



Carraro Group
CSR Review 2020





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The complete version
of the Sustainability Report
2020 is available on line



Acting for the future

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

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

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

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

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

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

A fundamental tool in the fight to end world hunger is the mechanisation of agriculture, and the capacity to cultivate more efficiently and effectively. Only those able to produce increasingly efficient vehicles and drive systems will be able to secure market leadership. This is enabled by pursuing genuine technological evolution, focusing on digitalisation, the

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

growing integration of electric mobility and precision farming. The installation of tri-generation plants, such as the system at our SIAP plant in Maniago, will help to cut emissions and increase the business' competitive advantage. If we add to this an internationally recognised ESG certification, we represent a leading partner for our clients. These are just three examples related to our business that come to mind.

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

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



Tomaso Carraro
Deputy Chairman
Chief CSR Officer



1

Highlights

Highlights

2020

← 2019



Revenues [€/mln]

478.7

← 548.8



**The Group's
people**

3,455

← 3,092



Facilities

8

← 8

Italy, India, China,
Argentina, Brazil

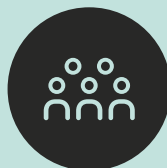


R&D Centers

5

← 5

Italy, India, China,
Argentina



Training [hours]

26,150

← 49,272



**Women
employees**

11.6%

← 11%



Energy from
renewable sources

50%

← 48.5%



Total energy
consumption [GJ]

-3.9%

← vs 2019



Emissions

Scope 1 [t.CO₂eq]

+0.13%

Scope 2 [t.CO₂]

-14.2%

Scope 3 [t.CO₂eq]

+5.2%

← vs 2019



Waste produced
[Tonn]

-7.4%

← vs 2019



Water
consumption [Ml]

-4.0%

← vs 2019



Environmental
certifications
obtained

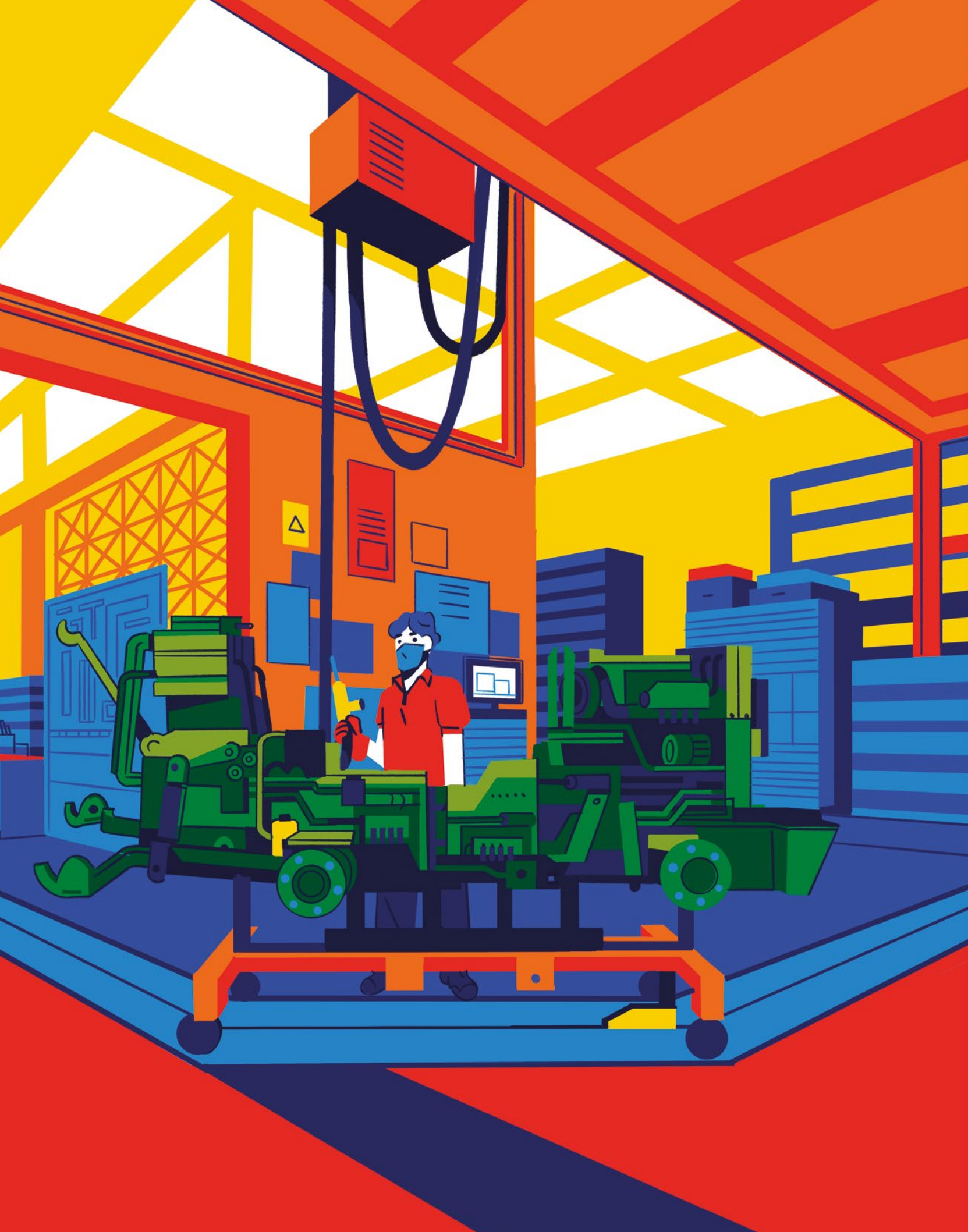
75%

of production sites

ESG Performance KPI

Economics					
		2020	%	2019	%
Revenues	€/Mil	478.7		548.8	
Ebitda	€/Mil	32.5	7%	42.7	8%
Ebit	€/Mil	12.1	3%	22.5	4%
Net income	€/Mil	-3.3		8.1	
Investments	€/Mil	12.8		24	
PFN	€/Mil	-152.7		-133.8	
Net assets	€/Mil	63.1		73.3	
Economic value generated by the Group	€/Mil	483.5	100%	555.7	100%
Economic value distributed by the Group	€/Mil	464.1	96%	519.3	93%
Remuneration to suppliers	€/Mil	368.2	76%	424.6	76%
Remuneration to collaborators	€/Mil	64.2	13%	65.0	12%
Remuneration to lenders	€/Mil	14.5	3%	10.8	2%
Remuneration to Local Authorities	€/Mil	17.3	4%	18.9	3%
Social					
Total workforce		3,455		3,092	
of which Italy		1,480		1,424	
of which Foreign		1,975		1,668	
Foreign Senior Manager from local communities		67%		67%	
Rate of work-related injuries (employees)		1.45		1.82	
Rate of work-related injuries (other workers)		0.83		1.04	

Environment						
	u.m.	2020	%	Var %	2019	%
Total Energy Consumption	GJ	485,333		–4%	505,284	
Direct GHG emissions (Scope1)	t. CO ₂ eq	18,745		0%	18,720	
Indirect GHG emissions (Scope2)	t. CO ₂	13,482		–14%	15,708	
Other indirect GHG emissions (Scope3)	t. CO ₂ eq	21,944		5%	20,867	
Waste produced	t.	12,780		–7%	13,800	
out of which recyclable	%	59%				
Water consumption	ML	128.7		–4%	134.2	

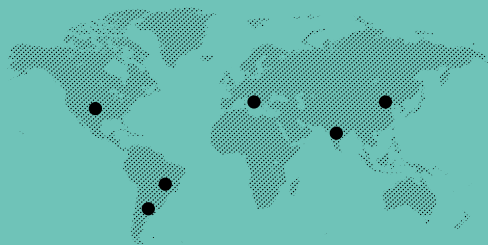


2

Who we are

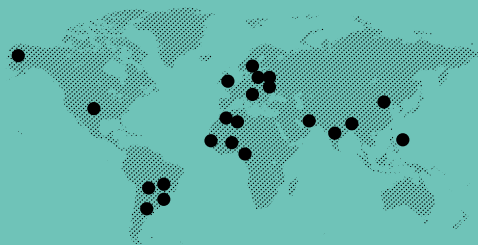
6

Carraro Country Sites



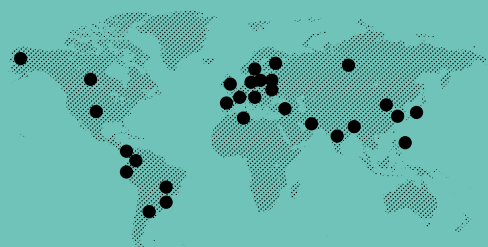
+3,400

Workforce



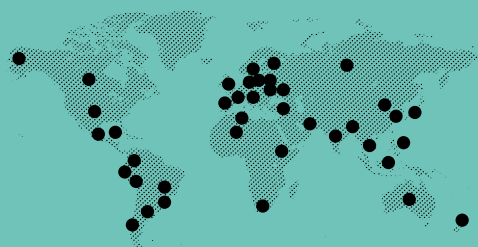
+2,000

Suppliers



+500

Customers



Carraro in the world

Value network

The Carraro Group: **multinational, multicultural**, headquartered in Italy, with production sites and sales offices in six countries across three continents; we benefit from the professional contribution of over 3500 qualified employees from different countries, each with diverse needs, aspirations and goals. Our commercial relations with our main partners, suppliers and customers located across the globe form a **network of relationships** that guarantees a **global vision** of our market and enables us to **balance the impacts** of our actions to pursue the best possible performance.

The sustainability policy of the Carraro Group complies with the regulations in every context in which the Group operates, and aims to **reconcile local cultures and requirements** with the **philosophy of responsibility** summarised in the Carraro Values.

Carraro's commitment to reducing its environmental impact includes taking into consideration all factors that make up the Group's **environmental footprint**, including the selection, use and transformation of natural raw materials and resources, and the repair of components. The regulations in the various countries in which the Group operates, particularly those regarding environmental protection and occupational health and safety, are continually evolving, and so thanks to its **internal EH&S management system** Carraro constantly aligns itself with changing legislation and reduces the risks of negative impacts on its business and its financial position. The aim of the Carraro Group is to align its actions and conduct with a **set of standards**, in line with the best international practices.

Stakeholders engagement

We are a community

The involvement of stakeholders influencing the main phases of value creation is necessary and an incentive to lead the objectives of the Carraro Group and also to preside its market and corporate position with consistency and competence.



