

UN Global Compact Communications on Progress

Ammega Group

December 2020



AMMEGA

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Letter to stakeholders

Dear readers,

This past year has been marked by a process of integration between two leaders in the industry: Ammeraal and Megadyne and the combination of many years of experience to provide our customers with the products they trust, under one brand: Ammega. The journey towards our Group sustainability vision began as we published our 2019 UNGC Communication on Progress in November 2019 and has led us to the publishing of this Report.



During this process, we implemented our new approach to sustainability, which was marked by the involvement of our Top Management in identifying the Group's future strategic direction in sustainability matters by first mapping out the material topics on the subject of the environment, social matters and governance and guiding us in reaching our organizational targets and success.

We are proud to present you with Ammega Group's UNGC Report, also "Group" or "Ammega", available on the Ammega Group website: www.ammega.com. This first achievement is a key mean to engage with our stakeholders on sustainability topics and to communicate our objectives, future goals and related progress for the years to come.

Our overall vision pertaining to managing the ESG (Environmental, Social and Governance) impacts we cause and contribute to, is to map and monitor through dedicated management systems these impacts and to integrate processes and policies which aim to address them specifically across the organization.

On these themes, the progress we made was marked by onboarding our employees and suppliers on various Group-wide Policies regarding health and safety and sustainable procurement, the consolidation of various environmental data such as CO₂ emissions, water withdrawal and waste disposal as well as our continued investment in innovation of sustainable products.

For the next few years, we plan to continue to establish specific goals within the areas of human rights, labour, environment and governance which address the further integration of our Group-wide Policies and programmes, the deepening of employees and supplier onboarding and training, the production of better and safer products.

Lastly, it is our goal to further engage with our stakeholders, informing them of our commitment to sustainability and related progress which are key to our success.

Maciej Gwozdz

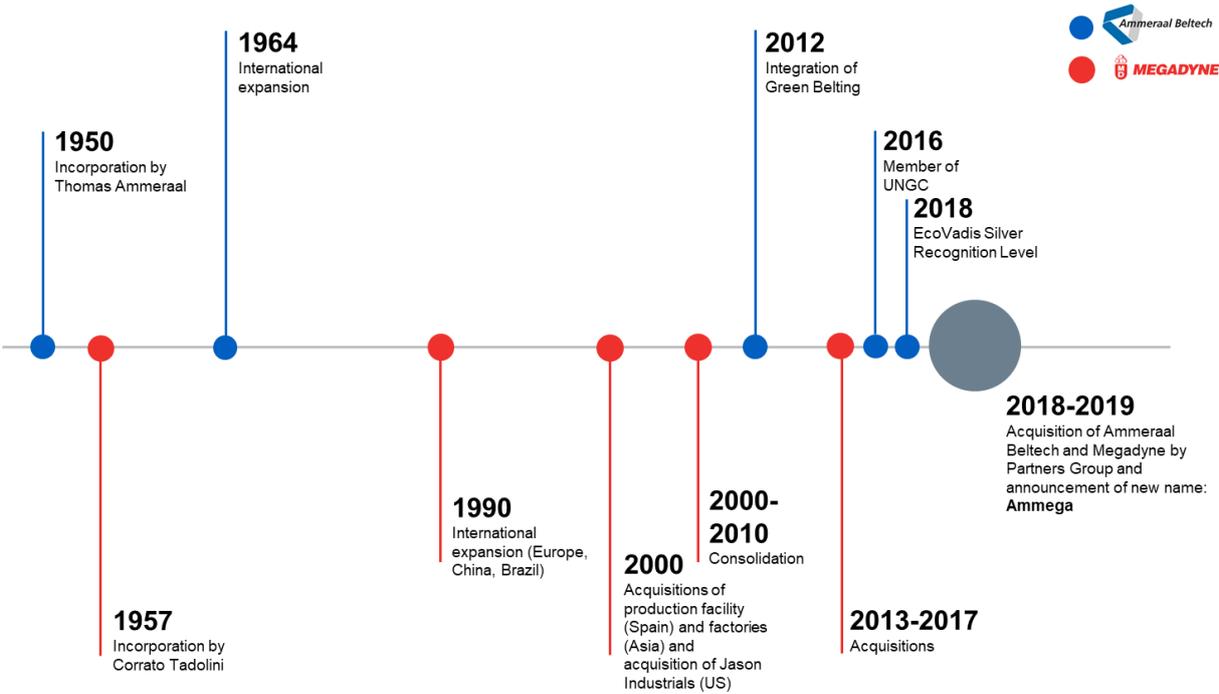
1. Ammega Group

Company profile and history

Creation of the Group

Ammega Group was created from the acquisition of Ammeraal Beltech, a leader in conveying solutions and Megadyne, a leader in power transmission solutions. Together, under one brand name, these two market leaders offer our customers 60+ years of combined industry experience and leadership as well as over 50 industry applications across multiple sectors such as food, packaging, agriculture, logistics, airports, elevators, automation equipment, fitness, energy, meat & poultry, wood, textile industry, machine tools, glass industry, medical equipment and ceramics industry.

