



**It's in  
our  
nature  
to  
evolve**

**2019**  
SUSTAINABILITY REPORT





# 2019 SUSTAINABILITY REPORT

(Non-financial consolidated statement in  
accordance with Legislative Decree 254/2016)

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**“It is always  
the people  
who make  
the difference:  
their commitment  
to sustainability  
and its relevance  
is the basis  
of our progress.”**

# Letter from top management

Dear Stakeholder,

Now more than ever, it is fundamental to devote attention to sustainability issues and stakeholders. Building a relationship of mutual trust with the company's partners starts from considering their interests and compatibility with those of the organization. In parallel, companies are called upon to act responsibly, responding to economic, environmental, and social expectations, as well as its stakeholders.

With its Sustainability Report, Prima Industrie presents the principles and actions that the Group adheres to, not only in terms of its production, but also the economic, social, and environmental context to strengthen dialogue with its stakeholders and increase their involvement.

This document also presents the results of its strategy and the projects regarding various sustainability topics that it has implemented internationally and the achievement of the targets set in the previous edition, thus attempting to respond to the economic, environmental, and social expectations of all its stakeholders.

The growth achieved was made possible through responsible management of the company, aimed at increasing our ability to generate value with a sustainable outlook (financially, socially and environmentally). In order to achieve this, we have paid due attention to the expectations of all stakeholders who, whether directly or indirectly, attribute value to and are affected by the decisions and activities of Prima Industrie.

Starting from the needs and expectations of all other stakeholders, Prima Industrie has responded to the challenge of guaranteeing the rights that are required in modern society: saving energy, curbing pollution, safeguarding the health and safety of workers, reducing waste, ensuring closer collaboration between humans and machines, and social responsibility towards the community.

We are sure that sustainability is increasingly important for the success of our business. It contributes to our growth, improves our cost efficiency, and reduces risks. At the same time, only through sustainable business practices can we maintain the foundations for a sustainable society and a solid economy.

In all this, it is always people who make a difference.

Their understanding of sustainability and its importance to their respective activities and areas of responsibility is the cornerstone of our progress.

This report, too, is the result of teamwork by people who share the utmost enthusiasm and professionalism, who worked on behalf of Prima Industrie according to a quantitative and qualitative profile relative to environmental and social themes, attentive to personnel, and respect for human rights and the fight against corruption.

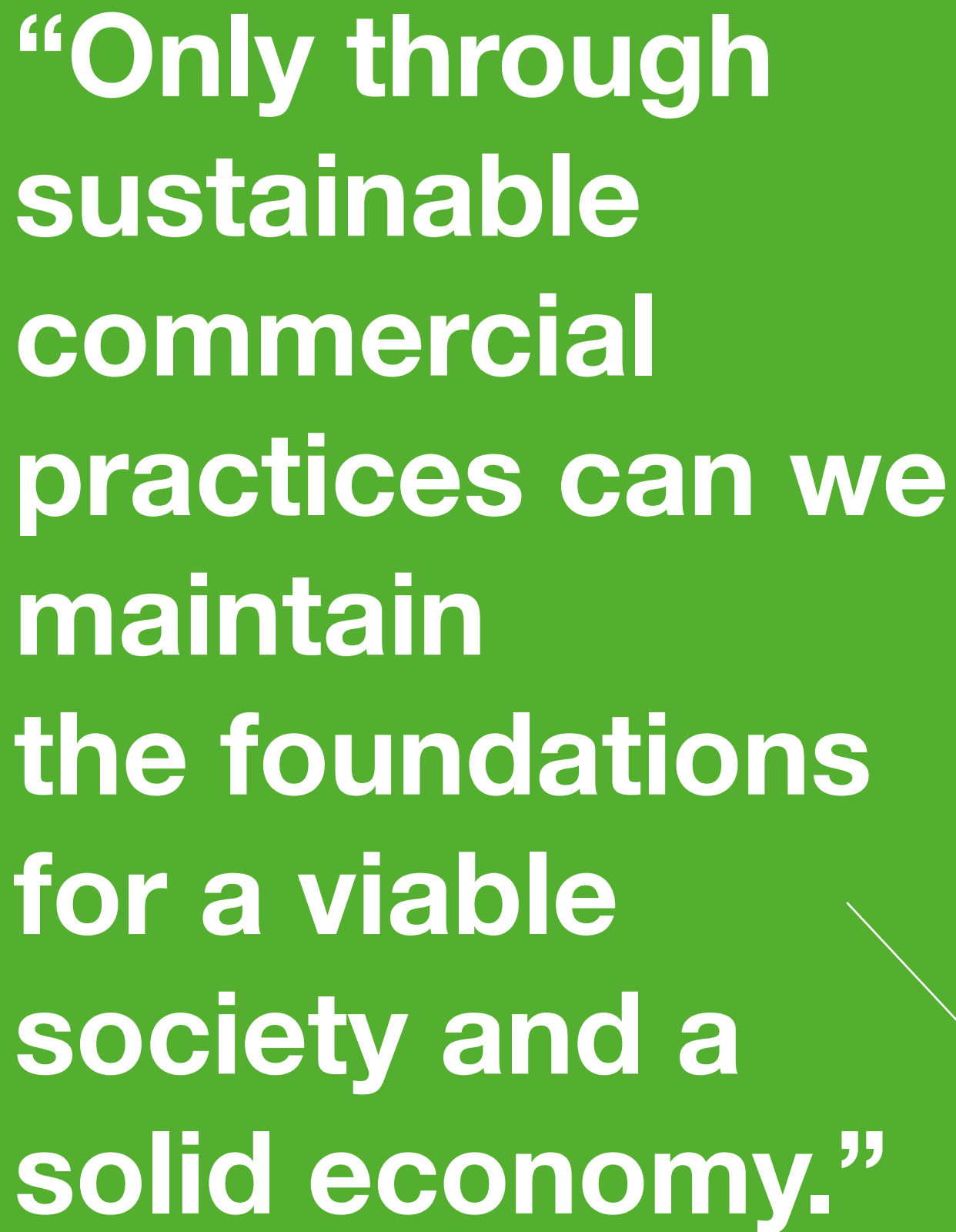
The Prima Industrie Sustainability Report was included in the Index Future Respect 2019 by ConsumerLab.it, a company that classified over 800 Sustainability Reports in 2019, evaluating the best practices and success cases with respect to non-financial business activities. The best 40 Financial Statements, which includes Prima Industrie's, have been included in the index and have better highlighted how its production respects the future.

The perimeter of reference for the Sustainability Report includes, in addition to the Prima Industrie Parent Company, a growing number of subsidiary companies, demonstrating that the themes involving sustainability are a common heritage within the group and that the entire productive and commercial process is founded on these concepts, involving all of the players around the world.

We therefore thank all our employees, partners, customers, shareholders and stakeholders for contributing to a successful year and for accompanying us on our journey of sustainability and ensuring a better world for present and future generations.

**The Chairman of the Board of Directors**



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**“Only through  
sustainable  
commercial  
practices can we  
maintain  
the foundations  
for a viable  
society and a  
solid economy.”**



# 1. Methodological note



## 1.1 REPORTING GOALS

With this third edition of the Sustainability Report, the Prima Industrie Group (hereinafter, for the sake of brevity, referred to as “the Group” or “Prima Industrie”) is responding to the requirements of Legislative Decree 254/16, issued to implement “Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards to disclosure of non-financial information and diversity information by certain large undertakings and groups” (hereinafter, for the sake of brevity, also “Legislative Decree 254/2016” or “the Decree”), presenting the “Consolidated non-financial statement” in the form of a “separate report”, as set forth in Article 5, publishing of the declaration and publishing standards for the Decree.

In accordance with the Decree (Articles 3 and 4), the Group, in the scope of the applicability of the Decree, must draft a non-financial document that, *“in a measure necessary to ensure comprehension of the company’s activities, its progress, results and impact produced by the same, covers themes pertinent to the environmental, social issues, personnel, respect for human rights and the fight against corruption, direct and indirect, relevant in light of the specific activities and characteristics of the company”*.

The Sustainability Report (henceforth, for the sake of brevity, “Report” or “document”), in addition to acting as a tool for satisfying the requirements of said Decree, also represents a vehicle to ensure maximum transparency for its stakeholders and for reporting on its initiatives and

performance regarding environmental and social sustainability.

## 1.2 REPORTING STANDARDS

Legislative Decree 254/2016 requires reporting on the topics mentioned in the preceding paragraph “according to the methods and in accordance with the methods and provided under the Reporting Standard used as reference or under the independent reporting method used for preparing the disclosure” .

With regard to this aspect, Prima Industrie has decided to use the GRI Standards issued by the “Global Reporting Initiative” (2016 version) as the technical and methodological reference for reporting the information required by the Decree contained in this document. Specifically, the Group has not chosen to prepare the document according to one of the two options (*Core* or *Comprehensive*) set out in the GRI guidelines; instead, we used a selected set of GRI Standards to report the specific information required by the Decree, in compliance with section 3 of GRI 101 Standard: Foundation (Making claims related to the use of the GRI Standards).

References to the selected GRI Standards are reported within the document in correspondence to the data they refer to for relative calculations, as well as in the summary table of indicators reported at the end of this Report.

Relative to some topics (e.g. customer satisfaction), Prima Industrie, not having a specific indicator within the GRI Standards, decided to account for its own performance indicators using specific non-GRI indicators, which are also included in the table at the end of the document.

## 1.3 REPORTING PERIMETER AND PERIOD

The non-financial data and information contained in this document concern the following companies in the Prima Industrie Group:

- **Prima Industrie SpA**
- **Finn-Power OY**
- **Prima Electro SpA**
- **Prima Power GmbH**
- **Prima Power Iberica SL**
- **Prima Power Laserdyne Llc**
- **Prima Power North America Inc.**
- **Prima Power Suzhou Co Ltd.**
- **OOO Prima Power**

For providing further clarification, it is noted that:

- As part of the organizational structure rationalization process, PRIMA INDUSTRIE SpA acquired a stake in CONVERGET PHOTONICS from PRIMA ELECTRO SpA and acquired a stake in PRIMA POWER NORTH AMERICA Inc. from FINN-POWER OY during the 2019 financial year. On 31/12/2019, their merger by the incorporation of CONVERGENT PHOTONICS into PRIMA POWER NORTH AMERICA Inc. took place, which in the meantime has been renamed PRIMA INDUSTRIE NORTH AMERICA Inc. These corporate transactions did not have any impact on a consolidated level, as they took place between companies that directly and indirectly held 100% of the parent company PRIMA INDUSTRIE SpA. The organizational and economic reasons for this merger between the two companies are attributable to the optimization of the Group’s corporate structure headed by PRIMA INDUSTRIE SpA through the shortening of the control chain on investments and the optimization of cash-flow, administrative and organizational, and by centralizing strategic investment decisions in the parent company. It is also a corporate restructuring that aims to better integrate the operations of the American staff.
- At the end of 2019, the spin-off of the business unit that in the PRIMA ELECTRO Division developed the OSAI brand automation business aimed specifically at the manufacturers of wood, glass, and marble processing machines, was considered no more strategic than PRIMA INDUSTRIE Group’s current mission. The company branch employed 33 employees in Italy dedicated to R&D, application development, after-sales technical assistance, administration, and sales.





Prima  
Additive





The transferred assets included: the customer lists and the open orders, the OSAI brands, the know-how regarding the OPENcontrol and OPENdrives family of products, the service warehouse, the cash-flow corresponding to the normal working capital, investments held at 100% in OSAI UK, in Prima Electro China, and in the OSAI North American company set up in the USA at the end of 2019 in which the assets related to the business developed in OSAI Convergent-Photonics were sold. As a result of this transaction, the PRIMA ELECTRO Division has transferred a business to a consolidated level that in 2019 generated a turnover of approximately 9.6 million euro and reduced its staff by 42 units. On the other hand, the production and repair of OSAI products that, by virtue of a multi-year agreement, have not been transferred, generating an expected annual turnover of approximately 4 million euro. PRIMA ELECTRO SpA has also maintained all rights relating to the production and marketing of CNCs and drives used on PRIMA INDUSTRIE

Group's machines. The OSAI business unit was transferred on 04/12/2019 to a newly incorporated company called OSAIcnc S.r.l. and subsequently, on 12/15/2019, 60% of the company's shares were sold to the Chinese company Ningbo Physis Technology Co. Ltd.

For further information about the composition of the Group, refer to Chapter 2 in the point dedicated to Group Companies.

In respect to the last fiscal year, the Russian company OOO Prima Power has been included.

Despite the increased number of companies included in the consolidated financial perimeter, for the purpose of accounting for non-financial type information, the Group decided to restrict analysis to a limited perimeter of companies, without any prejudice against the completeness of the information with reference to the minimum elements required by Legislative Decree 254/2016.





The Sustainability Report Decree also represents for Prima Industrie a vehicle to ensure maximum transparency for reporting on its initiatives and performance regarding environmental and social sustainability.

When defining the reporting boundary, Prima Industrie considered the following three parameters (unchanged in respect to the previous fiscal year):



including within the boundary the Group companies which at 31 December 2019 met at least two of the three set parameters.

With reference to the 2017-2019 accounting period (data as of 31/12/2019, 31/12/2018, and 31/12/2017 for the Prima Industrie Group), the percentages of coverage reached through the selection of the previously mentioned companies are as follows:

% on aggregated data	2019	2018	2017
Assets	93%	92%	90%
Revenues	89%	88%	85%
No. of Employees	89%	87%	80%

Relative to the consolidated companies, Prima Industrie reserves the right to integrate the perimeter taken into consideration for the future to guarantee better conformity with the requirements set forth in the Decree.

To ensure, as required under Legislative Decree 254/16, a comparison of information with previous reporting periods and to comply with the principle of comparability under the GRI Standards, quantitative and qualitative data in this report refer to the reporting periods 2017, 2018 and 2019. With respect to the data of the newly included OOO Prima Power, the same are shown exclusively for 2019; the same applies to reclassifications made in 2019, where the figures represented refer exclusively to 2019 in order to better expose certain particularities.

Any exceptions to the above identified criteria are reported in the single sections of the Report.

PricewaterhouseCoopers SpA has audited this Sustainability Report. The results of the inspections performed on the prepared non-financial declaration and conformity of the information provided in



respect to the requirements set forth in Legislative Decree 254/2016 and respect for the principles, methodologies and practices set forth in section 3 of Article 3 of the Decree are presented in the report drafted by the auditing firm and reported at the conclusion of this document.

For more information on the topics dealt with in this document, please contact the Prima Industrie Group at [ir@primaindustrie.com](mailto:ir@primaindustrie.com).

## 1.4 SUSTAINABILITY REPORT DRAFTING PROCESS

The Prima Industrie Group has defined a specific, shared and organized procedure for collecting and processing data, managed internally by a Work Group coordinated by corporate departments (Finance, Legal and Internal Audit), which exchanges information with the managers of the single operating areas of the three divisions (Prima Power, Prima Electro and Prima Additive, the latter newly formed). The responsibility for the project is assigned to the Director of the Group and is supported by the coordination of activities by the previously mentioned corporate departments.

The Work Group carries out its activities and shares their initial organization with the external Audit

Firm, then provides support over the course of data collection and processing with all the peripheral structures (Group companies are included in the consolidated data area for the purpose of this Sustainability Report).

The purpose of the activities carried out by the central corporate departments is to render (in the presence of legal entities with headquarters in different countries and on different continents) the collection and exhibition of data as homogeneous as possible, which overcomes the intrinsic differences originating from diverse local laws (e.g. the various classifications of employees), as well as diverse local methods for interpreting the classification parameters used on the data.

The Work Group is therefore responsible for:

- Constantly communicating with the external auditing firm to share the framework of the data collection structures, as well as identifying the type of necessary documentation to support the data, which will then be objectively verified and controlled by the auditing firm;
- Supplying the managers of the various operating areas of the companies that fall within the perimeter of reference for the project with adequate constant training to support their activities and render the collection and exhibition of data homogeneous;



- Managing the non-financial data collection process through the competent corporate departments for matters involving all of the Group companies that fall within the perimeter of reference, defining and monitoring the collection times, aligned with the deadlines dictated in the comprehensive financial reporting process;
- Centrally grouping the transmitted data from the single companies, eliminating any non-homogeneous elements, to present the data in the document clearly and immediately to the stakeholders of reference;
- Stimulating, with reference to the sensitive topics identified by the Parent Company Board of Directors, all possible improvements of a procedural and/or organizational nature to increase the quality of the level of attention in all the corporate components for the same topics.
- Sharing of the identified perimeter, identified material topics, relative indicators, and accounting process timetables for non-financial information with Top Management;
- Sharing the forms used for collecting data and information with the auditing firm;
- Identification of personnel to be involved;
- Training for the personnel on regulatory aspects and guidelines for data collection;
- Division of the topics to be developed relative to the qualitative aspects;
- Preparation of a document draft, which is periodically updated, to be submitted for validation by corporate Top Management;
- Assurance from the auditing firm;
- Presentation of the report to the Board of Directors and shareholders, and its publication.

The reporting process is articulated into the following temporal stages:

- Identification of the perimeter in question for accounting purposes, based on the parameters considered appropriate for a correct and representational overview of the Group;
- Preparation and updating of the materiality analysis;
- Definition of non-financial indicators to be accounted for;
- Preparation of the timeline for the activities;

## 1.5 STAKEHOLDER ENGAGEMENT

When deciding on the structure and content of this document, Prima Industrie took account not only of the requirements of the Decree, but also its own business activities, the interests of its stakeholders, and their expectations.

The Group considers the involvement of its stakeholders to be an important aspect in the management of social, environmental, and economic themes.



In order to identify the most important issues to be included and developed in this Report, Prima Industrie:

- Identified its stakeholders;
- Analyzed the sustainability context and its reference sector by benchmarking its main competitors and analyzing the issues that apply its core business;
- Assessed the expectations and issues of greatest interest to its stakeholders and conducted a materiality analysis of the sustainability issues that are most significant for the Group, through internal stakeholder engagement, which included the transversal involvement of all departments in the parent company in a dedicated working group. Each Management Head was asked to attribute priorities to the topics set forth in Article 3 of the Decree and for the topics considered relevant to the core business of the Group and its stakeholders, assessing the importance of the topics from the point of view of Prima Industrie and the referenced stakeholders.

links to the company, those with various interests in it, or those who are significantly affected by it.

This document provides the stakeholders of Prima Industrie outlined above with an overall picture of the Group's performance in terms of sustainability.

Providing useful information regarding the sustainability of its business, the Prima Industrie Group offers stakeholders the opportunity to increase and improve their ability to make choices and assessments, including those that regard ethical and social matters.

The Group's focus on sustainability issues is reflected mainly in its customers, who are in direct contact with final consumers, building a good reputation for those who have invested in a responsible company. *In addition to these, several subjects can influence or are influenced by the activities of the Prima Industrie Group in terms of products, policies, and processes.* This broader picture includes public institutions, business associations, trade unions, schools and universities, local authorities, etc.

## Prima Industrie Stakeholders

Stakeholders were identified as those subjects (individuals, groups, organizations) with financial

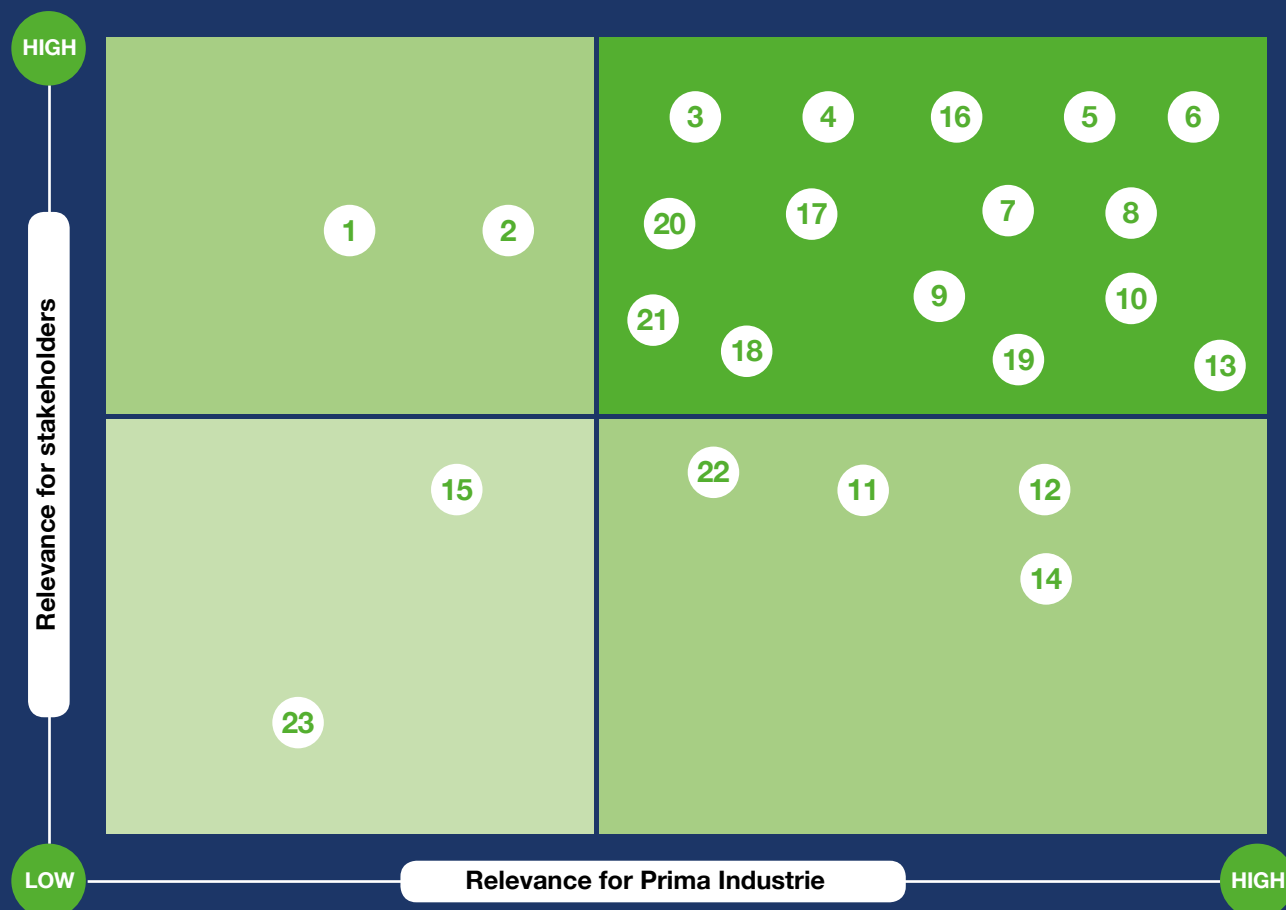
The Group has worked consistently over time to develop an information and communication system that it uses to interact and dialogue with all its local, national and international interlocutors.

