house company cafeteria (which serves 350 meals per day) was completely overhauled; this made it possible to eliminate disposable dishes and cutlery thanks to the use of washable and re-usable dishes, greatly reducing the quantity of solid urban waste produced by the cafeteria.

### ***Non-financial performance***

- **Consumption by material type**

|                      | UoM       | 2019             | 2018             | 2017             |
|----------------------|-----------|------------------|------------------|------------------|
| Ferrous material     | kg        | 504,496          | 787,479          | 522,205          |
| Non-ferrous material | kg        | 4,609,179        | 4,871,053        | 4,396,529        |
| Plastic              | kg        | 1,962,834        | 2,049,639        | 1,868,221        |
| <b>Total</b>         | <b>kg</b> | <b>7,076,508</b> | <b>7,708,172</b> | <b>6,786,955</b> |

The data refer solely to the production companies Cembre S.p.A. and Cembre Ltd.; the reduction in consumption between 2018 and 2019 is due to the drop in production linked to the decrease in sales of some product categories (utensils).

- **Consumption of hazardous, oily and lubrication substances\***

|                     | UoM       | 2019           | 2018           | 2017           |
|---------------------|-----------|----------------|----------------|----------------|
| Chemical substances | kg        | 78,448         | 90,255         | 61,504         |
| Oil + lubricants    | kg        | 49,881         | 48,941         | 45,515         |
| <b>Total</b>        | <b>kg</b> | <b>128,329</b> | <b>139,196</b> | <b>107,019</b> |

\*the 2017 figure relating to the UK subsidiary Cembre Ltd. was not available.

The significant increase in the consumption of chemical substances in 2018 was due to some problems on Cembre Ltd's galvanic line, which repeatedly involved the emptying of materials treatment tanks.

- **Consumption of packaging material\***

|              | UoM       | 2019           | 2018           | 2017           |
|--------------|-----------|----------------|----------------|----------------|
| Paper        | kg        | 58,868         | 60,574         | 49,951         |
| Wood         | kg        | 210,572        | 203,968        | 150,649        |
| Plastic      | kg        | 12,691         | 22,181         | 15,997         |
| <b>Total</b> | <b>kg</b> | <b>282,131</b> | <b>286,723</b> | <b>216,597</b> |

\*the 2017 figure relating to the Spanish subsidiary Cembre SLU was not available.

- **Total energy consumption**

|  | UoM        | 2019             | 2018             | 2017             |
|--|------------|------------------|------------------|------------------|
| Electricity  | MWh        | 9,440.26         | 9,557.75         | 9,025.03         |
| <i>of which self-produced and consumed by the photovoltaic plant</i> | <i>MWh</i> | <i>212.73</i>    | -                | -                |
| Energy from geothermal plant   | MWh        | 692.16           | -                | -                |
| Diesel   | MWh        | 3,424.29         | 3,356.67         | 3,652.18         |
| Petrol   | MWh        | 888.44           | 877.41           | 824.00           |
| Natural Gas  | MWh        | 4,090.63         | 4,288.66         | 4,420.19         |
| Naphtha  | MWh        | 125.55           | 111.62           |                  |
| <b>Total</b>   | <b>MWh</b> | <b>18,661.33</b> | <b>18,192.11</b> | <b>17,921.40</b> |

The conversion factors used are as follows:

|             |                              |
|-------------|------------------------------|
| Diesel      | 11.91 MWh/t                  |
| Petrol      | 11.89 MWh/t                  |
| Naphtha     | 12.36 MWh/t                  |
| Natural Gas | 0.0098063 MWh/m <sup>3</sup> |

The natural gas conversion factor is calculated starting from:

- the calorific power of natural gas, as obtained from the table of standard national parameters of coefficients used for the inventory of CO<sub>2</sub> emissions in the national inventory UNFCCC (average values 2016-2018), equal to 0.035303 GJ/stdm<sup>3</sup>
- and the conversion factor from GJ to MWh, which in technical literature is 0.27778

- **Energy intensity**

|                         | UoM   | 2019          | 2018          | 2017          |
|-------------------------|-------|---------------|---------------|---------------|
| Energy consumption      | MWh   | 18,661.33     | 18,192.11     | 17,921.40     |
| Consolidated turnover   | €/000 | 146,296       | 144,096       | 132,637       |
| <b>Energy intensity</b> |       | <b>12.755</b> | <b>12.625</b> | <b>13.512</b> |

Energy intensity is calculated as the ratio of total energy consumption, corresponding to the sum of direct consumption and indirect consumption, multiplied by one hundred and consolidated turnover in thousands of euros  $\left(\frac{\text{Consumo di energia} \times 100}{\text{Fatturato in migliaia di €}}\right)$ .



- **Water collected by source\***

|                | UoM      | 2019              | 2018              | 2017              |
|----------------|----------|-------------------|-------------------|-------------------|
| From aqueducts | l        | 15,626,941        | 16,234,606        | 16,175,352        |
| From wells     | l        | 15,953,000        | 16,864,000        | 14,391,000        |
| <b>Total</b>   | <b>l</b> | <b>31,579,941</b> | <b>33,098,606</b> | <b>30,566,352</b> |

\*The information for the American subsidiary, Cembre Inc., is not available. For Cembre S.p.A., water collected from wells for irrigation use was also not included, which came to approximately 3,000,000 litres in 2019.

All the water taken is discharged, after treatment<sup>2</sup>, into the drains upon completion of the work cycle; the water withheld for the production process is also released into the drains after purification.

- **Direct (Scope 1) and indirect (Scope 2) emissions**

| Direct emissions (Scope 1) | UoM                      | 2019            | 2018            | 2017            |
|----------------------------|--------------------------|-----------------|-----------------|-----------------|
| from Diesel                | t CO <sub>2</sub> e      | 907.08          | 893.39          | 972.04          |
| from Petrol                | t CO <sub>2</sub> e      | 234.55          | 231.64          | 217.54          |
| from Natural Gas           | t CO <sub>2</sub> e      | 819.26          | 865.86          | 892.42          |
| from Naphtha               | t CO <sub>2</sub> e      | 33.13           | 29.46           | n.a.            |
| from refrigerating gases   | t CO <sub>2</sub> e      | 13.57           | 134.22          | n.a.            |
| <b>Total</b>               | <b>t CO<sub>2</sub>e</b> | <b>2,007.59</b> | <b>2,154.57</b> | <b>2,082.00</b> |

Emissions from refrigerating gases in 2019 were down considerably as no leaks were identified due to faults at cooling plants; the reduction in the consumption of natural gas is due to the entry into operation of the new geothermal plant.

| Indirect emissions (Scope 2) | UoM                 | 2019     | 2018     | 2017     |
|------------------------------|---------------------|----------|----------|----------|
| Electricity - Location based | t CO <sub>2</sub> e | 3,242.08 | 3,394.46 | 3,216.24 |
| Electricity – Market based   | t CO <sub>2</sub> e | 4,404.82 | 4,482.45 | 4,238.52 |

The coefficients used to calculate direct emissions are taken from the table of standard national parameters of coefficients used for the inventory of CO<sub>2</sub> emissions in the national inventory UNFCCC (average values 2016-2018), obtained from ISPRA 2018 data:

|             | UoM                                 | Coefficients |
|-------------|-------------------------------------|--------------|
| Diesel      | t CO <sub>2</sub> e/t               | 3.16         |
| Petrol      | t CO <sub>2</sub> e/t               | 3.14         |
| Natural Gas | t CO <sub>2</sub> e/dm <sup>3</sup> | 1.975        |

The coefficient used to calculate Naphtha emissions, reported in the table of standard national parameters of coefficients used for the inventory of CO<sub>2</sub> emissions in the national inventory UNFCCC (average values 2013-2015), equal to 73.3 t CO<sub>2</sub> and /TJ.

<sup>2</sup> Industrial water (water from the well) at the Italian facility is treated on site according to defined procedures and, only after successful completion of the controls, discharged into the drains.

By contrast, for refrigerating gases, the following global heating potentials were used (GWP), whose source is DEFRA (UK Department for Environment, Food & Rural Affairs):

|              | UoM                     | GWP   |
|--------------|-------------------------|-------|
| Fgas - R410A | Kg CO <sub>2</sub> e/kg | 2,088 |

The emissions value was obtained by applying the formula:

$$tCO_2 e = (kg \text{ refriger. Gas} \times GWP) / 1000$$

On the other hand, with respect to indirect emissions:

- the source is Terna for the location based emission factors relating to electricity procurement;
- for market-based emission factors relating to the supply of electricity, the source is the *Association of Issuing Bodies (AIB)* for European countries and the *Center for Resource Solutions for the USA*.

| Country        | UoM                     | Location Based | Market Based |
|----------------|-------------------------|----------------|--------------|
| Italy          | t CO <sub>2</sub> e/MWh | 0.359          | 0.4872       |
| United Kingdom | t CO <sub>2</sub> e/MWh | 0.285          | 0.3809       |
| France         | t CO <sub>2</sub> e/MWh | 0.072          | 0.0531       |
| Spain          | t CO <sub>2</sub> e/MWh | 0.296          | 0.4509       |
| USA            | t CO <sub>2</sub> e/MWh | 0.411          | 0.5011       |
| Germany        | t CO <sub>2</sub> e/MWh | 0.464          | 0.7286       |

- **NOx and other significant emissions<sup>3</sup>**

|     | UoM | 2019  | 2018  | 2017  |
|-----|-----|-------|-------|-------|
| NOx | t   | 1.021 | 0.391 | 0.841 |
| VOC | t   | 0.524 | 0.886 | 0.664 |
| PM  | t   | 0.048 | 0.139 | 0.140 |

The data refer only to Cembre S.p.A. For the UK subsidiary, Cembre Ltd., data has not been recorded, given not required by the local legislation, whilst the other subsidiaries, which only carry out commercial activities, do not generate any significant emissions.

