

# SIMONELLI | GROUP



## 2020 SUSTAINABILITY REPORT

Year 2

# **SIMONELLI | GROUP**

## **2020 SUSTAINABILITY REPORT**

**Year 2**

## **PRESENTATION**

2020 is destined to be remembered as the year when the entire world was unexpectedly shaken, socially and economically, by a devastating pandemic that also carried negative repercussions in the years that followed. Therefore, for Simonelli Group, the 2020 sustainability report represents a particularly precious and significant document.

The profound analysis was carried out with extreme care and expertise by the purposely built team, along with the scientific support of Prof. Katia Giusepponi of the University Macerata. It demonstrates how the company's attention to integrated sustainability has allowed Simonelli Group to overcome the real obstacles that the global pandemic imposed on corporate management and more.

Regarding the 2020 environmental sustainability, actions proceeded to improve the energy efficiency of the company's structures, also given the purpose of becoming a totally "green" company by 2025. In the same way, programs progressed to monitor and incentivize the products' environmental footprint to the point of 50% of low-energy-consumption coffee machines sold by the end of 2020.

The pandemic did not reduce the company's commitment to research, training, and digitalization of operations and services, which all saw important developments. Apart from the usual support for artistic, cultural, and sports initiatives, the firm also helped the local health authority face the health emergency at Camerino Hospital and gave deserved attention to the local area and employment. Even though market shrinkage hit staffing costs the most, the internal team did not resort to furlough or other benefit systems. On the contrary, 2020 saw a further significant increase in employees (+16.4%).

On a purely economic plane, the company contained the inevitable reduction in production and turnover without creating managerial or financial difficulties. I consider this due to the production system and products sustainability level, assisted by the advanced development of materials and the energy-saving characteristics of the machines we put on the market. Indeed, Simonelli Group has been able to offer solutions in terms of flexibility, automation and environmental impact even when faced with unexpected and contingent changes in the market, thus consolidating its leadership in the coffee industry.

Apart from being the reason for satisfaction for the entire Simonelli Group team, this report can also offer an overall valuable picture for the company's internal and external partners, who share our values whose origins lie in continuous and transversal innovation, coffee culture, and integrated sustainability.

The Chairman  
*Nando Ottavi*

## LETTER FROM THE CEO

In a challenging general context such as that of 2020, Simonelli Group once again demonstrated its resilience in the face of difficulties. Still, it proved its easy adaption to the context's changes by acquiring new competencies and abilities.

Thanks to the collaboration of all our resources, we showed that we can transform obstacles into opportunities, set ourselves even more challenging goals and redesign our strategies where necessary.

No company can define itself as really mature if it is not prepared to rethink the way it operates and organizes itself and, in doing so, adopt responsible approaches. Our intent is to create shared and sustainable value in the long term for the organization, for stakeholders, and for the whole context in which we operate, by investing in training, by sharing our know-how for the economic development of our business and the local area, and by reducing the environmental impact of our production activities to a minimum.

Our sustainability report represents the natural evolution of a path of continuous improvement that has always been at the heart of Simonelli Group's strategies. We pursue those strategies by adapting synergy between technology, innovation, and human capital.

We have many ways to build our future, but only one world in which to live it.

*Fabio Ceccarani*  
CEO  
Simonelli Group

# INDEX

|       |  |
|-------|--|
| p. 4  | <b>1. INTRODUCTION AND METHODS</b>   |
| p. 5  | 1.1 Report goal and methods  |
| p. 6  | 1.2 Report structure   |
| p. 7  | 1.3 Materiality analysis and links with SDGs   |
| p. 10 | 1.4 Reporting analysis   |
| p. 11 | 1.5 Communication plan   |
| p. 12 | 1.6 Sustainability Report Team   |
| p. 13 | <b>2. COMPANY IDENTITY</b>   |
| p. 14 | 2.1 History  |
| p. 17 | 2.2 Simonelli Group brands in the world  |
| p. 19 | 2.3 Context, vision and values   |
| p. 22 | 2.4 Main strategic areas   |
| p. 24 | 2.5 Stakeholders   |
| p. 25 | 2.6 Governance and people  |
| p. 31 | 2.7 Economic and financial outlook   |
| p. 33 | <b>3. 2020 MANAGEMENT RESULTS AND 2021 PROGRAM</b>   |
| p. 34 | 3.1 Innovation   |
| p. 35 | 3.1.1 Scientific research  |
| p. 36 | 3.1.2 Technological innovation   |
| p. 38 | 3.1.3 Product innovation   |
| p. 40 | 3.1.4 Organizational and process innovations   |
| p. 41 | 3.2 Coffee culture and education   |
| p. 44 | 3.3 Economic and financial sustainability  |
| p. 46 | 3.4 Environmental sustainability   |
| p. 49 | 3.5 Organization Sustainability and stakeholder relations                                      |
| p. 50 | 3.5.1 System organization  |
| p. 51 | 3.5.2 Human resources  |
| p. 56 | 3.5.3 Clients  |
| p. 57 | 3.5.4 Suppliers  |
| p. 58 | 3.5.5 Local community and area   |
| p. 59 | <b>4. ECONOMIC AND FINANCIAL MANAGEMENT STATEMENT 2020</b>                                     |
| p. 60 | 4.1 Statement of assets and liabilities  |
| p. 61 | 4.2 Profit and loss statement  |
| p. 63 | 4.3 Determination and distribution of added value  |
| p. 66 | <b>5. STAKEHOLDER ENGAGEMENT</b>   |
| p. 67 | 5.1 Engaging stakeholders in the 2020 sustainability report                                    |
| p. 68 | 5.2 Outcomes of engagement: overview   |
| p. 71 | 5.3 Outcomes of engagement: evaluation of relevance by strategic area and stakeholder category |
| p. 74 | 5.4 Strength points, areas for improvement and strategic areas for stakeholders: summary       |
| p. 77 | 5.5 Your feedback  |
| p. 78 | <b>APPROVALS</b>   |



# 1

## INTRODUCTION AND METHODS

- 1.1 Report goal and methods
- 1.2 Report structure
- 1.3 Materiality analysis  
and links with SDGs
- 1.4 Reporting analysis
- 1.5 Communication plan
- 1.6 Sustainability report team



# 1.1

## REPORT GOAL AND METHODS

With its sustainability report, Simonelli Group seeks to provide a management report using an integrated approach – considering economic and financial, social and environmental profiles collectively – to provide all stakeholders with a fundamental systemic evaluation tool for engaging the parties involved in the processes of value co-creation and improvement of performance.

Simonelli Group adopts the sustainability report as an element in its planning and control system and in its commitment to continuous improvement.

Simonelli Group's vision is a world where innovation evolves from creativity and brings wisdom, leading to growth based on ethics, respecting the true value of work, the local area, and the environment. Economically and financially, the company has maintained consistent growth over the years, providing positive effects to its wide range of stakeholders. The attention placed on integrated sustainability has always been a core focus of the company. From the environmental standpoint, we should consider the pursuit of energy self-sufficiency. And from a social perspective, our attention is drawn especially, by way of identifying culture, to the company's choice to nurture its local roots of origin by contributing to its collaboration with schools, universities, and local associations.

Simonelli Group and the University of Macerata – Department of Education, Culture and Tourism signed accordance in spring 2020 to consolidate past achievements and strengthen the outlook of integrated sustainability: a project launched for scientific support to develop sustainability governance and reporting system for Simonelli Group.

The project was created with the substantial involvement of the company's employees and with the contribution of the in-house sustainability team.

Professor Katia Giusepponi is overseeing the project for Macerata University

As regards the methods used for this first experimental report, reference was made to:

- GRI (*Global Reporting Initiative*) *Sustainability Reporting Standards* of GSSB (Global Sustainability Standards Board),<sup>1</sup> with particular attention to the Universal Standard GRI 101 Foundation 2016, GRI 102 General disclosures 2016, and GRI 103 Management approach 2016; the intention is to extend and analyze the references for the next edition of the report;
- SDGs (*Sustainable Development Goals*) of the 2030 Agenda for the sustainable development of the United Nations;<sup>2</sup>
- social balance editorial principles of the study group for social balance (GBS 2013).<sup>3</sup>

The report refers to the resources, the activities, the goals, and results that specifically involve the Group; the global business performance connects with the 2019 balance sheet of Simonelli Group.

<sup>1</sup> In <http://www.globalreporting.org>.

GRI (Global Reporting Initiative) "helps businesses and governments worldwide understand and communicate their impact on critical sustainability issues such as climate change, human rights, governance and social well-being" (in <https://www.globalreporting.org/Information/about-gri/Pages/default.aspx>).

<sup>2</sup> In <https://sdgs.un.org/goals>.

Agenda 2030 for the sustainable development represents "shared blueprint for peace and prosperity for people and the planet" of the United Nations (<https://sustainabledevelopment.un.org/?menu=1300>).

<sup>3</sup> In <http://www.gruppobilanciosociale.org/wp-content/uploads/2014/02/Standard-GBS-2013-Principi-di-redazione-del-Bilancio-Sociale.pdf>  
GBS, Gruppo di studio per il bilancio sociale (2013), *Principi di redazione del bilancio sociale* [2001], Milano: Giuffrè.

# 1.2

## REPORT STRUCTURE

Apart from this part dedicated to the **Introduction and Methods**, the report is made up of the following sections:



2

### **CORPORATE IDENTITY**

with a summary of the company's history, a presentation of the company vision, mission and strategic paths, a presentation of stakeholder categories, human resources, and economic outlook.

### **2020 MANAGEMENT RESULTS AND 2021 PROGRAM**

with analysis of the 2020 management results, compared to preestablished goals and future programs, relative to distinct strategic areas: innovation, coffee, and education, economic, environmental and organizational sustainability, and relations with stakeholders.



3



4

### **2020 ECONOMIC AND FINANCIAL PROFILES**

with appreciation of economic and financial stability and analysis of determination and distribution of added value.



5

### **STAKEHOLDER ENGAGEMENT**

with illustration of engagement methods by the parties involved and summary of outcomes achieved, useful in terms of learning and improvement, for materiality analysis and with a view to inclusion into strategic paths.



# 1.3

## MATERIALITY ANALYSIS AND LINK WITH SDGs

According to the GRI 101 standard Foundation 2016, **materiality** represents a “theme that reflects the organization’s significant economic, environmental, and social impact or that profoundly influences evaluations and decisions made by stakeholders”.<sup>4</sup>

Simonelli Group developed the materiality analysis based on an intensive consultation both internally and with stakeholders, which is fully illustrated in part 5 of this report.

Priorities are defined in the following map, levels of importance attributed internally against those expressed as an average among stakeholders.

The scale of evaluation is as follows:

- 0 = no importance;
- 1 = very low importance;
- 2 = medium-low importance;
- 3 = medium-high importance;
- 4 = very high importance;
- 5 = maximum importance.

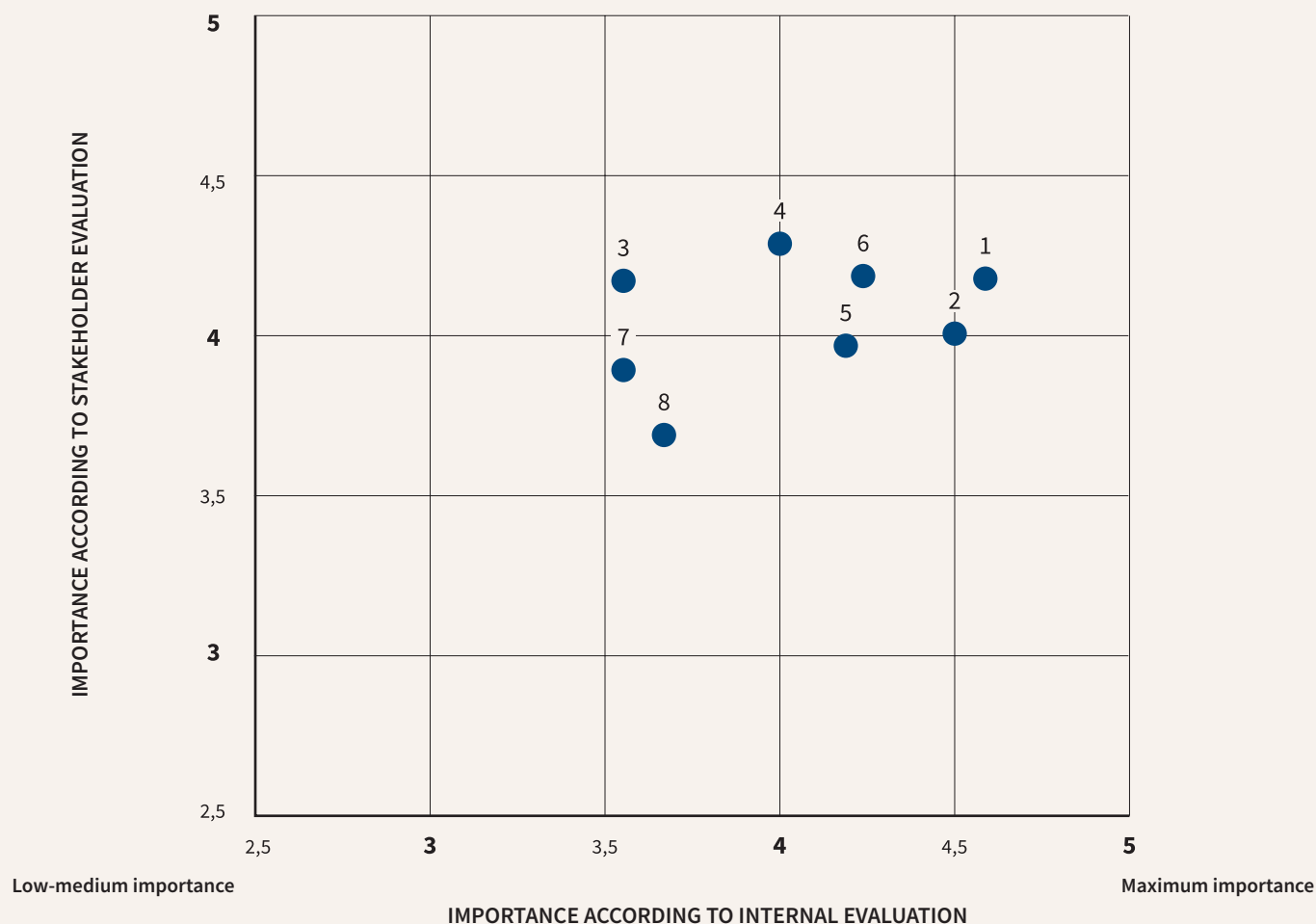
As no values were expressed below 2, the map only shows results in a range between 2 and 5.



<sup>4</sup> GRI 101 Standards Reporting Principles 2016, page 28 in <https://www.globalreporting.org/standards/media/2121/italian-gri-101-foundation-2016.pdf>.

## MATERIALITY MATRIX

Maximum importance



**1** Innovation

**2** Coffee knowledge and culture

**3** Economic and financial sustainability

**4** Environmental sustainability

**5** Organization and human resources

**6** Customer Engagement

**7** Supply Chain

**8** Social sustainability

These are themes that are particularly linked to the following SDGs as per the UN Agenda 2030:<sup>5</sup>

## SUSTAINABLE DEVELOPMENT GOALS



### SDG 3.

Ensure healthy lives and promote well-being for all at all ages.



### SDG 4.

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.



### SDG 5.

Achieve gender equality and empower all women.



### SDG 8.

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.



### SDG 9.

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.



### SDG 11.

Make cities and human settlements inclusive, safe, resilient and sustainable.



### SDG 12.

Ensure sustainable consumption and production patterns.



### SDG 13.

Take urgent action to combat climate change and its impacts.



### SDG 15.

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.



### SDG 16.

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

<sup>5</sup> In <https://sdgs.un.org/goals>.