### PRIMA INDUSTRIE STAKEHOLDER



## 1.6 MATERIALITY ANALYSIS

Following the materiality analysis carried out, Prima Industrie created its own materiality matrix, as illustrated below:



### BUSINESS AND GOVERNANCE THEMES

- 1 Capital remuneration
- 2 Media information
- 3 Management of suppliers and sub-contractors
- 4 Risk management
- 5 Innovation
- 6 Economic/Financial growth
- 7 Quality
- 8 Anti-corruption
- 9 Regulatory compliance
- 10 Ethics and integrity
- 11 Transparency
- 12 Image and reputation
- 13 Customer satisfaction
- 14 Digitalization of process
- 15 Traceability of product



### SOCIAL THEMES

- 16 Health and safety (internal and external)
- 17 Human Resources and social aspect management
- 18 Equal opportunity and anti-discrimination
- 19 Human rights



### ENVIRONMENTAL THEMES

- 20 Emissions management
- 21 Energy resource management
- 22 Waste management
- 23 Water resource management

The graph summarizes the result of the materiality analysis conducted by Prima Industrie to identify the most important sustainability issues. For sustainability reporting purposes, those aspects that have a significant impact on the financial, social and environmental performance of the company and that could substantially affect the assessments and decisions of stakeholders, are considered important or material.

Therefore, the materiality analysis takes into consideration not only the point of view of the organization, but also that of the stakeholders.

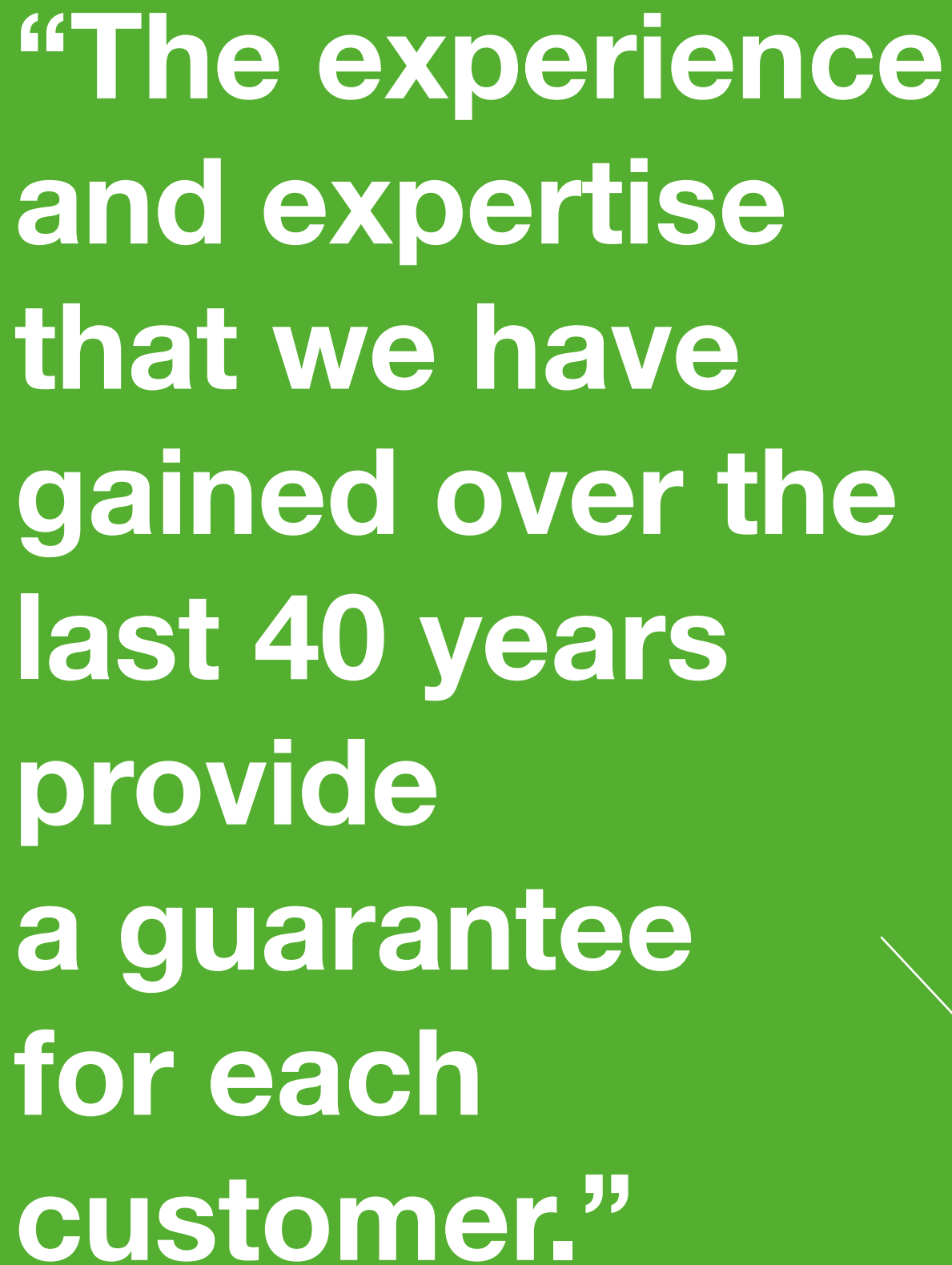
These issues are placed in the upper right section of the materiality matrix and are disclosed in this document. Although “Water resource management” is provided for in Legislative Decree 254/2016, it is not included in this section because it is

not considered material for the Group, given the atypical nature of its business. Indeed, the Group’s production cycle for finished products does not include processes that are typical of heavy industry. There are no large fixed installations, such as assembly lines. The main production phases include the assembly of semi-finished products and the commissioning of machines. For these reasons, water is not used for production and technology. The only water consumed is for sanitary use and therefore volumes are negligible.

The materiality analysis carried out in the past is the result of a long-term sustainability strategy. It should therefore be noted that the materiality matrix, which is verified annually by management, has not undergone substantial changes in the context of the priorities of the different issues in comparison with the previous year.





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**“The experience  
and expertise  
that we have  
gained over the  
last 40 years  
provide  
a guarantee  
for each  
customer.”**



## 2. The Prima Industrie Group



### 2.1 ABOUT US

#### Introduction

Prima Industrie SpA is an Italian company limited by shares with registered office at 36, via Torino-Pianezza, Collegno (Turin).

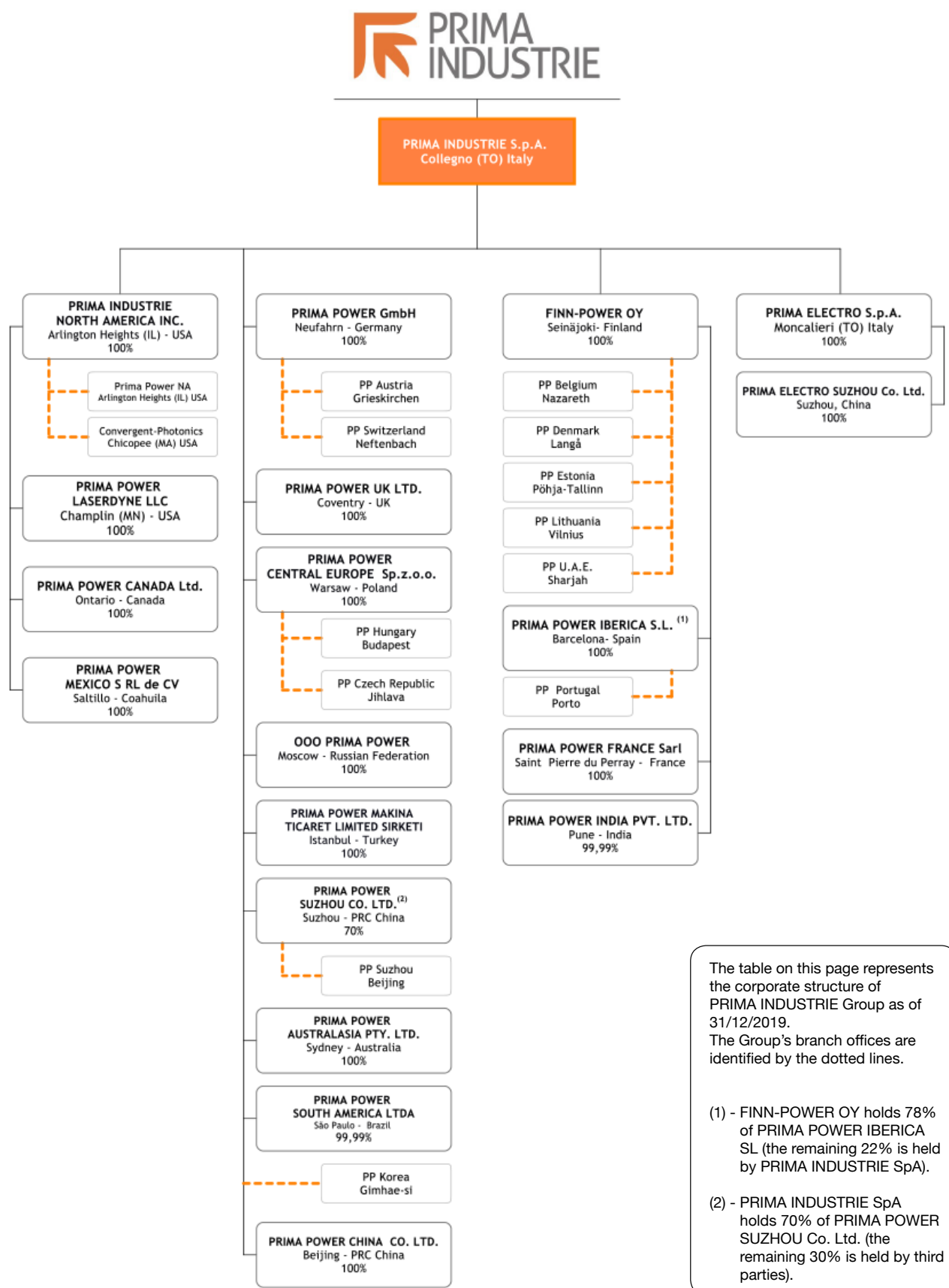
Founded in 1977, Prima Industrie SpA heads a leading Group in the sector of the development, production and sale of laser systems for industrial applications and machines for sheet metal processing, as well as industrial electronics and laser technologies. With 40 years of experience, the Group has over 13,000 machines installed in more than 80 countries and is one of the world's leading manufacturers in its reference markets.

The Group has approximately 1,800 employees and production plants in Italy, Finland, the USA and China.

The Group also boasts a considerable direct sales and after-sales presence in BRIC and NAFTA countries, the European Union, and other emerging markets in Asia.

The Prima Industrie Group is structured into three divisions: Prima Power, (Laser Machines and machines for sheet metal processing), Prima Electro (Industrial Electronics and laser technologies) and Prima Additive (design, production and sale of turn-key solutions for Additive Manufacturing technologies).

## Companies belonging to the Group



The Group companies included in the perimeter of this document are highlighted in section “1.3 Perimeter and accounting period”.



## 2.2 THE GROUP'S BUSINESS

### Main activities

The Group's activities are organized into three divisions, described below.

The **Prima Power Division** includes laser machines and sheet metal processing. It designs, manufactures and sells:

**Laser Machines.** The Group designs, manufactures and sells laser machines for cutting and welding sheet metal in production or prototyping processes. The laser machines produced may be 2D or 3D laser machines, depending on whether the laser beam is applied to flat or curved sheet metal.

2D laser machines are mainly intended for cutting and welding in the production of sheet metal components for applications in various industries, such as electrical and hydraulic machinery, agricultural machinery, industrial vehicles and other

machinery. These machines typically operate on 3 axes and are used for sheet metal processing, specifically for cutting and welding forms on a flat surface, providing high precision, flexibility and speed.

The 3D laser machines developed and manufactured by the Group are used mainly to produce three-dimensional components or for the processing of molded and contoured materials with the most widely used applications in the automotive, aerospace and energy industries. More complex than 2D laser machines, these work on 5 axes. However, whereas sheet metal is processed flat in 2D laser machines, in 3D Laser Machines sheet metal parts are bent and molded.

**Machines for sheet metal processing.** This category includes the design, production and marketing of machines (complementary to laser cutting) for sheet metal processing using mechanical tools. The Group has a wide range of machines for cutting and bending flat sheet such as:

- Punching machines
- Integrated punching and shearing systems
- Integrated punching and laser cutting systems
- Paneling bending machines
- Bending presses
- Automation systems

Sheet metal processing machines are mainly used in the following industries: telecommunications, HVAC (heating, ventilating and air-conditioning), electrical equipment, lighting systems, agricultural machinery, household appliances, metal furniture and others.

The **Prima Electro Division** includes Industrial Electronics and Laser Sources, as well as the design and development of power and control electronics, with the related software. Furthermore, the Group internally designs and manufactures numerical controls, which are then integrated into the laser machines it produces.

The division operates in the **electronics sector** with the Prima Electro and Osai brands (subsequently sold in December 2019).

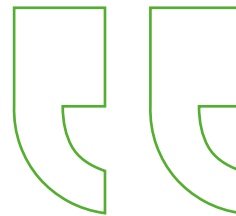
It also includes **laser sources**, which are one of the laser machine components with the greatest technological content and the greatest added value. The Group internally designs and manufactures the laser sources and its key components such as the diodes that represent almost 50% of the industrial cost of the source. The laser sources internally are later integrated into the Laser Machines it produces. The Group believes that having this technology is a critical factor for success in a competitive market.

In the laser sources sector, the division operates under the Convergent Photonics brand (Convergent was the name of the laser source specialist company acquired by the Group in 2000) at the American site in Chicopee (Massachusetts) where it designs and manufactures the main components of the laser source (FLM).

The most recently established Division, **Prima Additive**, develops and offers innovative laser systems for the main Additive Manufacturing processes for metal printing: **Powder Bed Fusion (PBF)** and **Laser Metal Deposition (LMD)**.

The Power Bed Fusion process uses thermal energy to melt specific points on a layer of metallic power. The thermal energy, which is produced by a laser source, melts the powder, which on cooling solidifies, and in this way, every product part is made. The piece is made starting from a layered design, the process being repeated layer by layer to create its final shape.

The Laser Metal Deposition process uses thermal energy generated by a laser source that is focused to melt the metal powder that is sprayed at the focal point of the laser beam. This laser beam melts the powder with the component on which it is deposited. The laser is coaxial to the deposition head, which moves on several numerical axes between 3 and 5. It is also possible to install a rotating and tilting table to keep the melting area on horizontal plane.



We serve customers  
in over 80 countries  
all around the world.

Over 80% of our sales  
are the result of exports.  
We have achieved these  
numbers thanks to our  
vast global reach.





This capability makes the process suitable for adding parts to existing pieces, as well as for repairs and coatings.

Prima Additive responds to various industrial and research needs, developing metal printing machines suitable for all types of application. Thanks to its network of commercial partners, services, and suppliers, Prima Additive ensures the effectiveness and integration of its Additive Manufacturing machinery.

With the goal of making Additive Manufacturing for metal a part of the production and research system, Prima Additive has designed and offers **turnkey** solutions consisting of machines, pre and post processing equipment, application development, digital services, and support.

Prima Industrie Group's experience and expertise, which it has acquired over the last 40 years with

respect to laser systems and customer support, are the main drivers that guarantee a success story for every customer.

Prima Additive's economic and financial data refers to 2018 and remains negligible in 2019 in the context of the Group's consolidated data. For the purpose of this sector information section, they do not meet the quantitative threshold set forth by IFRS 8, and therefore this information is aggregated with the information for the Prima Power division for 2019 (as for the financial year 2018).

## Production platform

The Group's production platform consists of 8 production plants working in specialist areas of business or technology. Of these plants, 4 are in Italy, 1 in Finland, 2 in the United States, and 1 in China.



### Collegno (TO) - Italy

2D laser machines and 3D laser machines (except for Prima Power Laserdyne models)  
Additive Manufacturing Technology  
Advanced Laser Center (Research Center)



### Moncalieri (TO) - Italy

Electronic boards

### Turin - Italy

Power diode research center



### Barone C.se (TO) - Italy

Numerical control machines



### Cologna Veneta (VR) Italy

Paneling machines and pressing-bending machines



### Champlin, MN - USA

3D laser machines for aerospace and energy applications



### Chicopee, MA - USA

Convergent Laser Sources



### Seinäjoki - Finland

Machines for sheet metal processing: Punching systems, integrated punching and shearing systems, integrated punching and laser cutting systems.



### Suzhou- China

Industrial Electronics



Production is organized according to the *lean production* model, with only the key phases of production conducted internally, and outsourcing of most of the subsequent assembly of low-added value components, which are purchased externally.

At the end of the assembly phase, all machines manufactured by the Group undergo systematic quality controls. These mainly take place through testing and they certify the successful conclusion of the production process and authorization for delivery to the customer. Metrological testing is carried out to verify compliance with accuracy parameters, along with functional tests to verify compliance with *standards* in terms of performance.

## Research and Development

The Group is particularly involved in research and development at various production sites. Dedicated teams study new products and provide support for each product line.

Research and development are carried out mainly within the Group. This is particularly important because, on one hand, it enables us to stay constantly at the forefront in a sector where technological progress is a critical factor for success. On the other hand, it ensures faster development of products that can meet the multiple needs of our customers.





The Group's products feature advanced technological complexity and require multidisciplinary knowledge (instrumental mechanics, signal and power electronics, sensors, optics, information technology). The availability of these skills within the Group ensures a high level of innovation and, consequently, a strong competitive edge, which allows us to respond to the specific needs of customers.

The Group is also leading the industrial revolution as a supplier of solutions for 4.0 sheet metal working and smart manufacturing. Thanks to our innovative technologies and know-how, Prima Industrie can help customers benefit from the important competitive opportunities of the new digital age.

## Sales and After-sales network

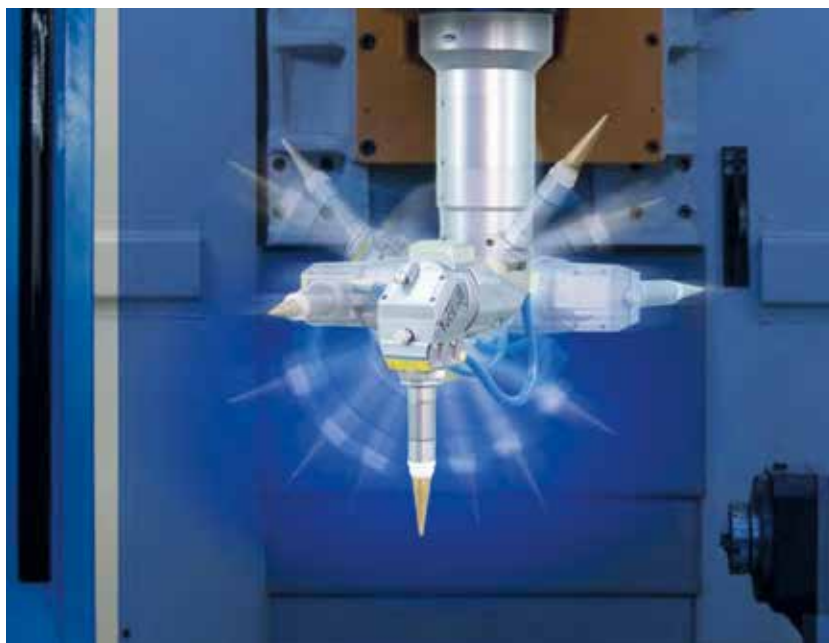
The Group sells products in around 80 countries worldwide, mainly through its internal network of agents and/or distributors in some specific countries. Depending on the product family, the Group's customers are both end customers and industrial subcontractors.

In the countries where it has a direct presence, the Group provides after-sales service to customers for installed products. After-sales mainly covers the following:

- Sale of components and spare parts;
- Repair of machines on customer premises;
- Repair of industrial electronics products at the Group's facilities;
- Preventive maintenance contracts;
- Extraordinary maintenance and upgrading of the machines.



Respect for and safeguard of the environment are fundamental values the Prima Industrie Group, as well as central to its commercial, industrial and social initiatives, including the adoption of sustainable and responsible behaviors, making available the organizational, instrumental, and economic resources necessary to pursue the objectives of continuous improvement in this area.



Due to the increasing number of machines that are installed and are active, service generates recurring revenues. This activity enables the Group to reduce its exposure to the cyclical nature of its markets. Service is organized so that it optimizes the availability of spare parts and quickly meets requirements. Fast service is particularly important for minimizing machine downtime and hence periods of non-productivity for customers.

The Group's global service network is made up of specialized companies, each responsible for a specific area with a team of service professionals.

Staff are regularly trained to keep up with developing technology. Our Technology and Training Centers in Finland, Italy, the US and China are used for customer training when supplying large systems.