History



Structure and brands

Across the business areas of conveying solutions, power



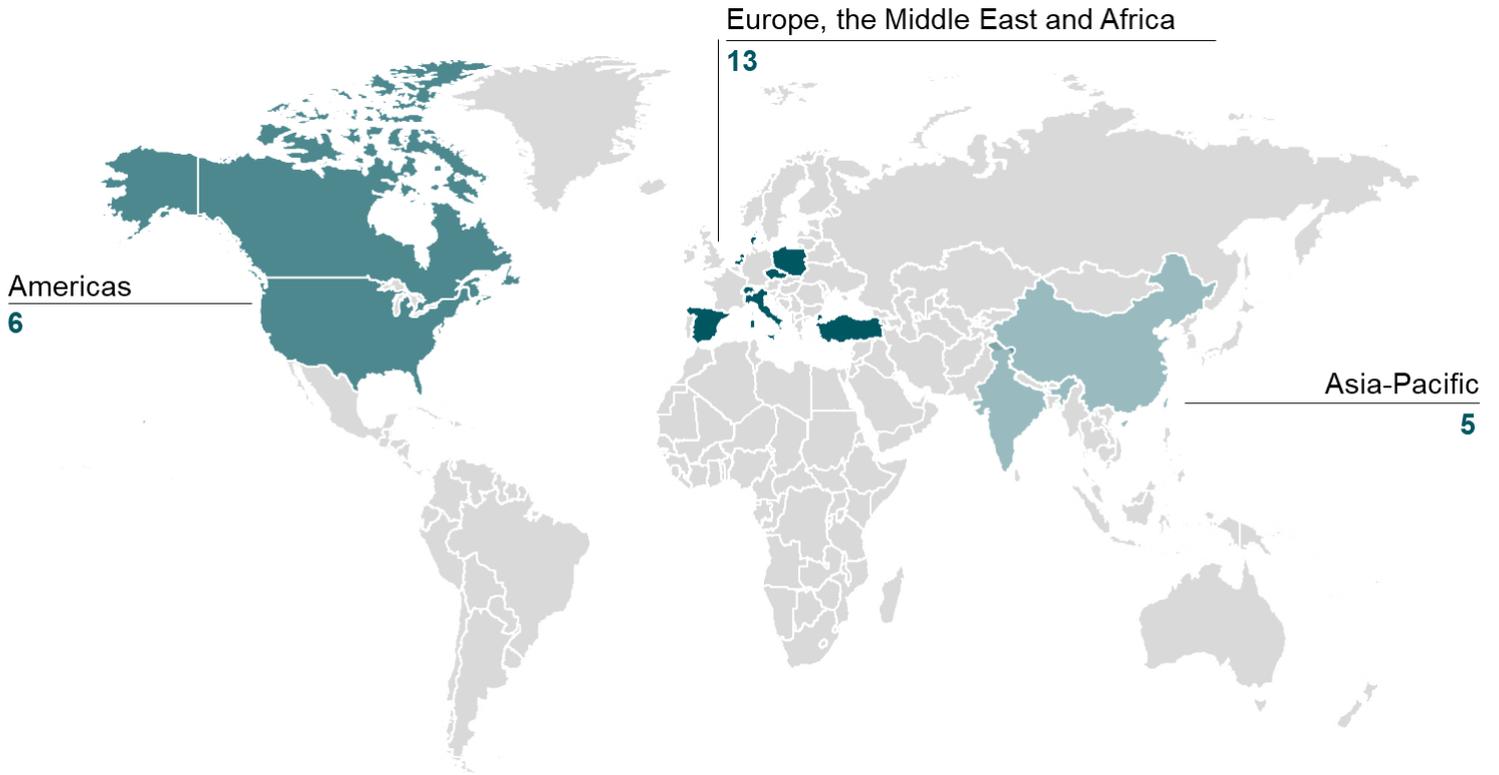
transmission solutions and fluid power solutions, the Ammega Group develops, produces and sells a wide range of high quality and innovative products such as **belts** (timing belts, v-belts, flat belts, multi-rib belts, special and fabricated belts, chains and modular belts), **hoses** (industrial, hydraulic, agricultural) and related products via 11 different brands.

Locations

Our locations are spread over 40 countries, the Group counts approximately 5,500 employees, 24 manufacturing sites and a worldwide distribution and servicing network across 150 countries.

The Group's large product offering and global market presence serves its clients in four main geographical areas: Asia Pacific, the Americas, Europe and the Middle East and Africa. More specifically, manufacturing sites are located in Italy, Spain, Switzerland, Netherlands, Denmark, Poland, Czech Republic, Turkey, Canada, USA, India and China.

24 manufacturing locations in 12 countries



Group mission, vision and values

Ammega aspires "to be the local partner of choice for belting solutions - around the globe" driven by its mission to:

- be a global leader in product quality and local service excellence;
- fully enable the most dedicated, knowledgeable and creative team in the industry to continue to differentiate through innovation and services.
- excel in management performance and operational efficiency in order to deliver sustainable value to all our stakeholders.
- drive digital as a business creator.

We have defined four **core values**, which guide our daily business and long-term vision for the Group.

Group core values

Entrepreneurship		People Focus	
<i>"We encourage entrepreneurial thinking and empower our people to take intelligent risks and make sound decisions. At the same time, we also believe in ownership and accountability. We take pride in the company's achievements and learn from our mistakes. We promote a culture of meritocracy and continuous learning."</i>		<i>"Our carefully selected people, experts in their fields, are our most valuable resource and our unique advantage. They are dedicated and passionate and deliver high performance, and we are committed to them in turn; to their personal welfare and to their professional and career growth. Our team values collaboration and makes every effort to develop, coach and train its members."</i>	
Customer Centricity		Responsibility	
<i>"We are customer-centric because we know that we succeed when our customers succeed and that customer satisfaction - which we measure - drives customer loyalty. We put the voice of the customer and their requirements at the heart of everything we do. Our unwavering goal is to exceed our customers' expectations and to continuously improve so as to make doing business with us easier."</i>		<i>"We are part of a larger business community that we can help improve by working responsibly, by maintaining and increasing transparency, and by acting ethically and with integrity as good corporate citizens at all times."</i>	

Partnerships, initiatives and memberships

Ammega participates in numerous initiatives and is a member of multiple organizations that promote and maintain accountability and excellence in the industries in which it operates.