Stakeholder: main engagement and interaction activities

Employees

- › Projects and/or initiatives for company welfare
- › Breach reporting system
- › Company Intranet
- › Internal newsletter
- › Insertion schemes for new employees
- › Company meetings to discuss results and future objectives
- › Training programmes

Trade unions and workers' representatives

- › Regular discussions

Clients

- › Regular meetings
- › Surveys/market research
- › Continuous dialogue through communication channels (e.g. e-mail, telephone, social media, post)
- › Customer service
- › Company website
- › Online sales channels for spare parts

Suppliers and commercial partners

- › Regular meetings
- › Carraro Private Network
- › Quality assessment audits/visits

Shareholders and the financial community

- › Meetings organised throughout the year (e.g. Shareholders' Meeting, presentation to analysts, roadshows for special projects)
- › Company website ("Investor Relations" section)

Local communities and NGOs

- › Projects to support social initiatives
- › Open factory days

Local authorities, Public Administration, regulatory bodies and trade associations

- › Meetings with representatives of local institutions

Schools and universities

- › Site visits
- › Collaborations with schools and the academic community

Media

- › Company website
- › Interviews with company management
- › Press releases
- › Events, trade fairs

Environment

- › Reduction of energy consumption and greenhouse gas emissions
- › Continual monitoring of energy consumption and greenhouse gas emissions
- › Responsible waste disposal methods

Covid-19

Stopping the virus

In January 2020, the spread of the Covid-19 virus and the resulting restrictive measures imposed by the authorities to contain it led to an initial slowdown and then enforced cessation of the Carraro Group's manufacturing activities, with operations suspended in various periods at the Group's facilities in accordance with local government directives.

To confront the emergency, the Group set itself these key objectives:

- › to protect the occupational **health** and safety of its employees;
- › to continue **operating activities** wherever possible;
- › to **mitigate the effects** of possible disruption to the supply chain.

A series of measures to confront the pandemic were taken, aimed at safeguarding and protecting the Group's personnel and its economic commitments;

- › sanitising of workplaces;
- › provision of PPE for employees (e.g. masks, hand sanitiser, thermal scanners);
- › monitoring of body temperature at Group sites;
- › definition of dedicated procedures for suspected or confirmed cases of the disease and creation of emergency management committees;
- › changes to layout (e.g. separate entrances and exits, modified layout of communal spaces such as cafeterias or changing rooms), signage and work stations;
- › introduction of remote working, where practical (office activities);
- › individual insurance policies (for hospitalisation from Covid-19).

General recommendations adopted by the Group



Workplace Sanitation



Protection devices and adoption of systems to ensure the safety of employees (temperature measurement, communal places layout, partitioning screens...)



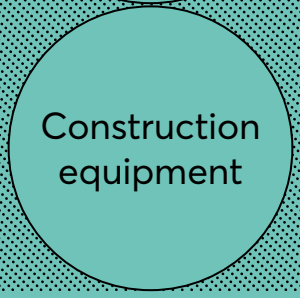
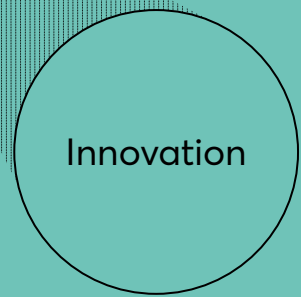
Remote working



Individual insurance policies



Communication and information procedures for a safe office attendance



Innovation in our reference markets

Research and innovation are the competitive levers enabling the Carraro Group to successfully **trade with leading global manufacturers** of agricultural and construction machinery and to occupy an important market position, as shown by the volumes produced, the client portfolio acquired and the distribution of sales in the main geographical areas of the globe. Our robust sales portfolio also enables us to operate in emerging markets, confirming Carraro's reliability as a successful strategic partner.

Sales by market segment



Construction Eq.

31%

2020



Agricultural Eq.

51%



Other

15%



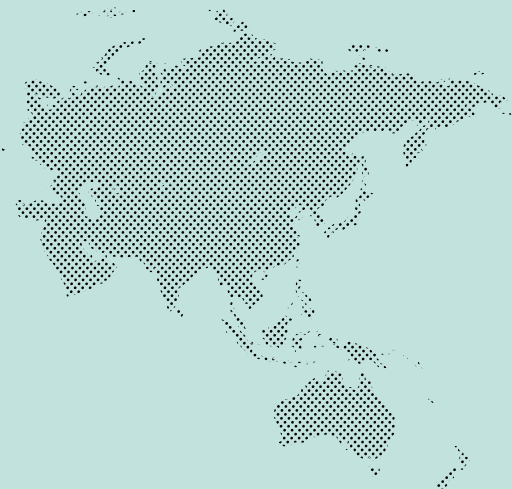
Material Handling

3%

Sales by geographic area

2020

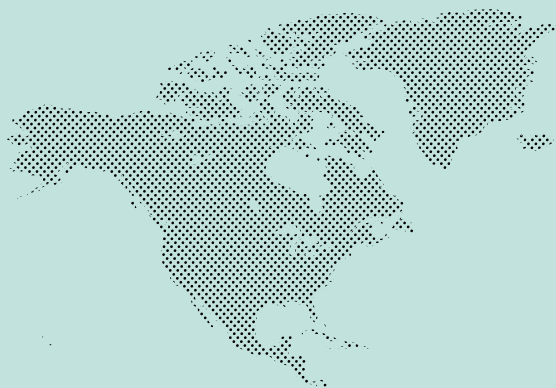
← 2019



Asia

20.12%

← 18.02%



North America

11.91%

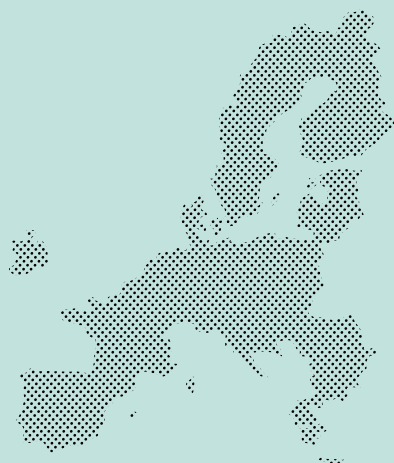
← 14.10%



South America

5.95%

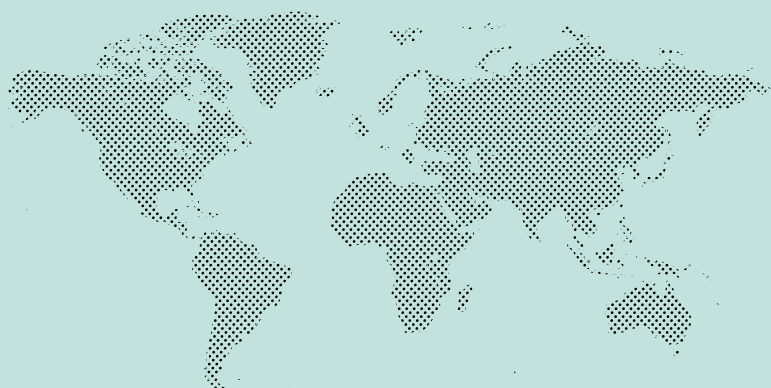
← 6.00%



Other
EU Countries

25.22%

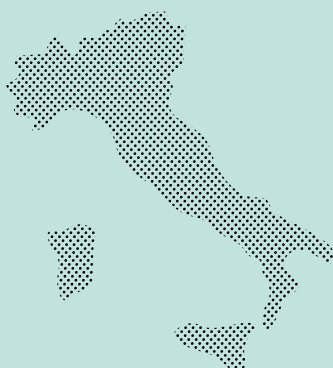
← 34.10%



Non
EU Countries

18.21%

← 9.86%



Italy




18.58%

← 17.92%




Brands, products and services

Trademarks




-  **CARRARO**
→ *Research and Development*
-  **CARRARO Drive Tech Italia**
→ *Axle and Drive Systems*
-  **SIAP**
A Carraro Company
→ *Drive system components*
-  **CARRARO After Sales & Spare Parts**
→ *Spare parts*

-  **CARRARO Agritalia**
→ *Agricultural vehicles*
-  **CARRARO**
Tractors Built for the Best™
→ *Carraro Tractors specialised tractors*
-  **DRIVESERVICE**
A Carraro Company
→ *Carraro Spare Parts logistics service*

