



Carraro Group
Sustainability Report 2020



Carraro Group
Sustainability Report
2020

Consolidated Non-Financial
Statement pursuant
to Italian Legislative Decree
254/2016

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Letter to stakeholders

The UN estimates that approximately 2 billion people in the world are facing moderate or serious food insecurity. More than 80% of people who live in urban areas are exposed to air pollution above the limits established by the World Health Organisation (WHO). The World Bank estimates that around 750 million men and women across the world lived in conditions of extreme poverty in 2018. According to the Global Footprint Network, in 2020 the planet used its annual available resources by 21 August, a month later than usual “thanks” to the lockdowns imposed - as we are all aware - at a global level to contain the pandemic. According to the British NGO Actionaid, women represent two thirds of all illiterate adults, totalling approximately 477 million.

102-14
Statement
from senior
decision-maker

Quite simply, there is more than one global emergency and none of the above problems can be solved by a vaccine.

The only way to mitigate everything, perhaps aiming to resolve certain contingencies along the way, is through development and sustainability.

At Carraro, we believe that development is the key driver in ensuring a prosperous present and future. Our founder, Mario Carraro, always taught us that companies that stay still are destined to fail. We started out with tractors and developed into transmission system manufacturers; we were one of the first companies in Italy to use telefax, email, CAD-CAM and PCs; having consolidated our leadership, we broadened our horizons and internationalised our industrial footprint; when crisis struck, we restructured and came back strong. Change, and therefore development, have always been an integral part of our culture and our strategic and operating activities.

Yet this development must be sustainable. Since our very beginnings, the Group has always had an *Olivettian*¹ vision, a natural approach based on optimising our human resources and intangible assets, focusing in particular on the relationship between the business and its ethical and social responsibilities. Today, as we look to the future, sustainability must become increasingly organic and form the nucleus of our growth plans. To this end, we launched the Carraro Social Responsibility CSR programme in 2018.

According to the definition in the Business Dictionary, CSR is the sense of responsibility

¹ A reference to Adriano Olivetti, a hugely influential Italian entrepreneur in the period after the Second World War who was known for his innovative business projects based on the principle that profits should be reinvested to benefit the community.

that a business or any other economic entity shows towards the community, the environment and the social context in which it operates. But we need to go even further, interpreting CSR above all as a strategic development opportunity.

A fundamental tool in the fight to end world hunger is the mechanisation of agriculture, and the capacity to cultivate more efficiently and effectively. Only those able to produce increasingly efficient vehicles and drive systems will be able to secure market leadership. This is enabled by pursuing genuine technological evolution, focusing on digitalisation, the growing integration of electric mobility and precision farming. The installation of tri-generation plants, such as the system at our SIAP plant in Maniago, will help to cut emissions and increase the business' competitive advantage. If we add to this an internationally recognised ESG certification, we represent a leading partner for our clients. These are just three examples related to our business that come to mind.

The year ahead will be decisive in definitively rooting a positive CSR culture in our business as a universal asset. To this end, we have consolidated our already superb team of professionals dedicated to these issues by introducing the position of CSR Development Manager, with the aim of integrating sustainability objectives into our strategic plan. Furthermore, we have also included these topics in the training programme at our newly established Carraro Business School.

It has been said that 2021 will be a new beginning; for us, it marks a continuation of a journey that began more than 70 years ago, a new year in which sustainability will definitively become one of the core values of our Group. A year of change.



Tomaso Carraro
Deputy Chairman
Chief CSR Officer

Note on Methodology

Reporting standards

With the 2020 Consolidated Non-Financial Statement (NFS), the fourth edition of this document, the Carraro Group¹ notifies its stakeholders of its policies, strategies and management model as regards the environment, social topics, employees, respect for human rights and the fight against corruption, as well as reporting the main results achieved in terms of value creation in the medium and long term. This document fulfils the obligation deriving from Italian Legislative Decree no. 254 of 30 December 2016 (hereinafter “Decree 254”) and the amendments made by Italian Law no. 145 of 30 December 2018 on disclosing non-financial information, to which the Carraro Group is subject.

The Carraro Group’s NFS, published once a year since 2018, was prepared in conformity with the “GRI Sustainability Reporting Standards” (GRI Standards) issued by the Global Reporting Initiative (GRI) in 2016 and subsequent versions, according to the “in accordance - Core” option. As regards the topic-specific Standards GRI 403 Occupational Health and Safety and GRI 306 Waste, the most recent versions published respectively in 2018 and 2020 have been adopted.

These standards establish that the information contained in this document must refer to aspects and topics which, on the one hand, influence the decisions made by stakeholders and, on the other, reflect the most significant economic, social and environment impacts of the Group’s activities.

The GRI Content Index helps to identify the information reported in the document.

In line with relevant legislation and the GRI Standards, the non-financial report included in this document reflects the principle of materiality, or relevance. In fact, relevant topics are identified through a materiality analysis and assessment, as described in Chapter 1, paragraph 1.4 “Being Sustainable”. The topics identified have environmental and social impacts on the Group activities and are capable of influencing the decisions of stakeholders.

The data and information collected and reported in this Non-Financial Statement are based on measurable data. If the use of such data was not possible, estimates have been made to provide the most precise and comprehensive representation possible.

The aim of the Non-Financial Statement is to provide a broad and comprehensive vision of the Group’s position on sustainability, such as the approach, objectives, methods, actions

102-54
Claims of reporting in accordance with the GRI Standards

¹ The terms “Carraro Group”, “Carraro” and “Group” are used interchangeably.

taken and results achieved during the year in the context of social responsibility in the medium and long term.

Preparation process

Coordinated and supported by a work group, the preparation process involved all of the main company departments to varying extents in order to define the material topics and content, select indicators and collect and validate data and information. In particular, the data was processed using the internal IT system used to produce the accounts and reports of the Group and a non-financial reporting system specifically implemented in order to meet the requirements of the GRI Standards and Legislative Decree no. 254/2016.

When it was possible to improve the accuracy or the completeness of the figures or of the methods of calculating the data being reported, the data of the previous year were restated with analogous criteria to maintain uniformity and comparability with those of the period. All restatements of data due to the development of the extraction and reporting systems are noted specifically in the document.

Economic and financial information refers to the 2019 and 2020 Financial Statements.

At the time of approval of the 2020 Financial Statements, on 26 March 2021, the Board of Directors approved the Statement, after having been examined and assessed by the Control, Risk and Sustainability Committee (CRSC).

The Consolidated Non-Financial Statement was subject to a limited audit (limited assurance engagement according to the criteria of the standard ISAE 3000 revised) by Deloitte & Touche Spa.

The Statement is available on the Carraro Group's website in the interest of disclosure and transparency to all stakeholders.

Period and scope of the report

All data and information contained in this document refer to the 1 January 2020 - 31 December 2020 financial year. In order to enable the comparability of the data over time and to assess the Group's performance, the data for financial year 2019 is presented. The scope of the report corresponds to the Consolidated Financial Statement at 31 December 2020 included in the Annual Financial Report 2020, with the exception of certain non-operating entities or entities which are not significant to the purposes of the information provided, as indicated in the document. The set of entities thus understood is indicated in the document by the terms "Group", "Carraro" or together "Carraro Group".

Reporting principles

For the purposes of the report, the GRI standards have been applied:

Relevance

The main economic, social and environmental impacts related to the activities which are most significant to the Group and internal and external stakeholders involved in the Group's activities are described, as indicated in the materiality analysis.

Inclusiveness

The expectations and interests of the main stakeholder categories who operate or are influenced by the Group's activities are considered.

Sustainability context

The report considers the socio-economic context in which the Group operates and the most relevant topics for the mechanical engineering and automotive sector, taking into account similar sustainability reports published by national and international groups in the sector or related industries.

Comprehensiveness

The number and nature of the reporting aspects and the scope of the Consolidated Non-Financial Statement are such to provide a comprehensive representation of the main economic, social and environmental impacts of the Group.

Balance between positive and negative aspects

The document shows the sustainability performance of the Group, reporting both positive and negative results and trends without distinction and highlighting areas for improvement.

Comparability

The indicators have been selected and engineered to be reapplied over time, providing uniformity and guaranteeing their value as a reporting tool.

Accuracy

Whenever possible, figures and data are derived from direct surveys or measurements. In all other cases, duly indicated in the document, estimates have been used according to the best available criteria.

Frequency

The Consolidated Non-Financial Sustainability Statement is prepared annually and published on the same date as the Group's Consolidated Financial Statements.

Clarity

Data is reported to provide clear information that may be useful to internal and external stakeholders of the Group.

Reliability

All data and information contained in this document are validated by the relevant company department managers and supported by documentary evidence such to confirm their existence, comprehensiveness and accuracy.

The Group's production companies have each implemented an EH&S Management system inspired by common principles that requires the definition of annual or multi-year objectives and their periodic monitoring, in particular as regards injury rates. With a view to continuous improvement, the EH&S Management systems are subject to periodic review according to the results obtained in relation to changes to the reference standards.

The occurrence of significant and unforeseen events that have heavily impacted the Group in this reporting period, primarily the pandemic and the cyber attack, also affected existing projects and initiatives that are either still ongoing or otherwise referred exclusively to the previous year.

While the project to reduce non-industrial plastic waste continued, other Group-wide projects such as volunteering and biodiversity initiatives were postponed, with the various sites focusing their efforts on implementing smaller projects aimed at the local community and the region.

In terms of risk assessment, an initial study considered the potential impacts of climate change on the Group's business, taking inspiration from the *Task Force on Climate-related Financial Disclosures (TCFD)*.

The initiatives to renew and expand the Group's stakeholder engagement have been scheduled for 2021.

As regards skills development, in 2020 two large-scale training programmes were delivered to employees, one focusing on ethics and integrity (Group Code of Ethics) and one aimed at exploring the key aspects of sustainability, both generally and with specific reference to Carraro's industrial context. These programmes also involved members of the executive bodies.

With regards to supply chain certification, specifically in terms of ESG, following the first pilot project at Siap Spa a first model of supplier assessment was implemented, based on a questionnaire divided into five sections (general, environment, occupational health and safety, human rights, ethics and integrity) aimed at the Group's main Italian and foreign suppliers and sent to recipients at the end of the year.

More generally, a redefinition of the Group's ESG objectives in a medium-long term perspective to be conceived in close correlation with those of its business strategy is expected in the new five-year strategic plan 2021-2025 whose finalization is expected at beginning of the second quarter of 2021.

The Group companies considered in the Consolidated Non-Financial Statement correspond, unless otherwise indicated in the footnotes, to the following companies considered within the Scope of the Consolidated Financial Statements of Carraro Spa:

102-45
Entities included
in the Consolidated
Financial
Statements

Name	Registered office	Notes	31.12.2020	31.12.2019
Parent Company:				
Carraro Spa	Campodarsego (PD)		◇	◇
Italian subsidiaries				
Carraro Drive Tech Italia Spa	Campodarsego (PD)		–	◇
Siap Spa	Maniago (PN)		◇	◇
Driveservice Srl	Campodarsego (PD)	(2)	◇	◇
Carraro Drive Tech Italia Spa	Campodarsego (PD)	(4)	◇	◆
Carraro International SE	Campodarsego (PD)	(2),(3)	◆	◆
Foreign subsidiaries				
Carraro Germania Srl*		(1),(3)	–	◆
Carraro Technologies India Pvt. Ltd.	Pune (India)	(2)	◆	◆
Carraro Argentina SA	Haedo (Argentina)		◇	◇
Carraro China Drive System	Qingdao (China)		◇	◇
Carraro India Ltd.	Pune (India)		◇	◇
Carraro North America Inc.	Norfolk (Usa)	(2),(3)	◆	◆
Carraro Drive Tech Do Brasil Comercio e Industria de Sistemas Automotivos Ltda	Caxias do Sul (Brasile)	(3)	◆	◆
Carraro Finance SA	Luxembourg	(2),(3)	◆	–
Mini Gears Inc	Virginia Beach (Usa)	(1),(3)	◆	◆

Key

- Entity not present at the reporting date
- ◇ Entity included in NFS reporting
- ◆ Entities not considered in the report in reference, wholly or in part, to Energy, Emissions, Water, Effluents and Waste because the related parameters are not measurable in that they correspond to small units (in some cases non-productive or non-operational).

(1) Non-operational entity

(2) Non-productive entity

(3) Entity of insignificant size (< 20 employees and turnover of < 10 €/Mln)

(4) Entity that during the year acquired all the operating activities of Carraro Drive Tech Italia Spa: following a company division transfer

* With effect from 01/01/2020 Carraro Spa incorporated the company Carraro Germania Srl

The basic reporting cycle is annual:

– 2020: tax year 01 January 2020 – 31 December 2020

– 2019: tax year 1 January 2019 – 31 December 2019, included for comparative purposes

102-50
Reporting period

102-51
Date of most
recent report

102-52
Reporting cycle

Carraro and Sustainability

1.1

Key Indicators

Key Figures 2020 (2019)

2020

← 2019



Revenues [Euro/mlin]

478.7

← 548.8



Facilities

8

← 8

Italy, India, China, Argentina, Brazil



**Market
Capitalisation** [Euro/mlin]

122.7

← 177.8



The Group's People

3,455

← 3,092



R&D Centres

5

← 5
Italy, India, China, Argentina



Investments [Euro/mlin]

12.8

← 24

1.2

The Group

Characteristics of the Group

The Carraro Group is a global leader in the production of transmission systems for off-highway vehicles and specialised tractors and is made up of the set of Italian and foreign companies controlled directly or indirectly by the holding company Carraro Spa.

102-1
Name of the
organization

Carraro Spa, which carries out strategic management, transversal business coordination and support services, operates in two business sectors: **Drivelines & Components** and **Vehicles**.

Through the subsidiaries Carraro Drive Tech and SIAP, the Group designs, manufactures and sells drivetrains (axles and gearboxes) mainly for agricultural equipment and construction equipment, and also markets a wide range of gears for very diverse sectors, from the automotive industry to material handling, agricultural applications and construction equipment.

Through the subsidiary Carraro Agritalia, the Group designs and manufactures special tractors (for vineyards and orchards, from 60 to 100 hp) for third-party brands, namely John Deere, Massey Ferguson and Claas, as well as a specialist own-brand range; Agritalia also provides engineering services for the design of innovative tractor ranges.



Drivelines & Components

→ *Carraro Drivetech*

Axles & Transmissions for AG&CE

→ *Siap*

Gears for off-highway & heavy-duty applications



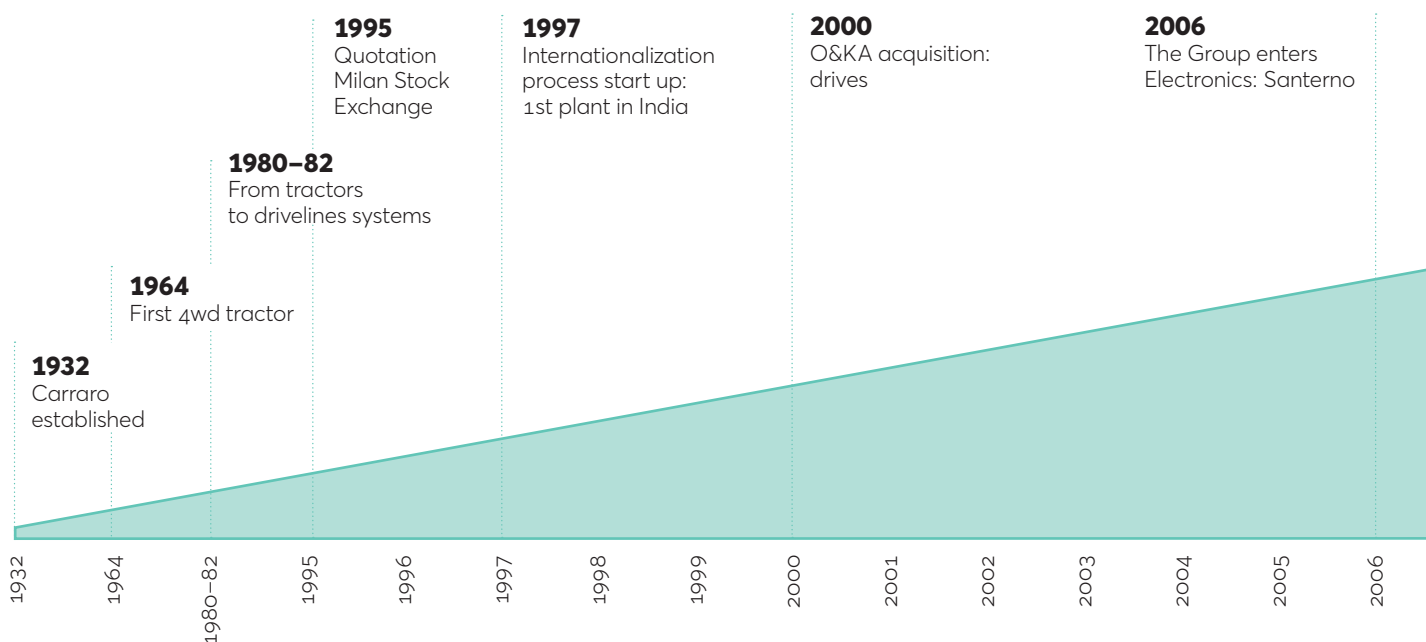
Vehicle engineering & contract manufacturing

→ *Carraro Agritalia*

Outsourcing solutions / Powertrains / Vineyard, orchard & open field tractors

History of the Group

Founded in 1932 by Giovanni Carraro, who introduced the first seed drills to the market and developed the first agricultural tractor under the “Tre Cavallini” brand in 1958, over the years the Company has established itself at the centre of the agricultural machinery sector and has contributed significantly to its development. Research, innovation and quality have always been the characteristic traits of the Group’s continued success, enabling it to expand its skills over the years to reach to larger markets, developing into an International Group and becoming a trusted partner of some of the leading global manufacturers of tractors, construction machinery and material handling equipment.



Key Milestones

1932 → 2020

Global footprint rationalization

2014

Sale of Padua and Suzhou Minigears Plants
Setup of a new production site in Brazil

2015

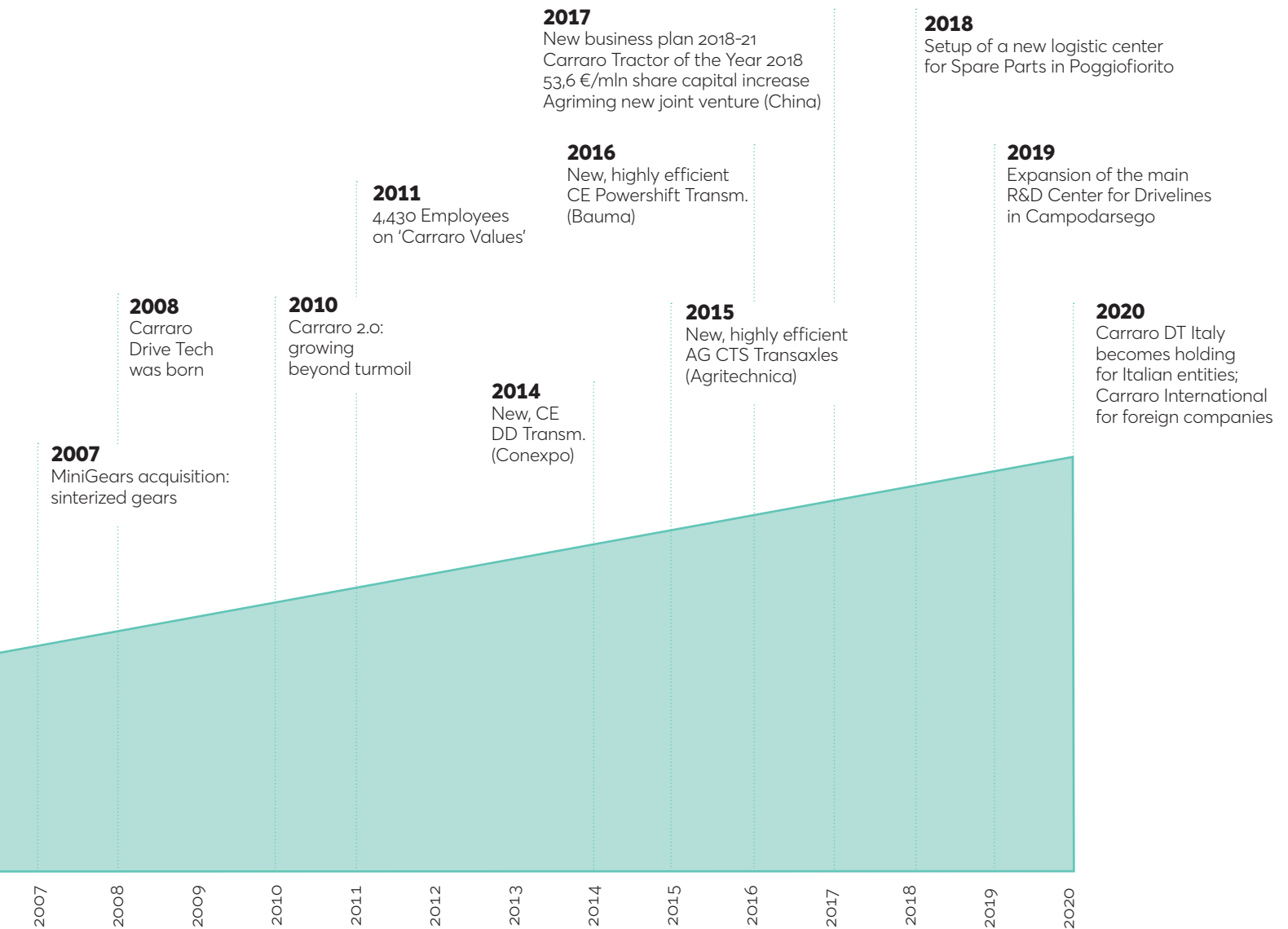
Vertical integration of Indian plants
Gorizia Plant shutdown
Sale of majority share of O&KA

2016

Sale of majority share of Elettronica Santeramo

2020

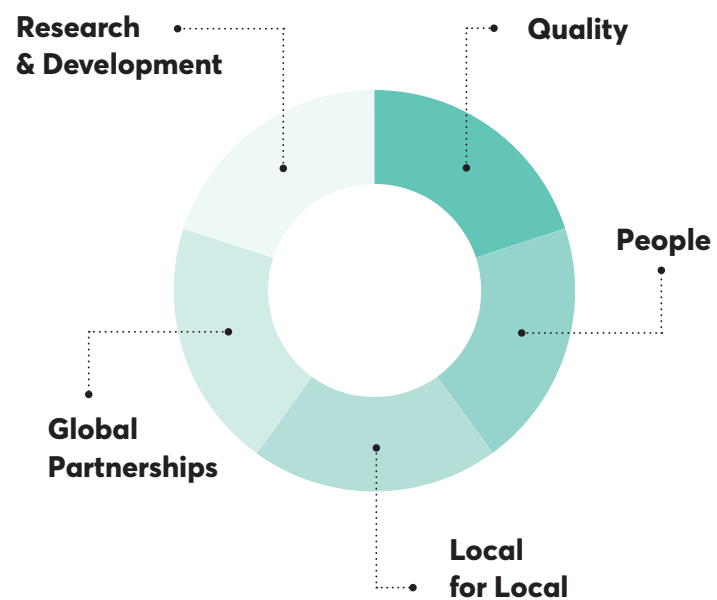
Two different subholdings to manage
Italian and foreign subsidiaries



Success factors

The recognised technological leadership in the field of drive systems for on- and off-highway applications, and the consolidated know-how of power management and conversion systems are the key factors behind Carraro's success on the market.

Key Success Factors



Global Presence

102-3
Location
of Headquarters

102-4
Location
of operations

The headquarters is the registered office of the Italian Parent Company Carraro Spa, located in Campodarsego (Padua). As of 31/12/2020, the Group also had the following operating facilities.





Plants

Italy
Argentina
Brazil
China
India



Engineering Centres

Italy
Argentina
China
India



Spare Parts Centres

Italy
United States
Argentina
China
India



China

Production sites

- › Carraro China Drive Systems Co Ltd
Chengyang District
(Qingdao)

R&D Centres

- › Engineering Center for Drivelines
Carraro China Drive Systems Co Ltd
Chengyang District
(Qingdao)

Dedicated Spare Parts Distribution

- › Carraro China Drive Systems Co Ltd
Chengyang District
(Qingdao)



India [2 plants]

Production sites

- › Carraro India Pvt Ltd
plant 1 (axles) MIDC
Ranjangaon (Pune)
plant 2 (gears) MIDC
Ranjangaon (Pune)

R&D Centres

- › Engineering Center for Drivelines
Carraro Technologies
India Pvt. Ltd (Pune)

Dedicated Spare Parts Distribution

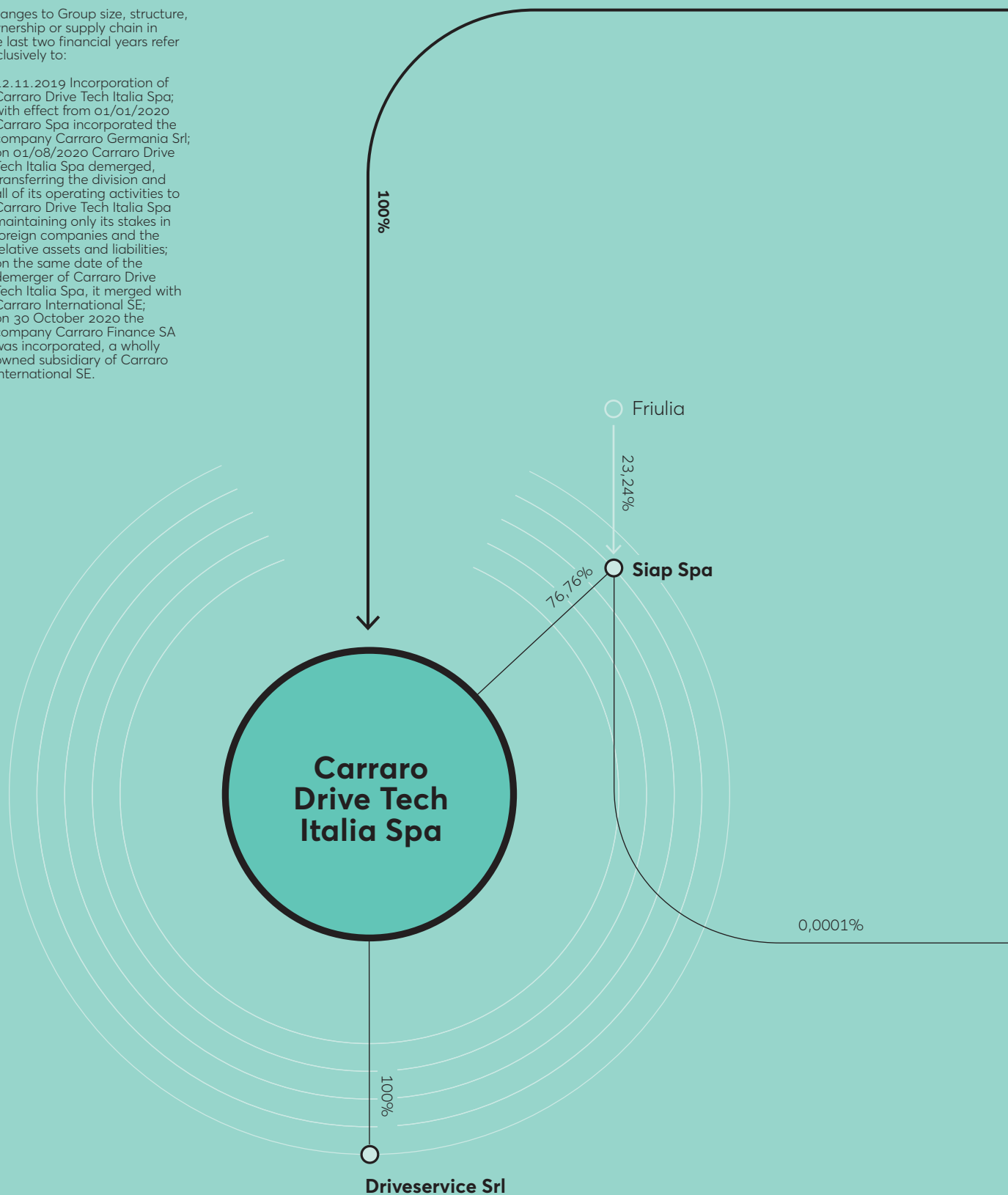
- › Carraro India Ltd
MIDC Ranjangaon
(Pune)

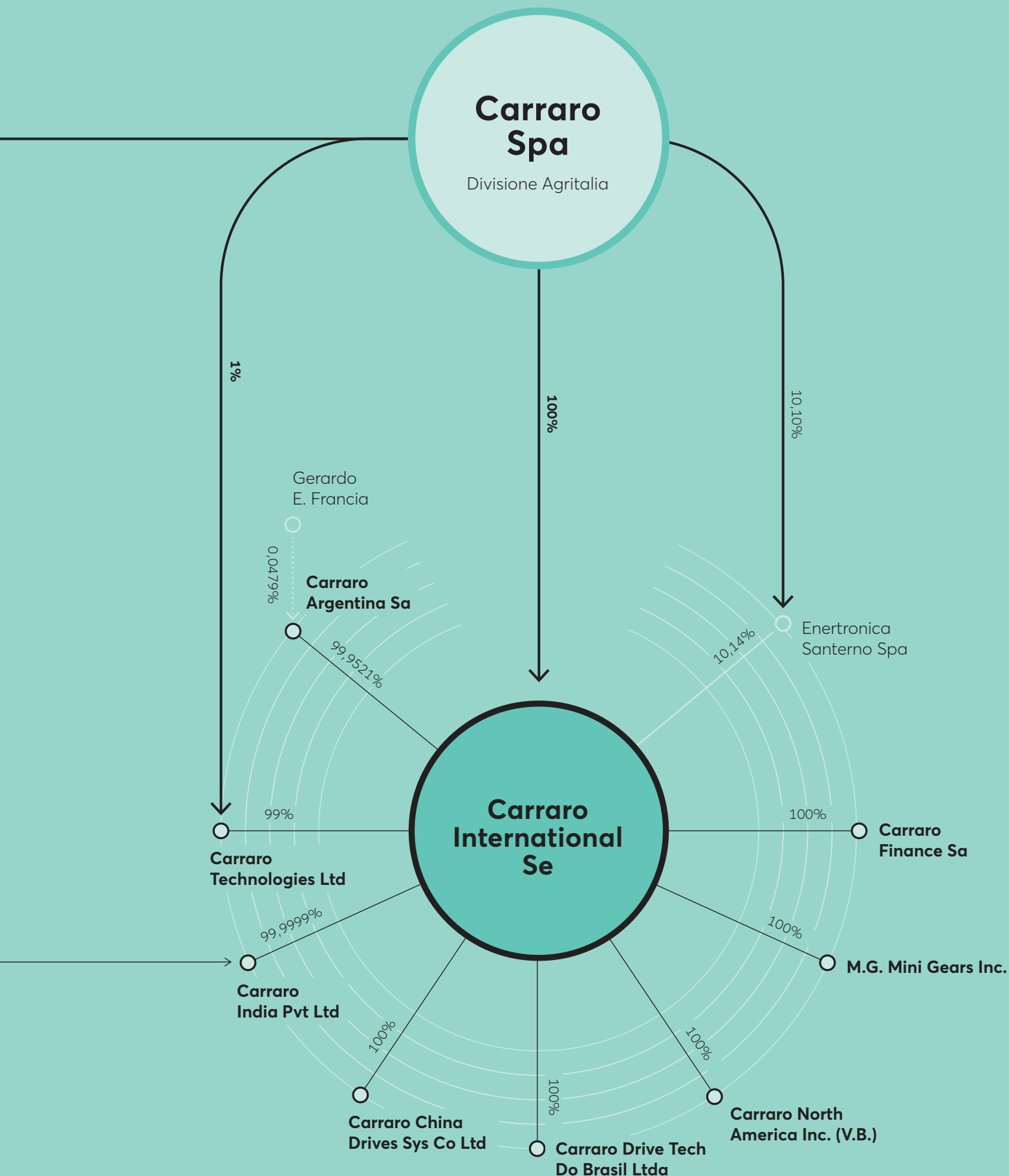
Group Structure at 31.12.2020

102-10
Significant
changes to the
organization and
its supply chain

Changes to Group size, structure, ownership or supply chain in the last two financial years refer exclusively to:

- › 12.11.2019 Incorporation of Carraro Drive Tech Italia Spa;
- › with effect from 01/01/2020 Carraro Spa incorporated the company Carraro Germania Srl;
- › on 01/08/2020 Carraro Drive Tech Italia Spa demerged, transferring the division and all of its operating activities to Carraro Drive Tech Italia Spa maintaining only its stakes in foreign companies and the relative assets and liabilities;
- › on the same date of the demerger of Carraro Drive Tech Italia Spa, it merged with Carraro International SE;
- › on 30 October 2020 the company Carraro Finance SA was incorporated, a wholly owned subsidiary of Carraro International SE.