Nitrogen oxide values relate to the thermal plants; the increase recorded is contextualised with the methods and measurement periods given that there are changes in value linked to the weather conditions during monitoring. Having said this, it should be stressed that all values recorded are fully in line with the limits prescribed by the Single Environmental Authorisation AUA 672/2019.

<sup>3</sup> Data has been calculated, considering:

- the concentration (expressed in mg/Nm<sup>3</sup>) of the element measured in the individual flues
- the nominal capacity of each flue, expressed in Nm<sup>3</sup>/h
- the theoretical operating hours
- the working days in the year in question, for 2017 = 230 days

This allowed for the calculation of the annual tonnes of emissions of each element examined.

There are no SOx emissions. The calculation includes solely the emission points prescribed in the Single Environmental Authorisation, since identified as the most relevant by the local authority.

The significant decrease in the quantity of dusts was obtained thanks to the installation of new aspiration plants, with latest-generation dust reduction systems.

- **Waste generated**

|               | UoM       | 2019             | 2018             | 2017             |
|---------------|-----------|------------------|------------------|------------------|
| Hazardous     | kg        | 331,590          | 344,550          | 270,717          |
| Non-hazardous | kg        | 1,445,643        | 1,344,269        | 992,875          |
| <b>Total</b>  | <b>kg</b> | <b>1,777,233</b> | <b>1,688,819</b> | <b>1,263,592</b> |

The increase in the total quantity of waste in 2019 and 2018 compared to 2017 is due mainly to the fact that, previously some waste was classified as a secondary raw material, whilst they were subsequently classified as waste.

- **Waste sent for recovery**

|               | UoM       | 2019             | 2018             | 2017           |
|---------------|-----------|------------------|------------------|----------------|
| Hazardous     | kg        | 134,720          | 190,724          | 98,056         |
| Non-hazardous | kg        | 1,292,545        | 1,219,098        | 872,807        |
| <b>Total</b>  | <b>kg</b> | <b>1,427,265</b> | <b>1,409,822</b> | <b>970,863</b> |

The difference in the quantities between 2017 and 2018 depends, above all, on the code CER 120109 waste (emulsions and solutions for machinery not containing halogens), which, according to the operative possibilities of the company to which it is conferred, can be disposed of or recovered. As described below, the decrease in hazardous waste sent for recovery in 2019 is due to the modification of a product used in the galvanic process, replaced with a non-recoverable substance.

- **Waste stored on site**

|               | UoM       | 2019          | 2018         | 2017          |
|---------------|-----------|---------------|--------------|---------------|
| Hazardous     | kg        | 9,886         | 2,500        | 9,500         |
| Non-hazardous | kg        | 4,060         | 1,160        | 3,800         |
| <b>Total</b>  | <b>kg</b> | <b>13,946</b> | <b>3,660</b> | <b>13,300</b> |

- **Waste sent for disposal**

|               | UoM       | 2019           | 2018           | 2017           |
|---------------|-----------|----------------|----------------|----------------|
| Hazardous     | kg        | 192,810        | 153,826        | 172,819        |
| Non-hazardous | kg        | 143,212        | 125,171        | 119,598        |
| <b>Total</b>  | <b>kg</b> | <b>336,022</b> | <b>278,997</b> | <b>292,417</b> |

The increase in waste sent for disposal is based primarily on three CER codes:

- as a result of an authorisation change of the destination plant, CER 060503 non-hazardous waste was reclassified as hazardous with the new code CER 060502;
- CER 110105 waste is conferred on reaching the minimum quantities, for which the number of transfers may vary over the years;

- the re-insertion of the CER 120301 code, not used in 2018 but restored in 2019, because the alternative product used did not guarantee the same results.

In 2019, a new method was introduced for collecting information relating to waste generated, which provides more details in relating to the disposal type adopted.

Information for the 2019 figures is provided below.

|               | Disposal type   | UoM              | 2019             |
|---------------|-----------------|------------------|------------------|
| Hazardous     | Recycling       | kg               | 134,720          |
|               | Landfill        | kg               | 192,810          |
|               | Stored on site  | kg               | 4,060            |
|               | <b>Total</b>    | <b>kg</b>        | <b>331,590</b>   |
| Non-hazardous | Re-use          | kg               | 2,500            |
|               | Recycling       | kg               | 1,290,045        |
|               | Energy recovery | kg               | 9,170            |
|               | Landfill        | kg               | 2,780            |
|               | Incineration    | kg               | 114,283          |
|               | Other           | kg               | 16,979           |
|               | Stored on site  | kg               | 9,886            |
| <b>Total</b>  | <b>kg</b>       | <b>1,445,643</b> |                  |
| <b>Total</b>  |                 | <b>kg</b>        | <b>1,777,233</b> |

## **Management of social and staff-related matters**

### ***Risks and opportunities***

Cembre is today the leading Italian manufacturer and one of the largest European manufacturers of electrical compression connectors and related installation tooling. Extensive know-how in the field of electrical connectors, strong R&D activity and continuous innovation in manufacturing technologies and product specification, allow Cembre to respond quickly to an increasingly demanding market expectation for high-quality products that are reliable, durable and safe. In order to maintain these production standards, highly qualified staff are required, specialised in the various activities of: sales, research and development, IT and administration. This is why it is essential for the Company to retain staff with key competences for the business, such as, for example, the resources who, in view of their experience, have strategic knowledge of customers or technical aspects of the product. The loss of these resources could have a significant effect on the whole of the business. In the same way, the Company is looking for new staff to be included in specific positions, with the potential to grow in the Company and increase its business, above all in a context of continuing changes, like "Research and Development". Moreover, the difficulties in obtaining staff on the labour market, whose competences and profile are in line with the organisational needs for the achievement of business objectives, represent a continuous challenge for the Company. In order to manage staff, Cembre must constantly monitor the following risk areas:

- application of staff management policies that are inadequate in terms of training, comparison and professional growth;
- inadequate management of equal opportunities for men and women, discrimination in training, professional development and career and salaries;
- failure to comply with regulations governing employment and the protection of human rights, in particular in foreign countries where the company operates with its branches;
- failure to apply the terms of the National Collective Bargaining Agreements, with consequent summoning to court, loss of reputation and payment of compensation.

To prevent these types of risks, the Cembre Group ensures that its personnel working in human resource management are constantly updated to guarantee compliance with applicable regulations and also engages top advisory firms to support internal staff in managing the most complex matters.

### ***The policies applied by the Cembre Group***

- **The value of people**

The Cembre Group believes in the growth and optimisation of people, the protection of health and safety and the creation of a workplace that fosters human and professional growth. The Group offers all employees and collaborators equal career opportunities on the basis of merits, professional and managerial skills and active involvement in company development and improvement processes. This approach has allowed it to attract young talent and, at the same

time, gain the loyalty of employees and collaborators already working in the Company, as is borne out by the data on the average length of service, in many cases, reaching 20/30 years.

The Cembre Group workforce as at December 31, 2019 numbered 720, marking a total increase of 22 people with respect to the previous figure.<sup>4</sup>

More specifically, the employment trends recorded in 2019 regard:

hiring of 93 people;

leaving of 71 people;

Approximately 96% of those working for the Cembre Group have a permanent contract of employment.

All of the Group's companies operate in countries in which matters linked to personnel management, occupational health and safety and the protection of workers' rights are highly regulated. Furthermore, the principles set forth in the Code of Ethics and defined in the Group Policy are also applied in all companies.

In order to sensitise all employees and collaborators towards the Corporate Policy on social matters, the Group Code of Ethics is given out to all new employees, clarifying the conduct and relations that are considered in line with the Company's vision. Human rights procedures and policies are reported to all employees and collaborators of Cembre S.p.A. through the delivery of the Organisation, Management and Control Model in accordance with Italian Legislative Decree no. 231/2001. Moreover, the Cembre Group Code of Ethics also contains a specific section on human rights, called: "Social responsibility, human rights and discrimination". The Cembre Group actively encourages respect for internationally-recognised human rights, working concretely to overcome all forms of discrimination. The Cembre Group also refuses all types of child or forced labour and specifically bans any entertaining of business relations with organisations exercising this form of oppression or with organisations whose products come from regions in which there is notoriously a lack of suitable protection of human rights. The Group does not tolerate any form of discrimination or unfair treatment based on gender, race, disability, ethnic or cultural origin, religion or beliefs, age or sexual orientation. The diversity policy adopted within the governance bodies is regulated by Article no. 15, paragraph 5 of the Cembre S.p.A. By-Laws. Contracts in general, purchase orders, letters hiring employees and agents, include all clauses to inform the counterparty of the adoption of the 231 Model and the Code of Ethics by Cembre S.p.A.; failure by the counterparty to comply with these clauses constitutes serious breach of contractual obligations.

In Cembre S.p.A. and in foreign subsidiaries, no discrimination-based incidents have occurred in the three-year period considered.

Relations with social parties are regulated by respective applicable rules.

---

<sup>4</sup> The difference between employees as at 12/31/2019 and employees as at 12/31/2018 is not equal to the total increase reported in the text (22) given that, in 2019, the company introduced a new calculation method which considers employees that left the workforce at December 31 of the reporting year in the workforce at year-end.

The contract of employment applied to all Cembre Spa employees is the: "Italian National Collective Bargaining Agreement for the Metal-Mechanical Industry and Plant Installation". In compliance with the provisions of the national bargaining agreement, the company envisages a minimum notice period for its employees, if moved from one place to another, of twenty days.

The contracts of employment of the subsidiaries Cembre SARL (France) and Cembre España SLU (Spain) are stipulated in compliance with category collective bargaining agreements and regulations in force in the various countries. As regards France, the minimum notice period is set at 30 days, while it is 15 days in Spain.

The subsidiaries Cembre Ltd. (United Kingdom), Cembre GmbH (Germany), IKUMA KG (Germany) and Cembre Inc. (USA) stipulate contracts of employment with their employees on an individual basis. In the United Kingdom, the minimum notice period is usually 4 weeks, and can be extended to 12-24 weeks for personnel with a significant length of service. In Germany, unless established in the individual contract, the minimum notice period established by labour legislation is 4 weeks. By contrast, there is no such provision in the United States.