Products

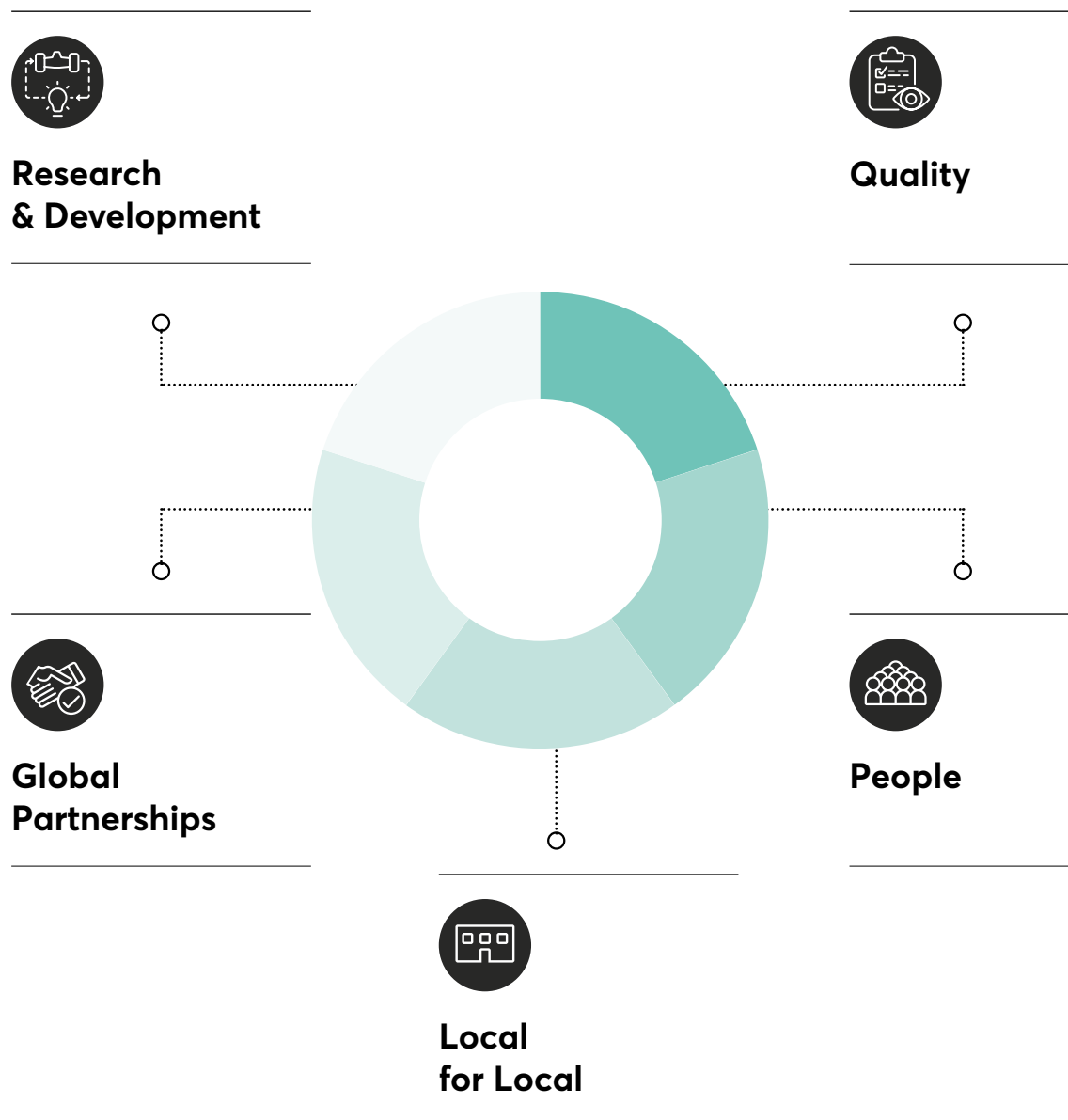
-  **Drive systems (axles, drive systems) for:**
 - *construction machinery (backhoe loaders, wheel loaders, excavators, compactors)*
 - *agricultural machinery (tractors, harvesters)*
 - *transportation machinery (forklift trucks)*
 - *telehandlers*
 - *light commercial vehicles*
-  **Gears and components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

Services

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

Success factors

The acknowledged technological leadership in transmission systems for on- and off-highway, as well as the consolidated know-how in management and transformation systems of power, represent the Carraro success key points on the market.



Target

Material topics and SDGs

In order to successfully pursue a pathway to sustainability, Carraro believes it's important to consider the clearest targets defined in the field, namely the Sustainable Development Goals (SDGs) defined as part of the action plan signed by 193 member states of the United Nations. The analysis of the Carraro Group's activities and our close dialogue with leading stakeholders has led to the definition of a set of material aspects corresponding to 12 of the 17 SDGs, enabling the Group to outline the actions that can be taken to drive change with a view to sustainability.

	Good health and well-being		Quality education		Gender equality
	Clean water and sanitation		Affordable and clean energy		Decent work and economic growth
	Industry, innovation and infrastructure		Reduced inequalities		Sustainable cities and communities
	Responsible consumption and production		Climate action		Peace, justice and strong institutions

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



Innovation Goals

Innovative Solutions for Drive Systems and for Specialist Tractors, and increased investments in R&D

Innovating means opening the mind to the future and taking a leap forward from the past to design solutions that anticipate the needs of tomorrow, and this means listening very carefully to the **end users of our products**: this is the foundation of the Group's development journey.

Throughout its history, Carraro has always been a pioneer in its field, from automatic sowers and four-wheel drive tractors to the increasingly sophisticated and technologically advanced drive systems available today, designed to optimise vehicle efficiency for **off-highway** applications (agricultural, construction machinery and forklift trucks) and **on-highway** vehicles (light commercial and special vehicles), and with a range of **special tractors** developed for leading original equipment manufacturers (OEM) and for the Carraro brand.

Thanks to the experience gained over its eighty-year history, Carraro is convinced that business success depends on the ability to **innovate** in all directions, including in the field of **environmental sustainability**. Carraro's current product range is highly oriented towards improving the experience of the end user: the new **CVT Powersplit** drive systems and the innovative **Electrical Mild Hybrid** solution for agricultural tractors improve both the **efficiency** and **productivity** of the vehicle in all conditions while providing the operator with a more **comfortable** driving experience. With regard to construction machinery, the Group has designed and implemented various **electrified** configurations, starting the most compact vehicles: thanks to these innovative solutions, these vehicles can already operate in **zero-emission zones**.

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

		2020	2019	2020 notes
Human resources, R&D and prototyping	num	245	249	70% Italy 30% Abroad
Financial investment in R&D	€/Mln	26.7	22.6	–
Financial investment in R&D (% of revenue)	%	5.6	4.1	–
Patents registered	num	20	20	–
R&D Centres	num	5	5	2 Italy 3 Abroad
Prototype development and test centres	num	1	1	Italy

R&D Investments

€/Mln

26.7

← 22.6



◆ 2020

◆ 2019

%

5.6

← 4.1



◆ 2020

◆ 2019

Environment and Resources

Protect and preserve

The Carraro Group has devoted resources and skills to protect the environment, in line with its environmental strategy adopted early in 2014.

Reducing the environmental impact of energy consumption

- › increasing the use of **electricity produced from renewable sources** (100% in Italy);

Efficient energy consumption in manufacturing and technological processes

- › the **combined electricity, heating and air conditioning system** (co-generation and tri-generation);
- › **LED lighting technology** in plants;
- › the replacement of **compressed air production systems** with **high efficiency systems**;
- › the **flare gas recovery systems** in the steel heat treatment process (Siap Spa plant in Maniago);
- › installation and use of **two photovoltaic systems** following the construction of the new Research and Development Centre and the warehouse at the Campodarsego plant, which in 2020 produced a total of **92,430 KWh**.

Commitment to waste reduction initiatives

- › **non-industrial plastic reduction;**
- › **single-use packaging reduction** for procured materials (use of returnable packaging for parts in Italy).

Initiatives to reduce emissions

- › *Bike to work* for commuters (Maniago plant);
- › shuttle service between the Campodarsego and Rovigo plants using a **100% electric vehicle**
- › promoting car sharing on each month's third Friday (-966 kg Co2 eq)

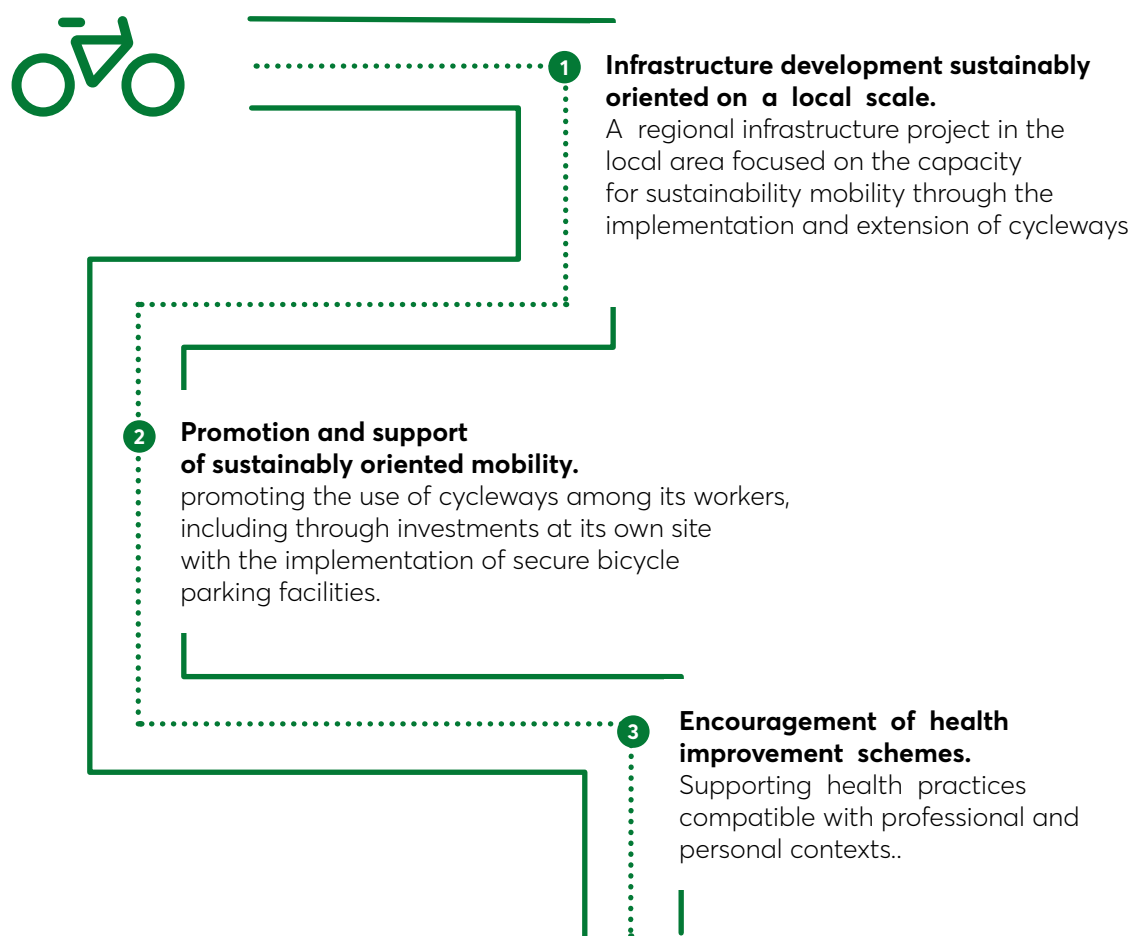
Bike to Work

A project

Workplace health promotion (WHP) involves the implementation of preventive measures to prevent occupational injuries and work-related ill health. In order to be proactive and innovative, in line with a preventive approach, Carraro is committed to offering its employees opportunities to improve personal health by incentivizing physical activity.

The *Bike to Work* scheme aims to promote the use of bicycles, which are non-polluting and a source of motivation and inspiration, developing sustainable mobility within the organization.