# 1.4

## REPORTING ANALYSIS

Sustainability reporting in 2020 represents a continuation from the initial phase in 2019. It was conducted with rigor and a critical approach. Points of strength and areas for improvement are summarized in the following chart.



### POINTS OF STRENGTH AND AREAS REQUIRING ADVANCEMENT/IMPROVEMENT FROM REPORTING RELATIVE TO 2020

#### POINTS OF STRENGTH

- Inclusion of sustainability reporting within the company strategic analysis.
- Broad involvement of internal and external stakeholders in the process of strategic analysis which is fundamental for reporting.
- Consolidation of a sustainability team to coordinate and combine the various inputs.
- Strengthening and broadening internal competencies in terms of gathering sustainability data to acquire greater autonomy in the process of reporting.

#### AREAS FOR IMPROVEMENT AND ADVANCEMENT

- Further internal participation in the process, with promotion of the potential of integrated sustainability reporting also in terms of organizational cohesion.
- Further strengthening of internal competencies regarding sustainability reporting. 2020 was the year of launch and experimentation, which already represents an important step. Strengthened competencies will enable greater autonomy in the process management.
- In the reporting, reference is made to internationally recognized principles (GRI standards and SDGs). The intended advancement for the next edition of the report is to include details of references, with tables linking the report with the above-mentioned principles.

# 1.5

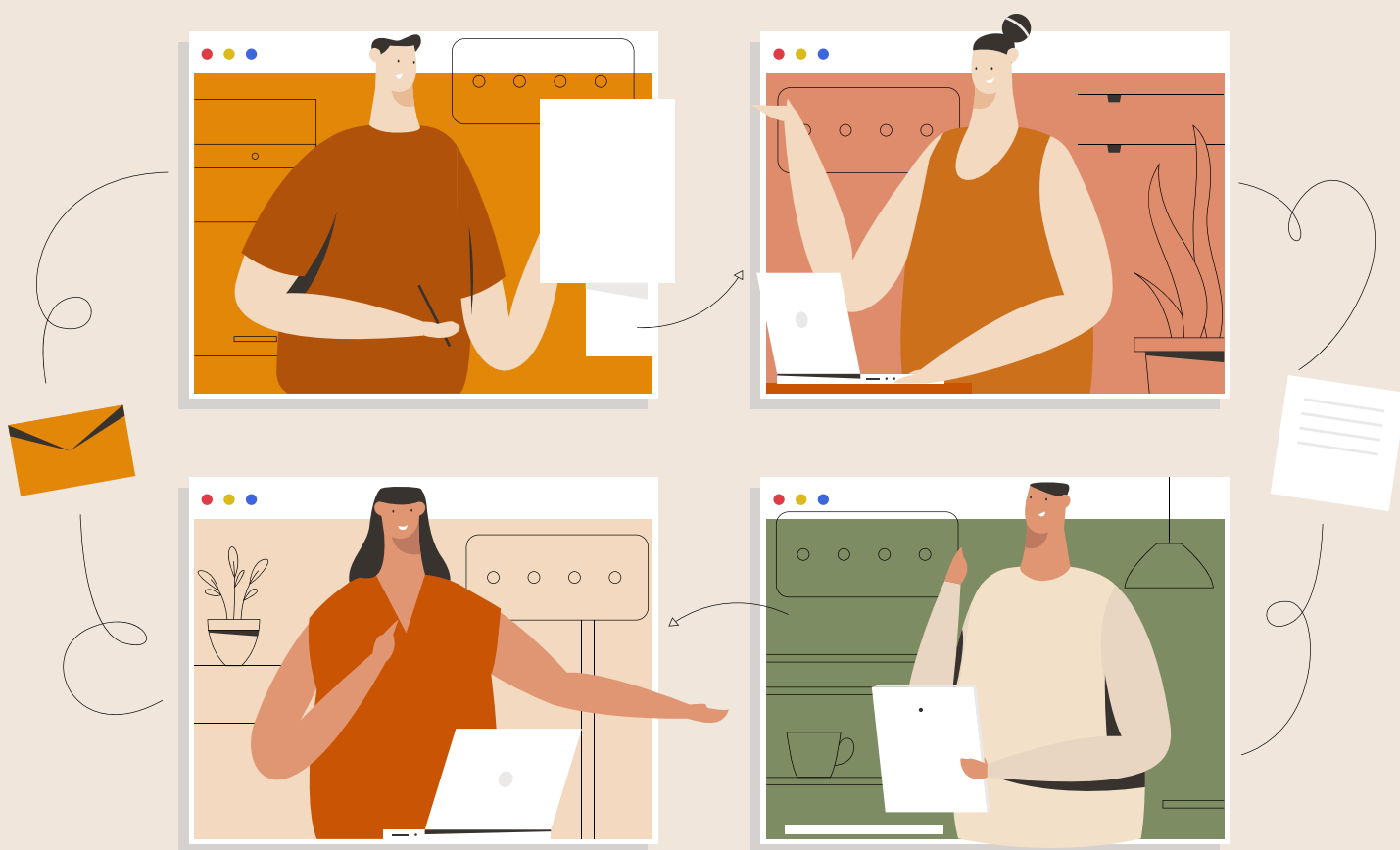
## COMMUNICATION PLAN

The 2019 sustainability plan was published, in both Italian and English, on the website [www.simonelli-group.com](http://www.simonelli-group.com).

The digital format document was sent by e-mail to stakeholders involved in the reporting process, and the document was also shared with internal staff for discussion.

On the basis of feedback received, the *Simonelli Group 2020 Sustainability Report* will be made available using the following communication plan:

1. online publication of the report on the corporate website [www.simonelli-group.com](http://www.simonelli-group.com);
2. press release regarding the online publication of the report, with the reference link and presentation of the contents;
3. specific communication to stakeholders involved in the reporting process as specified in section 5 of this report;
4. internal discussion meetings.



# 1.6

## SUSTAINABILITY REPORT TEAM



### SUSTAINABILITY TEAM

|                          |   |  |
|--------------------------|---|--|
| <b>FABIO CECCARANI</b>   | <i>Managing director</i>  | Strategy   |
| <b>MAURIZIO GIULI</b>    | <i>Corporate strategy and business development</i>                                  | Coordination of strategy for sustainability  |
| <b>MANUELA FELIZIANI</b> | <i>Planning and control</i>   | Coordination of analysis of annual results and planning for the future   |
| <b>KATIA GIUSEPPONI</b>  | <i>University of Macerata, Department of Education, Cultural Assets and Tourism</i> | Project and scientific support supervisor for the development of a system of sustainability in the Simonelli Group |

### SUSTAINABILITY COMMITTEE

|                          |   |  |
|--------------------------|---|--|
| <b>CLAUDIO CINGOLANI</b> | <i>R&amp;D and Technical Department</i>               | Contributor to analysis and reporting for R&D and Technical Department |
| <b>MARCO FELIZIANI</b>   | <i>Vice President</i>                                 | Contributor to analysis and reporting for the Sales Department         |
| <b>LAURO FIORETTI</b>    | <i>Knowledge and Education</i>                        | Contributor to analysis and reporting for Coffee science and Academy   |
| <b>SIMONA GIAMPIERI</b>  | <i>Marketing</i>                                      | Contributor to analysis and reporting for Marketing                    |
| <b>STEFANO MOGLIANI</b>  | <i>C.O.T.S. - Coffee Operations Technical Service</i> | Contributor to analysis and reporting for C.O.T.S.                     |
| <b>MAURO PARRINI</b>     | <i>Operations</i>                                     | Contributor to analysis and reporting for Operations                   |
| <b>CARLO STORTONI</b>    | <i>Human Relations</i>                                | Contributor to analysis and reporting for Human Relations              |



## 2

## CORPORATE IDENTITY

- 2.1 History
- 2.2 Simonelli Group brands in the world
- 2.3 Context, vision, and values
- 2.4 Main strategic areas
- 2.5 Stakeholders
- 2.6 Governance and people
- 2.7 Economic and financial outlook

A photograph of a modern building facade with large, three-dimensional, metallic letters spelling out "SIMONELLI GROUP". The letters are mounted on a dark grey panel. To the right, a glass window reflects a blue sky with white clouds. The overall image is in a low-angle perspective, looking up at the building.

**SIMONELLI**  
**GROUP**

## 2.1

### HISTORY<sup>6</sup>

What Simonelli Group does today is the outcome of a long journey that started in the hills of the Marche region and was brought forth by people who shared the same passion and commitment.



The first Simonelli coffee machine, **1936**, chosen by Treccani as a symbolic object of design and Italian culture.

(Treccani, 1925-2015, 90 oggetti: design, eccellenza e memoria italiani, in <http://www.treccani.it/90anni/oggetti/1936-Simonelli.html>)



Eagle One technology by Victoria Arduino, today.

1936

Made in Cessapalombo, the first Simonelli coffee machine, the **1936**, selected by Treccani as one of the objects that symbolise Italian design and culture.

1948

Simonelli moves to Tolentino and increases staff numbers.

1972

He changes the form of the company for sole proprietor to company and also changes the name. From Simonelli to **Nuova Simonelli**.

1976

The company moves to larger premises in Belforte del Chienti. The company continues with the process of internationalization initiated in 1975 with the first sales in the US market.

1993

The Nuova Distribution branch office is set up in the USA, located in Ferndale, Washington State.

2001

**Victoria Arduino**, a historic brand dating back to 1905, is acquired.

2005

A new 10,000 m<sup>2</sup> covered production site is opened. Built to provide a comfortable, safe and energy sustainable work setting.

2009

The **Aurelia** is selected as the **World Barista Championship** official world championship machine for the period 2009-2011.  
A choice that was reconfirmed for 2012-2014 with the Aurelia II, and in the two successive three-year periods with Black Eagle by Victoria Arduino.

2015

A branch is opened in **Singapore**.

2017

Following a corporate restructuring, the company changes its name to **Simonelli Group**.

2018

The first Experience Labs are opened in China and Indonesia and a new branch is opened in **France**, located in Lyon.

2019

A new branch is opened in London for the sale and promotion of Victoria Arduino in the **UK**.

2020

The making of the **first Sustainability Report**.

## 2.2

### SIMONELLI GROUP BRANDS IN THE WORLD<sup>7</sup>

Simonelli Group currently accounts for about 10% of the world coffee machine market. It exports to over 124 countries and more than 70% of production is destined for markets outside Europe.

Its products go to bars, restaurants, hotels and coffee-shop chains in all continents, through a sales network of over a thousand organizations, including dealers, importers and specialist retailers spread throughout the world.

#### THE BRANDS

The genetic heritage of the company – based on competence, innovative approach, and attention to sustainability – is something that the two Simonelli Group brands have in common. These are prestigious brands in the international market of top-quality espresso coffee machines.



The Nuova Simonelli brand, on the market for more than 80 years, constitutes the functioning core that is expressed in ergonomic, high-performance and energy saving machines, that enables everyone to make a good cup of coffee, regardless of their experience.



The Victoria Arduino brand, on the market for 120 years, is the sophisticated soul that is expressed in machines with great history, refined design, and advanced technology. These machines provide baristas with the means to put their professional expertise into practice.

<sup>7</sup> Sources: Simonelli Group/ website; Simonelli Group/ Market overview



## IN THE WORLD



### HEADQUARTER

- **SIMONELLI GROUP S.p.a.**  
Via E. Betti, 1, 62020 Belforte del Chienti, MC - ITALY

### BRANCH OFFICES

- **SIMONELLI GROUP ASIA PACIFIC PTE LTD**  
380 Jalan Besar #06-03-04, ARC 380,  
209000 Singapore
- **NUOVA DISTRIBUTION USA, LLC**  
6940 Salashan Pkwy - Bldg A Ferndale Wa 98248
- **NUOVA DISTRIBUTION FRANCE**  
Hexapole / Actipole - Rue Maurice Herzog - Bat 5 -  
73420 Viviers du Lac.
- **VA MACHINERY LTD**  
36 Tanner St, Bermondsey, London SE1 3LD

### EXPERIENCE LABS

- **JAKARTA – INDONESIA**  
Powered by PT Toffin Indonesia Jl. Pluit Permai  
No.4, RT.1/RW.7, Pluit, Kec. Penjaringan, Kota Jkt  
Utara, Daerah Khusus Ibukota Jakarta 14450
- **SHANGHAI – CHINA**  
Powered by DKSH Shanghai Ltd Room 502, No. 13  
Building, No. 99 TianZhou road, Shanghai, China



## 2.3

### CONTEXT, VISION AND VALUES<sup>8</sup>

#### BACKGROUND

Over the years, world coffee consumption has seen constant growth. In 2020, however, it suffered a setback due to the sudden onset of the Covid-19 global pandemic. This caused a general slowdown in coffee consumption, with the most significant effects in the non-domestic channel, which accounts for the main area of demand for Simonelli Group products.

The pandemic, and the consequent restrictions on people's mobility, produced a radical change in social and working habits, also noted in styles and places of consumption. The coffee industry also accentuated specific trends that were already underway, such as the growth of e-commerce and a concentration in the market of major players.

Unlike small businesses and independents, who proved to be more vulnerable to the repercussions of the pandemic, the large coffee-roasting companies and the main chains were quickly able to adapt their products to the new context and changing consumer needs.

In many cases, services like delivery on-demand, take away, and drive-through replaced, or at least lessened, the fall in indoor point-of-sale consumption.

In terms of equipment, this brought on a need to provide suitable responses to new requirements regarding flexibility, automation, and environmental impact.<sup>9</sup>

Producers who were more dynamic and capable of fast adaptation would acquire a position of advantage on the market.

#### VISION

The company vision is of a world where innovation derives from creativity and brings wisdom, leading to growth that strengthens ethical values, gives value to work and to the local area, and respects the environment.

#### PURPOSE

We responsibly support the coffee community to offer an extraordinary experience in the cup. Always and everywhere.

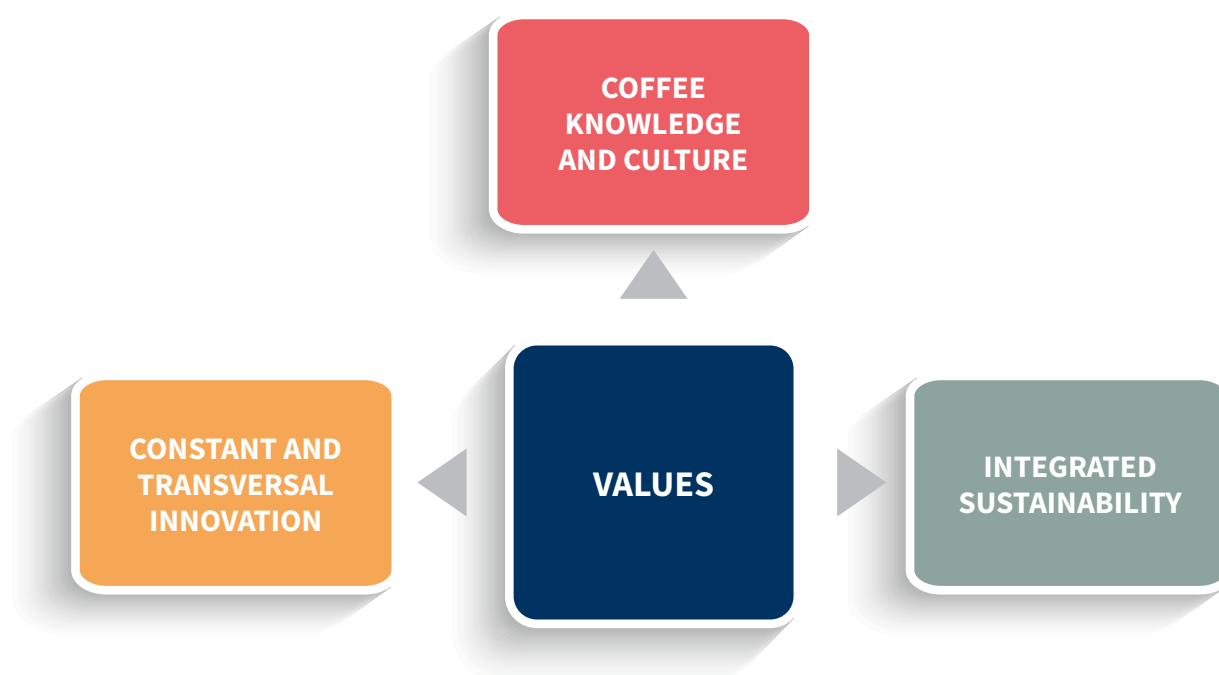
<sup>8</sup> Sources: Simonelli Group/Linee Strategiche 2020-2022 CDA – 14 December 2019; The Path to Sustainability in the Simonelli Group Simonelli Group/Market overview; Simonelli Group/Website

<sup>9</sup> UCIMAC and ANIMA (2019), *L'industria italiana delle macchine per caffè espresso ad uso professionale è in buona salute*, in <https://www.anima.it/associazioni/elenco/assofoodtec/media/news/tutte-le-news/l-industria-italiana-delle-macchine-per-caffe-espresso-ad-uso-professionale-e-in-buona-salute.kl>; UCIMAC and ANIMA (2016), *Libro bianco macchine per caffè espresso professionali*, in <https://www.anima.it/cosa-facciamo/ufficio-studi/macchine-per-caffe-espresso-professionali.kl>; Grand View Research (2019), *Coffee Machine Market Size, Share & Trends Analysis*, in <https://www.grandviewresearch.com/industry-analysis/coffee-machine-market>.