- **Training**

In order to satisfy the business needs and production standards, the Group makes sure to attribute the responsibilities, relative to the activities that affect product/service quality, the environment and HSW, considering the competences, the degree of education, work experience and training supplied. All Group staff must be aware of the strategic role and importance of their work, so as to achieve the objectives set. This awareness particularly regards the company policy, objectives, indicators and targets of the Cembre Group, respect for laws and provisions, the possibility of reporting ways by which to improve products, processes, health and safety in the workplace and the external environment, which may affect the processes, works and management of the Group. Staff is sensitised through the continuous monitoring of processes, staff meetings, training, etc. The Company ensures that it trains employees according to their different duties and seniority levels: staff are trained when hired, if their duties should change and when procedures, works, machinery, technology and products or hazardous substances are updated or altered. Finally, the Company ensures that it can offer a carefully-focussed training plan if shortcomings should be noted in staff experience or training.

The activities for which specific qualification is required, regard:

- Test Laboratory staff, who must have in-depth knowledge and experience with the main characteristics and chemical-physical properties of the materials processed. Staff must be able to carry out the examinations and tests assigned, assess the relevant results and judge compliance with applicable standards, specifications or procedures; they must also be familiar with all tools needed to carry out the various tests and examinations in use at the Group;
- staff in charge of internal audits, who must have suitable knowledge of the various activities, processes and procedures to be assessed, as well as the need to be training on matters of the Company Management System, the techniques and methods for the preparation, carrying out, execution and recording of audits;

- all those carrying out activities for which the law defines the need for specific information, training and teaching.

In general, the Cembre Group is committed to delivering all training, information and teaching required by the laws, rules and regulations in force. The process plan and competence sheets prepared for the main company departments set out the minimum requirements in terms of experience, training, preparation and teaching of staff, training, teaching and information methods and the related responsibilities defined for the various tasks. The HR Office is in charge of recording training delivered and, where envisaged, verifying its effectiveness by assessing performance, experience and know-how, which on the one hand allow for the determination of the individual contribution to the organisation and the definition of progress made and, on the other, for the outlining of areas for improvement on which to intervene.

With respect to 2018, the total volume of training (number of interventions, hours delivered, participations) has increased significantly in line with the strategic objectives of continuous improvement. In actual fact, in 2019 almost **13** thousand hours of training were provided, up **4,529** hours on 2018.

- **Performance assessment systems**

Cembre S.p.A. assesses the commitment and performance of employees using compensation policies that differ according to performance and professional and managerial skills, considering:

- the responsibilities attributed;
- the results achieved;
- the quality of the professional contribution and personal development potential.

The compensation systems are regularly updated by monitoring changes in the reference salary markets and applying criteria based on meritocracy and internal fairness.

- **Company welfare**

In order to protect and foster the well-being of its employees, Cembre S.p.A. makes services and initiatives available that aim to conciliate everyday needs with working activities, considering the family and childcare, maintaining good psychological and physical health, the acceptance of everyday commitments that can take up time and cost money and the organisation of free-time activities and artistic-cultural initiatives.

The initiatives promoted by Cembre S.p.A. include:

- the marriage premium for all employees choosing to get married;
- the birth premium for all employees who become parents;
- a sustainable mobility project in collaboration with "Brescia mobilità S.p.A.";
- the collaboration with a Tax Assistance Centre to offer employees the chance of making their declaration of income at the Company's office, also paying a portion of the cost of the service (€10 paid by the employee and €28 by the company). The presence of a patronage functionary is guaranteed twice a month, to provide employees with free assistance with social security and welfare matters.



The initiatives taken by Cembre S.p.A. in respect of families, include:

- concession of leave for family reasons, in order to take care or assist relatives;
- a "book package" for more information on school subjects for children of employees who successfully attend middle school;
- study grants to deserving children of employees attending secondary schools and university;
- distribution of toys to children of employees aged under 10 during the Christmas period.

In 2019, to mark the 50th anniversary of the foundation of Cembre S.p.A., the following initiatives were organised, which involved our employees:

- On 05/11/2019, on the company's 50th anniversary, employees were able to proudly show the equipment, products and work places to their relatives and friends. More than 1,000 people took part in the Open Day.
- On 06/15/2019, at Palazzo Gambarara in San Vito di Bedizzole (BS), a company event was organised which brought together more than 500 people for celebration and entertainment.

- **Relations with the local community**

Cembre S.p.A. annually allocates up to 0.3% of its pre-tax profit of the previous year to benefit initiatives, as well as local community projects, with a view to having a positive impact on the local area in which it operates.

Cembre S.p.A. collaborates with professional institutes throughout the province and with the universities, offering students curricular traineeships, both in office jobs and on the production line.

In 2019 alone, 12 students were hosted for school traineeships.

Finally, in 2019, the Company supplied materials for an amount of €4,102.55 to technical and professional institutes, to be used in the laboratories and school classrooms and to other entities.

In addition, Cembre sponsored a national IT tender held at Istituto Tecnico Castelli (Castelli Technical Institute) on May 23-24, 2019, for an amount of €1,500.

Cembre S.p.A. supported the women's volleyball team of the local parish of Buffalora (BS), sponsoring the Gruppo Sportivo Oratorio di Buffalora with a donation of €1,000.

For a few years now, Cembre S.p.A. has played a role in initiatives organised by academic institutes to bring students closer to the world of work.

In 2019, the Company participated in the initiatives promoted by the University of Brescia, the Castelli Technical Institute in Brescia, ITS Meccatronica di Fondazione Lombarda at IIS Cerebotani di Lonato D.G. (BS) and the CFP Scuola Bottega Artigiani di Brescia.

Lastly, Cembre S.p.A. allocated an amount of €5,000 to the Municipality of Brescia, for the maintenance and redevelopment of the nearby Parco delle Cave.

The benefit initiatives supported by Cembre also include charitable donations to Caritas, Croce Bianca, Save the Children, Telefono Azzurro-Rosa, soup kitchens, dormitories.

### ***Non-financial performance***

The data given in the table below does not include temporary workers, who, as at 12/31/2017, numbered 48, whilst as at 12/31/2018, there were 34 and as at 12/31/2019, there were 41.

- **Staff by company**

|                     | UoM | 2019 | 2018 | 2017 |
|---------------------|-----|------|------|------|
| Cembre Spa          | no. | 452  | 447  | 440  |
| Cembre GmbH         | no. | 20   | 19   | 22   |
| Cembre Ltd.         | no. | 105  | 111  | 100  |
| Cembre Sarl         | no. | 30   | 26   | 27   |
| Cembre España       | no. | 44   | 42   | 41   |
| Cembre Inc.         | no. | 35   | 33   | 30   |
| IKUMA GmbH & Co. KG | no. | 34   | 15   | -    |

- **Staff by classification**

|               | UoM        | 2019       |            |            | 2018       |            |            | 2017       |            |            |
|---------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|               |            | Female     | Male       | Total      | Female     | Male       | Total      | Female     | Male       | Total      |
| Managers      | no.        | 0          | 16         | <b>16</b>  | 0          | 16         | <b>16</b>  | 0          | 14         | <b>14</b>  |
| Executives    | no.        | 4          | 17         | <b>21</b>  | 3          | 17         | <b>20</b>  | 0          | 10         | <b>10</b>  |
| White collars | no.        | 101        | 250        | <b>351</b> | 94         | 230        | <b>324</b> | 91         | 230        | <b>321</b> |
| Blue collars  | no.        | 77         | 255        | <b>332</b> | 76         | 257        | <b>333</b> | 74         | 241        | <b>315</b> |
| <b>Total</b>  | <b>no.</b> | <b>182</b> | <b>538</b> | <b>720</b> | <b>173</b> | <b>520</b> | <b>693</b> | <b>165</b> | <b>495</b> | <b>660</b> |

The Cembre Group sees diversity as a corporate asset and does not tolerate any form of discrimination based on differences in gender, age, health, nationality, political opinion or religious belief. The Company respects everyone's dignity, guaranteeing equal opportunities in all phases and for all aspects of employment. 25.3% of the workforce of the Cembre Group are women.

- **Members of the Board of Directors**

|              | UoM        | 2019     |          |          | 2018     |          |          | 2017     |          |          |
|--------------|------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|              |            | Female   | Male     | Total    | Female   | Male     | Total    | Female   | Male     | Total    |
| <30 years    | no.        | 0        | 0        | <b>0</b> | 0        | 0        | <b>0</b> | 0        | 0        | <b>0</b> |
| 30-50 years  | no.        | 2        | 1        | <b>3</b> | 2        | 1        | <b>3</b> | 1        | 1        | <b>2</b> |
| >50 years    | no.        | 1        | 4        | <b>5</b> | 1        | 4        | <b>5</b> | 1        | 5        | <b>6</b> |
| <b>Total</b> | <b>no.</b> | <b>3</b> | <b>5</b> | <b>8</b> | <b>3</b> | <b>5</b> | <b>8</b> | <b>2</b> | <b>6</b> | <b>8</b> |

- **Staff by age bracket**

| UoM         |     | 2019   |      |            | 2018   |      |            | 2017   |      |            |
|-------------|-----|--------|------|------------|--------|------|------------|--------|------|------------|
|             |     | Female | Male | Total      | Female | Male | Total      | Female | Male | Total      |
| <30 years   | no. | 15     | 96   | <b>111</b> | 14     | 104  | <b>118</b> | 10     | 88   | <b>98</b>  |
| 30-50 years | no. | 109    | 299  | <b>408</b> | 105    | 272  | <b>377</b> | 107    | 277  | <b>384</b> |
| >50 years   | no. | 58     | 143  | <b>201</b> | 54     | 144  | <b>198</b> | 48     | 130  | <b>178</b> |