Significant partnerships and memberships



United Nations Global Compact



EcoVadis



European Hygienic Engineering & Design Group



European Federation of Corrugated Board Manufacturers



NIBA-The Belting Association



The Power Transmission Distributors Association



EMEA Power Transmission Distributors Association



Gate The Association of German airport industry

Our approach to Sustainability

Our journey towards sustainability started from the conception of the Group, as we continued to be a member of the United Nation's Global Compact (UNGC).

With this goal in mind, we drafted a list of **strategic priorities** or business unit commitments, linked to the principles of the UNGC, categorized into Labour, Environment and Policy development.

We also aligned our commitments, goals and targets to the **UN's Sustainable Development Goals (SDGs)** in order to link our priority areas to globally used terminology.



Among the 17 goals, the Group incorporates the objectives outlined by **SDG 3**: ensure healthy lives and promote well-being; **SDG 9**: build a resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation and **SDG 12**: ensure sustainable consumption and production patterns.

Building on our group-wide ESG vision and commitment to creating positive impacts on society and the planet, we track the progress and impact of our sustainability initiatives through various metrics and key performance indicators, with the aim of fostering continuous improvement of these measures.

Our strategic priorities

<p>Human rights</p>	<ul style="list-style-type: none"> • 135 acknowledgements to Ammega's Responsible Sourcing Policy – addressing how suppliers are asked to meet health and safety, human rights, ethical and environmental standards and contributing to the sustainability of the supply chain • Roll-out of e-procurement tool including supplier scorecard
<p>Labour</p>	<ul style="list-style-type: none"> • 30% reduction in the Lost Time Injury Frequency Rate • External Health and Safety Audit completed • Implemented the HSE Software • Consolidated all the HSE Data • Completed External Health and Safety Audit and ERM external assessment • Established a PPE Policy • Set-up Regional Safety Committees across all the Regions • Implemented and updated Golden rules and HSE reporting guidelines • HSE self-assessment completed • Distributed a Group-wide survey on merger and integration perception
<p>Environment</p>	<ul style="list-style-type: none"> • Consolidation of data on CO₂, waste and water use • Creation of standardized global template for CO₂ monitoring
<p>Anti-corruption</p>	<ul style="list-style-type: none"> • Committed to transparent business practices

2. Ammega Governance Business Model

Our corporate governance model

At Ammega, the effectiveness of our operations depends on the efficient management of our business through a strong governance model, supporting value creation for our stakeholders in the short term and long term.

The corporate governance model we have adopted nurtures collaboration between our members and fosters the principle of transparent management.

Ammega's governance model includes three main bodies: the Supervisory Board, Group Executive Committee and the Operational Committee, who are responsible for the management, administration and general affairs of the Company as well as its subsidiaries and supervise the Group's Policies and general business.

Risk management

As we focused on defining of our Group-wide strategic goals, mission and vision, we also translated our identified values and related behaviors in the Ammega **Business Control Framework**, while making use of processes already in place.

Our risk management approach involves mapping and addressing various risks such as operational risks, management risks and others.

COVID-19

At the end of 2019, a new virus named SARS-CoV-2 emerged, creating the pathology referred to as COVID-19, which created a global pandemic affecting hundreds of thousands worldwide.

The pandemic encompassed multiple risk factors for businesses around the world, namely including business interruption, financial risk, economic instability, human resources management and more, emphasizing the need for organizations to have financial and operational measures in place in the events of a global event of the sorts.

The Ammega Group believes that it handled the situation appropriately, learned from it and is committed to further integrate ESG risks and related goals within its sustainability strategy moving forward.

In fact, despite the challenging times this event caused on an economic level globally, Ammega Group is confident that the growth strategy of its businesses have had and will continue to have a positive impact on the results of the Company moving forward. Furthermore, some of the global megatrends identified (e.g. food safety, industry automation and production optimization, energy efficiency, e-commerce and increased travel and mobility) will further increase the demand for the products of the Company, thus securing its financial resilience.

ESG-related risks are those related to environment management practices, working and safety conditions, human resources management practices, respect for human rights, anti-corruption and compliance to relevant laws and regulations. The ESG risks and respective mitigations identified by the Group, among our wide coverage of business-related risks, are the following:

ESG Topic	Risk	Mitigations
<p style="text-align: center;">Environment</p>	<ul style="list-style-type: none"> • Ammega is constantly dealing with new legislations and regulations in the field of environment. • The use of certain raw materials, essential for Ammega production process, is being impacted by different regulations including REACH, the European chemicals regulation. • Some suppliers could change the formulations of their supply, which could cause changes in specifications of the used raw materials and others could discontinue their supply. 	<ul style="list-style-type: none"> • Through our "responsibility" pillar we are committed to reducing our ecological footprint by using less environmentally harmful materials in the production process and raising environmental awareness with our suppliers, customers and employees. • The Group companies strive to work within the rules of the international ISO 14001 environmental certification and the Group complies with REACH. • We consider the environment when taking investment decisions, especially around manufacturing. • Our Environmental Policy tackles various critical environmental topics (recycling, air and water purification, energy efficiency and minimizing the use of harmful chemicals and CO₂ emissions).
<p style="text-align: center;">Labour</p>	<p>Safe Working Conditions:</p> <ul style="list-style-type: none"> • The Group has to deal with diverse regulations because of the international spread of the activities. • Rules and regulations differ often per location and the compliance of these legislations is handled locally. <p>Human Resources Management:</p> <ul style="list-style-type: none"> • The Group is subject to various laws and cultures regarding human resource activities. • Human resource activities are decentralized and performed by local management subject to conditions and general 	<ul style="list-style-type: none"> • We promote a collaborative and healthy work environment through our "People focused" value principles. • The global health & safety director is responsible for monitoring the compliance with local law and to support and stimulate awareness within the Group. • We evaluate every incident, communicate in the broader group and implement any corrective measures necessary. • We have a structure in which the CHRO provides appropriate advice to local issues when necessary. • Local management is subject to conditions and general principles laid down by the Group. • We select employees and board members based on their qualifications irrespective of race, sexuality and gender.

