



ready to go,
ALWAYS



2020

SUSTAINABILITY REPORT

ready to go,
ALWAYS



2020

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

SUSTAINABILITY REPORT

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Letter from top management

Dear Shareholders,

It has been roughly a year now since our world and sense of normality has been disturbed and upset by the COVID-19 pandemic.

We had just begun a year ago to familiarise ourselves with the new language and reality that taught us terms such as "Coronavirus," "pandemic," "COVID-19," "lockdown," and the now infamous "social distancing" (which, more than a paraphrase, has all the contents of an oxymoron).

Above all, however, this disease that hit at the beginning of the decade in this century has taught us that there is no sustainability if there is no resilience, meaning the ability to resist and adapt to a situation and status quo that is unlike any other that has occurred before; resilience defined as the ability to positively cope and adapt to a traumatic event such as that of the pandemic.

In this context, which has been anything but easy, PRIMA INDUSTRIE has been resilient thanks to one of its intrinsic features, which most importantly lies in the fact that its customers, as well as production activities, are in vastly different geographical areas. This is extremely important because even when the crisis, such as that induced by COVID-19, affects all

areas of the world, the temporal dynamics of the crisis's impact on these areas are different and the measures implemented by the various countries are also coped with in diverse ways. Consequently, the crisis's impact is not the same in every area in which the Group operates, allowing the Group to adjust its activities according to each geographical area. Another intrinsic resilience factor is linked to the diversification of industrial sectors for the outlet of the product. In this case, the impact of the crisis has also not been, and is not, the same for all the target sectors for which the Group produces and therefore, in the face of a very strong and sudden decrease in demand from sectors such as the aerospace industry or the already depressed automotive sector, the Group has concentrated on serving sectors such as sheet metal, working on the production of lifts, ventilation and air conditioning systems, lighting systems, metal furniture, as well as refrigerators and refrigerated counters, the demand for which remained at reasonable levels, being linked to different underlying macro trends.

However, beyond the previously mentioned intrinsic resilience capacities, the Group, faced with the serious crisis of recent months, has been able to take from it an important starting point to invent a type of sustainability that is not only valid today, but also capable of becoming and above all hereinafter, a new tool and operating model.

Indeed, when it has become complicated for people to travel and move, or, in some cases, even impossible, the Group has invested in technology that makes it possible to carry out some processes that were previously done by moving people and their skills. Through streaming and virtual reality systems, we have remotely connected our employees with customers so that they can install and service our machines despite their technological complexity. Many training sessions were carried out remotely to ensure that our employees and distributors, who are located all over the world, could operate.

Furthermore, PRIMA INDUSTRIE has launched a streaming platform for customers called "Prima@ Home," which allows us to create virtual webinars and open houses. Using this application, virtual demonstrations can be arranged for customers

to present and introduce them to PRIMA POWER machines without it being necessary to move and travel to the Group's showrooms.

In addition to all of this, aware of the fact that people are our most significant asset, PRIMA INDUSTRIE has activated "agile working" (also known as "smart working") since the start of the pandemic, encouraging employees, where possible, to take advantage of this initiative. Employees who requested a COVID test were also given access to on-site serological testing. Finally, I would like to highlight that we have never ceased to invest in the Company's future, as well as that of its shareholders, creating modern and energy efficient production sites in China, Finland, and the US in recent years. PRIMA INDUSTRIE has also been working for several years on the construction of its new headquarters in Collegno (Turin), where its current offices and Advanced Laser Centre (a laboratory dedicated to laser applications) are already located and where the construction of the new production plant has nearly been completed. We are hoping to inaugurate this new space between spring and summer 2021. The building will be equipped with the latest technologies for energy saving, including thermal insulation and energy production, thanks to photovoltaic panels, solar panels, and a geothermal system. The lighting will be managed by a home automation system to reduce waste while the car park will be equipped with charging towers for electric vehicles. With the hope that the world can look beyond the COVID-19 pandemic within the next few months, we would like to point out that it is precisely the issues of sustainability, respect for the environment and people, and the generation of value in the medium-long term, that look to pervade, today more than ever, the work of PRIMA INDUSTRIE GROUP.

As usual, we would like to thank all our employees, partners, customers, and stakeholders for having contributed to the achievement of our goals, even during a highly volatile context such as the one we experienced during 2020. We hope to treasure what we have learned to ensure a better world for present and future generations.

**The Chairman
of the Board of Directors**

chapter 1.



1. Methodological note



1.1 Reporting goals

With this fourth 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 disclosure of non-financial information and diversity information by certain large undertakings and groups” (hereinafter, for the sake of brevity, also “D.Lgs 254/2016” or “the Decree”), presenting the

“Consolidated non-financial statement” in the form of a “separate report”, as set forth in Art. 5 “publishing of the declaration and publishing standards for the Decree”.

In accordance with the Decree (Art. 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 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 NFS includes information relating to the topics that have been highlighted as being of specific importance for the purposes of 2020 non-financial reporting in the document, "European Common Enforcement Priorities for 2020 Annual Financial Reports," published by the European Securities and Markets Authority (ESMA, the regulation of the European securities market) on 28 October 2020 and stated in Recall no. 1/21 of 16 February 2021. Information is also provided in the Group's 2020 Annual Financial Report and, therefore, for more details, reference can be made to the related document.

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 and subsequent updates) as the technical and methodological reference for reporting the information required by the Decree and contained in this document. Specifically, the Group has chosen not to prepare the document according 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 table of indicators summary 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:

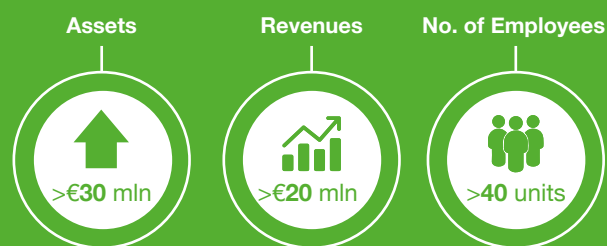
- PRIMA INDUSTRIE SpA
- FINN POWER OY
- PRIMA ELECTRO SpA
- PRIMA POWER GmbH
- PRIMA POWER IBERICA SL
- PRIMA POWER LASERDYNE LLC
- PRIMA INDUSTRIE NORTH AMERICA Inc (dba PRIMA POWER NORTH AMERICA)
- PRIMA POWER SUZHOU Co Ltd.
- 000 PRIMA POWER

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

Compared to the previous year, no changes were made to the reporting perimeters.

Despite the increased number of companies included in the consolidated financial perimeter, for the purpose of accounting 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.

In defining the reporting perimeter, PRIMA INDUSTRIE considered the following parameters (which are unchanged compared to the previous year):



Including the Group's companies that meet at least two of the parameters set as of 31/12/2020.

With reference to the 2018-2020 accounting period (data on 31/12/2020, on 31/12/2019 and on 31/12/2018 for the PRIMA INDUSTRIE Group), the percentages of coverage reached through the selection of the previously mentioned companies are the following:

% on aggregated datum	2020	2019	2018
Assets	93%	93%	92%
Revenues	90%	89%	88%
No. of Employees	88%	89%	87%

Relative to the consolidated companies, PRIMA INDUSTRIE in the future will reserve the right to integrate the perimeter taken into consideration for the future to guarantee better conformity with the requirements set forth in the Decree.

For ensuring, as required under Legislative Decree no. Decree 254/16, a comparison of information with previous reporting periods and for complying with the principle of comparability under the GRI Standards, quantitative and qualitative data in this report refer to reporting periods 2018, 2019 and 2020. Since 000 PRIMA POWER was included in 2019, the related data is shown only for 2019 and 2020.

No reclassifications were made in 2020, but, in certain cases and in relation to some data, some irregularities and information are supported by numerical data that

refers only to 2020, with possible comparison to 2019 where possible.

Any exception to the above identified criteria are reported in the single sections of the Report. This Sustainability Report has been audited by PricewaterhouseCoopers SpA. 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 Art. 3 of the Decree are presented in the report drafted by the auditing firm, which are reported at the end of this document.

For more information on the issues dealt with in this document, please contact the PRIMA INDUSTRIE Group at: ir@primaindustrie.com.

1.4 Sustainability Report drafting process

The PRIMA INDUSTRIE Group has defined a punctual, shared, and organised process of data collection and processing managed internally by a Working Group coordinated by the corporate functions (Finance, Human Resources, Legal and Internal Audit) that intervene on the individual matters that are being





monitored, with the heads of the individual operational areas of the three divisions (PRIMA POWER, PRIMA ELECTRO and PRIMA ADDITIVE). Responsibility for the project is entrusted to the Manager in charge of the coordination of the activities for the supported GROUP, specifically with a dedicated person from HR.

The Work Group carries out its activities and shares their initial organisation with the external Audit Firm, then provides support over the course of data collection and processing with all the peripheral structures (Group companies 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, overcoming 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 organisational nature to increase the quality of the level of attention in all the corporate components for the same topics.

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;

- preparation of the timeline for the activities;
- 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, 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.

1.5 Stakeholder engagement

When deciding on the structure and content of this document, PRIMA INDUSTRIE took account not only the requirements to 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;
- analysed the sustainability context and its reference sector by benchmarking its main competitors and analysing the issues through which to 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 Art.

3 of the Decree and for the topics considered relevant for the core business of the Group and its stakeholders, assessing the importance of the topics from the point of view of PRIMA INDUSTRIE and that of the stakeholders of reference;

- updated the materiality matrix on an annual basis to ensure that the positioning of material issues is always in line with the evolution of the company and the needs of stakeholders.

PRIMA INDUSTRIE stakeholders

Stakeholders were identified as those subjects (individuals, groups, organisations) with financial links to the company or with various interests in it or who are significantly affected by it.

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

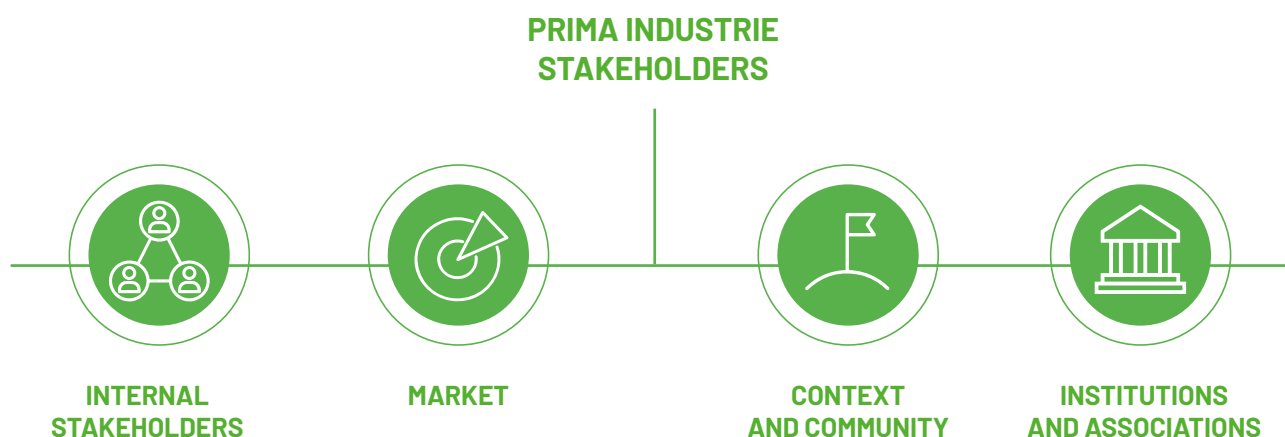
Providing useful information regarding the sustainability of its business, the PRIMA INDUSTRIE Group offers stakeholders the opportunity to increase and improve their ability to make choices and assessments, including with regard to ethical and social matters.

The Group's commitment to sustainability issues is primarily reflected in its customers, who are in direct contact with end consumers: sustainability understood in this way is a focus on all markets and in the various areas in which company products are present.

This commitment also helps to generate a good reputation for those who have invested in PRIMA INDUSTRIE as a company that manages its industrial activities in compliance with the various forms of sustainability, including financial, environmental, and social, in all the areas that it operates in.

In addition to Customers and Stakeholders there are a number of subjects who can influence or are influenced, by the activities of the Prima Industrie Group in terms of products, policies and processes. This broader meaning includes public institutions, business associations, trade unions, schools and universities, local authorities and other reference institutions for the company.

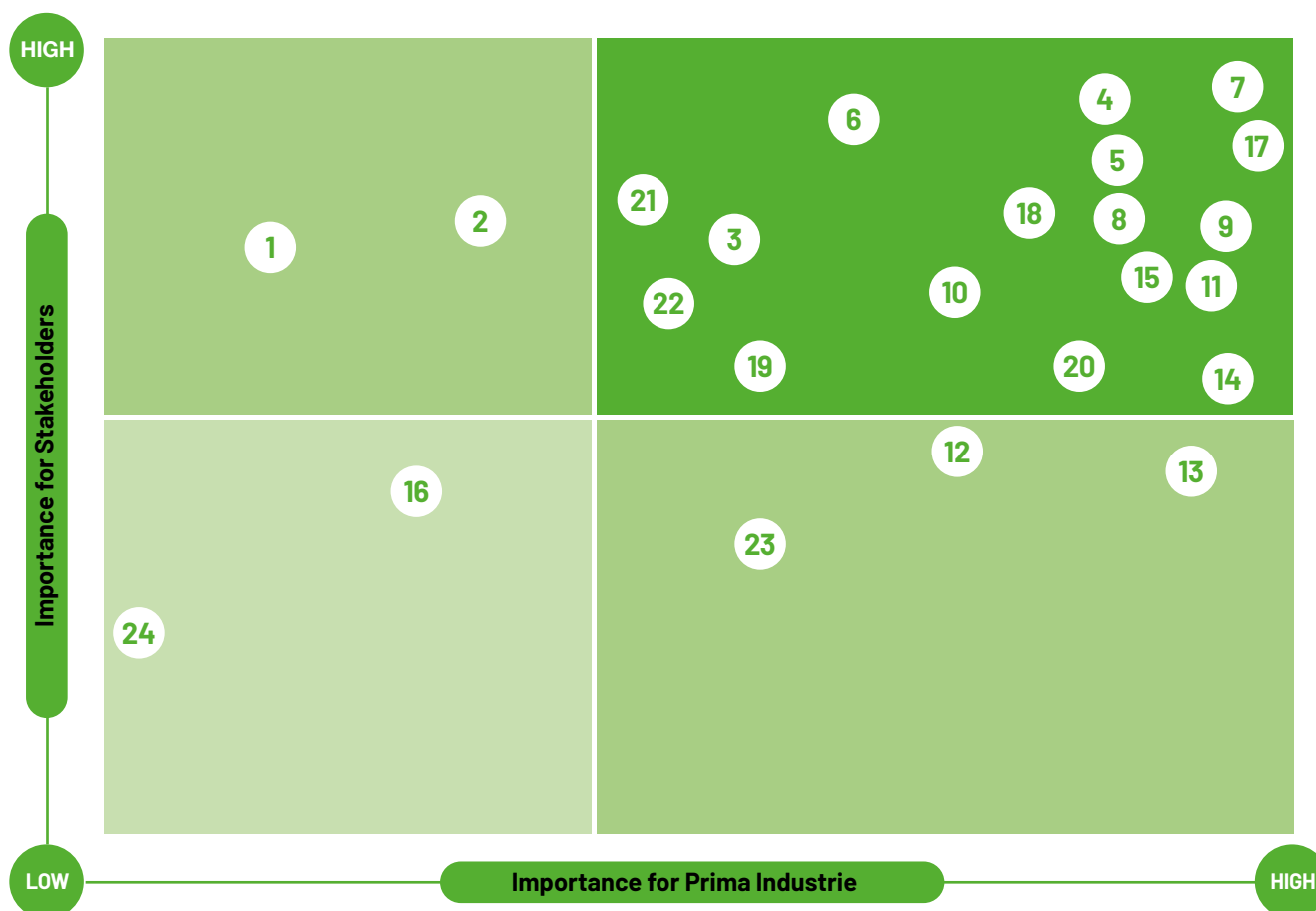
The Group has worked consistently over time to develop an information and communication system, which it uses to interact and dialogue with all of its local, national and international interlocutors.



Shareholders	Customers	States	Industry associations
Bondholders	Suppliers	Local communities and authorities	Legislators
Employees and collaborators	Financial community	Schools and universities	Monitoring bodies and authorities
Unions	Analysts	Media	Banks and lending institutions

1.6 Materiality analysis

Following the materiality analysis carried out, PRIMA INDUSTRIE has built its own materiality matrix, as illustrated below.



BUSINESS AND GOVERNANCE TOPICS

- 1 Remuneration of Capital
- 2 Information-Media
- 3 Subcontractors and suppliers management
- 4 Risk Management
- 5 Innovation
- 6 Economic growth
- 7 Financial sustainability
- 8 Quality
- 9 Anti-corruption
- 10 Regulatory compliance
- 11 Ethics and integrity
- 12 Transparency
- 13 Image and reputation
- 14 Customer satisfaction
- 15 Process digitisation
- 16 Product traceability



SOCIAL TOPICS

- 17 Health & Safety (internal and external)
- 18 Human resources management and social issues
- 19 Equal opportunities and non-discrimination
- 20 Human rights



ENVIRONMENTAL TOPICS

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

The graph summarises the result of the materiality analysis conducted by PRIMA INDUSTRIE, in order 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 which 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.