In partnership with local authorities and associations, the Carraro - SIAP plant in Maniago has signed up to the *Bike to Work* scheme, combining:



Benefits for those who go to work by bicycle



Pollution
reduction



Improvement
of health
and protection
of the heart



Fit and weight
control



Happier:
less stress,
more endorphins

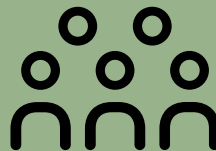
Bike to Work numbers

40



Bicycles

60



Collaborators



We are Workers

Protection and enhancement of personnel

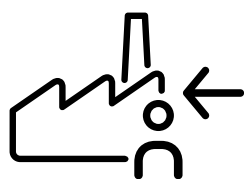
Transparency, freedom of association, mutual respect and constructive dialogue are fundamental values of the Carraro Group.

The capacity to attract and integrate different professional profiles in a company that requires a highly diverse range of skills is one of our distinguishing features.

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

The Carraro Group is committed to promoting a working environment and conduct characterised by:

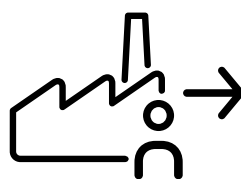
- › the protection of **health, safety** and **integrity** and the prevention of discrimination and abuse of any kind;
- › the **promotion** of an innovative spirit within the limits of responsibility of each employee;
- › the principles of **merit** and **competence** within the limits permitted by working requirements with the definition of roles, responsibilities and the availability of information to enable each member to conduct their duties in the interests of the organisation;
- › the offer of **equal employment and professional advancement opportunities** for all employees.



Turnover in
2020 vs 2019

5.6%

← 8.3%



Turnover out
2020 vs 2019

5.0%

← 7.9%

By education

23%

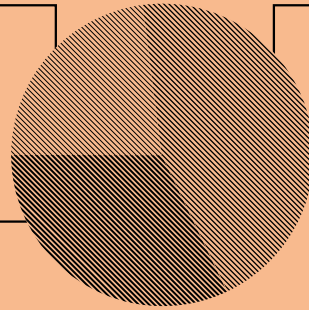
University/
equivalent

45%

High School

32%

Middle/Elementary
School



By age

14%

≤30

39%

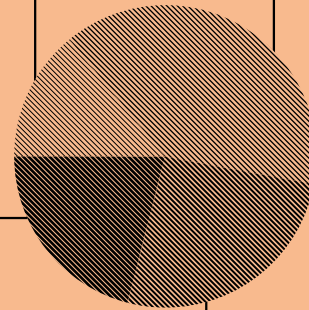
31-40

21%

>50

26%

41-50



By seniority (years)

22.8%

≤5

31.8%

6-10

6.1%

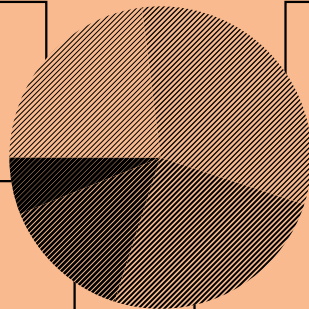
>30

13.9%

21-30

25.4%

11-20



Training

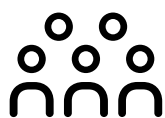
Despite the restrictions imposed due to the health emergency, each site continued with the planned training programme as much as possible and a total of 26,000 hours of training were delivered, including with the use of online methods.

Most training activities focus on research and development in the technical, engineering, testing, prototypes and plant production sectors, while other training sessions are provided for specialised areas such as administration, tax, customs and IT.

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

Specialised sites

The **Training Centre** operated by **Carraro India Ltd** is a specialised training site that provides technical training to all newly hired production personnel.



Training hours

26,150

← 49,272



◆ 2020

◆ 2019

Carraro Business School and Academy for Professionals Project

In 2020 a special HR development program was launched, consisting in two projects: the *Carraro Business School* and the *Academy for Professionals*, both to support professional growth in a continually evolving context, to shape the corporate identity of the Carraro Group, to share strategies, projects and experiences as well as to create connections between people and fully engage them (the project will be implemented in 2021).

Program objectives



1	Create a skills map of the expertise available in Carraro
2	Develop the potential of the people involved
3	Support the HR department with a strategic development process
4	Provide either the employees and the company with access to a toolkit that will enable both of them with a performance improvement

1

**Define needs
Business Plan**
2021–2025

2

**Assess
people**

3

**Give people
tools & skills**

Soft & hard skills

 **Carraro Business School**

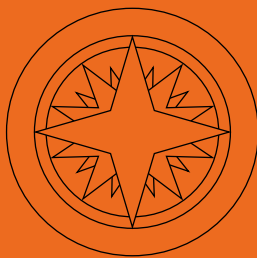
 **Academy for Professionals**

Learning

Development

Coaching

From Italy to Carraro World



Action Plan

Strategy

Target

Women Empowerment

The management of human resources within the Group aims to demonstrate the capacity to attract and integrate different professional profiles.

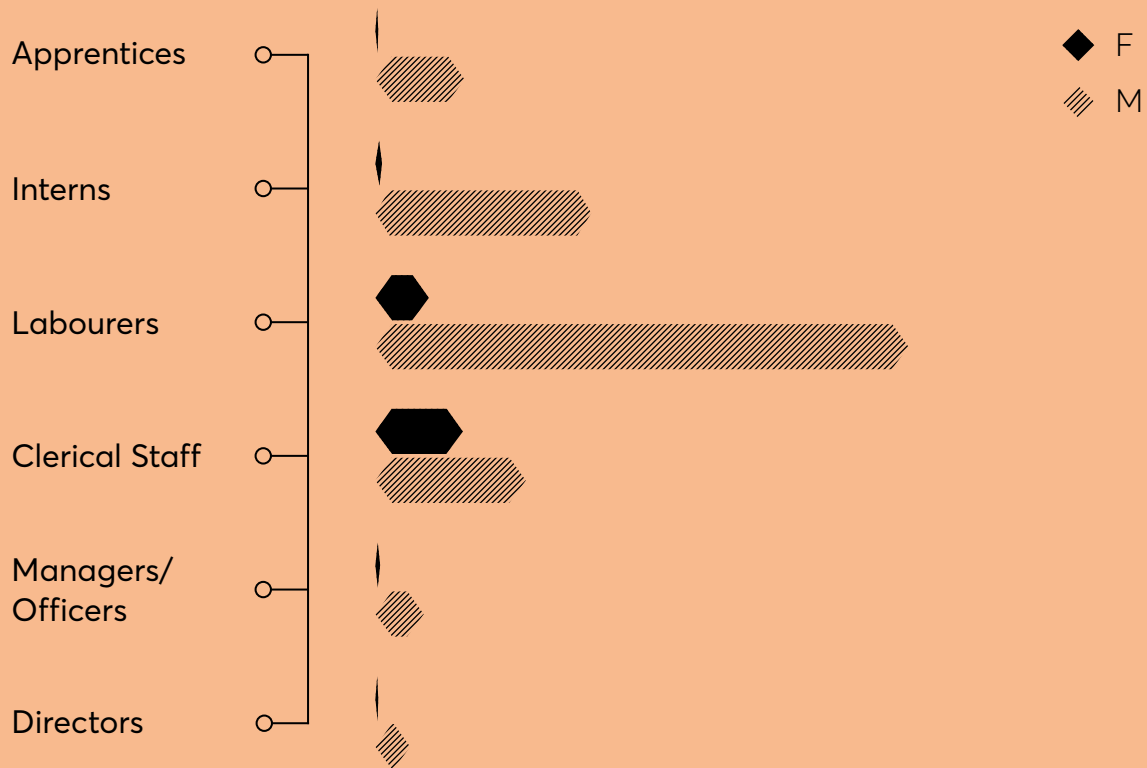
Non-discrimination has always been a fundamental characteristic of the philosophy of the Carraro Group and represents one of the founding principles of the Group's Code of Ethics, the Human Rights Policy and the Diversity Policy.

While **women** are in the minority in the workforce of the Carraro Group and mainly operate in clerical roles, they are an **essential** component as the more diverse the Group's skills, attitudes, approaches and outlooks are, the more effective and complete they become.

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

Carraro recognises the value of each employee and understands that identifying the correct route to ensure individual professional advancement and to improve the Group's performance is a key target to be met.

Composition of the Group



Qualification

2020

← 2019

% vs tot by qualification

Executives and managers

10 (9.3%)

← 8 (7.5%)

Clerical staff

200 (32.2%)

← 198 (32.2%)

Manual staff

87 (4.7%)

← 76 (4.1%)

Total

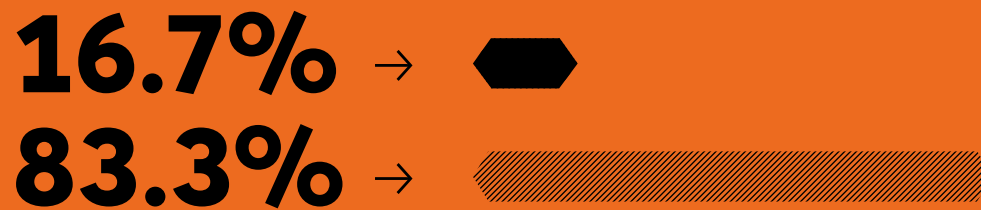
297 (11.6%)

← 282 (11.0%)