- **Staff by age bracket and classification**

| UoM                  |            | 2019       |            |            | 2018      |            |            | 2017      |            |             |
|----------------------|------------|------------|------------|------------|-----------|------------|------------|-----------|------------|-------------|
|                      |            | Female     | Male       | Total      | Female    | Male       | Total      | Female    | Male       | Total       |
| <i>Managers</i>      |            |            |            |            |           |            |            |           |            |             |
| <30 years            | no.        | 0          | 0          | <b>0</b>   | 0         | 0          | <b>0</b>   | 0         | 0          | <b>0</b>    |
| 30-50 years          | no.        | 0          | 6          | <b>6</b>   | 0         | 5          | <b>5</b>   | 0         | 6          | <b>6</b>    |
| >50 years            | no.        | 0          | 10         | <b>10</b>  | 0         | 11         | <b>11</b>  | 0         | 8          | <b>8</b>    |
| <b>Total</b>         | <b>no.</b> | <b>0</b>   | <b>16</b>  | <b>16</b>  | <b>0</b>  | <b>16</b>  | <b>16</b>  | <b>0</b>  | <b>14</b>  | <b>14</b>   |
| <i>Executives</i>    |            |            |            |            |           |            |            |           |            |             |
| <30 years            | no.        | 0          | 0          | <b>0</b>   | 0         | 0          | <b>0</b>   | n.a.      | n.a.       | <b>n.a.</b> |
| 30-50 years          | no.        | 3          | 10         | <b>13</b>  | 1         | 7          | <b>8</b>   | n.a.      | n.a.       | <b>n.a.</b> |
| >50 years            | no.        | 1          | 7          | <b>8</b>   | 2         | 10         | <b>12</b>  | n.a.      | n.a.       | <b>n.a.</b> |
| <b>Total</b>         | <b>no.</b> | <b>4</b>   | <b>17</b>  | <b>21</b>  | <b>3</b>  | <b>17</b>  | <b>20</b>  | <b>0</b>  | <b>10</b>  | <b>10</b>   |
| <i>White collars</i> |            |            |            |            |           |            |            |           |            |             |
| <30 years            | no.        | 14         | 41         | <b>55</b>  | 13        | 45         | <b>58</b>  | n.a.      | n.a.       | <b>n.a.</b> |
| 30-50 years          | no.        | 62         | 138        | <b>200</b> | 58        | 122        | <b>180</b> | n.a.      | n.a.       | <b>n.a.</b> |
| >50 years            | no.        | 25         | 71         | <b>96</b>  | 23        | 63         | <b>86</b>  | n.a.      | n.a.       | <b>n.a.</b> |
| <b>Total</b>         | <b>no.</b> | <b>101</b> | <b>250</b> | <b>351</b> | <b>94</b> | <b>230</b> | <b>324</b> | <b>91</b> | <b>230</b> | <b>321</b>  |
| <i>Blue collars</i>  |            |            |            |            |           |            |            |           |            |             |
| <30 years            | no.        | 1          | 55         | <b>56</b>  | 1         | 59         | <b>60</b>  | n.a.      | n.a.       | <b>n.a.</b> |
| 30-50 years          | no.        | 44         | 145        | <b>189</b> | 46        | 138        | <b>184</b> | n.a.      | n.a.       | <b>n.a.</b> |
| >50 years            | no.        | 32         | 55         | <b>87</b>  | 29        | 60         | <b>89</b>  | n.a.      | n.a.       | <b>n.a.</b> |
| <b>Total</b>         | <b>no.</b> | <b>77</b>  | <b>255</b> | <b>332</b> | <b>76</b> | <b>257</b> | <b>333</b> | <b>74</b> | <b>241</b> | <b>315</b>  |

Details by age bracket are not available for 2017.

- **Incoming staff**

| UoM                |            | 2019         |              |              | 2018         |              |              | 2017         |              |              |
|--------------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                    |            | Female       | Male         | Total        | Female       | Male         | Total        | Female       | Male         | Total        |
| <30 years          | no.        | 7            | 26           | <b>33</b>    | 8            | 36           | <b>44</b>    | 6            | 27           | <b>33</b>    |
| 30-50 years        | no.        | 15           | 35           | <b>50</b>    | 6            | 20           | <b>26</b>    | 9            | 36           | <b>45</b>    |
| >50 years          | no.        | 2            | 8            | <b>10</b>    | 5            | 10           | <b>15</b>    | 3            | 2            | <b>5</b>     |
| <b>Total</b>       | <b>no.</b> | <b>24</b>    | <b>69</b>    | <b>93</b>    | <b>19</b>    | <b>66</b>    | <b>85</b>    | <b>18</b>    | <b>65</b>    | <b>83</b>    |
| <b>Hiring rate</b> | <b>%</b>   | <b>13.2%</b> | <b>12.8%</b> | <b>12.9%</b> | <b>11.0%</b> | <b>12.7%</b> | <b>12.3%</b> | <b>10.9%</b> | <b>13.1%</b> | <b>12.6%</b> |

- **Incoming staff by geographical area**

|                | UoM        | 2019      |           |           | 2018      |           |           | 2017      |           |           |
|----------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|                |            | Female    | Male      | Total     | Female    | Male      | Total     | Female    | Male      | Total     |
| Italy          | no.        | 3         | 24        | <b>27</b> | 6         | 30        | <b>36</b> | 5         | 30        | <b>35</b> |
| Rest of Europe | no.        | 17        | 37        | <b>54</b> | 11        | 30        | <b>41</b> | 10        | 23        | <b>33</b> |
| Rest of World  | no.        | 4         | 8         | <b>12</b> | 2         | 6         | <b>8</b>  | 3         | 12        | <b>15</b> |
| <b>Total</b>   | <b>no.</b> | <b>24</b> | <b>69</b> | <b>93</b> | <b>19</b> | <b>66</b> | <b>85</b> | <b>18</b> | <b>65</b> | <b>83</b> |

- **Outgoing staff**<sup>5</sup>

|                      | UoM        | 2019        |              |             | 2018        |              |             | 2017        |              |             |
|----------------------|------------|-------------|--------------|-------------|-------------|--------------|-------------|-------------|--------------|-------------|
|                      |            | Female      | Male         | Total       | Female      | Male         | Total       | Female      | Male         | Total       |
| <30 years            | no.        | 4           | 18           | <b>22</b>   | 2           | 13           | <b>15</b>   | 1           | 14           | <b>15</b>   |
| 30-50 years          | no.        | 9           | 21           | <b>30</b>   | 9           | 22           | <b>31</b>   | 2           | 27           | <b>29</b>   |
| >50 years            | no.        | 4           | 15           | <b>19</b>   | 4           | 18           | <b>22</b>   | 7           | 10           | <b>17</b>   |
| <b>Total</b>         | <b>no.</b> | <b>17</b>   | <b>54</b>    | <b>71</b>   | <b>15</b>   | <b>53</b>    | <b>68</b>   | <b>10</b>   | <b>51</b>    | <b>61</b>   |
| <b>Turnover rate</b> | <b>%</b>   | <b>9.3%</b> | <b>10.0%</b> | <b>9.9%</b> | <b>8.7%</b> | <b>10.2%</b> | <b>9.8%</b> | <b>6.1%</b> | <b>10.3%</b> | <b>9.2%</b> |

- **Outgoing staff by geographical area**

|                | UoM        | 2019      |           |           | 2018      |           |           | 2017      |           |           |
|----------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|                |            | Female    | Male      | Total     | Female    | Male      | Total     | Female    | Male      | Total     |
| Italy          | no.        | 4         | 18        | <b>22</b> | 5         | 22        | <b>27</b> | 6         | 17        | <b>23</b> |
| Rest of Europe | no.        | 11        | 28        | <b>39</b> | 9         | 27        | <b>36</b> | 4         | 25        | <b>29</b> |
| Rest of World  | no.        | 2         | 8         | <b>10</b> | 1         | 4         | <b>5</b>  | 0         | 9         | <b>9</b>  |
| <b>Total</b>   | <b>no.</b> | <b>17</b> | <b>54</b> | <b>71</b> | <b>15</b> | <b>53</b> | <b>68</b> | <b>10</b> | <b>51</b> | <b>61</b> |

- **Staff by contract type**

|              | UoM        | 2019       |            |            | 2018       |            |            | 2017       |            |            |
|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|              |            | Female     | Male       | Total      | Female     | Male       | Total      | Female     | Male       | Total      |
| Full time    | no.        | 152        | 529        | <b>681</b> | 144        | 515        | <b>659</b> | 147        | 492        | <b>639</b> |
| Part time    | no.        | 30         | 9          | <b>39</b>  | 29         | 5          | <b>34</b>  | 18         | 3          | <b>21</b>  |
| <b>Total</b> | <b>no.</b> | <b>182</b> | <b>538</b> | <b>720</b> | <b>173</b> | <b>520</b> | <b>693</b> | <b>165</b> | <b>495</b> | <b>660</b> |

- **Staff by contract term**

|              | UoM        | 2019       |            |            | 2018       |            |            | 2017       |  |
|--------------|------------|------------|------------|------------|------------|------------|------------|------------|--|
|              |            | Female     | Male       | Total      | Female     | Male       | Total      | Total      |  |
| Permanent    | no.        | 177        | 517        | <b>694</b> | 165        | 479        | <b>644</b> | <b>607</b> |  |
| Fixed term   | no.        | 5          | 21         | <b>26</b>  | 8          | 41         | <b>49</b>  | <b>53</b>  |  |
| <b>Total</b> | <b>no.</b> | <b>182</b> | <b>538</b> | <b>720</b> | <b>173</b> | <b>520</b> | <b>693</b> | <b>660</b> |  |

<sup>5</sup> It should be noted that, in 2019, the Company introduced a new calculation method which considers employees who left as at December 31 of the reporting year in the workforce at year-end.

The breakdown between men and women is not available for 2017.