Compared to the materiality matrix published in the previous edition, the following changes have been made:

- introduction of digitisation among the material topics: it will be dealt with in the "Processes" chapter
- the subdivision of the topic previously defined as "Economic/Financial Growth" into "Economic Sustainability" and "Financial Sustainability." See next paragraph
- change in positioning, with the acquisition of greater importance both from the point of view of the company and that of the stakeholders, of the "Risk Management" and "Health and Safety". This shift is due to the impact of the COVID-19 pandemic and the company's ability to react to it
- the slight reduction in the importance given by stakeholders to the management of suppliers and sub-contractors, as the strong push given to these issues in the past years has led to a change in the approval procedures of the suppliers themselves, which in 2020 began to be applied as explained in the paragraph dedicated to the Company's Supply Chain.





1.7 2020: The pandemic and material issues

2020 was characterised, all over the world and for every production and social sector, by the COVID-19 pandemic. Companies have been called upon to react to this emergency, which could have had a specific impact on aspects of financial and social sustainability. During 2020, all the organisational structures were tested in their ability to manage risk and emergencies brought about by the changed situation around the world in a timely, effective, and efficient manner.

Most of the material issues, and consequently, the topics covered in this Sustainability Report, will reference the way that the company has reacted to the emergency and to the initiatives implemented to protect stakeholders and maintain a high level of attention to the various forms of corporate sustainability.

Regarding the various topics, we therefore refer to the individual topics and chapters, while for the materiality matrix there were two main changes highlighted by both stakeholders and company managers:

- economic and financial growth has always been significant both for the Company and

for its stakeholders. In 2020, the COVID-19 emergency prompted the Company to pay close attention to **financial sustainability**, since in an economic context affected by the pandemic and a consequent drastic decline in our reference markets, the careful and efficient management of liquidity has become essential to ensure the Group's business continuity without concern. Therefore, for the purposes of identifying the sustainability issues deemed most relevant, **economic and financial sustainability**, were separated in 2020 to more specifically highlight the actions undertaken and the related results that were achieved.

- the need for interpersonal distancing has accelerated the push towards **digitisation** that had already been started in past years and in relation to which the company has already made and will continue to make huge investments, both from the point of view of digital infrastructure, and from the perspective of the organisation of its activities, both internally, and externally with respect to the relationship with customers.

Since the materiality analysis carried out in the past is the result of a long-term sustainability strategy, no further significant changes were necessary despite the emergencies brought about by the external context.

chapter 2.

 **PRIMA
INDUSTRIE**

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

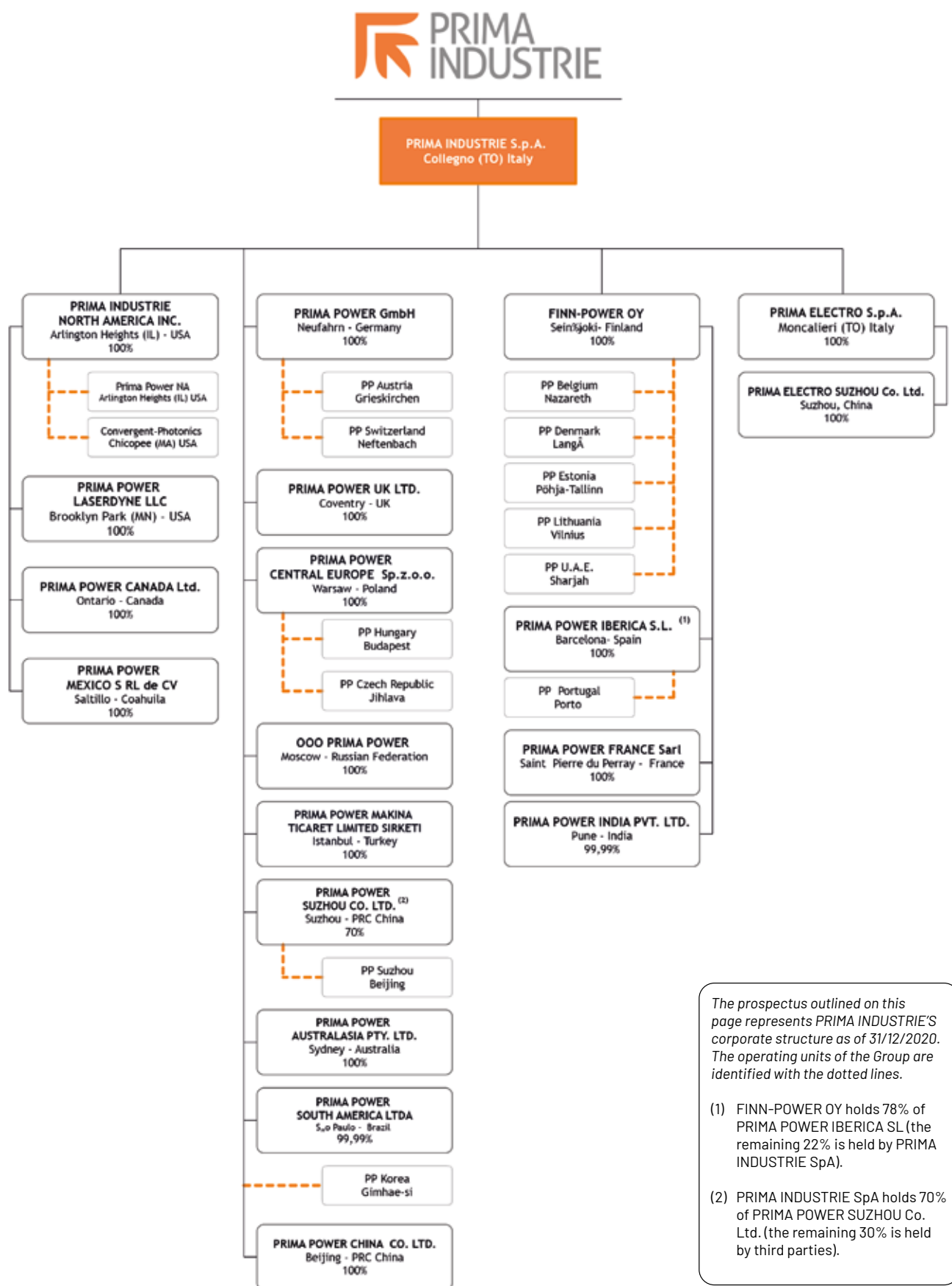
manufacturers in its reference markets.

The Group has more than 1,700 employees and production plants in Italy, Finland, 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 organised 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 mainly used for the production of three-dimensional components or for the processing of moulded 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 moulded.

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
- Panelling bending machines
- Bending presses
- Automation systems

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

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

The division operates in the **electronics sector** with the PRIMA ELECTRO brand.

It also includes fiber **Laser Sources**, which are one of the laser machine components with the greatest technological content and the greatest added value.

The Group designs and manufactures the Laser Sources and its key components (such as the diodes, which represent almost 50% of the industrial cost of the source) that are installed on the laser machines manufactured by the PRIMA POWER division.

PRIMA ELECTRO now has a complete range of fiber laser sources intended not only for industrial cutting and welding applications, but also for Additive Manufacturing applications or applications relating to the medical sector.

In the Laser Sources sector, the division operates under the Convergent Photonics brand (Convergent was the name of the company specialised in the production of Laser Sources acquired by the Group in 2000) at the American site in Chicopee (Massachusetts) where it designs and manufactures the main components of the source laser (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 Powder Bed Fusion process uses thermal energy to melt specific points on a layer of metal powder. The thermal energy - produced by a laser source - melts the powder, which solidifies upon cooling and in this way every part of the product is created. The piece is made starting from a layered design, with a process that is repeated layer by layer to compose the final shape.

The Laser Metal Deposition process uses thermal energy generated by a laser source, focused to melt the metal powder that is sprayed at the focal point of the laser beam. This laser beam fuses the dust with the component on which it is deposited. The laser is coaxial with the deposition head, which moves on several axes between 3

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



and 5. It is also possible to install a rotating and tilting table to keep the melting area on a horizontal plane. This potentiality makes the process suitable for adding parts to existing pieces, as well as for repairs and coatings.

PRIMA ADDITIVE responds to different industrial and research needs, developing metal printing machines suitable for any type 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 aim of making Additive Manufacturing for metal an integral part of your production and research apparatus, PRIMA ADDITIVE has designed and offers

turnkey solutions consisting of machines, pre and post processing equipment, application development, digital services, and support.

The experience and expertise gained in over 40 years by the PRIMA INDUSTRIE Group on laser systems and customer support are the main factors that guarantee each customer's success.

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)

2D laser machines and 3D laser machines (except for Prima Power Laserdyne Laserdyne models).

Additive Manufacturing Technology.

Advanced Laser Center (Research Center).



Moncalieri (TO)

Electronic boards.

Turin

Power Diode Research Centre.



Barone C.se (TO)

Laser Sources.

Electronic.



Cologna Veneta (VR)

Paneling machines and pressing-bending machines.



Brooklyn Park, MN - USA

3D laser machines for aerospace, automotive, energy and additive manufacturing applications (Direct Energy Deposition).



Chicopee, MA - USA

Convergent Laser Sources.



Seinäjoki - Finlandia

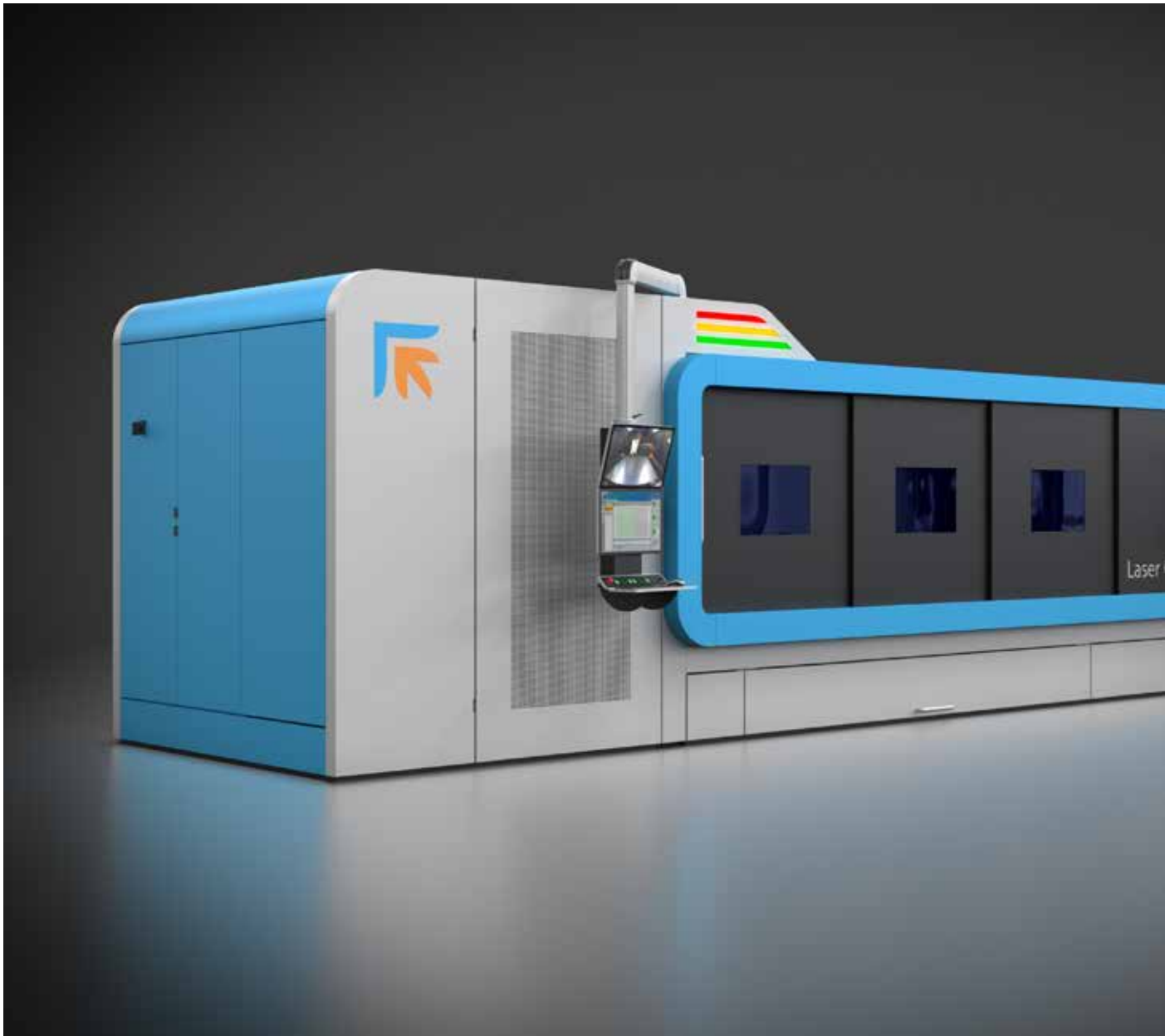
Machines for sheet metal processing: Punching systems, integrated punching and shearing systems integrated punching and laser cutting systems.



Suzhou, China

2D Laser Machines and Punching Machines.

Industrial Electronics.



Production is organised 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 certify the successful conclusion of the production process and authorisation 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 mainly carried out 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



Staff are periodically trained to keep up with developing technology, interacting with our Technology and Training Centres in Finland, Italy, USA and China to manage customer training.

(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 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 is directly present, the Group provides after-sales service to customers for installed products. After-sales mainly consists of 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 retrofitting.

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

The Group's global service network is made up of specialised 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 Centres 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 Seinäjoki (Finland) and Cologna Veneta (Verona) are the Group's main know-how and service centres. Their tasks include providing

support to the various service centres in different countries, as well as developing and giving advice on the entire range of services offered.

In countries where the distributors are organised 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 through its Remote Care service. Rather than wait for unexpected machine downtime, Remote Care proactively analyses machine performance, ensuring production efficiency by helping to avoid unplanned production interruptions and saving time in terms of correcting any potential malfunctions. Remote Care is a powerful tool that maximises machine uptime and production efficiency.

The remote monitoring system, in accordance with the best data security and privacy standards, collects machine data, records the history of operations made to the machine, and saves data regarding the use of components and alarms in the PRIMA POWER database.

The collected data is used to produce efficiency reports that include an analysis of machine downtime, alarms, and the machine's condition. Upon request, PRIMA POWER specialists can analyse the data, providing a summary and suggesting actions that

can be taken to improve the overall efficiency of the production process.

With Remote Care, you get an overview of the current condition of the individual machines and production overall. Remote Care enables direct online contact between PRIMA POWER and the customer's production technology, providing quick access to the machine's condition and speeding up remote assistance.

Key factors for success

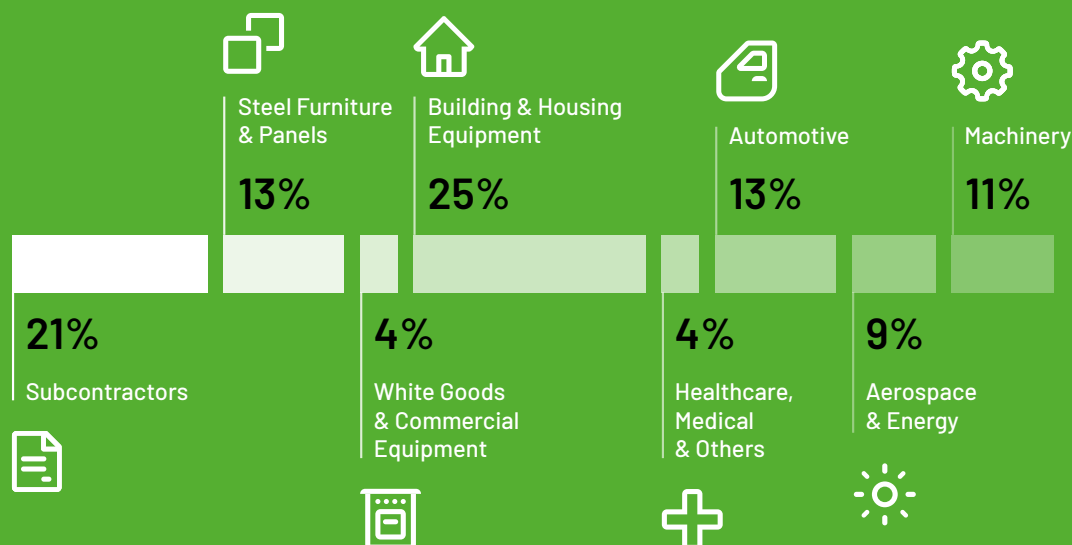
Particularly in the machine area, the Group believes the key factors for success can be summarised as follows:

- 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 2020 is as follows.