Ownership structure, economic and financial dimension

102-5
Ownership
and legal form

102-7
Scale of the
organization

Ownership structure

Carraro Spa is a joint-stock company registered in Italy at the Padua Companies Register and controlled by Finaid Spa. The Share Capital as at 31.12.2020 is established as € 41,452,543.60 fully paid up, divided into 79,716,430 ordinary shares with a par value of € 0.52 each.

The Parent Company Carraro Spa has been listed on the Italian Stock Exchange since 1996.

As is the case for most listed companies, the trend in stock value reflects the combination and variation over time of relevant market trends, investors' expectations and forecasts and the confidence of the financial markets in the performance, robustness and continuity of the company and in the Group it controls.

Market Capitalisation Value

On the basis of the market data (Borsa Italiana), the precise and average share price and capitalisation values of the Parent Company Carraro Spa are as follows:

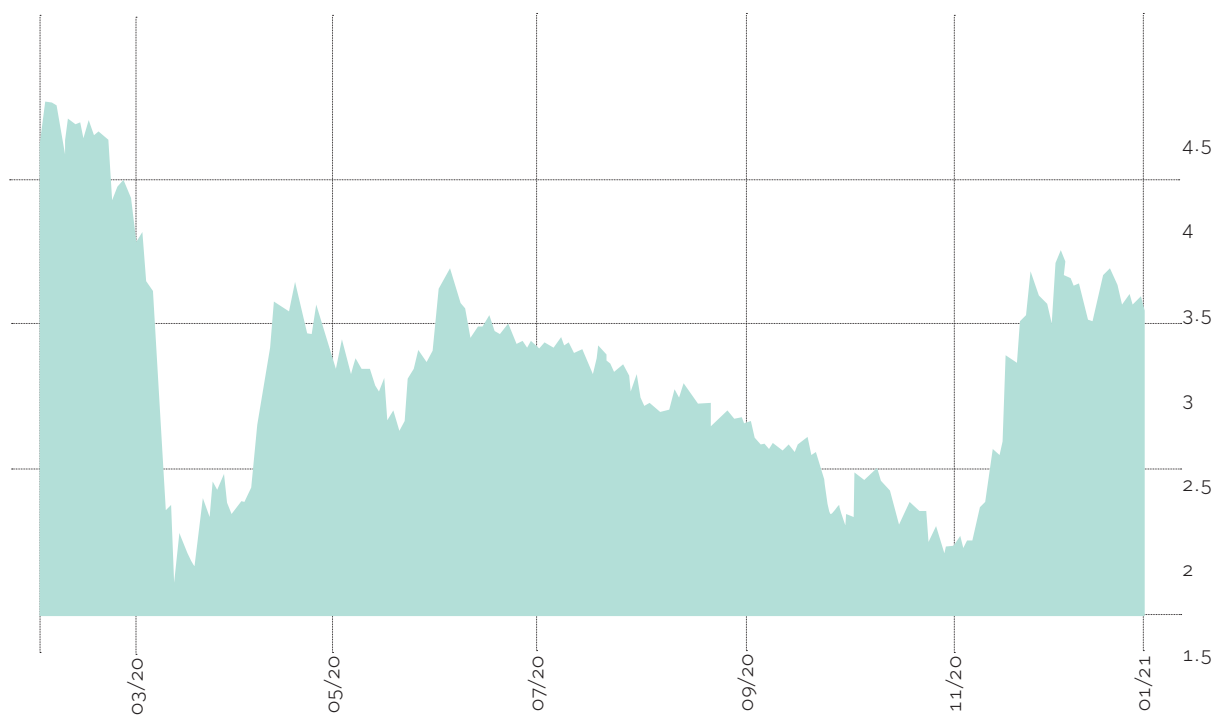
	2020	2019
Share price (€) *	1.539	2.230
Average share price *	1.477	2.071
Capitalisation at 31.12 (€/Mil) **	122.7	177.8
Average capitalisation of the year (€/Mil) **	117.8	165.1

* Source Bloomberg: quotation of the official prices extracted on 30/12/2020 (2020 data) and 30/12/2019 (2019 data)

** Gross of treasury shares

Share price

As regards share performance in the years considered (2019 and 2020), the following trend was observed:



Financial and economic data of the Group

The main consolidated financial and economic indicators are as follows:

	31.12.2020 (€/Mil.)	31.12.2019 (€/Mil.)
Revenues	478.7	548.8
Ebitda	32.5	42.7
Ebit	12.1	22.5
Net profit / (loss)	-3.3	8.1
Investments	12.8	24.0
NFP	-152.7	-133.8
Shareholders' Equity	63.1	73.3

Human resources

102-8
Information on
employees and
other workers

The Group's workforce is one of the key resources for management of the business and pursuit of the short, medium and long-term objectives identified by the Carraro companies.

The focus on human resources, in particular as regards the recruitment of new employees and their placement in the most appropriate positions within the organisational structure, has enabled all the Group's operational departments to carry out their assigned activities effectively over time, both in favourable market conditions and during periods of increased difficulty linked to the evolution of the market.

The breakdown of the workforce by organisational level, gender, professional qualification and geographical distribution is generally balanced, considering the pronounced industrial manufacturing tone of the business and the location of its operational sites, taking into account cultural diversity, regulations and average educational levels in the various countries in which the Group operates.

Workforce by gender and qualification

The data refers exclusively to wholly consolidated companies and is divided by category:

Workforce by gender and qualification												
	2020						2019					
Workforce	M	%	F	%	Totale	%	M	%	F	%	Totale	%
Executives	25	92.6%	2	7.4%	27	100%	26	100.0%	0	0.0%	26	100%
Middle Management and Officers*	72	90.0%	8	10.0%	80	100%	72	90.0%	8	10.0%	80	100%
Clerical Staff	422	67.8%	200	32.2%	622	100%	417	67.8%	198	32.2%	615	100%
Factory Workers	1,755	95.3%	87	4.7%	1,834	100%	1,758	95.9%	76	4.1%	1,834	100%
Total employees	2,274	88.4%	297	11.6%	2,571	100%	2,273	89.0%	282	11.0%	2,555	100%
Temporary**	658	97.9%	14	2.1%	672	100%	324	93.4%	23	6.6%	347	100%
Apprentices**	207	97.6%	5	2.4%	212	100%	179	94.2%	11	5.8%	190	100%
Total workforce	3,139	90.9%	316	9.1%	3,455	100%	2,776	89.8%	316	10.2%	3,092	100%

Notes

* The term 'Officer' refers to the General Manager or Plant Manager of the external operational sites, as well as certain department managers reporting directly to the aforementioned managers.

** Approximately 26% of the Group's workforce consists of temporary workers and external apprentices who perform activities mainly in the production and logistics areas. This labour force, of which approximately 83% is located in India, enables a margin of flexibility in the organisation of the work, while the remainder, employed in Italy, makes it possible to absorb production peaks determined by market trends.

In 2020, the “workers” category represented, with 1,842 people, 72% of total employees, compared to clerical staff (622 people, 24%), middle managers and officers (80 people, 3%) and executives (27 people, 1%).

The Carraro Group, in the various regions in which it operates, has never exercised any form of gender discrimination as regards recruitment of the workforce. The composition of the workforce shows a more significant female presence in clerical roles, in line with the trend of the mechanical engineering sector.

Number of employees by gender and macro geographical area

Number of employees by gender type and macro geographical area												
	2020						2019					
Employees	M	%	F	%	Total	%	M	%	F	%	Total	%
Europe	1,118	83.9%	215	16.1%	1,333	100%	1,116	84.5%	205	15.5%	1,321	100%
Asia	1,072	93.5%	75	6.5%	1,147	100%	1,076	94.0%	69	6.0%	1,145	100%
Americas	84	92.3%	7	7.7%	91	100%	81	91.0%	8	9.0%	89	100%
Total at 31.12	2,274	88.4%	297	11.6%	2,571	100%	2,273	89.0%	282	11.0%	2,555	100%

Number of employees by contract type and macro geographical area

Number of employees by contract type and macro geographical area												
2020						2019						
Employees	Temp	%	Perm.	%	Total	%	Temp	%	Perm.	%	Total	%
Europe	2	0.2%	1,331	99.8%	1,333	100%	4	0.3%	1,317	99.7%	1,321	100%
Asia	78	6.8%	1,069	93.2%	1,147	100%	104	9.1%	1,041	90.9%	1,145	100%
Americas	10	11.0%	81	89.0%	91	100%	0	0.0%	89	100.0%	89	100%
Total at 31.12	90	3.5%	2,481	96.5%	2,571	100%	108	4.2%	2,447	95.8%	2,555	100%

The geographical distribution of Group employees reflects the number and size of the production plants located in the various geographical areas.

The most significant presence is in Italy and India: in Italy, with the headquarters, the 3 production sites with the related R&D areas and the 2 spare part plants; in India, with the 2 Carraro India Ltd plants and the Carraro Technologies Ltd research centre.

Number of external workers by gender type and macro geographical area												
2020							2019					
Temporary	M	%	F	%	Totale	%	M	%	F	%	Totale	%
Europe	139	95.2%	7	4.8%	146	100%	90	87.4%	13	12.6%	103	100%
Asia	519	98.7%	7	1.3%	526	100%	234	96.3%	9	3.7%	243	100%
Americas	0	0%	0	0%	0	0%	0	0%	1	100.0%	1	100%
Total at 31.12	658	97.9%	14	2.1%	672	100%	324	93.4%	23	6.6%	347	100%

Number of apprentices employees by gender type and macro geographical area												
2020							2019					
Apprentices	M	%	F	%	Totale	%	M	%	F	%	Totale	%
Europe	1	100.0%	0	0%	1	100%	0	0%	0	0%	0	0%
Asia	206	97.6%	5	2.4%	211	100%	179	94.2%	11	5.8%	190	100%
Total at 31.12	207	97.6%	5	2.4%	212	100%	179	94.2%	11	5.8%	190	100%

Number of employees by contract type (part-/full-time and permanent/temporary)

Number of employees by contract type (part-/full-time and permanent/temporary)							
2020				2019			
Contract type		M	F	Totale	M	F	Totale
Fixed term	Part time	0	0	0	0	0	0
Fixed term	Full time	74	16	90	86	22	108
Fixed term		74	16	90	86	22	108
Permanent	Part time	6	43	49	5	39	44
Permanent	Full time	2,194	238	2,432	2,182	221	2,403
Permanent		2,200	281	2,481	2,187	260	2,447
Total at 31.12		2,274	297	2,571	2,273	282	2,555

1.3

Markets, products and innovation

Markets

Research and innovation are the competitive levers which have enabled the Group to successfully trade with leading global manufacturers of agricultural and construction machinery and occupy an important market position, as shown by the volumes produced, the client portfolio acquired and the distribution of sales in the main geographical areas of the globe.

102-6
Markets served

Sales by market segment

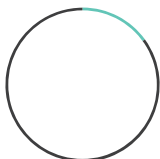
2020



Construction Eq.
31%



Agricultural Eq.
51%



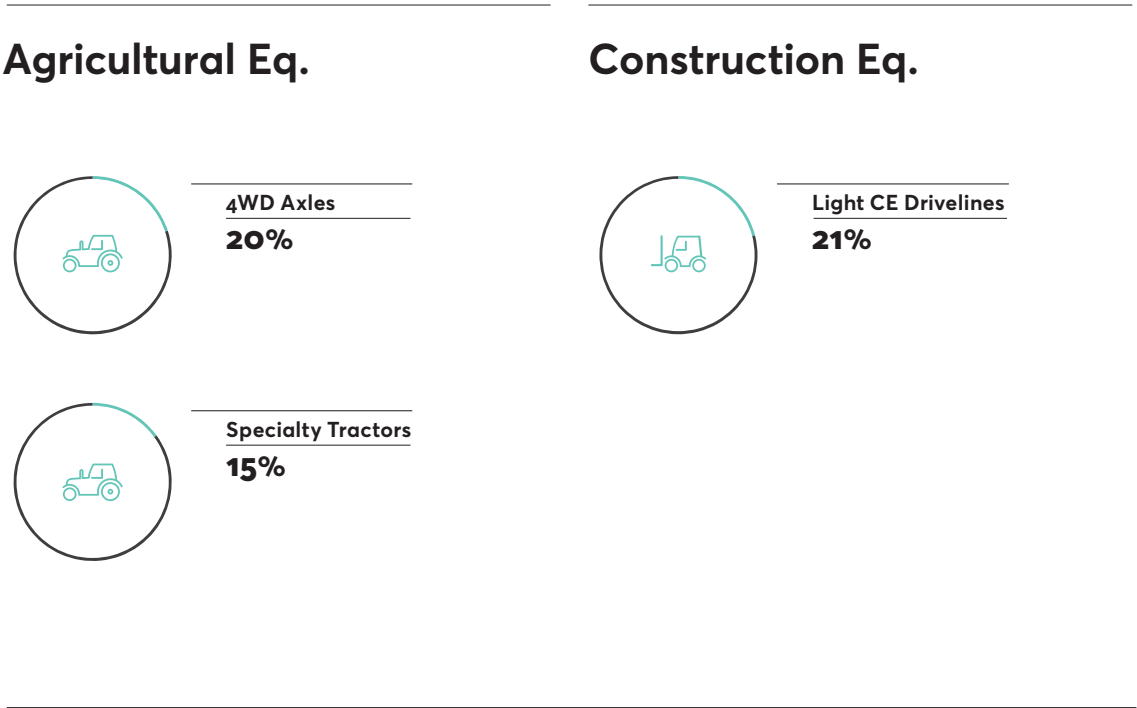
Other
15%



Material Handling
3%

Carraro Group market shares*

The reference market for the Group is represented by the leading Italian and international manufacturers of agricultural machinery, construction machinery, material handling equipment and commercial vehicles according to the following tables:



* Estimated market shares

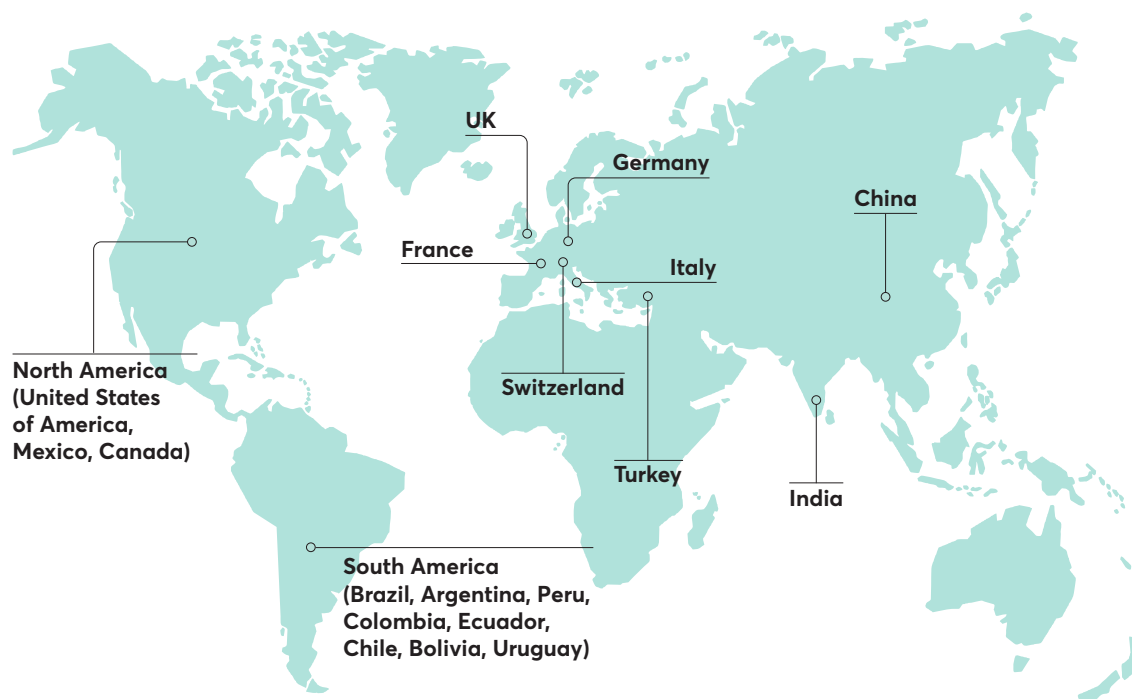
Sales by market segment	31.12.2020	% of total	31.12.2019	% of total
	€/000	as at 31.12.2020	€/000	as at 31.12.2020
Agriculture	242,657	50.69%	242,304	44.15%
Construction	146,195	30.54%	197,638	36.01%
Replacement parts	49,598	10.36%	54,587	9.95%
Material handling	15,052	3.14%	26,240	4.78%
Automotive	11,078	2.31%	12,640	2.30%
Railways & transport	997	0.21%	2,182	0.40%
Renewable energies	336	0.07%	67	0.01%
Industrial applications	3	0.00%	0	0.00%
Other	12,762	2.67%	13,188	2.40%
Total	478,678	100.00%	548,846	100.00%

Sales by geographic area	31.12.2020	% of total	31.12.2019	% of total
	Euro	as at 31.12.2020	Euro	as at 31.12.2020
Far East	96,320	20.12%	98,906	18.02%
North America	57,017	11.91%	77,394	14.10%
South America	28,494	5.95%	32,926	6.00%
Other EU Countries	120,740	25.22%	185,175	34.10%
Non EU Countries	87,164	18.21%	54,118	9.86%
Italy	88,943	18.58%	98,327	17.92%
Total	478,678	100.00%	548,846	100.00%

Note

› Following an improvement of the reclassification by geographical area and product category, the 2019 data were restated.

Markets served by country



Brands, products and services

The value of the Group's trademarks is founded on the consolidated presence of Carraro products in the agricultural and construction machinery sectors; the brand recognition originates from the company's link to agricultural vehicles, first as regards seed drills and then expanding and consolidating in the field of tractors, and later focusing on technologically-advanced components and drive systems.

The significance of the brand comes from its ability to represent Carraro with clients as a strategic supplier of products which are an expression of technology reliable over time and at the same time flexible in adapting to the characteristics of the applications to which they are destined. The Group's history confirms these characteristics that find expression and a summary in the proprietary trademarks.

The Management has always worked to keep close and constant this link between the products, their brands and the underlying technical content with continuity in maintaining the name and graphic symbols; with the objective of protecting them from the risk of counterfeiting rules and procedures have been prepared for their use both by internal personnel and by external partners (concessionaires or dealers). Other protection measures consist of monitoring instruments managed by the competent internal units or supplied by providers external to the organisation.

The historic "Tre Cavallini" brand, which is intrinsically connected to agricultural tractors, is still in use and was recently regenerated by the development and distribution of a wide range of specialist vehicles. In the 1980s, the "Tre Cavallini" brand was joined by the modern Carraro brand, under which all of the Group's power transmission products and spare parts are marketed.

Main trademarks, products and services

Trademarks

 Carraro Spa → <i>Research and Development</i>	 Carraro Agritalia → <i>Agricultural vehicles</i>
 Carraro Drive Tech Italia Spa → <i>Axle and Drive Systems</i>	 Carraro Tractors → <i>Carraro Tractors specialised tractors</i>
 Siap Spa → <i>Drive system components</i>	 Drive Service → <i>Carraro Spare Parts logistics service</i>
 Carraro After Sales e Spare Parts → <i>Replacement parts</i>	

Products

 Drive systems (axles, drive systems) for: → <i>construction machinery (backhoe loaders, wheel loaders, excavators, compactors)</i> → <i>agricultural machinery (tractors, harvesters)</i> → <i>transportation machinery (forklift trucks)</i> → <i>telehandlers</i> → <i>light commercial vehicles</i>	
 Gears and components for: → <i>drive systems for agricultural and construction machinery</i> → <i>drive systems for transportation and lifting machinery and commercial vehicles</i>	
 Special agricultural vehicles	

Services

 Research and Development	 Sale of Spare Parts
 Design and Engineering	 Post-Sales Service

There are no limitations or prohibitions in the sale of Carraro products, with the exception of cases of embargo applied by some countries or supranational authorities in relation to other countries.

Research and innovation

Innovating means opening the mind to the future and not being afraid to take a leap forward from the past; in a world of continual evolution, it is essential to design solutions that can anticipate the needs of tomorrow, and this means listening very carefully to the end users of our products. This is the foundation of the Group's journey of development.

Throughout its history, Carraro has always been a pioneer in its field, from automatic sowers and four-wheel drive tractors to the increasingly sophisticated and technologically-advanced drive systems available today, designed to optimise vehicle efficiency.

As part of the progressive consolidation of the current Carraro range, which includes gears, axles and drive systems for off-highway applications (agricultural, construction machinery and forklift trucks) and on-highway vehicles (light commercial and special vehicles), innovative products have been launched to meet concrete needs, such as axles with electronically operated suspension which improve the safety of tractors operating in the field and increase efficiency during road transfer phases.

In terms of agricultural vehicles, the range of special tractors developed both for leading global manufacturers (OEM) such as John Deere, Massey Ferguson and Claas, as well as the Carraro "Tre Cavallini" brand, is the result of the creative efforts of the Group in a range of specialised tractors which is particularly innovative in terms of design and technology, combining three different motors from 75 to 100 hp and six separate configurations for use in orchards and vineyards.

Thanks to the experience gained over its eighty-year history, Carraro is deeply convinced that, much more so than in the past, business success within the industry depends on a company's ability to innovate in all directions, including in the field of environmental sustainability.

The current range of Carraro products is closely aimed at improving the performance of the vehicles for which the Group's drive systems are designed.

Improving productivity and reducing emissions and consumption continue to be fundamental objectives for the Group. Some of the clearest proof of this commitment include the new CVT Powersplit drive systems and the innovative Electrical Mild Hybrid for agricultural tractors, which improve both the efficiency and productivity of the vehicle in all conditions while providing the operator with a more comfortable driving experience. With regard to construction machinery, the Group has designed and implemented various electrified configurations, starting the most compact vehicles: thanks to these innovative

solutions, these vehicles can already operate in zero-emission zones without compromising on performance.

The Group employs several engineers and technicians in its Research and Development department and maintains a constant collaboration with various universities, including Padua, Bologna and Ferrara, as well as long-standing partnerships with the Group's main clients.

The Group pursues multiple lines of research: from the continual refinement of electrically controlled mechanical solutions to studies into systems which combine mechanical elements with electrical and electronic devices (Electrical Continuous Variable) and the development of hybrid and electric solutions.

This commitment is proven by the 20 patents registered by the Group over the years, which have helped to open new doors and indicate leading trends across the industry.

Engineering Centres

The Group's Research and Development is carried out at the head offices of Carraro Spa as well as in the regional R&D Centres located in the main geographical areas in which the Group operates. The Engineering Centre at the head offices of Carraro Spa in Campodarsego has developed continuously over the years thanks to significant investments in design, prototyping and testing activities, as well as the development of various test areas.

A total of 100 workers (97 in 2019) are employed at the complex, which includes offices, technical areas and a test area for a total of around 6,200 square metres.

The total dimension of Carraro's R&D activities is expressed by the following indicators:

		31.12.2020	31.12.2019	2020 notes
Human resources, R&D and prototyping	num. (FTE)	245	249	70% Italy, 30% abroad
Financial investment in R&D	€/Mil.	26.7	22.6	–
Financial investment in R&D (proportion of revenue)	%	5.58	4.12	–
Patents registered in various countries	num.	20	20	–
R&D Centres worldwide	num.	5	5	2 in Italy, 3 at foreign sites
Prototype development and test centres	num.	1	1	Italy

Recognitions in Research and Development

Fieragricola 2020 (Carraro Tractors)

Carraro Tractors were once again on centre stage at Fieragricola, with the new Compact series and the suspended axle for the V/VL/F models of the Agricube series produced in 2020 attracting particular interest.

Sustainable products and processes

Sustainability of raw materials

The management of the sustainability of the Group's products considers both the nature and type of materials used.

The raw materials and finished products acquired by the Group mainly comprise cast iron and steel, materials which due to their type, manufacturing sector and markets of origin are generated largely by recycling and recovery processes rather than the use of virgin materials.

In terms of finished products at the end of their life-cycle, for the drive systems sector the products are almost entirely composed of cast iron and steel, with only a very small plastic and electronic component, while accessory materials (e.g. lubricant) can be easily separated from the product. With a view to the circular economy, these characteristics mean Carraro's finished products are well placed as the metal of the base materials can be recycled and reused. In this context, Carraro has launched a programme to refurbish and reuse products returned by clients ("Carraro Reman"), repairing and reselling the components on the market at discounted prices.

Similar considerations to those of drive systems apply to the agricultural vehicle sector, although due the more significant use of components made of plastic, glass (cabins), rubber (tyres) and electrical and electronic parts (cables and instruments) greater care is required during disassembly at the end of the product life cycle. The recycling, repair and reuse programmes in the vehicles sector are managed directly by the clients for whom they are and who oversee their distribution under their own brand.

Sustainability of products on the market

As described in more detail in the Research and Innovation section, the Carraro Group designs its own products, constantly improving their efficiency and reliability and consequently reducing consumption and emissions, thus improving product sustainability.

Recently developed solutions include:

- › the eTB220 gearbox aimed at electrifying various compact operating machines, enabling Carraro to develop, provide and control the vehicle's entire Powertrain;
- › the 48V Mild Hybrid system aimed primarily at agricultural tractors, enabling the use of a smaller endothermic engine and thus reducing consumption and emissions without detracting from vehicle performance.