- **Total average per capita training hours**

|              | UoM      | 2019        | 2018        | 2017       |
|--------------|----------|-------------|-------------|------------|
| Female       | h        | 6.8         | 7.5         | n.a.       |
| Male         | h        | 21.5        | 13.4        | n.a.       |
| <b>Total</b> | <b>h</b> | <b>17.8</b> | <b>11.9</b> | <b>8.6</b> |

The breakdown between men and women is not available for 2017.

- **Training hours by topic**

|  | UoM      | 2019           | 2018           | 2017           |
|--|----------|----------------|----------------|----------------|
| <i>Managerial (inter-company general management, new courses to improve soft skills, etc.)</i>       |          |                |                |                |
| Managers   | h        | 40.0           | 69.0           | n.a.           |
| Executives   | h        | 42.0           | 67.0           | n.a.           |
| White collars  | h        | 299.5          | 2,118.0        | n.a.           |
| Blue collars   | h        | 51.0           | 156.0          | n.a.           |
| <b>Total</b>   | <b>h</b> | <b>432.5</b>   | <b>2,410.0</b> | <b>18.0</b>    |
| <i>Plant maintenance and knowledge of technical systems</i>  |          |                |                |                |
| Managers   | h        | 42.0           | 0.0            | n.a.           |
| Executives   | h        | 121.5          | 1.5            | n.a.           |
| White collars  | h        | 1,190.0        | 186.5          | n.a.           |
| Blue collars   | h        | 351.5          | 1,865.5        | n.a.           |
| <b>Total</b>   | <b>h</b> | <b>1,705.0</b> | <b>2,053.5</b> | <b>574.3</b>   |
| <i>Technical-professional dedicated to knowledge of processes and systems</i>                        |          |                |                |                |
| Managers   | h        | 301.0          | 5.0            | n.a.           |
| Executives   | h        | 291.0          | 34.5           | n.a.           |
| White collars  | h        | 4,075.0        | 543.5          | n.a.           |
| Blue collars   | h        | 3,601.5        | 179.0          | n.a.           |
| <b>Total</b>   | <b>h</b> | <b>8,268.5</b> | <b>762.0</b>   | <b>1,763.2</b> |
| <i>Compliance (Code of Ethics, model, internal control system on the corporate disclosure, etc.)</i> |          |                |                |                |
| Managers   | h        | 9.5            | 13.0           | n.a.           |
| Executives   | h        | 11.0           | 69.0           | n.a.           |
| White collars  | h        | 275.0          | 559.5          | n.a.           |
| Blue collars   | h        | 138.0          | 93.4           | n.a.           |
| <b>Total</b>   | <b>h</b> | <b>433.5</b>   | <b>734.9</b>   | <b>87.3</b>    |
| <i>Worker Health and Safety, Environment, Quality</i>  |          |                |                |                |
| Managers   | h        | 3.0            | 19.0           | n.a.           |
| Executives   | h        | 42.0           | 48.5           | n.a.           |
| White collars  | h        | 806.0          | 786.0          | n.a.           |
| Blue collars   | h        | 1,106.0        | 1,449.8        | n.a.           |
| <b>Total</b>   | <b>h</b> | <b>1,957.0</b> | <b>2,303.3</b> | <b>3,234.0</b> |
| <i>Other</i>   |          |                |                |                |
| Managers   | h        | 0.0            | 0.0            | n.a.           |
| Executives   | h        | 0.0            | 0.0            | n.a.           |

|                      |          |                 |                |                |
|----------------------|----------|-----------------|----------------|----------------|
| White collars        | h        | 0.0             | 1.0            | n.a.           |
| Blue collars         | h        | 0.0             | 3.0            | n.a.           |
| <b>Total</b>         | <b>h</b> | <b>0.0</b>      | <b>4.0</b>     | <b>0.0</b>     |
| <b>Total</b>         |          |                 |                |                |
| <b>Managers</b>      | <b>h</b> | <b>395.5</b>    | <b>106.0</b>   | <b>n.a.</b>    |
| <b>Executives</b>    | <b>h</b> | <b>507.5</b>    | <b>220.5</b>   | <b>n.a.</b>    |
| <b>White collars</b> | <b>h</b> | <b>6,645.5</b>  | <b>4,194.5</b> | <b>n.a.</b>    |
| <b>Blue collars</b>  | <b>h</b> | <b>5,248.0</b>  | <b>3,746.7</b> | <b>n.a.</b>    |
| <b>Total</b>         | <b>h</b> | <b>12,796.5</b> | <b>8,267.7</b> | <b>5,676.8</b> |

The increase in the technical-professional training hours is due to the implementation of the new design and production software, which involved the need for training for operators and technicians.

The Cembre Group has not recorded any findings with regards to failure to respect human rights in the three years period; all activities undertaken are carried out in compliance with the provisions of the Code of Ethics, which acknowledges respect for the person and their dignity as an essential principle of paramount importance in working for the Cembre Group.

## **Health and safety management**

### ***Risks and opportunities***

Health and safety in the workplace has, in recent years, become increasingly important. The growing sensitivity of businesses, also stimulated by some rather dramatic events that have shaken up public opinion, has pushed the implementation of a series of procedures and the installation of tools able to reduce the risk of injuries and incidents at work, as far as possible. In addition to the dutiful attention paid to limiting danger situations, the importance of well-being in the workplace has been recognised, both in terms of protecting the worker and enhancing the efficiency of the business activity.

Careful attention is paid to the health and safety of the customer using the goods produced by the company: product quality is not measured purely in terms of the capacity to fulfil its purpose, but also in the capacity to prevent any injury to the user and guarantee comfortable use.

The Cembre Group has embraced this philosophy fully, seeking to mitigate the effects of the risks typical in this area:

- risk deriving from unsuitable working conditions in terms of worker health and safety, with the consequent risk of injury and occupational diseases;
- risk deriving from summonses to court, loss of reputation, payment of compensation, sanctions due to an unsafe workplace;
- risk of unsuitable control for the supervision of worker health and safety procedures and instructions;
- risk deriving from summonses to court, loss of reputation, payment of compensation, sanctions due to unsafe products;
- risk of hostile relations with workers with consequent strikes and downtime in production.

To mitigate and prevent the effects of these risks, within its Integrated Management System the Cembre Group has established a system of procedures certified, for Cembre S.p.A., according to standard OHSAS 18001. Cembre periodically conducts testing to verify compliance with procedures.

### ***The policies applied by the Cembre Group***

The Cembre Group intends to limit the risks relating to worker health and safety as much as possible; to this end, the Employer carries out and documents an analysis of the risks intrinsic to the company processes, identifying any danger situations.

In accordance with the Risk Assessment Document, and with a view to preventing or at least mitigating the risks identified, the Employer takes the actions necessary to reduce said risks, such as using PPE and promoting specific training opportunities.

In line with international models and best practices (COSO Integrated Framework), Cembre has implemented an Internal Control System that is hinged on company procedures that are relevant to the prevention and monitoring of risks. This procedural corpus constitutes the

OHSAS 18001 Worker Safety Management System (LRQA certification obtained by Cembre S.p.A. in 2012).

In addition to the legal requirements, the Cembre Group also pays careful attention to the workplace so as to ensure that work can be carried out in a safe, comfortable environment. Such attention specifically regards: management and maintenance of infrastructures and vehicles, cleaning, tidiness and hygiene at the workstations, definition of safety and fire-fighting plans, training and information to employees on safety and the use of personal protection equipment, involvement of staff to ensure that they are aware of the importance of their work and their contribution towards maintaining and improving working conditions and the workplace.

Cembre calculates and constantly verifies indicators relating to reports, incidents and injuries. In general, reports are collected and analysed in order to identify and implement any corrective action; more specifically, reports of danger and incidents are monitored during the Management Review. As regards injuries, all reports are analysed with the aim of finding a solution by which to limit dangerous situations and, if possible, avoid any recurrence of the injury. In this case, once a year (during the Management Review and Annual Worker Health and Safety Meeting), injury data is processed as required by standard UNI 7249:2007 and brought to the attention of the Management and internal and external entities with an interest in regard to the Company.

In accordance with the principles established in the Group's Code of Ethics, Cembre Ltd. has developed a series of operating procedures to prevent the occurrence of accidents and injuries. The constant maintenance and replacement of the machines and structures used guarantee a safe and comfortable work environment. Safety and fire prevention plans are defined in the plant.

As regards its products, and therefore the health and safety of the end consumer, controls, checks and validations have been formalised and prescribed during the design stage, which can guarantee a response to customer needs (for example in terms of: fitness for purpose, practicality of use, ergonomics, safety, etc.) and compliance with the provisions of the law/applicable regulations (e.g. electromagnetic compatibility, noise, vibrations, etc.). The controls, which are established in all phases of the production processes, guarantee that the products developed are only released if compliant with project provisions.

No cases of non-conformity with the laws and/or regulations have been reported in the three-year period, in connection with products and services supplied by the Cembre Group.



## ***Non-financial performance***

- **Injuries at work, injury rates**

|                                | UoM | 2019      | 2018      | 2017      |
|--------------------------------|-----|-----------|-----------|-----------|
| Injuries at work               | no. | 26        | 34        | 2         |
| of which serious injuries      | no. | 0         | 2         | 0         |
| of which fatal injuries        | no. | 0         | 0         | 0         |
| Hours worked                   | no. | 1,257,368 | 1,218,294 | 1,156,295 |
| Injury frequency index         | %   | 20.68     | 27.90     | 1.73      |
| Serious injury frequency index | %   | 0         | 1.64      | 0         |
| Fatal injury frequency index   | %   | 0         | 0         | 0         |

The injury frequency index is calculated as the ratio of the number of injuries and the hours worked, multiplied by one million ( $\frac{\text{No.injuries}}{\text{Hours worked}} \times 1.000.000$ ).

There were 41 incidents (near misses) involving employees and contractors in 2019.