Economic performance

PRIMA INDUSTRIE Group's economic performance, as previously mentioned, was significantly affected

by the COVID-19 pandemic in 2020, as shown in the following table (for more details, see the contents of the Annual Financial Report 2020):

AMOUNTS EXPRESSED IN THOUSANDS OF EUROS	31/12/20	31/12/19	CHANGES	CHANGES %
ORDERS	323,093	410,417	(87,324)	-21.3%
ORDER BOOK	124,722	142,332	(17,610)	-12.4%
REVENUES	332,963	427,582	(94,619)	-22.1%
EBITDA	27,185	38,432	(11,247)	-29.3%
EBITDA %	8.2%	9.0%	-0.8%	-
EBIT	(5,258)	14,391	(19,649)	-136.5%
EBIT %	-1.6%	3.4%	-5.0%	-
NET RESULT	(7,414)	8,818	(16,232)	-184.1%
FCF	15,600	(4,197)	19,797	471.7%
NET FINANCIAL DEBT	(96,274)	(107,343)	11,069	10.3%
WORKFORCE	1,735	1,781	(46)	-2.6%

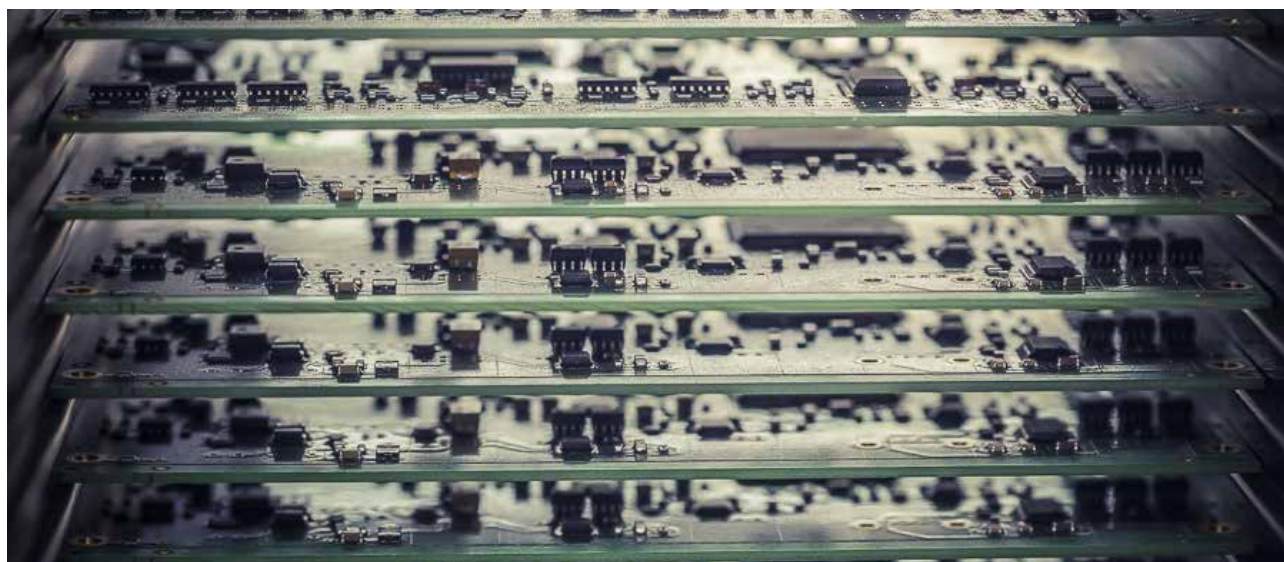
(Percentages are always considered in relation to revenues)

(Headcount expressed in units)

AMOUNTS EXPRESSED IN THOUSANDS OF EUROS	31/12/20	31/12/19	CHANGES	CHANGES %
REVENUES AT CONSTANT EXCHANGE RATE	339,197	427,582	(88,385)	-20.7%
EBITDA Adj	28,438	41,014	(12,576)	-30.7%
EBITDA Adj %	8.5%	9.6%	-1.1%	-
EBIT Adj	6,481	18,610	(12,129)	-65.2%
EBIT Adj %	1.9%	4.4%	-2.5%	-

(Percentages are always considered in relation to revenues)

(Please note that the adjusted performance indicators, as illustrated in Annex 2 of this document, correspond to the same indicators net of non-recurring items only)



Financial sustainability

PRIMA INDUSTRIE's reaction to the crisis caused by the COVID-19 pandemic has been unprecedented. Never before has it attributed such fundamental importance to the issues of liquidity and sustainability in general.

PRIMA INDUSTRIE Group, faced with a significant reduction in turnover due to the global crisis caused by the pandemic, had the main goal of meeting its financial obligations in a timely and continuous manner (payment of salaries to its employees, payment of invoices to its suppliers, payment of interest to lenders, repayment of loans, and other payments).

While being careful never to find itself in a liquidity crisis, PRIMA INDUSTRIE has taken the steps to obtain new lines of credit to increase its liquidity that can be used in case of necessity and to balance its short-term exposure with that of the medium-long term.

Furthermore, since PRIMA INDUSTRIE Group, whose vocation for technology innovation is well-known,

did not intend to interrupt, even in times of crisis, its path to innovation in terms of its products and the digitisation of its processes and services, it has made specific use of a five-year loan granted by Cassa Depositi e Prestiti (Loan and Deposit Fund – "CFP", drawn from the European Investment Bank ("EIB), with the purpose of financing new investments in research, development, and innovation. This has allowed the Group to finance investments in research and development, as well as the digitisation of PRIMA INDUSTRIE SpA, PRIMA ELECTRO SpA, and some projects carried out by FINN POWER OY, all companies that are included in EIB's perimeter.

As of 31/12/2020, the Group's Net Financial Debt amounted to 96,274 euro, an improvement compared to 107,343 euro as of 31/12/2019.

As of 31/12/2020, in addition to the cash amounting to approximately 63 million euro, the Group also has available unused lines of credit amounting to over 50 million euro.

The details of the Group's net debt are detailed below:

AMOUNTS EXPRESSED IN THOUSANDS OF EUROS	31/12/20	31/12/19
NON-CURRENT FINANCIAL RECEIVABLES	(4,233)	(4,243)
CASH AND CASH EQUIVALENTS	(62,999)	(55,136)
CURRENT FINANCIAL RECEIVABLES	(423)	(532)
CURRENT FINANCIAL LIABILITIES	52,861	43,326
NON-CURRENT FINANCIAL LIABILITIES	75,336	85,056
NET FINANCIAL DEBT (before leasing)	60,542	68,471
LEASING LIABILITIES	35,732	38,872
NET FINANCIAL DEBT	96,274	107,343



Finally, it is worth noting that the Group promptly took steps to ensure that potential risk of infringement regarding the financial covenants linked to existing loans did not generate critical situations of ongoing concern connected to the full repayment of the loans. Therefore, the suspension of the measurement of the covenants in 2020 (the so-called “holiday period”) or bank loans and a similar measure for the bond loan was requested and obtained.

Taxation and governance approach and management of tax risk

(Disclosure GRI 207 -1, GRI-207-2 and GRI 207-3 of GRI Standards 2019: Taxes)

PRIMA INDUSTRIE Group's tax contribution globally includes various types of taxes, which can be grouped into the following categories:

- income taxes, such as corporate profit tax;
- property taxes, levied on the ownership, sale or rental of real estate;
- labour taxes, which include taxes collected and paid to tax authorities on behalf of employees;
- indirect taxes levied on the production and consumption of goods and services, such as VAT, customs duties, etc.

In 2020, the Group recorded an effective positive tax rate of 42.4% (negative by 18.6% in 2019).

The Group's tax rate depends on the geographical distribution of pre-tax results and on the applicable tax laws in the different countries, but it can also be

influenced by specific contingent situation. In terms of 2020, the positive tax rate trend can be mainly attributed to the recorded tax losses in Italy and the related deferred tax assets recognised.

The tax approach reflects the principles, objectives, and commitments provided for in the various Group policies, which establish the standards and practices that are required by PRIMA INDUSTRIE Group. The Group is actively committed to acting with honesty and integrity in all tax matters and aims to pursue a transparent and sustainable long-term tax strategy.

Tax legislation is respected in all jurisdictions in which the Group operates. It works closely with tax advisors, auditors, and tax authorities to ensure the payment of taxes that are owed. The Group's tax affairs are managed in the most efficient way, in accordance with applicable tax regulations.

The approach to tax planning is conservative. Aggressive tax planning strategies are not pursued and artificial schemes without economic substance are not used for tax savings. Governments often provide tax incentives to promote investment, employment, and economic growth. We access these incentives when they are applicable to our business.

The Group has little propensity for tax risk. Reasonable and well-founded tax choices and interpretations are made in determining how a specific transaction or activity is to be treated. Considering the size and complexity of our business, risks may arise regarding the interpretation of complex tax regulations. These risks are managed by identifying and analysing them internally, and, if necessary, with the support of qualified tax consultants.

PRIMA INDUSTRIE's approach to tax issues is based on an ongoing relationship of exchange and transparency. We have a continual relationship with the tax authorities in which the company operates in and are based on exchange and constant updating so that we can promptly adapt our corporate tax approach to the indications put out by the authorities themselves.

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 enforcement of the Code, which is based on a flexible logic, allows issuers to set aside, in whole or in part, some of its recommendations, according to the comply or explain mechanism that is provided

for in Art. 123-bis of the Consolidated Law on Finance, namely by giving reasons for the non-application.

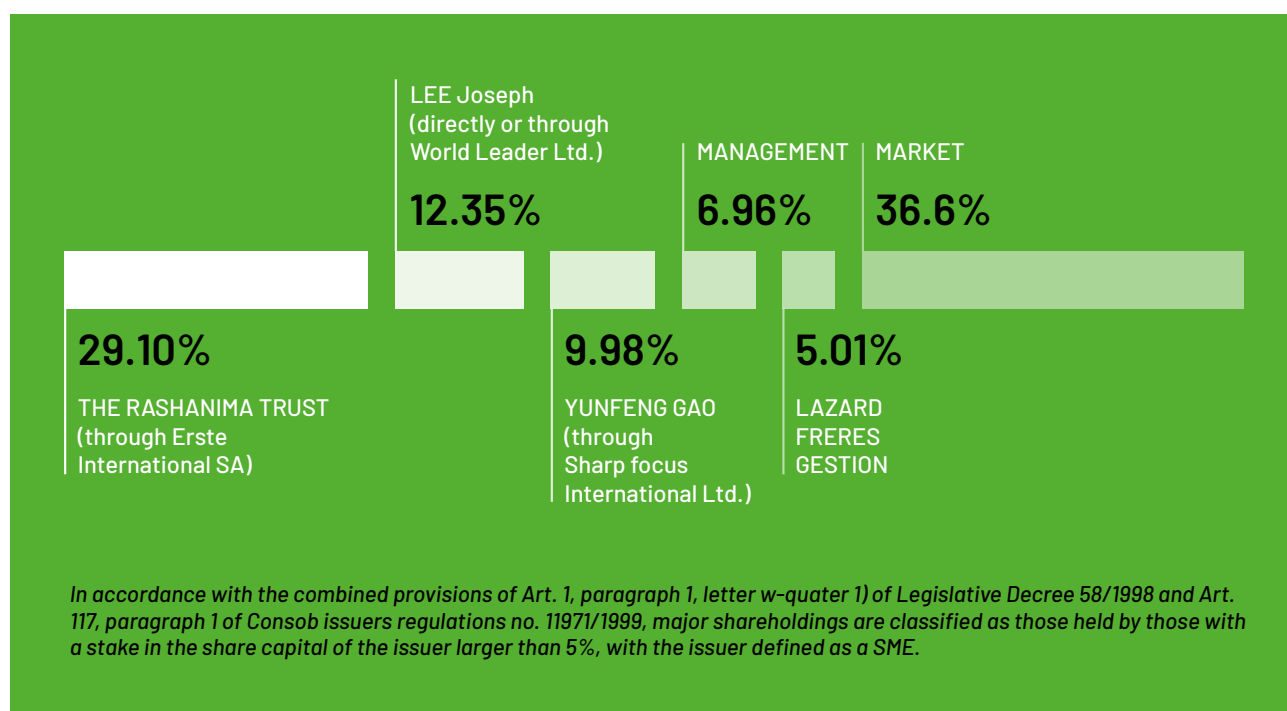
PRIMA INDUSTRIE provides details of its governance system in its Annual Report on Corporate Governance and Ownership Structure, prepared in accordance with Art. 123-bis of Legislative Decree no. 58/1998 (Consolidated Finance Act), to which the reader is referred for information not expressly reported 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 31/12/2020 is € 26,208,185.

According to the Shareholders' Register after payment of the last dividend (May 2019) 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 the 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.

The official audit of PRIMA INDUSTRIE Group is carried out by an independent firm of auditors.

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 at national and global level 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";
- US Foreign Corrupt Practices Act, Export controls rules;
- EU 2016/679 General Data Protection Regulation;
- 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 12 May 2020, 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 end of 2022.

When the Board of Directors was renewed, criteria related to diversity were applied, as well as the most recent provisions on gender quotas for the composition of its management, ensuring the adequate competence and professionalism of its members.

The member of the current board of directors are:

- Gianfranco Carbonato – *Executive Chairman*
- Domenico Peiretti – *Executive Vice President*
- Ezio Basso – *C.E.O.*
- Donatella Busso
- Francesca de Fraja Frangipane
- Paola Gatto
- Carlalberto Guglielminotti
- Michael Mansour
- Giuliana Mattiazzo
- Mario Mauri
- Lisa Tan

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 will remain in office until 31 December 2021.

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 Campra
- 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 2020 (Board of Directors and Board of Statutory Auditors)						Breakdown by gender and age group Governance Bodies 2019 (Board of Directors and Board of Statutory Auditors)						Breakdown by gender and age group Governance Bodies 2018 (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 (%)
-	2	6	-	1	5	-	1	8	-	1	4	-	1	8	-	1	4
-	14%	43%	-	7%	36%	-	7%	57%	-	7%	29%	-	7%	57%	-	7%	29%

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

The Committees

All the Committees are composed in compliance with the recommendations suggested by the Corporate Governance Code. For more details on the functions and duties of the various committees, please refer to the "Report on Corporate Governance and Ownership Structures," which is published on the company website.

The following are members of the Remuneration Committee:

- Francesca de Fraja Frangipane (Chair of the Committee), *Independent Director*
- Mario Mauri, *Director*
- Paola Gatto, *Independent Director*

The following are members of the Control and Risk Committee:

- Donatella Busso (Chair of the Committee), *Independent Director*
- Francesca de Fraja Frangipane, *Independent Director*
- Paola Gatto, *Independent Director*

The Related-Parties Committee is composed of the following members:

- Donatella Busso (Chair of the Committee), *Independent Director*
- Francesca de Fraja Frangipane, *Independent Director*
- Paola Gatto, *Independent Director*

The Company has also set up an internal Strategies Committee, with the following members:

- Domenico Peiretti (Chair of the Committee)
- Carlalberto Guglielminotti, *Independent Director*
- Michael Mansour, *Director*
- Giuliana Mattiazzo, *Independent Director*
- Mario Mauri, *Director*

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 Supervisory Body is composed of:

- Davide Conforti (President)
- Giorgio Gaetani
- Claudia Verro

The supervisory board, which has autonomous powers for intervention and control, is responsible for supervising operations and compliance with the company's organisational, management and control model as set out in Legislative Decree 231/2001, as well as overseeing its update¹.

¹ 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 Electro SpA.).

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.

The other company included in Italy's perimeter, in addition to the Parent Company, namely PRIMA ELECTRO SpA, also given its significant size, is characterised by a traditional governance model, i.e. characterised by the presence of 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 INDUSTRIE NORTH AMERICA Inc. (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 LASERDYNE LLC, is wholly owned by PRIMA INDUSTRIE NORTH AMERICA Inc, also due to the uniqueness of the business compared to the rest of the Group, is entrusted to a Sole Director.

The governance of PRIMA POWER SUZHOU Co. Ltd. (held 70% by PRIMA INDUSTRIE) has a Board of Directors, but in accordance with local regulations, nomination of a Board of Auditors is not required.

Smaller companies in Germany, Spain and Russia also have a sole director.

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 of the business.