Our head office in Collegno (Turin) and our offices in Kauhava (Finland) and Cologna Veneta (Verona) are

the Group's main know-how and service centers. Their tasks include providing support to the various service centers in different countries, developing and giving advice regarding the entire range of services offered.

In countries where the distributors are organized to provide after-sales service, the Group supplies the distributor with spare parts and assistance in special cases.

Today, in the era of Industry 4.0, Prima Power offers customers cutting-edge technology: Remote Care service. Instead of waiting for an unexpected breakdown of a machine, Remote Care proactively analyses the machine's performance, ensures production efficiency, helps to avoid unplanned interruptions to production, and saves time in correcting any malfunctions. Remote Care is a powerful tool that maximizes machine uptime and production efficiency.



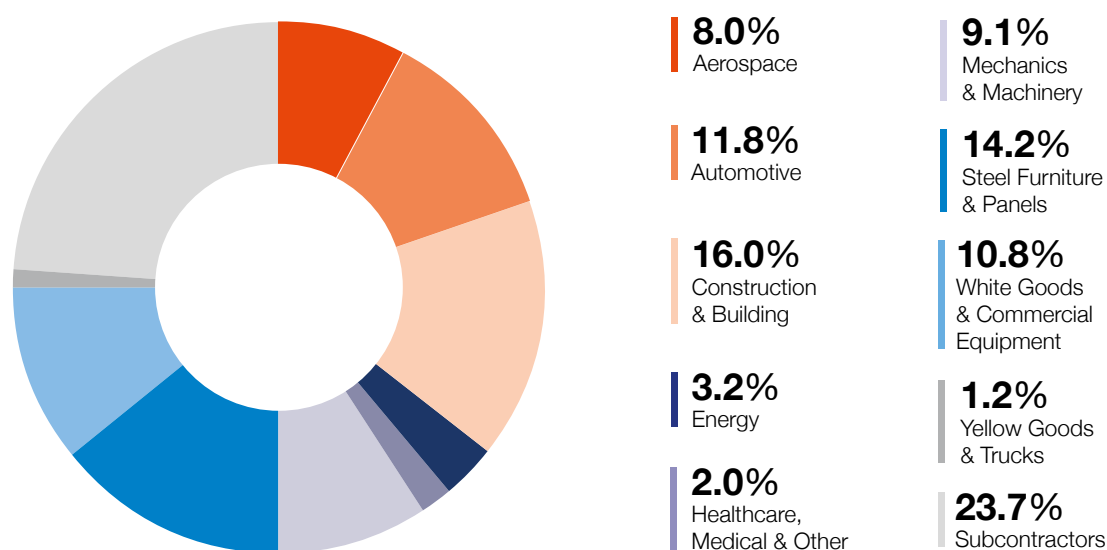
## Key factors for success

Particularly in the machine area, the Group believes the key factors for success can be summarized as follows:

- Wide range of products and services
- Development and internal production of components with high technological content and added value;
- Focus on research and development and capacity for innovation;
- Application development;
- Global sales network;
- Customer support through after-sales service;
- Brand recognition;
- Diversification of markets of reference geographical areas.

## Markets served

The breakdown of the markets for the Group's products in 2019 is as follows:



## Economic and financial performance

The table below presents an overview of the financial performance of Prima Industrie (for more details, see the Group's Annual Financial Statements 2019).

VALUES EXPRESSED IN THOUSANDS OF EURO	DEC 31, 19	DEC 31, 18	VARIATIONS	VARIATIONS %
ORDERS	410,417	471,245	(60,828)	-12.9%
ORDER BACKLOG	142,332	169,367	(27,035)	-16.0%
REVENUE	427,582	466,932	(39,350)	-8.4%
EBITDA	38,432	45,059	(6,627)	-14.7%
EBITDA %	9.0%	9.7%	-0.7%	-
EBIT	14,391	28,041	(13,650)	-48.7%
EBIT %	3.4%	6.0%	-2.6%	-
NET PROFIT	8,818	24,058	(15,240)	-63.3%
FCF	(4,197)	(8,802)	4,605	52.3%
NET FINANCIAL DEBT	(107,343)	(74,639)	(32,704)	-43.8%
STAFF	1,781	1,871	(90)	-4.8%

(% are always considered as revenue ratio)

(Staff expressed in units)

VALUES EXPRESSED IN THOUSANDS OF EURO	DEC 31, 19	DEC 31, 18	VARIATIONS	VARIATIONS %
REVENUE AT CONSTANT EXCHANGE RATE	421,676	466,932	(45,256)	-9.7%
EBITDA Adjusted	41,014	47,904	(6,890)	-14.4%
EBITDA Adjusted %	9.6%	10.3%	-0.7%	-
EBIT Adjusted	18,610	32,212	(13,602)	-42.2%
EBIT Adjusted %	4.4%	6.9%	-2.5%	-

(% are always considered as revenue ratio)

## 2.3 GOVERNANCE AND REGULATORY COMPLIANCE SYSTEM

The objective of the governance system is to direct the process for creating value within the company to meet the expectations of the diverse stakeholders, referring to the actions of governance, as well as to direction and control.

The corporate governance system adopted by Prima Industrie plays a central role in the clear and responsible conduct of the Company's operations, contributing significantly to the creation of sustainable value for the medium to long term.

Prima Industrie adopts a traditional system of administration and control that ensures constant communication between management and shareholders.

It complies with the principles set out in the Borsa Italiana Code of Conduct to which Prima Industrie adheres. The establishment of the Code, based on a logic of flexibility, allows issuers to disapply, in whole or in part, some of its recommendations, according to the *comply or explain* mechanism that is provided for in Article 123-bis of the T.u.F.

(Consolidated Finance Act), justifying the reasons for the disapplication.

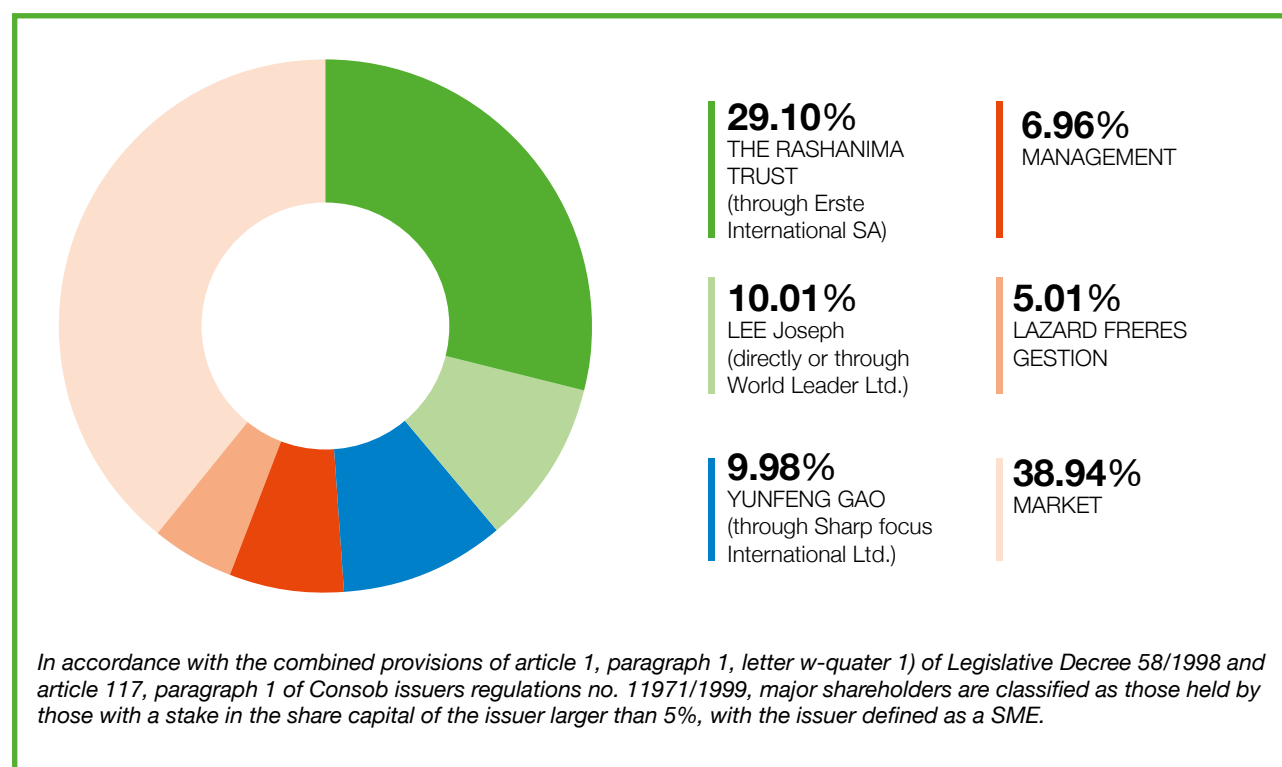
Prima Industrie provides details of its governance system in its Annual Report on Corporate Governance and Ownership Structure, prepared in accordance with article 123-bis of Legislative Decree No. 58/1998 (Consolidated Finance Act), to which the reader is referred to for information not expressly reported in this chapter.

All Group companies have a governance system that is appropriate for their size and complies with local laws.

### Ownership structure and legal form

Prima Industrie is a company limited by shares and has been listed since 1999 on the MTA market (STAR segment) of Borsa Italiana SpA. The fully paid share capital at 31/12/2019 is € 26,208,185.

According to the Shareholders' Register after payment of the last dividend and the communications received by the Company or the supervisory authority, the most recent ownership structure, with major shareholdings, is as follows:



## Governance structure

The Corporate Governance structure adopted by Prima Industrie SpA follows the recommendations and rules contained in the Code of Conduct for listed companies. The aim is to ensure better transparency and efficiency in corporate governance to safeguard shareholders, investors and all other stakeholders. Prima Industrie SpA adopts the traditional system of administration and control, according to which, its main bodies are the Board of Directors, the Board of Statutory Auditors and the Shareholders' Meeting.

An independent firm of auditors carries out the official audit of Prima Industrie Group.

Prima Industrie has adopted an internal control and risk management system aimed at ensuring a healthy, proper management of the business consistently with the set objectives of sustainable development, through a suitable process of identification, measurement, management and monitoring of the main risks. This control process also includes the system for managing risks associated with financial reporting. The system was designed and rolled out, taking account of the important corporate governance changes introduced in Italy in recent years, including:

- Legislative Decree 231/2001 on "Regulations governing the administrative liability of legal persons of companies and associations, including those without legal personality";
- Law 262/2005 ("Savings Law");
- The Code of Conduct prepared by the Corporate Governance Committee of Borsa Italiana SpA.

### The Board of Directors of Prima Industrie SpA

On 11 April 2017, the Shareholders' Meeting of Prima Industrie SpA appointed the Board of Directors. The number of members of the board was set as 11. The Board of Directors will remain in office

until the approval of the financial statements on 31 December 2019.

The provisions on gender quotas were applied for the renewal of the Board of Directors.

The members of the current Board of Directors are:

- Gianfranco Carbonato - *Chairman*
- Ezio Basso - *CEO*
- Domenico Peiretti - *CEO*
- Donatella Busso - *Independent Director*
- Paolo Cantarella - *Independent Director*
- Carla Ferrari - *Independent Director*
- Paola Gatto - *Independent Director*
- Michael Mansour - *Director*
- Rafic Mansour - *Director*
- Mario Mauri - *Independent Director*
- Marina Meliga - *Independent Director*

### Board of Statutory Auditors of Prima Industrie SpA

Appointed by the Shareholders' Meeting of Prima Industrie SpA on 16 April 2019, the board of statutory auditors remains in office for the 2019, 2020, and 2021 financial years.

The provisions on gender quotas were applied for the renewal of the board of statutory auditors in 2019.

The members of the current board of statutory auditors are as follows:

#### Statutory auditors

- Franco Nada, *Chairman*
- Maura Campa
- Roberto Petrignani

#### Deputy auditors

- Roberto Coda
- Gaetana Laselva

A breakdown by gender and age group of the administrative and control figures of Prima Industrie S.p.A is presented as follows:

## PRIMA INDUSTRIE

Breakdown by gender and age group Governance Bodies 2019 (Board of Directors and Board of Auditors)						Breakdown by gender and age group Governance Bodies 2018 (Board of Directors and Board of Auditors)						Breakdown by gender and age group Governance Bodies 2017 (Board of Directors and Board of Auditors)					
Men			Women			Men			Women			Men			Women		
<30 (%)	30-50 (%)	>50 (%)	<30 (%)	30-50 (%)	>50 (%)	<30 (%)	30-50 (%)	>50 (%)	<30 (%)	30-50 (%)	>50 (%)	<30 (%)	30-50 (%)	>50 (%)	<30 (%)	30-50 (%)	>50 (%)
-	1	8	-	1	4	-	1	8	-	1	4	-	1	8	-	1	4
-	7%	57%	-	7%	29%	-	7%	57%	-	7%	29%	-	7%	57%	-	7%	29%

### Disclosure 405-1 of GRI Standard 405: Diversity and Equal Opportunities 2016

## The Committees

All Committees are composed in compliance with the recommendations set out in the Code of Conduct.

The following are members of the Remuneration Committee:

- Mario Mauri (Chairman), *Independent Director*
- Rafic Mansour, *Non-Executive Director*
- Paola Gatto, *Independent director*

The following are members of the Control and Risk Committee:

- Donatella Busso (Chairwoman), *Independent Director*
- Paolo Cantarella, *Independent Director*
- Carla Ferrari, *Independent Director*

The following are members of the Committee for operations with related parties:

- Donatella Busso (Chairwoman), *Independent Director*
- Marina Meliga, *Independent Director*
- Paola Gatto, *Independent Director*

The company has also set up a Strategy Committee from among its members. It is made up of the following:

- Gianfranco Carbonato,
- Ezio Giovanni Basso
- Domenico Peiretti
- Paolo Cantarella

- Mario Mauri
- Michael Mansour
- Marina Meliga

PricewaterhouseCoopers SpA is the appointed independent auditor.

## Other bodies/functions

Head of Internal Auditing:

- Claudia Verro

Manager responsible for preparing the company's accounting documents:

- Davide Danieli

The members of the supervisory board are:

- Roberto Petrignani (Chairman) - *Statutory auditor*
- Franco Nada - *Statutory auditor*
- Claudia Verro - *Group Internal Auditing*

The supervisory board, which has autonomous powers for intervention and control, is responsible for supervising operations and compliance with the company's organizational, management and control model as set out in Legislative Decree 231/2001, as well as overseeing its update<sup>1</sup>.

In order to adopt the highest standards of conduct, which effectively satisfy the complexities of the Group and reflect its core values, Prima Industrie

<sup>1</sup> Accompanied with a Model pursuant to ex Legislative Decree no. 231/2001 and a Monitoring Body, the Italian companies of the Group (Prima Industrie SpA, Prima A Electro SpA.).



has adopted and constantly maintains an updated Group Code of Ethics, which constitutes a fundamental element of the system of governance and internal control.

All administrators, managers, employees, collaborators and partners of Prima Industrie, who directly or indirectly, temporarily or permanently, are involved in relationships with the Group, must respect this Code. Adherence to the Code is fundamentally important for the operations, reliability and reputation of Prima Industrie.

The Code of Ethics also provides a specific reserved channel for preventing and reporting conducts that may conflict with the Code.

Detailed information that is relevant to shareholders, investors, analysts and the press, particularly company and financial information, can be found in the “Investor Relations” section of the website. The company structure includes an Investor Relations

Manager, responsible for managing relations with the national and international financial community and all shareholders.

## Governance structure of the companies included in the boundary

The companies included in the boundary for this Report have a governance structure that can support their specific size and complexities, as well as being compliant with the local legislation in the country in which the legal entity is headquartered.

According to its considerable size, the other company within the perimeter in Italy beyond the parent company, namely Prima Electro SpA, have a Board of Directors and a Board of Statutory Auditors.

A breakdown by gender and age group of the administrative and control figures of Prima Electro S.p.A is presented as follows:

## PRIMA ELECTRO

Breakdown by gender and age group Governance Bodies 2019 (Board of Directors and Board of Auditors)						Breakdown by gender and age group Governance Bodies 2018 (Board of Directors and Board of Auditors)						Breakdown by gender and age group Governance Bodies 2017 (Board of Directors and Board of Auditors)					
Men			Women			Men			Women			Men			Women		
<30	30-50	>50	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
-	3	5	-	-	-	-	3	5	-	-	-	3	5	-	-	-	-
-	38%	62%	-	-	-	-	38%	62%	-	-	-	38%	62%	-	-	-	-

### Disclosure 405-1 of GRI Standard 405: Diversity and Equal Opportunities 2016

Prima Power North America Inc.<sup>2</sup> (USA) and Finn-Power Oy (Finland), both significant in terms of the complexity of their business and their size, have a Board of Directors, but not a Board of Statutory Auditors, which is not required by local legislation. In the United States, the administration of Prima Power North America Inc. is also entrusted to a Chief Executive, due to the uniqueness of the business compared to the rest of the Group, as well.

The governance of Prima Power Suzhou Co. Ltd. (held 70% by Prima Industrie S.p.A.) has a Board of Directors, but in accordance with local regulations, the nomination of a Board of Auditors is not required.

Smaller companies in Germany, Spain and Russia also have a Sole Director.

<sup>2</sup> It should be noted that on 31/12/2019, the merger that saw the absorption of CONVERGENT PHOTONICS in PRIMA POWER NORTH AMERICA Inc. took place, which in the meantime has been renamed PRIMA INDUSTRIE NORTH AMERICA Inc.

## 2.4 ETHICAL VALUES AND PRINCIPLES OF PRIMA INDUSTRIE GROUP

Prima Industrie is an international industrial Group that has grown significantly in recent years, taking on an important role as a global player. This growth has resulted in a more complex operational context, due to the number of geographical markets where the Group is active, as well as in terms of regulatory compliance, requiring the adoption of more detailed standards of conduct that can effectively satisfy new, continuously evolving regulations. To better face these challenges, the Group Code of Ethics was updated in 2018 to reflect this complexity, and at the same time, give more prominence to the core values of the Group. The main objective of the new Code of Ethics is the promotion of sustainable growth regarding current standards, encouraging

comprehension, respect for diversity, and the development of a culture of integrity. Respect of the Code of Ethics by administrators, managers, employees and all collaborators of the Group, in Italy and abroad, is mandatory. A culture of respect and integrity, as reflected in the Code of Ethics, is equally important. These are essential elements for the reputation of the Group, and therefore also for its continued growth.

The way Prima Industrie operates can be summed up as four main values, which are also the reasons why, over almost 40 years, thousands of customers in more than 80 countries around the world have placed their trust in the Group.

### Technology and Innovation

For Prima Industrie, advanced technology is a fascinating tool for serving customers. The Group is committed to the continuous innovation so it can improve its solutions.

### Passion and Commitment

Prima Industrie puts maximum effort and passion into its work, because only through commitment and enthusiasm can the best results be achieved.

### Dialogue and Solutions

Prima Industrie builds a real partnership with its customers to overcome the increasingly difficult challenges posed by markets today. The best solutions are found by listening and analyzing the needs of each customer. The most efficient, reliable and beneficial solutions stem from a real and constant partnership with the customer.

### Social and environmental responsibility

The Prima Industrie Group believes in lasting, responsible, fair and transparent relationships with its employees, customers, partners, shareholders and the community. As part of this commitment, it provides solutions that combine productivity and sustainability for production.

The Group's Code of Ethics contains the ethical principles and behavioral standards to be adopted with all internal and external stakeholders who have a relationship with Prima Industrie:

- Ethical principles
- Legality, loyalty, honesty and propriety
- Transparency, reliability and completeness of information
- Confidentiality of information
- Respect for the individual
- Impartiality and equal opportunities
- Fair competition
- Safety, environmental protection and sustainable development

The new Code of Ethics also focuses specifically on rules of conduct to respect regulations governing exports and anti-corruption / anti-bribery laws.

The rules of conduct set out in the Group's Code of Ethics concern the following categories of stakeholder:

- Human resources
- Shareholders, market and communication bodies
- Customers
- Suppliers
- Public administration and other third parties

With reference to human rights, the Group places respect for human rights at the center of its corporate strategy: this theme is one of the cornerstones of the Group's values, in the way it operates and does business, and in its relationships with employees, suppliers and other subjects outside of the company. The Group's companies

implement regulations governing human rights, relative to non-discrimination, child labor and prevention of forced labor. In North America, most of the supply chain in the United States and Canada is located in these two countries, which are characterized by strict legislation in terms of the environment, safety and human rights. The same generally applies to companies operating in Europe, where suppliers, in addition to complying with EU regulations, also receive regular inspection visits. All the Group's companies recognize their freedom of association and collective bargaining and implement systems to prevent discriminatory practices.

As proof of its commitment to respecting human rights, Prima Industrie Group implemented a specific internal policy at a Group level over the course of 2018, which throughout 2019 has also been shared with the primary stakeholders of reference.

This policy, in addition to citing the international references and standards on which Prima Industrie based its approach to managing these issues, also defines and explains a series of principles that all the Group's companies must apply in the areas of non-discrimination, freedom of association, prevention of forced labor, proper working conditions, etc.. The policy also defines the tools used by the Group to identify, manage, prevent and mitigate the risks of violating human rights, in reference to employees, as well as when managing the supply chain.

With reference to the supply chain, Prima Industrie performs periodical inspection visits at its suppliers to control diverse aspects of working conditions.

**“Health and safety issues, the environment, and social aspects relating to our workers are also taken into consideration.”**



### 3. Risk Management Model



In 2014, the Prima Industrie Group adopted an Enterprise Risk Management (ERM) model to ensure greater transparency and information regarding business risks. This decision was also taken in response to regulatory measures requiring companies to adopt suitable corporate governance models.