The great majority of accidents during the period in question regarded small injuries (abrasions, cuts, etc.) which were treated in the plants by staff trained in first aid or by the company physician, which did not entail significant losses in working hours. It should be noted that, at the Brescia facility of Cembre S.p.A., a temporary worker suffered an injury which did not involve any days of absence.

There were 3 accidents while travelling to/from work, not included in the total count of workplace accidents (26) and the associated accident indexes.

Serious injuries are events that entailed a prognosis exceeding 6 months. There were no cases of serious accidents in 2019.

There were no cases of fatal accidents in the three years.

The Cembre Group does not have risk conditions higher than those in most engineering companies, the main ones of which are:

- *Overhead work, falling from heights*

*Circumstance that determines the presence of risk.* Access and parking at raised work stations of machines / machinery and the relevant access steps. Use of portable steps. Occasional use of extensible moveable bridge.

*Measures in place:* mental and physical fitness certificate issued by the competent doctor. Information, training, education by external authorised companies and appointment of Employer. Work and emergency procedures. Special personal protective equipment periodically checked by an authorised external firm. Appropriate equipment. Adequately protected raised work stations.

- Assisted handling of materials

*Circumstance that determines the presence of risk.* Handling of materials through electric pallet jacks or forklift trucks (risk of accident, crushing, collision, etc.).

*Measures in place:* observance of the capacity of the equipment used. Anti-collision device of electric pallet jacks. Flooring suited to the nature of the processing which is not uneven or coarse. Adequate internal lighting. Suitable transit and operation areas for pallet jacks/forklift trucks. Regular maintenance checks by qualified personnel. Employee information, training and education. Work and emergency procedures.

- Moving machine parts - dangerous movement of machinery components during processing. Cuts and lesions

*Circumstance that determines the presence of risk.* Contact with dangerous moving parts of machine tools; risk of confinement in robotic islands and work areas accessible by machines.

*Measures in place:* adequate safety devices (emergency buttons, safety micro-switches, protective casing, energy recovery protection devices, etc.). Suitable signage. Information, training, education. Periodic logged scheduled maintenance. Suitable personal protective equipment and work tools. Work and emergency procedures.

- Repetitive movements of the upper limbs and posture

*Circumstance that determines the presence of risk,* work activities that involve the risk from repetitive movements and efforts of the upper limbs.

*Measures in place:* in the activities subject to risk there is the possibility of switching work positions (seated, upright) to reduce the risk from fixed and prolonged postures. Pace of work determined autonomously by the worker. There are adequate work breaks and recovery time during assembly activities. Information, training, education. Work procedures.

- Falling material from heights (lifting and handling of materials with overhead travelling crane).

*Circumstance that determines the presence of risk.* Risk present during the phase of lifting and handling of materials with crane or during the handling of materials using pallet jacks from warehouses.

*Measures in place:* signage. Employee information, training, education (annual reevaluation for the reconfirmation of internal certificate). Regular maintenance of lifting equipment, of limit switches, safety, coupling and harness devices. Periodic legal checks and periodic verification of lifting accessories. Respect for lifting capacities. Work and emergency procedures. Prohibition of parking in the operation areas of lifting equipment. Suitable Personal Protective Equipment.

- Electrical

*Circumstance that determines the presence of risk:* risk of direct and indirect contact with live parts.

*Measures in place:* plant compliance with state of the art. Actions only on disconnected machines/ systems: actions on machines / live systems reserved to specialised personnel with the necessary Personal Protective Equipment. Safety signage: electrical panel operations only permitted to authorised personnel, electrical panel hazard when live. Regular controls of the electrical equipment of machines by qualified personnel. Periodic checks of the earthing system. Work and emergency procedures.

## **Management of the fight against corruption**

### ***Risks and opportunities***

The fight against corruption is a duty for all businesses; indeed, all players should aim to guarantee that the market operates according to economic rules and is not influenced by opportunistic actions that do nothing else but increase the social costs of the business. The main risks connected with the failure to prevent corruption are:

- risk deriving from summonses to court, loss of reputation, payment of compensation, sanctions due to corruption committed by company functionaries;
- risk of stipulating contracts at disadvantageous conditions, followed by corruption accepted to the benefit of company functionaries.

To limit the risk of acts of corruption occurring, the Cembre Group has established a multi-level authorisation system for payments and the management of financial resources, which places limits on the possibility of carrying out monetary transactions, beyond which approval by a superior is required. Every transaction is carried out against an approved expense document.

### ***The policies applied by the Cembre Group***

The Board of Directors defines the guidelines to the Internal Control and Risk Management System, intended as the set of processes aiming to monitor the efficiency of the company operations, the reliability of the financial information, compliance with laws and regulations and the safeguarding of company assets. In line with international models and best practices (COSO Integrated Framework), the Cembre Internal Control System is hinged on the following key aspects:

- *Control environment*: this is the environment in which the individuals operate and it represents the culture relative to control permeated within the organisation. It consists of the following elements: company organisation chart, system of delegations and powers of attorney, organisational provisions, public disclosure procedure of Inside Information, procedure for significant operations and with Related Parties, procedure for the fulfilment of Internal Dealing obligations, Administrative-Accounting Control Model and the Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001, including the Code of Ethics, which is an integral part thereof.
- *Control activities*: it is the set of control rules and procedures put in place to allow the monitoring and control of corporate risks to reduce them to an acceptable level and ensure the achievement of corporate objectives. It consists of the following elements:
  - administrative and accounting control procedures: set of corporate procedures for the preparation and disclosure of accounting information (e.g. Group accounting manual, related administrative and accounting procedures and in particular financial statements and reporting in general, managerial accounting forms);
- *Information and communication*: is the process created to ensure the accurate and timely collection and communication of corporate information. With regards to the financial disclosure, the Administrative-Accounting Control Model adopted by the Company in

accordance with Italian Law no. 262/2005 regulates the rules and procedures for the correct preparation of the accounting disclosure.

- *Monitoring activities*: is the set of activities necessary to verify and evaluate periodically the adequacy, operational efficiency and efficacy of internal controls.

The Cembre S.p.A. Risk Management System is described in the Corporate Governance Report. The Company takes an integrated approach to the risk of regulatory non-compliance. For the measures envisaged if such should occur, reference is made to the Organisation, Management and Control Model in accordance with Italian Legislative Decree no. 231/2001, which aims to prevent specific crimes from being committed by Company managers and all workers under their management and/or supervision, employees and/or collaborators, in the interests or to the benefit of the Company. Cembre appoints the Supervisory Body to assess the adequacy and effectiveness of the Model, or rather its actual capacity to prevent the crimes and monitor the function and correct observance of the protocols adopted. At the request of said body, the Company has promptly updated the Model 231/01 and adjusted the control structure supervising it, according to the regulatory evolutions of the time. At each Model update, a specific communication is made to all employees in this respect; the contractual clauses usually included in each contract with suppliers of goods and services envisage specific reference to the Code of Ethics, published on the company website. The Code of Ethics defines the ethical standards and values upheld and embraced by the Group and which, accordingly, must be upheld and embraced by all subjects with which the Cembre Group operates. In general, as regards the methods identified for training, there is a specific paragraph in the Model 231, which regulates training and information of employees in respect of the Model, using both classroom training and e-learning methods, with final learning test/questionnaire. Cembre has also defined its own Accounting-Administrative Control Model in compliance with Italian Law no. 262/05, within which indications are given as the rules adopted to manage risk and internal control in respect of the financial disclosure process, as an integral part of the company internal control system.

In line with the Group's Code of Ethics, all subsidiaries adopt anti-corruption risk policies, in particular by limiting the circulation of money and applying centrally defined procedures. The Group companies are periodically subject to internal auditing activities to verify compliance with and the functioning of the controls required by the procedures.

### ***Non-financial performance***

As also confirmed by the Supervisory Body, no acts of corruption have been recorded within the Company Cembre S.p.A., nor within any of its subsidiaries, nor have any reports been made in this respect.

## **Supply chain management**

### ***Risks and opportunities***

The specificity of the products, intended for a market of highly-specialised users, and the need for the rigorous respect of high quality standards in the procurement of products and services, are characteristics that often lead to the need for a commercial relationship with a limited number, in some cases even just one, of suppliers. Cembre's aim is to minimise the risk deriving from sudden shortages of supply by means of a continuous search for alternative "sources" and constantly expanding upon its technical and production potential.

Cembre carefully makes sure that all players in the supply chain operate in complete compliance with workers' rights and environmental problems, thereby opting, where possible, for companies operating in social contexts and geographic areas in which there is a greater sensitivity towards these matters.

In this area, the greatest risks to which Cembre is exposed are:

- risk deriving from suppliers that do not respect and maintain suitable environmental sustainability standards and whose production process has significant effects on the environment;
- risk deriving from suppliers that do not comply with the ethical standards and standards of conduct required by the Company, such as failure to respect human rights or social standards required by the business;
- risk of involving the Company in unlawful deeds (corruption) by company staff, including in supplier complicity.

To prevent these risks, the Cembre Group limits its relationships with companies involved in violations or presumed violations of regulations in force on workers' rights, respect for the environment and anti-corruption.

Orders and supply contracts specifically require compulsory adherence to and compliance with the Cembre Code of Ethics, which is published on our official website. Failure to comply with the provisions of the Code of Ethics results in the immediate termination of contracts and the revocation of any orders in place.

### ***The policies applied by the Cembre Group***

Group procurement takes place in compliance with procedures prepared to guarantee the uniformity and repetitiveness of the activity, as well as supplier compliance in terms of quality and respect for ethical standards and environmental protection.

More specifically, the Purchasing Office has the task of identifying potential new suppliers to be included in the procurement process, so as to guarantee Cembre competitiveness, continuity of supply and high product quality.

All potential suppliers of the Company, both services and products, are subjected to an initial "qualification" aimed at determining the capacity of the supplier to satisfy all their requirements.

More specifically, the aim is to highlight the supplier's capacity to guarantee processes with suitable environmental sustainability standards, respectful of the ethical standards and standards of conduct required by Cembre, such as respect for human rights, the fight against corruption or the social standards laid down by the business.