PRIMA ELECTRO

Breakdown by gender and age group Governance Bodies 2020 (Board of Directors and Board of Statutory Auditors)						Breakdown by gender and age group Governance Bodies 2019 (Board of Directors and Board of Statutory Auditors)						Breakdown by gender and age group Governance Bodies 2018 (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	4	-	-	-	-	3	5	-	-	-	-	3	5	-	-	-
-	38%	62%	-	-	-	-	38%	62%	-	-	-	-	38%	62%	-	-	-

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

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 and destination 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, in 2018 the Group Code of Ethics was updated 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 in respect of current standards, encouraging comprehension and respect of diversity and

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

The way PRIMA INDUSTRIE operates can be summed up as four main values, which are also the reasons why, for over more than 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 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 strong partnerships with its customers to overcome the increasingly difficult challenges imposed by today's markets. The best solutions are found by listening and analysing 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 behavioural 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 Code of Ethics also focuses particular attention 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 centre 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

The Group holds respect for human rights at the centre of its business strategy. It is a theme that underlies the values of PRIMA INDUSTRIE.

employees, suppliers and other subjects outside of the company. The Group's companies implement regulations governing human rights, relative to non-discrimination, child labour and prevention of forced labour. In North America, most of the supply chain in the United States and Canada is located in these two countries, which are characterised 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 recognise freedom of association and collective bargaining for their employees and implement systems to prevent discriminatory practices.

The management policy regarding human rights, prepared in 2018, was explicitly shared with both internal collaborators and other stakeholders such as external suppliers beginning in 2019.

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 companies must apply in the areas of non-discrimination, freedom of association, prevention of forced labour, 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.

chapter 3.



3. Risk management model



In 2014, the PRIMA INDUSTRIE Group adopted an Enterprise Risk Management (ERM) model to ensure greater transparency and information on 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 executed in the Group's major production companies and in the American

commercial branch PRIMA POWER NORTH AMERICA Inc.² (which is included in the ERM perimeter as it is representative of foreign commercial branches in terms of its size and business volume).

PRIMA INDUSTRIE'S ERM process has evolved in this way, developing the following phases:

- analyse the strategic plan/budget guidelines and understand the reference scenario and the signs of change that characterise the market;
- identify and assess corporate risks with respect to strategic objectives and the context ("risk assessment");
- identify the action treatment for the main risks ("risk treatment");
- continuously monitor the main risks and the implementation of corrective actions ("monitoring & reporting").

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

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. 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, on the basis of 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), that 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 COVID-19 pandemic, which broke out in early 2020 and is still ongoing, represents an unprecedented discontinuity in social and economic terms. The top priority is the protection of people's health, but the impact that the pandemic has had on the economy has also been severe.

PRIMA INDUSTRIE immediately intervened and with great determination in terms of defining measures aimed at guaranteeing the health and safety of workers and business continuity. In fact, since the first signs of the pandemic appeared in China, the Group had begun to define specific rules to limit the risk of contagion, implementing specific actions in the different branches where it operates, such as:

- establishment of a COVID-19 crisis table at the Group and individual company level (made up of managing directors and business managers and staff), with the aim to promptly provide internal procedures/rules to all the Company's

employees, in accordance with government decisions regarding travel, work, health and safety in daily activities human resources initiatives;

- activation of an email box to promote effective communication Group employees;
- adoption of travel restrictions and other government measures decided by the individual countries;
- activation of Smart Working (or remote working), where possible and based on the workload of employees, and of the Redundancy Fund procedures (and other similar measures adopted by various countries);
- adoption of strict rules to regulate the access of visitors/external staff to the Company's premises (i.e. consultants, suppliers, customers);
- strengthening of hygiene and safety measures, in accordance with the regulations provided by the national authorities;
- constant communication with customers and suppliers, aimed at ensuring business continuity.

The "COVID-19 pandemic" risk was in fact immediately included and managed within the ERM process. Risk analysis (ERM) in 2020 therefore focused on examining the different aspects of the business related to the pandemic in progress, addressing the risks associated with:

- employee health and safety
- financial situation and planning
- business continuity from a manufacturing point of view, presence on the market, liquidity, cost reduction.

During the analyses with the various countries, regulations and guidelines were provided regarding the measures to be taken to reduce the risks mentioned above and the individual emergency regulatory contexts of reference were taken into consideration.

Reports were periodically given to the Board of Directors of the Parent Company about the current situation and actions were taken to mitigate the risks associated with the pandemic (detailed for each company-country).

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.

Topic of Legislative Decree 254/16	Title	Risk (description)
Social aspects, human resources management, health and safety	Catastrophic events, pandemics	COVID-19 Pandemic
Social aspects	Social-political changes ("country risk")	Blocks in production / nationalisation resulting from the instability of governments
Social aspects	Social-political changes ("country risk")	Protectionist policies of some governments in the countries that the Company exports to (i.e. import duties) that may reduce the ability to enter the market
Social aspects	Product quality / service	Increase in warranty costs due to product defects
Social aspects	External communication	Incomplete or delayed disclosure to shareholders, with consequent impacts on reputation and compliance
Social aspects	Customer satisfaction	Missed sales or sales with extremely low margins, due to some inefficiencies in the sales process ("offer-to-cash", including "project management")
Social aspects	Customer satisfaction	Risk of losing customers and not achieving the Group's sales objectives due to the lack of attention to customer satisfaction and the inability to quickly and effectively solve the quality problems of the product sold
Personnel management / social aspects	Innovative technology for production plants and processes	Obsolete plants and / or insufficiently advanced production processes that lead to higher production costs / inefficiencies
Personnel management / social aspects / relationship with the client	Legal controversies	Reputational damage and additional costs resulting from legal actions
Human resource management	Relationship with unions	Conflicts with trade unions (workers' representatives) and strikes leading to stops in production and consequent negative economic impacts (penalties for late deliveries, non-transferable fixed costs, etc.)
Human resource management	Dynamics of the labour market: accessibility and availability of qualified personnel	Adequately qualified resources not readily / promptly available on the market, with consequent negative impacts on the business
Human resource management	Maintenance and development of "key" people and their skills	Loss of human resources with skills that are critical to the continuity of business process and / or the achievement of the established strategic objectives
Human resource management	Management of international communication	Internal communication that is not timely / effective can negatively impact company decisions and business processes, as well as entail additional costs
Human resource management	Personnel management around Health and Safety in the workplace	Inadequate working conditions in terms of workers' health and safety with consequent risk of injury and work-related illnesses
Human resource management	Definition of organisational structure, assignment of responsibilities, delegation system and powers of attorney	Failure or delay in achieving objectives / implanting strategies due to an inadequate organisational structure
Human resource management	IT systems to support business processes	Inefficiencies in business processes due to a lack of / inadequate application-IT support
Corruption	Group policies and procedures & ethical principles	Fraudulent behaviour of employees of external parties, resulting in financial losses and / or damage to the Company's reputation
Corruption	Reputation and Compliance: management of agency contracts	Relationships with sales agents not adequately formalised and / or recognition of commissions in the absence of the necessary requirements
Corruption	Protection of personal data and cybersecurity	Potential theft or loss of sensitive R&D data. Threats, vulnerabilities, and cyber risks related to possible attacks and breaches to the network or computer systems.
Human rights	Human rights	Suppliers that do not comply with the Company's ethical rules and human rights
Environment	Changes in safety and technology regulations / laws	Any changes at local / European / international level relating to technical and / or safety standards for products and / or systems, with the consequent additional implementation costs
Environment	Natural Events	Damage to factories / warehouses following natural events (i.e. floods, earthquakes, etc.), with consequent costs and loss of potential sales
Environment	Catastrophic events, pandemics	Damage / closure of factories and / or offices following pandemics



chapter 4.



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. Notwithstanding this fact, PRIMA INDUSTRIE Group considers respect for and protection of the environment as one of the major themes in which to base commercial, industrial, and social initiatives, adopting sustainable and responsible practices,

making organisational, instrumental tools, and economic resources available that leads to 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 organisations that have been active in the sector for many years, as well as collaborations with external consulting companies, both legal and technical.

In 2020, the evolution of the environmental data reported shows a reduction in consumption. This reduction is undoubtedly linked to the pandemic,

**PRIMA INDUSTRIE Group
has always been mindful of
environmental issues during
the research and development
phase of its products, combining
productivity and environmental
sustainability under the “Green
means®” concept.**

which has involved the entire world population and has caused a slowdown in global production, as well as the result of a “green” policy adopted by the Group, which is reflected in the construction methods adopted in the Company’s next sites (adoption of plant systems that use renewable and low-impact energy).

This positive trend in energy consumption is evidence of PRIMA INDUSTRIE Group’s careful approach to the environment, as it embraces practices aimed at getting energy waste as close to zero as possible, ensuring that all systems are equipped with the latest generation of automation systems of the latest generation, which are present in most of the newer buildings and those under construction.

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 group companies 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 organisation with the aim of achieving the assigned environmental objectives. The main objectives are:

- managing production in such a way as to minimise 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 CO₂ to laser fibre 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 CO₂ production;
- greater production efficiency and lower cooling capacity/lower heat production: lower CO₂ production.

Panel, bending, and punching machines and their related automation systems have passed from hydraulic technology to a servo-electric type.

- lower energy consumption: lower CO₂ 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 aimed in order 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 behaviour, 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 is based on an eco-sustainable approach and began with the construction of the new Headquarters & Technology Centre in 2016. The headquarters of the PRIMA INDUSTRIE Group is a building covering approximately 5,000 square metres. About half of these premises house the corporate offices of PRIMA INDUSTRIE and the Prima Power divisions, while the remaining 2,500 m² 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 CO₂ emissions and lowers energy consumption.

The new Finnish production facility in Seinäjoki was built in 2018 based on this model. This 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.

Sustainable architecture was chosen for the project being built at the new production site in Collegno.

The PRIMA INDUSTRIE 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 CO₂ 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. This

reduction in consumption is undoubtedly due to the COVID-19 pandemic, which has led to changes in that way that people work all over the world, especially through the larger-scale adoption of smart working and the decreased need to commute to work.

PRIMA INDUSTRIE Group's management, which pays attention to environmental issues, has ensured a substantial reduction in emissions thanks to non-renewable sources.

	2020	2019	2018
	[GJ]	[GJ]	[GJ]
ENERGY CONSUMPTION			
Electricity TOT	32,924	35,277	36,210
Renewable sources	8,022	7,957	9,274
Non-renewable sources	24,902	27,320	26,936
Heating TOT	19,783	24,884	44,569
Renewable sources	1,487	1,317	10,619
Non-renewable sources	18,296	23,566	33,950
Company vehicle fuels	21,428	27,222	52,193
Renewable sources	0	0	0
Non-renewable sources	21,428	27,222	52,193
TOTAL ENERGY CONSUMPTION (GJ)	74,134	97,541	132,972
Renewable sources (Gj)	9,509	9,274	19,893
Non-renewable sources (Gj)	64,626	88,267	113,079

Disclosure 302-1 of GRI Standard 302: Energy 2016



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 authorisations.

The Group also considers CO₂ 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.

PRIMA INDUSTRIE Group's management, which pays attention to environmental issues, has ensured

a substantial reduction in emissions due to non-renewable sources such as fossil fuels. This is thanks to the increased adoption of heating types such as district heating, for which renewable sources such as biomass are used in some countries.

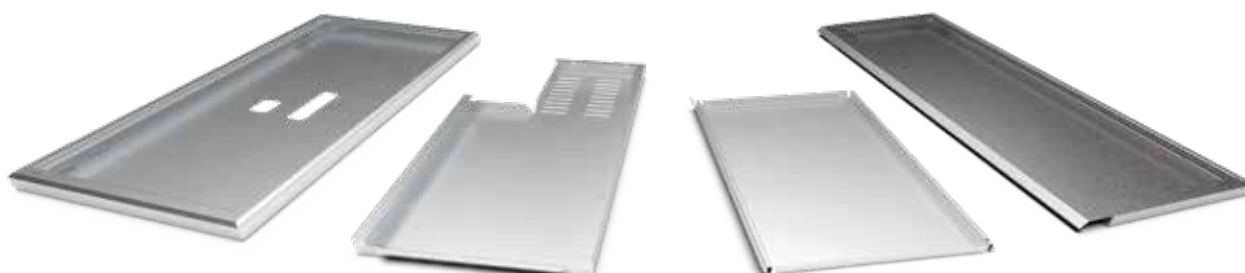
305-1: Direct Energy (scope 1) GHG emissions

	2020	2019	2018
All GHGs (tonnes CO ₂ e)	340	496	703

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

	2020	2019	2018
All GHGs (tonnes CO ₂ e)	3,198	3,095	3,196

Disclosure 305-1 e 305-2 of GRI Standard 302: Direct and Indirect Energy GHG emissions 2016



chapter 5.

e-mobility



5. Products



5.1 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 standardised 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 standardised 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 the "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 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 (KPIs), by measuring each process for effectiveness and efficiency and in order to define improvement plans.

Product Quality

"Quarta3" is the ERP management software that allows the standardisation and automation of product/process quality management and automatic identification of product and process performance indicators (KPIs).

The connection process between Quarta3 and the new service tool "PST" (Prima Service Tool) continued throughout 2020.

In this way, the provision and usability of data regarding service interventions are drastically improving, which are classified by Quarta3 in real-time and aggregated by the Business Intelligence

software to elaborate on KPIs and provide detailed analysis on all aspects of product quality throughout all manufacturing and aftersales processes at the customer's premises.

Customer Satisfaction

Customer satisfaction is PRIMA INDUSTRIE's main objective given our awareness that growth and profitability can only be achieved with satisfied customers. For this purpose, the company has implemented a Customer Committee, which meets weekly and aims to improve business processes dedicated to customer service, using specific KPIs to measure performance.

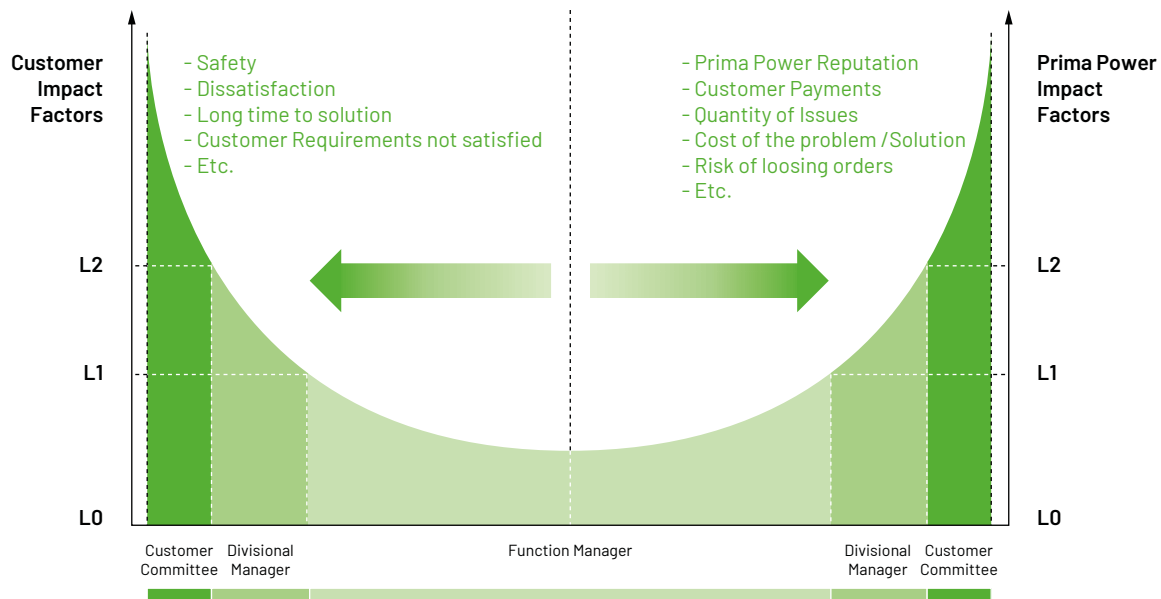
Customer Committee

The Customer Committee is chaired by the CEO with first level managers (Finance & HR, Quality, Sales, R&D, Operations, After-sales, Project Management) with the aim of focusing the Company on monitoring and the continual improvement of customer satisfaction, defining extraordinary measures for the management regarding important issues through an escalation process.

Escalation Process

The Escalation Process defines the rules, roles, and criteria for the management of information flows if a problem is escalated that impacts customer satisfaction and the relative ownership of the solutions.





This process is implemented through the parameters that objectified the process through defined characteristic features:

- Impact factors (for the customer and for PRIMA INDUSTRIE)
- Impact levels with defined thresholds
- Services before escalation

■ **Customer Satisfaction Survey**

A third investigative campaign on Customer Satisfaction was initiated in February/March 2020 in the PRIMA POWER division through telephone interviews³ to assess Customer Satisfaction in four main areas:

- Sales
- Installation
- Product
- After-sales

The perimeter of the countries involved in this third survey was expected to include: Italy, Germany, France, Spain, the Czech Republic, Finland, Poland, Turkey, the United Kingdom, Russia, Poland, and the US.

More than half of the customers contacted (52%) responded to the survey that was carried out in 2020, a figure that has consistently grown from previous years and is higher than the average survey in this area.

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 (Customer Committee) also visited some customers who participated in the survey to devote even more attention to the customer and their satisfaction.

The results from the survey carried out with customers are tightly linked to the evaluation and incentive process of company managers, as within the MBO system there is an objective, which weighs at 15%, that is achieved only when there is a high percentage of satisfied customers.

An additional survey will be conducted in 2021 that further expands the perimeter of the involved countries.