Sustainable processes

To adequately supply its production lines, both in terms of flows from suppliers and intra-group exchanges, and to provide an effective product delivery service to clients, each year Carraro transports large quantities of materials and components by land, sea and air, and uses specialised transporters.

In this context, the Group considers logistics and transportation processes to be key factors in terms of efficiency (time and cost) and environmental impact.

For some time, Carraro has aimed to direct the initiatives of its companies to the pursuit of sustainable logistics practices, providing clear indications to act consistently with such practices and seeking the greatest possible collaboration with supply chain partners.

The Group manages approximately 500 direct suppliers and 200 OEM (Original Equipment Manufacturer) customer groups worldwide. In order to improve its environmental performance in terms of transportation and storage management logistics, the Group has developed a partnership programme with its suppliers, which aims to:

- › increase transportation efficiency with a more judicious use of intermodal transport;
- › optimise the transportation capacity of each vehicle or transport unit;
- › minimise the use of protective and packaging materials.

In order to improve its logistical management, the distribution of parts launched in 2018 from the Poggiofiorito site of the company Carraro Driveservice S.r.l. and the Rovigo site (Agri2) of Carraro Drive Tech Italia SpA consolidated the Group's spare parts shipping processes.

1.4

Being sustainable

Our relationship with sustainability

Carraro, an international Group and world leader in the development of highly efficient and environmentally sustainable power transmission systems, carefully considers the social, environmental and economic implications of its business activities and aims to adopt responsible conduct that respects the environment, communities, institutions, collaborators and commercial partners, both clients and suppliers.

Due to its international presence, the Group interacts with stakeholders from different continents and cultures, each with different needs, aspirations, obligations and regulatory systems.

The sustainability policy of the Carraro Group is based on compliance with regulations in every context in which it operates, and aims to reconcile local cultures and requirements with the philosophy of responsibility that the Group has set itself, as summarised in the Carraro Values.

The regulations in the different countries, in particular as regards environmental protection and health and safety in the workplace, are continually evolving, and increasingly stringent and complex rules are being defined to regulate safety conditions, the reduction of emissions, waste treatment and water consumption.

The inability to comply with laws and regulations can result in financial charges and reputational damage due to penalties or restoration costs related to civil and criminal liability.

Consequently, Carraro has implemented a management system which aims to ensure constant alignment with regulatory developments and thus reduce the risks of negative impacts on the Group's business activities and financial position.

The aim of the Carraro Group is not only to guarantee compliance with the regulatory requirements in force for all of its operative sites but also to implement a set of uniform standards to regulate the actions and conduct of its employees when researching and developing optimum solutions, in line with international best practices.

The commitment of the Carraro Group to respecting the principles of sustainability in the performance of its business processes follows a precautionary approach to assess the risk of possible impacts on the environment and safe working conditions when planning and commencing manufacturing activities, the social impact associated with the presence of its manufacturing sites and the main decisions which may be adopted on an industrial level.

Decisions may relate to investments in manufacturing (purchase or launch of new machinery or factories), the introduction or modification of production processes and the

design and development of new products. The product development process in particular considers the legal framework and any market requirements in relation to compliance with specific environmental standards (e.g. emission limits) and specific product quality standards throughout the development phase.

With specific reference to environmental protection, particular focus is given to solutions which use recycled material, especially for packaging materials, which reduce and/or eliminate the use of hazardous substances, paints in particular.

Carraro aims to maintain the conditions achieved in order to obtain the environmental certificates of its plants, assessing the scope and relevance of all possible collateral effects, ensuring systematic governance of business processes and aiming to continually improve the management of the environmental and social aspects that it is responsible for.

Carraro's commitment to reducing its environmental impact includes taking into consideration all factors which make up the Group's environmental footprint, including the selection and use of natural raw materials and resources and their transformation and regeneration into new components.

As regards the industrial transformation processes within its plants, the Group promotes initiatives aimed at mitigating the environmental impact of manufacturing processes.

International certificates achieved

As part of its continuous efforts to improve the processes implemented to serve the market, Carraro has always aimed to comply with the requirements laid down by the leading standards in the field, both in terms of industrial production and product sales and also as part of a constant drive to minimise the risks to the environment and health and safety in the workplace.

This commitment is recognised by the award of the certificate of compliance with the main standards to the Group's largest manufacturing plants in Italy and abroad.

Name	Area	Company/Operating unit	Registered office	Country
ISO 9001:2015	Quality	Carraro Drive Tech Italia Spa	Campodarsego (PD)	Italy
		Carraro Drive Tech Italia Spa (Spare Parts Division)	Rovigo	Italy
		Carraro Spa Divisione Agritalia	Rovigo	Italy
		Siap Spa	Maniago (PN)	Italy
		Carraro China Drive Systems Co.	Qingdao	China
		Carraro Argentina SA	Haedo	Argentina
		Carraro Drivotech Do Brasil	Caxias do Sul	Brazil
		Carraro India Ltd.	Ranjangaon (Pune)	India
		(axle plant and gear plant)		
IATF 16949:2016	Quality	Carraro Technologies India Pvt. Ltd	Viman Nagar (Pune)	India
		Siap Spa	Maniago (PN)	Italy
ISO 45001	Workplace safety	Carraro India Ltd. (gear plant)	Ranjangaon (Pune)	India
		Carraro Spa Divisione Agritalia	Rovigo	Italy
ISO 14001	Environmental protection	Carraro Spa*	Campodarsego (PD)	Italy
		Carraro Drive Tech Italia Spa	Campodarsego (PD)	Italy
		Carraro Spa Divisione Agritalia	Rovigo	Italy
		Siap Spa	Maniago (PN)	India
		Carraro India Ltd (axle plant)	Ranjangaon (Pune)	China
		Carraro China Drive Systems Co	Qingdao	

* Procedure completed in December 2020 with the certification issued in January 2021

Materiality analysis in Carraro

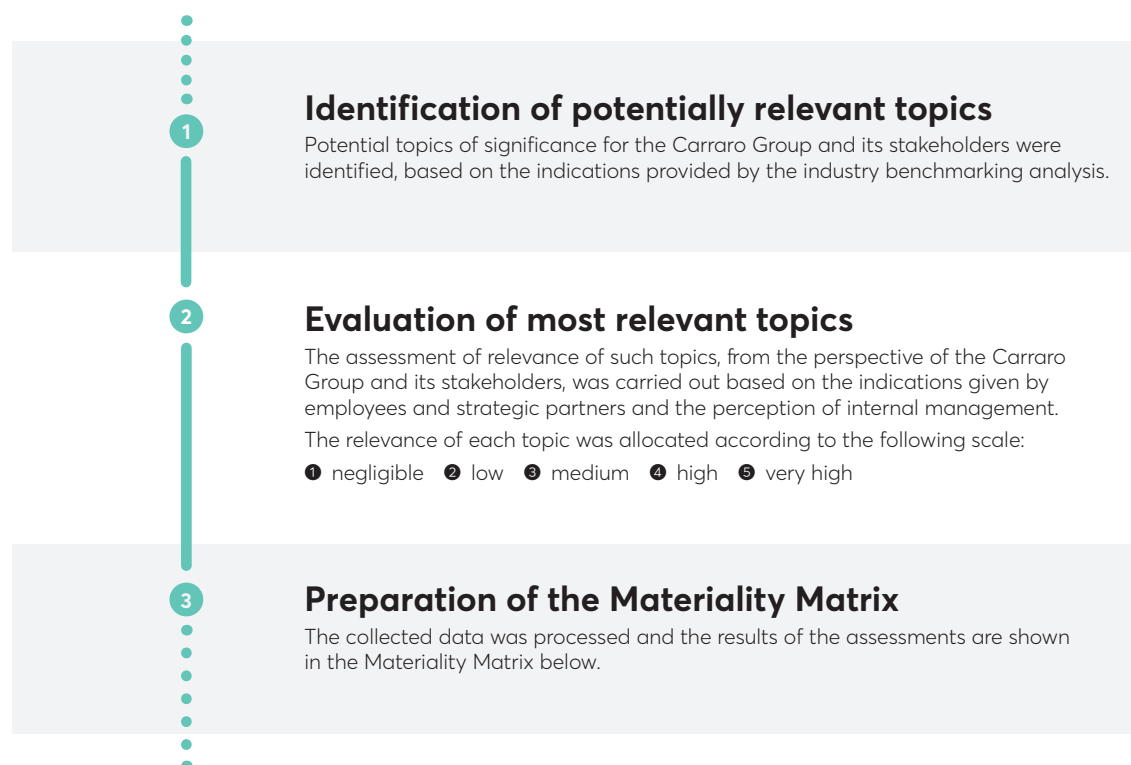
Since 2016, Carraro has implemented a process to define the non-financial aspects of the materiality analysis in relation to the Group and its stakeholders, taking into account different sources (company documents, sector studies, benchmarks in relation to clients, competitors and other leading players) according to the international guidelines of the GRI-G4 reporting standards and subsequently starting from the 2018 report adopting the GRI Standards issued in 2016. For topic-specific Standards GRI 403 - Occupational health and safety (2018) and GRI 306 Waste (2020), the most recent versions are used.

The initial analysis conducted in 2018 involved the management through the exchange of information, meetings and interviews. In 2019 the analysis was supported by direct stakeholder engagement initiatives aimed at the most relevant stakeholder groups, specifically **Italian and foreign employees** and **strategic suppliers**, through targeted questionnaires focusing on material aspects. The results were combined with considerations from management and the results of industry benchmarking analysis and were reflected in the updated Materiality Matrix to establish an order of priority.

The materiality principle was applied, searching, in the analysis of the Group's characteristic activities, for the factors related to sustainability among those relevant for the achievement of the strategic objectives.

Materiality is a reference used to associate the commitment of employees and external stakeholders to the goals which reinforce the link between sustainability and business operations, as well as to define the reporting priorities in social and environmental contexts.

The analysis process was developed in three stages:



Aspects related to governance, legal compliance and economic performance (creation of sustainable value over time) are considered as prerequisites to the materiality analysis; such aspects are therefore included in the Sustainability Report but are not subject to specific evaluation and insertion in the Materiality Matrix.

The results of the materiality analysis process conducted in 2019 were assessed and approved for the 2020 Sustainability Report by both the CRSC and the BoD at the meeting held on 24.02.2021.

In this regard, it should be noted that despite the current global situation characterised by the ongoing Covid-19 pandemic, the Directors did not deem it necessary to update the considerations made during the meeting concerning the identification of material topics, deeming that the effects of the pandemic would not in any way affect the opinions of stakeholders who had already expressed their focus on the topics of occupational health and safety, company welfare, well-being and work-life balance highlighted by the Covid-19 emergency.

Carraro Materiality Matrix

The following table shows the relevant topics for the Carraro Group



Relevant reporting topics for the Carraro Group

#	Relevant topic
1	Health and Safety in the Workplace
2	Company welfare
3	Product safety and quality
4	Reduction in waste produced and adoption of responsible waste disposal methods
5	Reduction of energy consumption and reduction of greenhouse gases
6	Ethics and integrity in business management processes
7	Anti-corruption
8	Focus on technology and product innovation
9	Engagement, dialogue, customer satisfaction and quality services
10	Protection of human and workers' rights
11	Brand value and reputation
12	Well-being and work-life balance
13	Training and skills development
14	Sustainable products and processes
15	Diversity, equal opportunities and inclusion
16	Reduction in water consumption and waste management
17	Responsible procurement and use of materials
18	Management of the supply chain and use and optimisation of local suppliers
19	Performance management and employee remuneration
20	Dialogue and internal communication
21	Attraction, development and retention of resources
22	External relations and transparent communications among stakeholders, also in reference to sustainability
23	Community development
24	Internal control and risk management procedures
Most relevant topics [refer to box in the top right of the previous image]	

The topics at the top of the materiality matrix include certain elements connected closely to human resources such as company welfare and occupational health and safety, and a topic which - in line with the Group's strategy - has always had a certain significance for the Group: product safety and quality. It also demonstrates the relevance of environmental topics such as the reduction of waste produced and adoption of responsible waste disposal methods, the reduction of energy consumption and greenhouse gas emissions, and social aspects such as ethics and integrity in business management processes and anti-corruption.

With regards to innovation and the market, the topics of technology and product innovation and customer engagement and dialogue are also present. With further regard to human capital, there is a particular focus on aspects relating to well-being and work-life balance, training, diversity, equal opportunities and inclusion; other topics considered include brand value, reputation and the ability to develop sustainable products and processes.

Moreover, to ensure complete reporting of the requisites required by Italian Legislative Decree 254/2016 Art.3 (2), the data related to the use of water resources is reported.

Table of connection between Materiality Matrix and UN Sustainable Development Goals (SDGs)

Many of the material aspects of the Carraro Group are aligned with 12 of the 17 Sustainable Development Goals (SDGs) defined in the context of the action programme of the 193 UN member countries.

		Health and Well-being Excellence in training Gender equality Clean water and hygiene Clean and accessible energy Dignified work and economic growth Industry, Innovation and Infrastructure Reducing inequalities Sustainable cities and communities Responsible consumption and production Acting for the climate Peace, justice and strong institutions															
Material topic		3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFRORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	16 PEACE, JUSTICE AND STRONG INSTITUTIONS				
1	Health and Safety in the Workplace	◆					◆										
2	Company welfare	◆					◆										
3	Product safety and quality							◆									
4	Reduction in waste produced and adoption of responsible waste disposal methods										◆						
5	Reduction of energy consumption and reduction of greenhouse gases					◆					◆	◆					
6	Ethics and integrity in business management processes						◆						◆				
7	Anti-corruption						◆						◆				
8	Focus on technology and product innovation							◆			◆						
9	Engagement, dialogue, customer satisfaction and quality services																
10	Protection of human and workers' rights			◆			◆		◆								
11	Brand value and reputation							◆			◆						
12	Well-being and work-life balance	◆		◆			◆										
13	Training and skills development		◆				◆										

Material topic	3 4 5 6 7 8 9 10 11 12 13 16 HEALTH AND WELL-BEING QUALITY EDUCATION GENDER EQUALITY CLEAN WATER AND HYGIENE CLEAN AND ACCESSIBLE ENERGY DIGNIFIED WORK AND ECONOMIC GROWTH INDUSTRY, INNOVATION AND INFRASTRUCTURE REDUCING INEQUALITIES SUSTAINABLE CITIES AND COMMUNITIES RESPONSIBLE CONSUMPTION AND PRODUCTION ACTING FOR THE CLIMATE PEACE, JUSTICE AND STRONG INSTITUTIONS															
	HEALTH AND WELL-BEING	QUALITY EDUCATION	GENDER EQUALITY	CLEAN WATER AND HYGIENE	CLEAN AND ACCESSIBLE ENERGY	DIGNIFIED WORK AND ECONOMIC GROWTH	INDUSTRY, INNOVATION AND INFRASTRUCTURE	REDUCING INEQUALITIES	SUSTAINABLE CITIES AND COMMUNITIES	RESPONSIBLE CONSUMPTION AND PRODUCTION	ACTING FOR THE CLIMATE	PEACE, JUSTICE AND STRONG INSTITUTIONS				
14	Sustainable products and processes									◆						
15	Diversity, equal opportunities and inclusion		◆			◆		◆								
16	Reduction in water consumption and waste management			◆						◆						
17	Responsible procurement and use of materials									◆						
18	Management of the supply chain and use and optimisation of local suppliers					◆	◆			◆						
19	Performance management and employee remuneration		◆			◆		◆								
20	Dialogue and internal communication					◆		◆								
21	Attraction, development and retention of resources	◆				◆										
22	External relations and transparent communications among stakeholders, also in reference to sustainability								◆			◆				
23	Community development	◆					◆		◆							
24	Internal control and risk management procedures															

In 2020 the Sustainability Operating Committee (COS) took steps to continue - to the extent possible in the context of the general situation - the activities to implement the projects identified at Group level and at individual sites, in line with the SDGs set out by the 2030 Sustainable Development Agenda.

102-40
List of stakeholder groups

102-42
Identifying and selecting stakeholders

102-43
Approach to stakeholder engagement

102-44
Key topics and concerns raised

Stakeholder engagement in the Carraro Group

In recognition of its responsibility towards the social context in which it operates, the Carraro Group pays particular attention to its internal and external stakeholders, with an open approach to stakeholder engagement in line with the values, principles and guidelines defined by the Group's Code of Ethics and the Corporate Social Responsibility policies. This approach is expressed through meetings with various stakeholders which enable mutual growth, aligning the business model to the expectations and needs of stakeholders, creating long-term value and anticipating the emergence of any concerns.

The internal and benchmark analyses identified the stakeholders of the Carraro Group deemed to be influential in the definition of the Group's business strategy.

Stakeholder engagement and interaction by stakeholder category

For more information on stakeholder engagement and dialogue in view of the Covid-19 pandemic, see paragraph 4.5 Workplace safety):

Stakeholder	Engagement/interaction
Employees	• Projects and/or initiatives for company welfare • Breach reporting system • Company Intranet • Internal newsletter • Insertion schemes for new employees • Company meetings to discuss results and future objectives • Training programmes
Trade unions and workers' representatives	• Regular discussions
Clients	• Regular meetings • Surveys/market research • Continuous dialogue through communication channels (e.g. e-mail, telephone, social media, post) • Customer service • Company website • Online sales channels for spare parts
Suppliers and commercial partners	• Regular meetings • Carraro Private Network • Quality assessment audits/visits
Shareholders and the financial community	• Meetings organised throughout the year (e.g. Shareholders' Meeting, presentation to analysts, roadshows for special projects) • Company website ('Investor Relations' section)
Local communities and NGOs	• Projects to support social initiatives • Open factory days
Local authorities, Public Administration, regulatory bodies and trade associations	• Meetings with representatives of local institutions
Schools and universities	• Site visits • Collaborations with schools and the academic community
Media	• Company website • Interviews with company management • Press releases • Events, trade fairs
Environment	Support and engagement projects: • Reduction of energy consumption and greenhouse gas emissions • Continual monitoring of energy consumption and greenhouse gas emissions • Responsible waste disposal methods

1.5

Ethics, integrity and values

The Carraro Group is inspired by principles which repudiate any form of discrimination or abuse in the context of internal and external relations.

Employees and collaborators are obliged to adopt behaviour that is in line with existing regulations and the company policies and procedures adopted by the various Group departments, both as regards colleagues and in relation to third parties with whom they interact.

As regards relations between the Group companies and third parties, including public entities, employees and collaborators are required to act according to the ethical principles and applicable law, expressly prohibiting any form of illegitimate favouritism, collusion, corruption or solicitation of personal gain for themselves or for others.

Employees and collaborators are required to perform all activities with the maximum transparency, correctness and fairness, cooperating with managers and observing any instructions received.

The Carraro Group undertakes to avoid, both directly and indirectly, any financial, economic and commercial relations with parties who breach anti-corruption regulations in any way.

According to the principle of fair competition in relations with clients and suppliers, the Group undertakes to observe the principles and laws that regulate anti-competitive behaviour, operating on the markets fairly and correctly, ensuring the quality of its own products and observing any contractual agreements.

The system to protect the integrity of the Carraro Group comprises the set of codes, policies and values adopted by Group companies:

- › Carraro Values;
- › Group Code of Ethics;
- › Human Rights and Protection of Diversity Policy;
- › Anti-Corruption Policy;
- › Safety and Environmental Policy;
- › Procedure for Related-Party Transactions;
- › Organisational Models pursuant to Italian Legislative Decree 231/2001.

In addition to the ethical principles, since 2011 the Group has implemented a project to identify and promote the “Carraro Values”, specifically the principles of conduct incorporated over time into the corporate culture and in place to support the Group’s entrepreneurial mission.

The Carraro Values expressed in the Code of Ethics are constantly shared with all employees in recognition of the fact that these elements constitute a significant part of the Group’s intangible heritage. These values are classified into five categories:

1. Being responsible
2. Creating value
3. Developing talent
4. Stimulating innovation
5. Working together

The ethical standards of the Carraro Group, as defined in the Group Code of Ethics, relate to the following principles:

- › honesty and integrity in financial relations;
- › fair competition;
- › prohibition of giving or receiving gifts, advantages and promises of favours;
- › transparent management of conflicts of interest;
- › processing of confidential or price-sensitive information;
- › correct entrepreneurial activity and prevention of money-laundering;
- › protection of privacy;
- › transparent conduct in sponsorship agreements;
- › protection of industrial and intellectual property;
- › fight against organised crime;
- › correct management of human resources;
- › protection of employee health and safety in the workplace;
- › appropriate use of company tools and computer systems;
- › transparent relations with the Public Authorities;
- › fair relations with commercial counterparts and the financial community;
- › independence from political organisations;
- › protection of the environment;
- › prevention of market abuse;
- › compliance with financial reporting rules.

The Code of Ethics expresses the commitments and ethical responsibilities of the Group in the performance of its business and activities, promoting behavioural standards among Group employees across all levels in relation to the principles of legality, loyalty, correctness and professional integrity, aimed at preserving the integrity of the heritage of the Carraro Group and protecting its image and respectability.

This document is based on a long-term commitment which brings an ethical approach to the strategy and financial objectives for industrial development of the Carraro Group.

Training on the Code of Ethics is provided regularly to all existing employees and new members of the governance body and workforce. Employees are required to fully observe the provisions of the Code in relation to their responsibilities in all company contexts, including participation in specific training activities offered by the Group. To ensure that all relevant parties are informed and undertake to fulfil this commitment, the Code is distrib-

uted among the Carraro Group at the time of adoption and in the case of any amendments both as a hard copy and in electronic format.

The Code is subject to regular review by the Board of Directors of Carraro Spa; any amendments, modifications or substantial additions must be approved by the Board according to the same procedures used for its initial adoption. In particular:

- › the Board of Directors is responsible for the approval of any substantial amendment, modification or addition to the Code of Ethics, according to the same procedures used for its initial adoption;
- › the Chairperson and the Chief Executive Officer of Carraro Spa have the right to make any change of an exclusively formal nature, as long as the content remains largely unchanged;
- › the Board of Directors and the Oversight Committee of Carraro Spa must be promptly informed of any such amendments or additions proposed by the Chairperson or the Chief Executive Officer;
- › the Oversight Committee must notify the competent bodies of any breaches of the Code of Ethics. Furthermore, the Oversight Committee is responsible for the promotion and distribution of the Code among relevant parties, as well as providing assistance to those who report cases of non-compliance and ensuring that the Group protects such persons from pressure, interference, intimidation and retribution.

Training sessions are provided to recipients upon the issue of each new version of the Code of Ethics. The document is available in Italian and English in order to be fully received by the members of the Governance body, employees, commercial partners and other stakeholders.

Since 2019, two alternative reporting channels have been established to report unlawful conduct or actions contrary to the Group's ethics, one in writing and the other via a digital portal, addressed to the Oversight Committee, with specific provisions in place to protect the whistleblower and maintain the confidentiality of the reported event. The digital whistleblowing channel ("CarraroWB" web portal) can be accessed via the Group's website at the following links:

<https://www.carraro.com/it/chi-siamo> and <https://www.carraro.com/en/who-we-are>

The ethical position and philosophy of the Carraro Group in relation to suppliers are characterised by principles of clarity and transparency in confirming compliance, understood as its own commitment and one required of its commercial partners, with general ethical principles, including as regards human rights.

The requirement to implement the Code of Ethics of the Group is common practice in relations with suppliers, as is its distribution to partners by the most easily accessible methods available (web, private network).

The Carraro Group bases its activities on the principles of the Code of Ethics, and one of its fundamental objectives is to ensure compliance with the legislation and regulations in force in all countries in which it operates.

Carraro Spa requires all Group companies to comply with the values expressed in the Code of Ethics and to collaborate fully in the pursuit of its objectives, acting in full compliance with the law and applicable regulations.

The Carraro Group does not maintain commercial relations with parties whose activities are not guided by the underlying principles of the Code of Ethics.

102-17
Mechanisms
for advice and
concerns about
ethics

419-1
Non-compliance
with laws and
regulations in
the social and
economic area

The Group promotes rules of conduct in line with the principles of legality, loyalty, correctness and professional integrity among all Group employees at all levels.

All employees are required to adopt conduct in line with the policies of the Group which may never, including in pursuit of company objectives, translate into illegal actions or conduct contrary to applicable regulations or Group procedures with regard to individual positions, both as regards relations with colleagues and third parties.

The Group acts in compliance with the industrial and intellectual property rights legally held by third parties, as well as with European and international laws, regulations and conventions to protect such rights.

In 2020, no significant sanctions were imposed for failure to comply with laws or regulations in the economic and/or social field.

2.1

Governance model

Corporate Governance and Corporate Governance Code

Corporate governance is the set of tools, regulations and mechanisms aimed at effective management of the organisation's decision-making processes in pursuit of corporate objectives in the interests of all Group stakeholders.

102-18
Governance
structure

The Parent Company Carraro Spa complies with the Corporate Governance Code published by the Committee for Corporate Governance of Listed Companies in July 2018. A traditional administrative system has been adopted, based on the presence of three main bodies: the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors, supported by the internal committees of the Board of Directors, the Manager in charge of preparing the company accounts, the Oversight Committee, the Internal Audit Department and the Independent Auditors.

Shareholders' Meeting

The Shareholders' Meeting expresses the wishes of shareholders in relation to the objectives assigned by the Articles of Association; the Meeting appoints the Board of Directors and the Board of Statutory Auditors, and approves the annual Financial Statements.

The Board of Directors

The Board of Directors is the collegial body responsible for administering the Company, defining the strategic objectives of the Company and of the Group it heads, and governing its management. To this end, the Board of Directors is vested with the broadest powers for the ordinary and extraordinary administration of the Company and has the right to carry out all other actions that it deems opportune for the implementation and realisation of corporate objectives, excluding those reserved by law or the Articles of Association to the Shareholders' Meeting, in accordance with the Corporate Governance Code.

In particular, in accordance with the Articles of Association and conferred powers, the Board has responsibility as regards:

- › reviewing and approving strategic plans, the budget and major transactions as well as reviewing all interim and annual economic and financial reports (such plans envisage the attainment of defined financial objectives in accordance with policies aimed at ensuring compliance with appropriate quality standards of the products offered on the market, maintaining standards in relation to workplace health and safety, environmental protection, human rights and workers' rights and combating illegal business

- practices in line with the laws in more developed countries);
- › defining the nature and level of risk compatible with strategic objectives, in the context of medium to long-term sustainability;
- › verifying suitability of the general organisational and administrative structure of the Company and the Group;
- › assigning and revoking powers to the Chairperson, the Chief Executive Officer and assigning or revoking special powers of attorney to Company executives;
- › determining remuneration for the Managers of the various departments;
- › supervising the overall performance of Company and Group management;
- › assessing regularly the size, composition and performance of the Board and its Members;
- › providing guidance on the managerial and professional figures whose presence in the Board is deemed opportune;
- › defining the Corporate Governance rules and supervision of their compliance with the Code;
- › reviewing and approving the principles, limits and outcomes of financial risk management operations;
- › reviewing and approving related-party transactions.

The Bylaws also envisage that the Board of Directors has the right to approve the establishment or removal of secondary offices, the transfer of the head office within Italy, corporate mergers or demergers in the cases provided by Articles 2505, 2505-bis and 2506-ter of the Italian Civil Code, the reduction of share capital following shareholder withdrawal and amendments to the Bylaws for changes to regulations.

The powers conferred to the Board of Directors define it as the principal body responsible for all decisions of a financial, environmental and corporate nature.

Subcommittees of the Board of Directors

The Committee has established the following subcommittees:

- › The Appointments and Remuneration Committee;
- › The Control, Risk and Sustainability Committee.

All Committees act merely in a consulting and advisory role and assist the Board in matters within their respective responsibilities.

The Appointments and Remuneration Committee is charged with the formulation of proposals in relation to the remuneration to be recognised to Board Members to whom the Board of Directors has granted specific powers and other Directors who fulfil certain roles; the evaluation of the annual objectives of the Executive Directors; the evaluation of the criteria adopted for defining the remuneration of Directors with strategic responsibilities and in particular the incentives scheme on a variable MBO basis; the evaluation of the correct application of the remuneration policy; the preparation and proposal to the Board of Directors of the Remuneration Policy.

The Control, Risk and Sustainability Committee, which acts in a consulting and advisory role to the Board, is charged with the following duties:

- › the assessment, together with the Financial Reporting Manager and having consulted the external auditor and the Board of Statutory Auditors, of the proper use of the accounting principles and, in the case of groups, their consistency for the purpose of

- drafting the Consolidated Financial Statements;
- › the issue of opinions on specific aspects concerning the identification of the main business risks;
- › the examination of the periodic reports on the assessment of the internal control and risk management system and those of particular relevance drafted by the Internal Audit department;
- › monitoring the independence, adequacy, effectiveness and efficiency of the Internal Audit department, with the right to require the same to conduct audits on specific operating areas, notifying the same to the Chairperson of the Board of Statutory Auditors;
- › the presentation of reports to the Board, at least every six months, at the time of approval of the annual and interim financial report, on its activities and the adequacy of the internal control and risk management system;
- › supporting, through suitable preliminary activities, the assessments and decisions of the Board of Directors relating to the management of corporate management risks in relation to strategic objectives;
- › supporting the Board of Directors in risk management activities and the definition of the objectives and approaches to be adopted on the subject of sustainability in the medium to long term.