## VALUES

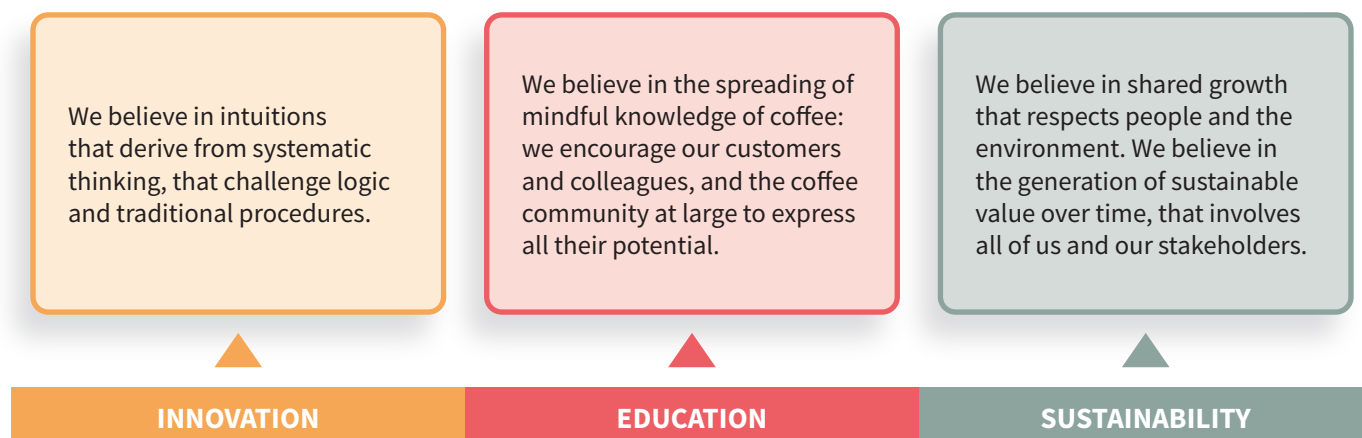
The company's values originating from constant and transversal innovation, coffee culture, and integrated sustainability, can be represented by associating **Simonelli Group with the archetypal "Wise Innovator"**. The Wise Innovator is committed to spreading and sharing the innovation of which he is the creator.

He is one of the collective narrators of the universe he belongs to. He **has an ethical and cultural responsibility to pursue certain themes, such as sustainability and education**, not only on a theoretical level but also with concrete supportive action.

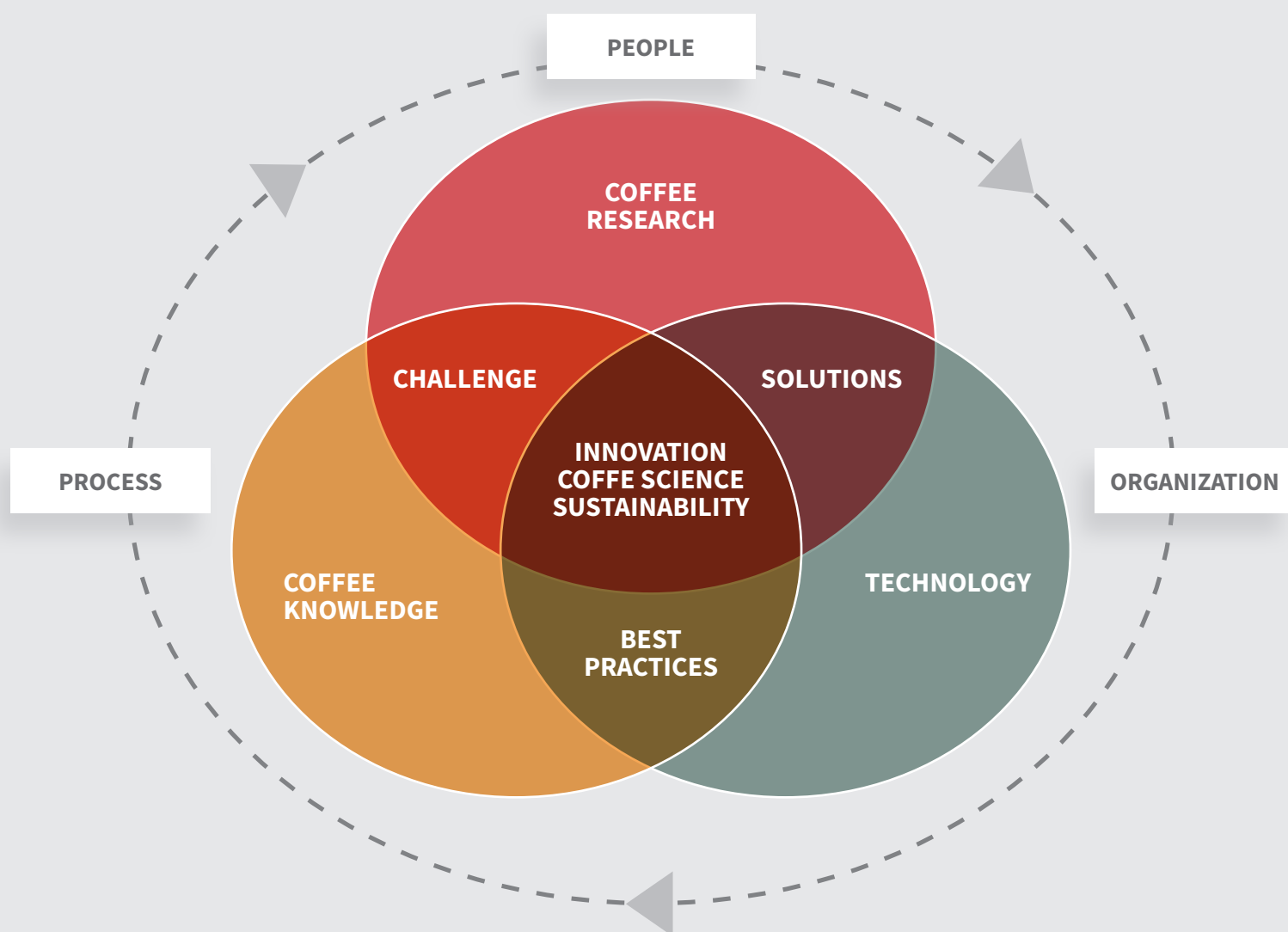


In particular, the Simonelli Group believes it is only possible to evolve by guaranteeing:

- a constant and transversal inclination towards innovation;
- a sharing of knowledge aimed at raising the level of coffee culture in reference communities;
- the necessary balance for integrated sustainability (economic, environmental and social).



THE DEFINED REQUIREMENT IS TO BRING TOGETHER PEOPLE, ORGANIZATION AND COMPANY PROCESSES AROUND THESE VALUES, IN LINE WITH THE BUSINESS MODEL SHOWN IN THE FOLLOWING DIAGRAM:



## 2.4

### MAIN STRATEGIC AREAS<sup>10</sup>

The strategic pathways that are part and parcel of the life of Simonelli Group and that guide choices and actions follow a process of listening to suggestions and proposals offered by various stakeholders and attentive internal consideration.

35 strategic pathways were identified, converging onto 8 areas of interest.

The details of the paths are shown in the following chart. Concerning these pathways, section 3 of this report presents objectives for 2021, results obtained in 2020, useful considerations for the future.



<sup>10</sup> Sources: Simonelli Group/Linee Strategiche 2020-2022 CDA – 14 Dicembre 2019; Il percorso per la sostenibilità in Simonelli Group Simonelli Group/Market overview; Simonelli Group/website

## STRATEGIC AREAS AND PATHWAYS

| AREAS   | PATHWAYS   |
|---|--|
| Innovation  | 1. Consolidation and reinforcement of in-house scientific research   |
|   | 2. Broadening of open innovation initiatives, based on the growth model through hubs, in partnership with external research and training centers (universities, research institutes) with a view to the creation of shared value           |
|   | 3. Development of sustainable solutions (e.g. reduction of energy consumption)   |
|   | 4. Technological development for the improvement of product performance in terms of quality of service   |
|   | 5. Technological development for the improvement of product productivity   |
|   | 6. Ergonomic advancement of products and improvements in user experience   |
|   | 7. Broadening of digital service technology (e.g. iSACK and Coffee Knowledge Hub)  |
|   | 8. Development of pervasive corporate digital mindset, with involvement of HR in the definition of agile systems, that perform to the high level of response required by the market (time to market, speed, constant innovation and so on) |
|   | 9. Strengthening of planning and control systems using design thinking logic based on empathy with clients and other company stakeholders and on prototyping, with particular attention to activities that mostly create value             |
| Coffee Knowledge and Culture / Education  | 10. Advancement in company coffee science, encapsulating experience, coffee culture and technology   |
|   | 11. Dissemination of company coffee science amongst clients, as a <i>modus operandi</i>  |
|   | 12. <i>Networking aimed at growing and sharing company coffee science using an open approach towards the reference community</i>   |
| Economic Sustainability   | 13. Reinforcement of brand awareness in the markets (as regards products, intangible content, corporate values)  |
|   | 14. Growth of brand and overall earnings   |
|   | 15. Improvement of brand and overall EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) or Gross Operating Margin   |
|   | 16. Safeguarding the Net Financial Position  |
| Environmental Sustainability  | 17. Increase in sustainable production of electricity (from renewable sources)   |
|   | 18. Reduction of environmental impact (LCA) of products  |
| Organizational and Social Sustainability (of interactions with Stakeholders):<br><br>– organization and human resources | 19. Corporate risk analysis and management   |
|   | 20. Integrated sustainability training and reporting   |
|   | 21. B-Corp Project   |
|   | 22. Digital mindset development training   |
|   | 23. Training for strategic cohesion and for lean approach to organizational development  |
|   | 24. Health and safety training and updating  |
|   | 25. Coffee knowledge training and updating   |
|   | 26. Cultural training initiatives (for example for strengthening English language skills)  |
|   | 27. Contribution through benefits to the wellbeing of human resources  |
|   | 28. Widespread involvement of human resources in consolidation of quality and service reliability levels, and in identifying innovative solutions  |
|   | 29. Climate analysis within the organization with a view to improvement  |
| – customers   | 30. Implementation of customer engagement system to improve and strengthen customer relations (technical services, marketing, sales, technical training, and coffee)   |
|   | 31. Analysis of customer satisfaction for continuous improvement   |
| – suppliers   | 32. Collaboration and networking initiatives with suppliers  |
|   | 33. Evaluation of suppliers based on environmental and social criteria   |
| – community and public bodies and not-for-profit organisations in the local area  | 34. Intensification of relationships with the local communities  |
|   | 35. Support for public and not—profit activities in the local area   |

## 2.5

### STAKEHOLDERS

Simonelli Group is well-known in its local and international communities for the level of its coffee machines, services and coffee knowledge and the quality and intensity of the human relations it manages to create and maintain. These are aspects that emerged during stakeholder engagement on strategic themes and in support of the reporting system. Refer to section 5 of the report for further details on this topic.

To relate with various stakeholders, Simonelli Group always gives a central position to people, work, local area as community and sharing, and the coffee world. Interacting with the various groups (customers, con-

sumers, suppliers, financiers, human resources partners, the coffee community, schools, universities, the environment, the community at large), always seeking lasting balance, this represents an indispensable identity profile. This approach requires a constant awareness of its roots and, to make them count in the world, the will to question themselves and always strive to improve.

Details about the above groups can be found in paragraph 3.5 of this report, which is dedicated to the *organization's sustainability and relations with stakeholders*.





## 2.6

### GOVERNANCE AND PEOPLE

#### FOUNDING AND SHAREHOLDING RELATIONS

Simonelli Group S.p.a. was founded in June 2017 upon the initiative of Nuova Simonelli S.p.a. – which conferred it with its espresso coffee machine production's industrial branch and began operations in August 2017.

Subsequently, with effect from April 2018, Nuova Simonelli S.p.a. was incorporated into OMT Belforte Srl that today controls 100% of Simonelli Group S.p.a.

In its turn, **SIMONELLI GROUP** S.p.a. has holdings in other companies:

- **NUOVA DISTRIBUTION USA**, LLC, USA (65% share);
- **SIMONELLI GROUP ASIA PACIFIC PTE** Ltd, Singapore (100% share);
- **NUOVA DISTRIBUTION FRANCE** Sarl, France (75% share);
- **VA MACHINERY** Ltd, UK (55% share).

As an enterprise 100% controlled by another company, Simonelli Group S.p.a. is not obliged to draft a consolidated balance sheet (article 27 Legislative Decree 127/1991). Regarding this, please also note – as specified above – that this report refers to the re-

sources, activities, objectives and results that derive specifically from Simonelli Group S.p.a. and global economic and financial performance related to the 2020 financial statement of Simonelli Group S.p.a.

## GOVERNANCE AND INTERNAL AUDITING

As stated above, Simonelli Group S.p.a. is 100% controlled by the sole shareholder OMT Belforte Srl, through ownership of 20,000 ordinary shares corresponding to EUR 20,000,000.00 of share capital.

### BOARD

The Board of Directors consists of 6 members. Current members are as follows:

#### BOARD OF DIRECTORS

- *Chairman* Nando Ottavi
- *CEO* Marco Feliziani, *Deputy chairman*
- *CEO* Fabio Ceccarani
- *Member of the board* Sonia Boldrini
- *Member of the board* Nicola Ottavi
- *Member of the board* Giorgio Ziemacki

### AUDITING

The board of auditors consists of 3 statutory members and 2 substitute members. The statutory audit is carried out by a certified public accountant. The following are the current members:

#### BOARD OF STATUTORY AUDITORS

- *Auditor* Francesco Sperandini
- *Auditor* Bruno Olivieri
- *Auditor* Marina Rocco
- *Substitute auditor* Nazareno Minnozzi
- *Substitute auditor* Graziano Feliziani

#### CERTIFIED PUBLIC ACCOUNTANT

Giovanni Marco Borroni

## HUMAN RESOURCES

When interacting with Simonelli Group, one can immediately perceive the bond between the company and the people who work there. For more details regarding organization and relations, go to points 3.5.1 and 3.5.2 (human resources) of the report.

We should also consider the features of inclusivity and openness and other company characteristics highlighted by workers during the involvement activities summarised in section 5 of the report.

A general overview is provided here about human resources and working relationships. Comparing data from 2020 with data from 2019, a **net increase of 16.4%** emerges in overall staff numbers. 20 more people: 8 for subordinate work and 12 for contract work.