³ An external consulting company carried out the telephone interviews and the results were classified and aggregated internally in the dedicated analysis to obtain the reference KPIs and monitor their distributions and trends over time.

5.2 Product safety

Health and safety has always been a fundamental value for PRIMA INDUSTRIE, which is why the Group provides the organisational, 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 the P&D phase, when the technical file is complete, 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 2020 related to product non-conformities and causing 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 innovative approach stems from putting its customer's need for stronger competitiveness and the ethics of sustainable technological innovation at the forefront.

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, analyse 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, to ensure 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. 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® identifies all the Group's products that, thanks to the use of servo-electric technology or fibre laser sources, guarantee a reduction in electricity consumption.
- Contributing to limiting the impacts of the 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 environmental

pollution. Green Means® is the core philosophy at the base of the development of Group products; 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 2020 totalled € 18,995 thousand (of which € 13,498 thousand in the PRIMA POWER Division and € 5,497 thousand in the PRIMA ELECTRO Division)⁴, equal to approximately 5.7% of consolidated revenues.

The capitalised portion amounted to € 5,479 thousand (of which € 2,063 thousand in the PRIMA POWER segment and € 3,416 thousand in the PRIMA ELECTRO segment), a decrease compared to € 7,116 thousand as of 31/12/2019.

The level of costs incurred in the research and development of new products is testament of

⁴ The data relating to research and development investments are tracked by the Company's accounting system.

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 core competencies within the Group and offers them the advantages of a one-stop supplier: complete control over the technology and the different parts of the machine, a single point of contact for maintenance and assistance, and full responsibility for the success of the product solution.

Product development and innovative projects are scheduled on the three-year product plan, updated on a rolling basis every year. For the next three years, the industrial plan will also include the product roadmap.

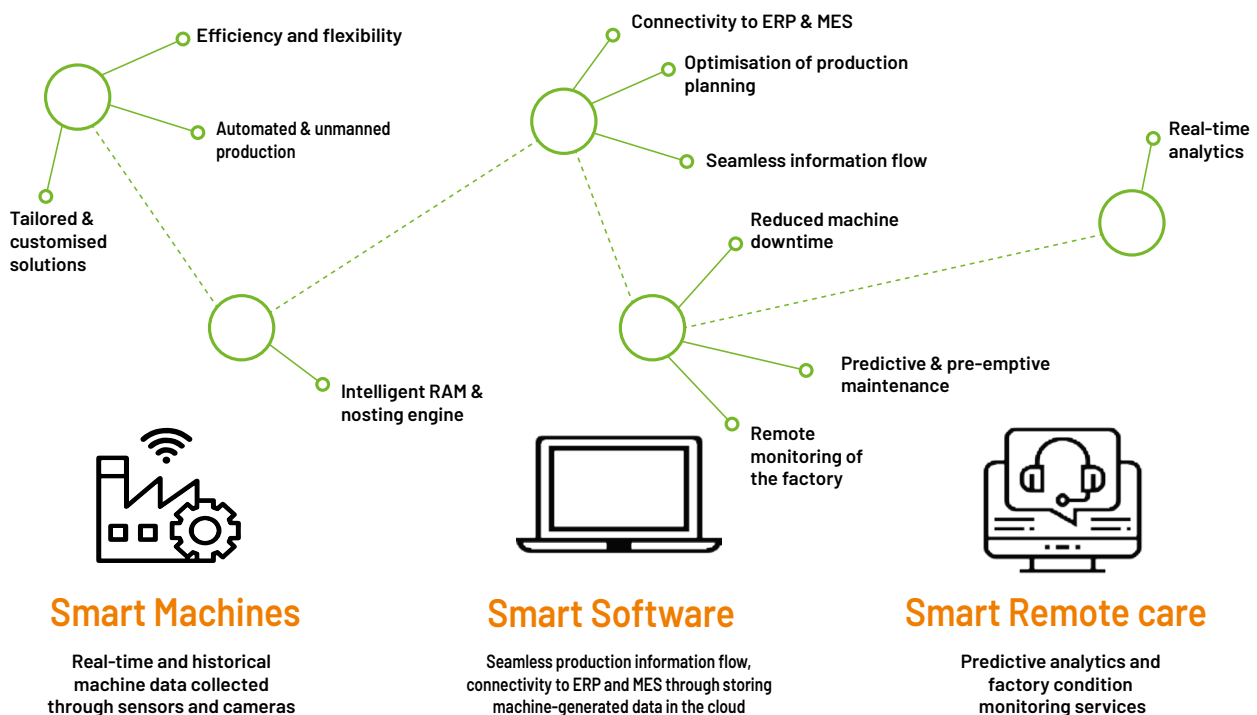
For each single project, a rigorous analysis on return on investment is applied before it is inserted into the plan (business case). This careful assessment is also repeated before the project is initiated to perfect the plan based on market demands.

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.

Prima Power Industry 4.0 inside



- **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 optimise the use of resources according to the demands of the market.

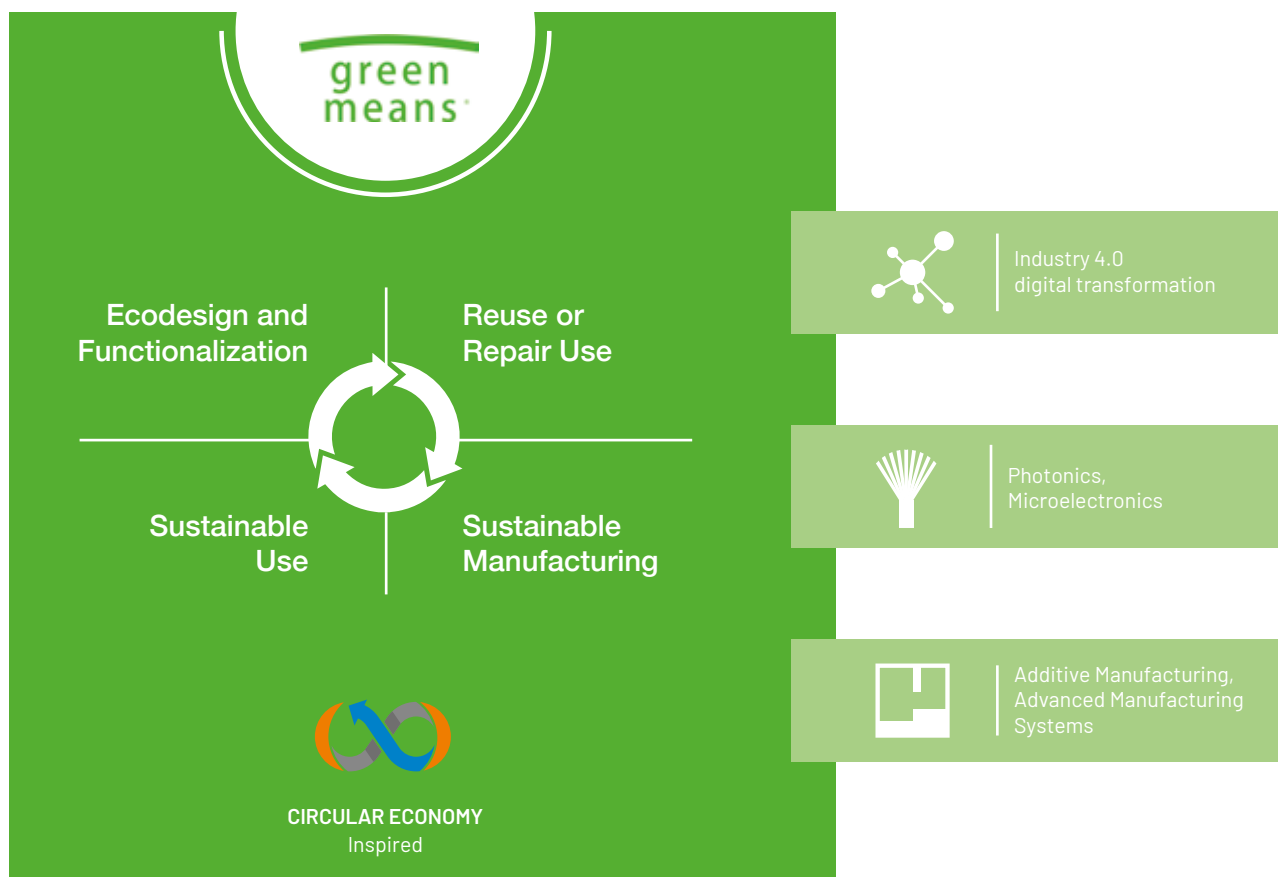
The main strategic KET (Key Enabling Technologies) for reaching these transformation objectives are eight: advanced manufacturing systems, microelectronics, Nano electronics, nanotechnologies, photonics, information and communication technologies, advanced materials, biotechnologies.

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

Industry 4.0

Industry 4.0 is the set of technologies that drive the fourth industrial revolution. These are digital technologies that combine hardware and software aspects, making the automation of manufacturing processes more efficient and increasing their yield. Specifically, the true riches of these technologies lie in the use of data from the machines, which can have a historical and statistical basis that leads to greater knowledge and thus improvement of the production processes (in terms of efficiency and much more). In this view, each machine used in the manufacturing sector can be equipped with sensors to collect the most significant data from the process. The data is subsequently stored and processed in the cloud so it can be used for reporting, quality, and production improvement.

Most notably, having access to data means making production measurable and therefore also being able to foresee different business models no longer connected to the investment in the machinery but instead to servitisation, or the sale of services if not the operational rental of the machinery itself, which may be paid off according to its productivity.



Machines are becoming more and more intelligent and may have a lower operating cost, so an operator may be able to easily manage multiple machines and processes even simultaneously.

The service and technical assistance also benefits from this and it is easier to service the machines remotely, drastically reducing the number of trips and allowing for more targeted interventions when machines breakdown.

The machines produced by the PRIMA INDUSTRIE Group are all sensorized and the data is easily made available thanks to the forty-year experience with mechatronic integration that the machines are designed and manufactured from. Each machine can generate large data sets that can be made available in the cloud thanks to the internet connection and a data gate for the cloud connection. In this sense, we are discussing the IoT (Internet of Things), in which the significant data sets coming from the machines can be collected and processed in the cloud.

Today, innovation and research focused on Industry 4.0 is linked to the intelligence that this data uses to optimise and improve production processes.

We increasingly speak of machine learning and artificial intelligence, applied for example to the use of an intelligent CAD/CAM that guides the operator to correctly program the machine, or we speak of high-power computing that allows us to have the computational capacity in the cloud and to be able to program the machine from any device that can only display the results. In addition, process monitoring is increasingly moving towards the integration of production quality, in which it is not only important in terms of monitoring, but also intervening and automatically fixing any errors during the process, so-called “zero defect manufacturing.”

Other important aspects related to Industry 4.0 technologies are virtual and augmented reality tools that can help assist in procedures during machine use and maintenance training, but most importantly, they can be used for remote machine assistance.

With the increase in bandwidth and the improvement in data exchange, these technologies will be increasingly used and 5G will permit more effective and reliable remote interventions on the machines. 5G will also allow man-machine collaboration and data exchange between different devices in real-time.



Fiber lasers and diode manufacturing

In the first ten years 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 with respect to previously used CO₂ 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.

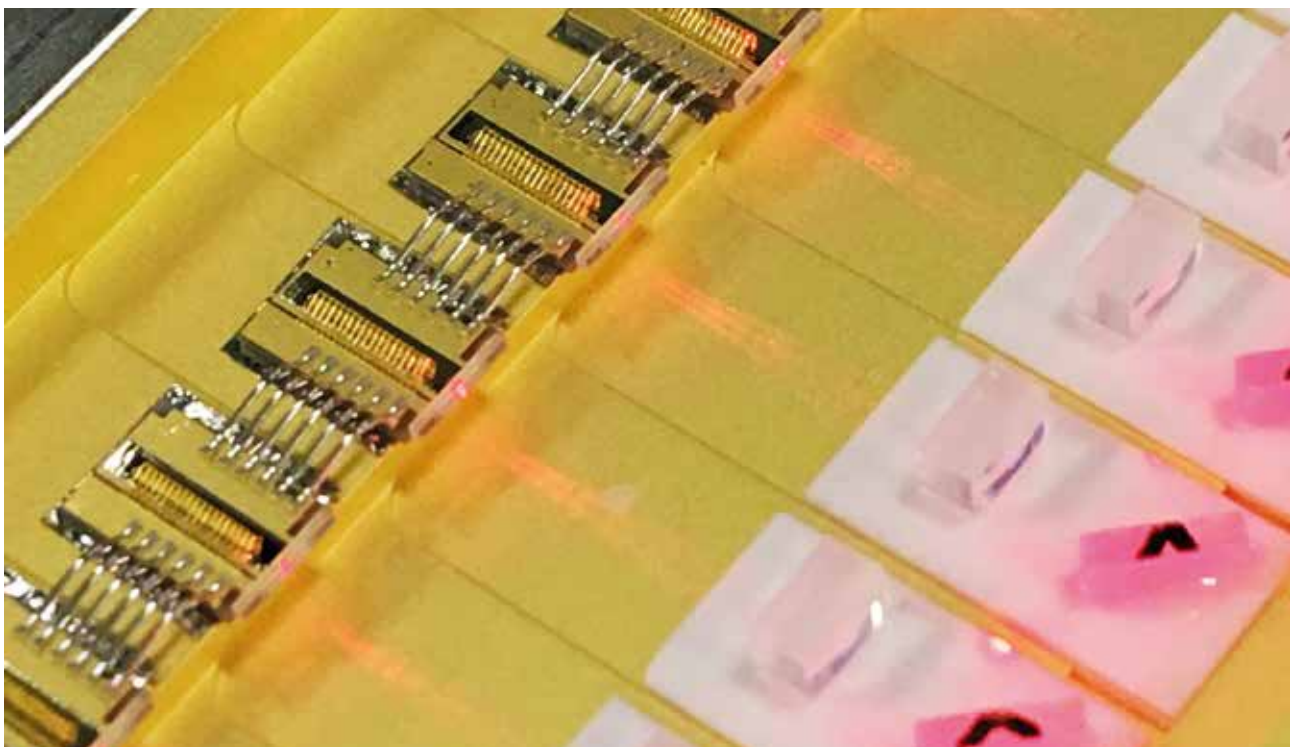
After a few years of development work, due to the technology's complexity, and the lack of dedicated components on the market, the Group managed to bring a proprietary product to the market in 2015. In fact, during that year the Group had been dedicated to laser sources, Convergent Photonics, it had started to market the proprietary fibre lasers that were developed internally to the Group.

At the same time, a research program for the development of the principal fibre laser components (from a technological as well as cost perspective) was launched at the end of 2014: pumping diodes. In January 2015, a research group dedicated to these components was formed. The group that came from Avago (now Broadcom) had vast experience in designing and producing diodes for telecommunications, and developed a pumping diode named αL-100 that has been used as of 2018 to fit Convergent Photonics laser models. Starting in 2019, PRIMA INDUSTRIE has developed new models both in terms of wavelength and power output.