The Board of Statutory Auditors

The Board of Statutory Auditors supervises compliance with the law and the Articles of Association and has management control functions.

Legislative Decree no. 39/2010, transposing Directive 2006/43/CE on the subject of legal audits of annual statements, entered into force on 07 April 2010, assigned to the Board of Statutory Auditors the role of Internal Control and Auditing Committee, with the duty of overseeing the financial reporting procedure, the effectiveness of internal control, audit and risk management systems, the statutory audit of annual financial statements and consolidated financial statements and the independence of the statutory auditors, in particular as regards the provision of non-audit services to the entity subject to the statutory audit.

Executive Director responsible for the internal control and risk management system

The role of the Executive Director responsible for the internal control and risk management system was appointed to the General Manager Mr. Andrea Conchetto by the Board of Directors at the meeting of 26 October 2020, maintaining such role until the expiry of the mandate provided by the Shareholders' Meeting to approve the 2020 financial statement.

As such, the Executive Director responsible for the internal control and risk management system carries out the following duties:

- › the identification of the main corporate risks, taking into account the characteristics of the activities carried out by the issuer and its subsidiaries, and subjecting them to regular review by the Board of Directors;
- › the implementation of the strategies defined by the Board of Directors, overseeing the preparation, implementation and management of the internal control and risk management system and constantly ensuring its adequacy and efficacy;
- › the adaptation of this system to the dynamics of the operating conditions and the legislative and regulatory framework;
- › reporting promptly to the Control, Risk and Sustainability Committee (or the Board of

Directors) as regards problems and concerns emerged in the performance of its activities or which have otherwise come to its knowledge, in order that the Committee (or Board) may take appropriate action.

It also has the right to request that the Internal Audit department carry out audits of specific operating areas and compliance with internal rules and procedures in the performance of company activities, promptly notifying the same to the Chairperson of the Board of Directors, the Chairperson of the Control, Risk and Sustainability Committee and the Chairperson of the Board of Statutory Auditors.

Internal Control and Risk Management System

The internal control and risk management system aims to ensure:

- › the adequacy of company processes in terms of efficiency and efficacy;
- › the reliability of the information provided to corporate bodies and the market;
- › the protection of Company assets;
- › compliance with external regulations, the Bylaws and internal procedures.

The system of internal controls over financial reporting adopted by Carraro Spa is established in consistency with the provisions of Article 154-bis of the Consolidated Finance Act (TUF) and based on the “COSO Report” (“Internal Control - Integrated Framework”, published by the Committee of Sponsoring Organizations of the Treadway Commission), according to which the internal control system may be defined as a set of opinions, procedures and instruments for ensuring the achievement of corporate objectives in terms of efficacy and efficiency of operations, reliability of financial reporting and compliance with the regulations in force.

Organizational Model pursuant to Italian Legislative Decree no. 231/2001

On 29 March 2007, the Board of Directors of the Parent Company resolved to adopt a Code of Ethics and the Organisational Model pursuant to Italian Legislative Decree no. 231/2001, formalising and incorporating an existing organisational structure into the Company and ensuring its constant update. This adoption took place following the conclusion of a project to assess the risks relating to the types of offences envisaged by the decree.

The Board of Directors subsequently approved updated versions of the Model and of the Code of Ethics (date of last resolution 17 December 2020).

The Code of Ethics of Carraro Spa was subsequently adopted by all directly controlled subsidiaries to become the Code of Ethics of the Carraro Group, while all the main Italian subsidiaries adopted an Organisational Model pursuant to Legislative Decree no. 231/2001.

The Code of Ethics and the Organisational Models were distributed to the Group via a specific online training programme and were disclosed to commercial partners.

To ensure the correct application, implementation and maintenance of the Models of the various companies, the Supervisory Bodies envisaged by the Decree have been established.

Sustainability policies and actions

The Sustainability policies adopted by the Carraro Group consider the aspects related to the integrity and transparency of financial relations, responsibility in the performance of business activities, the protection and optimisation of personnel, health and safety in the workplace, environmental protection, as well as all other characteristics that contribute to

the Group's position as a global leader. Carraro has adopted the following Policies at Group level:

- › *Environmental, Health and Safety Policy*
- › *Quality Policy*
- › *Anti-Corruption Policy*
- › *Human Rights Policy*
- › *Diversity Policy*

Protection and optimisation of personnel

The Carraro Group is committed to developing the skills and capabilities of all of its employees, promoting a working environment and conduct characterised by:

- › the protection of health, safety and integrity and the prevention of discrimination, in particular as regards race, gender, age, nationality, religion, personal beliefs, political opinions, health and personal and social situation, as well as the prevention of abuse of any kind;
- › the promotion of an innovative and entrepreneurial spirit within the limits of responsibility of each employee;
- › The principles of merit and competence within the limits permitted by the requirements of the role;
- › the offer of equal opportunities in the workplace and as regards professional advancement for all employees;
- › the definition of roles, responsibilities and availability of information such to enable each member of the organisation to carry out their duties in the interests of the company.

Protection of the Environment

The Group operates across eight manufacturing sites in five different nations.

The manufacturing processes carried out at the industrial sites essentially regard the mechanical processing of iron and steel and assembly of manufactured components purchased from third parties. These processes also use accessory materials such as packaging, lubricants, paints and solvents.

Over the years, Group Management has defined objectives to:

- › implement a systematic monitoring, control and coordination system of all topics related to environmental protection;
- › define parameters at Group level for the management of environmental issues at all Italian and foreign sites, independently of the local regulatory structure;
- › carry out risk assessments and start the process to obtain environmental certification of production sites;

In the course of these objectives, the Group:

- › established in 2011 a Group Environment, Health and Safety department within the Parent Company, charged with the role of implementing an environmental management and control system and coordinating all environmental protection activities at each production site;
- › prepared and distributed guidelines for the implementation, in the various operating facilities, of a management and control system (EH&S Management System) which defines principles and rules of conduct, promotes an environmentally sustainable cul-

- ture within the Group's manufacturing activities, and provides for the execution of audits and risk assessments;
- › studies solutions aimed at reducing the environmental impact of industrial activities, proposing and promoting the adoption of all the applications offered by current technology to reduce the risks of pollution;
 - › checks compliance with local legislation at the various sites;
 - › implemented systematic data streams with the Management with indicators and analysis tools essential for the management of risks and the implementation of risk management strategies.

Significant achievements in this regard include the conversion, supported by appropriate investments, of the solvent-based coating systems to water-based coating systems such to eliminate atmospheric emissions and enable the attainment of the Environmental Certificates according to standards ISO 14001 at almost all of the Group's plants.

In the determination of production allocations and the definition of make-or-buy decisions, the variable of transport optimisation has also been considered in terms of eco-sustainability and the reduction of CO2 emissions in line with the Group's mission.

Health and Safety in the Workplace

A significant portion of the Group's industrial processes refers to mechanical processes and the assembly of mechanical components. Risks relating to health, safety and environmental impact arising from working processes are mainly represented by typical manufacturing risks.

Over the years the Group has developed a culture aimed at protecting workplace health and safety, in recognition of its importance in the industrial context in which it operates, in response to the increasingly complex demands of Italian legislation and with the subsequent intention to internalise the most effective health and safety risk mitigation strategies. This intention was established as a fundamental objective in order to guide each action, investment and problem-solving capacity in all sites regardless of geographic location.

In addition to the environmental protection activities, the Group has assigned to the Group Environment, Health and Safety Department the role of defining the criteria for the implementation, at each site, of an occupational health and safety management and control system and monitoring all related activities at each manufacturing site.

The Department implemented a management and control system (EH&S Management System) that:

- › defines the principles and rules of conduct;
- › promotes the culture of a safe working environment;
- › provides for the execution of regular audits;
- › recommends the drafting of improvement plans to indicate solutions to reduce the risk of accidents;
- › requires compliance with local legislation at the various sites;
- › implements systematic data streams with the Management with indicators and analysis tools essential for the management of risks and the implementation of risk management strategies.
- › defines the annual accident targets, ensuring their attainment and analysing the reasons for any discrepancies.

Significant results in this regard include the attainment of the ISO 45001 certification for the site of the Agritalia division of Carraro Spa.

Energy consumption

The Management is increasingly focused on energy consumption, audits and strategies to improve the energy efficiency of its manufacturing processes.

In particular, key actions include:

- › organisational decisions, with the establishment of an Energy Management department dedicated to studying and formulating energy efficiency proposals;
- › the analysis of the limitations and opportunities of the existing legislative framework, including public incentive schemes;
- › study of technical solutions for the realisation of low energy consumption plants and alternative energy generation methods;
- › renegotiation of energy supply contracts, extending the tender to renewable energy providers.

Product quality

The Group constantly strives to direct every effort to design and production in order to achieve the highest levels of quality possible. In this regard, since 1994 it has adopted and maintained a set of Quality Procedures in line with the international standards that have been gradually issued by the relevant international bodies.

Sustainability governance

102-19
Delegating
authority

102-20 Ex-
ecutive-level
responsibility for
economic, envi-
ronmental, and
social topics

Board of Directors

The decision-making and implementing powers in relation to economic, social and environmental aspects reside with the Board of Directors, its Chairperson and the executive directors, according to the powers conferred by the Shareholders' Meeting and the delegated powers assigned.

On 27 October 2017, the Board of Directors appointed to the Control and Risk Committee consultancy and advisory roles to the Board of Directors in relation to all economic, social and environmental aspects related to the “sustainability” of the company.

Director with delegated powers on the subject of sustainability (Chief CSR Officer)

The Chief CSR Officer, with the support of the Control, Risk and Sustainability Committee, proposes and coordinates the projects and initiatives in the field of social responsibility, monitors the action plans of the various operating units, and checks observance of the legislation on the subject also in relation to the disclosure obligations.

Control, Risk and Sustainability Committee

The Control, Risk and Sustainability Committee discusses, examines and evaluates all matters related to sustainability with the support of the company departments, including as regards the non-financial statement envisaged by Legislative Decree no. 254/2016, and reports periodically to the Board of Directors.

The Control, Risk and Sustainability Committee meets periodically to carry out its role in general, evaluating sustainability topics and reporting to the Board of Directors at least every six months.

As well as its previously assigned roles as regards the internal control and risk management system, the Committee is also charged with the following duties:

- › the verification of compliance with the policies adopted by the company in the various contexts;
- › the regular collection of information on implemented activities by the Sustainability Operating Committee;
- › the monitoring of the improvement plans and programmes, when adopted;
- › the evaluation of any periodic reports and the annual financial statement;
- › the submission of regular reports to the Board of Directors on all relevant aspects.

Sustainability Operating Committee

The Sustainability Operating Committee (SOC) is a small internal corporate body formed of 7 members¹ from the main Group departments and headed by the Chief CSR Officer, which is responsible for handling any sustainability-related topics indicated as relevant to the Group for each of the aspects that fall within its operating sector.

This Committee acts as a work group and is tasked with analysing the data, evaluating any concerns, studying and proposing technical and operative solutions, promoting and coordinating programmes and projects and monitoring their development, ensuring the regular flow of information and data required for the annual reports, and reports to the Control, Risk and Sustainability Committee.

Extended Sustainability Operating Committee

This is a broader work group than the SOC and focuses on the main topics of sustainability, promoting the knowledge acquired and the CSR policies adopted by the executive bodies. It represents the link between the operating departments, is composed of a contact person for each company department involved (procurement, operations, logistics, HR, EH&S, quality, etc.), and holds regular meetings (e.g. every six months).

Contact persons of the main company departments

The contact persons of the main company departments at each of the Group's operating facilities oversee, within the scope of their jurisdiction, the implementation of CSR initiatives that aim to meet the Group's sustainability targets. They are also responsible for organising data collection and processing activities for the purposes of the data streams to the executive bodies and for the preparation of the Sustainability Report (NFS).

CSR Champions

At each of the Group's main operating facilities two employees have been appointed to promote the culture of sustainability, to identify initiatives and to monitor the progress of projects launched at Group and individual company level. These CSR Champions report directly to the Chief CSR Officer and the Sustainability Operating Committee.

The governance framework and the relative delegation and sustainability management processes is as follows:



Board of Directors

- *the Board of Directors is responsible for risk management and the definition of CSR strategies*
- *receives information from the Control, Risk and Sustainability Committee (CRSC)*
- *approves the annual Sustainability Report (NFS, Non-Financial Statement)*

Director with delegated powers for CSR (Chief CSR Officer)

- *implements the guidance defined by the BoD in the field of sustainability*

¹ In March 2021 one of these members was appointed as CSR Development Manager to support the development of CSR initiatives



Control, Risk and Sustainability Committee (CRSC)

- *Committee of Directors that examines on behalf of the BoD the sustainability topics (investigatory and advisory functions for the BoD)*
- *holds regular sessions (e.g. quarterly)*



Sustainability Operating Committee (COS)

- *small internal company work group which deals with all aspects of sustainability (projects, programmes, results, indicators) and reports to the CRSC*
- *composed of 7 members and headed by the Chief CSR Officer*
- *holds regular sessions (e.g. monthly or every two months)*



Extended Sustainability Operating Committee

- *internal workgroup that handles the main CSR topics*
- *made up of a contact person for each company department involved (procurement, operations, logistics, HR, EH&S, quality, etc.)*
- *holds regular sessions (e.g. every six months)*



Contact persons of the main company departments

- *perform activities for achievement of the Group's objectives, reporting to the SOC*
- *collects data and measurements for the flow of information to senior management*



CSR Champions

- *promote CSR initiatives and activities at individual operating facilities*
- *Report to the Chief CSR Officer and the COS*

Appointment and composition of the Board of Directors

The selection and appointment criteria for members of the Board of Directors are listed in the Bylaws and reflect the conditions to protect diversity defined by current legislation.

During the appointment process of the Board of Directors, each list of candidates must contain and expressly identify at least one person in line with the independence requirements envisaged by the auditors pursuant to Article 148, paragraph 3 of the Consolidated Law on Finance (TUF), or two where the AGM declares that there will be more than seven board members, in accordance with Article 147-ter, paragraph 4 of the TUF.

The Board of Directors annually evaluates the existence of the independence requirements of each non-executive director.

The skills and experience of the members of the Board of Directors are assessed in order to ensure:

- › a significant presence of directors with extensive corporate knowledge gained, at least in part, in industrial manufacturing companies;
- › the presence of skills in the various branches of the Group's main business activities and related fields (tax, finance, strategy);
- › the presence of professionals from entrepreneurial, university or specialist consultancy backgrounds.

The current Board of Directors has a balanced representation of these skills, and includes members with higher degrees in engineering, economics and business adminis-

tration, including courses undertaken abroad; who have acted as directors in important industrial and financial companies or university professorships in business subjects; who are enrolled in professional accounting and tax registers; who have direct entrepreneurial experience in manufacturing and logistics companies; and who are present in the highest business associations.

The Board of Directors is constituted exclusively of members appointed by the Shareholders' Meeting, except in the case of co-option due to the dismissal of a director; with regard to the current BoD, this was the case for the appointment of Mr. Andrea Conchetto, with the allocation of specific powers granted by a special mandate in line with the previously appointed role of General Manager. According to current legislation, the representation of both majority and minority shareholders is guaranteed; at the time of appointment, directors can present their lists provided that the latter, alone or together with other shareholders, represent at least 2.5% of the share capital subscribed at the time of submission of the list.

The highest governance body is the Board of Directors, the members of which have the following characteristics:

Composition and executive role

- › 4 members are executive directors (Chairperson of the Board of Directors, General Manager, Deputy Chairperson and Chief Financial Officer);
- › 5 members are non-executive directors.

Independence

- › Of the 5 non-executive directors, 3 are independent directors.

Duration of mandate

- › The mandate of the governance body is valid for three years from the date of appointment and expires with the approval of the annual financial statement.

Number of positions and the commitments of each members, including the nature of the appointment.

Board of Directors In office until the approval of the 2020 Financial Statements (Appointed, General Meeting of 14.05.2018)	Number of positions and the commitments of each members, including the nature of the appointment.
Enrico Carraro	Chairman
Tomaso Carraro	Deputy Chairman
Andrea Conchetto	General Manager
Riccardo Arduini	Director
Fabio Buttignon	Director* (1) (2)
Virginia Carraro	Director
Enrico Gomiero	Director
Marina Manna	Director* (1) (2) (3)
Marina Pittini	Director* (1) (2)

102-22
Composition
of the highest
governance
body and its
committees

405-1
Diversity of the
governance
bodies and
employees

- (1) Members of the Control, Risk and Sustainability Committee
 (2) Members of the Appointments and Remuneration Committee
 (3) Members of the Oversight Committee
 * Independent Directors

Board of statutory auditors

In office until the approval of the 2020 Financial Statements (Appointed, General Meeting of 14.05.2018)

Carlo Pesce	Chairperson
Saverio Bozzolan	Regular Auditor
Stefania Centorbi	Regular Auditor
Gabriele Andreola	Alternate Auditor
Barbara Cantoni	Alternate Auditor

2020

Broken down by age	Executives	Non Executives	Independents	Total	% by age
≤30				0	0.0%
31-40		1		1	11.1%
41-50	1			1	11.1%
>50	3	1	3	7	77.8%
Total	4	2	3	9	100%

2020

Breakdown by gender	Executives	Non Executives	Independents	Total	% by gender
M	4	1	1	6	66.7%
F		1	2	3	33.3%
Total	4	2	3	9	100%

Gender

Based on current gender diversity regulations. The criteria used to select the members of the Board of Directors pursuant to Article 21 of the Bylaws require that the under-represented gender (male or female) must constitute at least one third (“complete quota”) or, in certain cases, one fifth (“reduced quota”) of the total number of Board members. In the current Board of Directors, three out of the nine members are women, while there is one woman out of a total of three members in the Board of Statutory Auditors.

Belonging to under-represented social groups

None of the members of the current Board of Directors belong to under-represented social groups.

Competencies in relation to economic, environmental and social impacts

As a whole, all the directors and statutory auditors have gained extensive experience, including in the management or administration of manufacturing companies or services in sectors, markets and territories characterised by a close interactive relationship expressed by diversified economic, social and environmental repercussions.

Stakeholder representation

Stakeholders are represented exclusively by shareholders in accordance with the rules in force for the appointment of directors and statutory auditors defined for companies listed on the Italian Stock Exchange. No other stakeholder categories are represented in the governing bodies.

Remuneration policies

The remuneration policies adopted by the Carraro Group aim to fairly remunerate the work of each employee, in line with the commitment given and contribution provided to the activities of the company, with recognition, where possible, of the quality of the professional contribution.

Through this approach the Group aims to incentivise its employees, rewarding conduct that is in line with its objectives and values and creating conditions such to attract and retain resources assigned to the most significant positions, taking into account market standards for remuneration in order to ensure an appropriate level of competitiveness.

For management roles, an MBO scheme has been developed, whereby the variable part of total remuneration is determined by the achievement of specific objectives defined by area or role and linked to the general corporate performance.

For executives and managers with strategic responsibilities, the criteria and guidelines for remuneration were established by the Remuneration Committee which operates according to the roles assigned to it by the Corporate Governance Code; remuneration is composed of two components, one fixed and one variable, with the latter, to an extent determined by the specifics of the respective roles and responsibilities, linked to the achievement of specific performance objectives.

The processes to communicate critical concerns to the Board of Directors are those envisaged to provide systematic and continual reports on economic, environmental and social topics produced by the Control, Risk and Sustainability Committee and, in the case of topics relevant to the 231 Organisational Model, by the Oversight Committee.

102-36
Process for
determining
remuneration

102-27
Collective knowl-
edge of highest
governance
body

2.2

Risk management

Carraro risk management system

In the framework of its Corporate Governance system, the **Carraro** Group follows a risk management model inspired by national and international best practices, and directly integrated with the process to define strategies and ensure their implementation in the business plans. In particular, the organisational roles involved in the company risk management process are as follows:

- › the Board of Directors, which is responsible for the definition of the nature and level of risk compatible with strategic objectives, in the context of medium to long-term sustainability;
- › the Control, Risk and Sustainability Committee (CRSC), which is responsible for supporting the Board of Directors on topics related to internal control and risk management;
- › the Executive Director in charge of the Internal Control and Risk Management system, who is responsible for the identification of the main corporate risks and the implementation of the indications issued by the Board of Directors on the subject of risk management, as well as for the assessment of their adequacy;
- › the Director with delegated powers on the subject of sustainability (Chief CSR Officer), along with the CRSC, who supports the Board of Directors in determining the level of compatibility of the Company's risk profile with sustainable business management in the medium to long term, in line with the strategic objectives identified;
- › the Risk Owner, who for each of the main company departments is responsible for ensuring, in conjunction with company management, that the main risks to which Carraro SpA and its subsidiaries are exposed are correctly identified and monitored in business management activities;
- › the Internal Audit department, which is responsible for monitoring the correct operation of the risk assessment and management process, using this as a reference for establishing the internal control system according to a principle of consistency between risks and controls.

The Carraro Group has defined a **Risk Management Procedure** with the objective of governing the risk management process, providing methodological guidelines and various operational indications in support of them. The risk management process is organised into the following main activities:

102-11
Precautionary
Principle or
approach

Analysis and monitoring of the context

Fact-finding activity which aims at understanding the scenario in which the Group operates. This activity has the objective of identifying which factors, elements and/or forces can have an effect on the ability to achieve the objectives planned in the period;

Identification and assessment of risks

The risk identification process is connected to the business strategies and the objectives defined in the three-year Strategic Plan and related periodical updates and aims to identify potential events that can compromise the achievement of the objectives. the risk assessment consists of determining, for every risk detected i) the probability of occurrence and ii) the impact expressed in terms of possible consequences, the product of which constitutes the assessment of the exposure to the risk;

Definition of the Risk Response

Activity aimed at identifying the response to the risk (e.g. acceptance, reduction, transfer of the risk, etc.);

Periodic review of the risks identified and assessed

Activity with the aim of keeping updated the identification and assessment of the exposure to risks with a view to evolution and the changing conditions of factors that can have an effect on the ability to achieve the objectives set for the period;

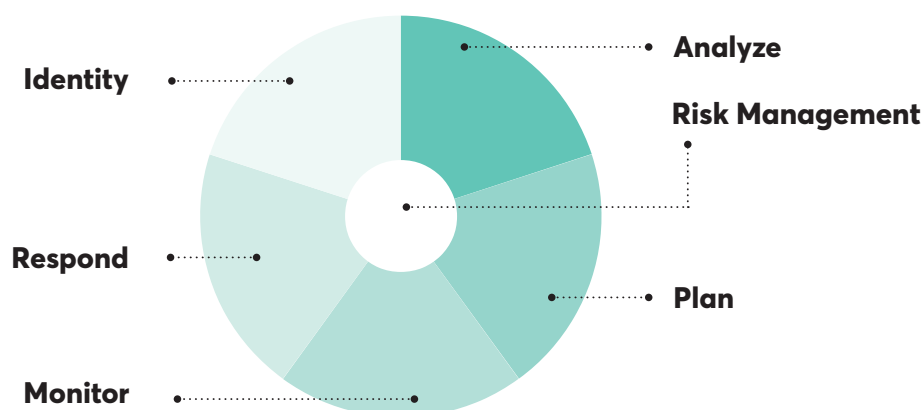
Continuity/improvement of the risk mitigation monitoring

Activities aimed at ensuring the continuity of operation of the mitigation monitoring, controls or instruments present and at implementing preventive or corrective actions so as to obtain better risk monitoring when the exposure is considered unacceptable.

In 2018, Carraro revised and updated, as part of a specific project (ERM 2018), the assessment of business risks from the Group's perspective. At the same time the main operating establishments each developed a risk analysis aimed at obtaining the certification according to the ISO 9001:2015 standard.

In 2019 Carraro conducted an ESG risk analysis as part of the 2018 ERM, aimed at completing the Group's risk management process through the definition of a framework that considers both business performance and sustainability within a single system.

In 2020 the scope of the ERM and the relative results were reviewed in order to take account of the impacts of the Covid-19 pandemic and the risk of cyber attack on the various risks mapped in the Group's risk catalogue, and to inform the executive boards and the directors in view of the events that had occurred during the year.



Main risk categories to which the Carraro Group's risk management model refers

The Carraro risk management system, in line with the most widespread and consolidated practices on the subject, takes into consideration the risks according to a classification with five categories:

Strategic risks

Related to the medium/long-term objectives and the influence of external economic factors which can be foreseen with difficulty or only partially or which cannot be affected by the Group (e.g. macro-economic context, country risk, market or sector risk);

Operational risks

Associated with the effectiveness and efficiency of the operating capacity and connected with events that could have a negative impact on value creation (e.g. risks regarding the supply chain, product development, industrialisation, human resources, information systems, health, workplace safety and the environment, product quality);

Legal and compliance risks

Related to the ability to precisely observe laws and regulations in force or associated with the onset of disputes and lawsuits;

Financial risks

Of a financial nature (e.g. credit risk, liquidity risk, volatility of exchange rates and interest rates, commodity prices, availability of funds);

Planning and reporting risks

Associated with the reliability of the economic and financial information and planning.

Main environmental, social and economic risks to which the Carraro Group is exposed

— Operating risks

Environmental and resource management risks

The Group operates across 8 manufacturing sites located in 5 different countries and, therefore, has to deal with legislative frameworks, in environmental terms, which are different and in continuous evolution. The evolution of the various legislative contexts is continuously monitored in order to pursue observance of the environmental requirements provided for in the local laws.

The manufacturing processes carried out at the Group's industrial sites are essentially mechanical processing of iron and steel and assembly of purchased components. These processes use accessory materials such as packaging, lubricants, paints and solvents.

As regards the topic of climate change, with a view to minimising environmental risk, the Group pursues significant objectives on two fronts:

Resources

With particular reference to the use of **materials** and **energy**.

In the use of **materials**, preference is given to:

- › the procurement of packaging materials and equipment, as far as possible recyclable and reusable
- › the use of reusable plastic or metal containers for the exchange of material with suppliers
- › the reduction of the metal waste produced in mechanical processing

In the use of **energy**, the Group has shown over the last few years growing attention to programmes aimed at reviewing energy consumption choices (study of alternative production systems, redirecting supply contracts, investment in lighting plants with low consumption) and more energy efficiency of consumption in production and technological processes.

Environment

With particular reference to questions related to **emissions**, **waste** and **water**.

Various initiatives are aimed at monitoring and, if possible, **reducing greenhouse gas**

emissions (use of refrigeration plant gases, choice of suppliers of eco-sustainable energy, etc.).

The objective of limiting the impact of emissions into the environment has seen a significant improvement from 2008 onwards, thanks to important investments in moving from solvent-based coatings to water-based products.

Since 2014, specific **waste reduction** programmes have been implemented, focusing particularly on non-recyclable waste.

Logics for the **reduction of water consumption** and more efficient **use of water** are required at the Group's production sites in order to confirm the sense of responsibility in exploiting the wealth offered by the territory.

Product sustainability

The risks associated with the sustainability of the Group's products are considering taking into account both the nature and type of materials used.

Given the nature of the products, the most significant materials used directly in production processes are those for direct use and are classified according to weight or type according to following commodity categories: castings, steel and purchased components (semi-finished and finished) composed to varying extents of metal, plastic, glass and rubber. In general, these types of materials are derived to an increasing extent from recycled material rather than virgin materials (extracted minerals, oil and oil derivatives, natural rubber).

Finished products in the drivelines sector are composed almost exclusively of cast iron and steel, as well as indirect materials such as lubricants that can be easily separated from the product, which are almost entirely recyclable. For the agricultural vehicles sector, while the main structural components remain as above (cast iron and steel), the presence of other components (electrical cables and electronic devices, tyres, glass for cabins), and the fact that the recycling or re-use programmes are operated by the clients for whom they vehicles are produced, both impact the recyclability of the finished products.

Risks related to management of Human Resources

The Group's international dimension requires careful management of human resources aimed at making the most of these resources taking into account the strategic objectives. This translates into different risk aspects, namely:

- › availability of a labour force and qualified resources: the Group monitors the labour market in the area and countries in which it operates. The activity of searching for and selecting personnel makes use of the support of employment agencies and the use of other specific channels;
- › ability to implement adequate training: the level of training is a fundamental element for growth of the corporate assets because the development of skills is at the base of the factors for success with clients such as the proposal of innovative technical solutions with a high quality level. Various dedicated training initiatives are provided to workers on the basis of the unit they belong to, any relevant specific conditions, and the importance of aspects such as workplace safety and the environment and, more broadly, sustainability, considering the nature of the business and the types of industrial processes involved;
- › retention of personnel and attractiveness: the ability to attract and retain qualified resources is a factor of great significance in giving continuity to the effective-

ness of the business activity. The Group proposes structured career paths, alignment of the economic offer to the market conditions on the basis of remuneration benchmarks and other initiatives. Group companies expend significant resources on ad hoc services to meet certain important employee needs (cafeteria, collective transport to and from work, etc.).