	<p>principles laid down by the Group.</p> <ul style="list-style-type: none"> • Diversity amongst Ammega's employees including race, sexuality and gender. 	<ul style="list-style-type: none"> • Work councils are present and trade unions are consulted on important issues (e.g. re-organizations, working conditions, health and safety). • Systems and procedures are in place to ensure that Ammega Group is in compliance with the requirements of the GDPR act of the European Union. • We promote the development, coaching and training of our employees through centrally and locally organized training activities.
Human rights	<ul style="list-style-type: none"> • The Group has an extensive supply chain in a broad range of countries with different laws and regulations related to human rights issues. • The Group operates in different geographical areas, where there is a potential risk of human rights violation. 	<ul style="list-style-type: none"> • We have implemented a Code of Conduct (Whistle BLOWER policy, prohibition of any form of discrimination and child labor).
Anti-corruption	<ul style="list-style-type: none"> • The Group is subject to local regulations related to anti-corruption, anti-bribery and other ethical business practices related to different geographic locations. • The Group has an extensive supply chain in a broad range of countries where there is a potential risk of corruption, bribery etc. 	<ul style="list-style-type: none"> • We created a hotline within the Ammega Group where (suspected) violations of the Code of Conduct can be reported.

Ethical and responsible business management

Our long-term vision

Ethical and responsible business management is at the core of our values and business activities and is promoted and integrated within the business through various policies and frameworks, both at Group level and specific to the National legislations and country-specific topics of interest of the Group's various entities.

Our approach

Our **Code of Conduct** elaborates on how employees and collaborators (e.g. suppliers, subcontractors) should behave as well and describes our stance on topics such as corruption and bribery, competition law, data protection, the environment, the community, health and safety and product safety and contains our whistleblowing policy.

Our **Anti-Corruption Policy** touches upon the deterrence, prevention and detection of bribery and corruption and is aligned with the principles of the Code of Conduct. It is approved by the Group Executive Committee and is reviewed at least annually to ensure that it is appropriate, adequate and effective.

Its purpose is twofold:

- *to set out the responsibilities of the Ammega Group and of those working for, and with, the Ammega Group in observing and upholding the Ammega Group's position on bribery and corruption;*
- *to provide information and guidance to those working for the Ammega Group on how to recognize and deal with potential or actual acts of bribery and corruption, in order to ensure that the Ammega Group and those working with the Ammega Group, comply with all applicable legal obligations.*

We collected the relevant data to submit to the **EcoVadis** sustainability assessment thus providing a wide range of information related to our environmental, social and ethical performance.

In November 2019, we published our first **UN Global Compact** Communication on Progress as a Group, reporting on our commitment and progress on the UN Global Compact Principles.

Our **Responsible Sourcing Policy** communicates how we work with our suppliers and value collaboration with them in order to meet the minimum health and safety, human rights, ethical and environmental standards.

We adhere to the United Kingdom **Modern Slavery Act 2015** in our UK based subsidiaries.

Lastly, our Italian entities adhere to the Organizational, Management and Control Model prescribed by Italian Legislative **Decree 231 of 2001**, which is elaborated in company-specific documentation such as **Code of Ethics** for example.

3. Product Responsibility

Our long-term vision

As a Group, we are strong believers in the power of Research and Development, as a tool to move innovation forward and deliver top quality products to customers.

Research and development has always been one of our main pillars, displaying our continuous investment in R&D to realize ambitious projects and be the leader in the development of environmentally friendly belting solutions.

We share best practices across the Research and Development (R&D) departments of Conveying Solutions, Power Transmission Solutions and Fluid Power Solutions. The Research and Development teams work in close collaboration across Italy, Spain, the Netherlands and Denmark, an emulation that plays a vital role in Ammega Group on-going continuous effort to be the technology leader on the market.

Our approach

We are committed to increasing sustainable purchasing from our customer base through maximizing product sales that come from its more environmentally friendly product range.

Our commitment to innovation and product development – focus on food safety and sustainable solutions

We launched new ranges of products specifically catering to the food industry, such as the **Ropanyl Premium Plus belts** and **Ultra Clean Belt (UCB)**.

Our new range of Ropanyl Premium Plus belts deliver best in class non-fray performance and non-stick properties, the highest flexibility behavior and a longer belt life. These leading-edge capabilities reduce fabric-to-food contamination, ensure a seamless product transfer between two conveyor systems, and generate reduced maintenance costs for our customers, while preserving food safety and product quality in line with all international food standards.

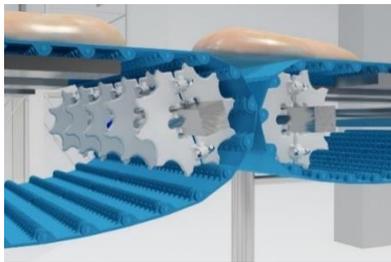


Ultra Clean Belt (UCB)

The UCB is setting new standards in food safety for modular belts. The hygiene-focused design features hybrid hinges which make it a prime choice for moving foods of all kinds, from meat and fish to bakery items. It is easy to operate, maintain and clean, and meets demands for a lower CO₂ footprint, lower water and cleaning chemicals consumption, as well as a reduced manpower requirement for maintenance.