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

In addition to the aforesaid improved electrical efficiency, which is 5 times better when it comes to CO₂ laser sources, the primary reason to adopt fiber laser technology, is its improved sustainability and the low impact it has on the environment. This new technology has other important features that combine well with PRIMA INDUSTRIE's "Great Means" and Human-centred" approach, including:

- 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 CO₂ 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, like 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:

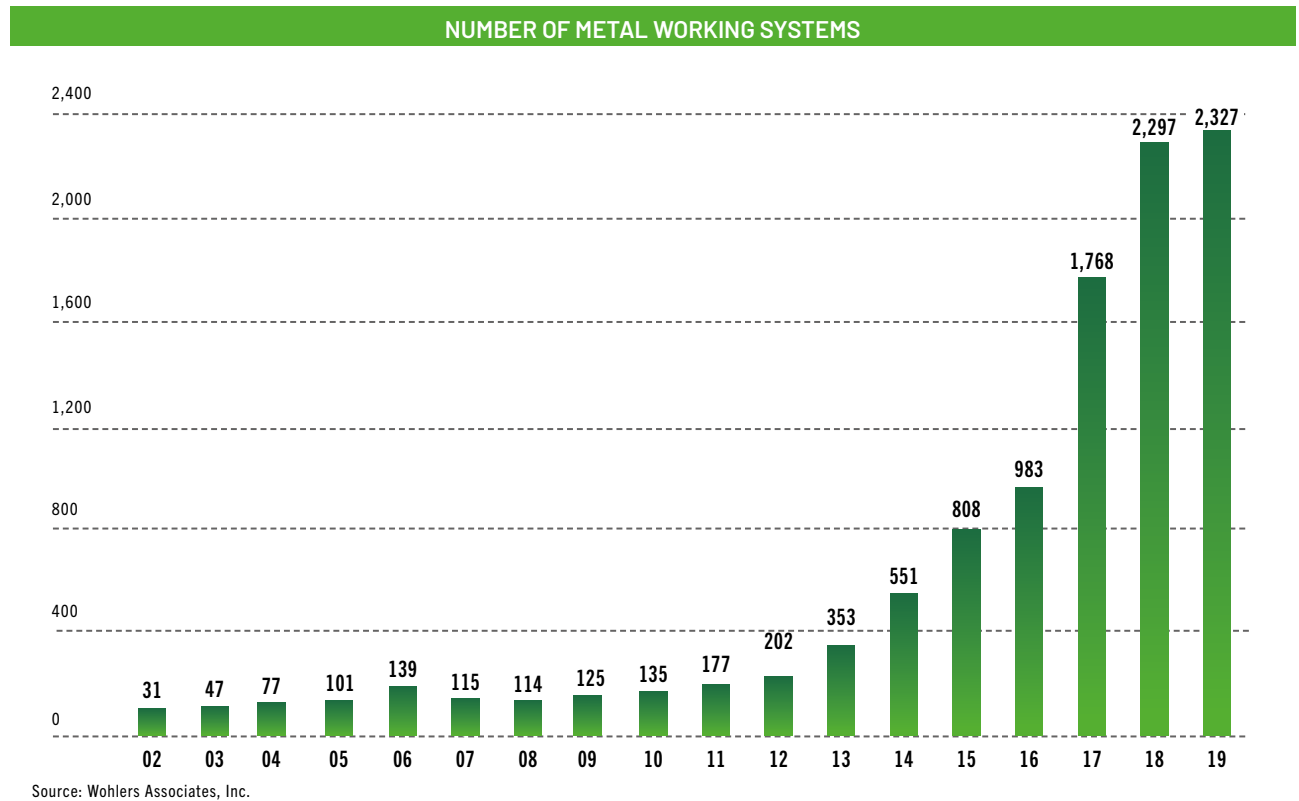
- PBF powder bed fusion technology. Powder bed fusion technologies are approximately 95% laser-based and 5% electron beam. For these technologies, several layers of powder are laid (powder bed) and the laser or electron beam is directed through a laser scanner head to meld

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 very 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 for the production of 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 has reported high growth for these technologies in recent years, as demonstrated in the following graph extracted from Wohlers (number of

Additive Manufacturing systems for metal applications sold from 2002-2019):



The market forecasts are also growing and respecting the trends that Roland Berger had

estimated in 2016, as shown in the following graph:



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 field of additive manufacturing 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 are 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 with regard to 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.

In 2020, together with 3D-NT, the development of the powder bed fusion product family on a 150 mm platform (working volume Ø150 mm X H 160 mm) was completed. These machines feature several innovations, the most important of which is the introduction of a machine model equipped with a laser that has a green wavelength emission length. This specific type of laser allows excellent process performance for copper alloys and aluminium.

The approach of Open Innovation

The Open Innovation approach supported by PRIMA INDUSTRIE has been further strengthened since 2019, the year in which the Group promoted national

and European initiatives dedicated to the research, development and transfer of technologies and skills dedicated to manufacturing. The new initiatives

also continued in 2020 and allowed the Group to strengthen collaborations and innovative work.



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



At the Italian level, PRIMA INDUSTRIE has supported the development of innovation in the community by participating as an industrial partner in the two main Italian competence centres.



CIM 4.0, the Turin Competence Centre aims to provide strategic and operational support for manufacturing companies in the digital age, supporting the Additive Manufacturing process and technologies for the digital factory.



MADE, the Milan Competence Centre integrates manufacturing and digital technologies and PRIMA INDUSTRIE participates by contributing its latest generation of systems and its experience on Additive Manufacturing and advanced production processes.



PRIMA INDUSTRIE has had the opportunity to strengthen the Open Innovation approach with these initiatives, adding value to its solutions, through shared innovation and research projects, joint laboratories, industrial experiences, pilot lines, new

educational paths, and new business opportunities. It is a network strengthened by collaborations with European players such as the main research centres and large leading companies in manufacturing and digital technologies.



chapter 6.



6. Processes



6.1 Quality and business processes

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.

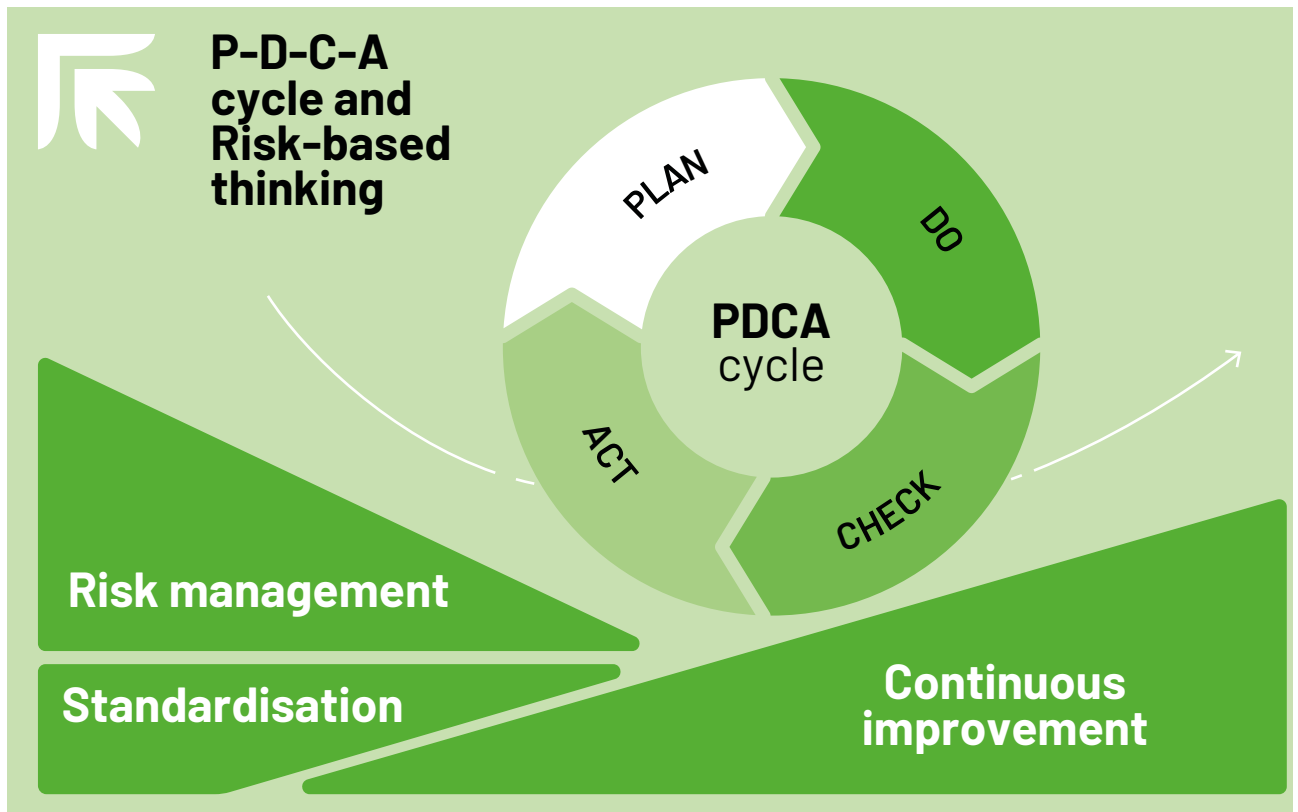
The aims of the quality management system are:

- 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.

PRIMA INDUSTRIE's Quality Management System is based, without exception, on the observance of the UNI EN ISO 9001: 2015 standard requirements, integrating the principles of the process approach in accordance with the Plan-Do-Check-Act (PCDA) methodology and "Risk-based thinking" according to the procedures of Enterprise Risk Management (ERM) to plan and implement procedures that address risks and opportunities.

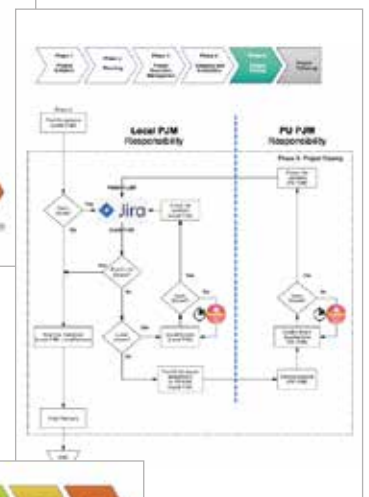


Production and support processes have been defined within the QMS in order to standardise control methods and tools.

Quality policies

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.
- Commit to the continuous improvement of the quality management system.
- The Company Quality Control Procedures. The reorganisation and updating of quality management procedures was prosecuted in 2020, with two main objectives:
 1. Standardisation 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).



6.2 The supply chain

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. In addition to searching for the maximum competitive advantage, the relationships with suppliers, the granting of equal opportunities for those involved, and loyalty and impartiality are always emphasised.

Suppliers are selected and purchase conditions are determined on the basis of an objective assessment of quality, price and the ability to supply and guarantee goods and services at the required standard.

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, organised 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 relationships.

All suppliers, business partners or external collaborators are 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 behavioural principles set out in the Code of Ethics. Agreements and relationships with suppliers must always be handled extremely clearly and transparently.

To provide the utmost transparency and efficiency during the purchasing process, The PRIMA INDUSTRIE Group ensures:

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

In 2020, reference to the recent Human Rights policy were included in the selection of new suppliers. Notably, a specific question was included in the document used for process audits that aimed at highlighting any human rights violations. In the event of a negative assessment, the supplier cannot be approved.

As might be expected, the number of audits carried out on our suppliers was forcibly reduced by the pandemic in 2020. Only 25% were carried out after the introduction of the verification process regarding compliance with the Human Rights Policy in the audit process, and they were also a first approval.

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

Today there is ongoing harmonisation of procedures in the divisions. This aims at building a shared operating model that can exploit the synergistic opportunities of a shared supply chain.

The Group's Companies and Organisational Model

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 (merged at the end of the year into PRIMA POWER NORTH AMERICA Inc., which has in the meantime been renamed PRIMA INDUSTRIE NORTH AMERICA Inc.) and PRIMA ELECTRO Suzhou Co., Ltd.

which independently manages the Supply Chain activities relating to the industrial processes regarding “evasion customer orders” and “new product development” 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.

Suppliers Management system

The Group has defined a processes and procedures model (with a plan to extend it to all the companies within their control) as part of a programme aimed at 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 control activities for the companies with regard to:

- protection of savings and regulation of financial markets in accordance with Law 262/2005;

- quality system requirements;
- provisions of the Organisation, Management and Control Model adopted by PRIMA INDUSTRIE SpA, in accordance with Art. 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.

In 2020, the process of extending the Group's supplier portal was carried out by integrating a greater number of suppliers.

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.

Purchasing of these types of good and services are also defined by division-level goals aimed at achieving greater efficiencies.

All the procedures included in the Procurement process management are characterised by the opportunity to reference the compliance with the Group's Code of Ethics and are extended and valid across all our companies.

In all divisions, when inspections are carried out at our suppliers, we also verify that there are no problems related to the work environment and, starting this year, to human rights. In 2020, inspection visits to suppliers were not regularly carried out due to the COVID-19 pandemic.

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. It confirms the goal of having capable global suppliers support all of our plants.



6.3 Digitalisation

PRIMA INDUSTRIE's commitment to digitalisation and the plan for the next years

The Group has increased the digitalisation of its business processes over the last few years both internally and externally in terms of its relationship with its customers and other relevant stakeholders.

In 2020, preparatory investments were started with respect to an increased digitalisation of business processes through the introduction of new company IT systems, such as a new ERP platform, updating of the CRM, new management systems to support service in the field, the relationships with suppliers, HR Management, and other business areas.

Some initiatives will bring results in the coming years, while for some processes, digitalisation has already started and has brought with it tangible results in terms of business efficiency.

The push towards digitalisation has been present for many years in the industrial sector in which PRIMA INDUSTRIE operates, and the limitations in terms of physical presence and travel, imposed by the pandemic in 2020, have only accelerated a process

that had already started and that the company had already undertaken in previous years. This made it possible to react quickly and effectively to the new remote and digitalisation needs that emerged during this year.

With respect to personnel management, the digital tools already active in the company have allowed a rapid transition to smart and remote working for many employees in 2020.

In 2019, less than 30% of the company's employees had the opportunity to work remotely (mainly from home), and the opportunity was linked to the type of work they carried out (mainly in sales or technical assistance) or to the implementation of this facilitation in some company areas (for example, for the employees in the Italian PRIMA ELECTRO offices).

In 2020, almost 60% of PRIMA INDUSTRIE⁵ employees had the opportunity to work from home, connecting the company network thanks to the remote working tools already present on their workstations and thanks to various innovations implemented during the year. This has made it possible to reduce interruptions to operations that would have occurred if the work had been exclusively linked to physical presence

⁵ The figure corresponds to the percentage of employees authorised to work from home in relation to the total number of employees in the perimeter of its companies.

at the company's premises. It has therefore also made it possible to reduce reductions to work, and, consequently, to the wages of the workers themselves.

The opportunity to work from home has also created a greater balance between the demands of work and personal and family needs during the most acute phases of the pandemic.

Over the next few years, the company plans to continue to offer the opportunity to work remotely to its employees, in percentages similar to those in 2020, managing this opportunity according to the guidelines and legislation available in the various countries to promote a more digital, and thus smarter, approach also for workers.

The digitalisation of commercial processes

With respect to its relationship with the customer, PRIMA INDUSTRIE has started the process of digitising data relating to its commercial and after-sales activities for some years.

Contact with the client: Prima@Home

Due to the restrictions imposed by the pandemic in 2020 in terms of travel and meetings, the company launched a digital program for the remote management of its relationship with customers.

A digital platform was created, called Prima@Home,

which, through demonstrations of machines and a series of thematic webinars on all proprietary technologies from all its Tech Centres around the world, kept contact with customers active.

This initiative has made it possible to reach customers at their offices and continue to listen to their needs and propose solutions, allowing the company to proceed with its business, reducing the risks associated with the pandemic while safeguarding operations and, consequently, employee wages.

- As for events, in 2019 more than 20 events were organised at the major PRIMA INDUSTRIE offices around the world, involving roughly 1400 customers. In 2020, thanks to more than 20 Thematic Webinars, about 2,500 participants (actual and potential customers) were involved, giving space to all the technologies present in the range of machines produced in our production Units with the PRIMA POWER and PRIMA ADDITIVE brands.
- With respect to the company's Demo Centres, a quarter of the demonstrations carried out in 2020 were done remotely in virtual mode, thus ensuring that the customer's needs were followed, despite the travel limitations. The Demo Centres are in Italy (Collegno and Cologna Veneta), The US (Chicago), China (Suzhou), and Finland (Seinäjoki). Thanks to their strategic positioning in the areas of the world where the greatest number of customers are present; many demonstrations were able to be carried out in-person. The opportunity to "virtualise"



the business meant that the company could continually and safely respond to customer needs even in the most critical moments of the pandemic.

Due to this project, the company has managed to maintain a strong relationship with its customers during a year where all transfers and business trips (involving air travel, car, and trains) were suspended. Prima@Home has simplified the lives of our customers and made them more efficient and “smart” (reducing pollutants, optimising working times, life/work balance) by opening a new communication channel that will continue after the pandemic is over.

The Prima@Home platform will continue to function as a digital bridge in the future, as it has shown to have several advantages both for the company and for its customers:

- reduction in travel costs (and the carbon footprints associated with them);
- reduction of the time that the customer has to dedicate to the machine's first demo, allowing a quicker subsequent study of the features most closely linked to the customer's needs;
- increase in the efficiency and effectiveness of its commercial activities, since it can be more general in making first contact through the demo, and more punctual in terms of subsequent contact with the customer (which can always be managed remotely, or in-person at the nearest Demo Centre).

Digitalisation of the entire commercial process

Regarding the commercial activities related to the customer, the management system for market and sales (Sales Force) was extended in 2019 to include negotiation with the customer, effectively digitising the entire business process.

This expansion has made it possible to manage commercial activities more efficiently and across the board, rationalising contact initiatives and improving customer management procedures. From an uneven and “analogical” management of the sales process, we moved on to harmonised management in all phases of the relationship with the customer, from first contact with the customer, to the closing of the order. Before the introduction of this system, each sales office managed its customers independently, which reduced the opportunity for synergies and increased data processing times.

The system is integrated during the initial stages with marketing tools, which manage communication campaigns and initial contacts with potential customers. It allows people who work in sales to access all the information they need to manage the customer quickly and effectively, starting from a set of introductory information that can be updated and integrated, without forcing the customer to repeat them when interacting with different contact references. Once the sharing needs and negotiation phases are concluded, the order data “feeds” both the Project Management processes, which will lead to the production and subsequent delivery of the machine. The commercial and billing processes allow both business operators and customers to save time that would normally be dedicated to administrative activities, and to reduce errors related to inaccuracies.

Since the start of the project in 2019, all 20 branches of the PRIMA POWER Division have been switched to integrated management, digitising the data of more than 5000 negotiations in 2 years, negotiations that were previously managed independently and not shared by the branches themselves.