- › well-being: job appeal and personnel retention both depend on the Group's capacity to create positive working conditions that promote a healthy work-life balance. In this sense, there are various initiatives such as flexible working hours, part-time options and, in some cases, remote working.
- › diversity: for a multinational business such as the Carraro Group, the protection of diversity is a critical aspect due to the presence of employees with a broad range of languages, cultures, religions and educational backgrounds who need to be able to co-exist and collaborate in the same professional environment. In this regard, HR policies are free from any form of discrimination due to gender, religion and origin, while specific attention is given to the specific needs (dietary and prayer) of Muslim employees.

Risks associated with relations with employees and Trade Unions

The Group carries out its industrial activities through complex manufacturing processes that require extensive use of specialist employees in the production, assembly and transportation phases. Relations with employees are mediated by the presence of trade unions which are generally well-organised and well-established in the various countries. The status of these relations determines the continuity of production works and the ability to schedule activities in order to meet the delivery commitments agreed with the client, mitigating the risks of discontinuity or interruptions in service related to situations of conflict due to contract renewal or the resizing or closure of production plants.

Risks related to human rights

Attention to compliance with the laws and international standards on the subject of human rights is translated into oversight aimed at protecting employees first, through continuous monitoring of compliance with local legislation on the subject of workplace rules by managers or by personnel with responsibility for managing human resources.

For the labour force present in the supply chain, either permanent (e.g. Direct suppliers of the industrial activity) or occasional (e.g. services on contract), oversight is being put in place with the aim of reducing the risk of violation of human rights including in the selection and assessment criteria also the main sustainability parameters.

The prevention of risks related to breaches of human rights is transversally supported by specific calls to observe such rights in the Code of Ethics, which is distributed and made known to employees and which suppliers are asked to accept as a requisite for being able to establish or maintain professional relationships with Carraro.

For better oversight of risks related also to human rights violations, since 2019 a specific "whistleblowing" reporting channel has been made available, supported by a dedicated web portal entitled "CarraroWB" and accessible through the Group's website www.carraro.com.

Risks associated with health and safety in the workplace

A significant portion of the Group's industrial processes refers to mechanical processes

and the assembly of mechanical components. The risks related to health and safety in the workplace deriving from working activities are predominantly those typical of the metal-mechanics industry, which includes machining, interaction between operators and automatic and semi-automatic machinery, assembly of parts, movement of loads, use of high temperature furnaces and other related activities.

The commitment for the protection and promotion of health and safety in the workplace expresses itself in the Carraro Group's decision to adopt an EH&S Management System. This system is based on the best international practices and has been uniformly implemented at all production plants through mechanisms of responsibility and involvement as indispensable instruments for the creation of a corporate workplace safety culture.

Risks associated with product quality

The success of the manufactured products depends largely on the ability to ensure quality standards appropriate to the target markets, considering:

- › for drive systems (axles, transmissions and related components), the levels of reliability required by the machines in which the Group's products represent key components;
- › for agricultural vehicles, their usage safety requirements according to the restrictions set forth by law or applicable legislation, and the industrial standards for road safety, operational safety, workplace safety and environmental safety (engine noise and emissions).

The risk of defects is therefore considered from the design phase; procurement, production and testing processes are carried out in constant dialogue with the client to check the achieved results, and with the suppliers to ensure the required quality levels from the first phases of the industrial supply chain.

The ability of the Group to limit the risk of poor customer service, particularly during the post-sales phase, is determined by response and resolution times to issues raised by customers and product quality. Moreover, given the extremely close integration of the Group's products with the end products retailed by our clients - drive systems, for example, are essential components - the pursuit of customer satisfaction targets is essential to maintaining the Group's competitive position on the market.

Risks associated with the supply chain

In order to achieve its strategic objectives, the Group operates as part of a supply chain in which every supplier is required to meet the same requirements of technological capacity, quality, efficiency and ethics adopted by the Group itself. From this point of view, inadequate management of strategic suppliers in terms of controls on product quality, delivery times and the required production flexibility results in the risk of potential operating inefficiencies and the inability to meet customer requirements.

To confront this risk, Carraro subjects its suppliers - particularly strategic suppliers - to an initial evaluation process, which is then repeated periodically. The evaluation measures supplier adequacy in terms of technological and production capacity, the overall quality of processes and products, the possession of quality certificates according to ISO standards, corporate and financial position, and respect for the Code of Ethics of the Carraro Group.

Risks associated with the region

The presence of the Group's business units - which are considered industrial sites - in

different geographic areas has a significant impact on the surrounding area in terms of:

- › use of direct and indirect labour from the local workforce, both for operational tasks as well as coordination, supervision and control functions;
- › use of a supply chain of local suppliers for raw materials and direct and indirect production components, as well as industrial and general services.

The economic impact on the region of these elements is significant, representing around 80% of the added value produced by each of the Group's operating facilities.

From this perspective, depending on the size of the site in question, the risk of generating a significant impact on the local area and community in the case of the disinvestment, closure or relocation of a site can be considerable.

— Legal and compliance risks

Compliance risks

Although generally applicable to all business activities, compliance risks are particularly relevant to Carraro due to the specific nature of the market sector, the types of products involved and the Group's status as a listed company, and are broad and diverse, encompassing a range of diverse factors, including:

- › the compliance of the product's technical specifications with safety and emissions regulations (for agricultural vehicles);
- › the chemical compliance of materials; depending on the various legislative contexts, any traces of certain chemical components in the materials used must be declared, and consequently it must be possible to trace these components throughout the entire supply chain;
- › the compliance with regulatory and customs requirements in the various countries in which the Group conducts import (purchases) and export (sales) activities.
- › compliance with the regulations applicable to listed companies, with reference to transparency, governance, and the disclosure of data and corporate information;

Risks of corruption

The operational areas that are generally most significant in terms of risk of corruption are:

- › procurement of goods, services and investments in relation to which the procedures for selecting and maintaining suppliers consider the aspects concerning integrity as significant factors;
- › relations with public bodies: as Carraro does not supply public administration entities, such relations are mainly institutional in nature (tax and customs compliance, authorisations, controls, inspections);
- › sales, mainly made to medium-sized companies and groups, already oriented to ethical conduct;
- › management of human resources: the Group's employees have been informed of the anti-corruption regulations through a specific training programme that involves all managers, clerical staff and executives of the Italian companies and the officers of international companies.
- › management of cash flows, subject to control mechanisms related to the purchase and sales processes according to defined authorisation levels.

The Group has adopted a number of rules of conduct to prevent breaching of the anti-corruption rules, in particular:

- › the Group Code of Ethics,
- › the Anti-Corruption Policy,
- › and the Organisational, Management and Control Model adopted by the Italian companies

Which contain the fundamental principles of integrity and transparency and lay down the rules related to the explicit prohibition of favouritism, collusive practices of corruption or solicitation of personal advantages for oneself or for others.

— Strategic risks

Risks associated with general economic conditions

The Group's economic, equity and financial situation is influenced by various factors within the general macro-economic framework, such as changes to the gross national product, the state of the agricultural and construction industries, the cost of raw materials and the level of business confidence in the various countries in which the Group operates. Significant macro-economic events, such as a generalised and significant increase in the prices of raw materials, a significant fall in demand in one of the Group's key markets, enduring uncertainty and volatility of the financial and capital markets, falling interest rates and unfavourable changes in the exchange rates of the major currencies to which the Group is exposed may all impact negatively on the Group's operations and prospects, its economic results, its financial position and its ability to have a positive impact on its ecological and social environment.

Risks associated with market/customer trends

The market sectors in which the Group operates are variously influenced by cyclical growth and downsizing trends according to progressively less predictable dynamics. The methods by which the main clients absorb these variations in demand and reflect them along the supply chain have a significant impact on the production volumes that the Group is required to develop, with repercussions for the supply and waste management policies and, as a result, the working capital requirements and the ability to adequately absorb fixed costs including the indirect effects on the ecological and social impacts of its business.

Country Risk

A global presence is fundamental for the Group, encompassing a strategy serving clients and seizing opportunities on new markets for its product range. The Carraro Group operates in different countries and its exposure to their related risks has gradually increased over the years. On these markets, unstable economic-political conditions occur on a cyclical basis; these impact on, and could negatively affect, the Group's financial situation and economic performance. Also, in this case, the result could be less ability to distribute economic benefits in the communities and territories in which the Group operates.

Risks associated with protectionist laws present in various countries in terms of customs and embargoes

The Group is exposed to the risk of suffering the effect of protectionist policies in the

countries where it operates, introduced through changes in customs duties. In other cases, the risk may come from constraints or prohibitions introduced by international agreements that limit free trade conditions (e.g. embargoes).

To confront the aforementioned risks, the Group maintains a constant focus on the macroeconomic variables associated with the raw materials supply sector and the reference market for end products (agriculture, public works and construction), as well as on the governmental decisions in the various countries that may affect end markets and changes to protectionist policies.

— Risks associated with the Covid-19 pandemic

From January 2020 onwards the national and international scenario became characterised by the spread of the Covid-19 virus and the consequent restrictive measures imposed by the authorities in the affected countries in order to contain it. On 11 March the World Health Organisation declared that the characteristics of the spread of the Covid-19 virus constituted a pandemic.

As is well known, the restrictive measures resulted in an initial slowdown and then the enforced cessation of manufacturing activities in various industrial sectors, including the area of operation of the Carraro Group. In March 2020, the Group's Italian facilities suspended activities, with similar suspensions occurring at various periods at the Group's facilities in other countries, in line with local government directives.

To confront this situation, the Group set itself these key objectives:

- › to protect the occupational health and safety of its employees;
- › to continue operating activities wherever possible, in consideration of the commitments undertaken with clients;
- › to mitigate the effects of possible interruptions to the supply chain.

In this regard, all of the necessary measures to confront the pandemic were taken immediately, with the maximum attention to safeguarding and protecting the Group's personnel and to limiting the effects of the emergency on the business.

Occupational health and safety

The manifest characteristics of the virus - aggression, ease of transmission due to the frequency of asymptomatic cases, and the danger to the health of infected persons - pose a new and significant risk in all work environments where close physical contact - even if only occasional - occurs.

In the Group's operating facilities, these conditions are encountered to a lesser extent at work stations for mechanical works, where the employee generally operates alone, but are more prevalent on assembly lines, in communal areas (e.g. cafeteria or changing rooms) and particularly in closed environments (laboratories, offices, conference rooms).

During the initial spread of the pandemic, the management at the various sites took steps to identify these risks and adopt the measures required to mitigate their effects, considering the indications proposed by the competent medical and scientific bodies while also guaranteeing full compliance with the rules imposed by the various national or local authorities, with the aim of ensuring the continuity or return of operating activities without compromising on workplace health and safety.

Where possible, the adoption of these measures was shared with workers' representatives and in certain cases was subject to voluntary audit by the control bodies.

Business continuity

To protect business continuity, working methods were revised and reduced shift capacities at the Group's facilities were established. To further contain the spread of the virus, agile or remote working was launched for all possible cases, particularly clerical and administrative jobs.

Supply chain

The suspension of manufacturing activities in the various countries due to the pandemic resulted in certain delays in the operation of the supply chain, which in some cases affected the procurement of the necessary production materials at the Group's production sites. This led to the adoption of new supply contract strategies, with the aim of finding alternative sources to limit the delays wherever possible.

— Risks associated with IT systems and cyber security

IT systems are extremely important to the Group's business processes and the effective management of risks associated with IT security is therefore a highly relevant topic for the Group.

The statistical data of the last few years indicate a growing intensity of cyber attacks on private businesses and public institutions of all sizes, with more sophisticated techniques used to hack company networks and higher levels of aggression aimed at damaging data and information.

One aspect that may contribute to the prevalence of such attacks is the expansion of company networks resulting from the need to provide remote access to all employees working from home due to the pandemic, often using connections that are not directly managed by the company.

The importance of such data archives and the damage caused by such data breaches not only regards the impact on business activities (technical data, project data, management and reporting data) but also the activities concerning the management of third party data, or information relative to employees and other individuals, which must be processed and protected according to the specific protections provided for by law (privacy law).

The severity of this threat is borne out by the fact that even technically adept companies with sophisticated IT security systems have not remained unscathed by this phenomenon.

The risk described here was manifested in September 2020 with a cyber attack by a specialist criminal organisation which aimed to block access to most of the data and information contained in the files in order to extort a financial ransom in exchange for its release.

The swift action of the Group's IT department at the initial detection of the attack reduced the severity of the impact, which nonetheless affected the accessibility of certain files and resulted in the loss of certain data sets concerning various associated companies. In order to activate the firewalls, external network systems were isolated and most software was temporarily disabled, as a precautionary measure, to enable the relative controls to be carried out. This resulted in a suspension of business activities lasting several days in order to switch off the systems and relaunch the machines and the relative installed applications. Upon relaunch, priority was given to the main operating systems, followed by accessory systems. The IT devices used by employees were also restored.

The analysis of the methods, time frames, scope, depth and origin of the attack was entrusted to specialist cyber security firms; these investigations also enabled the formulation of specific short and medium/long-term mitigation and remediation plans aimed at im-

proving the defensive mechanisms and procedures and the cyber risk management, with a view to reducing the vulnerability of company infrastructure while remaining attentive to the constant threat posed by hacking organisations.

— Risks associated with climate change (*Climate-related disclosure*)

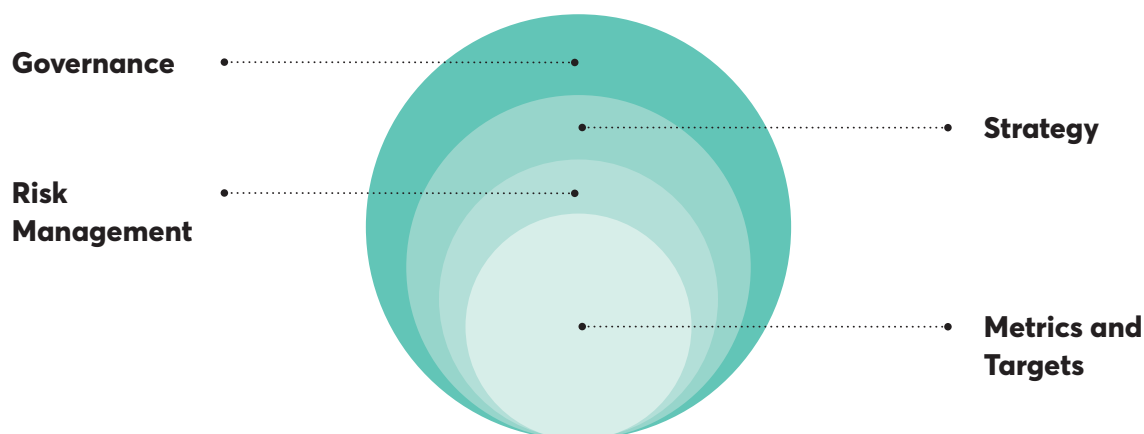
Supported by the weight of the convictions reached among the scientific communities, climate change and its possible effects are becoming an increasingly pressing topic among major international organisations, national governments, politicians and, finally, in public debate.

Confronted with worrying signs manifesting as unpredictable climatic events, the main causes of which are now understood (spread of greenhouse gases, global warming), the possible consequences on the planet's natural balance, the continued availability of natural resources, seasonal trends and the effect on agriculture, mineral extraction and, more generally, manufacturing activities, are still being studied.

As a result of this uncertainty, new types of risk - or, at the very least, a different interpretation of existing risks - are emerging, which are difficult to predict and, therefore, to quantify.

The Group is aware of this situation and has set itself the objective of collecting and aggregating all of the information as it becomes available, in order to conduct an analysis to enable the Group's risk models to be updated to take into account the new reference horizons for its industrial activities in the agricultural and construction equipment sectors.

With this disclosure, Carraro aims to describe the methods according to which the Group - based on the model proposed by the Task Force on Climate-related Financial Disclosures (TCFD) - intends to confront the topics associated with climate change.



— Governance

The governance of all aspects concerning climate change, along with all other environmental topics, is entrusted to the Board of Directors, which consults with the Control, Risk and Sustainability Committee in order to define the relative guidelines.

In the implementation of these strategies, the Chief CSR Officer proposes and coordinates the projects and initiatives in the field of sustainability, monitoring their progress.

The Group's entire Governance model is described in more detail in paragraph 2.1.

— Strategy

The Group is conscious of the potentially significant impacts that climate change may have on our clients, stakeholders and our business. In view of this, steps have been taken to analyse the possible scenarios with a view to identifying one or more strategies able to mitigate the negative effects of these changes.

In terms of the Group's general direction, as illustrated with regard to the measures taken to mitigate environmental risks the Carraro Group has long adopted standards that meet the requirements of international environmental certifications.

Meanwhile, constant effort is being made to improve the energy efficiency of our production processes, with less energy being consumed for the same level of production output, thus reducing costs and emissions.

In terms of finished products, the increasingly stringent anti-pollution regulations for vehicles and the need for end customers to reduce their consumption costs are driving the strategies of manufacturers such as Carraro towards the development of innovative technical solutions in terms of the energy absorbed by vehicle transmission systems. This aspect, while restrictive, is also an opportunity for the Group to continue to pursue its research and development activities.

Within the limits currently foreseeable, the strategy aimed at confronting the main types of risk and seizing the opportunities identified by the TCFD matrix are reported in the table alongside this paragraph.

— Risk management

With regard to the risks and opportunities presented by climate change, the Carraro Group proposes to continue to follow its previously adopted management model, described in more detail in paragraph 2.2., which provides for the following phases as part of a circular sequence: analysis of the context, identification and assessment of risks and opportunities, definition of response, periodic review, and the continuity/improvement of control measures.

— Metrics and targets

As regards the metrics used in this report, chapter 3 of this document describes the main indicators in relation to energy consumption, atmospheric emissions, the use of water resources and the production and management of waste; the metrics used are based on the most widely used practices in line with current GRI reporting standards.

As described above, the Group's targets include:

- › the acquisition and maintenance over time of the environmental certification ISO 14001 for all of the Group's manufacturing facilities;
- › the continued monitoring of the main parameters used to measure energy, emissions (scope 1, 2 and 3), water resources and waste;
- › the acquisition of an internationally recognised sustainability rating.

— Risks/opportunities matrix

As mentioned above, evaluating the impact of climate change on business activities is extremely complicated and the methods and tools to effectively report on these aspects have not yet been universally defined. Consequently, when identifying the main risks and opportunities that may be associated with climate change, the Group has once again chosen to adopt an approach based on mainly qualitative considerations, as shown below.

Risks

Type of event	Nature of event	Definition of event	Description of potential event	Possible economic/ financial impacts	Risk management strategy
Physical risk	Acute	Increase in the frequency and intensity of extreme weather events	· Damage to operating facilities with temporary impacts on production and accessory activities · Supply chain discontinuity (suppliers, logistics, transportation) · Plant downtime with discontinuous production and delays in deliveries to customers · Damage to public electricity, gas or water distribution networks	· Reduction in profits due to delayed deliveries to customers · Increase operating costs to repair damaged plants · Possible depreciation of assets · Increased insurance premiums · Increased transport and waste management costs	· Increased asset security levels (e.g. anti-seismic or flood prevention works) · Increased flexibility in production and waste management processes to mitigate the impact of the event (e.g. suspension and relaunch of production, scheduling of supplies) · Appropriate insurance to cover damage to assets and losses related to missed deliveries to customers · Greater diversification of suppliers · Selection of suppliers with more comprehensive business continuity guarantees · Use of emergency generators to guarantee continued access to energy
Physical risk	Chronic	Increase in average temperature Reduction in rainfall	Increased evaporation of surface water reserves and relative reduction in water availability for agricultural use in certain geographic areas	Reduced profits due to a reduction in sales of agricultural machinery following the desertification of cultivable land	· Monitoring of weather forecasts in areas with increased water stress and initiatives established by the authorities to support investments in agriculture · Adjustment of sales strategy to meeting evolving customer demands
Transitory risk	Regulatory or policy-related	Changes to subsidies and incentives by the Government or by international organisations	Absence of incentivisation or support schemes in the areas most affected by climate change	Reduced profits due to a reduction in sales of agricultural machinery following worsening operating conditions for agricultural businesses	Establishment and continuation of relations with national and international industry institutions responsible for protecting the interests of the sector with national authorities

Type of event	Nature of event	Definition of event	Description of potential event	Possible economic/ financial impacts	Risk management strategy
Transitory risk		Change to the regulatory framework for greenhouse gas emissions	Tightening of national and/or international regulations with the introduction of more stringent limits on greenhouse gas emissions produced by combustion engines	Reduced sales revenues from agricultural and construction machinery due to difficulties in renewing investments in machinery by users	- Strategies to support the product modifications in line with the evolution of agricultural and construction machinery in relation to: - The replacement of engines with new, low emissions models - The introduction of new types of engine (biofuel, hybrid, electric)
Transitory risk	Market	Uncertainty of market performance	Difficulty in predicting demand on reference markets in the various geographical areas and for the various types of product	Increased operating costs due to inefficient management of investments and production stocks	- Constant monitoring of market performance, focusing on significant parameters - Continuous dialogue with leading clients to maintain visibility regarding changes to demand and to align the Group's strategies with those of its customers
Transitory risk	Reputational	Changes to reputation in a generally evolving context	Worsening of reputation due to the inability to adjust the perception of the brand to meet new market expectations	Reduced sales revenues from agricultural and construction machinery due to the reduced willingness of customers to form partnerships for new products	R&D strategies to support product modifications in line with the evolution of the agricultural and construction machinery the products are designed for
Transitory risk	Technological	Changes to technology due to new market demands	Inability to adjust technologies to meet the new requirements of the markets	- Increased costs associated with the transition to new technologies - Reduced sales revenues from agricultural and construction machinery due to changes to technology	Support for R&D activities to update product technologies to meet new market requirements

Opportunities

Type of event	Nature of event	Definition of event	Description of potential event	Possible economic/ financial impacts	Risk management strategy
Opportunities	Energy sources/ efficient use of resources	Increase in the frequency and intensity of extreme weather events	Self-production of energy	- Consistency of production activities, customer deliveries and the associated revenues - Improvement of environmental performance - Improvement in ESG ratings in customers' vendor rating systems	- Use of alternative energy sources that ensuring better business continuity with a lower environmental impact: - Use of co-generation and tri-generation systems for electricity, heating and air conditioning - Use of photovoltaic systems to produce electricity
Opportunities	Product/ market	Changes to emissions regulations	Increased incentives for the purchase of low emissions vehicles	Increased sales revenues from low emission agricultural and construction machinery due to the introduction of incentives	Support for R&D activities to develop innovative products able to meet the new requirements
Opportunities	Product/ market	Changes to reputation in a generally evolving context	Improvement in Group reputation thanks to its ability to update its products and services in line with qualitative changes in demand	Increased sales revenues from low emissions agricultural and construction machinery due to the capacity to develop and propose innovative products and services	- Support for R&D activities to develop innovative products able to meet new market requirements - Constant engagement with customers to direct development towards their adopted strategies
Opportunities	Product/ market	Changes to technology due to new market demands	Development of new product technologies to acquire a competitive advantage	Increased sales revenues from low emission agricultural and construction machinery due to the capacity to develop and propose technologically suitable products	Support for R&D activities to develop technologically advanced products
Opportunities	Resilience	Resilience in the face of an economic context subject to irreversible changes	Ability to confront the negative impacts of climate change with the adoption of appropriate measures to prevent or reduce the potential damage.	- Maintain market share and revenues in the medium and long term - Limit / reduce operating costs associated with damages caused by sudden extreme weather events	- Monitoring of markets in close collaboration with leading customers in order to anticipate the direction of the relative trends - Support for R&D activities to develop innovative technical solutions - Use of the available alternative energy sources

Resources and the Environment

3.1

Resources

3.1.1 Materials

Management of production and packaging materials

The Group operates production plants in diverse geographical areas and interacts with different and constantly evolving regulatory entities, particularly in more developed countries.

In any case, an approach has been adopted to minimise environmental risk by aligning all operating units to the most rigorous standards inspired by European regulations, irrespective of whether local regulations permit different levels of freedom.

This strategy aims to maintain a high level of confidence among local stakeholders, primarily local authorities and employees, as regards the Group's ability to reduce the environmental impact of its production activities, operating with a constant commitment to the adoption of the most suitable technical solutions.

The manufacturing processes carried out at the Group's industrial sites primarily regard the mechanical processing of iron and steel products and the assembly of finished components. Production also requires the use of supplementary materials such as packaging, lubricants and paints.

In order to limit the environmental impacts of the final stages of the production cycle, since 2008 the Group has implemented an investment plan that has led to the gradual shift from solvent-based coatings to water-based paints, drastically reducing the risk of introducing poisonous emissions into the water system and the atmosphere.

As regards compliance with leading global technical standards, activities have been launched and concluded to obtain the Environmental Certifications according to the ISO 14001 standard at the Group's plants in Italy, China and India (axle plant).

The environmental initiatives launched by the Group include:

- › the preference for recyclable and reusable products in the procurement of packaging materials and equipment;
- › the use of plastic or metal containers for the exchange of materials with suppliers, reducing the use of non-reusable wooden or cardboard containers;
- › the verification and redefinition of raw materials (selection of optimum minimum dimensions in the purchase of semi-finished raw metals) to reduce the amount of excess metal produced in machining processes.

Direct materials acquired from third party suppliers used in manufactured processes

Direct materials used	u.m.	2020	2019	change % 20 vs 19
		peso	peso	
Cast iron	tonnes	49,579	51,363	-3.5%
Steel	tonnes	23,898	23,996	-0.4%
Mixed components	tonnes	8,949	8,493	+5.4%
Tractors components	tonnes	4,437	4,666	-4.9%
Total al 31.12	tonnes	86,863	88,518	-1.9%

Note

› Following a revision to direct materials data, the 2019 data have been restated.

Overall, the reduction in production volumes has led to the use of fewer materials sourced from third parties, although opposite trends can be seen for different product categories: while the use of cast iron materials has fallen, there has been a rise in demand for mixed components required by a specific type of axle produced in India.

3.1.2 Energy

Energy usage policies

As regards energy, the targets pursued by the Group to reduce industrial costs translate into the constant drive to achieve increasingly higher standards of energy efficiency and the definition of the approach and methodology to be implemented to reduce energy intensity, energy consumption and greenhouse gas emissions produced by the Group's activities.

The effective implementation of these methodologies helps to control costs, limit indirect environmental impact, including as regards emissions, and reduce the need for technical supporting infrastructures.

In more recent years, the Group's focus towards an increasingly judicious use of energy has led to the promotion and development of a series of organisational and operational initiatives to review energy usage decisions and implement improvement programmes aimed at delivering immediate results, as described in the "Energy consumption" section of paragraph 2.1, "Governance Model".

According to these strategies, since 2014 the Carraro Group has dedicated resources and skills to improving the efficiency of energy consumption in manufacturing and technological processes, particularly in reference to:

- › the combined electricity, heating and air conditioning system;
- › the use of LED lighting in plants;
- › the replacement of compressed air production plants with other high efficiency systems;
- › the flare gas recovery systems in the steel heat treatment process (Siap Spa plant in Maniago);
- › installation and use of two photovoltaic systems on the roof of the new Research and Development Centre and the new warehouse at the Campodarsego plant, which in 2020 produced a total of 92,430 KWh;
- › acquisition of a 100% electric 8-seater vehicle for the Campodarsego-Rovigo shuttle service to replace the previous fuel-powered vehicle.

Thanks to the dedication of appropriate organisational resources and skills and the appointment of the Energy Manager, significant reductions in costs have been achieved in the negotiation of electricity and methane gas supply contracts.

As regards the selection of energy suppliers for Italian sites, also in 2020 the use of elec-

tricity coming 100% from renewable sources continued.

With regard to the Group's sites outside Italy, the energy consumed is sourced from traditional sources while in certain cases (e.g. electricity in India) it is self-produced by diesel-powered generators to ensure continuity of supply.

— Energy consumption

Energy consumption within the organization

The table shows the consumption relative to Scope 1 (energy derived from direct sources controlled or owned by the organisation) and Scope 2 (energy derived from indirect sources resulting from the generation of purchased or acquired electricity, air conditioning and steam consumed by the organisation).

Energy consumption within the organization			
	u.m.	2020	2019
Diesel (Generators)	GJ	17,299	14,893
Motor fuels	GJ	18,591	18,089
Natural gas (Methane)	GJ	188,572	194,398
Butane	GJ	91,015	89,715
Propane	GJ	16,595	17,459
Total fuel consumed, coming from non-renewable sources	GJ	332,072	334,554
Electricity	GJ	142,943	156,516
› from renewable sources	GJ	71,042	75,980
› from non-renewable sources	GJ	71,541	80,536
Steam	GJ	10,508	14,632
Total energy purchased for internal use		153,451	171,148
Electricity	GJ	-190	-418
Total energy sold		-190	-418
Total energy consumption within the organization	GJ	485,333	505,284

Notes

- › To convert the quantity of steam purchased into the unit of measurement of energy (GJ), estimates quantified according to the best criteria available and capable of providing the most precise and exhaustive picture possible were used. Specifically, the conversion factors were taken from TLV Calculator Tool and ThermExcel Conversion Table;
- › Conversion factors for all fuels used are taken from DEFRA.