The UCB is also remarkably lightweight allowing substantial reductions in energy consumption over previous models, also enabling Original Equipment Manufacturers (OEMs) to design lighter conveyor systems. While being lightweight, the UCB is

nevertheless a strong belt and can transport over one ton per meter width, making it extremely efficient.



During in-depth independent wash-down testing of a selection of commonly available food belts conducted by the Center for Hygienic Design at the Technical University of Denmark (DTU), the UCB proved itself to be the most hygienic modular belt for food-industry use.

Our commitment to innovation and product development – focus on airport and logistics industries

We also launched a specially formulated dry fabric treatment for airport and logistics



industries to help the sector face a growing pressure to reduce energy consumption and emissions. The **AMMdurance technology**, when applied to the underside of the Group's proven EX low-noise fabric, reduces friction between the belt and the underlying machinery, which enables reduced power usage. Ultimately, this product provides superior long-term endurance combined with stable, long-lasting performance. We have also been committed towards innovation and

product development with a specific focus on state of the art technology which has been expressed through the parallel work our engineers have done in developing new solutions such as bringing Internet of Things into the belting industry.

4. Ammega's People

Our long-term vision

Being a large multinational organization with approximately 5,500 employees, we are committed to offer the highest standards of safety and wellbeing for each one of our employees.

We foster, cultivate and preserve a culture of diversity, equity and inclusion, are an equal opportunity employer and comply with all applicable federal, state, and local fair employment practices and laws.

Our people are the cornerstone of our success and our greatest asset, which is why our talent acquisition and retention strategies are focused on the development of KPIs related to talent management, whose monitoring will be the starting point for a focused action plan aimed at improving our attractiveness as an employer and the ability to implement preventive tools to reduce the loss of key resources and minimize its impact.

Our strategic approach to human resources management focuses on quality and continuity, providing an atmosphere of integrity, cooperation, and innovation, at all levels of our operation.

The daily HR activities are performed in a decentralized manner by the Group companies who comply with applicable local regulations related to human resources adapting to local cultures and applying the objectives of the group HR Strategy.

Our approach

Commitment towards a safe workplace and ethical business practices

Our **Code of Conduct** provides the basis for ensuring a safe workplace, ethical business practices as well as wellbeing and growth to our employees.

Ammega's Human Resources Policies and Procedures

Group-wide policies and procedures detail topics such as welfare, professional and career growth, development, coaching and training.

- Anti-Discrimination and Equal Opportunity Policy
- Anti-Harassment Policy
- Hiring Procedure
- HSE Golden Rules
- Incident Reporting Guidelines
- Personal Protective Equipment Policy
- Fair Dismissal Policy

Commitment towards employee wellbeing

The topic of employee wellbeing is addressed through two main pillars; engagement activities and benefits and incentives.

We offer to our regular Full-Time and regular Part-Time employees and their families a comprehensive **benefits program** which are managed locally.

Our assessment program was set-up to monitor and improve employee satisfaction. It includes an **Employee Survey**, to assess employee perceptions and sentiments. Based on the feedback received, we set forth an action plan to enhance the communication of the integration process throughout the organization.

A follow-up survey will be conducted in next years in order to monitor the improvement of employee perceptions about the integration program and to inquire about other matters as well.

The Group is compliant with local requirements regarding the consultation of works councils and trade unions regarding important issues such as re-organizations, working conditions, health and safety.

Our **Anti-Discrimination and Equal Employment Opportunity Policy** sets the principles for our diversity initiatives and the encouragement of a respectful, collaborative work environment and promotion of work-life balance.

We align our adherence to non-discrimination, harassment, and child or forced labour, with all relevant legal requirements and with the standards of the International Labour Organization to promote rights at work. We are committed to acting without discrimination with regard to the hiring, retention, promotion, compensation or work assignments of employees based on gender, age, race, religion, trade union affiliation, personal or political beliefs, cultural ties, disability, sexual orientation, nationality, marital status, family responsibility or social or ethnic origin.

Commitment towards growing our workforce and talent development

The Group's **Hiring Procedure** aims to guarantee that the search and recruitment process is carried out properly throughout the Ammega Group.



Furthermore, we have been defining a Group-wide **Recruiting Policy** to meet the organization's personnel needs to achieve our strategic goals and results.

As a Group, we help raise our employees' skill levels and capabilities through appropriate training and competence development activities since the professional development of our employees is of paramount importance.

Health and Safety

Our long-term vision

Ammega Group's vision when it comes to health and safety is to reach zero harm by 2025. In the past year, we have made great progress towards this goal and in completing an ambitious **5-year health and safety vision and strategy**.

Our strategy is aligned with the principles of Sustainable Development Goal number 3 which we use as a guide for success. We manage the reduction of various health and safety related risks within our operations through strong policies, internal management system and guidelines.

Our approach

Our **Health and Safety Policy** sets out all the actions put in place to improve health and safety standards within our operations. To oversee the coordination and monitoring of this policy we have established a HSE Director, who works in collaboration with the health and safety representatives of all of our Group companies.

In addition to complying with applicable national and local laws and regulations on the topic, we have established various health and safety related guidelines including the **Golden Rules of Safety**, on fire prevention and response and other relevant topics.



We monitor progress by engaging with our employees worldwide and identifying any areas of improvements in safety, health and environment and quality management, by using the dedicated **internal management system**, which we introduced that all employees can use to record and report unsafe acts, working circumstances or near-miss accidents.

Our employees are crucial for the success of our zero harm vision, which is why we are committed to ensuring that 100% of our employees receive site-specific health and safety awareness trainings.