After-sales: Prima Service Tool

Finally, also in after-sales, 2020 proved to be a crucial year for the drive towards digitalisation. PST, Prima Service Tool, is an IT tool that contains all the information relating to the installed machines and it is integrated with other management systems used in the company, including quality, ERP, and reporting.

Through the PST, both the service technician and the customer can access the necessary data for the installation and maintenance of the machine, saving time and reducing unexpected stops related to the failure to foresee the need for intervention. The immediate connection of the data coming from the machine with the technician performing the maintenance with quality data allows them to know the most critical aspects in real-time and to immediately implement any required corrective actions. This information shortens the intervention times and increases the responsiveness and planning of interventions, allowing management of contracts with increasingly reduced intervention times in the event of production downtime.

Furthermore, the reduction in manual registration and reporting activities regarding the interventions carried out frees up time for more technical and less administrative duties.

chapter 7.



7. HR and social management



7.1 Human Resources in PRIMA INDUSTRIE Group's

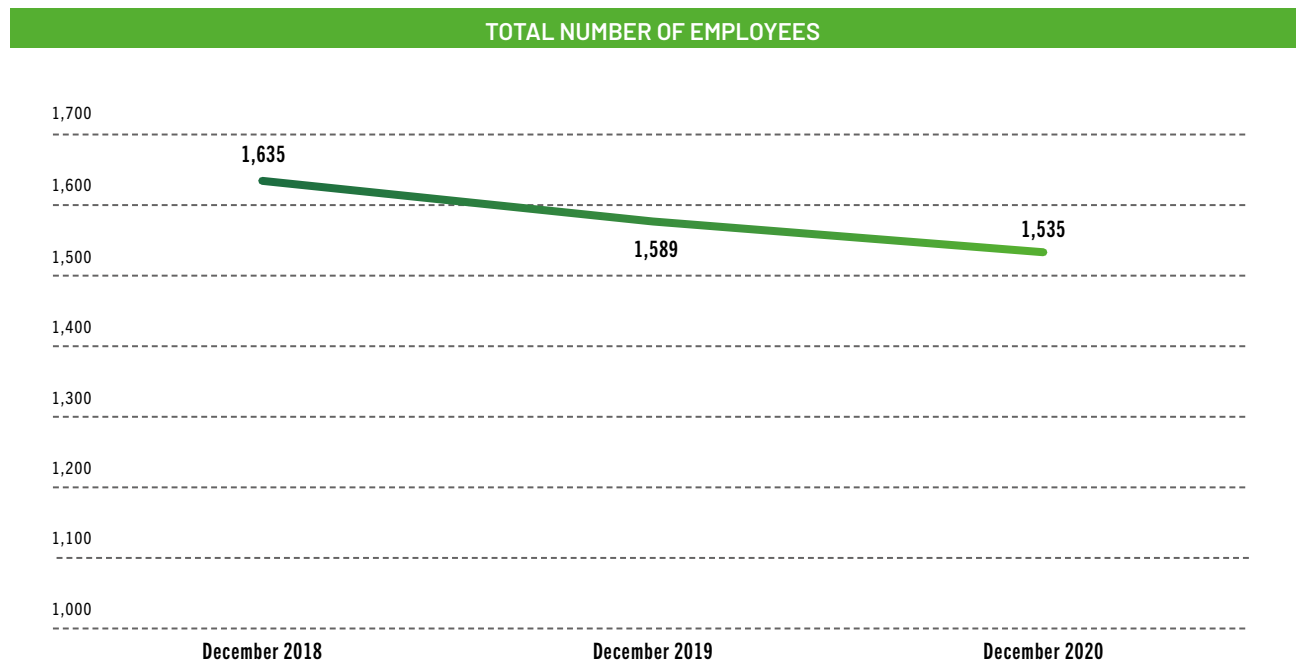
Despite never needing to formalise a specific policy on human resource issues, PRIMA INDUSTRIE has always considered its people as the Group's most important strategic asset. The Group supplies not only high-tech products, but also solutions designed to meet the needs of customers that have the ability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

All business processes involve low levels of repetition, including the formulation of offers to sales, and the design and production of products to after-sales service. The correct functioning of the processes is guaranteed by an important investment in IT systems that 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 how they carry out their 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;
- organisation 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 centre of the organisation and are therefore key human resource management processes, which include:

- the selection process;
- mainly permanent and apprentice contracts to ensure proper training;
- links with universities and higher education 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		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
Permanent employment contract	229	230	226	1,299	1,336	1,358	1,528	1,566	1,584
Fixed-term contract	2	3	13	5	20	38	7	23	51
Total	231	233	239	1,304	1,356	1,396	1,535	1,589	1,635

99.5% of the staff hired are on permanent contracts, which is in line with the long-term corporate strategy, and this percentage has steadily increased over the last 3 years. The breakdown of seniority is as follows:

10.7% of employees are under 30 years of age, 62.7% are between 30 and 50, and 26.6% are over 50. The average age of employees has risen slightly compared to previous years, as few people were hired in 2020.

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

	2020						
	Gender			Age			
	Women	Men	Total	<30 years	30-50 years	>50 years	Total
Manager	0.3%	2.9%	3.3%	0.0%	1.6%	1.7%	3.3%
Middle Manager / Professional	1.1%	7.1%	8.2%	0.1%	5.1%	3.0%	8.2%
White Collars	11.7%	34.9%	46.5%	3.7%	30.2%	12.6%	46.5%
Blue Collars	1.9%	40.1%	42%	7.0%	25.7%	9.3%	42%
Total	15.0%	85.0%	100.0%	10.7%	62.7%	26.6%	100.0%

	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%
Total	14.7%	85.3%	100.0%	13.5%	60.4%	26.1%	100.0%

	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%
Total	14.6%	85.4%	100.0%	16.8%	58.3%	24.9%	100.0%

Part-time contracts were requested by 2.4% of workers (2.1% in 2019 and 1.8% in 2018), mainly women, who accounted for 67.6 % of all requests

(69.7% in 2019 and 76.7% in 2018). The following is information on the companies included in the reporting boundary.

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

	2020			2019			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Full time	206	1,292	1,498	210	1,346	1,556	216	1,389	1,605
Part time	25	12	37	23	10	33	23	7	30
Total	231	1,304	1,535	233	1,356	1,589	239	1,396	1,635

PRIMA INDUSTRIE prefers permanent contracts or vocational internships for the Group's new hires, inserting people with university or a high school diploma (in PRIMA INDUSTRIE SpA, for example, there was a slight increase in university graduates than those with only a high school diploma).

Turnover (the number of workers who left during the period compared to the workforce at the beginning of the period multiplied by 100) was 7.1% in 2020. In past years, it was 8.7 in 2019 and 11.4 in 2018. The

rotation of employees had a negative balance in 2020: 69 employees entered the organisation and 113 left. The same trend occurred in 2019, with 115 employees entering and 190 leaving (while in 2018, 212 employees were hired compared to the 132 who left).

The reduction in turnover in 2020 compared to previous years is undoubtedly due to the pandemic, which has slowed down all the dynamics related to the labour market in all the countries where the company has branches present.

Disclosure 401-1 of GRI Standard 401: Employment 2016

	2020			2019			2018		
	Women	Men	Total	Women	Men	Total	Women	Men	Total
Hired	19	50	69	22	93	115	39	173	212
Terminated	23	90	113	34	156	190	24	108	132

	2020				2019				2018			
	<30 years	30-50 years	>50 years	Total	<30 years	30-50 years	>50 years	Total	<30 years	30-50 years	>50 years	Total
Hired	16	41	12	69	36	63	16	115	87	108	17	212
Terminated	16	58	39	113	33	83	74	190	27	73	32	132

	2020		2019		2018	
	Women	Men	Women	Men	Women	Men
Turnover	9.9%	6.6%	13.7%	11%	11%	8.4%

	2020			2019			2018		
	<30 years	30-50 years	>50 years	<30 years	30-50 years	>50 years	<30 years	30-50 years	>50 years
Turnover	7.5%	6%	9.4%	11.7%	8.5%	17.92%	12.44%	8.07%	8.29%

During 2020, as in previous years, there were collaborations with high schools and universities in the regions where PRIMA INDUSTRIE has production sites. These collaborations have led to fewer internships than in previous years due to the pandemic. As detailed further on, business managers continued to maintain contact with educational institutions through lectures and workshops.

Initiatives related to the perception of the corporate climate

Following the survey on corporate climate carried out with all of PRIMA POWER and Additive employees globally, the Group continued to work in 2020 on the action plan suggested in relation to the areas that had been highlighted as needing improvement.

Due to the pandemic, there has been some interruptions to the development of some initiatives, such as a pilot project relating to the introduction of company carpooling.

Other initiatives, on the other hand, have been accelerated and their implementation has been somewhat forced by the need to prevent contamination. Smart working was one of these initiatives. We discussed the data relating to it in the chapter devoted to digitalisation, but it is nonetheless important to underline here that the needs that emerged in 2020 have only sped up a process that was already underway, both in PRIMA INDUSTRIE and in the industrial and organisational areas that the company operates in. For this reason, the opportunity to choose smart working will continue, according to the needs of its employees and following the legislation in the various countries where it will be carried out.

During the lockdown, which involved many of the countries that PRIMA INDUSTRIE operates in, a short survey was conducted to collect opinions and suggestions on the corporate strategy in the context of the pandemic's complexity from collaborators who wanted to participate. The questionnaire had 7 questions and was exclusively in English so that the entire company population could be reached quickly. Therefore, it did not have the goal of providing statistical analysis and evaluation, but more so of showing involvement with the employees, and the desire to make people feel that they were supported by the company during the period of forced distancing. In fact, the survey asked people to send a photo or

short video that showed their daily life when confined at home due to the pandemic. Two videos were subsequently shared featuring the images that had been sent.

The survey was answered by 9% of the company's population. It shared the need to invest in digitalisation and smart solutions with the management, both in relationship to the outside world (customers, suppliers, etc.) and in the management of the daily operation of our employees and collaborators. The direction that we have decided to take, therefore, are also in line and are shared with our employees.

This survey, as mentioned, served partly as an investigative tool, and partly as a communication channel with our employees. Thus, it does not replace the corporate climate survey that the company intends to carry out, in all its office, during 2021, as already scheduled during the previous turning point in 2018.

Contracts and dialogue with social partners

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. Given the Group's strong specialisation, employees are mainly concentrated at the office worker and professional levels.

PRIMA INDUSTRIE recognises its contractual conditions to its employees, which are often better than the average conditions applied within the same sector. Some of the contractual obligations and/or legal contractual benefits have been improved, as for example in PRIMA INDUSTRIE SpA:

- 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,
- works canteen,
- 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 with different historical relationships with the company. The Group is working on this issue for the purpose of increasing integration in the various countries, while respecting specific cultural and legislative regulations as much as possible.

Relationships with trade unions are maintained through continuous dialogue between the parties. Conflict is moderate and mostly relates to national disputes.

Interaction between the company and the unions takes place at different levels and regarding various issues, including:

- issues related to worker health and safety;
- plans to fill in gaps resulting from skills assessments;
- training proposals from trade union representatives;

- 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 conflicts, which are usually resolved through an agreement between the parties or settlement reports with trade unions.

Dialogue with workers' representatives has led the company to join local social projects for people in need and to create employment opportunities. The Group introduces workers from protected categories, integrating them wherever possible according to their individual's abilities.

Below are the figures for 2020:

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

Number of employees belonging to minority / vulnerable groups

	2020	2019	2018
Executives / Senior Managers and others	2	2	-
Manager	0	-	-
White Collars	14	16	16
Blue Collars	17	17	17
Total	33	35	33

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 includes workers from protected categories, integrating them wherever possible into the workforce according to their skills.

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, also in pre-recruitment training and orientation courses for high school graduates, with technical diplomas, in order to encourage their integration. The same is done for recent graduates, through ongoing relationships with polytechnic schools and universities. Annually these relationships produce PhD and Master programmes well connected to the Group's business, which allow 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 2018, 29% of the company's workforce was managed by the performance management process. In 2019, the percentage rose to 58.9%, and in 2020, to 61.4 %. The evaluations carried out in 2020 concern objectives from 2019.

2020 was, from the point of view of performance management, a year of transition. The global economic situation invited the company to review its evaluation and incentive processes. In 2021, the performance management system will be modified and the incentive methods such as LTI and MBOs will also be revised. These systems will also take into consideration, among the the evaluation criteria, specific sustainability issues such as diversity.

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

	2020			2019			2018		
PERFORMANCE MANAGEMENT	Women	Men	Total	Women	Men	Total	Women	Men	Total
Executives / Senior Managers and others	2	26	28	5	50	55	1	26	27
Manager	7	59	66	7	69	76	7	43	50
White Collars	116	377	493	118	390	508	65	231	296
Blue Collars	22	334	356	19	305	324	13	81	94
Total	147	796	943	149	814	963	86	381	467

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

	2020		2019		2018	
AVERAGE HOURS OF TRAINING PER PERSON	Women	Men	Women	Men	Women	Men
Executives / Senior Managers and others	4.6	7.4	5.3	12.1	2.9	2.6
Manager	18.6	3.1	1.0	1.9	1.7	2.5
White Collars	3.8	7.8	9.4	12.4	3.3	6.9
Blue Collars	1.0	6.9	7.6	4.6	7.1	6.5

Training and education hours totalled 10,143 in 2020, compared to 12,764 in 2019 and 9,530 in 2018.

The decrease was linked to the pandemic, which severely limited in-classroom training and required the reorganisation of training remotely. The number of in-person training courses has therefore been greatly reduced, while the number of training hours

that have been carried out remotely has been reduced compared to those that would normally take place in person, also due to the limitation of how those hours can be used. Nonetheless, the company continues to offer its employees the opportunity to update and develop their skills, adapting them in terms of time and methodology, to the organisational situation caused by the pandemic.

7.3 Welfare

Part-time positions help to balance private and working life. Previously, some information on these positions has been given. In this regard, company agreements in the different countries derogate from national contracts, showing the willingness to accept requests by workers when they have been made.

Regarding assistance and medical examinations, in the countries where the company's presence is more predominant (Italy and Finland), the company contracts are more advantageous than those outlined by national legislation, providing 3 days of paid leave for assistance in the event of the serious illness of a family member, 24 hours of paid leave for medical examinations, and 20 hours of physiotherapy, on an annual basis. In Finland, employees are given the opportunity to take time off work for short periods of illness (maximum 3 days) without a medical certificate.

In many of the company offices, workers are provided with supplementary health insurance at the expense of the company. In some cases, it covers healthcare expenses only for the employee; in other cases, it also includes family members. The existence of this insurance has provided greater protection to workers also in relation to the pandemic, providing specific coverage in relation to COVID-19. In Italy, for example, it provided greater coverage in the event of hospitalisation in intensive care.

In addition, all the Group's employees in Italy, as required by current legislation, can take advantage of a personal or family leave according to their needs. The workers who have taken advantage of this opportunity in the past months and no longer need access to a leave have returned to work, remaining

in the company. Others are taking leaves for longer periods out of necessity, in accordance with the regulations outlined by the law.

7.4 The importance of gender equality

In relation to the provisions set out in the Code of Ethics, PRIMA INDUSTRIE guarantees equal opportunities as a primary factor of the Group's success, for fair treatment of each individual worker and to safeguard their psychophysical integrity. Discriminatory behaviour 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 population of female workers is 15%, a steady figure when compared with the previous year.

The company is actively involved in initiatives to promote the study of STEM subjects among the female student population, as specified below, to promote gender diversity in technical fields.

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

	2020	2019	2018
	% Ratio	% Ratio	% Ratio
Executives / Senior Managers and others	60%	53%	63%
Manager	90%	85%	79%
White Collars	85%	83%	82%
Blue Collars	69%	68%	71%

7.5 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 products.

Partnerships with high schools and universities located near the Group's offices are strong. In countries where the company's presence is greatest, partnerships with the Polytechnic University of Turin in Italy and Seinäjoki University of Applied Sciences and the University of Vaasa in Finland are solid.

However, collaborations have also been initiated or strengthened with other universities and research centres including, to name only a few, the Greek University of Patras, and the Austrian University of Vienna (EMPOWDER project), the Fraunhofer Institute in Germany (Quality project), SUPSI - Swiss university and the Belgian Welding Institute (AVANGARD project), as well as with Chalmers University (DIGIQUAM

project). There are also several other initiatives and activities that are being carried out with universities. The following are listed as means of example:

- Participation in second level Masters' programmes promoted by the Polytechnic and sponsored by Regione Piemonte. In particular, two Masters' programmes 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. Also in this case, the graduates who were involved were hired with an Apprenticeship for Higher Education contract.
- Work placements for students often preparing their degree 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. In 2020, most of these visits were carried out remotely. This limited, on the one hand, the practical and concrete opportunities for application, but on the other, it has also provided the opportunity to involve universities located further away from our offices.



- Participation of our Managers and Technicians with a technological background in lectures at the interested universities (also in this case, 2020 was characterised by distance learning).