During this phase, attention is also paid to checking that the candidate company has transparent processes that are unlikely to suffer corruption and that it enjoys a suitable reputation with the media.

This assessment is then repeated frequently and each time the Integrated Management System Manager or the Purchasing Department Manager deems it necessary, so as to minimise the connected risks, and in accordance with that described in the respective process plans.

The supplier approval process involves sending a "preventive assessment check-list", of which a specific section is given over to the collection of information, which must be as objective and verifiable as possible, on the Safety and Environmental Management System adopted by the supplier.

Suppliers adopting safety or environmental management systems that comply with international standards, or which are certified, are preferred.

The information collected during this phase is used in obtaining the final result of supplier approval.

Once a supplier has been approved, specific audits may be planned, aiming to continuously verify compliance with qualification standards and principles.

The Integrated Management System Manager can request that audits be carried out if elements should emerge that contradict or prejudice that assessed during validation, as in the case where significant non-conformities are seen on the quality of the product/service supplied.

The conformity of the REACH Directive, i.e. the integrated management system of chemical substances, is validated and monitored by means of a computerised work flow of assessment and approval prior to the first procurement of the actual product.

A specific automated electronic archiving procedure of the Safety Data Sheets allows for constant monitoring of the obsolescence of said sheets and guarantees that they are available to product users for rapid consultation, where needed.

Archiving also involves the entry of data relative to the use of the product, such as: the using department, the methods of use, the quantity used and the date of archiving, which determines the period for which the Safety Data Sheets are valid, beyond which the supplier must be asked to update the documentation (validity is set to 3 years).

Most of the procurement takes place through companies operating in the EU and with a consolidated financial position; these facts help limit the risks relating to the exploitation of child labour, failure to respect gender differences and environmental problems.

## Non-financial performance

| Cembre Spa                       | UoM      | 2019          | 2018          | 2017          |
|----------------------------------|----------|---------------|---------------|---------------|
| Procurement expenses             | €        | 66,619,283    | 77,443,880    | 67,460,000    |
| <i>of which local suppliers</i>  | €        | 45,269,777    | 55,594,100    | 47,015,000    |
| <b>Local percentage of total</b> | <b>%</b> | <b>67.95%</b> | <b>71.79%</b> | <b>69.69%</b> |

| Cembre Ltd                       | UoM      | 2019          | 2018          | 2017          |
|----------------------------------|----------|---------------|---------------|---------------|
| Procurement expenses             | €        | 14,436,181    | 15,317,995    | 13,705,213    |
| <i>of which local suppliers</i>  | €        | 3,197,723     | 3,815,518     | 3,677,939     |
| <b>Local percentage of total</b> | <b>%</b> | <b>22.15%</b> | <b>24.91%</b> | <b>26.84%</b> |

| Cembre SARL                      | UoM      | 2019          | 2018          | 2017          |
|----------------------------------|----------|---------------|---------------|---------------|
| Procurement expenses             | €        | 8,185,028     | 7,927,489     | 7,084,492     |
| <i>of which local suppliers</i>  | €        | 1,152,108     | 1,337,321     | 1,095,264     |
| <b>Local percentage of total</b> | <b>%</b> | <b>14.08%</b> | <b>16.87%</b> | <b>15.46%</b> |

| Cembre España SLU                | UoM      | 2019         | 2018         | 2017         |
|----------------------------------|----------|--------------|--------------|--------------|
| Procurement expenses             | €        | 7,990,053    | 7,103,999    | 6,508,252    |
| <i>of which local suppliers</i>  | €        | 426,938      | 529,132      | 500,340      |
| <b>Local percentage of total</b> | <b>%</b> | <b>5.34%</b> | <b>7.45%</b> | <b>7.69%</b> |

| Cembre GmbH                      | UoM      | 2019          | 2018          | 2017          |
|----------------------------------|----------|---------------|---------------|---------------|
| Procurement expenses             | €        | 5,140,437     | 4,611,287     | 5,858,038     |
| <i>of which local suppliers</i>  | €        | 693,963       | 708,436       | 941,768       |
| <b>Local percentage of total</b> | <b>%</b> | <b>13.50%</b> | <b>15.36%</b> | <b>16.08%</b> |

| Cembre Inc.                      | UoM      | 2019          | 2018         | 2017          |
|----------------------------------|----------|---------------|--------------|---------------|
| Procurement expenses             | €        | 7,009,036     | 8,390,603    | 9,372,219     |
| <i>of which local suppliers</i>  | €        | 795,354       | 519,866      | 2,267,669     |
| <b>Local percentage of total</b> | <b>%</b> | <b>11.35%</b> | <b>6.20%</b> | <b>24.20%</b> |

| IKUMA KG                         | UoM      | 2019          | 2018          | 2017       |
|----------------------------------|----------|---------------|---------------|------------|
| Procurement expenses             | €        | 5,671,379     | 6,327,110     | N/A        |
| <i>of which local suppliers</i>  | €        | 850,707       | 1,874,509     | N/A        |
| <b>Local percentage of total</b> | <b>%</b> | <b>15.00%</b> | <b>29.63%</b> | <b>N/A</b> |

Local suppliers are companies whose business is located in the same country as the Cembre Group companies to which the table data is referred.

The data of IKUMA KG from 2017 are not provided as the company was not previously part of the Cembre Group.



## Methodological note

The Consolidated non-financial declaration of the Cembre Group has been prepared in accordance with Italian Legislative Decree no. 254/2016 as amended and according to the GRI Sustainability Reporting Standards published in 2016 by the Global Reporting Initiative (GRI). In particular, according to the provisions of Standard GRI 101: Foundation 2016, paragraph 3, within this document the GRI Standards reported in the "Table of correlation between the Cembre material topics and GRI aspects 201, 204, 205, 302, 303, 305, 306, 307, 401, 403, 404, 405, 406, 416 and 419 ("GRI referenced claim")" have been used as a reference. The GRI Standards envisage that the Declaration shall contain information on the aspects considered as material, as they may have significant impacts on the organisation from a social, economic and environmental viewpoint and may substantially influence stakeholder considerations and decisions.

The collection of data and information required to prepare this Document, was carried out by various different company departments, according to the following principles laid down by the GRI Standard:

- accuracy: the data and information included in the Declaration has been verified by the respective department managers, so as to validate its accuracy and authenticity;
- timeliness: the Consolidated non-financial declaration will be published once a year, at the same time as the Annual Financial Report;
- comparability and clarity: in preparing the Consolidated non-financial declaration, clear, concise language was used, along with tables and graphs, so as to ensure that it is understood by all stakeholders. The information included in the report refers to the period running between 01/01/2019 and 12/31/2019. Where available, the data relating to the previous years has been included, so as to allow for an assessment of the trend of Group operations over the medium-term. Any absence of such a comparison is due to the lesser relevance of the performance over the years or the impossibility of recovering information relative to previous years. Finally, as regards the quantitative information given in the Declaration for which estimates were used, this detail is duly noted in the various chapters;
- balance: the data and information given in the Declaration has been portrayed realistically and in a timely manner; indicators reflect the Group's performance in the reporting period;
- reliability: the Consolidated non-financial declaration has been prepared by a specifically-formed working party, whose members have been identified from the various Group company departments and who have validated the contents with respect to their areas of competence. The final document, as a whole, was presented to and discussed and approved by the Board of Directors on March 11, 2020.

The Consolidated non-financial declaration has been subject to a limited audit by the independent auditing firm, EY S.p.A.

Unless otherwise specified in each chapter, the data and information of this Declaration refer to the Companies belonging to the Cembre Group as at December 31, 2019, fully consolidated within the Annual Financial Report. The Italian offices and warehouses used exclusively for

commercial purposes have been excluded from the perimeter of reporting, regarding environmental aspects only, as their impact on said indicators is not relevant.

The Group is preparing a formalised procedure for the drafting of the consolidated non-financial declaration which will define the roles, responsibilities and method of information collection for the drafting of said declaration. The procedure will be approved in the next few months

Brescia, March 11, 2020

**FOR THE BOARD OF DIRECTORS  
OF THE PARENT COMPANY CEMBRE S.P.A.**  
The Chairman and Managing Director

Giovanni Rosani

## APPENDICES

**Table of correlation between the Cembre material topics and GRI aspects**

| Theme of Italian Legislative Decree no. 254/2016 | Material theme                          | Topic specific GRI Standard   | Scope of impacts                                      |                             |
|--|---|---|---|-----------------------------|
|  |   |   | Impacts inside the Group                              | Impacts outside the Group   |
| <b>Environmental</b>                             | Energy efficiency                       | GRI 302 - Energy  | Entire Group (particularly Cembre Spa and Cembre Ltd) | Suppliers                   |
|  | Water and waste management              | GRI 303 - Water   |   |                             |
|  | Emissions management                    | GRI 305 - Emissions   |   |                             |
|  | Compliance and risk management          | GRI 307 – Environmental compliance  |   |                             |
|  | Waste management                        | GRI 306 - Effluents and waste   |   |                             |
| <b>Social</b>                                    | Involvement of the local communities    | GRI 204 – Procurement practices   | Entire Group  |                             |
|  | Economic value obtained and distributed | GRI 201 - Economic performance  |   |                             |
|  | Compliance and risk management          | GRI 419 – Socio-economic compliance                                       | Entire Group  |                             |
|  | Customer health and safety              | GRI 416 - Customer health and safety                                      | Entire Group  | Sales network               |
| <b>Relating to staff</b>                         | Human resources management              | GRI 401 - Employment<br>GRI 102 - General disclosures                     | Entire Group  |                             |
|  | Personnel training and development      | GRI 404 - Training and education  |   |                             |
|  | Protection of diversity                 | GRI 405 - Diversity and equal opportunity<br>GRI 406 - Non-discrimination |   |                             |
|  | Worker health and safety                | GRI 403 - Occupational health and safety                                  | Entire Group  | Suppliers                   |
| <b>Respect for human rights</b>                  | Human rights                            | GRI 406 - Non-discrimination  | Entire Group  | Suppliers                   |
| <b>Fight against corruption</b>                  | Anti-corruption procedures and policies | GRI 205 - Anti-corruption   | Entire Group  | Suppliers and Sales network |

The matter of sustainable governance is transversal to all areas of Italian Legislative Decree no. 254/2016 and all GRI Standards and is dealt with in this Declaration with reference to General Disclosure 102-18.