To facilitate the recording of any health and safety incidents and track progress, our **Incident Reporting Guidelines** describe the Reporting Guidelines, Maximum Response Times and Notification Procedure for Lost Time Injuries, Medical Treatment, First Aid cases, Significant Near Misses and Damages.

Through our **Monthly Safety Walks** and via the issuing of **Corporate Guidelines**, we are actively reducing workplace health and safety risks and preventing any future injuries. We have also implemented Regional Safety calls to determine progress on relevant concerns and trainings for all employees on the topic of health and safety risks and related matters.

We provide our employees with **health and safety trainings** during working hours, which are designed and delivered by both certified external trainers for more specific topics and by experienced employees for routine safety trainings. These trainings are offered in the local language and employees are compensated for their participation in the form of their regular hourly salary for hours spent in the training. Training needs are assessed according to legal requirements and when a new processes or machinery is implemented

or introduced. We evaluate the effectiveness of these trainings by measuring the improvement of health and safety KPI's and through the observations made during the monthly safety walks.

In terms of compliance, we detailed a **Personal Protective Equipment (PPE) Policy**, which made specific PPE mandatory in every Ammega facility as well as established site-specific guidelines in addition to any required annual training for all employees involved.

COVID-19

To prioritize the health and safety of our employees with the eruption of COVID-19, we have adopted a prudent approach to the prevention and containment of the epidemic at all of our sites.

Ammega Group put the following health and safety measures in place:

- Temperature testing upon entry to facilities
- Enhanced sanitisation throughout the workplace
- Regular communication with employees
- Shift segregation
- Smart working for employees
- Restriction on external visitors
- Travel restrictions
- Social distancing and enhanced PPE
- Crisis Management Team

Working Together (Apart)



The Ammega entities joined forces to ensure that all employees had access to Personnel Protective Equipment (PPE), such as face masks, head temperature meters, disposable gloves, safety glasses, hand sanitizers, bleach for production sanitation during a time where these items were in high demand around the world.

The main hazards present in belt manufacturing include exposure to chemicals, heavy machinery, forklift operations, cranes and hoists, machine guarding, manual handling and the use of hand tools.

Our monitoring framework is comprised of uniform metrics and targets that are benchmarked against established health and safety industry standards such as the OSHA reporting standard.

Our progress so far

- Setting up of Regional Safety Committees across APAC, EMEA and Americas
- Established HSE Golden Rules
- Implemented top 10 risk guidelines
- Updated Ammega's PPE Policy
- Implemented software platform for HSE Reporting

5. Responsible management of the supply chain

Our long-term vision

As a Group, we define our supply chain as the goods and services purchased for, and used in our operations which includes both primary input materials such as fabrics, polymers, cords, chemicals, rubber materials and energy as well as industrial and professional services and logistics.

We are committed to offering safe and innovative conveyor, power transmission and fluid power solutions to our customers across a wide range of industry sectors by:

- working with our suppliers to operate a lean supply chain;
- developing sourcing solutions to meet customer, regulatory and stakeholder needs and demands and;
- creating long-term value while reducing business risks for the Group.

Our approach

In order to align suppliers with our key principle of responsible sourcing, we ask that they meet the minimum **health and safety, human rights, ethical and environmental standards**.

We are a member of the **United Nations Global Compact** ("UNGC") and endorse the universal principles on human rights, labour, the environment and anti-corruption.

Our **Responsible Sourcing Policy** (RSP), updated and re-approved by the Group Executive Committee, outlines our values in regards to responsible sourcing.

We classify our suppliers based on type of spending (direct and indirect), including subcategories such as; Fabrics, Cords, Chemicals, Polymers and Rubber. Based on a risk

assessment conducted, our suppliers have been selected based on risk level and have been requested to acknowledge the Group's RSP.

Our **Supplier Relation Management (SRM)** programme was launched which incorporates the RSP as part of the SRM programme. On request, our suppliers have been asked to complete a self-assessment questionnaire, provide copies of all relevant information and demonstrate the efforts they are undertaking in order to meet the requirements of the Policy.

In order to ensure the highest standard of quality in products, structured procurement processes are adopted to research and select the best raw materials, combining quality and innovation. When selecting raw materials, we prefer to establish partnerships with the best suitable suppliers.

Assessment of Suppliers

Our long-term vision

Ammega is committed to ensuring that all of its suppliers follow legal requirements and take active steps to reduce any negative impact resulting from their processes, services and products, and encourages them to implement certifiable environmental and/or health and safety management systems, supporting these efforts and monitoring their overall performance.

Our approach

In light of its earlier Sustainability Reporting, we have been formalizing and implementing procedures to gain more visibility on our suppliers, contractors and their affiliates regarding their respect for human rights, health and safety, ethics and environmental stewardship.

In this regard, we have implemented a **Supplier scorecard** in order to assess the performance of our key raw material suppliers based on the abovementioned areas of interest.

We document various performance indicators such as the possession of any certifications (e.g. OHSAS 18001, ISO 37001, ISO 27000, ISO 9001 and ISO 14001) or the adoption of specific policies and set future targets based on actual values. Through this assessment procedure, suppliers are assessed according to competitiveness, quality, improvement capability, risk, ESG & HSE and internal assessment (the relationship with the supplier in terms of amount spent with it, number of audits performed etc.).

We aim to conduct supplier audits on every new qualified key raw material supplier to gain information on various elements and to ensure fit and alignment with current Group responsible supply chain **values**. Based on these audits, we can require a follow-up with the supplier on agreed actions, which are not always related to ESG topics.