The ERM project was launched at Prima Industrie SpA in March 2014, with the main aim of reinforcing an understanding and awareness of the risks to which the company is exposed and the relationship between objectives (strategic and operational) and the potential risks of failure to achieve them. The ERM Project has been progressively extended to

the main subsidiaries: currently the ERM model is implemented and periodically carried out in the Group's main production companies and in the American commercial branch Prima Power North America Inc.<sup>3</sup> (Included in the ERM perimeter because in terms of size and turnover, it is representative of the foreign commercial branches).

The approach adopted is based on regular assessment of the risks, with subsequent follow-up of the main risks and regular monitoring of the actions identified and/or implemented to reduce them. The risk analysis is conducted across the different functions, involving the individual department or function heads.

<sup>3</sup> It should be noted that on 31/12/2019, the merger that saw the absorption of CONVERGENT PHOTONICS in PRIMA POWER NORTH AMERICA Inc. took place, which in the meantime has been renamed PRIMA INDUSTRIE NORTH AMERICA Inc.

The results of ERM activities are then presented and discussed in meetings of the Boards of Directors (in addition to control and risk committees) of the relevant companies and the parent company. They are also taken into consideration when the integrated internal audit plan is undergoing definition.

The ERM process for identifying and assessing risk involves the following activities:

- Identification of the main risks to which the company is exposed;
- Definition of metrics for the qualitative/quantitative assessment of risks: impact, probability for each risk;
- Identification of the risk owners and assessment applying the metrics defined in the model;
- Definition, with the process owners, of actions (organizational and/or process) to mitigate the most critical risks and relative due dates;
- Definition of methods, processes and formats for reporting relative to risk management.

The results of these activities are:

- Goal Model (strategic, operational, financial and compliance objectives);
- Risk catalogue (identification of the company's strategic and operational risks, for each business process and overall);
- Risk assessment results & statistics (risk matrices with positioning of each risk according to impact and probability). The impact and probability matrix adopted by the Group is divided into three areas of significance (high, medium and low) representing the severity of each risk;
- Action plans for the top risks identified (with deadlines and personal responsible).

The risks identified are assessed according to probability and impact parameters (relating to quality and quantity):

- probability: classification scale of 5 clusters (from rare to almost certain). Probability is

assessed mainly according to the subjective opinion of the owner(s) of each individual risk, based on the situation in question (based on historical data, if available) or future forecasts.

- Impact: classification scale of 5 clusters (from insignificant to extreme). The assessment of impact considers quantitative factors (financial reporting, budget/forecast values, market shares) and qualitative factors (business plan objectives, image, reputation and customer satisfaction, compliance with local legislation), which ensure an overall perspective of the risk.

Therefore, in the method developed by the Prima Industrie Group, each risk owner assesses the impact and probability of risks, considering each risk in terms of:

- Gross risk (assessment of the risk that does not take account of the existence and effectiveness of all treatment actions in place);
- Residual risk (assessment of the risk that takes account of actions and measures offsetting the risk that the company has already put into operation);
- Target risk (for residual risks with high impact and probability – top risks – the risk assessment is requested after the corrective actions identified by the function managers have been implemented).

The ERM risk management model that is implemented by Prima Industrie takes account of the risks of various business, financial and compliance activities. Therefore, the following issues are also taken into consideration: the health and safety of workers, the environment (energy resources and emissions), human resources and welfare management, and corruption.

The following table reports the potential risks related to the topics covered in Legislative Decree 254/16 that are normally taken into consideration and evaluated in the risk assessment phase with the company's corporate department heads.

Subject of Legislative Decree 254/16	Title	Risk (Description)
Social issues	Socio-political changes ("country risk")	Production/nationalization blockages resulting from the instability of local governments
Social issues	Socio-political changes ("country risk")	Protectionist policies of some governments in countries in which the company exports to (i.e. import duties) that may reduce the ability to penetrate the market
Social issues	Quality of products/services	Increase of guaranteed costs due to product defects
Social issues	External communication	Communication with shareholders that is incomplete or delayed, with consequent impacts on reputational and compliance issues.
Social issues	Customer satisfaction	Missed sales or sales with extremely low margins, following some inefficiencies in the entire sales process ("offer-to-cash", including "project management")
Social issues	Customer satisfaction	Risk of losing customers and not achieving the Group's sales targets due to the lack of attention paid to customer satisfaction and the inability to quickly and effectively resolve quality issues related to products sold.
Management of personnel/ social issues	Technological innovation for equipment and production processes	Obsolete equipment and/or insufficiently advanced production processes that involve higher production costs/inefficiencies
Management of personnel/ social issues/customer relations	Legal controversies	Reputational damages and additional costs deriving from legal actions.
Management of personnel	Production capacity	Excess production capacity with consequent lower absorption of fixed costs.
Management of personnel	Relationships with unions	Conflicts with trade unions (workers' representatives) and strikes involving production blockages and consequent negative economic impacts (penalties for delayed deliveries, non-transferable fixed costs, etc.)
Management of personnel	Labor market dynamics: accessibility and availability of qualified personnel	Adequately qualified resources not easily/promptly available on the market, resulting in negative impacts on the business.
Management of personnel	Maintaining and developing "key" people and their skills	Loss of human resources with critical skills for the continuation of company processes and/or the achievement of established strategic targets
Management of personnel	Management of internal communication	Non-timely/effective internal communication that can negatively affect corporate decisions and business processes, as well as incurring additional costs.
Management of personnel	Management of personnel with respect to Health and Safety in the workplace	Inadequate working conditions in terms of workers' health and safety, causing risk of injury and occupational diseases
Management of personnel	Definition of the organizational structure, assignment of responsibilities, delegation system, and powers of attorney	Failure or delay in achieving the objectives/implementation of the strategies due to an inadequate organizational structure
Management of personnel	IT systems to support processes; inefficiencies in business processes.	Inefficiencies in business processes due to lack of and/or inadequate IT support
Corruption	Group policies and procedures & ethical principles	Fraudulent behavior by employees or external parties, causing financial losses and/or damage to the company's reputation
Corruption	Reputation and compliance: management of agency contracts	Relationships with sales agents not adequately formalized and/or recognition of commissions in the absence of the mandatory requirements.
Corruption	Data protection	Potential theft or loss of sensitive research and development data
The Environment	Changes to security and technology regulations/laws	Any local/European/international changes relating to technical and/or safety standards for products and/or systems, resulting in additional implementation costs
The Environment	Natural disasters	Damage to factories/warehouses because of natural disasters (i.e. floods, earthquakes, etc.), resulting in costs and loss of potential sales

**“Prima Industrie Group considers the respect and protection of the environment as one of the main themes on which to base commercial, industrial, and social initiatives.”**



## 4. Environment



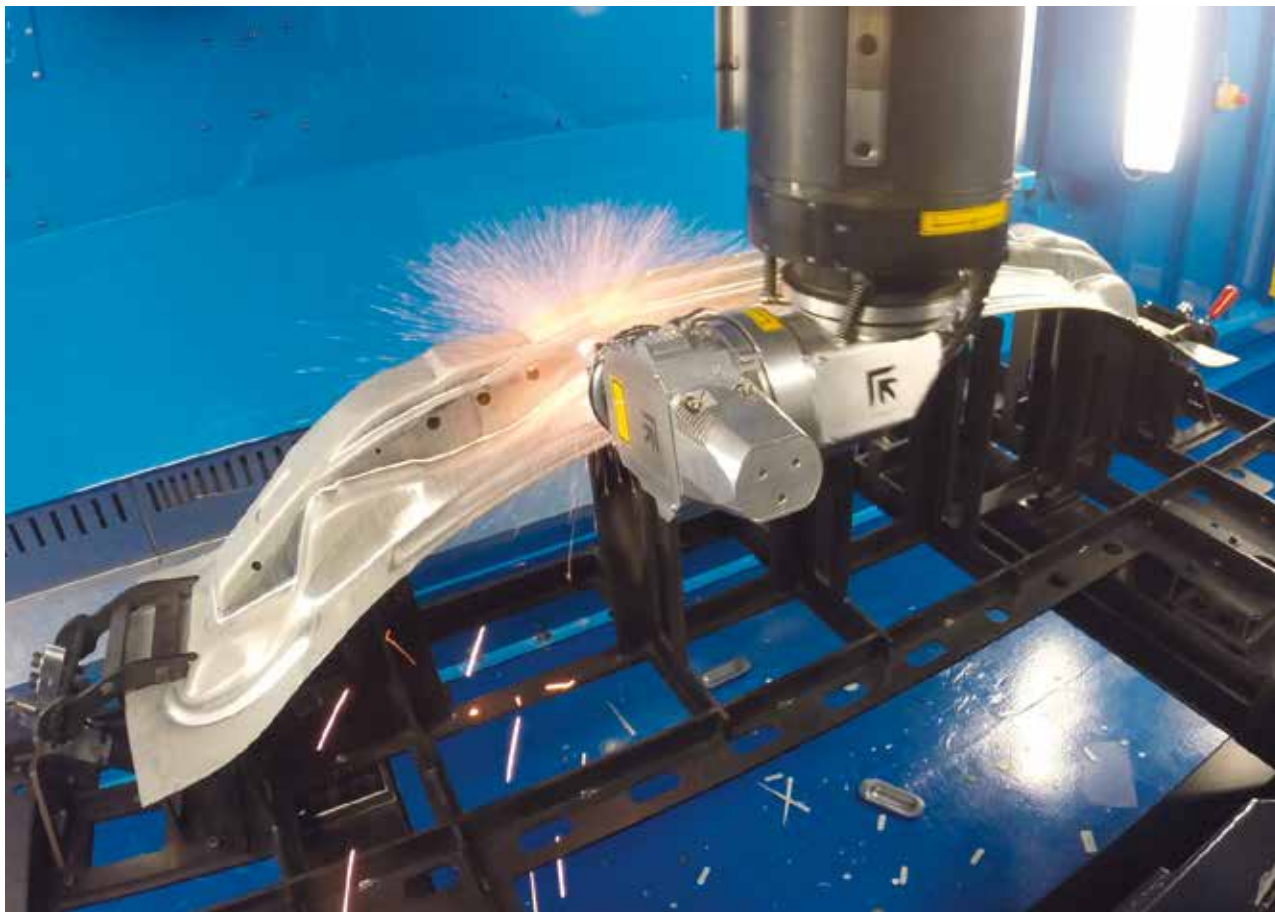
### Environmental Sustainability

Considering the production model adopted by the Prima Industrie Group, no significant environmental impacts have emerged, since most production activities are outsourced (for products researched and developed internally), with most assembly carried out internally.

The risk associated with the environmental impact of the Group's activities and its machines is minimal, since the main work performed is assembly and commissioning, which do not involve the heavy use of water resources or lead to large emissions into the atmosphere. In spite of this, respect for and safeguard of the environment are fundamental values the Prima Industrie Group, as well as central to its commercial, industrial and social

initiatives, including the adoption of sustainable and responsible behaviors, making available the organizational, instrumental, and economic resources necessary to pursue the objectives of continuous improvement in this area. In order to manage potential risks that are not currently present in the various companies of the Prima Industrie Group, constant analysis of standards and regulations is a priority, along with assessing conformity of procedures and documentation pertinent to environmental practices.

For this reason, the Group has adopted tools like newsletters from category associations and organizations that have been active in the sector for many years, as well as collaborations with external consulting companies, both legal and technical.



We are pioneers in sustainability: in 1998, we made this commitment official with our Efficient Use® brand and ten years ago, we launched our Green means® concept. Not only are our machines manufactured in environmentally friendly and socially responsible conditions, they are also designed to operate profitably and sustainably in the factories of our customers.

The assessment of accounted environmental data from 2019 demonstrates a decrease in consumption despite the insertion of Prima Power Russia into the accounting perimeter. This company was not present in the report from the previous year.

This trend in energy consumption highlights Prima Industrie Group's careful approach to the environment, which embraces a behavior aimed at reducing energy waste to zero by ensuring that all systems are governed by the latest generation of domotic systems, present in the most recent buildings constructed (including the Headquarters & Technology Centre in Collegno inaugurated in 2016).

The two most important companies in each division (Prima Industrie SpA for Prima Power and Prima

Electro SpA for the Prima Electro Division) have installed an environment and safety management system to ensure that all existing and future companies of the Group address environmental issues as an important aspect of their business, with priority focus on current environmental legislation.

The entire company structure is involved in this organization with the aim of achieving the assigned environmental objectives. The main objectives are:

- Managing production in such a way as to minimize the impact on the environment;
- Preventing, reducing or eliminating environmental pollution, where possible;
- Pursuing the continuous improvement of environmental performance.



## Sustainable production

The Prima Industrie Group has always focused on environmental issues during the research and development of its products. This concept is the basis for the Group's decision to combine productivity and environmental sustainability in the "Green means®" concept.

The companies in the Prima Power Division, particularly Prima Industrie SpA, have focused on the transition from CO<sub>2</sub> to laser fiber machines.

This change in technology has enabled us to reach various goals related to environmental sustainability:

- Waste reduction and elimination of the use of gas: lower CO<sub>2</sub> production;

- Greater production efficiency and lower cooling capacity/lower heat production: lower CO<sub>2</sub> production.

Paneling, bending and punching machines have been upgraded from hydraulic technology to a servo-electric technology.

- Lower energy consumption: lower CO<sub>2</sub> production;
- Elimination of hydraulic oils: no hazardous waste produced;
- Lower production of heat and noise during operation: improved work conditions for the operator and lower impact on the environment.





## Energy management

One of the aspects that are fundamental for reducing consumption is energy consumption management. Group companies have monitored energy consumption through internal form-filling assessments and reports. Audits and evaluations are also carried out with the assistance of external consultants and companies that aim to track the different aspects that cause the impacts that Group locations can have on the environment (emissions, electricity/water consumption, waste production, soil/subsoil pollution).

Various methods have been adopted to reduce consumption, ranging from raising awareness among personnel, to adopting responsible energy-saving behavior, such as turning off PCs and

electronic equipment at the end of the work day, to investing in plant control systems, so that start-up and shutdown times can be managed and planned, especially on holidays or in the evening/night.

The Prima Industrie Group has taken the energy efficiency route at its sites. It has invested in several Italian and foreign sites in the installation of new lighting fixtures with low energy consumption devices and in adopting renewable sources – e.g. photovoltaic, geothermal, biomass – for heating and energy production.

This project focused on an eco-sustainable approach and began with the construction of the new Headquarters & Technology Center in 2016. The Prima Industrie Group headquarters is a building covering approximately 5,000 square





meters. About half of these premises house the corporate offices of Prima Industrie and the Prima Power divisions, while the remaining 2,500 m<sup>2</sup> are home to the demo room and customer hospitality. It is made from “green” materials and is energy self-sufficient. The building is equipped with the latest technologies for energy saving, including thermal insulation and energy production, thanks to photovoltaic panels, solar panels and a geothermal system. Lighting is managed by a home automation system to reduce waste. This type of construction reduces CO<sub>2</sub> emissions and lowers energy consumption.

The new Finnish production facility in Seinäjoki was built in 2018 based on this model. It is a Class A building and has high energy efficiency.

In fact, it was designed with the most innovative “green” technologies. It is equipped with solar power panels and the lighting system uses LED technology low consumption fixtures. The outdoor parking area also has recharging towers for electric vehicles.

The Group looks to the future with an eye on what should be left for future generations, with an all-round commitment to reducing energy needs and CO<sub>2</sub> emissions, by increasing efficiency and the use of renewables.

The philosophy of respect for the environment and a commitment to sustainability are central to investments choices, intended to improve the conditions of production plants all over the world.

The environmental data reported shows a reduction in consumption compared to the previous year. It must be noted that this reduction in consumption has been achieved even though a new company, PP Russia, not present in the previous year, has also been included within the reporting perimeters.

	2019	2018	2017
ENERGY CONSUMPTION	[GJ]	2018	[GJ]
<b>Electricity TOT</b>	<b>35,277</b>	<b>36,210</b>	<b>33,712</b>
<i>Renewable sources</i>	7,957	9,274	9,137
<i>Non-renewable sources</i>	27,320	26,936	24,575
<b>Heating TOT</b>	<b>24,884</b>	<b>44,569</b>	<b>36,699</b>
<i>Renewable sources</i>	1,317	10,619	10,372
<i>Non-renewable sources</i>	23,566	33,950	26,327
<b>Company vehicle fuels</b>	27,222	52,193	23,431
<i>Renewable sources</i>	0	0	0
<i>Non-renewable sources</i>	27,222	52,193	23,431

Buildings with low environmental impact:

- Geothermal heat systems - Solar thermal systems
- Electrical and special systems
- Photovoltaic systems



## Emissions management

The environmental impact of the various production units of Prima Industrie Group is low, since activities are mainly related to assembly. Thus, emissions from the Group's production sites cause low levels of atmospheric pollution, in accordance with existing regulations and authorizations.

The Group also considers CO<sub>2</sub> emissions from company cars. The aim is to choose latest generation cars with a low impact for the environment. The Group also tries to raise awareness among personnel regarding the proper use of transport, with corporate policy guidelines and by promoting carpooling in some locations. As already stated in the previous section, the Group always aims to use more green technologies and to replace vehicles that use diesel and gas fuels with electric vehicles.

The new facility in Finland has two recharging towers for these types of vehicles, and the Collegno Headquarters are planning to install towers.

Thanks to Prima Industrie Group's management, which is attentive to environmental issues, there has been a reduction in emissions in 2019.

### 305-1: Direct Energy (scope 1) GHG emissions

	2019	2018	2017
All GHGs (tonnes CO <sub>2</sub> e)	496	703	491

### 305-2: Indirect Energy (scope 2) GHG emissions

	2019	2018	2017
All GHGs (tonnes CO <sub>2</sub> e)	3.095	3.196	3.062





Prima  
Power

The background is a solid green color. There are two thin white diagonal lines: one in the top-left corner and one in the bottom-right corner.

**“We start by  
focusing on  
the customer’s  
needs for greater  
competitiveness  
and the ethics  
of sustainable  
technological  
innovation.”**



## 5. Products



### 5.1 QUALITY AND INNOVATION

#### Quality

##### *The Quality System*

Prima Industrie has a Quality Management System (QMS) that has been certified since 1997 in accordance with the requirements of the ISO 9001 standard currently in the 2015 edition (UNI EN ISO 9001:2015).

The Prima Industrie Quality Management System is a set of factors implemented to manage quality within the company.

- Organizational structure,
- Responsibilities,
- Procedures,
- Processes
- Resources.

The aims of the quality management system are:

- Ensuring and improving the capacity to regularly provide products and services that meet customer and applicable mandatory requirements;
- Facilitating opportunities to increase customer satisfaction;
- Addressing the risks and opportunities associated with the context in which Prima Industrie operates and with the Group's objectives.

The Prima Industrie Quality Management System is, without exceptions, based on the requirements of the UNI EN ISO 9001:2015 standard. It integrates "Risk- Based Thinking" principles with the activities and methods of Enterprise Risk Management (ERM) in order to plan and implement actions to deal with risks and opportunities.

Production and support processes have been defined within the QMS in order to standardize control methods and tools.

### *Quality policy and procedures*

Prima Industrie has defined, implemented and maintains a quality policy that is appropriate to the purposes and the context in which it operates. The quality policy is communicated to all company departments and units, in order to:

- Establish a framework for setting quality objectives
- Make all efforts to reach applicable requirements.
- Make a commitment the continuous improvement of the quality management system.

### *Product quality*

The products of the Prima Power Division (laser machines and sheet metal working machines) are manufactured, tested and checked against reference documents (Machine Quality Book) containing the sequence of standardized assembly, wiring, commissioning and testing operations.

The Machine Quality Book contains the relevant operational documents for the building of products,

such as:

- Operating instructions
- Mechanical diagrams
- Electrical diagrams
- Control modules

The machine quality book is standardized for all products in the division (laser, bending and punching).

At the end of the process, each product undergoes “outgoing certification”, which checks the completeness and conformity of all the phases in the machine quality book.

During new product development, the Product Manager (PM) defines the procedure to be followed according to the guidelines set out on “Project Phases Management” form, containing the input data and output documents (i.e. the inputs for the next phase) for each phase. Transition to the next phase is subject to a special check and approval by the departments (phase gate) where the risk analysis is also carried out. All products are CE marked and undergo applicable product certifications.

### *Main objectives for product/process quality*

The main instrument for monitoring the quality of



products is the Field Intervention Rate (FIR), which measures the average number of customer service interventions during the warranty period.

This produces a periodic analysis with details and trends of the quality of products and their individual components.

These analyses enable us to define corrective and preventive/improvement actions on internal and external (with the involvement of suppliers) products and processes.

Processes are monitored by means of a system of indicators (KPI), by measuring each process for effectiveness and efficiency and in order to define improvement plans.

### *Specific projects and initiatives planned and/or implemented in 2019 with reference to product/ process quality*

#### ■ Product Quality:

“Quarta3” is the ERP management software that allows standardization and automation of product/process quality management and automatic identification of product and process performance indicators (KPI).

During 2019, the process of defining connections between Quarta tre and the new tool for the “PST” Service (Prima Service Tool) was started.