All net increases regard full-time jobs, 8 out of 12 are open-ended contracts, and female workers account for 9.9%. 13 people were employed as subordinate workers and 5 left the company.

Induction of new workers into the company usually follows an initial interim period, then a subordinate employment contract is established.

The increase of temporary staffing in the last two years is a consequence of the substantial increase in company staff numbers, which rose from 114 in 2018 to 142 employees in 2020.

All employment contracts (subordinate and interim) refer to collective bargaining agreements.

Staff numbers on 31 Dec 2020, 31 Dec 2019 and 31 Dec 2018 expressed by employment contract (open-ended and fixed-term), type of employment (full time and part-time)

|                         | 2020       |                | 2019       |                | 2018       |                | Δ 2020-2019 |               |
|-------------------------|------------|----------------|------------|----------------|------------|----------------|-------------|---------------|
|                         | n.         | %              | n.         | %              | n.         | %              | n.          | %             |
| <b>Subordinate work</b> | <b>108</b> | <b>76.06%</b>  | <b>100</b> | <b>81.97%</b>  | <b>95</b>  | <b>83.33%</b>  | <b>8</b>    | <b>6.56%</b>  |
| <b>Full-time</b>        | <b>105</b> | <b>73.94%</b>  | <b>97</b>  | <b>79.51%</b>  | <b>92</b>  | <b>80.70%</b>  | <b>8</b>    | <b>6.56%</b>  |
| <b>Female</b>           | <b>14</b>  | <b>9.86%</b>   | <b>14</b>  | <b>11.48%</b>  | <b>13</b>  | <b>11.40%</b>  | <b>0</b>    | <b>0.00%</b>  |
| Fixed-term              | 3          | 2.11%          | 4          | 3.28%          | 4          | 3.51%          | -1          | -0.82%        |
| Open-ended              | 11         | 7.75%          | 10         | 8.20%          | 9          | 7.89%          | 1           | 0.82%         |
| <b>Male</b>             | <b>91</b>  | <b>64.08%</b>  | <b>83</b>  | <b>68.03%</b>  | <b>79</b>  | <b>69.30%</b>  | <b>8</b>    | <b>6.56%</b>  |
| Fixed-term              | 8          | 5.63%          | 6          | 4.92%          | 4          | 3.51%          | 2           | 1.64%         |
| Open-ended              | 83         | 58.45%         | 77         | 63.11%         | 75         | 65.79%         | 6           | 4.92%         |
| <b>Part-time</b>        | <b>3</b>   | <b>2.11%</b>   | <b>3</b>   | <b>2.46%</b>   | <b>3</b>   | <b>2.63%</b>   | <b>0</b>    | <b>0.00%</b>  |
| <b>Female</b>           | <b>2</b>   | <b>1.41%</b>   | <b>2</b>   | <b>1.64%</b>   | <b>2</b>   | <b>1.75%</b>   | <b>0</b>    | <b>0.00%</b>  |
| Open-ended              | 2          | 1.41%          | 2          | 1.64%          | 2          | 1.75%          | 0           | 0.00%         |
| <b>Male</b>             | <b>1</b>   | <b>0.70%</b>   | <b>1</b>   | <b>0.82%</b>   | <b>1</b>   | <b>0.88%</b>   | <b>0</b>    | <b>0.00%</b>  |
| Open-ended              | 1          | 0.70%          | 1          | 0.82%          | 1          | 0.88%          | 0           | 0.00%         |
| <b>Interim</b>          | <b>34</b>  | <b>23.94%</b>  | <b>22</b>  | <b>18.03%</b>  | <b>19</b>  | <b>16.67%</b>  | <b>12</b>   | <b>9.84%</b>  |
| <b>Full-time</b>        | <b>34</b>  | <b>23.94%</b>  | <b>22</b>  | <b>18.03%</b>  | <b>19</b>  | <b>16.67%</b>  | <b>12</b>   | <b>9.84%</b>  |
| Male                    | 34         | 23.94%         | 22         | 18.03%         | 19         | 16.67%         | 12          | 9.84%         |
| Fixed-term              | 27         | 19.01%         | 22         | 18.03%         | 19         | 16.67%         | 5           | 4.10%         |
| Open-ended              | 7          | 4.93%          | 0          | 0.00%          | 0          | 0.00%          | 7           | 5.74%         |
| <b>Total</b>            | <b>142</b> | <b>100.00%</b> | <b>122</b> | <b>100.00%</b> | <b>114</b> | <b>100.00%</b> | <b>20</b>   | <b>16.39%</b> |

The **average age** of workers is below 40 years and is constantly diminishing, above all due to interim employment following new hires.

Only the average age of female workers, while following the general trend, in 2020 saw a slight increase from 38.06 in 2019 to 38.4 in 2020.

The chart with details of workers' towns of residence allows us to appreciate the important connection with the local area and the effects of spreading social and economic values.

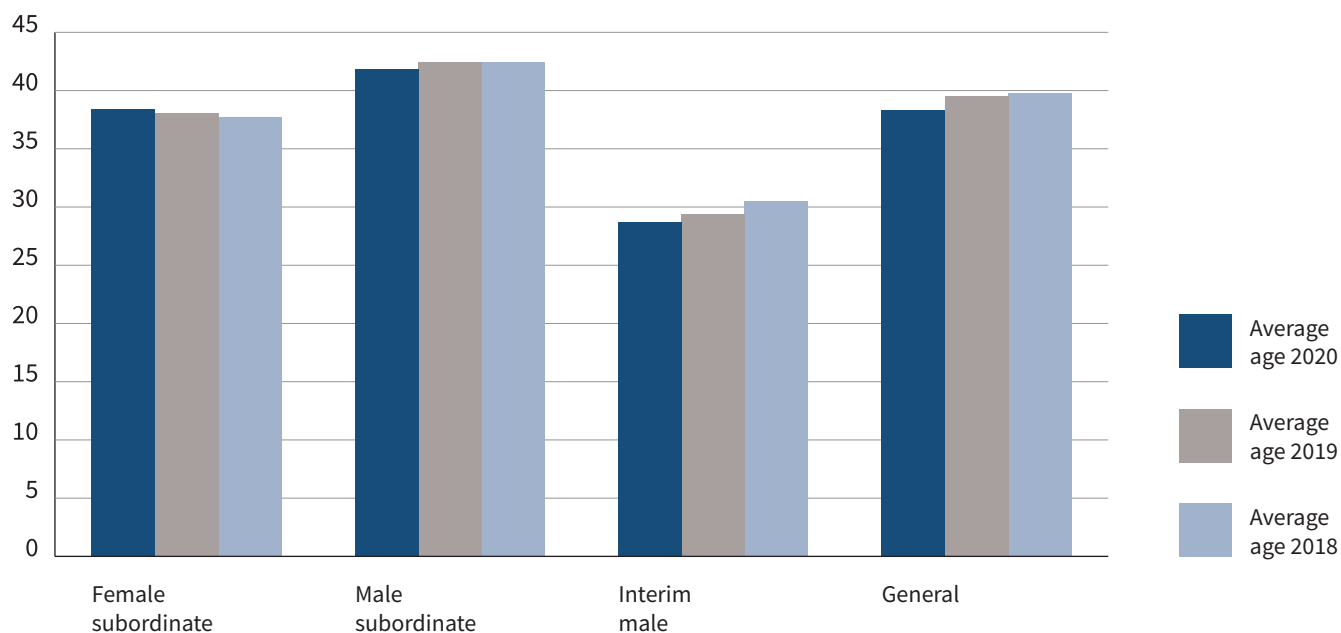
## STAFF NUMBERS ON 31 DEC 2020, ON 31 DEC 2019 AND ON 31 DEC 2018 BY AGE

### AGE BANDS

| YEARS        | Female subordinate workers |           |           | Male subordinate workers |           |           | Male interim workers |           |           |
|--------------|----------------------------|-----------|-----------|--------------------------|-----------|-----------|----------------------|-----------|-----------|
|              | 2020                       | 2019      | 2018      | 2020                     | 2019      | 2018      | 2020                 | 2019      | 2018      |
| 21 - 30      | 5                          | 4         | 4         | 18                       | 11        | 11        | 24                   | 15        | 13        |
| 31 - 40      | 6                          | 8         | 7         | 25                       | 25        | 23        | 4                    | 4         | 3         |
| 41 - 50      | 1                          | 1         | 1         | 28                       | 27        | 25        | 6                    | 3         | 2         |
| 51 - 60      | 4                          | 3         | 3         | 18                       | 20        | 18        | 0                    | 0         | 1         |
| 61 - 70      | 0                          | 0         | 0         | 3                        | 0         | 3         | 0                    | 0         | 0         |
| 71 - 80      | 0                          | 0         | 0         | 0                        | 1         | 0         | 0                    | 0         | 0         |
| <b>Total</b> | <b>16</b>                  | <b>16</b> | <b>15</b> | <b>92</b>                | <b>84</b> | <b>80</b> | <b>34</b>            | <b>22</b> | <b>19</b> |

### AVERAGE AGE

| Female subordinate workers |       |      | Male subordinate workers |       |       | Male interim workers |       |       | General |       |       |
|----------------------------|-------|------|--------------------------|-------|-------|----------------------|-------|-------|---------|-------|-------|
| 2020                       | 2019  | 2018 | 2020                     | 2019  | 2018  | 2020                 | 2019  | 2018  | 2020    | 2019  | 2018  |
| <b>38.40</b>               | 38.06 | 37.7 | 41.80                    | 42.43 | 42.44 | 28.70                | 29.36 | 30.47 | 38.30   | 39.50 | 39.82 |

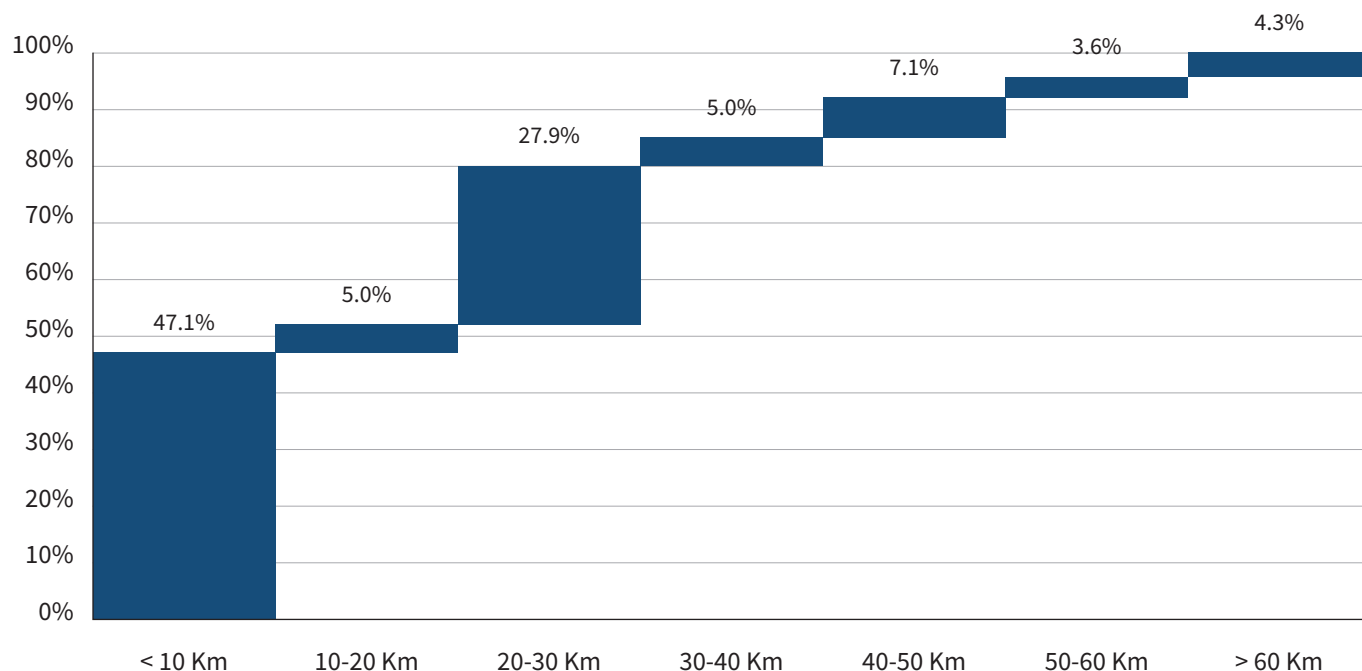


#### STAFF NUMBERS ON 31 DEC 2020, ON 31 DEC 2019 AND ON 31 DEC 2018 BY PLACE OF RESIDENCE

The strong bond between Simonelli Group and its community also emerges from the analysis of the co-workers' hometowns. The vast majority of employees come from the towns bordering the company site: 48% within a distance of 10 km, and 80% live within 30 km. The average distance separating them from the

company is 26.7 km, with consequent positive effects of quality of life and environmental impact.

The chart with details of workers' hometowns highlights the effects the company generates in spreading social and economic values within the local area.



|                            | 2020       | 2019       | 2018      |
|----------------------------|------------|------------|-----------|
| <b>SUBORDINATE WORKERS</b> | <b>109</b> | <b>100</b> | <b>95</b> |
| ANCONA                     | 1          | 1          | 1         |
| APPIGNANO                  | 1          | 1          |           |
| BELFORTE DEL CHIANTI       | 14         | 13         | 14        |
| CALDAROLA                  | 5          | 4          | 4         |
| CAMERINO                   | 2          | 2          | 2         |
| CAMPOROTONDO DI FIASTRONE  | 1          | 1          | 1         |
| CASTELRAIMONDO             | 2          | 2          | 2         |
| CESSAPALOMBO               | 1          | 1          | 1         |
| CIVITANOVA MARCHE          | 5          | 3          | 2         |
| CORRIDONIA                 | 2          | 2          | 2         |
| ESANATOGLIA                | 1          | 1          |           |
| FERMO                      | 1          | 1          | 2         |
| LORETO                     | 1          | 1          | 1         |
| LORO PICENO                | 1          | 1          | 1         |
| MACERATA                   | 12         | 12         | 9         |
| MARTINSICURO               | 1          |            |           |
| MATELICA                   | 1          | 1          |           |
| MOGLIANO                   | 2          | 2          | 2         |
| MONTELUPONE                | 1          | 1          |           |
| MONTEMARCIANO              | 1          | 1          | 1         |
| OSTRA                      | 1          | 1          | 1         |
| POLLENZA                   | 4          | 3          | 3         |
| PORTO RECANATI             | 1          | 1          | 1         |
| PORTO SANT'ELPIDIO         | 1          | 1          | 1         |
| POTENZA PICENA             |            |            | 1         |
| RECANATI                   | 3          | 3          | 3         |
| SAN GINESIO                | 1          | 1          | 1         |
| SAN SEVERINO MARCHE        | 5          | 4          | 5         |
| SANTA VITTORIA IN MATENANO | 1          | 1          | 1         |
| SANT'ANGELO IN PONTANO     | 1          | 1          | 1         |

|                           | 2020       | 2019       | 2018       |
|---------------------------|------------|------------|------------|
| SANT'ELPIDIO A MARE       | 1          | 1          | 1          |
| SERRAPETRONA              | 3          | 3          | 3          |
| TOLENTINO                 | 28         | 26         | 26         |
| TREIA                     | 1          | 1          | 1          |
| URBISAGLIA                | 1          | 1          | 1          |
| VISSE                     | 1          | 1          |            |
| <b>INTERIM WORKERS</b>    | <b>33</b>  | <b>22</b>  | <b>19</b>  |
| BELFORTE DEL CHIANTI      | 3          | 7          | 5          |
| BOLOGNOLA                 | 2          |            |            |
| CALDAROLA                 |            | 1          | 2          |
| CAMPOROTONDO DI FIASTRONE |            | 1          |            |
| CASTELRAIMONDO            | 1          |            |            |
| CESSAPALOMBO              |            | 1          |            |
| COLMURANO                 | 1          | 1          |            |
| CORRIDONIA                | 1          |            |            |
| MACERATA                  | 6          | 1          | 1          |
| MATELICA                  |            |            | 1          |
| MOGLIANO                  |            | 1          | 1          |
| PIEVE TORINA              |            | 1          |            |
| PIEVEBOVIGLIANA           | 1          |            |            |
| POLLENZA                  | 1          | 1          | 1          |
| SAN GINESIO               | 2          | 1          | 1          |
| SAN SEVERINO MARCHE       |            |            | 1          |
| SARNANO                   | 1          |            |            |
| SERRAPETRONA              | 3          | 1          | 1          |
| TERRANUOVA BRACCIOLINI    |            | 1          | 1          |
| TOLENTINO                 | 8          | 4          | 4          |
| TREIA                     | 1          |            |            |
| URBISAGLIA                | 1          |            |            |
| VALFORNACE                | 1          |            |            |
| <b>OVERALL TOTAL</b>      | <b>142</b> | <b>122</b> | <b>114</b> |