Our progress so far

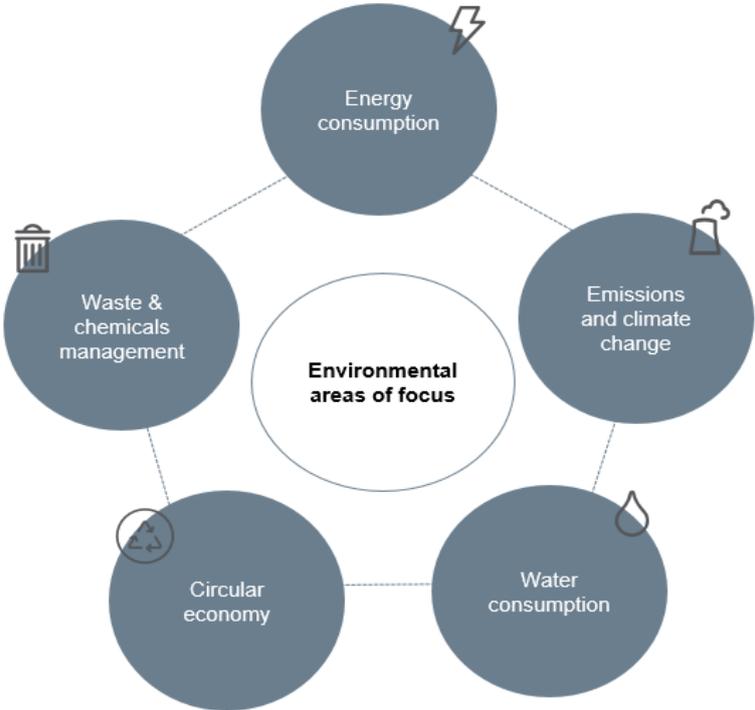
- On-boarded unique new key raw material suppliers
- Audited new qualified suppliers following a standard template used to assess new suppliers
- On-boarding of key raw material suppliers to our **Supplier Relationship Management Programme**
- Increasing our coverage of suppliers, in terms of global procurement value with the **Responsible Sourcing Policy**
- Training buyers of the production sites and employees involved on the **Responsible Sourcing Policy** and **Guide** in order to complete an ambitious vision and strategy for the Group

6. Protecting the environment

Our long-term vision

The Ammega Group is committed to minimizing the environmental impacts of its activities, create long-term value and reduce risk for its business, customers and stakeholders

We conducted a baseline assessments of CO₂ monitoring, waste and water use and actively monitored and managed the following environmental areas of focus:



Over the past year we collected the following data: energy consumption, CO₂ and air emissions, total weight of carbon footprint, water consumption and total weight of hazardous waste and non-hazardous waste.

Our approach

The Group's **Environment Policy**, outlines our various commitments to the environment. It is based on a mission to *setting responsible sourcing standards, by collaborating, innovating and embedding responsible sourcing into our business processes*. We aim to distribute this policy across all of our businesses.

Our main production sites are **ISO 14001:2015** certified (6 out of 24 sites in Switzerland, Spain, Italy, India and the US), and we are committed to having all of them compliant with the standard by 2025.

Each site is responsible for managing its own EMS, policies, impacts, roles and responsibilities to comply with any national and regional laws and regulations and report to the Executive Board on progress, incidents, achievements and learning opportunities related to the overall **environmental performance**.

Each site is also responsible for providing up-to-date **environmental trainings**, through its environmental representatives who must organize in-house environmental and awareness trainings and refresher courses if needed, as well as maintain records on training course attendances and communicate any legal changes annually.

The Group also adheres to the **REACH** regulation, to help reduce hazardous materials within the production process.

Energy consumption and Emissions

Commitment towards reducing energy consumption and increasing energy efficiency

Energy consumption is one of the key aspects of our environmental strategy and one of its major environmental impacts. We are committed to improving our consumption through improvement measures, evaluating performance and focused objectives.

Our approach

We actively monitor the consumption of CO₂ for all sites and calculate the CO₂ equivalent in Carbon Footprint. Additionally, we monitor emissions of sulphur oxide and other significant emissions generated into the atmosphere and report on these emissions for all regions.

The Group monitored all energy consumption across all sites, who must report on their CO₂ and energy use on a monthly basis, and is committed to pursuing this activity for the years to come.

All new technology installations and maintenance programs are carried out with energy efficiency as a priority. These include, the replacement lightbulbs with LED ones, energy saving computer monitors that possess energy efficient compressors and scheduled maintenance to avoid efficiency losses.

Specifically, we are monitoring our progress annually on the following objectives:

Our progress so far

- Developed the Ammega Environmental Policy
- Improved energy efficiency across all operations
- Reduced greenhouse gas emissions across all operations
- Reducing CO₂ emissions on average across all business units
- Reducing energy consumption per unit of product sold on average across all business units
- Increasing energy efficiency of Ammega belts
- Ensured that all of Ammega production sites act in compliance with SDG 9 and SDG 12
- Consolidated emissions data on a group level in order to inform the development of a group-wide baseline

Water consumption

Commitment towards responsible and efficient water use management

We are committed to protecting the local environment by reducing water consumption across our operations by maintaining and installing water saving measures to limit usage, as well as reducing wastewater discharges.

Our main interactions with water include water withdrawals from the well or directly from the aqueduct, and water discharges.

Our approach

We minimize our water-related impacts through the following actions:

- having all sites monitoring their wastewater discharge
- implementing storm water emergency procedures at all sites in order to ensure fast and proper response
- having all business units report their water consumption on an annual basis
- having business units install water saving measures

Each production site respects all applicable laws and regulation in relation to water withdrawals. The Group's business units reported on their water consumption on an annual basis.

More specifically, at our sites, water is drawn from the well or directly from the aqueduct, where there are water discharges. The water resource is an important resource for us, at each site, where required, a legal authorization is obtained for the use and discharge of water as well as periodic checks on water.