302-1
Energy consumption within the organization

The diverse nature of the products and technologies used at the plants of the Carraro Group require the use of different energy sources:

Natural gas

Required for the steel heat treatment process, co-generation, heating for civil use and painting processes;

Diesel

Required for electricity generation;

Propane and butane

Required for the steel heat treatment process;

Automotive fuels

Fuel used by company vehicles, for the tests to verify the correct operation of tractors and the fleet of buses used to transport employees to and from work in India and China. For companies outside Italy, the data has been estimated based on distances travelled and the average consumption by vehicle type. For Italian companies the calculation is based on the amount of fuel charged by suppliers.

Steam

Used in the facility in China for the coating line, for the heating system in winter and for the use of hot water in company bathroom facilities.

Electricity

Used in all plants for the operation of machinery and for offices; 50% (71,402 GJ) of total consumption is derived exclusively from renewable sources and refers to all Italian plants.

The reduction in total energy consumption within the organisation (-3.9%) is due to a general fall in consumption in fuels from non-renewable sources and in other forms of energy, and relates to the reduction in production in 2020 resulting mainly from the restrictions imposed by the health emergency.

Plans to reduce energy consumption

In implementing the policies to reduce energy consumption, in line with the Group energy efficiency investment plans, since 2014 intervention plans have been launched and implemented at some of the Group's main plants with regard to lighting in the production and storage areas, the production of compressed air, the co-generation plant and the recovery of flare gases in the steel heat treatment process.

These plant innovations continue to make a significant contribution to reducing energy consumption and the associated emissions at the Group's sites each year.

In particular, the solutions implemented up to 2017 include:

- › Lighting: mercury vapour and neon lights have been replaced with LED lighting at all Italian production plants and at the Pune plant in India. These systems enable a saving of 50% of absorbed energy while maintaining the same intensity of light.
- › Production of compressed air: at the Carraro Drive Tech Italia Spa plant in Campodarsego (PD), new compressors for the production of compressed air and new air-treatment dryers have been installed, resulting in a significant reduction in energy

- usage. The compressors at the Rovigo plant were also replaced.
- › Recovery of flare gases: at the Siap Spa plant in Maniago (PN), various “Hybridcarb” systems have been installed for the recovery and reuse of flare gas used in the steel heat treatment process, significantly reducing atmospheric emissions and energy consumption.

Further progress was made in 2020:

- › Co- and tri-generation plants: at the Siap Spa plant in Maniago (PN), the methane-powered co-generation plant installed in 2015 to produce electricity for self-consumption and recover heat for use in buildings and production processes was upgraded to a tri-generation system, with a nominal output of 904 KWe for the additional production of cooling energy. In 2020 a new 999 KWe tri-generation plant was installed, while another 304 kW co-generation system is still in operation at the same site.
- › As a further initiative to increase energy efficiency and independence, during the year two photovoltaic systems were installed at the Campodarsego factory with respective outputs of 51 and 80 kW.

The reduction in energy consumption is monitored through the use of appropriate tools (“continuous monitoring”).

3.2

Environment

Environmental compliance

One of the fundamental principles of the environmental policy of the Carraro Group is the recognition that compliance with local regulations in the areas in which it operates and the pursuit of business objectives to protect the environment are of primary importance. All local organisations must comply with the regulations and laws issued by the authorities, as well as the standards imposed by ISO 14001, where applicable, or the Standard Practices indicated in the Group's EH&S Management System.

The aim of the Standard Practices is to define the activities necessary to effectively control possible pollution sources through the use of appropriate parameters, tools and management methods, promoting technologies that enable effective monitoring.

In line with the criteria of ISO 14001, the EH&S Management System outlines an annual Assessment Programme aimed at assessing the level of implementation or performance in order to measure the effectiveness of the management system and monitor compliance with environmental aspects.

In 2020, no significant sanctions were imposed on Group companies for failure to comply with environmental laws or regulations.

307-1
Non-compliance
with environ-
mental laws and
regulations

3.2.1 Emissions

Approach

The Group places particular focus on polluting emissions, including as regards compliance with local regulations. In cases where the ISO 14001 certification has not been acquired, all operating units are required to comply with the Standard Practices envisaged by the Group EH&S Management System.

ISO 14001 and the Standard Practices define, *inter alia*, the activities necessary to control emissions through the use of engineering and management best practices, and promote the use of technologies to control atmospheric pollution. These principles provide that in the case of accidental release of greenhouse gases (GHG), an investigation will be carried out to determine the cause and identify appropriate corrective measures to prevent the incident from happening again.

Furthermore, the Group has developed appropriate environmental emergency procedures that guarantee a swift response to incidents in order to minimise environmental impact.

Direct greenhouse gas emissions (Scope 1)

The methodologies used to calculate emissions directly measure the relevant energy source (methane, propane, butane, diesel, petrol), losses (or refills) of cooling/air conditioning systems and the conversion into GHGs in order to determine the value of CO₂ equivalent.

Direct emissions by GHG (Scope1)			
Total emissions	u.m.	2020	2019
From non-renewable sources	tonnes of CO ₂ eq.	18,745	18,720
Natural gas (methane)	tonnes of CO ₂ eq.	9,631	9,928
Diesel	tonnes of CO ₂ eq.	1,215	1,045
Butane	tonnes of CO ₂ eq.	5,422	5,345
Propane	tonnes of CO ₂ eq.	989	1,040
Motor fuels	tonnes of CO ₂ eq.	1,281	1,249
Refrigerant gas	tonnes of CO ₂ eq.	207	113

305-1
Direct
(Scope 1)
GHG emis-
sions

Notes

- › Data presented without considering any offsetting instruments
- › Conversion factors are taken from DEFRA and ACRIB

The data provided considers the emissions comprised of CO₂ equivalent deriving from the use of methane gas, diesel, butane and propane gas used in production cycles and the various types of refrigerant gas used to replenish refrigeration systems.

The fuel used by company vehicles in companies outside Italy and the fleet of buses used to transport employees to and from work at the plants in India and China is estimated on the basis of distance travelled and the average consumption per vehicle type. For the vehicle fleet at the Group's Italian companies, the calculation is based on the amount of fuel charged by suppliers.

The production of CO₂ equivalent in 2020 is largely unchanged compared to the previous year. The reduction in production volumes in 2020 was partly offset by the increased fuel consumption of the generator units at the Indian plant, as described above, and by the increase in testing activities carried out on the tractors at the Agritalia Division plant. The change in the amount of refrigerant gas relates to extraordinary maintenance on the machine room systems in the IT area of the head office.

Indirect greenhouse gas emissions (Scope 2)

305-2
Energy indirect
(Scope 2) GHG
emissions

Emissions per Plant calculated according to the 'Gross Location-Based' method			
Gross Location-Based			
	u.m.	2020	2019
Electricity	tonnes of CO ₂	19,647	22,576
Steam	tonnes of CO ₂	499	709
Total indirect emissions (Scope 2)	tonnes of CO₂	20,146	23,285

Note

- › The conversion factors used are taken from Terna and DEFRA. The emissions are expressed in tonnes of CO₂; however, the percentage of methane and nitrous oxide has a negligible effect on total greenhouse gas emissions (CO₂ equivalents), as can be seen in the technical literature of reference.

Emissions calculated according to the 'Gross Market-Based' method			
Gross Market-Based			
	u.m.	2020	2019
Electricity	tonnes of CO ₂	12,983	14,999
Steam	tonnes of CO ₂	499	709
Total indirect emissions (Scope 2)	tonnes of CO₂	13,482	15,708

Note

- › The conversion factors used are taken from Terna and DEFRA. The emissions are expressed in tonnes of CO₂; however, the percentage of methane and nitrous oxide has a negligible effect on total greenhouse gas emissions (CO₂ equivalents), as can be seen in the technical literature of reference.

The reduction in CO₂ emissions relates directly to the reduced production in the year due to the periods of downtime at the various plants as a result of the pandemic.

The impact of CO₂ emissions, using the Gross market-based methodology, at the Italian facilities is zero thanks to the supply received, already starting from 2017, entirely from renewable sources.

Plans for reducing greenhouse gas emissions

From the point of view of direct emissions (Scope 1), we are continuing:

- › the monitoring programme of refrigerant gases to enable correct operation of the refrigerator circuits, launched in 2015;
- › the activity to recover the refrigerant gas used in the circuits before any maintenance or repair works and reuse it in the system;
- › to increase co-generation capacity with the installation of a new 999 kW system at Siap in 2020.

Indirect emissions – Scope 3

Emissions generated by the inbound and outbound transportation of goods refer to all logistics activities related to the purchase and sale of materials, components and finished products between the Group's entities regardless of return conditions and refer principally to overland and sea transportation.

Work trips refer to transfers of technical, commercial or other departmental staff between the Group's sites in Italy and abroad and for the management of relations with trade partners.

Other indirect emissions by GHG (Scope 3)			
	u.m.	2020	2019
Inbound/outbound transport of goods	tonnes of CO ₂ eq.	21,725	19,246
Business trips by air	tonnes of CO ₂ eq.	220	1,621
Total indirect emissions	tonnes of CO₂ eq.	21,944	20,867

Note

- › Conversion factors are taken from DEFRA.

After an initial period at the start of the year when the effects of the pandemic inevitably led to a reduction in the movement of goods, in the second half of the year the sharp upturn in demand resulted in the opposite trend, reabsorbing the stock of outstanding orders and resulting in the need, in certain cases, to use air freight, resulting in higher emissions for the same quantity of goods transported.

The significant reduction in emissions relating to business trips was inevitably due to the restrictions imposed by the health emergency.

305-3
Other indirect
(Scope 3) GHG
emissions

Emissions of ozone-depleting substances

305-6
Emissions of
ozone-depleting
substances (ODS)

Emissions of ozone-depleting substances (ODS)			
	u.m.	2020	2019
CFC-11 eq	tonnes	0.001122	0.001628

Note

- › The conversion factors are taken from the Handbook for the Montreal Protocol on Substances that Deplete the Ozone Layer, UNEP Ozone Secretariat United Nations Environment Programme, 2016.

Due to the nature of the production processes at the Group's plants, atmospheric emission sources are formed principally of emissions from thermal power plants, thermal treatment plants for gears, co-generation systems (NOx and PM) and coating systems (VOCs).

305-7
Nitrogen oxides
(NOx), sulfur
oxides (SOx), and
other significant
air emissions

NOx and other significant emissions			
	u.m.	2020	2019
NOx	Kg	30,660	27,412
Volatile organic compounds (VOC)	Kg	16,708	31,605
Particulate matter (PM)	Kg	10,005	8,977

Notes

- › The data do not include the Argentinian plant;
- › Kilograms of NOx and particulate matter were estimated based on the analysis carried out and the operating hours of each emission source.

The general trend of these emissions is impacted by various simultaneous factors that interact in a non-uniform way: the increase in nitrogen oxide (NOX) relates to the intensity of operation of the heating systems (Campodarsego, Maniago and Rovigo plants) and thermal treatment plants (Maniago and India sites), with the former heavily influenced by the weather conditions during the winter season, while the latter by the frequency of the gear treatment processes. Another factor of note is the use of the electricity generator at the Carraro India plant used to overcome the frequent power outages on the local electricity grid, which in 2020 was used more often than in the previous year.

The variation of volatile organic compounds (VOC) is affected, generally speaking, by production volumes and plant efficiency based on their age; in 2020 the reduction is linked to the aforementioned reduction in production volumes.

The increase in particulate matter also relates to the frequent use of the co-generator systems at the Indian plant.

The list below describes the local initiatives carried out by the Group to reduce its environmental impact:

Siap: Bike to Work

Working in collaboration with other regional bodies, the Maniago plant has signed up to the Bike to Work scheme, promoting cycling among its employees through the construction of cycle stands and parking areas at the site.

Initiatives in China

The Group's site in China has reduced its environmental impact through various initiatives:

- › Improving the regulation of the air conditioning unit;
- › Promoting initiatives to incentivise green behaviour;
- › Promoting car sharing on the third Friday of every month (–966 kg CO₂ eq.);(*)
- › Reducing the amount of paper used in work processes.

* The estimated reduction in emissions is based on the parameters issued by DEFRA in 2020

3.2.2 Waste

Waste management

With an annual production across eight manufacturing sites, the Group produces approximately 12,600 tonnes of industrial waste each year. Reducing the amount of waste produced has always been a priority in the definition of company policies. Hazardous waste presents a greater risk to the environment and human health, as well as higher operating costs in order to ensure compliance with regulations compared to other types of waste.

The specific waste reduction programmes for non-recyclable waste launched in 2014 led to immediate benefits that have been maintained over the years, with generally consistent results.

Carraro's efforts continued in 2020 with all local production units engaged in the implementation of solutions aimed at reusing materials. A continuous review of supply chain processes was also promoted in order to optimise the inbound flow of raw materials and reduce wastage through solutions such as the rescaling of raw materials to reduce metallic waste generated by the machining processes.

The waste generated by the Group is mainly composed of:

- › metal waste deriving mainly from mechanical processing activities on semi-finished products or thermal treatment processes, and the disposal of obsolete materials or products;
- › various types of packaging (paper and cardboard, plastic, wood, mixed) used to cover the pallets that contain products, or to divide the products on the pallet or inside metal boxes;
- › liquids deriving from oil emulsions for machinery, product cleaning processes or painting processes;
- › Used motor oil;
- › used filters and filtering materials, e.g. from machines used for mechanical processes or other systems.

Most of the waste listed above derives from activities linked to the Carraro Group's organisations, apart from packaging which is mainly generated by the supply chain.

The waste management process provides for the collection and storage of waste in defined areas and specific containers, depending on the type of waste. The amount of processed waste is monitored by measuring the volume transferred to waste disposal facilities;

306-1
Waste generation and significant waste-related impacts

306-2
Management of significant waste-related impacts

the relative data are stored in a specific database for each plant and shared across the Group to enable centralised monitoring by the EH&S department.

Waste sent to waste disposal facilities is transferred to third parties which operate in compliance with contractual or legal obligations.

The tables below show the waste produced by type and disposal method.

Waste disposal method	u.m.	2020	2019
Used motor oil	t	264	256
Cleaning water	t	953	867
Oil emulsions	t	1,328	1,539
Other	t	949	1,172
Hazardous waste	t	3,493	3,833
Paper and cardboard	t	317	263
Wood	t	1,794	1,799
Mixed packaging	t	888	925
Other	t	6,288	6,980
Non-hazardous waste	t	9,287	9,967
Total	t	12,780	13,800

The data for 2019 has been restated according to the methodology provided for by the new GRI Standard 306 Waste (2020). For data published under GRI Standard 306-2 (2016), please refer to the 2019 NFS.

Hazardous waste included in the item “Other” predominantly refers to waste materials from maintenance activities carried out on electrical plants, machinery and equipment.

Non-hazardous waste included in the item “Other” mainly refers to metal off-cuts from machining processes.

Manufacturing sector	Hazardous/ Non-hazardous	u.m.	2020	2019
Gear waste	Hazardous	t	871	926
	Non-hazardous	t	2,325	2,609
Drivelines waste	Hazardous	t	2,444	2,806
	Non-hazardous	t	5,954	5,998
Tractors waste	Hazardous	t	143	91
	Non-hazardous	t	678	971
Spare Parts waste	Hazardous	t	36	10
	Non-hazardous	t	330	389
Total waste	Hazardous	t	3,493	3,833
	Non-hazardous	t	9,287	9,967
Total		t	12,780	13,800

The variation recorded in 2020 is mainly due to the lower production volumes in the year.

Type of waste (Externally)	u.m.	2020	2019
Total hazardous waste	t	109	90
Total non-hazardous waste	t	8,722	9,096
Total	t	8,830	9,187

Type of waste (Externally)	u.m.	2020	2019
Total hazardous waste	t	3,384	3,743
Total non-hazardous waste	t	565	871
Total	t	3,950	4,614

The reduction in waste reflects the trend in production which fell across all geographic areas in 2020 due to the health emergency.

Special waste produced by the production processes of the Carraro Group is not subject to intra-group or international transportation. Waste transportation, sale and treatment activities are carried out in accordance with the local regulations of each nation in which the Group operates.

In 2019 and 2020 no hazardous waste was subject to international transportation.

Plastic Free: reduction in water bottle use

In 2020 the consumption of plastic water bottles fell sharply compared to the previous year:

- › – 70% at the Campodarsego, Maniago and Rovigo plants;
- › – 100% at the Chinese plants.

3.2.3 Water

Water resources

The availability of water to adequately or sufficiently meet the demands of the region is becoming an urgent problem in many parts of the world and is an increasing concern at some of our most significant plants and the surrounding communities. Having launched a judicious water management programme in 2013, the Carraro Group continues to focus on the responsible use of the resources at its disposal.

The reduction in water usage also reduces the risk of service interruptions in areas where the authorities struggle to provide sufficient water of an acceptable standard. The companies of the Carraro Group are committed to improving their production processes in order to maintain the use of drinking water within sustainable limits in relation to the area in which they operate.

As envisaged by the Group policy, all production sites must prepare a monthly report on water usage to be submitted to the EH&S department of the Parent Company, and monitor water losses regardless of the size of the site or the availability of the local water supply.

According to the size of the site and the availability of water resources, local organisations are responsible for the implementation of solutions and practices aimed at more efficient water usage. The Group has already felt the benefits of these practices and further improvement activities are scheduled, taking in account differing local conditions. Such initiatives contribute to the achievement of efficiency targets at Carraro sites as regards the use of resources and confirm the sense of responsibility in the use of the resources offered by the region. To cite one significant example, at the Group's Indian plants all water used for production processes and sanitation is collected and purified for use in other applications.

Type of source	u.m.	2020	of which areas of high/very high water stress	%	2019	of which areas of high/very high water stress	%
Ground water	ML	6.9	0	0%	5.2	0	0%
› of which freshwater*	ML	6.9	0	0%	5.2	0	0%

› of which other types of water**	ML	0	0	0%	0	0	0%
Third party water resources	ML	121.8	69.6	57%	129	82	64%
› of which freshwater*	ML	121,8	69,6	57%	129	82	64%
› of which other types of water**	ML	0	0	0%	0	0	0%
Total	ML	128,7	69,6	54%	134,2	82	61%

* Water with a concentration of total dissolved solids of ≤ 1,000 mg/l. N.B. This definition is based on Standard ISO 14046:2014 and the document Water Science Glossary of Terms ([ater.usgs.gov/edu/dictionary.html](http://water.usgs.gov/edu/dictionary.html)) published by the United States Geological Survey (USGS) and consulted on 1 June 2018, and the WHO document Guidelines for Drinking Water Quality published in 2017.

** Other types of water: > 1.000 mg/l total dissolved solids

Notes

- › The data for the Argentinian plant regarding water withdrawn from groundwater are not included;
- › It is estimated that withdrawals from third party water resources refer to freshwater and that water withdrawn in areas of high water stress is mainly sourced from surface water;
- › The identification of areas subject to water stress is based on the Aqueduct Water Risk Atlas of the World Resources Institute (India, China, Poggiorito);
- › The data for 2019 have been restated according to the new methodology (by unit of measurement and source type).

Most water withdrawn is used in mechanical production processes and, to a lesser extent, coating systems and to wash components prior to assembly.

The reduction in water consumption in 2020 is mainly due to the reduction in production volumes.

Thanks to specific plans to monitor and improve the efficiency of water usage launched in 2015, which involved the main production processes, the Group successfully reduced the amount of water used in relation to production volume, consequently reducing the total amount of water discharged into public sewage systems or water treatment plants.

Water discharges by destination			
	u.m.	2020	2019
Total public sewage system*	ML	69.9	67
Acqua di scarico consegnata all'impianto di trattamento esterno**	ML	3.1	3.6
Acqua di scarico dispersa in superficie***	ML	10	15
Totale	ML	83	85.6

* Data from the periodic reading of water meters.

* Data extracted starting from the waste form for Italian companies and internal survey for the Chinese company.

* The Indian site does not send waste for external treatment because it has its own purification plant.

Notes

- › The data for the Argentinian plant are only partially reported;
- › The data for 2019 have been restated using a different unit of measurement (from m3 to ML);
- › The trend of water discharge is similar to that of water withdrawal.

4.1

Employees

Industrial relations

Freedom of association is a human right ratified by the main international conventions and various state regulations. The Group has always guaranteed the freedom of association of its employees, establishing, in compliance with local regulations, practices and mutual roles, a constant dialogue with these counterparties.

Carraro has always engaged in open and transparent relations with Trade Unions and workers' representatives both at its Italian sites, where regulatory developments and a background of industrial relations has facilitated an admirable level of maturity in this regard, and at its plants in other countries, where the Group's companies have been open to interaction with emerging trade union organisations.

Depending on the countries in which the Group operates and their various regulations, working relations are regulated by national or corporate collective labour agreements or existing legislation.

Seventy-five percent of Group employees is covered by collective labour agreements. The remaining twenty-five percent refers mainly to clerical workers and middle managers who are hired on corporate or individual contracts according to local regulations and market practices.

102-41
Collective
bargaining
agreements

The approach to industrial relations adopted by the Carraro Group is based on the respect of the mutual roles and positions and a constant commitment to constructive dialogue.

Notice times for organisational changes are those provided by local regulations or collective bargaining agreements, where present. In other cases, the Group adopts an approach based on dialogue and cooperation with trade unions.

One example of this is the national forum opened in 2016 for the Group's Italian companies, in line with the constant commitment to consolidating and strengthening the industrial relations system with trade unions. The forum involved various Amalgamated Unions and aimed to define standardised regulations to manage possible cases of structural imbalance in the workforce at the Group's sites.

Human resources management

The management of human resources within the Group aims to demonstrate the capacity to attract and integrate different professional profiles in a company that requires a diverse range of skills, a factor that distinguishes Carraro from other companies in the region.

Furthermore, the global scale of the Group, in terms of the location of its own sites and those of its clients and suppliers, demands that Group employees and collaborators demonstrate sufficient willingness to interact with counterparties in different foreign companies as well as to work with colleagues from other countries and cultures in pursuit of shared goals.

The HR strategies of the Group must meet the demand for flexibility resulting from market demands concerning the distribution of work shifts in the production cycle, the need to entrust projects involving new processes or products to mixed Italian-international work groups and the need to appoint management or control roles to people to be seconded to another country, with the relative organisational repercussions in terms of travel and transfers.

When defining working hours, the Group also considers the personal needs of employees by providing flexibility (parental leave, flexible start and finish times, part-time opportunities) within the limits of an efficient organisation, as part of its fundamental belief that promoting a reasonable work-life balance is an essential element for better professional performance.

Turnover in the Carraro Group

The variations in the workforce year on year generally reflect the need to adapt production volumes to fluctuating demands on the target markets.

Other significant factors are strategies to reorganise and rationalise the distribution of production activities across the various sites; again, these are ultimately influenced by the development of the end markets.

Number of employees who have joined and left the Group by gender						
	2020			2019		
	M	F	Totale	M	F	Totale
Employees hired	120	24	144	192	21	213
%	83%	17%	100%	90%	10%	100%
Turnover	5.3%	8.1%	5.6%	8.4%	7.4%	8.3%
Employees terminated	117	11	128	187	15	202
%	91%	9%	100%	93%	7%	100%
Turnover	5.1%	3.7%	5%	8.2%	5.3%	7.9%

In 2020 the workforce maintained the stability seen in 2019, with new hires mainly concentrated at the Group's largest sites (India and Italy).

The slowdown in activity in the first half of the year due to measures imposed to limit the pandemic was followed by a significant recovery in the second half of the year, driven by robust market demand linked to the continuation of outstanding orders. This upturn led to a need to increase the use of temporary staff at the Group's plants in India and Italy.

401-1
New employee
hires and em-
ployee turnover

Number of employees who have joined and left the Group by age										
	2020					2019				
	<=30	31-40	41-50	>50	Totale	<=30	31-40	41-50	>50	Totale
Employees hired	63	50	23	8	144	114	69	19	11	213
%	44%	35%	16%	6%	100%	54%	32%	9%	5%	100%
Turnover	17.2%	5%	3.5%	1.5%	5.6%	25.2%	7.1%	3.0%	2.2%	8.3%
Employees terminated	36	44	12	36	128	57	61	25	59	202
%	28%	34%	9%	28%	100%	28%	30%	12%	29%	100%
Turnover	9.8%	4.4%	1.8%	6.8%	5%	12.6%	6.3%	3.9%	11.8%	7.9%

Note

› Employees who left the company aged >50 include retirees.

Number of employees who have joined and left the Group by country						
	2020		2019		2020	2019
	Total		Total		Turnover	Turnover
	n°	%	n°	%	%	%
Employees hired	144	100%	213	100%	5.6%	8.3%
Italy	62	43%	134	63%	4.7%	10.1%
India	18	13%	44	21%	1.9%	4.7%
China	51	35%	27	13%	24.4%	13.2%
Argentina	11	8%	0	0%	13.4%	0%
North America	0	0%	0	0%	0%	n.a.
Brazil	2	1%	8	4%	33.3%	57.1%
Employees terminated	128	100%	202	100%	5%	7.9%
Italy	50	39%	83	41%	3.8%	6.3%
India	21	16%	36	18%	2.2%	3.8%
China	46	36%	36	18%	22%	17.6%
Argentina	1	1%	36	18%	1.2%	50%
North America	0	0%	1	0%	0%	n.a.
Brazil	10	8%	10	5%	166.7%	71.4%

New hires and dismissals by category reflect the general trend of slight net growth in the total number of employees in 2020; conversely, there was a net reduction of 8 resources at the Group's Brazilian plant due to the closure of production activities, which was more than offset by the net increase recorded at other sites. The end of the working relationship with dismissed employees was managed using individual contracts with redundancy packages as provided by local employment law.

4.2

Diversity

The Carraro Group operates in a multinational context, interacting with commercial partners through a team composed of employees from all of the countries in which the Group operates.

This context, characterised by employees of different genders, religions and cultures, represents both a challenge and an enormous benefit to be optimised and carefully managed, transforming it into a competitive advantage as well as a concrete representation of shared human values.

The Group has always adopted a philosophy open to the inclusion of different skills and personalities without the fear of losing its corporate identity, in the belief that such an approach enriches its intangible heritage by maintaining a firm stance against any form of discrimination.

The Group's commitment to diversity, equal opportunities and non-discrimination is unequivocally expressed by the Group's Code of Ethics, Diversity Policy and Human Rights Policy; one example of its implementation is the provision of a prayer room dedicated to Muslim workers operating at the offices of the Parent Company.

Non-discrimination is regulated by specific laws in Europe and Italy and has always been a fundamental characteristic of the philosophy of the Carraro Group. It is one of the founding principles of the Group's Code of Ethics and is reflected in the Human Rights Policy and Diversity Policy.

Thanks to this approach, the Group has been able to expand the scope of its commitment to non-discrimination to include external companies, entering into relationships with new clients and suppliers located in different countries and with different cultures to those in Italy, as well as acquiring or launching manufacturing organisations in distant continents with different histories and mentalities.

This route was only made possible by establishing relationships and absorbing human resources while rejecting all barriers of race, religion, nationality, personal beliefs, political opinions, health, gender, social status or cultural diversity.

Consequently, the Group continues to be committed to promoting the development of the skills and abilities of every employee, promoting a working environment and conduct that prevents all direct or indirect forms of discrimination.

The principle of non-discrimination is also applied at the highest level of corporate governance; indeed, the Board of Directors is composed of both male and female Directors,

406-1
Incidents of
discrimination
and corrective
actions taken

while the selection and appointment criteria for its members, contained in Article 21 of the Bylaws, provides that the election mechanism must ensure that the least represented gender (male or female) comprises one third (“Full quota”) or, when applicable, one fifth (“Reduced quota”) of appointed directors.

In 2020 no cases of discrimination were reported.

Gender has no bearing on the determination of salaries and wages. Any possible differences in the average remuneration of men and women are linked to diverse situations of professional seniority and role within the organisation, with a remuneration structure that varies from country to country.

The ratio between gross average remuneration of men and women in the Group as a whole varies according to the country and the professional qualification. In particular, as regards the ratio between remuneration levels related to people employed in India (0.36 in 2020), it is important to note that the female component, which represents 8% of the category, is made up of more recent recruitments with operational duties, while the male component has a higher average seniority and occupies more qualified roles. The low number of women in India also reflects a condition of the labour market typical of the country, in close relation to its social structure.

In China and South America, this ratio (respectively 0.87 and 0.99 in 2020) is more balanced owing to a larger number of women in the more qualified roles and higher average seniority of women compared to India.

In general, women represent 9.1 % of the total workforce of the Group (10.2% in 2019) and mainly fall into the clerical worker category, of which they represent approximately one third, and with a more significant concentration in administrative and commercial departments, where tasks of a technical nature are assigned mostly to male personnel with expertise in the engineering sector.

In this regard, given the industrial context in which the Group operates, the male presence is prevalent and constant over time, with a higher average seniority which results in higher salaries.