## 2.7

### ECONOMIC AND FINANCIAL OUTLOOK

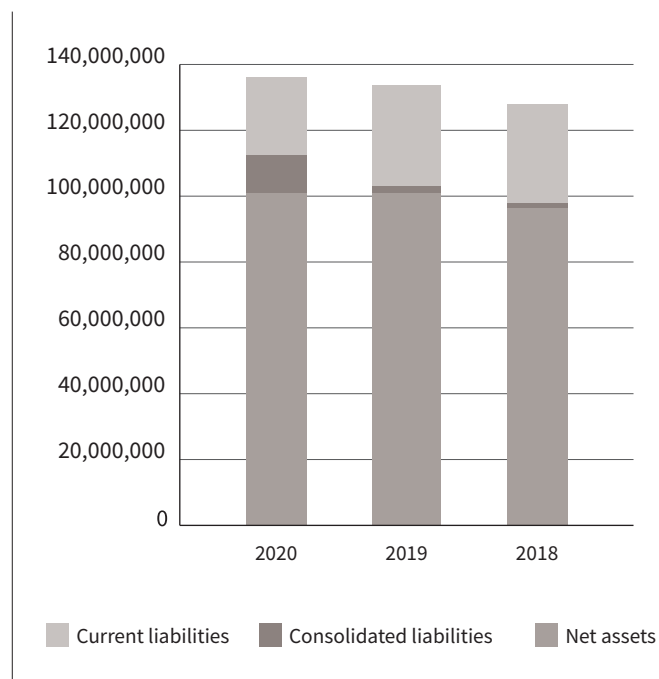
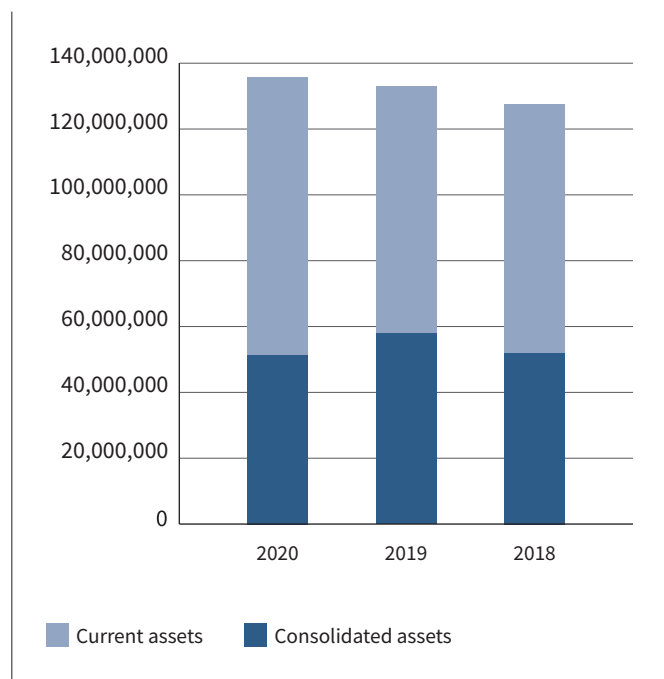
In 2020 the economic and financial performances of Simonelli Group, highlighted by their constant growth trend in a position of capital strength, were affected by the significant repercussions that the Covid-19 pandemic caused worldwide, with even more accentuated effects in the Foodservice industry that represents the primary end market for the company.

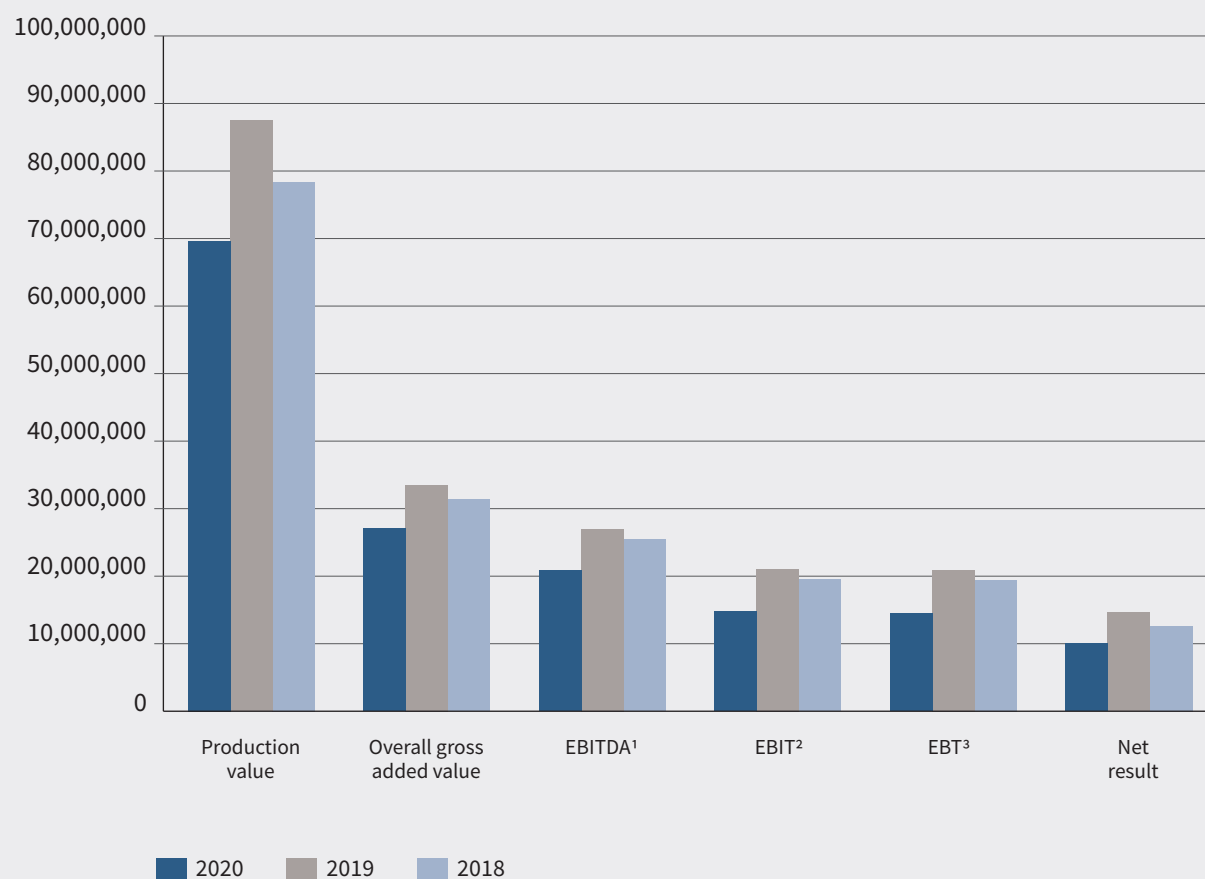
Following the mobility restrictions decided by various countries and governments to contain the spread of the pandemic, most Foodservice businesses were closed and/or underwent severe limitations of their activities for several weeks. This happening translated into negative economic repercussions for all players, some of which were forced to leave the market.

Despite this scenario, in 2020, Simonelli Group preserved the solidity and flexibility that has always been the hallmark of its management and was able to contain the reduction in production value (20.37%) and the reduction in sales revenues (22.6%).

Indeed, notwithstanding the fall in turnover, the company registered a net profit of nearly ten million euros (10.4% of the production value), thus improving its financial position.

The following is only an initial general picture of the economic and financial profiles. More details on this topic are contained in paragraphs 3.3 and section 4 of the report.





<sup>1</sup> EBITDA: Earnings before interest, taxes, depreciation and amortization | GOM (Gross Operating Margin)

<sup>2</sup> EBIT: Earnings before interest and taxes

<sup>3</sup> EBT: Earnings before taxes

3

## 2020 MANAGEMENT RESULTS AND 2021 PROGRAM

- 3.1 Innovation
- 3.2 Coffee culture and education
- 3.3 Economic and financial sustainability
- 3.4 Environmental sustainability
- 3.5 Organization Sustainability and stakeholder relations



# 3.1

## INNOVATION

Keyword:  
**RESEARCH**



For Simonelli Group, innovation has always identified and driven its growth path.

Since the first steps Cavalier Orlando Simonelli took, the company has always distinguished itself on the market for bringing technical innovations, some of which have marked the technological advancement of the whole business field.

An example is **the first coffee machine with an electric pump system**, introduced into a market dominated by the lever coffee machine at the end of the '50s, or the insertion of **the first microprocessors** which provided the coffee machines with new features at the end of the '70s.

Simonelli's commitment to innovation has been constant throughout the years.

Such is demonstrated by the **"T3"** technologies and **"Clima Pro"** which optimizes coffee quality, **"Gravimetric technology"**, both for coffee machines and grinders, which provided optimal precision for coffee extraction, **"Smart water system"** for water quality testing, up to the most recent **"NEO"** (*New Engine Optimization*) and **"TERS"** (*Thermal Energy Recovery System*) technologies which have opened up new horizons for environmental sustainability.

Our commitment to innovation has continued throughout 2020. Our products continued to evolve with the launch of Eagle One Prima and the development of new technologies that the forthcoming products will feature (see predictive maintenance) and in terms of the services, the processes and the entire organizational structure connected to digital transformation.

Simonelli Group of the future will be a place where machines, clients, baristas, managers, technicians, and the company will be interconnected and will be able to interact to optimize the processes that are the basis of their value proposition.

Innovation has thus acquired an increasing cross-cutting and pervasive value that requires new skills which are not always easy to find on the market. This represents a further challenge for a company that considers innovation its driving force. The Simonelli Group is addressing this challenge by strengthening their existing well-established partnership with universities and taking up new partnerships with universities and institutions specializing in specific disciplines such as Politecnico di Milano and SMAU.

### SUMMARY OVERVIEW AND CONSIDERATIONS FOR THE FUTURE

The objectives that the company had planned to reach in terms of innovation in 2020 were related to:

- research,
- technological innovation,
- new products,
- services, processes, and digital transformation, including organization.



### 3.1.1 SCIENTIFIC RESEARCH

The company had planned to operate in two directions regarding scientific research: supporting research and activating partnerships with external centers.

As regards the first direction, Simonelli Group has continuously supported the activities carried out by “Research and Innovation Coffee Hub” (RICH), co-founded with Unicam in 2016 for the very purpose of conducting scientific research on the transformation of coffee and its ingredients (see milk).

As for infrastructure, the company had planned to set up the “Knowledge centre”, a new structure entirely dedicated to research and training that was started but was impossible to complete due to the sudden obstacles caused by the Covid-19 pandemic. The new facility is expected to open in 2022.

As for external partnerships, the company has continued to work with “Coffee Science Foundation” on a

research project to create an Espresso brewing chart, which is a tool for evaluating extraction quality.

The most innovative and thus the winning project in an international selection open to various universities was the one submitted by the University of Oregon, which will also be working with RICH. The research will be completed at the end of 2022.

The company aims to carry out further research throughout 2021 in order to make coffee extraction more efficient by reducing the amount of ground coffee. If this project comes to fruition, it will positively effects environmental sustainability.

It would meet increasing international coffee demand without extending the size of plantations through deforestation.



### 3.1.2 TECHNOLOGICAL INNOVATION

Regarding environmental sustainability, the company has acted on two fronts in the area of innovation: increasing product energy and environmental sustainability and developing new technologies that can respond to the future Foodservice requirements

#### RESEARCH AIMED AT INCREASING ENVIRONMENTAL SUSTAINABILITY

##### Energy balance analysis

Simonelli Group, has conducted an energy balance analysis to improve future products. This has allowed monitoring the main causes of energy waste and has led to a first solution to further cut down the average energy consumption by 5%. Furthermore, the Simonelli Group research center is continuing to develop a new technology capable of limiting energy consumption in steam production.

##### Circular economy

Further ongoing research is related to making products more and more eco-friendly. The first area where this approach was applied is packaging which was entirely revisited prioritizing to alternative materials, such as recycled cardboard instead of plastic.

##### Eco-friendly Insulation Materials

For 2021, the company intends to continue its research and experimentation of new insulation materials, becoming a more sustainable option, in terms of recyclability and environmental impact.

#### RESEARCH FOR INTERCEPTING THE FUTURE NEEDS OF THE MARKET

##### Predictive Maintenance

Simonelli Group's objective for 2020 is to advance the development of predictive maintenance technology to a more advanced stage/level. In 2020, the company finalized the development phase in the laboratory, which is the definition of the artificial intelligence algorithm developed by the Polytechnic University of the Marche region, and has commenced the experimental stage. The objective for 2021 is to install 200 prototype machines in the chosen markets to sufficiently collect a sizable amount of data to feed the artificial intelligence system at the center of the project.

##### Machine Connectivity

Simonelli Group, has set in place an objective to develop a more advanced connectivity system for the machines, to make them act as communicators through an exchange of data and information via the cloud. This system permits customers to remotely manage machine stock, verify performance levels, and update settings. The company has rescheduled the launch of the new service to the coming year.





One of the goals pursued by Simonelli Group is to be more efficient, in line with the theme of technological innovation or open innovation. Ideas and solutions arise from combining internal insights with external partners (like research institutes, suppliers, universities, and start-ups).

On this front, the company is participating in several projects, such as:

- Partnership project for ‘Smart Manufacturing Machine with Predictive Lifetime Electronic maintenance (SIMPLE)’ designed to develop an advanced system for predictive maintenance along with other four companies from different sectors in Marche (Sigma, Spa, CLabo Spa, Pieralisi Maip, Schnell Spa) and co-financed, not only by other companies but also by Mise and Marche Region;
- The research project (Mercury), created in collaboration with 20 other companies and two universities (UNICAM and Marche Polytechnic University) and co-financed by the Marche Region, aims to sustain and develop technological platforms for collaborative research, development and innovation in the fields of intelligent specialization.