The Group tracks the water stress¹ from each country in which it operates and classifies the various water stress levels from low to extremely high.

Specifically, we are monitoring our progress annually on the following objectives:

Our progress so far

- Decreasing water withdrawals from the local supply baseline, on average across business units
- Consolidated water use data on a group level in order to inform the development of a group-wide baseline

Waste management

Commitment towards reducing waste with an emphasis on hazardous waste

We are committed to fostering action on the production and treatment of waste. When designing products, we focus on durability, safe materials and energy efficiency alongside quality in order to have our customers' best interests in mind while also reducing environmental impacts.

Our approach

We monitor the weight of hazardous waste, non-hazardous waste, municipal waste and of other waste and require all business units to operate waste management systems including the safe disposal of hazardous waste and facilitation of sorting for recycle, reduce and reuse projects.

Site locations must report to the General Executive Committee on progress, incidents, achievements and learning opportunities related to Ammega's environmental performance related to waste management.

Additionally, we are actively phasing out hazardous chemicals in accordance with REACH in order to reduce the use of hazardous materials in production, generation of hazardous waste and occurrence of spills and maintaining customer health and safety through the provision of accurate and up-to-date information on materials present in our products.

¹ Water stress refers to the *ability, or lack thereof, to meet the human and ecological demand for water and can refer to the availability, quality, or accessibility of water.*

Triple-R Principle – Recycle, Reduce, Re-Use

This principle was implemented to ensure the efficient use of resources in our production process and products by strengthening material stewardship specifically in the business units' selection of input materials and reduce production waste. It entails the following actions:

- Redesigning material use to facilitate the reuse of production waste and recycled materials in the production process;
- Conducting research and development to optimise the efficiency of products that require less raw materials and inputs and ;
- Streamlining operations by cutting unnecessary waste.

Specifically, we are monitoring our progress annually on the following objectives:

Our progress so far

- Decreasing production waste
- Decreasing hazardous waste
- Reducing the linear scrap rate
- Increasing the percentage of recycled materials used in our products
- Consolidating waste data on a group level in order to inform the development of a group-wide baseline

7. Development of local communities

Our long-term vision

As a Group, we highly value the local communities in which we operate and are committed to actively contributing to them through various philanthropic activities across our different companies worldwide.

Our approach

Our community engagement and philanthropic efforts are decentralized and determined by each local company. The types of activities in which we are implicated range from donations and fundraisers, toy drives, collaborating with local universities, volunteering and more.

Our community involvement by region

Americas

The U.S. business of the Group is actively involved with various industry associations such as the Power Transmission Distributors Association (PTDA), the Belting Association (NIBA) and the Association for Hose and Accessories Distribution (NAHAD) and has regularly contributed to their community outreach programs in the form of scholarship donations and contribution to their foundations (e.g. PTDA Foundation).

Additionally, we supported an internship program through the Southwest Corner Manufacturing Group of Pennsylvania. This initiative was part of the business' local economic development program.

We also participated in the following programs and partnerships:

- **Berks Encore Meals on Wheels** program – once a month two employees delivered meals to senior citizen who prefer to live in their own homes, thus providing a friendly visit and safety check to these individuals.
- **American Cancer Society** – fundraiser was held to support the ACS during breast cancer awareness month, which was led by an employee who survived breast cancer and who had been spearheading this initiative over the last few years.
- **Opportunity House** – employees made and served lunches at a local homeless shelter with supplies purchased by the company. Opportunity house is an organization that aims to provide adults and children in need by "*educating, housing, feeding and empowering them to stand on their own two feet*".
- **Salvation Army Angel Tree Program** – employees participated in a gift sorting event which provides gifts of new clothing and toys to thousands of children whose families have applied for Christmas assistance.

We provided a local church with Christmas gifts and supported the Gold Tournament charity.



The community engagement initiatives in Brazil and Argentina focused on the collection of waste to generate a positive impact on local communities such as collecting bottle tops to donate to local hospitals and recycling paper.



Europe, the Middle East and Africa

Over the years, we have supported and sustained local communities with donations and sponsorships to non-profit organizations, which take care of children and adults with serious chronic diseases and disabilities or aimed at the social inclusion of vulnerable people.

Our Italian subsidiary also supports cultural initiatives for the enhancement of the national artistic heritage and sports-related initiatives.

We supported through donations and sponsorships several local associations and foundations such as:

- **CONSULTA** - association founded in 1987 with the aim of helping to enhance and improve the usability of Turin's historical and artistic heritage ;
- **AVIS DI MATHI** - Italian Blood Volunteers Association ;
- **F.O.R.M.A. Onlus** - foundation which support Regina Margherita hospital, reference centre for many children affected by different serious pathologies ;
- **LEGA ITALIANA FIBROSI CISTICA PIEMONTE Onlus** - association that deals with children and adults affected by serious chronic pathology ;
- **ASSOCIAZIONE CASA NOSTRA** - the main purpose of the association is to welcome and protect minors who are in a state of distress or partial/total abandonment, as well as support mothers with children and with a difficult family situation ;
- **A.S.D. GIUCO'97** - sports club that promotes integration and an inclusive way of practicing sport without barriers
- **SOLIDARIETA' S.C.S.** – Social Cooperative was founded in Turin in 1983 from the experience of the association ACLI COLF. It promotes the culture of home-based care and proposes concrete and qualified solutions for the assistance, care and support of the elderly, minors, psychiatric patients and all vulnerable categories of people ;
- **SPORTDIPIU'** – Sport association founded in Turin in 2000 with the aim of encouraging and spreading the practice of sport among people with disabilities.

Moreover, we made donations to the National Cancer Fund of the Netherlands and to NGOs, who operate with the psychological aspect of physical diseases.

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