Turnover

2020 ◆ F
 ▨ M

New hires



Employees



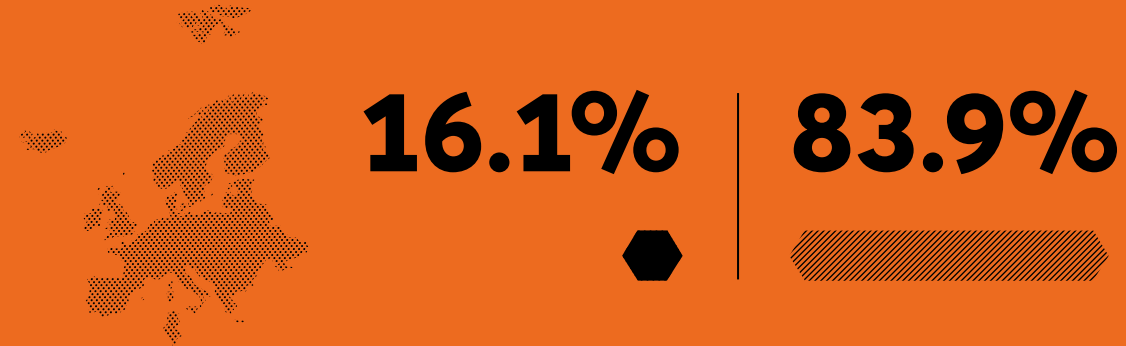
Terminations/Resignations



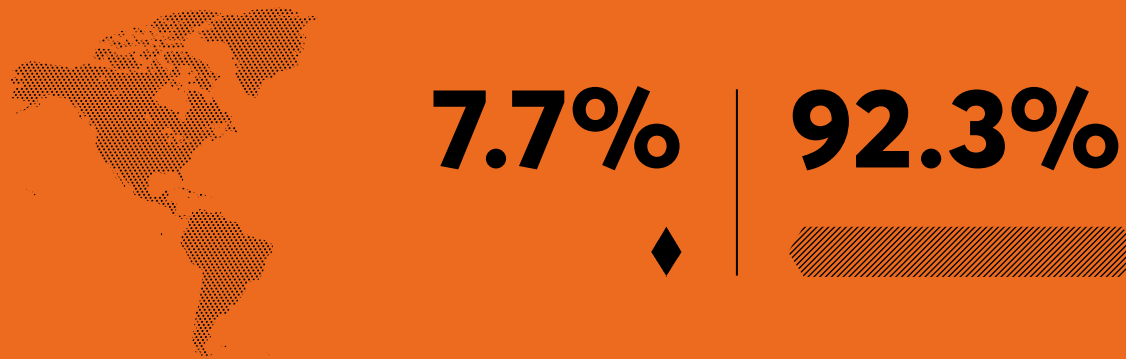
Composition of the Group in the world

2020 ◆ F
▨ M

Europe



Americas



Asia



Occupational health and safety

Risks are identified and assessed based on a process guided by the application of available best practices and the in-house knowledge of the Group's H&S representatives and, where necessary, of external professionals or specialist companies.

The same criteria are applied when designing risk prevention and monitoring systems and assigning duties to employees, considering the health and physical conditions of each employee.

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

As regards the occupational health system:

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

The principles of H&S Carraro Management at the Carraro Group

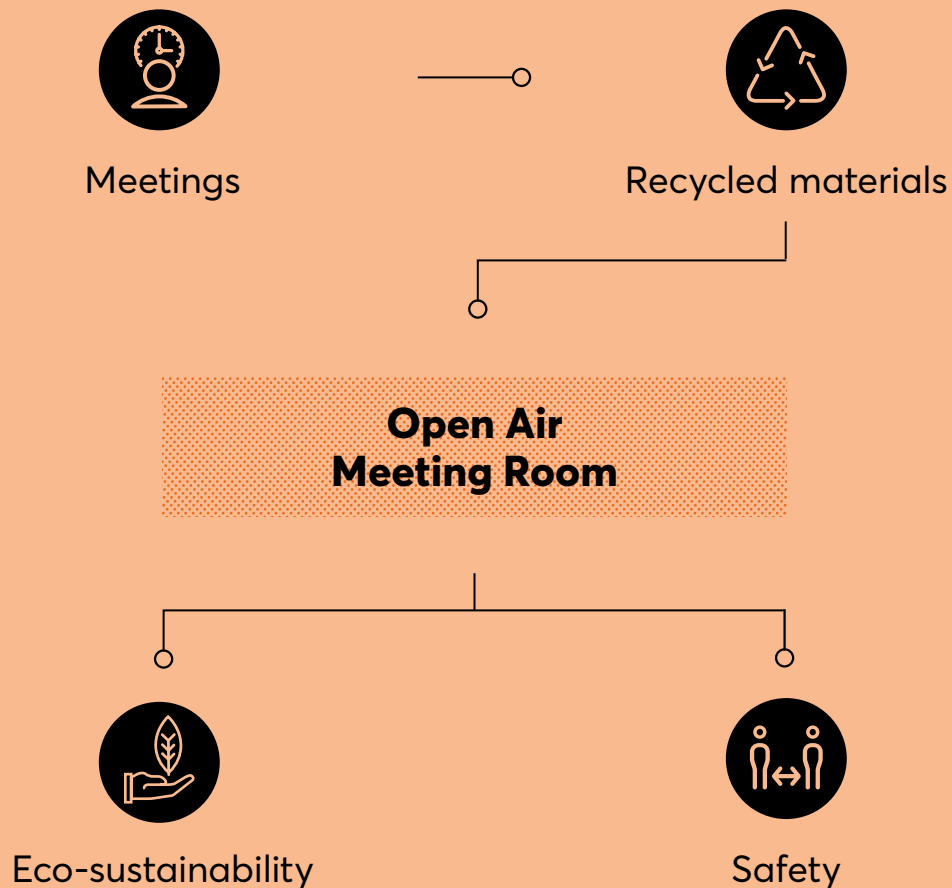
- 
- Focus on **sustainable health and safety**
 - Responsibility** and **engagement** at all levels
 - Inspiration from the **leading international technical guidelines**
 - Identification of **periodic objectives**
 - Measurement of results** with the judicious use of reference KPIs
 - Performance of periodic and systematic **audits**
 - Notification** of outcomes, results and corrective measures to **stakeholders**
 - Continuous improvement** cycle
 - Constant monitoring**
 - Regular **reports to management**

Open Air Meeting Room Project

The 2020 pandemic emergency led to a global paradigm shift in the way meetings are organised and held, guaranteeing compliance with social distancing regulations and providing a safe working environment.

Using reclaimed industrial materials, new outdoor meeting rooms were established at the Group's Italian sites in Campodarsego, Poggiofiorito and Rovigo.

Usual professional requirements were thus met with unusual yet simple, ecologically sustainable and safe solutions.



Welfare and well-being

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

Practices implemented by Carraro

1	Flexible working hours and other part-time solutions offered to employees in Italy and some foreign companies to facilitate workers from a social-family point of view
2	The option to work remotely according to schedules and methods defined by the needs of the relevant organization, as well as those caused by extraordinary circumstances (such as the 2020 pandemic)
3	"Pink parking" spaces reserved for pregnant women (ITA-Campodarsego)
4	To respectfully reconcile professional and religious needs, a dedicated Prayer Room has been established at the Campodarsego site, for Muslim workers;

5	Cafeteria/company canteen open during the day and at night, at discounted prices, catering for special dietary requirements and with a selection of dishes compatible with the special dietary and religious needs
6	Free drinking water dispensers accessible to all employees
7	Collective transport between home and work (for India and China sites), paid by the company, to minimize the costs of using personal vehicle
8	Life insurance or permanent disability insurance for some professional roles in Italy, India, Argentina and the U.S.A., and extended to all personnel in China
9	Supplementary health insurance for all Italian, Brazilian, Indian and US personnel. Partially in Argentina
10	Supplementary complementary pension plans in the U.S.A. and China

Social initiatives

Carraro traditionally promotes local and regional social initiatives in Italy and abroad.

Italy



Relations with schools

Carraro has long supported relations with technical schools through apprenticeships and school-work programs, aiming to promote the development of technical knowledge and reduce the integration times of new hires, facilitating the entry of new professional profiles and attracting young talent.

One initiative worthy of particular note is the “*Academy*” training program launched by Carraro Spa Divisione Agritalia in October 2017, which aims to educate and recruit young graduates with specific technical skills in the agricultural vehicle industry.



40
computers

A new life for our old computer

In 2020 Carraro donated over 40 computers to organizations operating in the region. As part of the initiative, obsolete company equipment in good working condition was given new life at learning associations and institutions.

India



Care&Share Italia Onlus

An Italian non-governmental organization that has operated in India for 25 years to support children in need



€ 57k

Fundraising for two Indian families affected by Covid-19

At the end of 2020 a fundraising campaign was launched to support the families of two colleagues who died from Covid-19. The total amount donated by employees and by the company was € 57k and will be awarded in 2021.



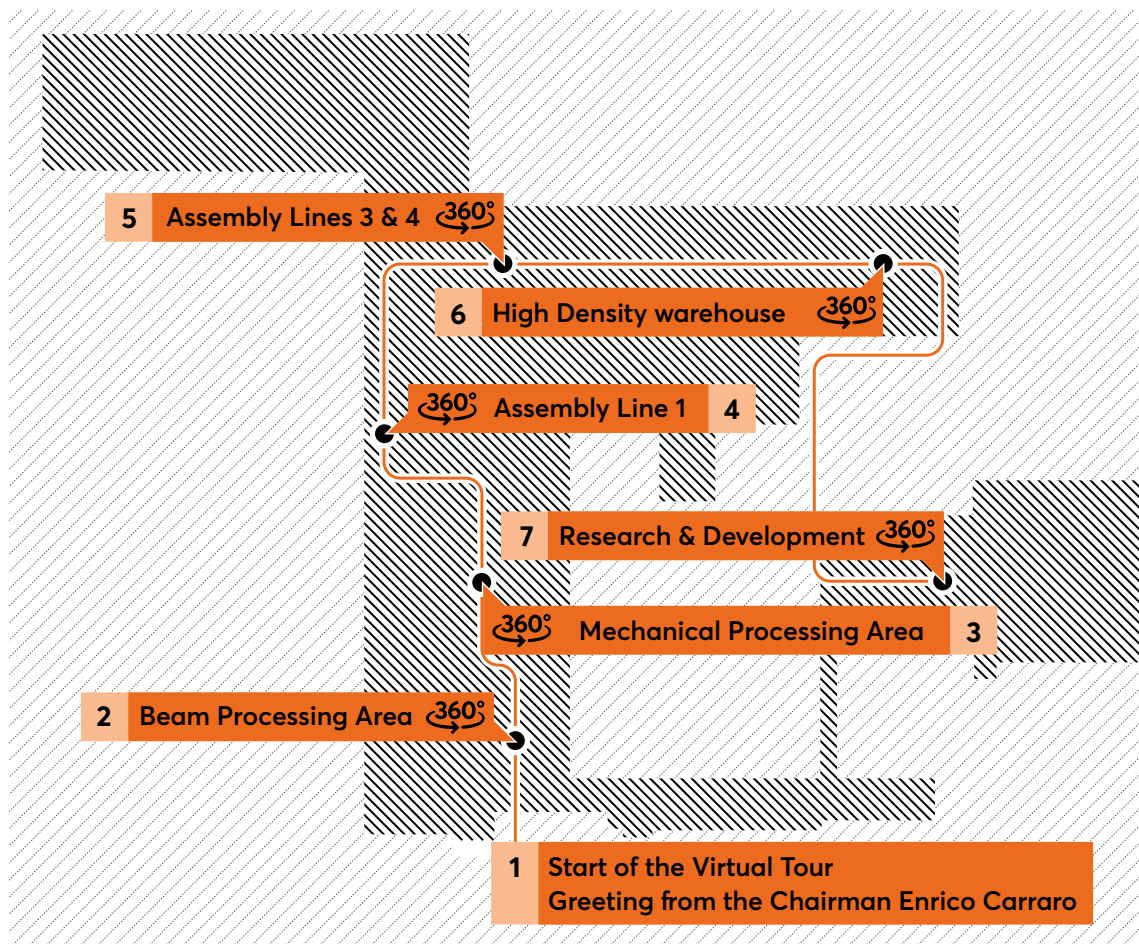
**300
packs**

Community initiatives by Carraro India

- › Donation of 300 packs of liquid sanitizer to support the local police force which has worked hard to combat the Covid-19 pandemic;
- › Donation to a local hospital to support medical care in the local area

Local engagement

The Carraro Group's plants are a great source of pride: each production facility is an essential part of the company's assets, a dynamic entity subject to constant evolution and innovation. With a view to stakeholder engagement, Carraro invites the public to visit its production facilities each year through the now-traditional series of Open Factory events. The high attendance at each event confirms that the work we carry out at our mechanical engineering sites is of significant public interest. The events usually take place live but in 2020 (**Open Factory** at the Campodarsego site) we experimented with an innovative virtual model to ensure accessibility during the Covid-19 pandemic, opening the doors not only to local residents but also offering people located far away an opportunity to explore our manufacturing enterprise.