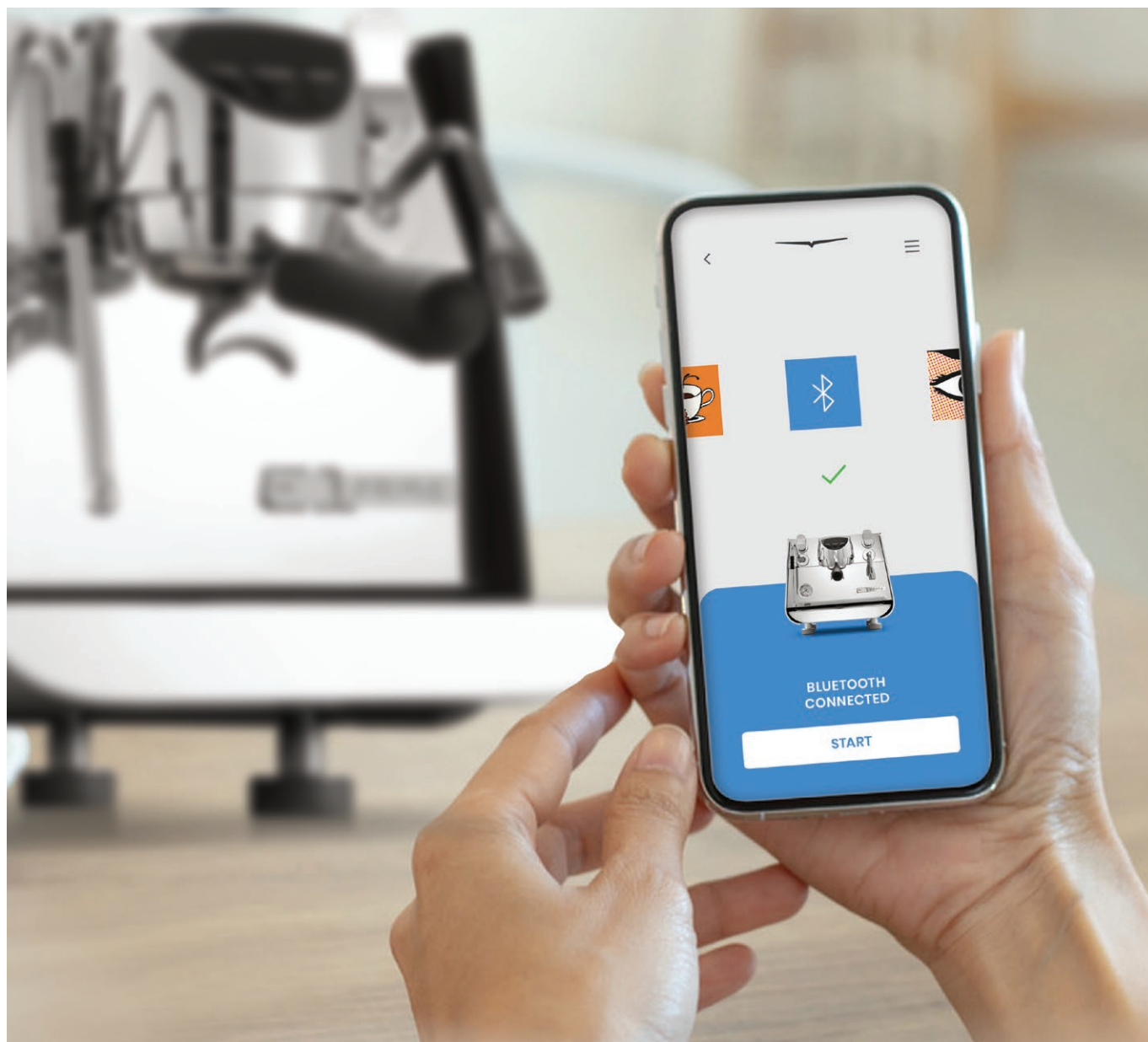
### 3.1.3 PRODUCT INNOVATION

In terms of new products, Simonelli Group's 2020 objective was to expand the Victoria Arduino collection with a new product, the **E1 Prima**, to best satisfy the rising markets' needs of kiosks, coffee lovers offices, and coffee corners.

The new machine incorporating the latest NEO (*New Engine Optimisation*) technology offers high performance and a new interactive interface.

It is also equipped with a dedicated app that allows the operator to change the settings, define recipes, read and share data, set functions, and interact with the other accessories from Eagle One.

The company's ambitious plan for 2021 foresees the launch of many new products.



## 2021 NEW PRODUCT LAUNCH PLAN

### NUOVA SIMONELLI BRAND



#### **Aurelia Wave UX Machine**

New version of the Aurelia Wave line, capable of reducing energy consumption and increasing flexibility.



#### **Oscar Mood Machine**

To satisfy the needs of a more evolved consumer target.

### VICTORIA ARDUINO BRAND



#### **Black Eagle Maverick Machine**

Renewal of the Victoria Arduino flagship equipped with new technology capable of improving performance and significantly reduce energy consumption.



#### **Mythos Coffee grinder**

Renewal of the Mythos Coffee grinder with a new range of models, all equipped with improved technology.

### 3.1.4 ORGANIZATIONAL AND PROCESS INNOVATIONS

The process of innovation created by Simonelli Group concerns products and technologies and considers the service and procedural side.

On this front, the company has set itself ambitious objectives for digital transformation. Since employees could not travel, the Company accelerated the development of these objectives.

After the presentation and the launch of iSack in 2019, the interactive innovation platform to supply, support, and assist customers, in 2020, the company set itself the objective of extending and strengthening services by integrating them into the new ERP (*Enterprise Resource Planning*), CRM (*Customer Relationship Management*) platforms. The 2021 objective is to enrich the portfolio of services on the current functioning platform as a function of its integration with the CRM, such as guarantee management and the simplified management of spare parts.

Another objective set by Simonelli Group in 2020 was to develop a new ERP on the 'Microsoft Dynamics Nav

365' platform that was planned to commence at the beginning of 2021. The quick decision made by the Company brought forward the go-live to October 2020.

This implementation involved profound organizational changes and personnel training. The transfer to the new platform initially produced a slowdown in some operational processes leading to longer order fulfillment times. However, the Company overcame this slowdown within a few weeks and, by the end of the year, all came back to normal.

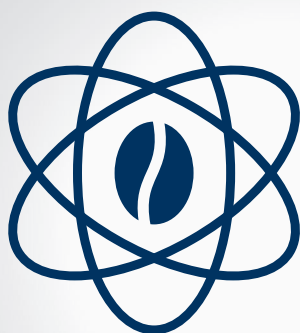
In parallel to the development of the new ERP, Simonelli Group also worked to implement a new CRM, which combines perfectly with the 'Microsoft Dynamics Nav 362' and exploits the full range of capabilities to supply a more interactive, accurate, and punctual service for customers.



## 3.2

### COFFEE CULTURE AND EDUCATION

Keyword:  
**COFFEE  
KNOWLEDGE**



in 2020 has not flinched. Indeed, it boosted the accessibility of its knowledge to all its stakeholders (customers, partners, employees, suppliers and the coffee community as a whole).

Due to the restrictions caused by the pandemic, people travelled far less, and in the company's case, impeded the course completion in person. That is why Simonelli Group duly reacted and intensified the digital transformation to complete courses and training online. In just a few weeks, multimedia rooms have been built, complete with equipment for filming videos and broadcasting them on various digital channels and at web conferences, thus providing digital format to a large part of the training opportunities. In addition, the company redoubled its efforts to accelerate the completion of the new digital platform Coffee Knowledge Hub, started at the beginning of 2019. Its innovative services open up new prospects in the panorama of international coffee training.

#### SIGNIFICANCE AND IMPACT

Knowledge is at the core of progress and is the lever that enables people, organizations, and other sectors to evolve. On this premise Simonelli Group considers knowledge, along with research and training, as one of the three pillars of its identity.

Despite the unquestionable difficulties caused by the pandemic, the company's commitment in this respect

Research and training are the foundation of Simonelli Group's knowledge. The Company has further strengthened its partnerships with Universities, research centers, and the 'Research and Innovation Coffee Hub' created in 2016 with the University of Camerino to launch new research projects and transfer the newly acquired skills in the dedicated activities for a coffee training program.





## COMPARISON BETWEEN OBJECTIVES AND RESULTS FOR 2020

### COFFEE SCIENCE

#### OBJECTIVE 2020

In partnership with Unicam, to restructure the new training courses based on the scientific understanding acquired from the research activity.

#### WORK DONE

A training plan was created to focus on the science of coffee and milk, involving chemistry, physics, mathematics, and microbiology.

The study program was approved by the University Administration recognizing participants and starting them off with 15 study credits (CFU) for a total of 375 hours of lectures.

However, these courses could not be scheduled in 2020 due to Covid -19.

#### OBJECTIVE 2021

To reprogram the courses as soon as the conditions allow it, but not before September 2021.

### COFFEE EDUCATION

#### OBJECTIVE 2020

Creation of a new digital platform for training that surmounts logistical obstacles and heightens students' experience by involving the coffee community.

#### WORK DONE

The infrastructure of the 'Coffee Knowledge Hub' platform was completed in November 2020.

#### OBJECTIVE 2021

To achieve operational readiness of the CKH platform, involving the coffee community with courses, articles, information and events. The objective is to support the classic courses offered by the Simonelli Academy: innovative courses on coffee shop management, on sensory experience - through collaborations with the Cup of Excellence and Coffee Sensorium, on the science of coffee and on the chemical-nutritional characteristics of various types of milk. The goal is to reach, by 2021, a community of at least 1,000 active members.

### DISSEMINATION OF KNOWLEDGE

#### OBJECTIVE 2020

Initiate partnerships with organizations to provide new training opportunities to the coffee community.

#### WORK DONE

In February 2020, in occasion of the Horeca exhibition in Athens, Simonelli Group, in collaboration with the local partner Avek, created an off-show event at the 'Zappeion', where researchers from the University of Thessaloniki and the Research & Innovation Coffee Hub were involved to share their work on coffee for a non-academic public. The initiative received excellent feedback in terms of public participation (on average over 100 attendees), interest, and opportunities for interaction between participants.

#### OBJECTIVE 2021

If Covid-19 conditions permit, the objective is to try out different innovative formats to spread knowledge.

## COMPARISON BETWEEN OBJECTIVES AND RESULTS FOR 2020

### YOUTH COFFEE ACADEMY

#### OBJECTIVE 2020

After the positive feedback from previous programs in Italy and Switzerland, Simonelli Group has planned the third Italian training program created specifically for people younger than 30 who are interested in starting, or consolidating, a career in the world of coffee. Apart from the Italian program, the company has set itself the objective of extending the project to a new European market.

#### WORK DONE

In the Italian program, 26 people took part, 8 of whom had access to the course that was divided into three sessions. 7 participants were awarded a diploma. The UK Youth Academy was organized for the first time, thanks to the joint collaboration of the VA Machinery branch office. This generated a significant amount of interest, considering that for the six places available, 79 students applied.

#### OBJECTIVE 2021

To repeat the program in the active market and to extend it into the new market.

### THE MAKING OF THE NEW CKH CAMPUS

#### OBJECTIVE 2020

To achieve a new Knowledge centre in Belforte del Chienti, which will host the scientific research workers for the 'Research and Innovation Coffee Hub' in a 1,000 m<sup>2</sup> space and an area equipped with all the most up-to-date infrastructures needed to teach courses (on coffee, roasting, sensory experience, being green, techniques, technology, various systems of infusion, milk and water etc.) an immersive experience, full of interaction between teachers and students.

#### WORK DONE

The construction work has been started but had to stop for Covid-19. The impossibility of offering in-person courses lowered the project's priority.

#### OBJECTIVE 2021

The opening of the new center is planned for the second half of 2021.



Coffee Knowledge Hub website.



## 3.3

### ECONOMIC AND FINANCIAL SUSTAINABILITY

Keyword:  
**GROWTH**



#### SIGNIFICANCE AND IMPACT

Pursuing sustainable growth in the long term and from an economic and financial standpoint constitutes essential for any entrepreneurial project. Simonelli Group has always followed this goal.

The company showed a consolidated and constant growth trend throughout the years, generating resources for production and making new investments in products, services, infrastructures, and business organizations.

In other words, to always show a more competitive side to the market in order to generate and distribute more value to its customers and stakeholders in the form of salaries, interest, tax, and dividends.

#### COMPARISON BETWEEN 2020 OBJECTIVES AND RESULTS

In the plans for 2020, the company predicted a turnover of 9% compared to that of 2019. Still, the sudden worldwide spread of Covid-19, with the restrictions of people's movement, severely impacted and slowed the growth of market activities in the food-service sector, and, in many cases, even halted it.

This was reflected in an interruption in the demand for equipment and thus resulted in a drop in sales.

However, for Simonelli Group, it did not mean a deterioration in principal economic and financial indicators.

The harmful effects of the pandemic pushed the Company to revise its action plan promptly and adapt it to the new context. Its expanded presence in many countries allowed sales to be modulated within the contingent dynamics of individual markets.

In April, the company redefined its sales objectives, setting the new target to a maximum fall of 25% compared to 2019 sales, that is, a forecast turnover of about 65 million euros. The financial year ended with a business volume of 67,542,398 euros, slightly higher than forecast. In the context of the economic and financial repercussions, the details are contained in section 4 of this report, dedicated to 'economic and financial profile 2020 management'.

Despite the unfavorable circumstances of the pandemic, the company confirmed its investment plans for innovation and its activities to support the market.

In terms of new products, the company had planned the launch of the Victoria Arduino one-group Eagle One model, the E1 Prima. However, as it was impossible to hold a physical event at the World Barista Championship (planned for May 2020 in Melbourne), Simonelli Group converted its original plan into a digital event involving its main partners and obtained excellent results.

In 2020, the efforts of Simonelli Group continued, particularly by strengthening the visibility of its two operational brands on the market: Nuova Simonelli and Victoria Arduino. The action was focused on distinguishing its brands to align them with their reference markets and corresponding values, operating with excellent efficiency at a local level through the involvement of principal commercial partners, and by coordinating communication activities, especially on digital channels.

The arrival of the pandemic pushed the company to intensify its investments in digital communication, particularly in social media channels. The opening of a dedicated YouTube channel for the two brands proved to be the right logical step, and this permitted

the company to host digital events, such as the launch of the E1 Prima, and to obtain a response of 1,750 subscriptions for Victoria Arduino and 900 for Nuova Simonelli in just a few months.

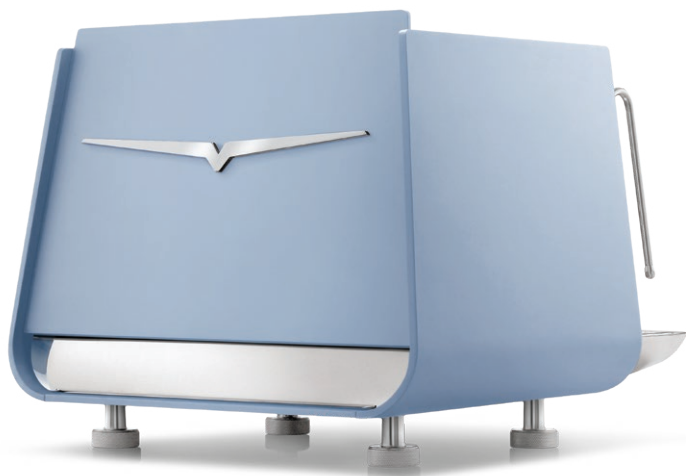
#### OVERVIEW OF CONSIDERATIONS AND PLANS FOR THE FUTURE

By 2021, Simonelli Group is hoping that the effects of the pandemic will diminish and that it will renew its

uninterrupted upward growth in 2020, taking sales back up to the threshold of 90 million euros. In this regard, the company intends to focus on its plans to launch new products with both brands, as described in section 3.1.3 of this report.

The company will continue to collaborate with top partners to strengthen the visibility of the brands in various markets.

In the last few months, there has been intense pressure in the raw materials market, which convert into price increases, and are hard to pass onto the downstream demand. This could negatively affect profitability for 2021, even if the company is confident that make the necessary adjustments to close the financial year with an EBITDA in line with that of 2020 and a slightly improved net financial position.



E1 Prima

## 3.4

### ENVIRONMENTAL SUSTAINABILITY

Keyword:  
**ECO-FRIENDLY**



#### SIGNIFICANCE AND IMPACT

For Simonelli Group, environmental sustainability is essential, and the company's efforts in this context have been growing over the years. The sustainable measures taken in infrastructure can be seen during the development of the headquarters opened in 2017, and the new logistics hub opened in July 2020.

Both were created by adopting the most innovative solutions to limit the environmental footprint, with particular attention to reducing energy consumption, and how to efficiently use water, and how to minimize heat dispersion.