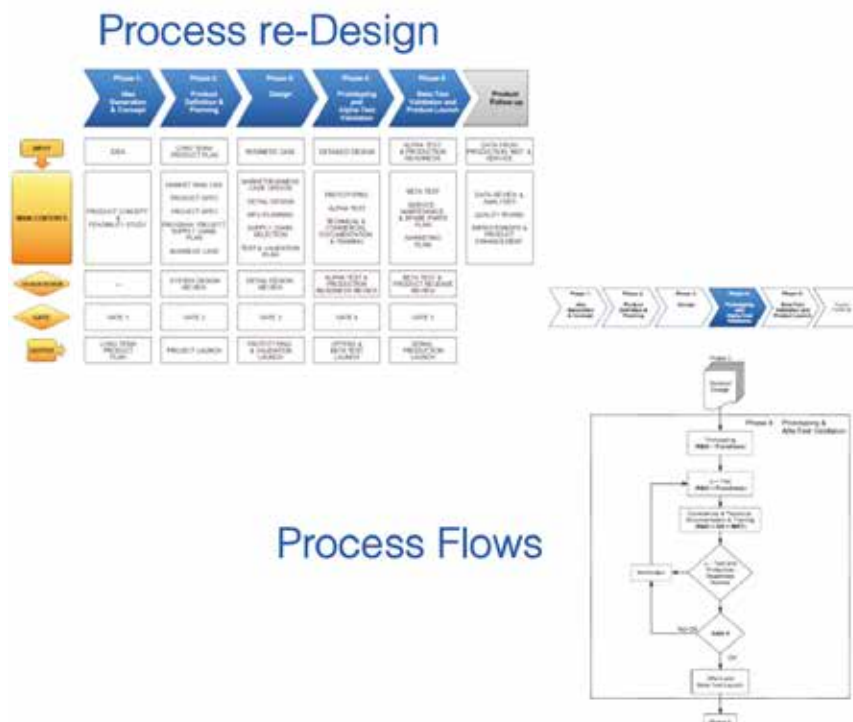
In this way, the provision and availability of data regarding service interventions will be drastically improved that will be classified in “real time” by Quarta3 and aggregated by the Business Intelligence SW in order to process KPIs and detailed analyses with respect to all aspects relating to product quality at the customer.

Quarta3 is currently implemented in all Product Units of the Prima Power Division.

#### ■ Quality Process:

The reorganization and updating of Quality Management Procedures was prosecuted in 2018, with two main objectives:

1. Standardization of Prima Power Processes at Divisional level and subsequent KPI
2. Definition of “Phase and Gate” flows for improvement of process controls (see following image for an example).



### New Common Rules



■ *“Customer Satisfaction”:*

A second investigative campaign on Customer Satisfaction was initiated in February/March 2019 in the Prima Power division through telephone interviews to assess Customer Satisfaction in four main areas:

- Sales
- Installation
- Product
- After Sales

The perimeter of the countries involved in this second survey was expanded to include Italy, Germany, France, Spain, the Czech Republic, Finland, Poland, Turkey, the United Kingdom, and the United States.

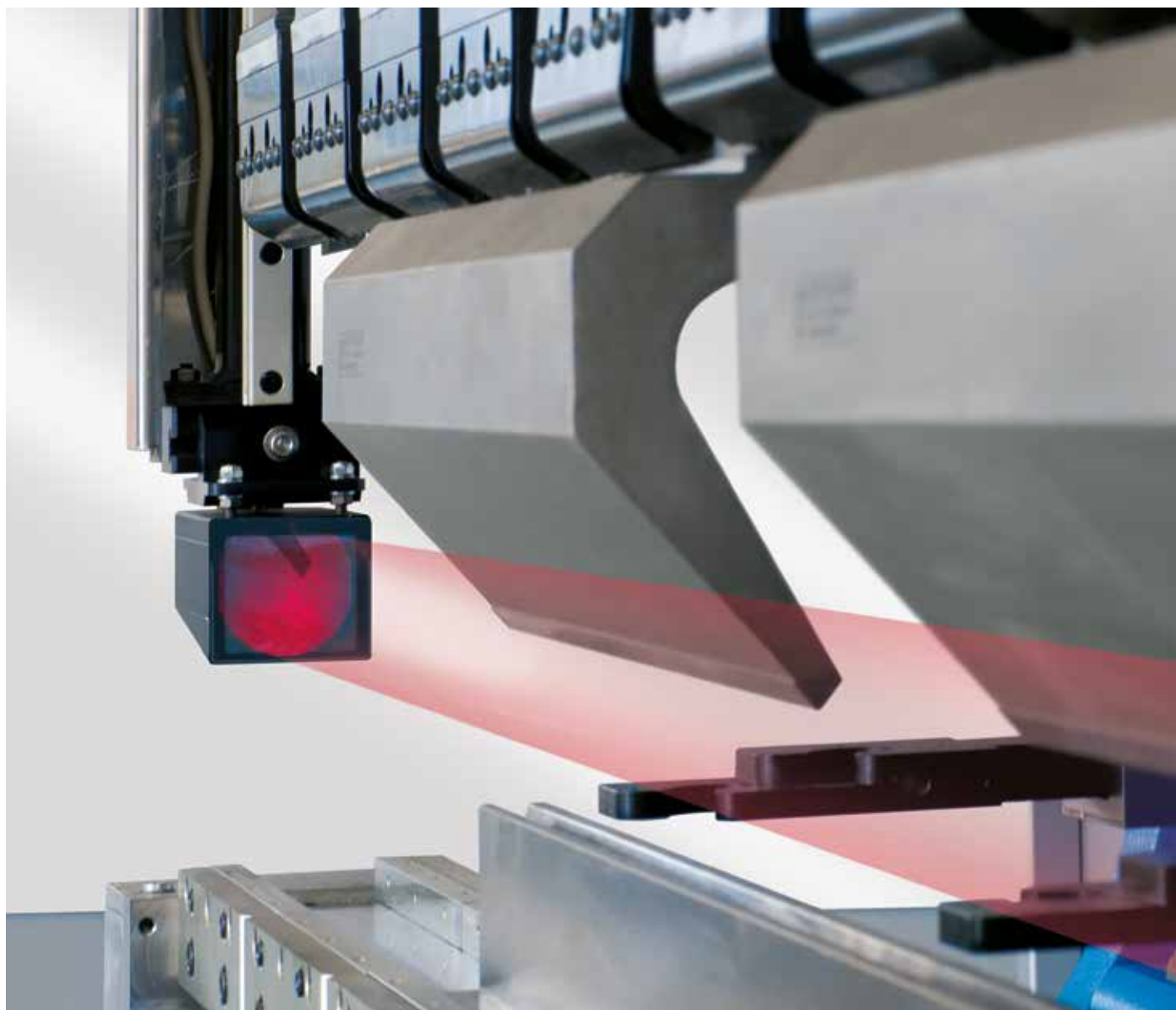
The survey results generated a dedicated analysis

and specific actions were adopted to continuously improve our products and services based on the information received.

Members of Prima Power Top Management also visited some customers who participated in the survey to demonstrate even more attention to the customer and their satisfaction.

The results of the survey carried out at the customer are linked closely to the evaluation process and incentives of company managers, since within the MBO system there is a target, which counts for 15%, which is met only when there is a high percentage of satisfied customers.

In 2020, a second survey will be carried out by widening the perimeter of the countries involved.





## 5.2 PRODUCT SAFETY

### *Product safety*

One of Prima Industrie's fundamental values has always been Health and Safety, which is why the Group provides the organizational, instrumental and financial resources needed to pursue its objectives for the continuous improvement of safety.

### *The Prima Industrie way*

Prima Industrie products are made in accordance with the Machinery Directive (2006/42/EC) and other directives and standards specific to the type of product made.

Planning and Development (P&D) involves a "risk analysis" based on the product specifications.

This document is the basis for the design of technical solutions to the mechanical, electrical, SW,

PLC aspects of product safety.

When products are changed or updated, so too are the risk analysis and the above technical solutions.

During the design and development phase, all the technical documents are grouped together in the technical file, which is added to as the product is developed and contains all safety-related documents on completion of P&D.

At the end of P&D and when the technical file is completed, the product can be placed on the market, according to the rules for CE marking.

This is an ongoing process aimed at keeping to the timeline for the risk analysis and systematic collection of technical drawings. This is to ensure that the technical file is put together in step with development, prototyping, and the final decision on the product, including the decision regarding the user manual.

Based on the information collected, no incidents took place in the year 2019 related to product non-conformities that caused damage to the health and safety of the operators (Disclosure 416-2 of the GRI Standards 416: Customer Health & Safety 2016).

## 5.3 INNOVATION

Prima Industrie's approach to innovation starts from putting the customer's needs for greater competitiveness and the ethics of sustainable technological innovation first.

This need-first method, founded on the needs of people who use products and services, is based on constant dialogue with customers to understand their needs, analyze them and transform them into innovative ideas that contribute to long term competitiveness.

This method is accompanied by constant technological research to innovate products. The drive towards innovation in this case is inside of the



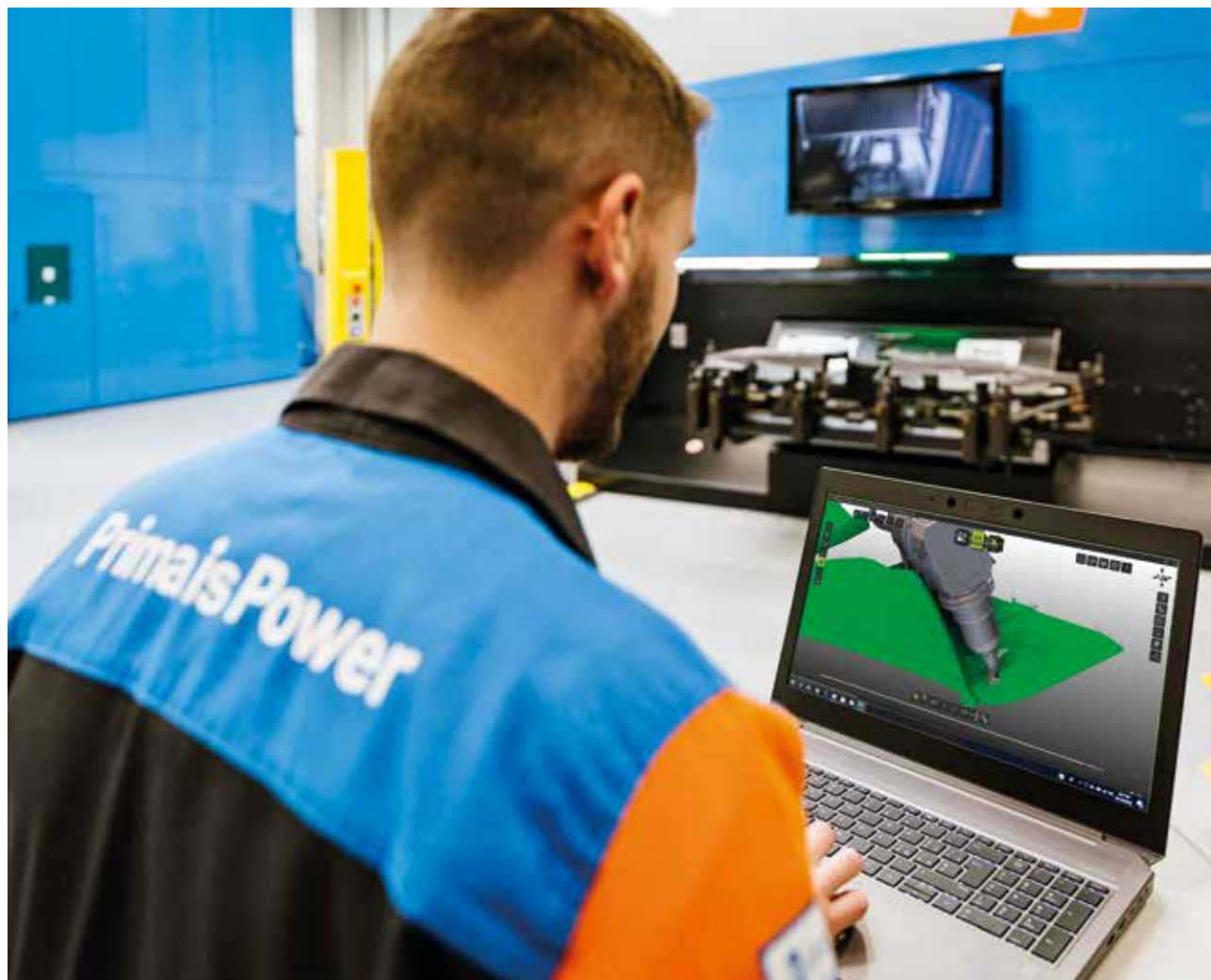


company, founded on the new ideas of researchers and designers who have a focus on the needs that customers have yet to express. Improving productive processes has spurred a movement towards the new technologies that Prima Industrie makes available to them.

Improvement of Prima Industrie products translates into a continuous commitment, which never ceases with the launch of a new product. In addition to developing performance, the Group works to improve all aspects of the life cycle of the product, from installation, to maintenance, to assistance, ensuring that the customer can always get the most profit from their investment.

The main objectives of innovation and development of our solutions are:

- To guarantee competitiveness for the customer, improving productivity, flexibility and efficiency. Prima Industrie offers a wide range of machines for processing sheet metal and automation systems, which can be combined to offer the most suitable solution for the needs of every customer.
- This is the first step to ensure customer satisfaction: offering their *own* productive solution.
- To ensure maximum product safety. The health and protection of those who use Prima Industrie machines in any circumstances and in any part of the world are non-negotiable requirements for the development of every product, taking precedence over the cost reduction logic. Knowing how to innovate means combining technological progress with people's well-being.
- Increasing energy efficiency in products. The cost of energy is a determining factor in customer choices, especially in areas where energy prices are higher, and Prima Industrie constantly innovates its products to minimize their consumption. Energy cost is a crucial factor in customer decisions, especially in areas where the cost of energy is high, and Prima Industrie is constantly innovating its products to minimize consumption.
- The *Energy in Efficient Use*® brand is identified with all the Group's products, which, thanks to the use of servo-electric technology of fiber laser sources, guarantees a reduction in electricity consumption.



- Contributing to limiting the impacts of industry on the planet. Prima Industrie is aware of the importance of pursuing sustainable development, based on the responsible use of resources and reduction of environment pollution. *Green Means®* is the core philosophy at the base of the development of Group products, according to which our solutions are designed and developed to allow sustainable production, thanks to reduced consumption, waste, polluting materials, maintenance, noise and required space in the workshop.

**Research and development** activities undertaken by the Group over the course of 2019 totaled 23,064 thousand euro (of which 16,065 thousand euro in the Prima Power Division and 6,969 thousand euro in the Prima Electro Division), equal to approximately 5.4% of consolidated revenues.

The capitalized share was 7,116 thousand euro (of which 2,811 thousand euro in the Prima Power Division and 4,305 thousand euro in the Prima Electro Division), an increase compared to 6,348 thousand euro as of 12/31/2018.

The level of costs incurred in the research and development of new products is a testament of the Group's consistent commitment to investing in the future and improving its competitiveness in international markets through its offering of technologically advanced products.

To reach its objectives, Prima Industrie considers its investments in innovation on components with high added value to be a strategic move: laser sources, a fundamental element for performance, quality and precision in processes; the laser head, the technological heart of the machine, optimizing processes for all applications; the software, controlling machine dynamics and ensuring efficient *data-driven* management of production; automation, managing material flows and simultaneously ensuring productivity and flexibility. To ensure maximum customer satisfaction, Prima Industrie maintains key skillsets within the Group and offers customers the advantages of being a *one-stop-supplier*: complete control over the technology and different parts that make up the system, a single point of reference for maintenance and assistance, and total responsibility for the success of the productive solution.

Product development and innovation projects are scheduled on the five-year product plan, updated on a rolling basis every year. For each single project, a rigorous analysis on return on investment is applied before it is inserted into the plan (business case). This careful assessment is also repeated before the project is initiated to perfect the plan based on market demands.

## Technological innovation trends in the manufacturing sector

The main technological innovation trends in the manufacturing sector involve the following aspects:

- Digital transformation – Industry 4.0: more efficient and intelligent machines. Complex systems that work with high flexibility and guarantee facility of use and “close to zero defect” manufacturing. With regard to this, the use of the Cloud, artificial intelligence and cyber physical systems in the manufacturing sector are becoming more common.
- Circular economy: circular economy is a technological trend where the manufacturing sector includes all technological integrations designed for recycling, energy savings, prolonging the life cycle of the product, and above all the functioning of the same components to improve performance in use.

- New business models for the manufacturing sector. With the advent of digital transformation and industrial technologies 4.0, business models in the manufacturing sector are destined for drastic change to have costs that are more flexible and optimize the use of resources according to market demand.

The main strategic KET (Key Enabling Technologies) for reaching these transformation objectives are eight: advanced manufacturing systems, microelectronics, Nano electronics, nanotechnologies, photonics, information and communication technologies, advanced materials, and biotechnologies.

In this sense, strategic investments in Prima Industrie Group technologies are aimed at three main innovation programs:



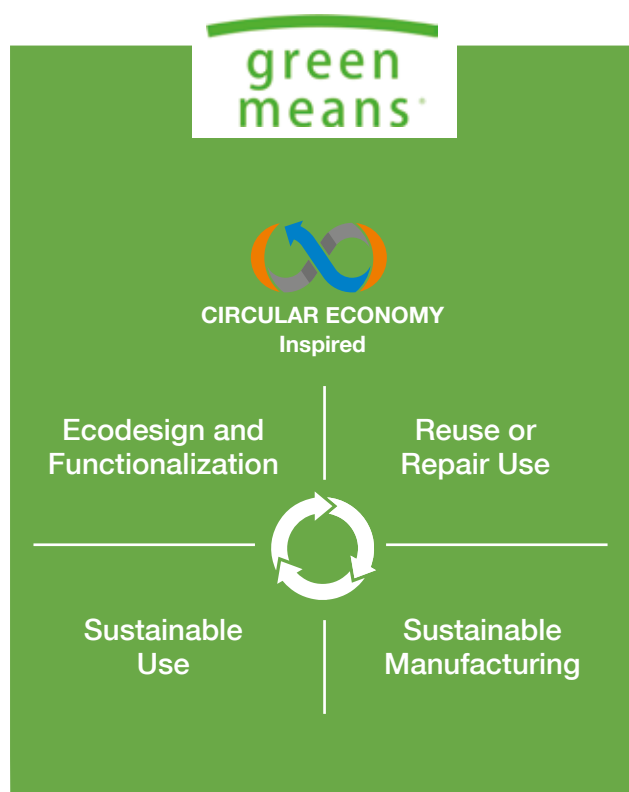
**Industry 4.0 digital transformation**



**Photonics, Microelectronics**



**Additive Manufacturing,  
Advanced Manufacturing  
Systems**



## The OPEN INNOVATION approach

The Open Innovation approach supported by Prima Industrie was further strengthened in 2019, the year in which the Group was a promoter of national and European initiatives dedicated to the research, development, and transfer of technologies and skills dedicated to manufacturing. The new initiatives have enabled the group to strengthen partnerships and innovation practices.





At the European level, the Group is a founding member of the **KIC (Knowledge and Innovation Community) regarding manufacturing**, an innovative community made up of a partnership that brings together the main innovation partners in Europe. Companies, research centers, and universities united in a consortium of 50 partners, of which 56% are industrial players and 46% European universities and research centers. These partners support the growth of innovative technologies, the development of products and services related to them, the creation of new business models as well as new skills, and the transfer of technology to large and small businesses.

At the national level, Prima Industrie has supported the development of innovation in the field by participating as an industrial partner in the two main Italian competence centers.



**CIM 4.0 is the Turin competence center** that aims to provide strategic and operational support for manufacturing companies in the digital age, supporting the Additive Manufacturing process and the technologies involved in the digital factory.



**MADE, the Milan Competence Center**, integrates manufacturing and digital technology. Prima Industrie participates with its contribution of the latest generation systems, as well as offers its experience on Additive Manufacturing and advanced production processes.

With these initiatives, Prima Industrie has the opportunity to strengthen the Open Innovation approach and to add value to its solutions through joint innovation and research project, shared laboratories, industrial experiences, pilot lines, the latest educational paths, and new business opportunities. It is a network strengthened by collaborations with European players such as the most important research centers and the leading manufacturing and digital companies.

## Fiber lasers and diode manufacturing

In the first decade of the 2000s, a new laser technology took hold, which in the next decade grew progressively until it dominated the high-power laser sector where Prima Industrie operates.

This technology is diode-pumped fiber lasers, a type of laser which has been used up to now exclusively

in the low power telecommunications sector, but which, based on the intuition of a Russian scientists, was reinvented at a power level a million times higher, becoming the main laser used for cutting, welding and Additive Manufacturing processes on metallic materials.

Since 2005, the Prima Industrie Group has understood the potential of this approach, which provides more electrical efficiency in respect to previously used CO<sup>2</sup> gas lasers, and began to develop its own research program to dominate this technology, simultaneously starting to use laser sources from a market leader third party supplier.

After a few years of development, due to the complexity of this technology and the lack on the market of specific components, the Group released a proprietary product onto the market in 2015: the group company dedicated to laser sources, Convergent Photonics, began internal

commercialization of the proprietary fibers lasers it developed.

At the same time, at the end of 2014, a research program for the development of the principle (from a technological standpoint as well as associated costs) fiber laser components were initiated: pumping diodes. In January 2015, a research group dedicated to these components was formed. The group came from Avago (now Broadcom) that had vast experience in designing and producing diodes for telecommunications, and developed a pumping diode named aL-100 that has been used as of 2018 to fit Convergent Photonics laser models. In 2019, Prima Industrie started to develop new models both in terms of wavelength and supplied power.

All Convergent Photonics products (diodes and lasers) are designed in compliance with the circular economy criteria: long life (design for longevity) and maintainability (service supported for long life).

In addition to the previously mentioned improved electrical efficiency, 5 times better in respect to CO<sub>2</sub> laser sources, the primary reason for adopting fiber laser technology, thanks to its improved

sustainability and lower environmental impact, this new technology has other important features that combine well with the Prima Industrie “Green Means” and “Human-centered” approach:

- Elimination of high voltage use (pumping is not electric, but optic) with subsequent reduction in associated hazards for assembly technicians, maintenance personnel and users.
- Less maintenance and subsequent reduced environmental impact because the lasers are not fitted with mechanical components that wear out quickly like the high-speed rotary turbines used for gas lasers.
- Elimination of exhaust gases, especially CO<sub>2</sub> and He, the first with direct environmental impact, and the second with scarce availability and complex, costly, dangerous, energy consuming extraction methods.