Our reliability is not an option

Innovation and quality enable us to have a strategic presence on the market

Being a leading player in the drive systems scenario for construction and agricultural machinery requires a high level of reliability in the products offered and, as a consequence, absolute attention to quality in all of its aspects. To achieve this, since the 1980s Carraro has adopted a systematic approach aimed at Total Quality.

The approach begins with the design and industrial quality of the materials, components and processes, aiming to achieve a level of product reliability able to guarantee safety and durability both as components in more complex products or as finished items.

Department	Position	Company/office	Dedicated resources
Quality	Head offices of the Group	Carraro Spa	5
After-Sales Quality and Services	Local	Italy, China, Usa, India	31
Operations Quality	Local	Italy, China, India, Argentina	206
Procurement Quality	Local	Italy, China, India	14
Total			256

Carraro promotes culture

Mechanical engineering is an art: at Carraro we believe **in the value of culture as a driver of growth and stimulus**, and consequently the Group promotes cultural initiatives for its employees through engagement with artistic and creative partners who support the Group's development.

Each year the company management selects an artistic theme which, inspired by the Carraro Group's business and often welcoming contributions from a specific artist, adds an inspiring artistic element to the Group's website, calendars and greetings cards.

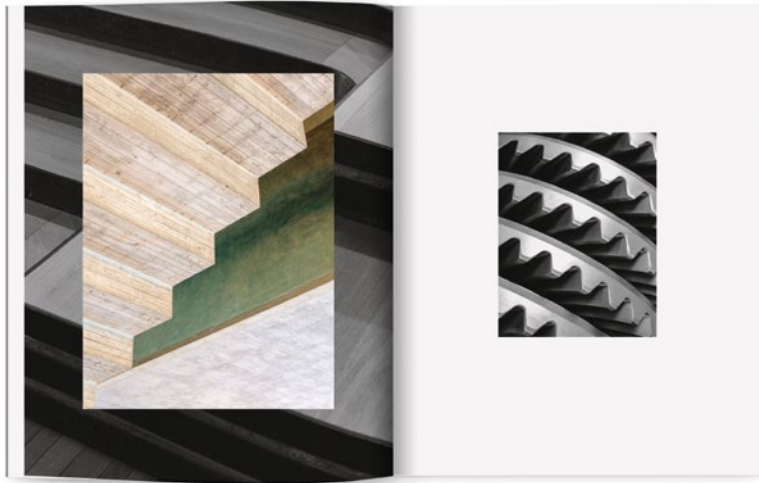
The Group's contributions to supporting the arts includes financial support provided to the annual concert programmes of the Associazione Amici della Musica di Padova (*). Theatre is a personal passion of the Carraro family and is a constant feature among the cultural events organised by the company for its employees, with free tickets to local theatres for employees and the staging of a theatrical performance within the Carraro Group's sites.



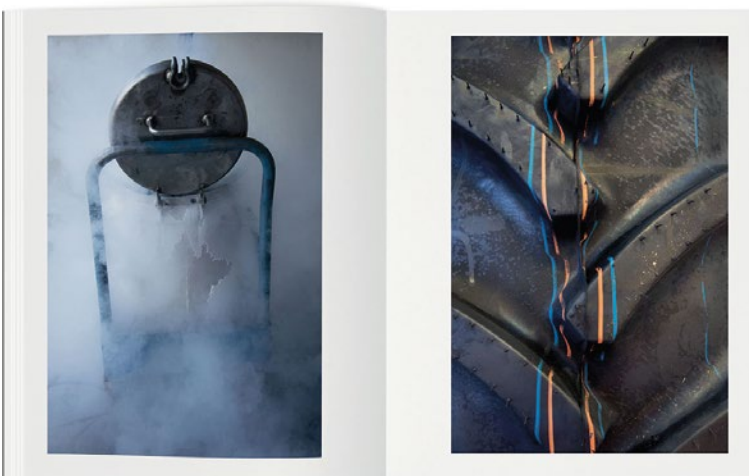
↑ Emi Ligabue
→ Martina Zena



* A body created to promote the culture of music in the region through the organisation of concerts and the promotion of musical research projects.



↑ Mattia Balsamini
→ Luca Barcellona
↓ Jessica Backhaus

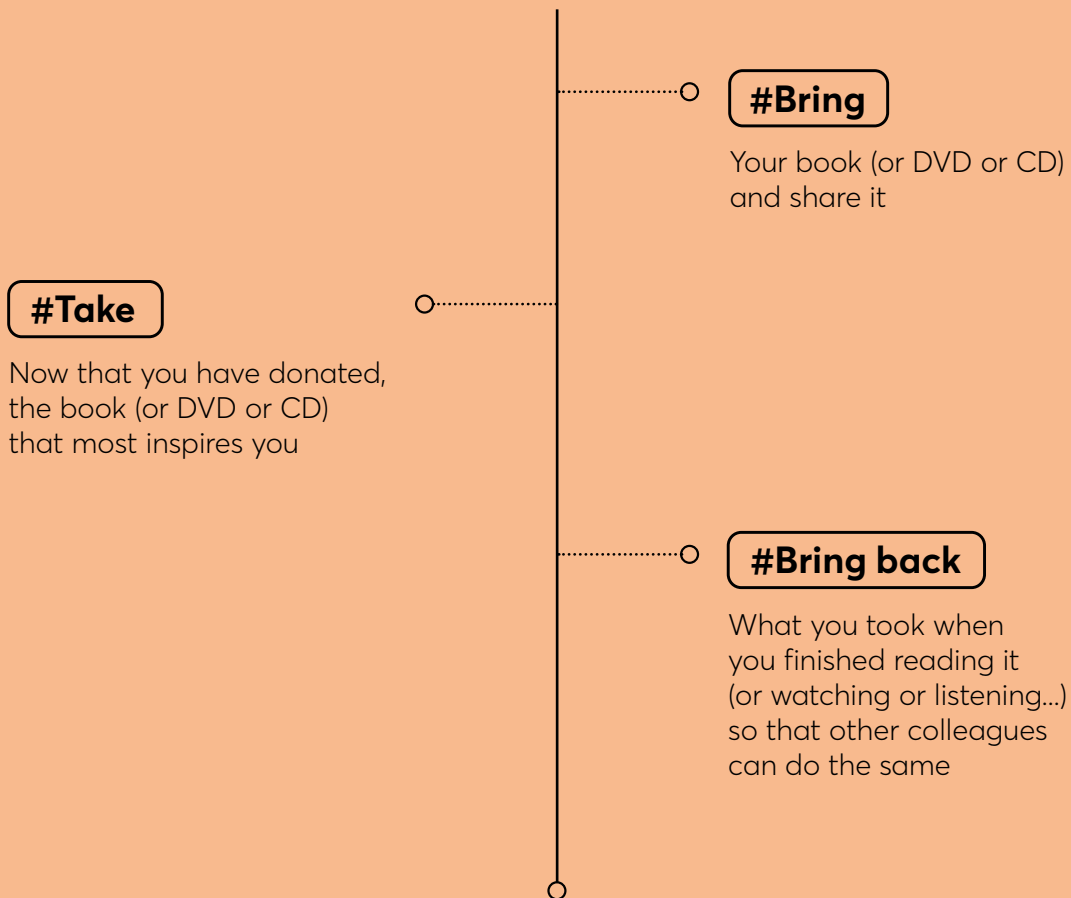


Share the Culture

The “CSR - Share the Culture” project is inspired by well-known “book sharing” activities but goes even further. In our production facilities, starting with our HQ, spaces have been established where each employee can donate and lend books, CDs and DVDs to their colleagues. Employees can also select a book or DVD to take home, bringing it back once they have enjoyed it.



Carraro
Social Responsibility
SHARE THE CULTURE



Share the Culture

Ethics, integrity and values

A shared goal

Engaging our suppliers in Carraro's Code of Ethics

The selection of suppliers and the definition of purchase conditions for goods and services for the Group is regulated by values and parameters of competition, objectivity, respectability, propriety, impartiality, fairness of price, quality of goods and/or services and by the assessment of guarantees of service and the general range of offers.

All of the members of our complex supply chain must fulfil the same **requirements of technological capacity, quality, efficiency and ethics** upon which the Group bases its business activities.