The new logistics hub is equipped with its own new 100 Kw solar panels, which will allow it to be energy self-sufficient. Furthermore, the headquarters will boost its system by 90 kW more.

These investments are part of the goal to become 100% green by 2025.

The company is also working to reduce the ecological footprint of its products. Since 2011, the company has been continuously collaborating with the Polytechnic University of the Marche region to study their products' LCA (Life Cycle Assessment).

#### COMPARISON OF 2020 OBJECTIVES AND RESULTS

In summary, the objectives for 2020 were:

- To increase solar panel power to reach a further 190 Kw of electrical energy.
- To monitor the quantity of plastic to limit consumption.
- To further lower the environmental footprint of products based on evidence produced by the LCA Study (Life Cycle Assessment) and raise the sales of energy-efficient machines to 40%.

#### Sustainable energy

During the year, the company activated the 100 Kw system, installed in the new logistics hub, while the installation of a second system in the headquarters of a further 90 Kw was not possible to complete due to difficulties connected with the pandemic lockdown, which prevented the preliminary studies from being conducted. For this reason, this second plant was postponed to 2021.

The company's overall self-generated electrical power in the year was 105,000 Kwh, equivalent to 18% of the total annual requirement. The external electricity supply fell by 8% (from 644,000 Kwh to 593,000 Kwh) compared to 2019.

This is particularly significant if we consider that in July 2020, the Company activated its new logistics hub with an additional covered space of 6,000 sqm.

**18%**  
self-generated  
electrical power

**- 8%**  
external supply

|                                 | 2020        | 2019        | Diff. % 2020-2019 |
|---------------------------------|-------------|-------------|-------------------|
| External Supply                 | 593,000 Kwh | 644,000 Kwh | -8%               |
| Self-generated electrical power | 105,000 Kwh | 28,000* Kwh | +275%             |

\* This data refers to a period between August and December because of the delayed connection to the main supply network of the electricity service provider.

## Limitation of plastic

Regarding plastic consumption, the company set itself the objective of initiating progressive limitation of plastic use in packing, internal activities, and products. For packing, the company changed its policy by using eco-sustainable materials such as recycled cardboard.

Concerning the minimization of plastic consumption in internal processes, Simonelli Group is limiting the use of bottled water through the installation of 3 purified water dispensers and distributing 300 one litre reusable water bottles to employees free of charge. Disposable bottles continue to be used in certain cases, such as for external visitors and meetings. With this policy, 8,600 plastic bottles were saved this year.

Finally, as for the use of plastic in products, the company has deeply analyzed how-to avoid simplistic solutions that do not provide environmental benefits. Indeed, according to the LCA studies, many currently existing materials often have a major impact on the environment. It does not mean to replace plastic with metal or with other similar materials, because rather than protecting the environment it could produce exactly the opposite result. For this reason, the Company is researching to identify new materials that are more environmentally efficient.

**8,600**  
plastic bottles saved

## Environmental footprint of the products

The Company has continued its collaboration with the Marche Polytechnic University for the LCA study for its new products.

Life Cycle Assessment is a standardized methodology (ISO 14040 and 14044) to verify a product's influence during its entire life cycle, also considering the impact of its production (materials used and production processes) and its use up to its final disposal.

This is expressed in kilograms of equivalent produced carbon dioxide, and is an unanimously recognized international measurement for total greenhouse gas emissions, directly or indirectly associated with a product.

This analysis is useful for the Company to understand how to improve environmental sustainability and thus guide the design of future products.

These studies have shown that not more than 2-5% (according to use) of CO<sub>2</sub> emissions is caused by the production process, while the remainder, is the result of the machine's operation.

**5%**  
production  
process

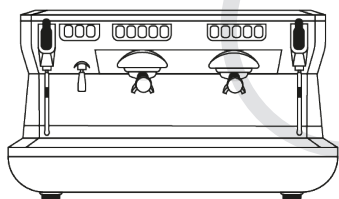
**95%**  
machine  
operation

### PRODUCTS SUBJECTED TO LCA ANALYSIS

|                    |                    |
|--------------------|--------------------|
| Aurelia Wave T3    | VA 388 Black Eagle |
| Aurelia Wave Digit | VA 358 Digit       |
| Aurelia II         | Eagle One          |
| Appia Life         | E1 Prima           |
| Mythos 2           | Mythos 1           |

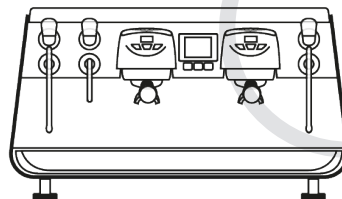
In the light of these studies, every new product proposed by the Company will have a lower environmental footprint.

### Appia Life - 20%



**energy consumption  
compared to Appia II.**

### Eagle One - 35%



**energy consumption compared  
to machines in the same category.**

Overall, the company set itself the objective of increasing market sales of low energy consumption machines to 40%. At the end of 2020 this percentage was higher, at 50%, with notable environmental benefits.

## SUMMARY OF CONSIDERATIONS AND FUTURE PLANS

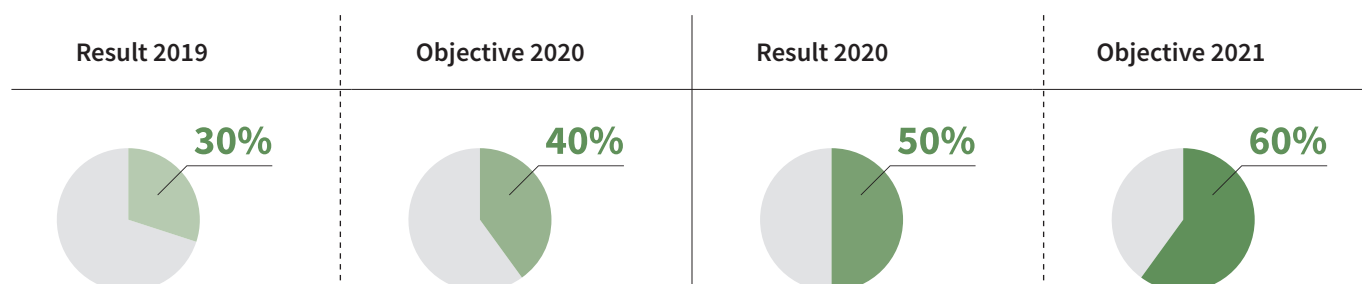
The Covid-19 pandemic has further stressed the importance of environmental issues. Simonelli Group constantly dedicates more attention and resources to environmental policies, no longer seen in a trade-off logic, but as a necessary condition for the prospective future.

2021 will see new projects for limiting consumption, besides those delayed due to Covid, such as the transformation of the lighting system to LED, and such as

reaching 60% market sales of low-energy consumption machines.

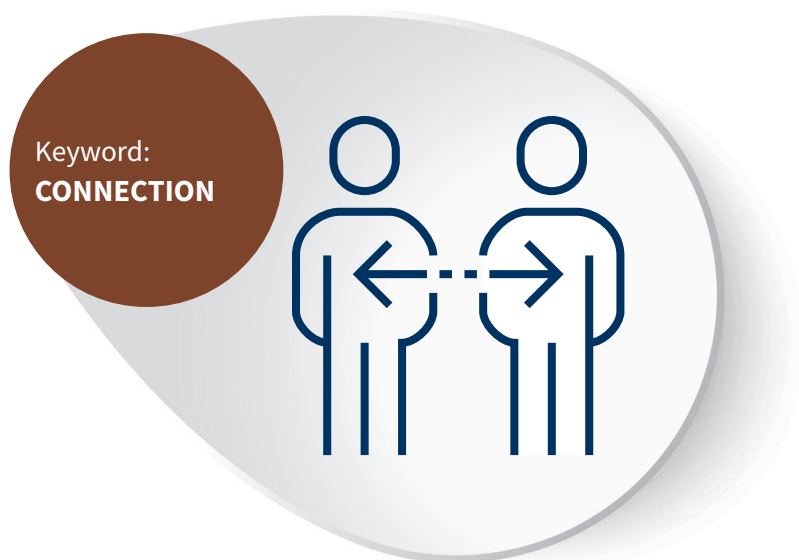
Since 2021, even more ambitious and long-term projects will be identified and initiated that will prove to be ever more effective in preserving the environment. The objective of becoming 100% green by the end of 2025, albeit ambitious, continues to represent an important goal for the company.

## % MARKET SALES OF LOW ENVIRONMENTAL IMPACT MACHINES



## 3.5

### ORGANIZATION SUSTAINABILITY AND STAKEHOLDER RELATIONS



#### SIGNIFICANCE AND IMPACT

The value of a company is primarily expressed in its relations with people and the quality of the relationships that form between internal and external stakeholders (customers, suppliers, and community).

Those who have dealings with Simonelli Group have often noticed and appreciated the relaxed atmosphere that exists between people. This is part of the company's identity and an indicator of the centrality that people have in the Simonelli Group.

Close ties with the local area are another important factor for the company. That is why it believes in local resources, not only regarding personnel recruitment,

but also for external partners, where stable relations over the years have given rise to a fully consolidated network.

Over the years, the bond with the local area has thus become ever more substantial. This is one of the secrets behind staying competitive internationally: bringing products outside one's boundaries and showing company employees' bond with their local area.

This makes customers, suppliers, and partners at every level feel part of a big, unique family.



### 3.5.1 SYSTEM ORGANIZATION

Some organizational contexts regard systemic approaches to pervasive themes that concern risk and sustainability, which the sustainability team has included. The Company considered broad range evaluation of **risk management** to be of fundamental importance in identifying the main risks that could undermine the company's current state of health.

To this end, risks were examined relating to property, liability, delivery, transport, RCA, and credit. For 2020 the aim was established to extend the analysis to risks relating to the reputation of trademarks, cyber data attacks, and fluctuations in raw material price and foreign exchange.

The unexpected arrival of Covid shifted the focus to the risks associated with the pandemic, and this polarized resources and energy on how best to deal with this new kind of risk.

Evaluation of all other types of risk has been postponed in 2021 to define protective or containment measures.

In 2020, particular attention was also paid to the issues of **cybersecurity** and **cloud computing**, considered as priorities given the company's current digital transformation. In this regard, new procedures were introduced to guarantee data line security. Creating a backup data network was also planned, along with band separation for the various users.

In 2019 the company formed a **sustainability team** to provide greater efficiency to integrated sustainability policy. The team receives all relevant questions and contributions from the various functional areas.

These are examined, and a coordinated approach is defined to make the Company ever more sustainable. The team also deals with the reporting system that in 2020 produced the first sustainability report relating to the 2019 achievements. The company set itself the objective of improving reporting activities by gradually integrating new sustainability-related projects.





### 3.5.2 HUMAN RESOURCES

For Simonelli Group, its co-workers' physical and mental well-being is fundamental.



#### Health and safety

Particular attention is paid to health and safety in the workplace.

Apart from applying all the measures of the existing legislation, the company is also taking steps for prevention and awareness among its staff.

Specific training programs have been set up for all new employees who have not yet obtained the relevant certificates from compulsory training (DLGS 81/08 "Health and safety consolidated law").

Therefore, the courses are mandatory and are held in partnership with the internal health and safety team to maintain constantly high levels of readiness regarding potential operating risks to which all employees could be exposed.

Periodic updates are carried out over the years that vary according to the type of work undertaken in line with legal requirements.

In 2020, updated staff safety training involved 43 employees for 516 hours.

**516**  
training  
hours

**43**  
employees  
involved

## Health safety

### MEASURES UNDERTAKEN TO DEAL WITH THE COVID-19 PANDEMIC

The sudden arrival of Covid-19 in March 2020 brought the issue of **Covid-related health safety** to the center of the company's attention.

The following are the main initiatives brought to bear by the company to deal with the situation:

- immediate actions to **limit access into the company**. Thermo scanners with mask control were installed at the entrances, with compulsory inspections before entering the building, and also strict measurements were in vigor to prevent employees from moving between various departments;
- the company prepared a **stock of protective materials** necessary for limiting infection (face-masks and gel) to be distributed free-of-charge to co-workers;
- the company **provided information about the risks of possible infection outside the work setting** (at home, with friends) with a request to be informed immediately through their company supervisor in cases of positive test results and/or any suspicious symptoms, also of family members and/or acquaintances with whom they came into contact. This was done to limit as much as possible the risk of infection for other co-workers;
- voluntarily **free periodical swab testing** was carried out for all employees to monitor the situation and limit risk;
- Simonelli Group, according to government measures, **completely closed the company premises** from 16 March to 3 April. Office workers could continue working in smart working mode until 31 May, when they gradually returned to working in the office. To guarantee further safety, the Company organized returning to the office on a rotation basis to limit the presence of workers;
- from April 3rd, when a partial reopening of production areas was allowed, the relative staff was able to return to work following strict safety procedures. Guided pathways were devised indicating the entrances and exits, and instructions were given to avoid gatherings in rest areas and around the bar. **Area sanitizing was intensified**, free face-masks were distributed, and sanitizing gel dispensers were installed throughout the premises. With all these measures, Covid was kept under control, and contagion was avoided;
- as a further protective measure for its employees, Simonelli Group also took out a special insurance policy called "**Covid-19 Policy**" to provide concrete support to individual employees should they, unfortunately, become infected;
- the company's efforts also included a commitment to **avoid using the furlough scheme** through the flexible use, agreed with unions, of paid leave. Thanks to this policy, Simonelli Group was able to avoid the use of furlough payments to its co-workers and increase the number of staff by 22 compared to the beginning of 2020.

0

hours of layoffs

## Courses on coffee knowledge

Simonelli Group gives excellent heed to the **training of co-workers** in areas not strictly connected to their professional activities and that deal with general culture.

In this regard, it periodically organizes courses on coffee knowledge for those co-workers who wish to improve their coffee tasting skills and indirectly understand the importance of the work they do.

The courses present the physical principles of correct coffee extraction, the different extraction techniques, and the mistakes to avoid.

Co-workers thus have the opportunity to know the market's requirements and how the innovations and technology introduced by Simonelli Group are perceived in such markets.

In 2020, the Company planned coffee knowledge courses to involve people who had not yet been able to participate in previous classes and perfect the skills of those who had already attended, in the latter case offering further training about coffee roasting and the barista profession.

Covid restrictions, drastically reduced the opportunity to hold these courses, so only two sessions were held (in January-February and September-October) for a total of 64 hours.

The course have been replanned in 2021, when it is hoped that Covid restrictions will be behind us.

**64**

**hours of courses on  
coffee knowledge**



Coffee knowledge courses offered to the Simonelli employees.

### Language courses

Another in-house training provided by the Company is multilingual **language courses**.

Simonelli Group is internationally based, and language proficiency in sales and technical assistance is essential.

In 2020, the Company decided to prioritize languages other than English, such as Arabic, Portuguese, and Spanish. These courses were focused on traveling staff and were held online in the case of Arabic and Portuguese, while the Spanish class was held in person.

In 2021, the need will be assessed to define new courses in the second part of the year.

**90**

**hours of language courses**

### Supplementary health cover

The company offers its personnel a **supplementary health cover** through *Metasalute*, which, in line with the metalworkers' collective bargain contract stipulations (CCNL) and thanks to agreements reached with the unions, includes an adjustment to the contract for the category with the provision of a health service beyond that of the national health service (SSN).

The benefits to employees from the system adopted by the company include faster access to services, public or private, compared to the national health service. To assist those employees who lack a particular affinity with online services and with *Metasalute*, the company made available the support of an HR supervisor and a contact from the FIOM trade union to help them take advantage of the services.

Both projects will also be renewed in 2021.

### Company welfare

The **company welfare** pilot scheme, launched in 2019, was a positive experience. It is a policy that converts a part of the productivity bonus into vouchers for welfare services (such as journeys, treatment for relatives, wellness sessions, culture – books, cinema, training courses).

So, again in 2020, the Company decided to extend the policy to all employees in the sales department. This program was activated to offer a new path of incentivization, in line with the new experiences in the world of HR, and also to provide greater value to employees. The overall value of the allocation in 2020 was 61,100 euros.