The reporting is not extended to the scope outside the Group.

## ***GRI Standards correspondence table***

| <b>GRI Standard</b>                  | <b>Disclosure</b>  | <b>Description</b>  | <b>Page</b>                              | <b>Omissions - Notes</b>                                     |
|--------------------------------------|--------------------|---|--|--|
| <b>GRI 102 - General disclosures</b> | 102-1              | Name of the organisation  | Cover page                               |  |
|                                      | 102-2              | Activities, brands, products and services   | 1-2                                      |  |
|                                      | 102-3              | Location of headquarters  | Back cover                               |  |
|                                      | 102-4              | Location of operations  | 3  |  |
|                                      | 102-5              | Ownership and legal form  | 5  |  |
|                                      | 102-6              | Markets served  | 5-6                                      |  |
|                                      | 102-7              | Scale of the organisation   | 3, 6                                     |  |
|                                      | 102-8              | Information on employees and other workers  | 17-19                                    |  |
|                                      | 102-9              | Supply chain  | 26-28                                    |  |
|                                      | 102-10             | Significant changes to the organisation and its supply chain                                      | 1  | No significant changes were made to the organisation         |
|                                      | 102-11             | Principle of prudence   |  | The Group has not formally adopted the principle of prudence |
|                                      | 102-15             | Key impacts, risks and opportunities  | 9, 14, 22, 24, 26                        |  |
|                                      | 102-16             | Values, principles, standards and norms of behaviour  | 1-2                                      |  |
|                                      | 102-18             | Governance structure  | 4  |  |
|                                      | 102-41             | Percentage of total employees covered by collective bargaining agreements                         | 15                                       |  |
|                                      | 102-45             | Entities included in the organisation's consolidated financial statements or equivalent documents | 2-3                                      | There are no differences in scope                            |
|                                      | 102-46             | Defining report content and topic boundaries  | 7-8                                      |  |
|                                      | 102-47             | List of material topics   | 7-8, 30                                  |  |
|                                      | 102-49             | Changes in the list of material topics and topic boundaries                                       |  | There have been no changes in the material topics            |
|                                      | 102-50             | Reporting period  | Cover page                               |  |
|                                      | 102-51             | Date of most recent report  | 29                                       |  |
|                                      | 102-52             | Reporting cycle   |  | Annual   |
|                                      | 102-54             | Claims of reporting in accordance with the GRI Standards  | 29                                       |  |
| 102-55                               | GRI content index  | 31-33   |  |  |
| 102-56                               | External assurance |   | Audit report of the independent auditors |  |

| GRI Standard                                   | Disclosure              | Description  | Page           | Omissions - Notes  |
|--|-------------------------|--|----------------|--|
| <b>GRI 201 - Economic performance 2016</b>     | 103-1<br>103-2<br>103-3 | Management approach  | 6-8, 30        |  |
|  | 201-1                   | Direct economic value generated and distributed  | 6              |  |
| <b>GRI 204 – Procurement practices 2016</b>    | 103-1<br>103-2<br>103-3 | Management approach  | 7-8, 26-28, 30 |  |
|  | 204-1                   | Proportion of spending on local suppliers  | 27-28          |  |
| <b>GRI 205 - Anti-corruption 2016</b>          | 103-1<br>103-2<br>103-3 | Management approach  | 7-8, 24-25, 30 |  |
|  | 205-3                   | Confirmed incidents of corruption and actions taken  | 25             | There were no confirmed incidents of corruption in 2019                        |
| <b>GRI 302 - Energy 2016</b>                   | 103-1<br>103-2<br>103-3 | Management approach  | 7-10, 11, 30   |  |
|  | 302-1                   | Energy consumption within the organisation   | 11             |  |
|  | 302-3                   | Energy intensity   | 11             |  |
| <b>GRI 303 - Water 2016</b>                    | 103-1<br>103-2<br>103-3 | Management approach  | 7-10, 11, 30   |  |
|  | 303-3                   | Water withdrawal   | 11             |  |
| <b>GRI 305 - Emissions 2016</b>                | 103-1<br>103-2<br>103-3 | Management approach  | 7-10, 12, 30   |  |
|  | 305-1                   | Direct (Scope 1) GHG emissions   | 12             |  |
|  | 305-2                   | Energy indirect (Scope 2) GHG emissions  | 12             |  |
|  | 305-7                   | Nitrogen oxides (NOx), sulphur oxides (SOx) and other significant air emissions by type and weight | 13             |  |
| <b>GRI 306 - Effluents and waste 2016</b>      | 103-1<br>103-2<br>103-3 | Management approach  | 7-10, 13, 30   |  |
|  | 306-2                   | Waste by type and disposal method  | 13             |  |
| <b>GRI 307 – Environmental compliance 2016</b> | 103-1<br>103-2<br>103-3 | Management approach  | 7-10, 30       |  |
|  | 307-1                   | Non-compliance with environmental laws and regulations   |                | In 2019 no non-compliance with environmental laws and regulations was detected |

| GRI Standard   | Disclosure  | Description   | Page   | Omissions - Notes  |  |
|--|---|---|--|--|--|
| <b>GRI 401 - Employment 2016</b>                     | 103-1<br>103-2<br>103-3                                     | Management approach   | 7-8, 14-19, 30   |  |  |
|  | 401-1   | New employee hires and employee turnover  | 18-19  |  |  |
| <b>GRI 403 - Occupational health and safety 2018</b> | 103-1<br>103-2<br>103-3                                     | Management approach   | 7-8, 22-23, 30   |  |  |
|  | 403-1<br>403-2<br>403-3<br>403-4<br>403-5<br>403-6<br>403-7 | Management approach   | 7-8, 22-23, 30   |  |  |
|  | 403-9   | Injuries at work  | 23   |  |  |
|  | <b>GRI 404 - Training and education 2016</b>                | 103-1<br>103-2<br>103-3   | Management approach                                    | 7-8, 15-17, 20-21, 30  |  |
|  |   | 404-1   | Average hours of training per year per employee        | 20-21  |  |
|  | <b>GRI 405 - Diversity and equal opportunity 2016</b>       | 103-1<br>103-2<br>103-3   | Management approach                                    | 7-8, 14-18, 30   |  |
|  |   | 405-1   | Diversity of governance bodies and employee categories | 17-18  |  |
|  | <b>GRI 406 - Non-discrimination 2016</b>                    | 103-1<br>103-2<br>103-3   | Management approach                                    | 7-8, 14-17, 30   |  |
| 406-1  |   | Incidents of discrimination and corrective actions taken                                      | 15   | No cases of discrimination were reported in 2019                                   |  |
| <b>GRI 416 - Customer health and safety 2016</b>     | 103-1<br>103-2<br>103-3                                     | Management approach   | 7-8, 22-23, 30   |  |  |
|  | 416-2   | Incidents of non-compliance concerning the health and safety impacts of products and services | 23   | There were no incidents of product non-compliance in 2019                          |  |
| <b>GRI 419 – Socio-economic compliance 2016</b>      | 103-1<br>103-2<br>103-3                                     | Management approach   | 7-8, 14-17, 30   |  |  |
|  | 419-1   | Non-compliance with laws and regulations in the social and economic area                      |  | There were no cases of non-compliance with social and economic regulations in 2019 |  |

## Independent auditors' report on the consolidated disclosure of non-financial information in accordance with Article 3, par. 10, of Legislative Decree 254/2016 and with Article 5 of CONSOB Regulation adopted with Resolution n. 20267 of January 18, 2018

(Translation from the original Italian text)

To the Board of Directors of  
Cembre S.p.A.

We have been appointed to perform a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5 of CONSOB Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non-financial information of Cembre S.p.A. and its subsidiaries (hereinafter the "Group") for the year ended on December 31, 2019 in accordance with article 4 of the Decree and approved by the Board of Directors on March 11, 2020 (hereinafter "DNF").

### Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by GRI - Global Reporting Initiative (hereinafter "GRI Standards"), with regards to the selection of GRI Standards specified in the paragraph "Methodological Note" of the DNF, identified by them as a reporting standard.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

### Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

## Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the GRI Standards, with regards to the selection of GRI Standards specified in the paragraph "Methodological Note" of the DNF. Our work has been performed in accordance with the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This principle requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant matters in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the DNF with those included in the Cembre Group's consolidated financial statements;
4. understanding of the following aspects:
  - o Group's management and organization business model, with reference to the management of the matters indicated in the article 3 of the Decree;
  - o policies adopted by the Group related to the matters indicated in the article 3 of the Decree, results achieved and related key performance indicators;
  - o main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below

5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF.  
In particular, we have conducted interviews and discussions with the management and other personnel of Cembre S.p.A. and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.



Furthermore, for significant information, considering the Group activities and characteristics:

- at Group level
  - a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
  - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- for the site of Brescia of Cembre S.p.A., that we have selected based on its activities, relevance to the consolidated performance indicators and location, we have carried out a site visit during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

## Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the Cembre Group for the year ended on December 31, 2019 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards, with regards to the selection of GRI Standards specified in the paragraph “Methodological Note” of the DNF.

## Other Information

The DNF for the year ended on December 31, 2017, whose data are presented for comparative purposes, has been subject to limited assurance procedures by another auditor, who expressed an unqualified conclusion on this DNF on March 28, 2018.

Brescia, March 23, 2020

EY S.p.A.  
Stefano Colpani  
(Statutory Auditor)

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