## Additive Manufacturing

Additive technologies may have differences, but the common principle is that of constructing a three-dimensional, layer-by-layer component. Additive manufacturing is a technology that



contrasts full-component processing, such as milling, casting, or other methods. The explorative stage of this technology began in the late 1990s and early 2000s. For a long time, this technology was used only in research or prototyping sectors, until 2009-2010, when the aerospace sector decided to use it for producing components.

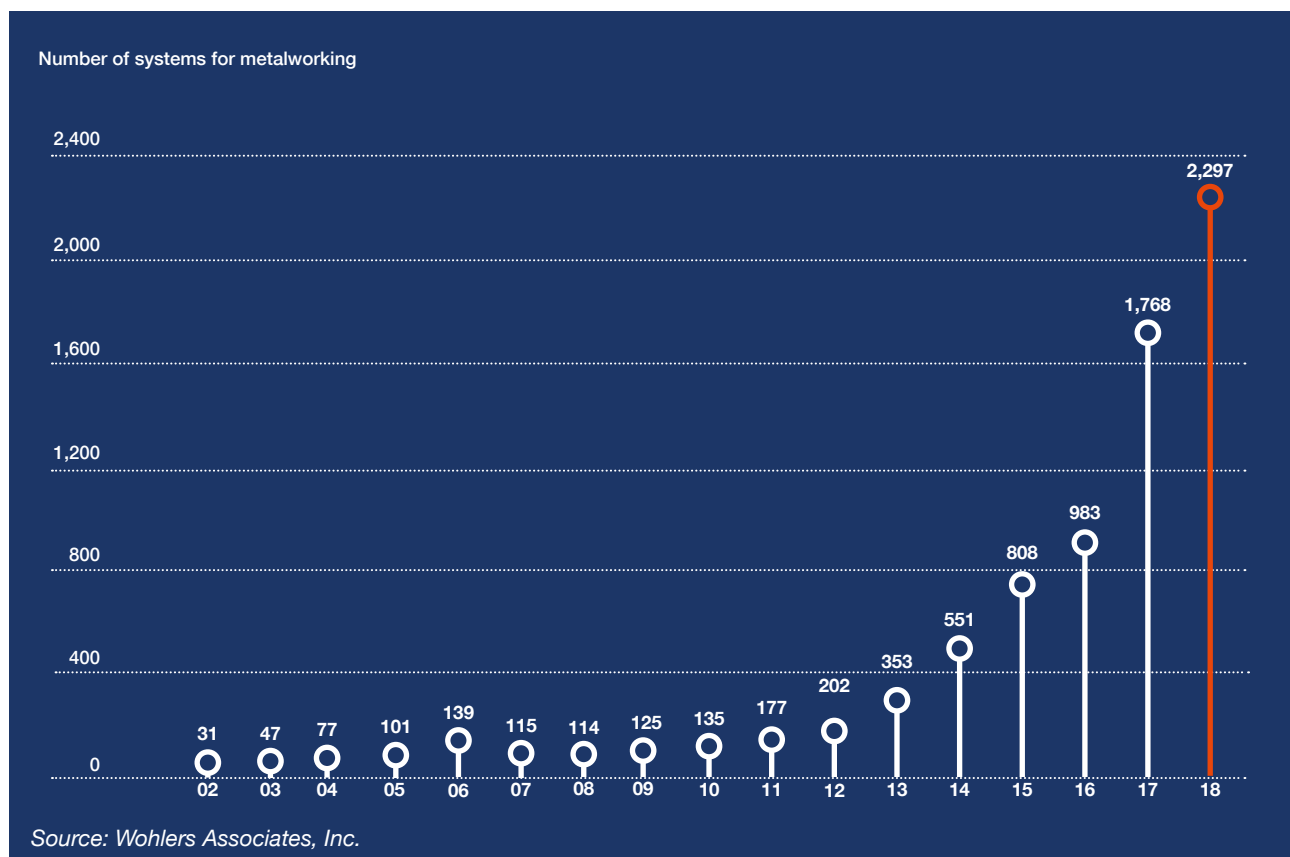
In the metals sector, additive technologies are mainly two types:

- **PBF powder bed fusion technology.** Powder bed fusion technologies are approximately 95% laser-based and 5% electron beam. For these technologies, several layers of powder are laid (powder bed) and the laser or electron beam is directed through a laser scanner head to meld the metallic material layer by layer to create a three-dimensional component. At the end of the process, the component is immersed in the powder and then removed by aspirating the excess powder. This technology can produce overly complex components and construction parts from a geometric standpoint, and the components are usually finished with a good superficial quality. Nevertheless, it is not a technology easily scalable in dimensions,

and it is not very productive. The latest trends in this technology to increase productivity involve increasing the number of lasers per machine, to implement parallel processes for each single layer. The sectors where this technology is most often used are aerospace, oil & gas, research and development for visual prototyping and logistics to produce spare parts with high added value.

- **DED direct energy deposition technologies.** Direct energy deposition technology is based on the use of nozzles that spray the powder where necessary and the laser beam melds the material as it is applied. This technology is very productive, but can almost never produce finished components, due to the reduced superficial quality. It is a technology that is often used for repairing metallic components with high added value, and for adding custom features to existing components/objects. The sectors where this technology is most frequently used are aerospace, tooling and oil & gas.

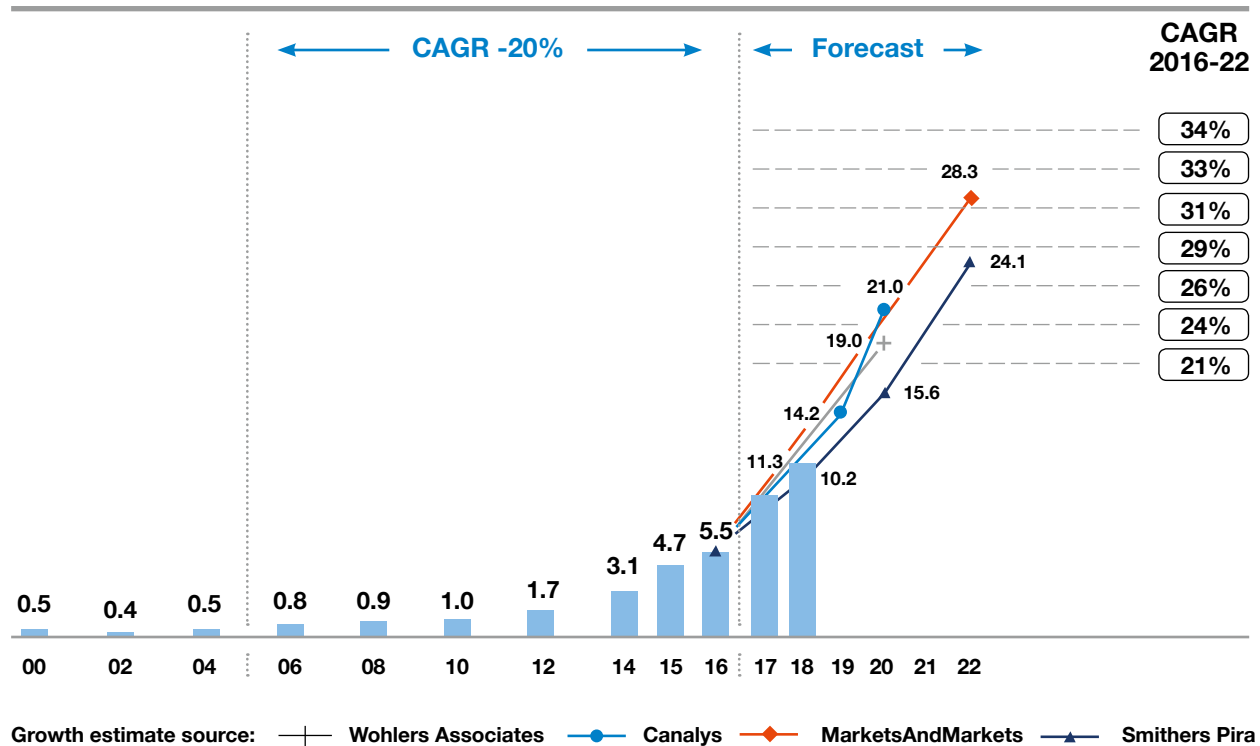
The market for these technologies over the last several years has undergone growth, as demonstrated in the following graph extracted from the Wohlers Report (number of Additive Manufacturing systems for metal applications sold between 2002 and 2008):



The market forecasts are also growing and respect the trends that Roland Berger had estimated in 2016, as depicted in the following graph:

## Global AM market

Development of metallic AM market <sup>1)</sup> 2000-2022 [EUR bn]<sup>2)</sup>



1) World production exd. parts/accessories; 2) FX rates as per Bundesbank, forecast based on 05/17 EUR/USD rate

Source: Expert interviews; Wohlers Associates (2017); Canalys (2016); MarketsAndMarkets (2016); Smithers Pira (2016); Roland Berger

Nonetheless, Additive Manufacturing is not yet a mature technology in terms of productive capacity, scalability in large dimensions and process reliability. For these reasons, the innovation trends in this technology are aimed at increasing productivity, increasing work volumes of additive machines, and rendering the process more stable using high-speed monitoring processes and artificial intelligence.

Prima Industrie works in the Additive Manufacturing sector through the Prima Additive division. This division projects, constructs and resells laser machine solutions for additive technologies and supports the customer from an applicative standpoint while learning and exploring these laser technologies for metallic parts.

The added value of Prima Additive surely lies in its industrial experience in the world of laser machines

of the Prima Industrie Group, in the use of internal components (mainly laser source and numerical control), as well as in applicative support for the customer. Prima Additive is one of the very few players in the world that can offer both solutions, PBF (powder bed fusion laser technology) and DED (direct energy deposition) technologies.

The commercial and product strategy of the Prima Additive division is based on two strategic partnerships with investments in research and development.

At present, the powder bed technologies offered by Prima Additive, designed, and produced by Shining 3D. This company has a decade of experience in the additive manufacturing field and is the main Chinese player in this sector. The strategic partnership aims to create a co-branded entry-level product ready



for distribution in Europe, with possible synergies on components with high added value for the laser machine. Installation, training, technical assistance and applicative support in Europe are provided by Prima Additive.

With regard to direct deposition, this additive technology is developed starting with the platform of three-dimensional cutting machines designed and produced by Prima Power. For this technology, the available solution is made possible through strategic collaborations with the main players in this sector regarding the powder application nozzles, powder feeders and CAD/CAM.

The two strategic investments in research and development in the powder bed products and direct

deposition sectors were carried out through two important actions:

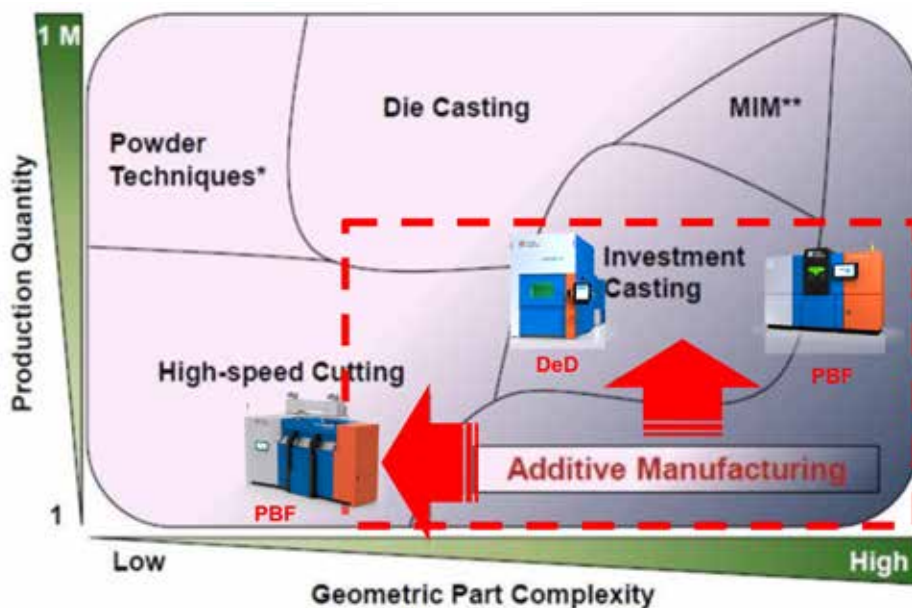
- Participation in the innovative 3D New Technologies start-up with regard to powder bed technologies;
- Development of ultra-fast direct deposition by the Prima Additive R&D group.

These strategic investments aim to produce more productive machines from a performance standpoint, ease of scalability in dimensions and process stability.

The following figure illustrates the strategy and positioning of Prima Additive products on a precision and productivity graph (in terms of superficial quality).

### 3D printing (Metal AM) is suitable for production with higher complexity and lower volume

Choice of the most economical manufacturing process depending on various factors



Elaborazione Prima Industrie da fonte CODEX Partners

**“The Group asks  
its Suppliers  
and Collaborators  
to adhere to its  
own principles  
of conduct,  
a fundamental  
condition  
for business  
relations.”**

## 6. The supply chain



### 6.1 INTRODUCTION

Relationships with suppliers, as with all those with whom the Prima Industrie Group has dealings, are based on the criteria of fairness, collaboration, loyalty and mutual respect.

Relationships with suppliers are based on the desire for the best competitive advantage, equal opportunities for all those involved, loyalty and impartiality.

Suppliers are selected and purchase conditions are determined based on the maximum competitive advantage, equal opportunities for the parties involved, and loyalty and impartiality.

As part of its selection process, which is conducted in a clear and non-discriminatory manner, the Group only uses criteria related to the objective

competitiveness of the services and products offered, their quality, and a guarantee of safety. Thus, the following requirements are fundamental for the company:

- Professionalism and experience of the counter party;
- Documented availability of means, including financial means, organized facilities, design capabilities and resources, know-how, etc.;
- Existence of quality, safety and environmental systems.

The Group asks its suppliers and external collaborators to adhere to its own principles of conduct and considers compliance a fundamental condition for establishing or continuing business relations.

All suppliers, business partners or external collaborators must be informed of the company's



Code of Ethics and related commitments. In contract, procurement and general supply relationships for goods and services, the company's employees and collaborators are required:

- to adopt, when selecting suppliers, the evaluation criteria set out in existing procedures and apply them objectively and transparently;
- not to deny anyone with the right requisites the chance to compete for contracts, but rather to adopt objective and documentable criteria when selecting candidates;
- to ensure sufficient competition within each tender process, consistent with the object and nature of the contract;
- observe contractually agreed conditions;
- inform suppliers of the behavioral principles set out in the Code of Ethics. Agreements and relations with suppliers must always be handled extremely clearly and transparently.

To provide the utmost transparency and efficiency during the purchasing process, The Group Prima Industrie ensures:

- proper traceability of choices made;
- storage of information and official tender and contractual documents for the periods established by applicable law.

In 2020, references to the recent Human Rights policy will be included in the selection of new suppliers and management of new orders.

The Supply Chain of the Prima Industrie Group reflects the organizational set-up. It is based on limited integration of the companies which, as a result of a series of acquisitions, fall within the Group's current reporting boundary and retain a high degree of operational independence.

After the acquisition of Finn Power Oy in 2008, the Group's structure was organized into three divisions:

- Prima Power for the management of machine products for transformation industries;
- Prima Electro for the management of products with high electronic content for the OEM market;





- Prima Additive for the management of machine products for Additive Manufacturing.

Today there is ongoing harmonization of procedures in the divisions. This is in order to build a shared operating model that can exploit the synergistic opportunities of a shared supply chain.

## 6.2 TYPE OF COMPANIES ESTABLISHING THE GROUP AND ORGANIZATIONAL MODELS

There are two types of company within the boundary of the Group under examination. These can be classified as:

- Industrial: Prima Industrie SpA, Finn-Power OY, Prima Power Laserdyne LLC, Prima Power Suzhou Co., Ltd., Prima Electro SpA, Convergent Photonics, LLC (which merged at the end of the year into Prima Power North America Inc., and has in the meantime been

renamed Prima Industrie North America Inc.) and Prima Electro Suzhou Co., Ltd., which manage the Supply Chain activities relating to the industrial processes of “client order evasion” and “new product development” in complete autonomy according to their competence.

- Commercial: where the supply chain is integrated with those of the industrial companies that supply them. These companies have autonomous control of the procurement of services and capital goods that are essential to operations.

The companies classified in this way operate according to their own supply chain models, which fulfil the operating needs of the division they belong to and their approved suppliers.

These, in turn, can be classified as:

- Suppliers of goods and services for industrial processes;
- Suppliers of goods and services for product development;
- Suppliers of goods and services for operations.

The Prima Power division has an organizational matrix made up of different types of activities:

- Commercial, sales and after sale activities organized to ensure a market presence according to geographical area, through purely commercial companies (branches) placed under the responsibility of the Division Sales Department;
- Industrial, in which the machines and systems for sheet metal processing are developed and built, using specific technologies such as lasers, punching, bending, etc.

The recently founded Prima Additive division relies on the support of the Prima Power organizational framework.

The Prima Electro division is organized into two business units, according to product type:

- Laser
- Electronics

## 6.3 SUPPLIERS MANAGEMENT SYSTEM

The Group has defined processes and procedures model (with a plan to extend it to all the companies within their control) as part of a program aimed to ISO 9001:2015 certification.

This model involves, with specific aspects for each company, procedures for:

- Selecting and approving suppliers, through an analysis of parameters to measure their competence and quality, the reliability of the company and compliance with fundamental ethical principles;
- Vendor rating assessment, to measure performance in terms of quality, price and delivery;
- Self-control methods for suppliers of custom components and verification of their ability to maintain standards.

The purpose of these procedures is to define the operating procedures, roles and responsibilities of the stakeholders involved in the procurement processes. They are also intended to set up a reference framework that also supports:

- Protection of savings and regulation of financial markets in accordance with Law 262/2005
- Quality system requirements;
- Provisions of the Organization, Management and Control Model adopted by Prima Industrie SpA, in accordance with article 6 of Legislative Decree 231/2001;
- Requirements of the internal control system monitored by the Internal Audit unit;
- Other applicable standards and regulations for the process in question.

The supplier portal, implemented in 2018, has been enhanced with additional features (i.e. billing) and shared with some suppliers (order confirmation, communications). Furthermore, the process of extending the portal within the Group will also continue in 2020.

## 6.4 GUIDELINES FOR THE PROCUREMENT OF THE GOODS AND SERVICES NEEDED TO OPERATE THE COMPANIES

The Group uses what are known as “non-production” suppliers, which provide Group companies on an independent basis with goods and

services that are fundamental to their operations. These supplies include energy, logistics services, transport, travel, car rental, customs operations, consulting, cleaning, canteens, rent, maintenance, etc. and are purchased from suppliers that are local to the individual company, which selects and manages them independently, on a value for money basis.

Division-level objectives aimed at obtaining greater efficiency are also defined for this type of goods and services.

## 6.5 CHARACTERISTICS OF OPERATIONAL SUPPLY CHAIN SPECIFIC TO EACH DIVISION

No significant changes were made to the Group's Supply Chain system during the reporting period.

The supply process management procedures provide a reference to the Code of Ethics that is enforced across the entire Group.

During inspections of suppliers' premises, the divisions also check that there are no problems related to the work environment. In 2019, a total of 60 supplier inspection visits were carried out.

From an operating standpoint, the common objective of the various productive units is to share the portfolio of suppliers in order to cohesively manage supplies and have a single vendor rating system. Another goal is to have global suppliers capable of supporting all facilities.





**“Knowledge,  
professional  
and personal  
skills and  
competencies  
are the main  
assets in which  
the Group wants  
to invest in to  
succeed.”**



## 7. HR and social management



### 7.1 HUMAN RESOURCES IN PRIMA INDUSTRIE GROUP

Despite never needing to formalize a specific policy on human resource issues, Prima Industrie has always considered its people as the Group's most important strategic asset. The Group supplies not only high-tech products, but also solutions designed to meet the needs of customers and with the ability to resolve complex problems.

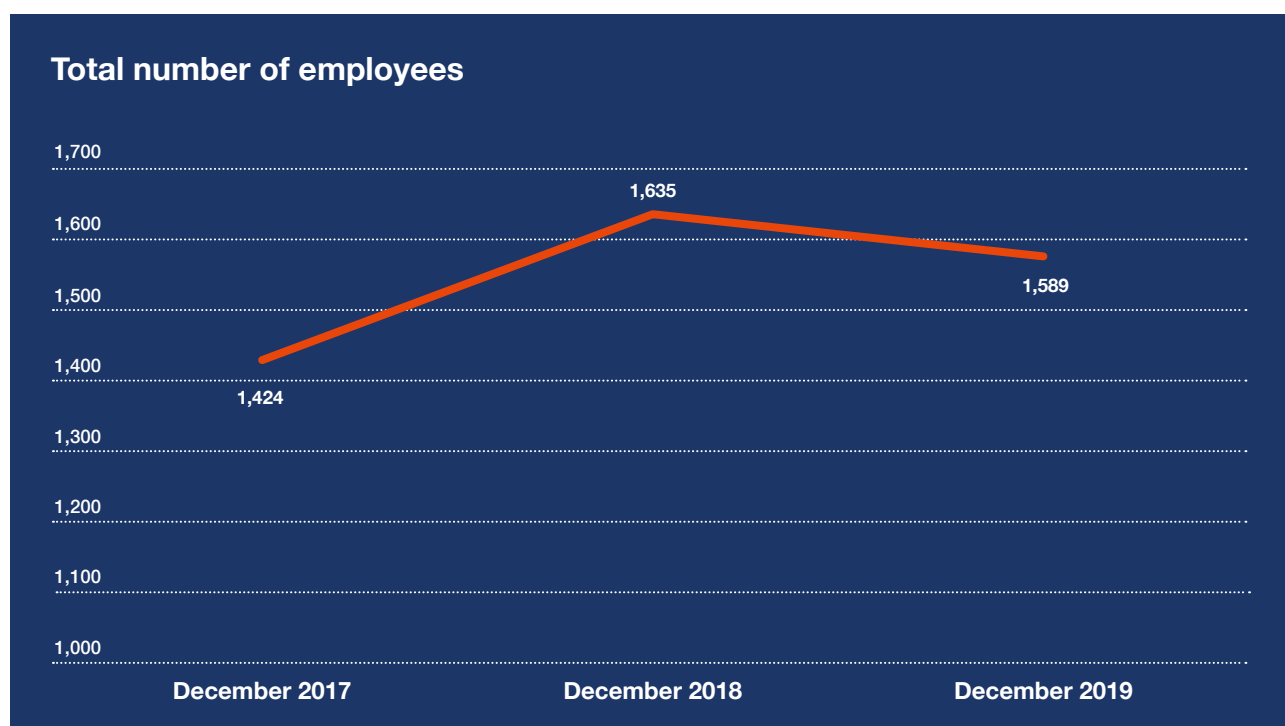
All business processes involve low levels of repetition, from the formulation of offers to sales, from design and production to after-sales service. The correct functioning of the processes is guaranteed by an important investment in IT systems: this investment is supported by a team of people dedicated to the implementation of the

systems themselves, and is focused on providing concrete operational advantages to the company's staff with respect to the carrying out of daily tasks.