Gross Annual Salary: ratio of men's / women's basic salaries by qualification divided by geographical area								
	2020				2019			
	Italy	India	China	South America	Italy	India	China	South America
Executives	0.61	–	–	–	–	–	–	–
Middle Management and Officers	0.93	–	–	–	0.90	–	–	–
Clerical Staff	0.82	0.36	0.87	0.99	0.84	0.35	0.83	0.90
Factory Workers	0.90	0.78	1.02	–	0.91	0.81	0.99	–

Notes

- › The table does not include data from Carraro North America Inc. and Carraro International, which are not relevant due to the low number of employees;
- › Any data not reported refers to cases where there are no women and where it was therefore not possible to calculate the ratio of women to men.

Remuneration: ratio of total remuneration of women / total remuneration of men by qualification	2020				2019			
	Italy	India	China	South America	Italy	India	China	South America
Executives	0.60	–	–	–	–	–	–	–
Middle Management and Officers	0.92	–	–	–	0.86	–	–	–
Clerical Staff	0.82	0.36	0.85	0.96	0.84	0.35	0.81	0.90
Factory Workers	0.89	0.77	0.71	–	0.88	0.80	0.71	–

Notes

- › The table does not include data from Carraro North America Inc. and Carraro International, which are not relevant due to the low number of employees;
- › Any data not reported refers to cases where there are no women and where it was therefore not possible to calculate the ratio of women to men.

The percentage of female members of staff over the total number of employees is in line with companies of a similar dimension operating in the mechanical manufacturing sector, with fewer women in the manual and technical category and a higher percentage employed in commercial and administrative roles.

The average age of employees is 41 and the distribution by age is fairly even overall.

405-1
Diversity of governance bodies and employees

Number of employees by age band								
2020					2019			
	M	F	Totale	% by age	M	F	Totale	% by age
<=30	323	44	367	14.3%	410	43	453	17.7%
31-40	917	91	1,008	39.2%	876	90	966	37.8%
41-50	566	100	666	25.9%	538	100	638	25.0%
>50	468	62	530	20.6%	449	49	498	19.5%
Totale	2,274	297	2,571	100%	2,273	282	2,555	100%

Number of employees by professional category and age band												
	2020						2019					
	<=30	31-40	41-50	>50	Totale	% by prof. cat.	<=30	31-40	41-50	>50	Totale	% by prof. cat.
Dirigenti		4	6	17	27	1.1%		3	7	16	26	1%
Quadri e Officer*		7	30	43	80	3.1%		6	36	38	80	3.1%
Impiegati	57	217	239	109	622	24.2%	59	231	235	90	615	24.1%
Operai	310	780	391	361	1,842	71.6%	394	726	360	354	1,834	71.8%
Totale	367	1,008	666	530	2,571	100%	453	966	638	498	2,555	100%

* The term "Officer" refers to the General Manager or Plant Manager of the external operational sites, as well as certain department managers reporting directly to the aforementioned managers.

The breakdown by educational level reflects the demand of Group companies as regards the required level of education and gender distribution of the workforce, with a significant presence of men engaged in roles related to production processes, both in Italy and abroad.

Higher qualifications and educational levels are required in the technical and product research, development and design sectors, as well as in the management of production processes and other specialised areas such as the finance, IT, legal, fiscal, administrative and commercial development sectors.

Number of employees by educational level								
	2020				2019			
	M	F	Total	% by age	M	F	Total	% by age
University or equivalent	456	138	594	23.1%	463	130	593	23.2%
High school /college diploma	1,047	99	1,146	44.6%	1,019	95	1,114	43.6%
Primary /secondary school	771	60	831	32.3%	791	57	848	33.2%
Total	2,274	297	2,571	100%	2,273	282	2,555	100%

Number of employees by seniority								
	2020				2019			
	M	F	Total	% by age	M	F	Total	% by age
<= 5	501	85	586	22.8%	554	76	630	24.7%
6 – 10	752	66	818	31.8%	679	64	743	29.1%
11 – 20	548	104	652	25.4%	592	108	700	27.4%
21 – 30	324	34	358	13.9%	309	27	336	13.2%
> 30	149	8	157	6.1%	139	7	146	5.7%
Total	2,274	297	2,571	100%	2,273	282	2,555	100%

In total, there are 60 employees with disabilities within the Carraro Group.

4.3

Protection of Human Rights

Protection of Human Rights

Relations with employees are managed in accordance with national legislation and international conventions on human rights. In this regard, all executive personnel, or those responsible for the management of human resources, are constantly informed on matters of compliance with local employment legislation.

In all of its international companies, the Carraro Group focuses on the management of human resources and, in particular, the respect for human rights, through both direct supervision by local management and supervision by the main departments of the Parent Company.

No incidents of child labour, enforced labour, discrimination or failure to respect human and employees' rights have been recorded at Carraro sites.

To identify and, where possible, prevent the risks associated with breaches of human rights in all of its offices and operating areas, the Group:

- › has included in its Code of Ethics a specific reference to respect for human rights;
- › regularly notifies all employees and collaborators of its human rights principles through the available channels (direct written notification and through company noticeboards, e-mail, Intranet and the company website);
- › raises awareness among its employees through the training programme developed to promote the knowledge and understanding of the Code of Ethics and, in the case of Italian associate companies, the Organisational Model pursuant to Legislative Decree no. 231/2001;
- › promotes the assumption of responsibility by its suppliers in this regard and requires all new suppliers to comply with the principles of conduct set forth by the Code of Ethics.

Any grievances associated with human rights are sent to the inbox of the Supervisory Bodies of the Italian companies and, as regards the Group, the inbox of the Oversight Committee of Carraro Spa, established in order to address notifications regarding possible breaches to the human rights set forth in the Group's Code of Ethics. Since 2019, for this type of complaint a dedicated portal ("CarraroWB") has been made available and is accessible through the Group's website.

This mechanism has been put in place in order to constantly monitor the implementation of these principles.

Human rights training is integrated into a broader employee training programme on the content of the Code of Ethics and the 231 Organisational Model.

The training schedule is directed mainly at clerical workers, executives and managers both in Italy and abroad, and is provided at the time of hiring and whenever significant changes are made to the Codes and the Organisational Models.

In 2020 a new employee training course was developed and delivered following updates to the Code of Ethics and the 231 Organisational Model.

The programme is structured with appropriate online courses with teaching materials and learning assessment questionnaires.

Number of employees who have received human rights training				
	2020		2019	
Italy	436	32.7%	378*	28.6%
Other countries	287	23.2%	23**	1.9%
Total	723	28.1%	401	15.7%

* Progressive figure referring to 31/12 of the year of reference which includes the number of employees who took the course starting from 2016 for Italian sites and 2014 for sites outside Italy. Employees whose employment relationship came to an end in the period of reference are excluded.

The number of employees who have completed Human Rights training corresponds to the number of employees involved in the training courses on the Code of Ethics and the 231 Organisational Models.

The difference in the number of employees who had taken the course at 31/12/2020 compared with the previous period is due mainly to the rise in number of employees involved at foreign sites.

Total number of human rights training hours*	2020	2019
Italy	649	756*
Other countries	218	46*
Total	866	802

* Progressive figure referring to 31/12 of the year of reference which includes the number of employees who took the course starting from 2016 and from 2014 (for foreign employees). Employees whose employment relationship came to an end in the period of reference are excluded.

4.4

Employee services

Employee services

Corporate welfare

Carraro is very attentive to the working conditions of its employees, from those associated most closely with production activities, such as removing the main obstacles relating to transport to the workplace, to the provision of essential services such as access to cafeterias or medical support and the availability of work-related spaces (car parks, changing rooms, board rooms, staff rooms, etc.), offering economic and social benefits in Italy and abroad to meet various different needs.

As regards the services offered to employees, no distinction is made according to contract type (part-time/full-time) but benefits vary according to geographic area and applicable regulations.

The main services provided by the Group are:

- › The company canteen, open during the day and at night depending on timetables and shifts, which ensures that all employees at its industrial plants have access to a service at their place of work, reducing the number of journeys made outside the plant;
- › For companies in India and China, the collective transport service to and from work, paid for by the company, established to
- › minimise the costs of using employee's own vehicles;
- › Forms of Life insurance or permanent disability insurance for some grades in Italy, India, Argentina and the Usa and extended to all personnel in China;
- › Supplementary health cover for all Italian, Brazilian, Indian and US personnel. Partially in Argentina;
- › Supplementary complementary pension plans in the Usa and China.

Well-being and work-life balance

The Group's focus on the working conditions of its employees has gradually extended to also provide benefits for employees' personal lives, following a philosophy that combines the drive for business performance and efficiency with a healthy work-life balance.

In this regard, the main services provided by the Group are:

- › flexible working hours and other part-time solutions offered to employees in Italy and certain foreign companies (Brazil and North America) to provide support for workers in terms of their social and family lives;
- › the option to work remotely according to schedules and methods defined by the needs

401-2
Benefits provided to full-time employees that are not provided to temporary or part-time employees

- of the relevant organisation, as well as those caused by extraordinary circumstances (such as the 2020 pandemic);
- › welfare programmes and other minor benefits offered to employees of the company in China;
 - › at the offices of Carraro Spa and Carraro Drive Tech Italia Spa in Campodarsego, the availability of certain benefits for Muslim workers, such as a dedicated prayer room and a selection of dishes compatible with their dietary customs.

The initiatives below were aimed at employees and workers at the Group's Italian sites:

Open Factory at the Campodarsego facility

The 2020 edition of Open Factory took place in the context of a global situation that resulted in a paradigm shift in global norms. The decision was made to open the factory to visitors in a completely new way through an immersive virtual experience.

Share the Culture

In 2020, the initiative launched at the Campodarsego facility aimed at encouraging employees donate and share books, DVDs and CDs with their colleagues was rolled out to the Maniago and Poggiofiorito plants.

4.5

Workplace safety

The importance of a management approach to production processes that establishes among its fundamental objectives the principle of providing adequate conditions of health and safety in the workplace was recognised by the Group's owners and directors long before the creation and development of the increasingly complex legislation that regulates it.

Over the years, significant resources have been spent on risk analysis and the study of useful solutions to mitigate their effects while building a shared culture of safety.

The Group's expansion, characterised until the 1990s by production units located in Italy, into new countries and continents with the acquisition and operation of plants in different nations posed a significant challenge to the Group's ability to interpret and fulfil local legal safety requirements and export the principles and concepts of good management which were well-established at its Italian sites.

In the last decade, this process led to the decision to adopt management system principles which, inspired by the international best practices, could be applied to all Italian and foreign companies as a standardised approach, even in the presence of different legislative systems.

These principles have been defined in order to:

- › meet the obligations provided for by Italian law, which require a specific risk assessment per type of activity and workplace, a risk mitigation plan, the clear definition of roles and responsibilities for risk management and monitoring, the implementation of procedures, operating guidelines, plans and emergency teams, the use of appropriate personal protective equipment, a periodic training programme and the participation of workers' safety representatives;
- › provide a set of guidelines detailed a shared approach and methodology for all operating units in consideration of the uniform nature of the manufacturing activities carried out.

These principles are condensed into specific Corporate Policies (composed of 12 elements) which establish the minimum organisational requirements for the implementation of effective risk assessment, prevention and monitoring tools with a view to continuous improvement.

The key elements of these policies are:

- › Focus on sustainable health and safety;

403-1
Occupational health and safety management system

403-2
Hazard identification, risk assessment, and incident investigation

403-3
Occupational health services

403-4
Worker participation, consultation, and communication on occupational health and safety

403-5
Worker training on occupational health and safety

403-6
Promotion of worker health

403-7
Prevention and mitigation of occupational health and safety impacts directly linked by business relationships

- › Inspiration from the leading international technical guidelines;
- › Responsibility and engagement at all levels;
- › Identification and assessment of risks;
- › Identification of periodic objectives;
- › Measurement of results with the judicious use of reference KPIs;
- › Performance of periodic and systematic audits;
- › Notification of outcomes, results and corrective measures to stakeholders;
- › Continuous improvement cycle;
- › Constant monitoring;
- › Regular reports to management.

Risks are identified and assessed according to a process guided by the application of available best practices and the in-house knowledge of industrial processes and associated accidents of the Group's H&S representatives, with additional consultation from external professionals or companies for more technical or specialist aspects (e.g. measuring risk parameters). The same criteria are applied when designing risk prevention and monitoring systems and assigning duties to employees, considering the health and physical conditions of each employee in relation to the risks associated with specific duties or workstations.

Responsibility and engagement are indispensable tools for the creation of a corporate culture characterised by safety and respect for the environment.

With regard to monitoring activities, each local organisation prepares an annual internal audit plan that involves the managers responsible for all business units in the quarterly performance of EH&S audits in its areas of responsibility and, periodically, in other areas. The audit plan aims to assess the efficiency of the organisation as regards the implementation of internal controls such as programmes, procedures, policies, operating practices and organisation.

As regards the occupational health system, each of the Group's facilities has a dedicated team of trained first aiders, while health checks are carried out by the company doctor who reports employees' suitability for certain duties to the company executives. Regular visits to the workplace and specific workstations are conducted jointly by the company doctor, the workers' HSE representatives and the local EH&S department to analyse and assess any measures required to improve occupational health and safety.

With the adoption of this policy, the EH&S department is able to fulfil the objective of respecting different local compliance requirements and meet global standards.

All EH&S activities are coordinated and monitored by the EH&S department of the Parent Company.

The certifications acquired from independent bodies are confirmation of the management's commitment and its correct approach to health, safety and the environment, as noted in Section 1.4 Being Sustainable (c.f. International certificates achieved).

With a view to promoting a culture of safety as well as ensuring compliance respect with local legislation in each nation, the Carraro Group shares its objectives and intentions with workers, who are the first to benefit from adequate conditions of workplace health and safety.

In Italy, workplace health and safety regulations envisage the representation of workers and their direct involvement in training programmes.

In other countries, the Group applies the same approach and maintains an open dialogue with workers' representatives on the most significant aspects of health and safety.

Employees' contribution to the correct operation of the system is an essential element

of that very system, and is ensured by the presence of workers' representatives, who are responsible for reporting critical situations such as near misses.

The participation of employees in the Group's approach to H&S management is further provided for by annual meetings between workers' representatives and company managers, aimed at analysing any critical situations or implementing technical, informative, or training-related improvement measures. Each Group company has a dedicated EH&S committee directed by the Plant Manager. The committees are responsible for directing, coordinating and monitoring the progress of EH&S measures, ensuring the presence of appropriate personnel able to define rules and responsibilities at all levels of the organisation, and reviewing, amending and updating the improvement plans. These activities are coordinated by the local EH&S department. The responsibility for the implementation of the planned activities is defined locally for all levels of the workforce.

As regards health and safety training, each of the Group's operating facilities defines an annual training programme designed to enable employees to acquire the appropriate skills and knowledge required to safely conduct their duties. The programme is structured as follows:

- › identification of duties or roles that require specific training or certifications;
- › definition of delivery methods;
- › definition of assessment methods;
- › definition of a programme or plan to define the users, topics and training schedules;
- › documentation including certification, registration of attendance, and description of training given.

Upon each change of role, employees are assessed by the local EH&S department to evaluate the need to update specific training.

Initiatives to promote health and safety outside the working environment have been adopted in Italy through agreements signed with national healthcare insurance providers (such as Metasalute) in collaboration with trade unions, with cover also extended to other members of the employee's household.

For sites outside Italy, as well as the insurance required by law, occupational illness, disability or death insurance policies are provided by agreements at company or individual level, in line with local practices and based on the presence of public or private institutions operating in this field.

As at 31.12.2020, the Group as a whole was comprised of 3,455 people (3,092 as at 31.12.2019), of which 73 (72 as at 31.12.2019) operate mainly in non-production organisations (commercial, financial and planning sectors), where health and safety risks are not particularly significant. For this reason, workers at the offices of Carraro International, Carraro North America and Carraro Technologies are not represented by committees that deal with aspects and programmes on the subject of health and safety in the workplace.

The employee injury statistics for the last two years demonstrate a positive trend, with the percentage falling slightly over the years and consistently low numbers. The accident rate was 1.45 in 2020 (1.82 in 2019) over 4 million hours worked in the Group in 2020 (4.4 million in 2019). The total number of employee injuries recorded was 29 in 2020 (40 in 2019), of which 93% referred to men and none of which were fatal.

The most common types of injury are trauma and bruising associated above all with the handling of loads and the use of manual equipment in machining, assembly and storage areas.

403-9
Work-related
injuries

Work-related injuries and injury rate				
	2020		2019	
Rates	Employees	Other workers*	Employees	Other workers*
Number of fatalities due to work-related injuries**	0	0	0	0
Number of work-related injuries with serious consequences**	0	0	0	0
Number of recordable work-related injuries**	29	6	40	8
Total hours worked	3,996,743	1,441,115	4,389,578	1,541,205
Fatality rate due to work-related injuries	0.00	0.00	0.00	0.00
Rate of work-related injuries with serious consequences	0.00	0.00	0.00	0.00
Rate of recordable work-related injuries	1.45	0.83	1.82	1.04

* Non-employed workers, but whose work and/or place of work is under the control of the Group (this includes interns at Italian companies, interns and apprentices at foreign companies, and workers of the main contractors operating at the Group's Italian sites)

** Commuting accidents are only included in cases where the transport is organised by the organisation

Notes

› Breakdown of rates:

- › Fatality rate due to work-related injuries: (number of fatalities due to work-related injuries / number of hours worked) x 200,000
- › Rate of work-related injuries with serious consequences (excluding fatalities): (number of work-related injuries with serious consequences / number of hours worked) x 200,000
- › Rate of recordable work-related injuries: (number of recordable work-related injuries / number of hours worked) x 200,000

› The rates shown in the table refer to the production plants

› Injuries with serious consequences refer to injuries that caused more than 180 days of leave.

The main work-related hazards associated with a risk of injuries with potentially serious consequences are:

- › those relating to the manual handling of loads;
- › the use of equipment that may cause cuts, abrasions, collisions, crushing and fractures;
- › possible contact between people and load handling machinery (crushing, collisions, fractures).

The risks associated with these types of injury are identified and assessed in detail by specific technical analyses for each process, role and activity, considering:

- › work shifts and times;
- › the characteristics of the workstation;
- › the materials used.

To mitigate these risks, theoretical and practical training and education programmes have been defined, while mechanical lifting equipment and protection systems for operating machinery have been installed where necessary. Furthermore, all appropriate personal protective equipment required by various situations is provided.

Occupational injury and illness rates				
Rates	2020		2019	
	Employees	Other workers*	Employees	Other workers*
Number of fatalities due to work-related ill health	0	0	0	0
Number of recordable cases of work-related ill health	0	0	0	0
Main types of work-related ill health	0	0	0	0
* Non-employed workers, but whose work and/or place of work is under the control of the Group (this includes interns at Italian companies, interns and apprentices at foreign companies, and workers of the main contractors operating at the Group's Italian sites)				

The main occupational hazards that may pose risks of work-related ill health include those relative to the manual handling of loads and, to a lesser extent, noise and the use of chemicals.

As the associated health conditions may be caused by continuous, long-term exposure to the risks typical of the workplace, the criteria to identify risk factors and the measures taken to mitigate them reflect those adopted to identify and reduce the risk of injuries described above.

No cases of work-related ill health were recorded in the last three years.

Impacts of the Covid-19 pandemic and associated containment measures

With regard to the outbreak and spread of the Covid-19 pandemic, the Group progressively adopted the measures provided for by the health protocols issued by the respective national authorities and, where applicable, supported by industry associations and trade unions to protect occupational health and safety;

- › regular sanitising of workplaces according to the frequency required by the circumstances or local regulations;
- › provision of PPE for employees (e.g. masks, hand sanitiser, thermal scanners);
- › monitoring of body temperature at site entrances;
- › obligation to report any suspected or confirmed cases of infection to local health and safety managers and office personnel at the various sites;
- › changes to layout (e.g. different entrances and exits, modified layout of communal spaces such as cafeterias or changing rooms);
- › installation of screens between workstations;
- › widespread use of remote working for all employees, where practical in line with the activities carried out (generally for all office activities);
- › signing of individual insurance policies (health insurance in the case of hospitalisation due to Covid-19);
- › adoption of communications mechanisms by HR departments (regular digital and paper bulletins) and appropriate signage by the Plant general services departments regarding to correct use of offices and communal areas.

Covid-19 emergency committees were established at each of the Group's sites, involving the central or local HR departments, the EH&S department of the Parent Company, the Employers and Delegated Employers, and the Workers' Health and Safety Representatives of Italian sites (as well as similar figures at foreign sites), to constantly monitor the situation

and identify the most appropriate measures to prevent the risks of infection, in line with the provisions issued by local authorities.

Each adopted measure was notified to all employees and third-party workers with access to the Group's sites (e.g. contractors).

The head offices of the Parent Company Carraro Spa and of Carraro Drive Tech Italia Spa signed up to the "Pilot Project for the Relaunch of Manufacturing Activities" promoted by the Veneto Region, which involved antibody tests offered to employees on a voluntary basis.

Green Corner

The health emergency of 2020 led to a global paradigm shift in the way meetings are organised and held. Using reclaimed industrial materials such as pallets, new outdoor meeting rooms were established at the Campodarsego, Poggiofiorito and Rovigo sites.

4.6

Training

The Carraro Group considers the provision of training its employees as an essential factor to the growth of the company; the development of specialised skills and abilities in general is fundamental to the Group's capacity to compete and provide its clients with technical solutions in line with their needs both in terms of quality and innovative content.

Training is an important process that Carraro aims to optimise from the very beginning of an employee's professional career, accompanying its collaborators throughout their career paths.

Topics covered by the training programmes vary according to the needs of the company and are constantly updated. Training is driven by the needs of the organisation and the various departments, as well as the fulfilment of any requirements and needs that may arise due to specific conditions.

Furthermore, in order to develop technical expertise, reduce integration times for new employees and stimulate the recruitment of new resources, for a number of years the Group has promoted relations with technical schools and universities in order to offer work experience programmes and combined school-work initiatives.

Training activities are organised in order to respond to the needs of the workforce according to each department. Most training activities focus on research and development in the technical, engineering, testing, prototypes and plant production sectors, while other training sessions are provided for specialised areas such as administration, tax, customs and IT.

Training on the topics of occupational and environmental health and safety is provided constantly by internal and external training providers.

As regards delivery methods, most training is classroom-based or "on the job"; the latter particular refers to employees operating in the production line.

The most significant initiatives implemented in 2020 include the introduction of an on-line course about sustainability, which involved all categories of administrative workers at the Group's offices, and all manual workers with significant roles in the organisation.

As part of the course, a video was developed which considers and explores the principles that guide the Group's commitment to HR management, environmental protection and social responsibility.

Other key activities in the last few years include:

- › provision of a permanent Training Centre at the plant of Carraro India Ltd., aimed at training newly recruited production personnel;

404-1
Average hours of
training per year
per employee

- › the “Agritalia Academy” project, developed from the final quarter of 2017 at the offices of the Agritalia business unit of Carraro Spa and aimed at providing preliminary training to a group of technicians to be employed by the Agritalia Research and Development department.

Overall, the number of training hours scheduled for 2020, which due to the nature of the topic and the recipients mainly referred to in-person sessions, was heavily impacted by the restrictions imposed at a global level by the health emergency and which affected all of the Group’s facilities during the year.

Nonetheless, each site continued with the planned training programme as much as possible and a total of 25,000 hours of training were delivered, using online methods wherever possible.

Total hours of training by type of activity delivered to Group employees					
	u.m.	2020		2019	
		Total	%	Total	%
Technical training*	h-%	15,272	58.4%	25,121	51%
Other training**	h-%	10,878	41.6%	24,151	49%
Total	h-%	26,150	100%	49,272	100%

* Production, logistics, quality, engineering, IT, administration/tax, industrial innovation

** Management, health, safety and the environment, Carraro Values and in 2020, ethics and sustainability

Average hours of training by gender and professional category delivered to Group employees							
	u.m.	2020			2019		
		M	F	Totale	M	F	Total
Managers and clerical workers	h	20.4	13	18.3	33.4	21.3	29.9
Factory Workers	h	7.1	5	7	15.2	15.2	15.2
Total	h	10.1	10.6	10.2	19.3	19.6	19.3

Note

› The category “Managers and clerical workers” includes executives, middle managers, officers and clerical workers.

The data provided does not include companies in Luxembourg and the United States of America as these are not significant compared to the rest of the Group.

Economic and Social Impact

5.1

Distribution of value

Each business activity generates an economic chain with repercussions on the various categories of stakeholders distributed predominantly in the region where the business is located. Company performance is measured on the basis of the income statement which expresses the added value generated and distributed to stakeholders in various forms:

- › Remuneration to employees (staff costs);
- › Remuneration to suppliers for goods and services (operating costs for purchase of goods and services);
- › Remuneration to financial institutions (interest and commission to banks and other lenders);
- › Remuneration to Local Authorities (social charges, taxes and duties);
- › Remuneration to investors (dividends).

Economic value generated and distributed (Euro/ooo)	2020	2019
Economic value generated by the Group	483,477	555,737
Revenues	478,678	548,846
Other incomes	4,195	8,111
Net financial income and expenses	1,746	575
Value adjustments and income from financial assets/investments	(1,506)	(1,954)
Exchange rate differences	356	74
Value adjustments for tangible and intangible assets	8	85
Economic value distributed by the Group	464,125	519,262
Operating costs	368,154	424,588
Remuneration to collaborators	64,159	65,003
Remuneration to lenders	14,486	10,790
Remuneration to investors (dividends) ¹	–	–
Remuneration of the public administration ²	17,326	18,881
Economic value retained by the Group	19,352	36,475
Depreciation and amortisation	20,412	20,214
Bad debts provision	48	106
Provisions	1,913	7,359
Net profit/(loss)	3,021	8,796

¹ Dividends:

› The Shareholders' Meeting of 22 April 2020 did not resolve upon the distribution of dividends;
› On 26 March 2021, the BoD proposed to the Shareholders' Meeting to distribute dividends for 2021 for an amount of € 11,563,416.30 (0.145 euro per share)

² Social contributions and taxes

In 2020, the Group generated an economic value of € 483,477 thousand, compared to € 555,737 thousand in 2019.

In the course of 2020, € 464,125 thousand was distributed to stakeholders, compared to € 519,262 thousand distributed in 2019. In particular, a total of € 64,159 thousand was distributed to employees through the payment of salaries and wages, and € 368,154 thousand to suppliers through the payment of operating costs (raw materials, cost for services, etc.).

Of total economic value generated, € 17,326 thousand was distributed to the public administration in the form of fees, taxes and social contributions.

In terms of administrative and fiscal matters, in consideration of the regional distribution of its economic activities the Group has always adopted a policy of transparency and compliance with national legislative systems and has also established a collaborative relationship with reference authorities, aimed to ensure compliance with local regulations in all fields.

The activities carried out by the Group at each of its operating units is almost entirely comprised of industrial production and sales. As a result, the Group has deep roots in the local area with significant investments in real estate, plants and equipment, as well as extensive stable and well-established employment relations with the local workforce.

Given the medium to long term of the relative investments, these business characteristics have enabled the establishment of a close collaborative relationship with local authorities, and the value generated in all Group companies is subject to income tax regulations in the country and region in which it operates.

Public contributions

In line with the previous year, the Group did not receive any public contributions in 2020.

5.2

Territory

The presence of the Group's business units - which are mainly considered industrial sites - in different areas has a significant impact on the surrounding area in terms of:

- › the need for a direct and indirect workforce able to adequately cover the required work shifts, which can only be satisfied by local resources, including resources in co-ordination, supervision and control roles;
- › the need to support a supply chain centred, where possible, on local suppliers both for raw materials and direct and indirect production components;
- › the need to engage local suppliers to provide a series of continuous services to support the operation of the machines and the plant itself (maintenance, controls, fuel, cleaning and similar services);
- › the need to rely on a network of specialist technical, administrative, legal and fiscal consultancy services with specific local expertise able to support the Group's activities and ensure compliance with local regulations.

The economic impact of these elements on the region is clearly represented in the value-added income statement of the Group, which indicates that more than 76% of the economic value generated is distributed to suppliers of goods and services while 13% is distributed to the workforce in the form of remuneration and social contributions.

From this point of view, the contribution of the Carraro Group to the development of the local area relates particularly to the employment, within the parameters of possibility offered by the local labour market, of people living close to the site, who constitute the majority of the workforce of each company in terms of both operational and managerial roles.

The Group is also aware that the creation of a suitable working environment, including the provision of favourable conditions of access to workplaces, is one of the key objectives for the management of human resources, also in view of the expected business performance.

According to this approach, ease of access to the workplace is considered in the recruitment process and represents a significant contribution to the economic development of the areas in which the Group's sites are located.

Furthermore, when financially viable and if logistical conditions allow, individual plants in Italy and abroad aim to facilitate access to the workplace by offering employees a collective transportation service to and from work.

In particular, an extensive daily bus service between the site and the main city is provided free of charge for the two plants of Carraro India Ltd., benefiting most of the employees operating various shifts and requiring the use of around 40 buses.

A similar service between the Carraro China Ltd. plant and the main residential areas of the region is provided to employees in China.

These initiatives offer numerous advantages to workers and the region:

- › lower emissions;
- › less road traffic congestion in areas with high demographic density, generated by a more rational use of collective transportation as opposed to private vehicles;
- › improved safety in employees' daily commute;
- › reduction in commute times with subsequent advantages in terms of quality of life;
- › a direct financial benefit for employees.