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

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

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

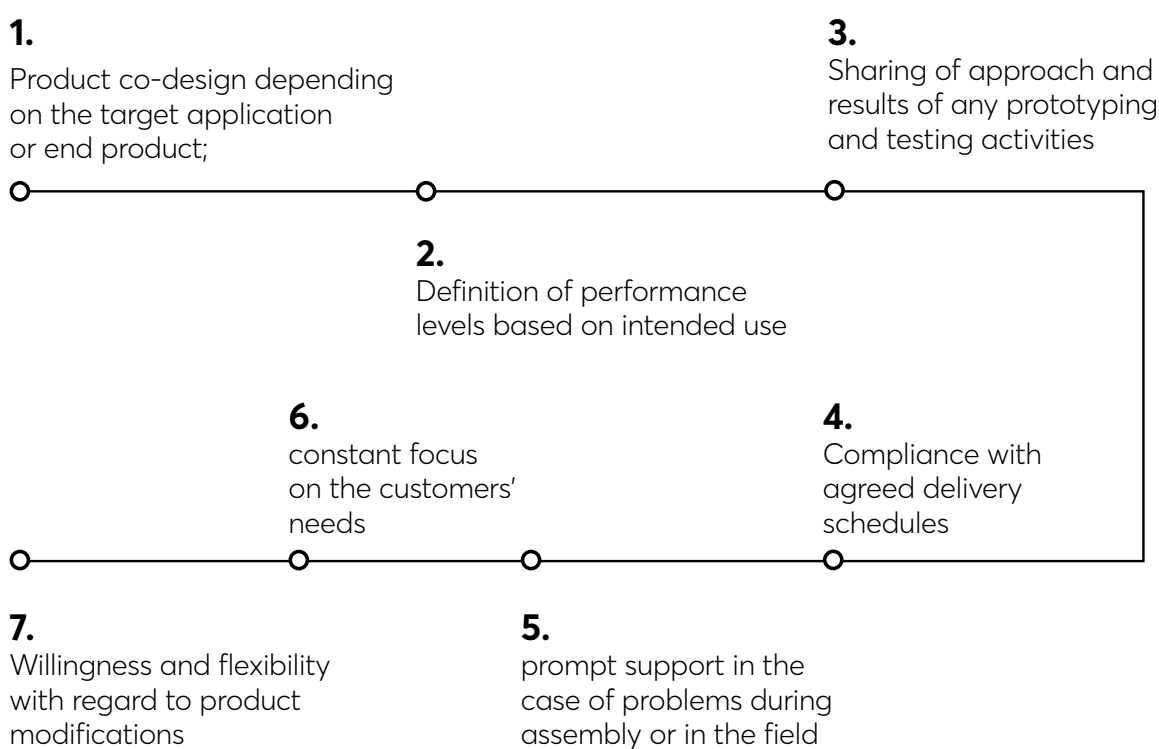
The Manual applies to suppliers of all of the Group's plants, regardless of local legislation.



- Technological and production capacity
- Overall quality of processes and products
- Possession of quality certificates according to ISO standards
- Corporate and financial position
- Respect for the Code of Ethics of the Carraro Group

Quality and customer service

One of the key factors in Carraro's success is the **Global Partnership**, representing the Group's **complete collaboration with its customers** from the product design phase through to its production and delivery. The establishment of close working relationships with customers enables Carraro to structure its operation into the following phases:



Each of these phases requires **close dialogue and a high level of customer engagement**, which are achieved through:

- › the creation of mixed work groups;
- › the joint definition of work schedules;
- › the shared adoption of reference production and quality standards;
- › total openness to audits and technical monitoring that the customer deems appropriate at our R&D centres and production facilities.

The awards received thanks to our Supplier Quality initiatives confirm the constant and growing focus that each site guarantees to its customers (e.g. the Caterpillar Gold Medal in 2020 as part of the Supplier Quality Excellence 2019 programme).

Eco-social impact

Think global, act local

The Local to Local Supply Chain philosophy

2020 was a complex year for Supply Chain management, with the adoption of emergency solutions that altered our normal activities. Despite this, most of the supply chain continued to operate in the area of operation of Carraro's production facilities, generating a positive economic impact not only through the direct presence of the Carraro's Group, but also through the use of a local supply chain.

% of purchases from local suppliers

Italy

74.8



Brazil

51.4



India

78.6



Argentina

30.9

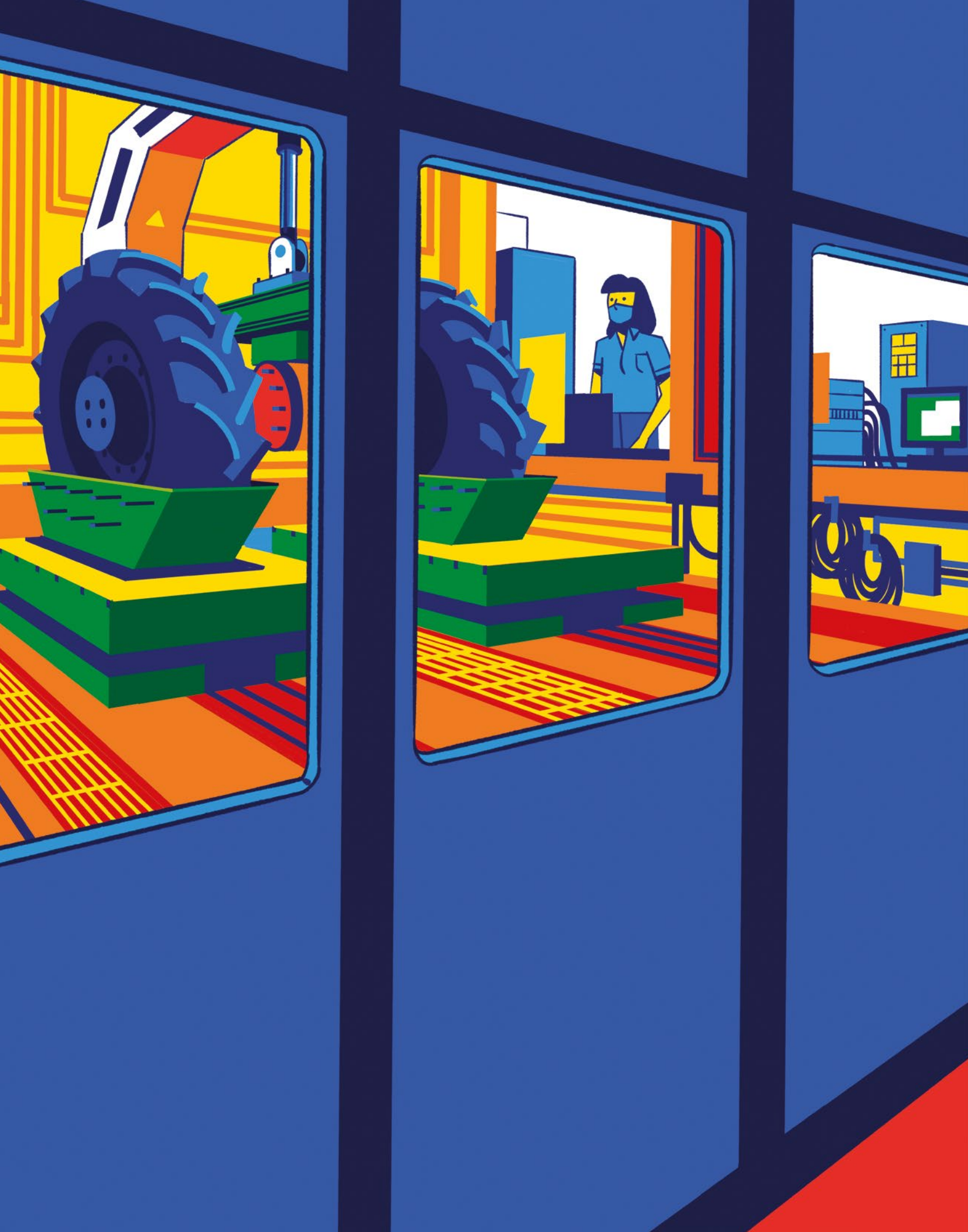


China

80.1



◆ 2020



Certifications

A starting point for continuous improvement

Meeting stakeholder expectations begins with meeting and exceeding the highest reference standards: international certifications are a launchpad for a process of continuous improvement.

As part of its continuous efforts to improve the processes implemented to serve the market, Carraro has always aimed to comply with the requirements laid down by the **leading standards** in the field, both in terms of industrial production and product sales and also as part of a constant drive to minimize the risks to the environment and health and safety in the workplace. This commitment is recognized by the award of various **certificates of compliance with the main standards** to the Group's largest manufacturing plants in Italy and abroad.

		Italy					India			China	Argentina
Certifications		Carraro Drive Tech Italia Spa (Campodarsego)	Carraro Spa (Campodarsego)	Carraro Spa Divisione Agritalia (Campodarsego)	Slap Spa (Maniago)	Carraro Drive Tech Italia Spa Divisione Spare Parts (Rovigo)	Carraro India Ltd Divisione Drivelines (Ranjangaon)	Carraro India Ltd Divisione Gears (Ranjangaon)	Carraro Technologies India Ltd (Viman nagar)	Carraro China Drive System Ltd (Qingdao)	Carraro Argentina Sa (Haedo)
Quality	ISO 9001:2015	◆		◆	◆	◆	◆	◆	◆	◆	◆
Quality Automotive	IATF 16949:2016				◆			◆			
Workplace safety	ISO 45001	◆*	◆*	◆							
Environmental protection	ISO 14001	◆	◆	◆	◆		◆			◆	

Note

* Certification in progress.

Human Rights and Diversity

Code of Ethics and Carraro Sustainability policies

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

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

The multinational context in which the Group operates, characterised by **employees of different genders, religions and cultures**, represents both a challenge and an enormous **benefit** to be optimised and managed to enrich our **intangible heritage**.