Knowledge, competencies and professional and human skills are the main assets in which the Group wants to invest for success. Thus, proper human resource management is focused on:

- Protection of Human Rights;
- Investments in professional growth;
- Protection of the work environment, health and safety;
- Organization with a high degree of involvement;
- Reward system based on the identifying and evaluating the skills people have acquired and their merit;
- Appreciation of diversity and different abilities.

## Number of Prima Industrie Group employees in the perimeter:



People are at the center of the organization and are therefore key to human resource management processes:

- Selection

- Mainly permanent contracts and

- apprenticeships to ensure proper training

- Links with universities and higher technical institutes, including international ones

- Training/information for new employees to help them settle in

## Disclosure 102-8 of GRI Standard 102: General Disclosures 2016

### Total number of employees by employment contract and gender

	Women			Men			Total		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Permanent employment contract	230	226	196	1336	1.358	1.178	1566	1.584	1.374
Fixed-term contract	3	13	7	20	38	43	23	51	50
<b>Total</b>	<b>233</b>	<b>239</b>	<b>203</b>	<b>1356</b>	<b>1,396</b>	<b>1,221</b>	<b>1589</b>	<b>1,635</b>	<b>1,424</b>

98.5% of personnel are hired on permanent contracts, in line with the Group's long-term strategy. The breakdown of seniority is as follows: 13.5% of employees are under 30, 60.4% are between 30 and 50, and 26.1% are over 50.

The average age of employees did not have significant differences compared to previous years, as more than half of the employees hired were in the age group between 30 and 50 years old; just under 1 in 3 hires involved people under 30.

4 The number of employees refers to people with a contract in existence as of 31/12/2019. Employment contracts completed on 31/12/2019 are considered active for that year, while they will no longer be active in the following year.

**Disclosure 405-1 of GRI Standard 405: Diversity and equal opportunities 2016**

	2019						
	Gender			Age			
	Women	Men	Total	<30 years	30-50 years	>50 years	Total
Manager	0.3%	3.0%	3.3%	0.0%	1.6%	1.7%	3.3%
Middle Manager/Professional	0.9%	6.4%	7.2%	0.1%	4.7%	2.4%	7.2%
White Collars	11.7%	35.9%	47.6%	4.7%	30.3%	12.6%	47.6%
Blue Collars	1.8%	40.2%	41.9%	8.7%	23.8%	9.4%	41.9%
<b>Total</b>	<b>14.7%</b>	<b>85.3%</b>	<b>100.0%</b>	<b>13.5%</b>	<b>60.4%</b>	<b>26.1%</b>	<b>100.0%</b>

	2018						
	Gender			Age			
	Women	Men	Total	<30 years	30-50 years	>50 years	Total
Manager	0.2%	3.1%	3.4%	0.0%	1.8%	1.6%	3.4%
Middle Manager/Professional	1.0%	6.4%	7.4%	0.2%	4.7%	2.5%	7.4%
White Collars	11.8%	35.7%	47.6%	6.8%	28.4%	12.3%	47.6%
Blue Collars	1.6%	40.1%	41.7%	9.8%	23.5%	8.4%	41.7%
<b>Total</b>	<b>14.6%</b>	<b>85.4%</b>	<b>100.0%</b>	<b>16.8%</b>	<b>58.3%</b>	<b>24.9%</b>	<b>100.0%</b>

	2017						
	Gender			Age			
	Women	Men	Total	<30 years	30-50 years	>50 years	Total
Manager	0.3%	3.7%	3.9%	0.0%	2.2%	1.8%	3.9%
Middle Manager/Professional	0.7%	8.8%	9.6%	0.0%	6.1%	3.4%	9.6%
White Collars	11.8%	33.1%	44.9%	5.4%	27.4%	12.1%	44.9%
Blue Collars	1.5%	40.1%	41.6%	8.0%	23.9%	9.7%	41.6%
<b>Total</b>	<b>14.3%</b>	<b>85.7%</b>	<b>100.0%</b>	<b>13.4%</b>	<b>59.6%</b>	<b>27.0%</b>	<b>100.0%</b>

In 2019, 16 fixed-term contracts were upgraded to permanent contracts (41 in 2018 and 22 in 2017): the trend regarding these transformations is proportional to the number of hires carried out during the year. All this involves a process of gradual integration and continuous training for new recruits.

Part-time contracts were requested by 2.1% of workers (1.8% in 2018 and 1.7% in 2017) by mainly women, who accounted for 69.7 % of all requests (76.7% in 2018 and 98,6% in 2017). The following is information on the companies included in the reporting boundary.

**Disclosure 102-8 of GRI Standard 102: General Disclosures 2016**

	2019			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Full-time	210	1346	1556	216	1,389	1,605	181	1,219	1,400
Part-time	23	10	33	23	7	30	22	2	24
<b>Totale</b>	<b>233</b>	<b>1356</b>	<b>1589</b>	<b>239</b>	<b>1,396</b>	<b>1,635</b>	<b>203</b>	<b>1,221</b>	<b>1,424</b>

Prima Industrie prefers permanent contracts or professional apprenticeships for new recruits. This means that the level of education of new recruits is made up of graduates and people with a technical school diplomas (for example, in Prima Industrie S.p.A., the ratio in 2019 was 60% with university degrees, and 40% with high school diplomas). The constant hiring of recent university and high school graduates makes it easier to rotate resources around various positions, which ensures the development and maintenance of their skills.

Turnover (the number of workers who left compared to the number of staff at the beginning of the period multiplied by 100) was 11.4% in 2019. In previous years, it was 6.7% in 2017 and 8.7% in 2018. The balance of employee turnover was negative in 2019:

115 employees were hired and 190 left; in 2018, the balance was positive, 212 employees were hired and 132 left (in 2017, balance of employee turnover was positive: 179 employees were hired and 78 left).

The increase in turnover in 2018, which still keeps within percentages in line with those of the industrial sector of reference, is due to the combination of several factors: the spin-off of the design, sales of parts of the OSAI brand numerical control products; the move that took place in 2008 of the German headquarters from Frankfurt to Munich, which still had consequences in 2019; and the US labor market, which was very active and flexible. Finally, 39% of those who left the company were over 50, and this category includes those who finished their career at Prima Industrie and then retired.

**Disclosure 401-1 of GRI Standard 401: Employment 2016**

	2019			2018			2017		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Hired	22	93	115	39	173	212	24	155	179
Terminated*	34	156	190	24	108	132	12	75	87

	2019				2018				2017			
	<30 year	30-50 year	>50 year	Total	<30 year	30-50 year	>50 year	Total	<30 year	30-50 year	>50 year	Total
Hired	36	63	16	115	87	108	17	212	82	80	17	179
Terminated*	33	83	74	190	27	73	32	132	12	46	29	87

	2019		2018		2017	
	Women	Men	Women	Men	Women	Men
Turnover	13,7%	11%	11%	8,4%	6,1%	6,5%



	2019			2018			2017		
	<30 year	30-50 year	>50 year	<30 year	30-50 year	>50 year	<30 year	30-50 year	>50 year
Turnover	11.7%	8.5%	17.92%	12.44%	8.07%	8.29%	7.00%	6.00%	8.00%

During 2019, as in previous years, collaborations took place with high schools and universities in areas where Prima Industrie has production sites. These collaborations led to the activation of internships for undergraduates and graduates in Italian and Russian offices, while in Finland 9 students had summer internships at the Seinäjoki plant.

## Initiatives linked to the perception of the corporate climate

Following the 2018 corporate climate survey conducted with all the Prima Power and Additive employees globally, the results of which are summarized below, conducted with all the Prima Power and Additive employees globally, the Group worked throughout 2019 on an action plan regarding the areas that were highlighted as needing improving.

Despite the general satisfaction level of 88%, against a benchmark of companies that use the same average measurement system of 82%, further actions were taken to further improve the corporate climate. Some focus groups were held in the Group's Italian offices with the aim of involving employees in the proposal and evaluation of the action plan. Thanks to the involvement and support of the people who participated in these initiatives, several projects have already been started in 2019, which in turn will be the basis of some issues that will be further addressed in 2020. Firstly, the definition and implementation of the criteria that can be offered, where possible in line with the organizational needs and local legislation, the opportunity to participate in "smart working" or working from home, which in some locations has already been started as a project. A further preliminary analysis was made regarding the possible introduction of carpooling. The initiative would contribute to employee quality of life in two ways: first, it would allow them to participate in the reduction of air pollution, and second, it would

contribute to the reduction of transport costs for those who want to participate in the project (via a dedicated platform).

The company intends to carry out a survey on its climate every 2-3 years in order to verify the effectiveness of the actions implemented and continue with the constant improvement of employee satisfaction: another will therefore be carried out within the three-year period, which is estimated in the last quarter of 2020 and/or the first quarter of 2021.

## Contracts

The distribution of the workforce reflects the business model of the Prima Industrie Group. It employs key and highly skilled figures, while outsourcing activities supporting the business process, such as personnel administration. The highest concentration of employees is found at the 5th, 6th and 7th level of Italian private metalworking contracts, owing to extremely high standards of specialization within the Group.

Talks between the company and workers' representatives takes place in general meetings, providing information about the Group's performance and/ or any specific issues, and thanks to continuous exchanges on such topics as:

- Evaluation of issues related to worker health and safety;
- Training schedules based on identification of educational gaps based on skill assessments;
- Training proposals by the RSU;
- Enhancement of additional skills.

Dialogue with workers' representatives has led the company to join local social projects for people in need and to create employment opportunities. Evidence of the Group's focus on people can be found in low turnover and absenteeism, with constant proof in physiological values that are lower than the national average in several countries.

The above projects enable the Group to work closely with the local community to introduce workers from protected categories, integrating them

wherever possible according to their individual's abilities.

Below are the figures for 2019:

**Disclosure 405-1 of GRI Standard 405: Diversity and equal opportunities 2016**

**Number of employees belonging to protected groups**

	2019	2018	2017
Manager	2	-	-
Middle Manager/Professional	-	-	-
White Collars	16	16	15
Blue Collars	17	17	16
<b>TOTAL</b>	<b>35</b>	<b>33</b>	<b>31</b>

## 7.2 TRAINING AND DEVELOPMENT

Thanks to their experience in the sector and their in-depth knowledge of the Group's activities, certain figures within Prima Industrie have made a decisive contribution to the Group's success. The Group's future results partly depend on the skills and involvement of key figures.

For this reason, one of the risks that Prima Industrie must manage and offset is the loss of the professionalism and skills of its employees and, as a result, know-how specific to the business. In order to attract and retain qualified key personnel, it is therefore of fundamental importance for the Group to invest in the training and development of its human resources.

Prima Industrie has always invested in training, as well as pre-recruitment training and orientation courses for those who choose not to stop at a high school diploma, with technical diplomas, in order to encourage their integration. The same is done for recent graduates, through ongoing relationships

with polytechnics and universities. Annually these relationships produce PhD and Master programs well connected to the Group's business, allowing young people to enter the world of work with important skills in technical and management areas.

For some years now, the Group has introduced a performance management system that is becoming more and more important in personnel management and, above all, for defining individual and Group training courses. In 2016, the performance management process managed 14% of the company's workforce. In 2017, the percentage rose to 33% and to 29% in 2018.

For 2019, also considering the different perimeter, the process involved 58.9% of the population considered. With regard to the 2019 evaluations that will be carried out in the first quarter of 2020, the objective for the year was to extend the process to include even wider segments of the corporate population, ensuring uniformity of judgment and increasingly marked common values. In 2019, therefore, targets were assigned to more than 70% of the employee population.

## Disclosure 404-3 of GRI Standard 404: Training and Education 2016

	2019			2018			2017		
PERFORMANCE MANAGEMENT	Women	Men	Total	Women	Men	Total	Women	Men	Total
Manager	5	50	55	1	26	27	2	19	21
Middle Manager/ Professional	7	69	76	7	43	50	6	51	57
White Collars	118	390	508	65	231	296	71	151	222
Blue Collars	19	305	324	13	81	94	2	169	171
<b>Total</b>	<b>149</b>	<b>814</b>	<b>963</b>	<b>86</b>	<b>381</b>	<b>467</b>	<b>81</b>	<b>390</b>	<b>471</b>

## Disclosure 404-1 of GRI Standard 404: Training and Education 2016

	2019		2018		2017	
AVERAGE HOURS OF TRAINING BY GENDER AND EMPLOYEE CATEGORY	Women	Men	Women	Men	Women	Men
Manager	5.3	12.1	2.9	2.6	10.0	12.90
Middle Manager/Professional	1.0	1.9	1.7	2.5	0.3	4.40
White Collars	9.4	12.4	3.3	6.9	7.4	8.20
Blue Collars	7.6	4.6	7.1	6.5	5.4	14.40

Training and education hours totaled 12,764 in 2019, compared to 9,530 in 2018 and 8,355 in 2017. This increment is linked to the increasing attention paid to continual employee training, not only in technical fields (product and specialist training), but also regarding other topics such as managerial development, workplace safety, and foreign languages.

## 7.3 WELFARE

The first measure taken to reconcile private and work life is working part-time, which is why company agreements in the various countries waive contracts.

Over the last three years, the company has accepted all requests for part-time contracts.

With regard to medical assistance and appointments, in the Italian facilities, Group employees are entitled to:

- 3 days of paid leave for assistance in the event of serious illness of a family member;

- An insurance policy applicable outside work, paid in full by the company
- 24 hours of paid leave for medical examinations and 20 hours for physiotherapy, on an annual basis.

Moreover, in accordance with Italian law, all Group employees in Italy can take leave depending on their needs. All workers who have taken advantage of this opportunity have returned to work and are currently in the workforce. Others are currently taking advantage of these leaves up until they are finished in accordance with the law.

## 7.4 THE IMPORTANCE OF GENDER EQUALITY

In relation to the provisions of the Code of Ethics, Prima Industrie guarantees equal opportunities as a primary factor of the Group's success, for the fair treatment of each individual worker, and to safeguard their psychophysical integrity.

Discriminatory behavior based on political opinions and trade union affiliations, religion, race, nationality, age, gender, sexual orientation, health status, or other private characteristics of the person, is not allowed.

Even though the Group operates in a productive and industrial context, the distribution of personnel based on gender has continued over time to demonstrate a higher presence of women, especially in the staff and commercial administrative areas. The percentage of women is 14.7%, a

consistent number when compared with the previous year.

The provisions of national collective agreements and legislation on remuneration are applied in the countries in which the company operates.

Below is the ratio of pay between women and men according to professional category. The percentage represents the pay of female staff compared to that of men.

**Disclosure 405-2 of GRI Standard 404: Diversity and equal opportunities 2016**

	2019	2018	2017
	% Ratio	% Ratio	% Ratio
Manager	53%	63%	62%
Middle Manager/Professional	85%	79%	96%
White Collars	83%	82%	94%
Blue Collars	68%	71%	83%

## 7.5 LABOR UNION RELATIONS AND SOCIAL DIALOGUE

Prima Industrie employees have contractual conditions that are often better, above and beyond, than the average conditions applied in the same sector, as well as better economic conditions than the national collective labor agreement (CCNL) for the mechanical engineering and plant installation industry.

Some of the contractual and/or legal conditions have been improved, such as:

- Health and accident insurance, even outside work;
- Leave;
- Advance payment of staff-leaving indemnities (TFR);
- Part-time contracts;
- Annual productivity bonuses;
- Compensation for travel, particularly for installers;
- Flexible start time;
- Work canteens;
- Paid and unpaid (e.g. for medical appointments and assisting a family member during serious illness).

Human resources management is integrated throughout the Group's companies. However, some companies offer different contractual and financial terms to their employees, based on agreements with trade unions that have different historical relationships with the company. The Group is working on this topic to increase integration among the various countries.

Trade union relations are conducted through continuous dialogue between the parties. Conflict is moderate and mostly relates to national disputes. Interaction comparison between the company and the unions takes place at various levels and on various issues, including:

Issues related to worker health and safety;  
Plans to fill in gaps resulting from skills assessments;

- Training proposals from HR;
- Company performance and future national and non-national industrial plans.

Evidence of the Group's focus on people can be found in low turnover and absenteeism. Furthermore, Prima Industrie contributes to the development of local human capital in the areas



where it operates, thanks to strong collaborations with local authorities, the local Industrial Union, and increasingly important collaborations with schools and universities.

Despite the low number of disputes, the supervisory board is informed on a quarterly basis of any disputes that are usually resolved by agreement between the parties or settlement reports with trade unions.

## 7.6 PRIMA INDUSTRIE'S COMMITMENT TO THE COMMUNITY

### Culture, education and training

Prima Industrie cultivates and maintains close links with academic institutions, including universities and high schools.

This gives us continuous access to resources and up- to-the-minute expertise and allows us to establish collaborative relationships, with potentially positive repercussions for our products.

Collaborations are intensive, with higher education institutions and universities geographically close to the Group's offices. Countries where the company has the largest presence include Italy, where its

partnership is consolidated with the Polytechnic and University of Torino, as well as Finland where the company collaborates with Seinäjoki University of Applied Sciences and The University of Vaasa.

Collaborations have also been started or strengthened with other universities and research centers: these include, to name a few, The University of Sheffield in the UK, and Mondragon University (relating to the factory2fit, MMTECH, MASHES projects), The University of Patras in Greece (INTEGRADDE project), The Fraunhofer Institute in Germany (Quality project), the SUSPI – Swiss University and Belgian Welding Institute (AVANGARD project), as well as Chalmers University (DIGIQUAM project).

There are also many other initiatives and activities carried out with universities, a few of which are briefly listed here as means of example:

- Participation in second level Masters' programs promoted by the Polytechnic and sponsored by Regione Piemonte. Specifically, two Masters' programs are currently in progress (Industrial Automation and Additive Manufacturing), which have allowed us to hire young graduates from technical fields on high-level apprenticeships.
- Participation in research projects, also in the form of PhDs: even in this case, the graduates involved were hired with a Postgraduate Apprenticeship contract.



- Work placements for students preparing their dissertation on innovative topics.
- Welcoming groups of students on educational visits, including presentation of our technological solutions and – with the help of Human Resources– career or training orientation information.
- Participation of our managers and technicians in technology-themed lectures/presentations directly at the universities concerned.

As for its relationship with high schools, the company is active and collaborates with various institutes, guaranteeing students the opportunity to spend a few weeks a year in the company in order to directly experience it from the inside.

These activities have a dual purpose:

- to raise early awareness about the Group’s technologies and introduce students to them, in order to identify potential new resources for future employment at the end of their school careers;

- to guide students towards a responsible choice of a subject at university, making them aware of future employment possibilities for those who decide to continue their schooling with higher education.

Scholarships are awarded to the children of employees who have obtained the following qualifications and grades:

Professional high school diploma	(75/100)
High school diploma	(75/100)
Bachelor’s degree	(99/100)
Master’s degree	(99/100)

**Commitment and investment in the community**

The local communities are also engaged, beyond educational institutions, through investments that favor local sport activities that sometimes come in





the form of sponsorship and/or support for local sports clubs.

The range of sponsored sports is diverse, including basketball, football, volleyball, skating, and motor sports.

## Relations with institutions

Prima Industrie is a member of numerous representative and sector associations in the various locations where it is present. These memberships are, in most cases, aimed at the diffusion of innovation and technology, the culture of “Industry 4.0”, and sustainability.

Specific fees are not only paid to these associations for membership purposes, but active participation is also guaranteed by company professionals through networking meetings, conferences, and other initiatives in the area.

Relationships with institutions and public administrations are based on the principles of honesty, propriety, transparency and full compliance with laws and regulations, and respect for the public nature of their function, as set out in the Group Code of Ethics and regulated by the Organization, Management and Control Model in accordance with Legislative Decree 231/2001.

Here are some of the main associations/institutions that the Group holds membership in:

- Unione Industriale, Turin
- AICQ Piemontese - Associazione Italiana Cultura Qualità (Italian Association of Quality Culture)
- Confindustria, Verona
- Confindustria Canavese
- Amma, Turin
- Federmeccanica
- EFFRA - European Factories of the Future Research Association
- CECIMO - European Association of the Machine Tool Industries





- UCIMU - Italian Union of Machine Tool Manufacturers
- SIRI - Italian Robotics and Automation Association

In particular, Chairman Gianfranco Carbonato has personally committed himself to the leadership of AMMA, Unione Industriale, Turin, and Confindustria Piemonte, of which he has previously held the position of Chairman, Federmeccanica, of which he has held the position of Deputy Chairman, and Confindustria, of which he has held the position of Director.