In all of its operating sites, the Carraro Group identifies Managers and Senior Managers based on the following criteria:

In Italy:

Managers are identified in Italy according to contractual classification: this concerns all employees covered by the Collective Labour Agreement for Industrial and Service Managers.

Abroad:

Senior Managers (Officers) refer to:

- › the General Manager or Plant Manager of the foreign operating site;
- › certain departmental or office Managers who report directly to the General or Plant Manager.

Except in specific cases, a preference is generally afforded to members of the local community in the recruitment and selection of new employees, including for managerial positions. Over time, this approach has led to the creation of an organisational structure that, particularly in terms of managerial positions in foreign companies, has a significant representation of local personnel balanced by certain resources from the Parent Company or other Associated Companies in Italy, strengthening the links within the Group and promoting the integration of its members.

The conviction that cultural differences enrich the Group's resources and strengthen its identity has led the Management to continue this approach and place maximum confidence in local management: overall, in 2020 over 93% of the Group's Senior Managers worked in their native country.

To develop skills and broaden professional experience, the Group also promotes the growth of its managers and officers through international mobility.

Percentage of Senior Managers and Officers hired from local communities						
	2020			2019		
	M	F	Totale	M	F	Totale
Italy	92%	8%	100%	100%		100%
India	100%	0%	100%	67%		67%

Brazil	0%	0%	0%	0%	0%
Argentina	50%	0%	50%	100%	100%
Cina	100%	0%	100%	100%	100%

Notes

- › The data provided does not include companies in Luxembourg and the United States of America as these are not significant compared to the rest of the Group;
- › The percentage for each geographic area represents the number of local Senior Managers out of the total number of Senior Managers present in that geographical area.

In the definition of its procurement and investment practices, the supplier selection process and the establishment of purchasing conditions for the goods and services of the Group are regulated by the values and criteria of competitiveness, objectivity, respectability, correctness, impartiality, fair pricing and quality of the goods or services, assessing the service guarantees and the range of offers in general.

Procurement and investment processes must be driven by the aim of achieving the maximum competitive advantage for the Group, while always maintaining the required level of quality, and ensure fairness and impartiality towards every supplier in possession of the necessary prerequisites.

The mission of the Group is to create sustainable value over time through the production of drive systems and agricultural vehicles, achieved through the sale of products of an appropriate quality for their intended purpose and characterised by competitiveness and the high level of service required by the Group's international clientèle.

In order to achieve its strategic objectives, the Group operates as part of a complex supply chain in which every component meets the same requirements of technological capacity, quality, efficiency and ethics upon which the Group bases its business activities.

The suppliers of goods and services are an essential component of this supply chain; their contractual relations with the Carraro Group are subject to an initial assessment at the time of purchase and are regularly monitored. The commercial relationship is based on a shared understanding of fundamental principles and client-supplier dialogue, supported by specific tools.

The assessment is carried out through the analysis of a series of suitability requirements in relation to:

- › technological and production capacity;
- › overall quality of processes and products;
- › possession of quality certificates according to ISO and IATF standards;
- › corporate and financial position;
- › respect for the Code of Ethics of the Carraro Group.

To perform the analysis, data and documents are collected and a direct audit is carried out at the supplier's offices.

The quality guidelines are defined by the Supplier Quality Manual, which aims to provide the criteria, expectations and quality characteristics required by the Group and indicate the methods and tools required for the production of products that meet the standards of the Carraro Group.

The Manual applies to suppliers of all of the Group's plants, regardless of local legislation.

In terms of communication, an IT platform and relative procedures have been adopted

and made available to suppliers, enabling the efficient exchange of data, information and documents; the data flow takes place through an online system (Carraro Private Network) developed specifically for the online management of purchases and relations with counter-parties.

Finally, when assessing a supplier, the Group also considers its willingness to subscribe to the principles of the Carraro Code of Ethics, including compliance with existing laws, loyalty, professional rigour and correctness and, more specifically, respect for the environment, human rights and workers' rights.

From this point of view, conduct inspired by the principles of the protection of human rights in terms of employee relations, working conditions and the repudiation of child labour, which goes against the principles and regulations and is never admissible, are considered.

Acceptance of these criteria is a fundamental necessity for the establishment and maintenance of supplier relations. Any conduct that differs from these principles may result in the termination of the business relationship or be a precluding factor for further collaboration.

In 2020 a new supplier assessment model was introduced focused on sustainability, with particular reference to ethics, the environment, occupational health and safety and human resources management.

The information is collected based on a large sample of around 100 strategic suppliers, to whom a request was sent at the end of 2020 requesting that they undertake the assessment process by completing a questionnaire.

Suppliers are asked to provide the following information:

General section

- › presence of a sustainability report;
- › adoption of policies on human rights, the environment, occupational health and safety, and/or anti-corruption;
- › presence of procedures for the management of restricted chemicals in accordance with the Reach and/or Rohs guidelines;

Environment

- › presence of an Environmental Management System certification (ISO 14001 or equivalent);
- › in the absence of a certified Environmental Management System, suppliers must state any analyses or controls implemented to monitor various significant aspects (emissions, energy consumption, water consumption, waste, poisonous substances, environmental non-compliance)

Occupational health and safety

- › presence of a Health and Safety Management System;
- › identification of the main health and safety figures (employer for safety purposes, HSE representative, Workers' Safety Representative, Company Doctor, emergency personnel, etc.), specifying the distinction between Italy and abroad;

Hr and Human rights

- › organisation of work in compliance with permitted hours and age limits;
- › adoption of anti-discrimination criteria.

Ethics

- › presence of sanctions or convictions for breaches to corruption, cyber crime, privacy and money-laundering regulations.

The production activities of the Carraro Group require the support of a significant number of industrial firms located in different parts of the world, characterised by a significant presence in the geographic areas in which the Group's production plants are located.

With its demand the Group keeps active a satellite network of suppliers of direct and indirect goods, with a significant economic impact, not only on the areas in which the Carraro plants are located.

In 2020 the expense for raw materials purchased amounted to € 288 million (€ 344 million in 2019).

The chain of suppliers supports the Group's industrial activities in terms of quality, service efficiency and flexibility, guaranteeing the standards of performance, innovation and prompt service that the market expects from Carraro products, in line with the commitments undertaken with clients.

The breakdown of the Group's suppliers by geographic area, product category and certification is provided below.

102-9
Supply chain

Turnover of direct material suppliers by geographical area	2020	2019
EMEA	57.6%	62.5%
APAC	41.3%	36.7%
NAFTA	0.2%	0.2%
LATAM	0.9%	0.6%
Total	100.0%	100.0%

Note

- › The data is extracted from the managerial system in use

Turnover of indirect goods suppliers by geographical area	2020	2019
EMEA	62.5%	58.8%
APAC	33.8%	37.6%
NAFTA	0.0%	0.0%
LATAM	3.7%	3.7%
Totale	100.0%	100.0%

Notes

- › The data is extracted from the managerial system in use;
- › Data referred to indirect production materials

Turnover of suppliers by product category (direct materials)	2020	2019
Cast Iron	25.6%	23.5%
Mixed components	27.7%	23.0%
Steel	32.3%	28.2%

Components for tractors	14.4%	25.4%
Total	100%	100%

Note

› The data is extracted from the managerial system in use.

The Group has adopted a strategy to localise the supply chain to the area in which operational sites are located, with a view to simplifying logistics management and containing related costs, reducing supply times and developing an efficient supply chain in each area in which the Carraro Group operates.

A significant proportion of supplies are sourced in close proximity to major plants, taking into account the diverse availability of certified suppliers in the various regions. This approach is confirmation of the aim of the Carraro Group to integrate with the local manufacturing network and develop a robust network of business relationships with local companies.

Spending by major operating plants for purchases from local suppliers	2020	2019
Italy	74.8%	77.7%
India	78.6%	81.4%
China	80.1%	80.9%
Brazil	51.4%	60.3%
Argentina	30.9%	31.4%

Notes

- › Percentages are calculated on the basis of the purchase invoices for direct materials from third party suppliers for the production of components at all of the Group's production plants;
- › The term "local suppliers" refers to suppliers located in the same country as the plant.

5.3

Social initiatives

Indirect economic impacts

The Carraro Group has shaped the history of Italy's Veneto region, where the production plants of the parent company Carraro Spa are located, since the 1950s, thanks to its significant presence initially in the agricultural sector and later as a major industrial enterprise.

The main international production plants in China, India and Argentina have been operating for ten to twenty years, with subsequent effects on the local economy.

Beyond the purely economic perspective and from the point of view of social initiatives in the region, for a number of years Carraro Spa and Carraro Drive Tech Italia Spa have promoted initiatives which aim to support:

- › training and education, with the launch of educational plant visits, either in person or virtually, organised with some of the leading technical and professional institutions of the region;
- › the arts, with financial support provided to the annual concert programmes of the Associazione Amici della Musica di Padova;
- › other activities, such as sponsoring local sporting and cultural initiatives, as well as local volunteer organisations.

Leading representatives of the Group, including company directors, are members of trade or industry associations or social or cultural associations, such as:

Association	Position	Carraro Representative	Role in the Group
Confindustria Veneto	Chairperson	Enrico Carraro	Chairperson of the Board of Directors of Carraro Spa
Care & Share Italia Onlus	Deputy Chairperson with responsibility for international relations	Tomaso Carraro	Deputy Chairperson of the Board of Directors of Carraro Spa
Fondazione Antonveneta *	Chairperson of the Governing Committee *	Mario Carraro	Director of Carraro Drive Italia Tech Spa
Amici della Musica di Padova	Chairperson	Mario Carraro	Director of Carraro Drive Italia Tech Spa

* Body and relative operating executive boards as at 25/06/2020

102-13
Membership
of associations

Confindustria is the leading business association in Italy. The Federation of Veneto represents over 11,000 businesses with 320,000 employees throughout Italy.

Care&Share Italia is an Italian non-governmental organisation that has operated in India for 25 years to support children in need.

Fondazione Antonveneta is an organisation founded with the aim of promoting and supporting cultural, artistic, scientific, educational, social or social care-related initiatives in the region of Triveneto.

Associazione Amici della Musica di Padova is a body created to promote the culture of music in the region through the organisation of concerts and the promotion of musical research projects.

A new life for our old computer

In 2020 over 40 computers were donated to schools in Italy. The computers in question were no longer used by Carraro and have been given new life in schools and learning institutions.

Fundraising for two Indian families affected by Covid-19

At the end of 2020 a fundraising campaign was launched to support the families of two colleagues who died from Covid-19. The donation, amounting to approximately € 57,000, will be issued in the course of 2021.

Community initiatives by Carraro India:

- › to support the local police force which has been under significant pressure due to the Covid-19 pandemic, 300 bottles of liquid disinfectant were donated
 - › a donation was made to a local hospital to support medical treatment and care in the local area
-

5.4

Anti-Corruption Anti-Collusion

Integrity and transparency are considered essential principles of conduct by the Carraro Group in the performance of its business affairs: in this regard, the Group has adopted a series of rules of conduct that refuse any form of corruption in relations with its stakeholders. The fundamentals of these rules of conduct are formalised in some of the documents of the integrity protection system of the Carraro Group:

- › the Group Code of Ethics;
- › the Group's Anti-Corruption Policy;
- › the Organisational, Management and Control Model adopted by Italian companies.

Relations between the Group and private and public third parties must comply with the ethical standards and applicable laws; favouritism, collusive practices of corruption or solicitation of personal advantages for oneself or others are explicitly prohibited.

All forms of undue pressure, action or behaviour that may in some way influence the performance of the business activities of certain parties or otherwise impede free market competition are prohibited.

The promotion, including to companies outside the Group, of the principles of conduct aimed at guaranteeing integrity in business relationships, as well other ethical guidelines and internal training programmes, are fundamental tools for the prevention of corruption and the promotion of a culture based on transparency in all aspects of the business.

When assessing corruption risks, the Group considers the type of counterparty (public or private), the market sector and the scale of the clientèle.

Operational areas considered in the assessment of corruption risks predominantly relate to purchases of goods and services, investments, management of human resources, relations with public entities, sales and the management of cash flows.

As Carraro does not generally supply entities belonging to Local Authorities, relations with public entities are mainly institutional in nature (compliance, tax and customs, authorisations, controls, inspections, payment of contributions, taxes and duties). Relations with private entities refer to active supply contracts with medium-sized firms and groups and are generally guided by ethical conduct, and passive supply contracts with companies of varying dimensions, where technical capacity and quality are determining factors in the establishment and continuation of business relations.

In this context, in line with the principles expressed by the Code of Ethics and the An-

ti-Corruption Policy, the procedures for selecting and retaining suppliers consider the integrity aspects to be as important as the other parameters considered in the supplier assessment process.

The management of cash flows is subject to control mechanisms related to the purchase and sales process according to defined authorisation levels.

Directors and Statutory Auditors took part in an anti-corruption induction programme as part of an initiative to increase the training on the Code of Ethics and the 231 Models.

Similarly, Group employees were notified of the anti-corruption regulations through a specific training programme that involved all executives, clerical staff and managers of the Italian companies and the officers of international companies. This programme is provided to all newly employed personnel and is regularly updated according to the adjustment phases of the Code of Ethics.

The principles of anti-corruption and other principles of ethical conduct are disclosed to employees by e-mail, publication on company noticeboards and the Intranet and are freely available on the Group website.

As at 31/12/2020, all Directors and Auditors has been duly informed and had completed a training course regarding the anti-corruption principles adopted by the Group.

Employees of the Carraro Group who have been informed of the anti-corruption principles adopted by the Group	31.12.2020		31.12.2019	
	n°	%	n°	%
Italy	1,333	100%	1,321	100%
Other countries	287	22.3%*	280	22.7%*
Total	1,620	63.0%	1,601	62.7%

* Corresponding to 100% of executives, middle managers, officers and clerical workers at the Group's foreign companies.

Employees of the Carraro Group who have completed training on the principles of anti-corruption (Code of Ethics)	31.12.2020		31.12.2019	
	n°	%	n°	%
Italy	436	32.7%	378*	28.6%
Other countries	287	22.3%	23*	1.9%
Total	723	28.1%	401	15.7%

* Progressive figure referring to 31/12 of the year of reference which includes the number of employees who took the course starting from 2016 for Italian sites and 2014 for sites outside Italy. Employees whose employment relationship came to an end in the period of reference are excluded.

The number of employees who have completed anti-corruption training corresponds to the number of employees involved in the training courses on the Code of Ethics and the 231 Organisational Models.

As indicated in chapter 4.3, the difference in the number of employees who had taken the course at 31/12/2020 compared with the previous period is due mainly to the rise in number of employees involved at foreign sites.

The Group's anti-corruption principles are communicated to suppliers in the context of the disclosure of the Code of Ethics; the disclosure concerns suppliers connected to the

Carraro Private Network platform and all new suppliers as part of the evaluation process aimed at establishing the business relationship.

Moreover, for the most important suppliers in terms of volume, trading frequency and strategic position, a special “partnership” programme has been developed that provides the possibility of establishing closer relations on mutually preferential terms and with a broad sharing of economic objectives and ethical principles.

With regard to corruption, during the year one case was reported at the Indian plant in relation to a company employee and an external consultant. The case was in its initial stages and involved a small financial amount. The local management immediately conducted an investigation that confirmed the event and having duly notified the management of the Parent Company and the Oversight Committee, immediately terminated the contracts of both the employee and the external consultant.

In 2020 no Group companies were subject to significant monetary or non-monetary sanctions for non-compliance with laws and regulations.

The Code of Ethics and the Anti-Corruption Policy clearly define the principles of neutrality of the Group’s position as regards political movements and associations and prohibit its all forms of funding, grants and contribution.

Any position, concrete action or commitment may be assumed by any employee or collaborator of the Carraro Group purely on a personal basis, without involving any entity of the Group in any direct or indirect way.

For this reason, no forms of contribution of any kind to political parties or other similar institutions have been made.

205-3
Confirmed incidents of corruption and actions taken

419-1
Non-compliance with laws and regulations in the social and economic area

5.5

Product quality

Being a leading player in the *field of drive systems for construction and agricultural machinery* requires a high level of reliability in the products offered and, as a consequence, absolute attention to quality in all of its aspects. To achieve this, since the 1980s Carraro has adopted a systematic approach aimed at Total Quality.

The approach begins with the design and industrial quality of the materials, components and processes, aiming to achieve a level of product reliability able to guarantee safety and durability both as components in more complex products or as finished items.

The products in the drivelines range (gears, axles and drive systems) are designed and produced to be integrated as components or subsystems in a finished product, typically an off-highway vehicle, and in some cases light commercial vehicles.

The products in the vehicles range (agricultural tractors for special use) are designed and manufactured for direct use according to specific customer and legal requirements.

In both cases, quality is aimed providing services that are constantly in line with the required standards, directly or indirectly guaranteeing customer safety and respect for the environment.

The level of commitment shown by Carraro in the pursuit of high quality standards is evidenced by the number of human resources dedicated to product and process management and control activities, according to an organisational system that numbered 256 resources as at 31 December 2020, distributed as follows:

Department	Position	Company/office	Dedicated resources (FTE)
Quality	Head offices of the Group	Carraro Spa	5
After-Sales Quality and Services	local	Italy, China, USA, India	31
Operations Quality	local	Italy, China, India, Argentina	206
Procurement Quality	local	Italy, China, India	14
Total			256

The machines for which Carraro's drive systems are intended and the agricultural vehicles produced by Carraro are subject to defined external regulations in terms of safety and environmental protection. In this regard, Carraro has voluntarily adopted quality standards aimed at ensuring compliance with these requirements.

The use of agricultural and construction machinery, which represents the main operating sectors of the Group, has significant implications for user safety and environmental impact due to the conditions of application (inaccessible off-road terrain, vehicle mass, movement and lifting of material) and the presence of potentially hazardous substances (exhaust fumes, fuel, lubricants for mechanical parts).

Due to the rigorous nature of applicable laws and quality standards, the Group is constantly committed to complying with the reference limits and pursuing objectives of continuous improvement as regards its industrial transformation processes and customer service.

To ensure this high level of compliance with safety and quality controls, the Group has created an ad hoc structure with technical instruments in order to perform its own tests in this area.

In 2020, no significant sanctions were imposed for non-compliance with laws and regulations for the supply and use of products or services.

Carraro provides for the application of instruments such as DFMEA in the development phase and PFMEA in the production phase according to AIAG standards (user safety, product quality), operational safety according to ISO standards (user safety), the quality management system according to standard ISO 9001 and the environmental management system according to standard ISO 14001.

Carraro also operates in accordance with European legislation on chemical compliance (REACH, ROHS) and regulations regarding Conflict Minerals (section 1502 - Dodd-Frank Wall Street Reform and Consumer Protection Act), with specific controls aimed at ensuring compliance at every stage of the supply chain.

As regards products in the *vehicles* range, the environmental impact of a product throughout its life-cycle is assessed by the Agritalia business unit during the design and production phases, paying particular attention to product specifications in terms of fuel consumption, drag and noise. In this context, technical solutions are studied considering the following objectives:

- › elimination of hazardous substances (with reference to the restrictions imposed by REACH and ROHS);
- › increasing efficiency during use;
- › reduction of polluting emissions according to the requirements of the end market;
- › reduction of noise emissions in line with the required levels.

In terms of product safety, products are designed according to the applicable laws or legislations as regards industrial standards for road safety, operational safety, workplace safety and environmental safety. A specific product safety review is carried out during the project development phase to ensure constant improvement.

The design phase considers the various aspects of operational functionality in terms of safety, including:

- › instructions for use and information (operating manual, service manual and service bulletins);
- › applicable law;

- › usage limits;
- › operator experience;
- › operator training;
- › working conditions;
- › physical properties of the machine.

An indispensable step in the risk assessment of each safety index is the systematic identification of the potential dangers and hazardous events for all types and phases of production and use, including assembly, preparation, use on the road and in the field, cleaning, servicing and maintenance.

As regards products in the vehicles range, safety improvement impacts are also assessed in the planned testing phase, both during the manufacturing processes managed by a quality department and through separate and independent audit programmes managed by the customer service department. The methods used in the testing phase are:

- › FMEA Design according to AIAG Standards;
- › FMEA Process according to AIAG Standards;
- › PVV Plan;
- › Field Test;
- › Bump Track Test;
- › Homologation;
- › HARA (Hazard Risk Analysis);
- › Functional Safety ISO 25119;
- › ISO 14121;
- › Safety and Fire Prevention Audit;
- › Audit Plan.

5.6

Customer service

Customer satisfaction, engagement and dialogue

One of the key factors in Carraro's success is the Global Partnership, representing the Group's complete collaboration with its customers from the product design phase through to its production and delivery.

The Group does not produce any stand-alone products that operate independently of other products in the sector, or products marketed in its own name. Instead, Carraro manufactures products intended exclusively for use in more complex machines or otherwise manufactured on behalf of and under the brand of third parties.

Consequently, a close and continuous partnership with customers is essential to the activities carried out by the Carraro Group, due to the intrinsic characteristics of the products:

- › in the case of drivelines (axles, gearboxes and transaxle gearboxes), the products constitute a key element in the machines produced by the customer and can only operate when fully integrated with the other elements of that machine;
- › in the case of gears, the products are a component of a more complex system (axle, gearbox or other mechanical unit) whose components operate in complete synchrony with the other components as one complex machine;
- › in the case of agricultural vehicles manufactured on behalf of leading global OEMs (own equipment manufacturers), the products are produced thanks to the combination of Carraro's design expertise, the capacity of the customer to define the precise technical and performance specifications and to indicate any preferred supply channels, and Carraro's industrial know-how in the production of turnkey vehicles.

These conditions have led Carraro to establish close working relationships with customers and to structure its operation in the following phases:

- i. product co-design depending on the target application or end product;
- ii. definition of performance levels according to intended use;
- iii. sharing of approach and results of any prototyping and testing activities;
- iv. compliance with agreed delivery schedules;
- v. prompt support in the case of problems during assembly or in the field;
- vi. constant focus on the customers' needs;
- vii. willingness and flexibility with regard to product modifications.

Each of these phases requires close dialogue and a high level of customer engagement, which are achieved through:

- › the creation of mixed work groups;
- › the joint definition of work schedules;
- › the shared adoption of reference production and quality standards;
- › total openness to audits and technical monitoring that the customer deems appropriate at our R&D centres and production facilities.

The level of quality and level of service in terms of prompt delivery, response and resolution times in the event of problems raised by customers, also enable the Group to achieve high levels of customer satisfaction both in the pre- and post-sales phases. Indeed, given the close integration of Carraro products with those manufactured by the customer, the pursuit of this objective is an essential element if the Group is to maintain its competitive position on the market.

Furthermore, customer satisfaction is also directly confirmed by the constant monitoring carried out by suppliers along their supply chain. This is expressed by the certifications obtained by their suppliers, which in 2020 included the renewal of the certification awarded by Caterpillar:

SIAP SQEP recertification

In 2020 the Maniago plant was once again awarded the important "Supplier Quality Excellence Process" certification by Caterpillar.

This certification confirms the site's constant commitment to the production of products that meet the highest quality standards.

6.1

Association of material topics to GRI Standards

Themes relevant to legislative decree no. 254/2016, Article 3 Paragraph 1	Material topics identified in the Carraro Group	Gri standards topics	Scope of impact	
			Where the impacts occurred	Type of impact
Topics relating to Employees	Health and Safety in the Workplace	403 Occupational Health and Safety	Carraro Group Workforce	Generated by the Group
Topics relating to Employees	Corporate welfare	401 Employment	Carraro Group	Generated by the Group
Social topics	Product safety and quality	419 Socioeconomic Compliance	Carraro Group Clients	Generated by the Group
Environmental topics	Reduction in waste produced and adoption of responsible waste disposal methods	306 Waste	Carraro Group	Generated by the Group
Environmental topics	Reduction of energy consumption and greenhouse gas emissions	302 Energy 305 Emissions	Carraro Group Suppliers and commercial partners	Generated by the Group and connected with the Group's activities
Topics related to the fight against active and passive corruption	Ethics and integrity in business management processes	307 Environmental Compliance 419 Socioeconomic Compliance	Carraro Group	Generated by the Group
Topics relating to the fight against active and passive corruption	Anti-corruption	205 Anti-corruption	Carraro Group	Generated by the Group
Social topics	Focus on technology and product innovation	Na	Carraro Group	Generated by the Group
Social topics	Engagement, dialogue, customer satisfaction and quality services	Na	Carraro Group Clients	Generated by the Group
Topics related to human rights	Protection of human and workers' rights	406 Non-discrimination 412 Human Rights Assessment	Carraro Group Suppliers and commercial partners	Generated by the Group
Na	Value of the Brand and reputation	Na	Carraro Group	Generated by the Group
Topics relating to Employees	Well-being and work-life balance	401 Employment	Carraro Group	Generated by the Group
Topics relating to Employees	Training and skills development	404 Training and Education	Carraro Group	Generated by the Group
Environmental and social topics	Sustainable products and processes	204 Procurement Practices	Carraro Group Suppliers and commercial partners	Generated by the Group
Topics relating to Employees	Diversity, equal opportunities and inclusion	405 Diversity and Equal Opportunities 406 Non-discrimination	Carraro Group	Generated by the Group

103-1
Explanation
of the material
topic and its
Boundary

6.2

GRI Content Index

The GRI table with reference to the option ‘In Accordance-core’ is presented below, as provided for in the GRI Standards of the Global Reporting Initiative. Any omissions are reported as notes to the single indicators, where provided for.

General disclosures

GRI standards		Disclosure	Page / notes	Omissions
Organizational profile				
GRI-102: general disclosures (2016)	102-1	Name of the organization	23	
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GRI-102: general disclosures (2016)	102-4	Location of operations	28-29	
GRI-102: general disclosures (2016)	102-5	Ownership and legal form	32-33	
GRI-102: general disclosures (2016)	102-6	Markets served	40-42	
GRI-102: general disclosures (2016)	102-7	Scale of the organization	20-21; 32-33	
GRI-102: general disclosures (2016)	102-8	Information on employees and other workers	34-36	
GRI-102: general disclosures (2016)	102-9	Supply chain	163-164	
GRI-102: general disclosures (2016)	102-10	Significant changes to the organization and its supply chain	30	
GRI-102: general disclosures (2016)	102-11	Precautionary Principle or approach	81-97	
GRI-102: general disclosures (2016)	102-12	External initiatives	54-55	
GRI-102: general disclosures (2016)	102-13	Membership of associations	167-168	
Strategy				
GRI-102: general disclosures (2016)	102-14	Statement from senior decision-maker	7-8	
Ethics and Integrity				
GRI-102: general disclosures (2016)	102-16	Values, principles, standards, and norms of behavior	59-61	
GRI-102: general disclosures (2016)	102-17	Mechanisms for advice and concerns about ethics	61	

Governance			
GRI-102: general disclosures (2016)	102-18	Governance structure	67-70
GRI-102: general disclosures (2016)	102-19	Delegating authority	74-76
GRI-102: general disclosures (2016)	102-20	Executive-level responsibility for economic, environmental, and social topics	74-76
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GRI-102: general disclosures (2016)	102-47	List of material topics	52-53
GRI-102: general disclosures (2016)	102-48	Restatements of information	12; 41; 102
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GRI-102: general disclosures (2016)	102-53	Contact point for questions regarding the report	198
GRI-102: general disclosures (2016)	102-54	Claims of reporting in accordance with the GRI Standards	11; 187
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GRI-103: Management of the topic (2016)	103-3	Evaluation of the management approach	110-113
GRI-305: Emissions (2016)	305-1	Direct (Scope 1) GHG emissions	110
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GRI-103: Management Approach (2016)	103-1	Explanation of the material topic and its Boundary	185

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GRI-307: Environmental compliance (2016)	307-1	Non-compliance with environmental laws and regulations	109
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GRI-103: Management of the topic (2016)	103-2	The management approach and its components	124-125; 137-138
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GRI-401: Employment (2016)	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	137-138
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Tomaso Carraro
Deputy Chairman
Chief CSR Officer

6.3

Independent Auditors' Report



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

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

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Carraro S.p.A. and its subsidiaries (hereinafter "Carraro Group" or "Group") as of December 31, 2020 prepared on the basis of art. 4 of the Decree and approved by the Board of Directors on March 26, 2021 (hereinafter "NFS").

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

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

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

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

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

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

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies *International Standard on Quality Control 1 (ISQC Italia 1)* and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the *"International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information"* (hereinafter *"ISAE 3000 Revised"*), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art.3 of the Decree and taking into account the adopted reporting standard;
2. analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree;
3. comparison between the financial data and information included in the NFS with those included in the consolidated financial statements of the Carraro Group as of December 31, 2020;

4. understanding of the following matters:

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

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

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

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

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

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



Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Carraro Group as of December 31, 2020 is not prepared, in all material aspects, in accordance with article 3 and 4 of the Decree and the GRI Standards.

DELOITTE & TOUCHE S.p.A.

Signed by
Cristiano Nacchi
Partner

Padova, Italy
April 12, 2021

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

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Averta
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