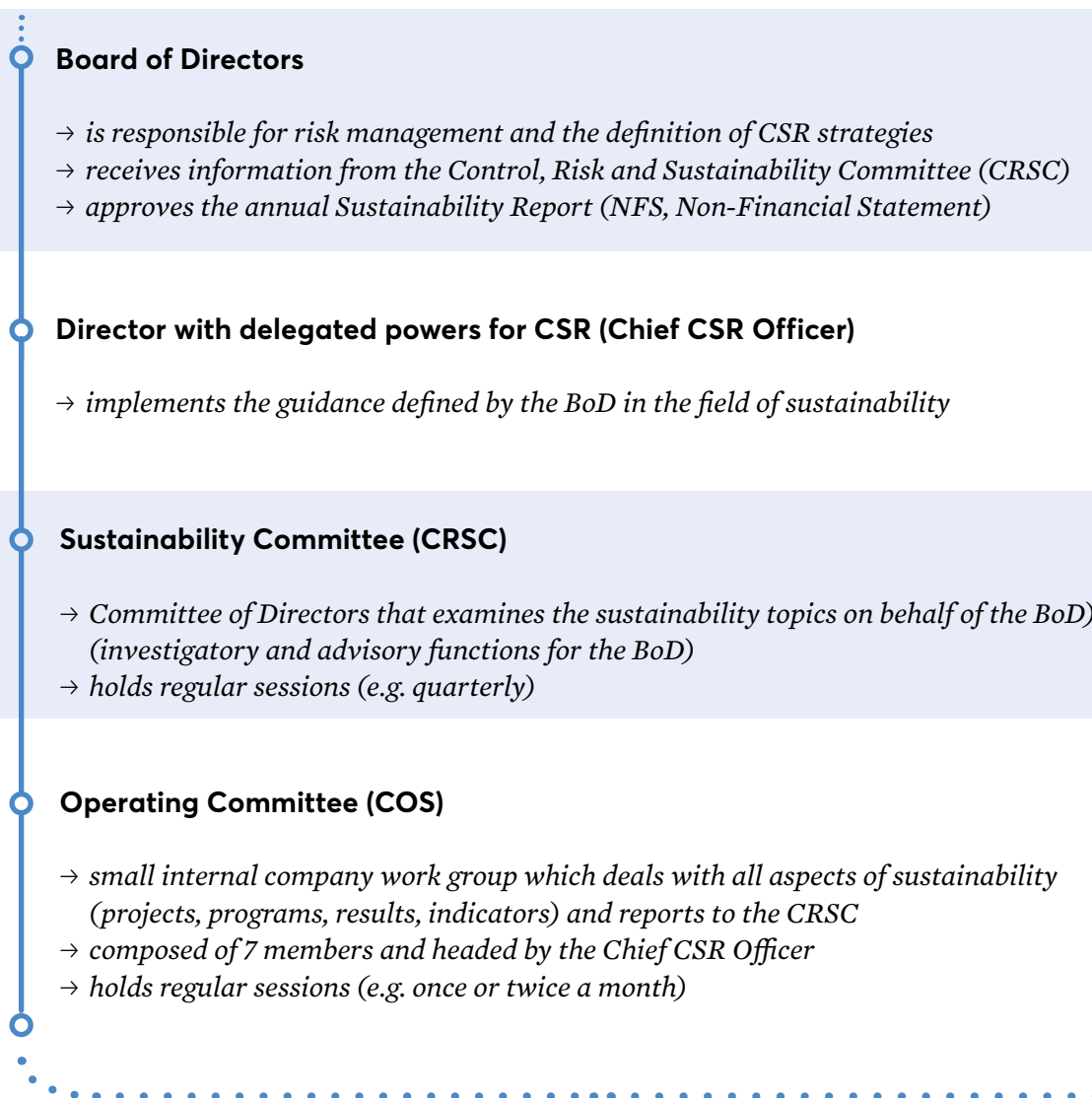
In confirmation of its commitment to transparency, reliability and inclusion, Carraro has adopted a system of internal Policies to guarantee the respect and protection of the environment, safety, rights, and responsibility towards the market.



The adoption of Risk Management Governance models to ensure medium to long term sustainability

Corporate governance is the set of tools, regulations and mechanisms aimed at effective management of the organisation's decision-making processes.

The governance framework, in the context of sound sustainability management, is as follows:





Extended Sustainability Operating Committee

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

Contact persons of the main company departments

- *perform activities for achievement of the Group's objectives reporting to the SOC*
- *collect data and measurements for data streams to the executive bodies*

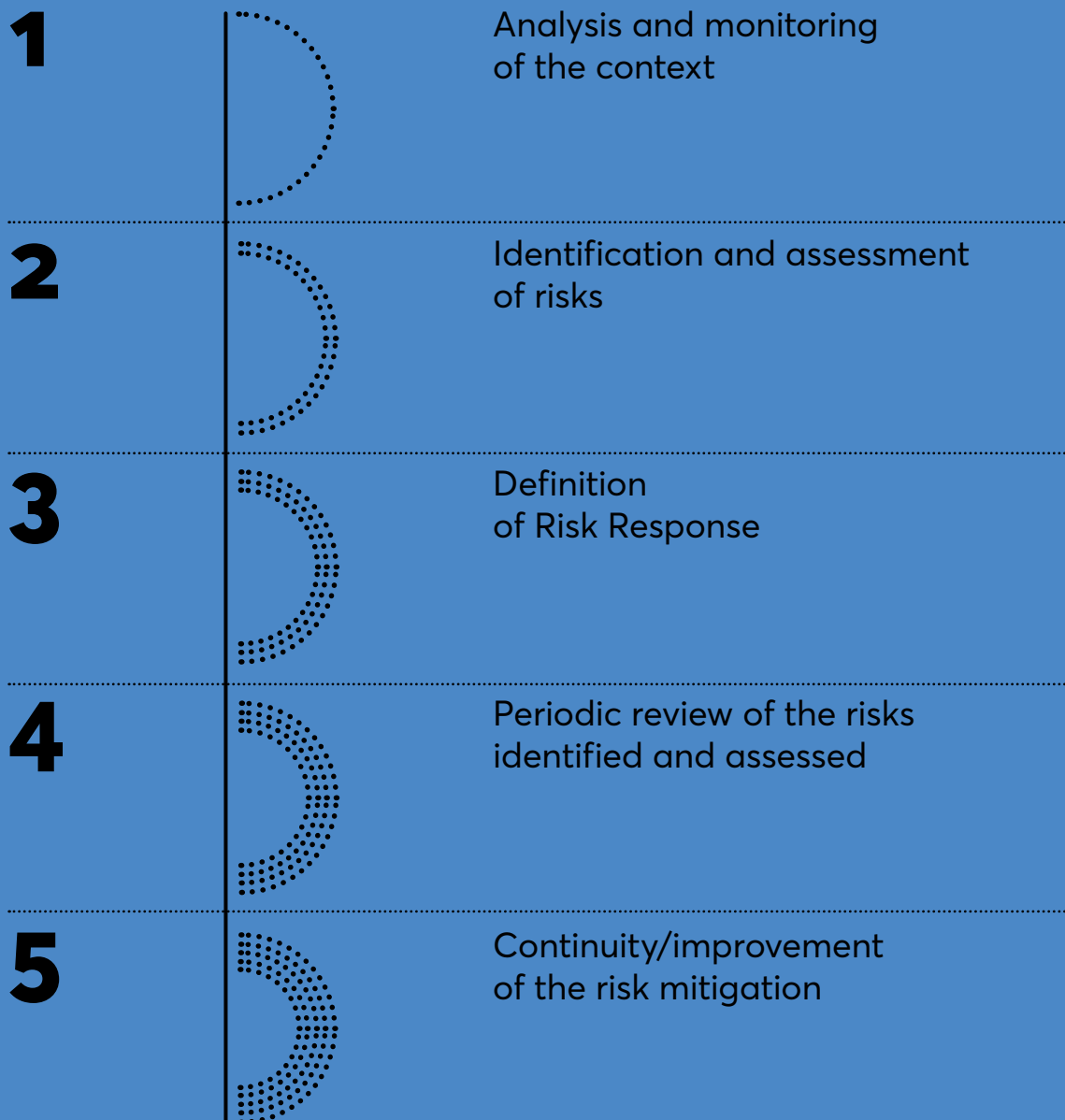
CSR Champions

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

Risk Management Process

Effective risk management depends on a structured system with a methodological approach supported by appropriate operating indications.

To do this, the Carraro Group has defined a **Risk Management Procedure** with the aim of governing the process through the following actions:



Risk categories

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



Carraro Values

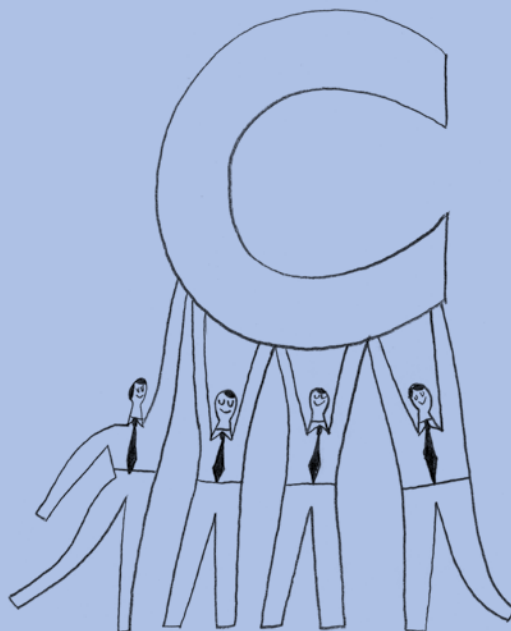
A heritage, the presence, future objectives

Since 2011, we have invested in the creation of a shared Carraro culture among all the people who work with us, both internally and as external suppliers. Shared at all levels of the company but also in different geographical areas, this culture helps create a united community of people regardless of cultural, religious and social differences.

- **We are accountable**
- **We create value**
- **We develop talents**
- **We stimulate innovation**
- **We work together**

Our decisions are guided by the Values that enabled us to grow from our foundation to the present day. The Sustainability-oriented actions of the Carraro Group are based on respect in all contexts in which we operate, inspired by the spirit of responsibility expressed in the **Carraro Values**.

The Carraro values, if analyzed under a Corporate Social Responsibility Perspective, are a confirming that the path Carraro is following is the one of the Common Value, matching with extraordinary congruency with 2030 Sustainable development Goals.





We are accountable
socially



We develop talents
***to make the most
of our human resources***



We work together
***to achieve common
goals***



We create value
in a sustainable way



We stimulate
innovation
for the benefit of all



Matteo Berton

This year, to supplement content in our Annual Review and Sustainability Report, we have chosen the colours and geometries of Matteo Berton, a young Italian artist who specialises in illustration.

Born in 1988 in Pisa, Matteo has a inquisitive spirit and always carries his travel notebooks with him in order to jot down anything he sees that particularly strikes him. With his fresh, colourful style, he combines shapes and volumes.

Over the course of his short but very substantial career, he has had the chance to work for magazines and on advertisements, as well as illustrating children's books and comics. From the New Yorker to Campari, from the New York Times to Wired, from Monocle to Der Spiegel, and from Moleskine to Mondadori. He has received various prizes, including a gold and silver medal from the New York Society of Illustrators.

Matteo's eye interprets the Carraro world in a decidedly original way. With their large coloured areas and broken lines, his illustrations offer up vine rows in the hills, glimpses of the work site, vivid expanses redolent of the Argentine Pampas, and plantations that clearly evoke India. Alongside these manufacturing details are curious people taking in the scene and products appreciated like works of art.