Other Group managers are also active members of trade associations: Domenico Appendino is a Director of UCIMU and Chairman of SIRI; Gianni Di Santo is a Director of AICQ; Juha Makitalo has been a Director of CECIMO; and Maurizio Gattiglio has been Chairman of EFFRA.

In 2018, the company was one of the founding members of the Social Promotion Association “Donna Professione STEM” and in 2019 it continued to actively participate in the promotion of the activities it proposed.

The Association’s purpose is to promote:

- as well as advance industrial trends; the participation of women in STEM studies (Science, Technology, Engineering and Mathematics);
- the development of STEM professions in the industry;
- inclusive, participatory policies as tools for increasing the industrial competitiveness of the company and the country.

Participation has not been limited to the constitution of the Association. It has also involved some of our employees in its founding and governing bodies, as well as in activities relevant to the topics mentioned above.

## 7.7 WORKER HEALTH AND SAFETY

The Group has a keen eye on workplace health and safety matters. This awareness is demonstrated in a company policy that states that the entire company structure, which includes the employer, the employer’s representatives, the head of the prevention and protection service (RSPP), safety managers, the supervisors, all the workers, whether employees or contract workers, is involved in reaching safety targets. In order for these



objectives to be met, the parent companies of the two divisions – Prima Industrie SpA for the machinery division and Prima Electro SpA for the electronic and laser division – have implemented an environment and safety management system to ensure that all existing and future group companies address health and safety issues as an important aspect of their business, with priority focus on current workplace health and safety legislation.

Training and the involvement of personnel are the cornerstone of the health and safety management system, with a view to creating a truly safe “culture”.

For this purpose, the Prevention and Protection Service Unit, in collaboration with the HR department, organized in 2019 training schedules that range from topics involving behavioral approaches to safety (BBS method), to aspects involving working activities (reduction of waste and increase in recycling). These training events mainly involve production staff, but there is the desire to extend these training courses to all its corporate figures.

Information and awareness of risks is instilled in all workers, through safety communication projects, brochures, and meetings on specific issues. All levels of the company are given safety training.

Training is carried out and updated with specific reference to the job position and with special attention to training new hires, so they can immediately be fully aware of Health and Safety issues.

The participation of workers is high and constant and is guaranteed by the workers’ safety representatives (RLS), who are tasked with reporting information and requests from the employees. Continuous exchange of information, through specific meetings organized with the Prevention and Protection Service Manager, are opportunities to share ideas and projects designed to improve working conditions for employees from a health and safety standpoint.

Employee involvement and training, along with investments in machinery, equipment and plants have ensured a low frequency of accidents, low severity and involving few workers.

#### **Disclosure 403-2 of GRI Standard 403: Occupational Health & Safety 2016**

	2019	2018	2017	2019	2018	2017
	Women	Women	Women	Men	Men	Men
Injury rate	5.0	5.4	3.3	12.3	17.3	13.4
Injury rate index	0	0	0	0.3	0.4	0.3
Occupational illness incidence index	0	0	0	0	0	0
Absentee rate	26.4	30.5	26.4	26.0	28	20.9

No categories of workers are particularly exposed to specific risk of occupational diseases based on gender, age or ethnicity. Nevertheless, Prima

Industrie Group ensures the constant involvement of a doctor to assess and reduce all potential health risks of the workers to zero.

**“All activities are carried out, in compliance with the law, in a framework of fair competition that values honesty, integrity, fairness, and good faith.”**

## 8. Anti-corruption



The Prima Industrie Group conducts its business in line with the highest professional and ethical standards and operates internationally in accordance with all applicable laws and regulations. In Italy, corruption issues are addressed within the framework of Legislative Decree 231/01 of Italy, they are dealt with by specific local regulations, such as the Foreign Corrupt Practices Act in the United States, where the Group has 3 companies.

The Group's guiding principles in its business activities are set out in the Code of Ethics. All activities are carried out in accordance with the law, within a framework of fair competition with honesty, integrity, propriety and good faith, and according to the interests of customers, employees, shareholders, trade and financial partners and the communities in which the Group operates. All

those who work for the Group, without distinction or exception, are committed to observing and enforcing the observance of these principles within the scope of their functions and responsibilities.

The Code of Ethics is intended for the directors, employees and collaborators of the Group, as well as anyone who, directly or indirectly, permanently or temporarily, enters into relationships with the company in which they pursue the same objectives.

The Code of Ethics is a set of ethical principles and rules of conduct that the Group recognizes, shares and promotes, in the awareness that conduct guided by the principles of legality, loyalty, honesty, propriety and transparency is an important driver for economic and social development. The Code is one of the pillars of the Group's governance system,

which regulates decision-making processes and the way the Group and its employees operate in the interests of stakeholders.

The main anti-corruption tools adopted by the Group are:

- Communication of the new Group Code of Ethics to all employees and acceptance of its contents / rules.<sup>5</sup>
- Creation of a dedicated e-mail address for reporting to the supervisory board any violations of the general principles of the Code of Ethics and of the 231 Model of Prima Industrie SpA and of the Model of Prima Electro SpA.
- Creation of a Compliance Helpline (email address and Italian and American telephone number) to incentivize and track requests for explanations and possible reports of improper behaviors (or presumed as such) by employees and corporate management.
- Definition in the Code of Ethics of the rules of conduct to adhere to when providing and receiving gifts, gratuities and benefits to and from business partners and public officials.
- Inclusion in the Code of Ethics of two sections dedicated to the Respect of Standards Governing Exports and Respect for Anti-Corruption and Anti-Bribery Standards
- The provision in 2018, in conjunction with the updating of the 231 Models and the Group Code of Ethics, of specific training sessions for all staff from the Prima Industrie SpA and Prima Electro SpA companies and communication/ dissemination of training material from the Human Resources employees.
- Training on the principles of the Code of Ethics and Model 231 for new hires

- Training in 2019 for employees in Prima Power Laserdyne (#56) on the principles contained in the Group's Code of Ethics and on the rules relating to Export Controls: the company's Trade Compliance Officer and the Group's Internal Audit & Compliance Officer carried out the training material and the provision of classroom training.

It should also be noted that during the Internal Audit operations, the verification of the correct disclosure/communication of the Code of Ethics is included within the Entity-level controls, also aimed at strengthening the dissemination of knowledge regarding the subject matter in foreign offices.

Already in 2018, activities aimed at strengthening and monitoring the issues related to anti-corruption and export controls (Anti-Corruption Compliance Program) were carried out, considering the regulations applicable in the various countries in which Prima Industrie operates. With specific reference to the US legislation, the manuals relating to export controls and anti-corruption were drafted. The principles and rules contained therein were shared and communicated to the employees of Prima Power Laserdyne LLC through specific training sessions. The training material was made available to all employees.

With this in mind, the Trade Compliance Officers of the Group's main production companies have also been appointed, reporting hierarchically to the President of the Company and working under the Group's Compliance Officer.

<sup>5</sup> Available in Italian and English, the Code of Ethics can be consulted and downloaded from the Group's internet and intranet sites, is available on notice boards with direct access for employees, and can be requested from the Personnel Office, the Legal Department, or Internal Auditing.



## Consolidated non-financial statement of Prima Industrie Group in accordance with Legislative Decree no. 254/2016

### Table of indicators

GRI STANDARDS	DISCLOSURE	CAP.	PAG.	Foot note	Reporting Perimeter
GRI 302: ENERGY	302-1: Energy consumption within the organization	4. Environment	-----	<ul style="list-style-type: none"> <li>- Regarding the reported data, the conversion factors referred to in the Environmental Indicator Protocols published on the Global Reporting Initiative</li> <li>- The main types of fuel used are natural gas for heating and diesel and petrol for company cars. For some of the companies, other fossil fuels are used for heating (combustible oil, LPG) and biomass fuel.</li> <li>- For the subdivision of electrical and renewable source energy consumption, any autonomously produced electrical power was taken into account, in addition to the composition of the energy mix used for the production of power sold by suppliers (where explicitly indicated on the bill).</li> </ul>	Total data on energy consumption includes all the companies listed in the reporting boundary (see Chapter 1 "Methodological Note"). It is noted that, for Finn Power OY, the electricity and heating data is reported only for the production plant in Seinäjoki, Finland, and for the branch office PP Belgium Nazareth.
GRI 305: EMISSIONS	305-1: Direct (Scope 1) GHG emissions	4. Environment	-----	<ul style="list-style-type: none"> <li>- The values reported in Scope 1 concern direct emissions from combustion for the generation of thermal energy for heating or production processes.</li> <li>- Regarding the reported data, the conversion factors referred to in the Standard GHG Protocol available at the following link: <a href="http://www.ghgprotocol.org/calculation-tools">http://www.ghgprotocol.org/calculation-tools</a>.</li> </ul>	All the companies included in the reporting boundary (see Chapter 1 "Methodological Note"). It is noted that, for Finn Power OY, the data is reported only for the production plant in Seinäjoki in Finland and for the branch office PP Belgium Nazareth.
	305-2: Energy indirect (Scope 2) GHG emissions	4. Environment	-----	<ul style="list-style-type: none"> <li>- values reported in Scope 2 concern emissions from purchased electricity and, for buildings rented by the companies within the reporting perimeter, thermal energy.</li> <li>- With reference to the data reported, the conversion factors provided by the tool developed by the GHG Protocol, Purchased Electricity Tool Version 4.8.0, were used.</li> <li>- It should be noted that the data reported, with respect to what is indicated in the "Reporting Requirements" of the GRI Disclosure, relates to the calculation of Scope 2 emissions with a location-based method.</li> </ul>	All the companies included in the reporting boundary (see Chapter 1 "Methodological Note"). It is noted that, for Finn Power OY, the data is reported only for the production plant in Seinäjoki in Finland and for the branch office PP Belgium Nazareth.
GRI 102: GENERAL DISCLOSURES	Disclosure 102-8: Information on employees and other workers	7. HR and social management	-----	The reported amounts refer to personnel employed at 31 December of the relevant year.	All the companies included in the reporting boundary (see Chapter 1 "Methodological Note").

GRI STANDARDS	DISCLOSURE	CAP.	PAG.	Foot note	Reporting Perimeter
GRI 401: EMPLOYMENT	401-1: New employee hires and employee turnover	7. HR and social management	-----	The turnover rate was determined by comparing the number of workers who left during the period 1/01-31/12 of the year referenced with respect to the workforce on 01/01 of the year in question for the companies in the perimeter multiplied by 100.	All the companies included in the reporting boundary (see Chapter 1 "Methodological Note").
GRI 403: OCCUPATIONAL HEALTH AND SAFETY	403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	7. HR and social management	-----	<ul style="list-style-type: none"> <li>- Accidents considered in the calculation of the indicator include all accidents at work involving days lost, excluding accidents en route.</li> <li>- Rates of accidents/days lost were calculated by relating the number of accidents/days lost to the total hours worked and applying a multiplier of 1,000,000 in the first case and of 1,000 in the second case.</li> <li>- The rate of absenteeism was calculated by relating the number of days of absence not due to holidays, leave, maternity, etc. to the total number of working days planned (theoretical hours from the payroll time-reporting system, where available, or estimated data, if this system is not available) and applying a multiplier of 1,000.</li> <li>- Accidents are recorded and analyzed autonomously by each company, in order to monitor trends and evaluate any preventive and corrective actions that should be taken to bring the total number of</li> <li>- It should be noted that the reported data, with respect to what is indicated in the "Reporting Requirements" of the GRI Disclosure, relates only to Group employees and does not provide a breakdown by region.</li> </ul>	<p>All the companies included in the reporting boundary (see Chapter 1 "Methodological Note").</p> <p>It is noted that, for the Finn Power OY company, the data is only reported for the production plant in Seinäjoki, Finland. However, there were no injuries at the company's branch offices.</p>

GRI STANDARDS	DISCLOSURE	CAP.	PAG.	Foot note	Reporting Perimeter
GRI 404: TRAINING AND EDUCATION	404-1: Average hours of training per year per employee	7. HR and social management	-----	The calculation of the average training hours is carried out by means of the ratio between the training hours provided and the workforce as of 31/12 for the year referenced.	The indicator is exclusively reported for the following companies: - Prima Industrie S.p.A - Prima Electro S.p.A - Prima Power Iberica SL - Prima Power North America Inc <sup>6</sup> - Prima Power Laserdyne LLC - Finn Power OY - Prima Power Suzhou Ltd - OOO Prima Power
	404-3: Percentage of employees receiving regular performance and career development reviews	7. HR and social management	-----	The reported data was obtained from the company portal, within which all the evaluations assigned to the people involved in the performance management program are recorded and monitored centrally, with the exception of Prima Electro and Finn-Power OY, which manage their own skills assessment program. MBOs are managed outside the system. The data relates to the evaluation of performance in 2018, which were carried out in the first half of 2019.	The indicator is reported for the following companies: - Prima Industrie S.p.A - Prima Electro S.p.A - Prima Power Iberica SL - Prima Power North America Inc <sup>7</sup> - Prima Power Laserdyne LLC - Finn Power OY - Prima Power Suzhou Ltd - OOO Prima Power
GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES	405-1: Diversity of governance bodies and employees	2. The Prima Industrie Group  7. HR and social management	-----	-	The breakdown by age and gender groups of the members of the governing bodies is given only for Parent Company Prima Industrie and for Prima Electro.  The data relating to employees from protected categories are only shown for: - Prima Industrie S.p.A. - Prima Electro S.p.A. - Finn-Power OY
	405-2: Ratio of basic salary and remuneration of women to men	7. HR and social management	-----	- Compared to the "Reporting Requirements" of Disclosure GRI, the data reported only relates to basic salary.	All the companies included in the reporting boundary (see Chapter 1 "Methodological Note").
GRI 205: ANTI-CORRUPTION	205-2: Communication and training about anti-corruption policies and procedures	8. Anti-Corruption	-----	- It is noted that the data reported, with respect to what is indicated in the "Reporting Requirements" of the GRI Disclosure, exclusively regards the anti-corruption training provided to the employees of Prima Power Laserdyne LLC. - With reference to communication initiatives, it should be noted that the Group's Code of Ethics was transmitted and signed to indicate acceptance by the Group's new hires.	The indicator is exclusively reported for the following companies: - Prima Power Laserdyne LLC

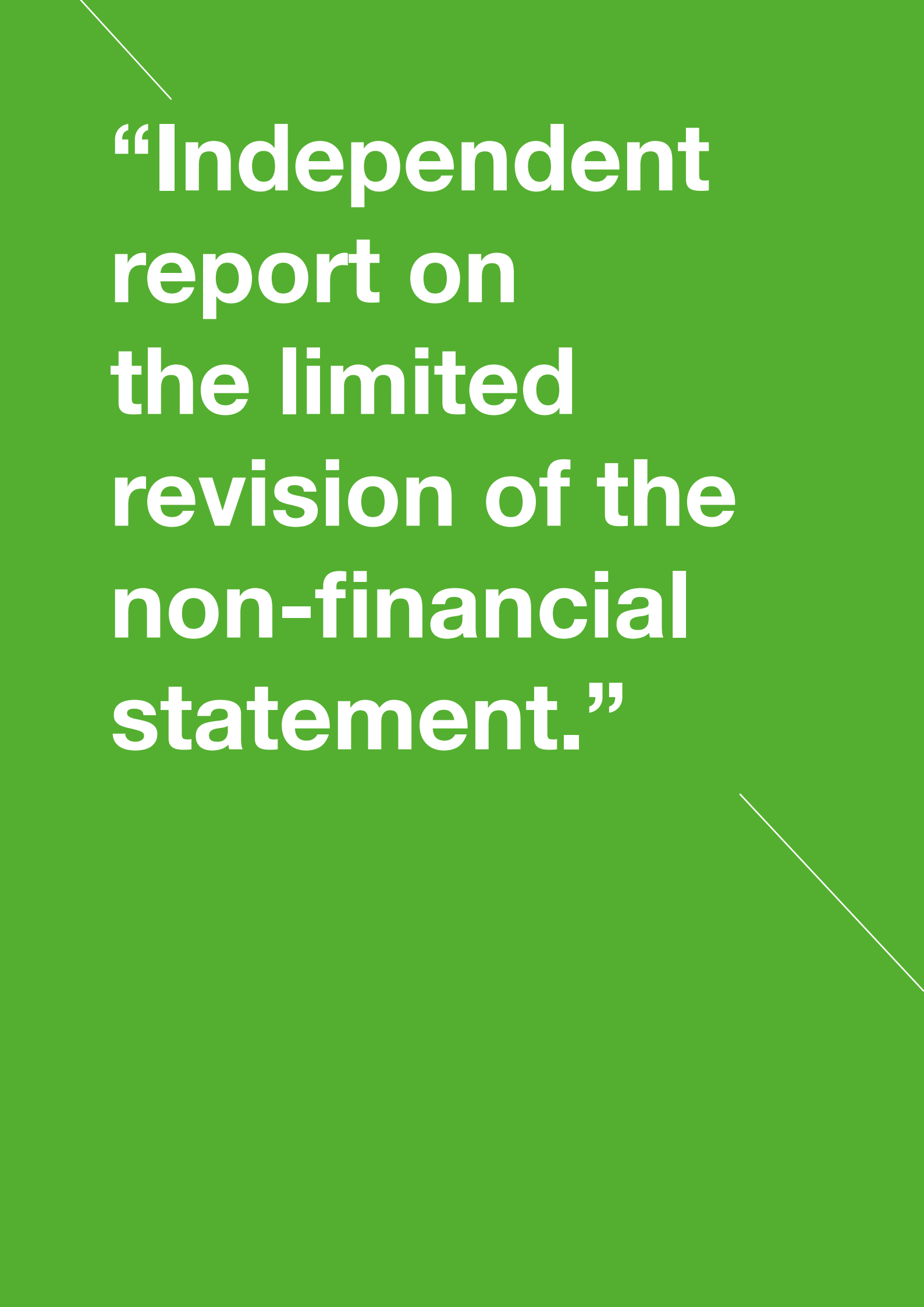
GRI STANDARDS	DISCLOSURE	CAP.	PAG.	Foot note	Reporting Perimeter
GRI 416: COSTUMER HEALTH & SAFETY	416-2: Incidents of non-compliance concerning the health and safety impacts of products and services	5. Products	-----	-	All the companies included in the reporting boundary (see Chapter 1 "Methodological Note").
<b>Other indicators non GRI</b>					
Investments in Research and Development		5. Products			All Group companies

**(Footnotes)**

- 1 The number of employees refers to people with an existing contract as of 31/12/2019. Employment contracts concluded as of 31/12/2019 are considered active for that year, while they will no longer be considered active the following year.
- 2 It should be noted that on 31/12/2019, the merger that saw the absorption of CONVERGENT PHOTONICS in PRIMA POWER NORTH AMERICA Inc. took place, which in the meantime has been renamed PRIMA INDUSTRIE NORTH AMERICA Inc.
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**“Independent  
report on  
the limited  
revision of the  
non-financial  
statement.”**



**PRIMA INDUSTRIE SPA**

**INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED  
NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,  
PARAGRAPH 10, OF LEGISLATIVE DECREE NO. 254/2016 AND  
ARTICLE 5 OF CONSOB REGULATION NO. 20267 ADOPTED BY  
RESOLUTION OF 18 JANUARY 2018**

**YEAR ENDED 31 DECEMBER 2019**





## ***Independent auditor's report on the consolidated non-financial statement***

*pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 adopted by Resolution of 18 January 2018*

To the Board of Directors of  
Prima Industrie SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have performed a limited assurance engagement on the consolidated non-financial statement of Prima Industrie SpA and its subsidiaries (hereafter the "Prima Industrie Group" or the "Group") for the year ended 31 December 2019 prepared in accordance with article 4 of the Decree and approved by the Board of Directors on 9 March 2020 (hereafter the "NFS").

### ***Responsibilities of the Directors and of the Board of Statutory Auditors for the NFS***

The Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree, with the "GRI-Sustainability Reporting Standards" defined in 2016 (hereafter the "GRI Standards"), with reference to selected GRI Standards, as laid down in paragraph "Methodological note" of the NFS.

The Directors are also responsible, in the terms prescribed by law, for such internal controls as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Moreover, the Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Finally, the Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

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### ***PricewaterhouseCoopers SpA***

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### ***Auditor's Independence and Quality Control***

We are independent in accordance with the principles of ethics and independence set out in the *Code of Ethics for Professional Accountants* published by the *International Ethics Standards Board for Accountants*, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts *International Standard on Quality Control 1 (ISQC Italy 1)* and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

### ***Auditor's responsibilities***

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards. We conducted our engagement in accordance with "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereafter "*ISAE 3000 Revised*"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised ("*reasonable assurance engagement*") and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily with company personnel responsible for the preparation of the information presented in the NFS, analysis of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and with the reporting standards adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. comparison of the financial information reported in the NFS with that reported in the Group's Consolidated Financial Statements;
4. understanding of the following matters:
  - business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
  - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
  - main risks generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree.

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;

5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In particular, we held meetings and interviews with the personnel and top management of Prima Industrie SpA and we performed limited analyses of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at the holding company level,
  - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
  - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- for the following companies, Prima Industrie SpA, Prima Electro SpA, Prima Power North America Inc. and Finn-Power OY, which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

### **Conclusions**

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Prima Industrie Group as of 31 December 2019 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards, with reference to selected GRI Standards, as laid down in paragraph "Methodological note" of the NFS.

Turin, 30 March 2020

PricewaterhouseCoopers SpA

*Signed by*

Piero De Lorenzi  
(Partner)

*Signed by*

Paolo Bersani  
(Authorised signatory)

*This report has been translated from the Italian original solely for the convenience of international readers. We have not performed any controls on the NFS 2019 translation.*

**Prima Industrie S.p.A.**

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