In Italy, moreover, scholarships are provided to the children of employees following the achievement of the qualifications listed below and the relative threshold achievement scores with respect to their grades:

Professional high school diploma	(75/100)
Full high school diploma	(75/100)
Bachelor's degree	(99/100)
Master's degree	(99/100)

Commitment and investment in the community

Local communities, as well as educational institutions, are also supported through investments in local sports, in some cases in the form of sponsorship, in others as support for local sports clubs. The

sports that we support have been diverse, including basketball, football, volleyball, ice-skating, and motor racing.

The pandemic, which had an impact in all the countries that PRIMA INDUSTRIE operates in, has prompted the company to make donations to local associations that carry out related charity work and community support. In some cases, donations were purely economic and geared towards various charities in a general sense. In other cases, such as in Finland, schools were supported in their transition to distance learning by donating some computers that were provided to students who needed them.

Relationships with institutions

PRIMA INDUSTRIE participates in various representative or sector associations, in the various locations where it is present. These memberships are, in most cases, aimed at spreading innovation and technology, the culture of "Industry 4.0," and sustainability.



Not only are specific contributions paid to these associations for membership purposes, but active participation of the company's professionals is also guaranteed with respect to networking meetings, conferences, and other related initiatives.

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

Here are some of the main associations/institutions of the Group is a member:

In Italy:

- Unione Industriale, Turin
- AICQ Piemontese – Associazione Italiana Cultura Qualità (Italian Association of Cultural Quality)
- Confindustria, Verona
- Confindustria Canavese
- Amma, Turin
- Federmeccanica
- UCIMU – Italian Union of Machine Tool Manufacturers
- SIRI – Italian Robotics and Automation Association

In China:

- Wujiang Foreign Enterprise Association
- Wujiang Intelligent Manufacturing Association

In Finland:

- Employer Union Technology Industries of Finland
- South Ostrobothnia Chamber of Commerce

In Germany:

- Verband deutscher Laseranwender – Blechbearbeitung – e.V.

Our company is also part of the European associations EFFRA – European Factories of the Future Research Association and CECIMO – European Association of the Machine Tool Industries.

The President, Engineer Gianfranco Carbonato, is still personally involved in the main trade associations and previously he served as President of AMMA, the Industrial Union of Turin, and of Confindustria Piemonte, as well as Vice President of Federmeccanica and member of the Confindustria Council. Other Group managers are also active members of trade associations: Domenico Appendino serves as a Director in UCIMU and is President of SIRI and Gianni Di Santo serves as a Director for AICQ Piemontese.

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

In 2018, the company was one of the founding members of the Social Promotion Association “Donna Professione STEM”.

This association has the purpose of:

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

Participation in the Association is not limited to its constitution. Some employees are actively involved in its founding and management organisations and participate in local activities.

7.6 Occupational 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, including 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 to meet these objectives, 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 installed 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”.

Since safety training is one of the cornerstones in terms of risk prevention, despite the difficulties that emerged during the year 2020 due to the pandemic, the Group has tried to carry out all the planned training activities, privileging distance learning where possible, and when not, in-person training was done with measures taken in accordance to the regulations and protocols prescribed by the competent authorities to avoid infection.

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 have complete awareness about 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.

The continuous dialogue and collaboration between all company levels in terms of health and safety in the workplace during 2020 was particularly important with respect to the COVID-19 pandemic. Numerous additional measures have therefore been put in place to protect the health of workers.

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.

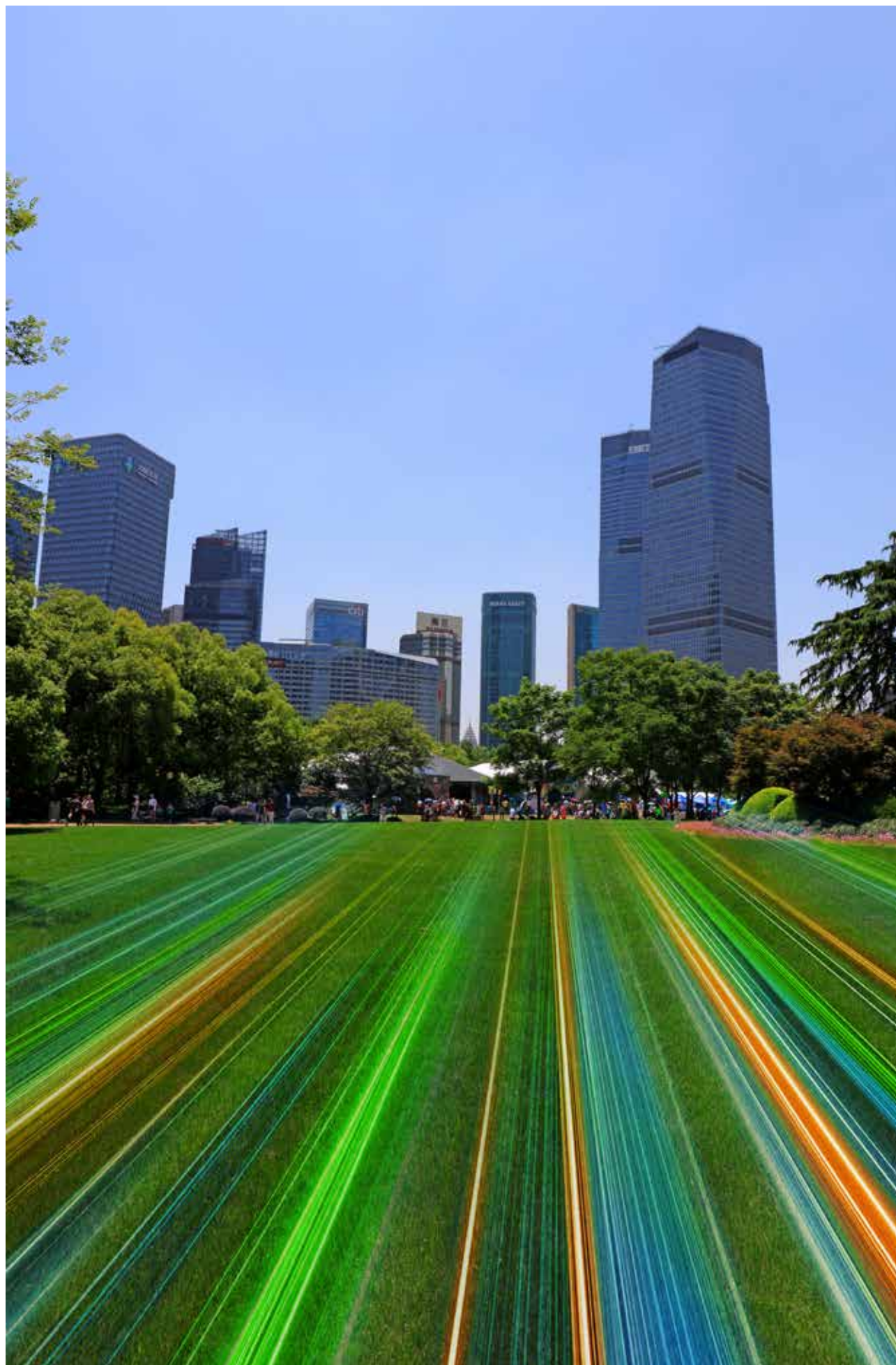
Disclosure 403-9 of GRI Standard 403: Occupational Health & Safety 2018

	2020	2019	2018
Number of recorded occupational injuries	35	31	43
Recorded work-related injury rate	16.6	12.0	15.7
Rate of deaths as a result of accidents at work	0	0	0

* The 2020 data was calculated based on the provisions of the version of GRI (Occupational Health and Safety Standards) 403. In 2020, the number of accidents that resulted in serious consequences (excluding death) and the rate of accidents at work that resulted in serious consequences (excluding death) were equal to 0.

The Parent Company of the two divisions, PRIMA INDUSTRIE SpA for the Machinery Division and PRIMA ELECTRO SpA for the Electronic and Laser Division, continually involve a competent doctor in the evaluation and reduction of all potential risk to ensure

that the potential risk to the health of workers is zero. In the context of the pandemic in 2020, the company doctor was specifically involved to protect vulnerable workers, applying additional protective measures to limit and decrease the risks associated with COVID-19.



chapter 8.



8. Anti-Corruption



The PRIMA INDUSTRIE Group carries out its activities in accordance with the highest professional and ethical standards, operating in an international context in compliance with all applicable laws and regulations. In Italy, issues relating to the fight against corruption are dealt with according to Legislative Decree 231/01, while, abroad, specific local regulations are used, such as, for example, the Foreign Corrupt Practices Act in the United States, where three of the Group's companies are located.

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 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 recognises, 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 / rules⁶;
- 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 behaviours (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 respectively to Respect of Standards Governing Exports and Respect for Anti-Corruption and Anti-Bribery Standards;
- the 2018 provision, in conjunction with updates to the 231 Models and the Group's Code of Ethics, specific training sessions for the entire staff belonging to PRIMA INDUSTRIE SpA and PRIMA ELECTRO SpA, and communication/ dissemination of training material by HR employees;
- training on the principles in the Code of Ethics and Model 231 for new hires.

It should also be noted that during the Internal Audit, 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.

Activities aimed at strengthening and monitoring issues relating to anti-corruption and export controls (Anti-Corruption Compliance Program) were already carried out in 2018, considering the regulations applicable in the different countries in which PRIMA INDUSTRIE operates. The Trade Compliance Officers of the Group's major production companies have also been appointed, reporting hierarchically to the Company's Area Manager, and functionally reporting to the Group's Compliance Officer.

With specific respect to US legislation, the manuals relating to export controls and anti-corruption were drafted. The principles and rules contained therein have been shared and communicated to the PRIMA POWER LASERDYNE LLC company through targeted training sessions.

During 2020, the COVID-19 pandemic limited the way training was carried out, as some in-classroom training sessions were postponed. In PRIMA POWER LASERDYNE LLC, periodic training was carried out in the field of Export Trade Compliance and the Code of Ethics in the Application and Manufacturing departments, involving 16% of total employees.

In addition, all new hires in Prima Industrie S.p.A. and Prima Electro S.p.A. in 2020 (6 people) regularly underwent training related to the Model. It is also noted that the new hires are required by all Group companies to read the Group's Code of Ethics and sign it to indicate acceptance.

(GRI 205-2: Communication and training about anti-corruption policies and procedures).

6 The Code of Ethics can be consulted and downloaded from the Group's internet and intranet sites. It is also available on notice boards with direct access for employees and it can be requested from the personnel office, the legal department, or internal auditing.

SUSTAINABILITY REPORT 2020

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

Table of indicators

GRI STANDARDS	DISCLOSURE	CH.	NOTES	REPORTING PERIMETER
GRI 302: ENERGY	302-1: Energy consumption within the organization	4. Environment	<ul style="list-style-type: none"> - With respect to the referenced data, the conversion factors are referred to in the Environmental Indicator Protocols published in the Global Reporting Initiative. - 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. - 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). 	Total data on energy consumption includes all the companies included in the reporting boundary (see Chapter 1 "Methodological Note"). Note that for Finn Power OY, the electricity and heating data are only reported for the production plant in Seinäjoki, Finland, and for the PP Belgium Nazareth branch office.
GRI 305: EMISSIONS	305-1: Direct (Scope 1) GHG emissions	4. Environment	<ul style="list-style-type: none"> - The values reported in Scope 1 concern direct emissions from combustion for the generation of thermal energy for heating or production processes. - Regarding the reported data, the conversion factors referred to in the Standard GHG Protocol available at the following link: http://www.ghgprotocol.org/calculation-tools. 	All the companies included in the reporting boundary (see Chapter 1 "Methodological Note"). Note that for Finn Power OY, the data is only reported for the production plant in Seinäjoki, Finland and for the PP Belgium Nazareth branch office.
	305-2: Energy indirect (Scope 2) GHG emissions	4. Environment	<ul style="list-style-type: none"> - Values reported in Scope 2 concern emissions from purchased electricity and, for buildings rented by the companies within the reporting perimeter, thermal energy. - With respect to the data that is reported, the conversion factors envisaged by the tool developed with the GHG Protocol, Purchased Electricity Tool Version 4.8.0, were used. - Note that the reported data, with respect to what it is indicated in the "Reporting Requirements" of the GRI Disclosure, relates to the calculation of Scope 2 emissions using the location-based method. 	All the companies included in the reporting boundary (see Chapter 1 "Methodological Note"). Note that for Finn Power OY, the data is only reported for the production plant in Seinäjoki, Finland and for the PP Belgium Nazareth branch office.
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 as of at the 31 December of the relevant year.	All the companies included in the reporting boundary (see Chapter 1 "Methodological Note").

GRI STANDARDS	DISCLOSURE	CH.	NOTES	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 in the period 01/01-31/12 in the year referenced with respect to the workforce at 01/01 in the year in question for all 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 (version 2018)	403-9: Occupational injuries	7. HR and social management	<ul style="list-style-type: none"> - Accidents considered in the calculation of the indicator include all accidents at work involving days lost, excluding accidents en route. - The recorded workplace injury rate is the ratio between the number of injuries and the number of hours worked, multiplied by 1,000,000. - An accident at work with serious consequences (excluding fatal accidents) is defined as death or damage from which the worker cannot recover, does not recover, or it is unrealistic to expect full recovery from so that the worker can return to their previous state of health within 6 months. The relative rate is the ratio between the number of injuries with serious consequences and the number of hours worked, multiplied by 1,000,000. - The fatality rate following accidents at work is the ratio between the number of deaths following accidents at work and the number of hours worked, multiplied by 1,000,000. - The recording and analysis of injuries are managed independently by each company with the aim of monitoring the progress and evaluating any preventive and corrective actions to be taken to make the cases of accidents tend to zero. - Note that the reported data, with respect to what is indicated in the "Reporting Requirements" of the GRI Disclosure, relates only to the employees of the Group and does not provide a breakdown by region. 	All the companies included in the reporting boundary (see Chapter 1 "Methodological Note"). Note that for Finn Power OY, the data is reported only for the production plant in Seinäjoki, Finland. In relation to the branches, there was an accident at work, without serious consequences, in Estonia, not counted in the total accidents shown in the table. Note that the 2018 version of the GRI indicator relating to accidents at work has been reported.
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 made by finding the ratio between the training hours provided and the staff at 31/12 of the referenced year.	All the companies included in the reporting boundary (see Chapter 1 "Methodological Note").
	404-3: Percentage of employees receiving regular performance and career development reviews	7. HR and social management	The data reported was obtained from the company Portal, which records all the assessments assigned to the people involved in the performance management program, monitored centrally, except for Prima Electro and Finn-Power OY, which manage their own skills assessment program. MBOs are managed outside the system. The data relates to the assessments from 2019, which were carried out in the first half of 2020.	All the companies included in the reporting boundary (see Chapter 1 "Methodological Note").

GRI STANDARDS	DISCLOSURE	CH.	NOTES	REPORTING PERIMETER
GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES	405-1: Diversity of governance bodies and employees	2. The Prima Industrie Group	-	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.
		7. HR and social management	-	The data relating to employees from protected categories are only shown for: - Prima Industrie SpA - Prima Electro SpA - 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 416: CUSTOMER 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").
GRI 205: ANTI-CORRUPTION	205-2: Communication and training about anti-corruption policies and procedures	8. Anti-Corruption	- Note that the reported data, with respect to what is indicated in the "Reporting Requirements" of the GRI Disclosure, concerns only the anti-corruption training provided to employees of Prima Power Laserdyne LLC, and the training regarding Law 231 provided to new hires in Prima Industrie SpA and Prima Electro SpA.	The indicator is reported exclusively with respect to the following companies: - Prima Power Laserdyne LLC - Prima Industrie SpA - Prima Electro SpA
GRI 207: TAX	207-1: Approach to tax 207-2 Tax governance, control, and risk management 207-3 Stakeholder engagement and management of concerns related to tax	2. The Prima Industrie Group	-	The qualitative parameter refers to the entire Group.

Other indicators non GRI

Investment in Research and Development	-	5. Products	-	All Group companies.
Customer Satisfaction Survey	-	5. Products	-	All Group companies.

chapter 9.





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 2020

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 undertaken 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 2020 prepared in accordance with article 4 of the Decree and approved by the Board of Directors on 9 March 2021 (the "NFS").

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

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and with the "GRI-Sustainability Reporting Standards" defined in 2016 and updated to 2020 (hereafter the "GRI Standards"), identified by them as the reporting 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 control 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 or faced by the Group.

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

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 Italia 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 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information ("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, 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 of company personnel responsible for the preparation of the information presented in the NFS, analyses of documents, recalculations and other procedures designed to obtain evidence considered useful.

In detail, 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 standard 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 the information reported in the Prima Industrie 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;
 - key 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 detail, we held interviews and discussions with the 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 Group 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 its 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, Finn-Power OY and OOO Prima Power, 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.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Prima Industrie Group as of 31 December 2020 is not prepared, in all material respects, in accordance 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, 26 March 2021

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 2020 translation.



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