**61,100 €**

**voucher for welfare services**



## The Quality Path Project

Another area in which the company was active in 2020 was quality awareness. The concept of quality has always characterized the Company's activities. Such achievement could not have happened without the adequate involvement of all appropriate personnel.

The **quality path project** started in 1992, originated from this. In this way, every year we try to improve both product and production processes, by gathering input and suggestions made by production workers through report cards. The goal in 2020 was to gather at least 50 cards, but a surprising number of 73 cards were counted with relative ideas and proposals.

To stimulate cooperation through this system and recognize those who stood out for their suggestions, in 2012, the Company created the Gold Award for the three best ideas. Despite the difficulties arising from Covid, in 2020, the award ceremony was held to motivate all the staff and demonstrate how important the Company considers everyone's commitment.

The goal for 2021 is to collect at least 60 new report cards. One objective for 2021 is to relaunch new employee training using the **5S method** (Sort, Set in Order, Shine, Standardize, Sustain), which identifies a repeatable procedure for order management and cleanliness to improve operative performance and the standardization of optimization.

**73**

ideas and proposal

## Digital mindset

The last project of Simonelli Group about organizational climate is the development of a **digital mindset**. It aims to enable co-workers to evolve their professional skills for more appropriate use of new digital technology and support the organizational shift towards agile and design thinking.

The 2020 plan included special courses in this respect, but because of Covid-19, it was not possible to go ahead, so they were postponed to 2021.

### 3.5.3 CUSTOMERS

One of the most distinctive features of Simonelli Group is the close relationship it has established over the years with its customers. The company believes in the importance of stable and lasting relationships and continues to invest energy and resources for ever greater customer engagement.

#### iSack - Simonelli Advanced Knowledge

As we saw in section 3.1, one of the company's themes in 2020 was to reinforce the services offered. There has been a breakthrough with 'iSack', and the use of new and useful tools for customers, such as video tutorials for in-depth assistance, e-learning for technical training, various types of documentation, and updates on technological product developments.

The company intends to enable worldwide customers and technicians engaged in service and equipment assistance to access these tools to improve the quality of the service provided. To create awareness about the iSack tools and make them accessible, the company introduced a specific training and support service regarding the use of the platform. These consist of special sessions for each customer.

The objective for 2020 was to reach the threshold of 500 active operators by the end of the year, and the result surpassed expectations by reaching a point of 550 active operators.

The goal for 2021 is to include many other services in the platform, such as warranty management and a simplified spare parts administration, and to create awareness amongst customers to reach 700 active operators.

**550**  
active operators



#### New CRM

As seen in the innovation section, one objective for 2020 was to renew the **CRM** (Customer Relationship Management) system to integrate the new and improved ERP, launched in October 2020, and strengthen the support given to the various stakeholders. The new CRM was launched in November 2020. It integrated data from multiple sources and extended and personalized the services offered on various platforms.

#### Experience Labs

To further consolidate relations with customers, the Company opened two new **Experience Labs** in two key markets: the United States and Australia.

The arrival of the pandemic made these openings impossible, so they decided to postpone until 2021. The tight restrictions on the circulation of people prevented planned Experience Lab activities in China and Indonesia from taking place, and initiating new activities would have been useless without involving the local communities.

### 3.5.4 SUPPLIERS

#### Kanban box

In 2018, Simonelli Group started using the **Kanban box**<sup>11</sup> supply chain system, also involving the company's suppliers.

This system is designed to generate leaner production and improve efficiency. It defines beforehand how much and when to produce according to the effectual demand from customers.

The implementation of the project, which initially concerned high-value and high-turnaround suppliers, proceeded in 2020 by extending to 150 codes and broadening the base of the suppliers involved.

At the end of 2020, the Kanban box system was implemented on 168 codes: a number higher than forecasted that enabled improvements on several stages of production.

#### Suppliers assessment

To guarantee a high quality of products and services, Simonelli Group considers an appropriate **assessment of suppliers based on environmental and social criteria** to be of primary importance.

In 2020, the method used for vendor ranking was updated, with specific, new parameters connected with social and environmental sustainability, such as the absence of child labor, commitment to environmental protection, attention to employee health and ethical behavior. The intent for 2020 was also to increase the number of suppliers assessed according to these new parameters.

As assessments are carried out on-site, mobility difficulties arising from Covid made it impossible to complete the project.

In 2021 the plans that were interrupted in 2020 will be completed and a new, even more, complex assessment system will be applied only to leading suppliers.

2020 plans also included setting up a project to grow awareness and culture about sustainability through meetings and training sessions, but the effect of Covid led to a delay in the plan until 2021.

<sup>11</sup> This method is part of the Just in Time approach that allows the company to follow a pull logic: a determined product's production is modulated only after verifying the actual need. Only what the market requires will be produced, eliminating waste and useless steps that slow down production.



### 3.5.5 LOCAL COMMUNITY AND AREA

The attention that Simonelli Group pays to the local community and its needs is seen in the numerous activities and connections built over time with local authorities and organizations.

The Company is very close to the local schools and Universities and supports them through internships for students, doctorate grants, and cooperation in general. The Company considers it a duty to contribute and participate in the **training for young people**. This year was a challenging year due to the pandemic, but Simonelli Group continues to support these institutes in the best way possible.

**5** Research doctorates

**4** University internships

**9** High school school-work projects

Simonelli Group also works with associations that deal with environmental issues and promote and protect Italian quality and excellence, such as the *Fondazione Symbola*. The Company is also a partner.

#### Cultural Activities

Culture-wise, Simonelli Group supports public and non-profit organizations that carry out initiatives for the Marche region.

The Company contributes to the “**Pannaggi Award**” for contemporary art dedicated to young artists under 40, the **Macerata Opera Festival**, and the **Tolentino Basketball Association**.

Despite the difficulties caused by Covid in the world of performance arts, the Macerata Opera Festival continued to stage a full schedule of world-class opera productions. While the Tolentino Basketball Association, whose “purpose is to promote, disseminate, protect, develop and organize amateur sport connected with the playing of basketball as a means for physical, psychological and moral training”,<sup>12</sup> is very involved in initiatives for young people.

It coordinates 135 young subscribed members, 75 in the mini-basketball section and 60 in the youth section. While not being able to play competitive sport due to Covid, it continues anyway with all its other activities. The importance of positive impact (both direct and indirect) that cultural vivacity generally produces for the well-being of people and community motivated Simonelli Group to sustain those who take concrete steps to favor it.

With Covid, Simonelli Group also supports the local health services by **donating to the Intensive Care Unit of the Camerino health facility** that enabled them to buy a unique intubation system necessary for intensive care patients. This generous donation allowed them to reinforce the unit’s daily activities during the particularly critical stage of the virus’s first wave.

The intention for 2021 is to continue supporting those organizations with which the Company is already collaborating and active in the local area’s cultural and sporting development.

The idea is to remain open-minded to new projects that could favor the cultural and personal growth of the community.

**“At this time of national health emergency, everyone must do their part. The company felt the need to be even closer to the community and sustain, as far as is possible, the notable efforts that the public health service and those who work in it with great dedication and sacrifice to save human lives”.**

Nando Ottavi, *Simonelli Group Chairman*

4

## ECONOMIC AND FINANCIAL MANAGEMENT STATEMENT 2020

- 4.1 Statement of assets and liabilities
- 4.2 Profit and loss statement
- 4.3 Determination and distribution of added value



## 4.1

## STATEMENT OF ASSETS AND LIABILITIES

In terms of assets, Simonelli Group confirms, also in 2020, a high level of net capital versus finance capital (74.16%) – the result of the policy of constant reinvestment of matured earnings from company business – and a significant level of liquid assets. The principal asset positions of Simonelli Group for 2020 are outlined below, in comparison with the two previous years.<sup>13</sup>

Regarding the fixed asset to equity capital margins, while non-short-term activities account for 37.90% of invested capital, non-short-term sources (non-short-term net assets and liabilities) account for over 82.5% of finance capital. They are 90% made up of equity. It should be noted that, over the years, liquid assets alone have far exceeded the value of liabilities.

## ASSETS AND LIABILITIES 2020, 2019 AND 2018

|  | 2020               |                | 2019               |                | 2018               |                |
|--|--------------------|----------------|--------------------|----------------|--------------------|----------------|
| ASSETS                                       | €                  | %              | €                  | %              | €                  | %              |
| Net intangible fixed assets                  | 32,023,666         | 23.63%         | 36,942,104         | 27.79%         | 41,974,076         | 32.96%         |
| Net tangible assets                          | 2,028,733          | 1.50%          | 2,290,516          | 1.72%          | 2,260,007          | 1.77%          |
| Financial assets and credits beyond the year | 17,303,475         | 12.77%         | 18,524,647         | 13.94%         | 7,716,188          | 6.06%          |
| <b>Consolidated assets</b>                   | <b>51,355,874</b>  | <b>37.90%</b>  | <b>57,757,268</b>  | <b>43.45%</b>  | <b>51,950,271</b>  | <b>40.79%</b>  |
| Warehouse stock                              | 13,965,302         | 10.31%         | 10,393,525         | 7.82%          | 11,872,011         | 9.32%          |
| Trade and other receivables                  | 18,728,337         | 13.82%         | 23,220,729         | 17.47%         | 24,801,679         | 19.47%         |
| Ready cash                                   | 51,457,287         | 37.97%         | 41,547,520         | 31.26%         | 38,732,483         | 30.41%         |
| <b>Current assets</b>                        | <b>84,150,926</b>  | <b>62.10%</b>  | <b>75,161,774</b>  | <b>56.55%</b>  | <b>75,406,173</b>  | <b>59.21%</b>  |
| <b>INVESTED CAPITAL</b>                      | <b>135,506,800</b> | <b>100.00%</b> | <b>132,919,042</b> | <b>100.00%</b> | <b>127,356,444</b> | <b>100.00%</b> |
| <b>Net assets</b>                            | <b>100,493,345</b> | <b>74.16%</b>  | <b>100,497,876</b> | <b>75.61%</b>  | <b>95,851,719</b>  | <b>75.26%</b>  |
| <b>Consolidated liabilities</b>              | <b>11,363,295</b>  | <b>8.39%</b>   | <b>1,906,529</b>   | <b>1.43%</b>   | <b>1,328,826</b>   | <b>1.04%</b>   |
| <b>Current liabilities</b>                   | <b>23,650,160</b>  | <b>17.45%</b>  | <b>30,514,637</b>  | <b>22.96%</b>  | <b>30,175,899</b>  | <b>23.69%</b>  |
| <b>OWN AND THIRD PARTY RESOURCES</b>         | <b>135,506,800</b> | <b>100.00%</b> | <b>132,919,042</b> | <b>100.00%</b> | <b>127,356,444</b> | <b>100.00%</b> |

<sup>13</sup> These results are given on the basis of the content of the Simonelli Group S.p.a. 2020 financial statement, compared to the 2019 and 2018 financial statements.

## 4.2

### PROFIT AND LOSS STATEMENT

Simonelli Group holds about 10% of the world coffee machine market and exports to more than 124 countries. Over 70% of production is exported outside Europe, accounting for almost three-quarters of turnover. These machines go to bars, restaurants, hotels and coffee-shop chains in different countries.

They reach their destinations thanks to a sales network made up of over one thousand people and organizations (dealers, roasters, importers, and specialized dealers).

At a promising start to 2020 with marked signs of growth, the unexpected outbreak of the Covid-19 pandemic, whose effects spread to every country in the world, caused an abrupt fall in global demand.

In the scenario that emerged after the pandemic, the allocation of sales by the Simonelli Group only mitigated the effects compared to those that occurred in the market.

This meant a fall of 22.6% in turnover in 2020 compared to 2019, thus interrupting the solid and continuous trend that made the Company's growth stand out for over ten years. However, it did not nullify the Company's economic and earnings performance.

Suppose we exclude the slight increase in personnel costs that resulted from the Company's choice to preserve the employment levels without resorting to extraordinary salaries or using furlough schemes.

At the end of 2020, employment levels were higher compared to 2019.

All this denotes the excellent operative flexibility of the Group, which is capable of modulating its structural costs according to its sales volumes.

A general summary follows of actual revenues in an overview based on a reclassification with highlighted added value and other intermediate dimensions.

Lower principal costs partially compensated for the decline in absolute terms in production value and sales revenues. The effect of intermediate production costs saw a drop of more than 1%, which transmitted into a growth equal to the impact of gross income and enabled the development of overall gross income (an increase of 0.61%).

Despite the shrinkage in the market, Simonelli Group's decision to protect employment levels led to the rise of 1.56% in the effect of personnel costs, which caused a reduction in the impact of EBITDA (reduction of 0.95%).

## PROFIT AND LOSS 2020, 2019 AND 2018

|   | 2020              |                                | 2019              |                                | 2018              |                                | Variance %                         |
|---|-------------------|--------------------------------|-------------------|--------------------------------|-------------------|--------------------------------|------------------------------------|
| REVENUE ITEMS   | €                 | % compared to production value | €                 | % compared to production value | €                 | % compared to production value | (val. 2020 - val.2019) / val. 2019 |
| <b>Production value</b>   | <b>69,628,033</b> | <b>100.00%</b>                 | <b>87,442,010</b> | <b>100.00%</b>                 | <b>78,348,130</b> | <b>100,00%</b>                 | <b>-20.4%</b>                      |
| Sales revenues  | 67,542,398        | 97.00%                         | 87,276,750        | 99.81%                         | 77,749,449        | 99,24%                         | -22.6%                             |
| Changes in inventories, work in progress, semi-finished and finished products                                 | 1,737,180         | 2.49%                          | -780,825          | -0.89%                         | 400,842           | 0,51%                          | -322.5%                            |
| Other revenues and income   | 348,455           | 0.50%                          | 946,085           | 1.08%                          | 197,839           | 0,25%                          | -63.2%                             |
| <b>Intermediate production costs</b>  | <b>43,560,815</b> | <b>62.56%</b>                  | <b>55,585,614</b> | <b>63.57%</b>                  | <b>47,989,149</b> | <b>61,25%</b>                  | <b>-21.6%</b>                      |
| Raw and subsidiary materials, consumables and supplies  | 32,562,629        | 46.77%                         | 43,019,921        | 49.20%                         | 37,356,990        | 47,68%                         | -24.3%                             |
| Services  | 8,961,727         | 12.87%                         | 10,158,077        | 11.62%                         | 8,868,328         | 11,32%                         | -11.8%                             |
| Leased assets   | 1,700,895         | 2.44%                          | 1,876,148         | 2.15%                          | 1,506,404         | 1,92%                          | -9.3%                              |
| Provision for risks and write-downs   | 22,613            | 0.03%                          | 386,478           | 0.44%                          | 27,599            | 0,04%                          | -94.1%                             |
| Various management costs  | 312,951           | 0.45%                          | 144,990           | 0.17%                          | 229,828           | 0,29%                          | 115.8%                             |
| <b>Gross income from ordinary operations</b>  | <b>26,067,218</b> | <b>37.44%</b>                  | <b>31,856,396</b> | <b>36.43%</b>                  | <b>30,358,981</b> | <b>38,75%</b>                  | <b>-18.2%</b>                      |
| Accessory incomes   | 1,023,290         | 1.47%                          | 1,605,627         | 1.84%                          | 987,127           | 1,26%                          | -36.3%                             |
| Extraordinary incomes   | 861               | 0.00%                          | 29,251            | 0.03%                          | 27,787            | 0,04%                          | -97.1%                             |
| <b>Total gross income</b>   | <b>27,091,369</b> | <b>38.91%</b>                  | <b>33,491,274</b> | <b>38.30%</b>                  | <b>31,373,895</b> | <b>40,04%</b>                  | <b>-19.1%</b>                      |
| Labour cost   | 6,238,844         | 8.96%                          | 6,470,729         | 7.40%                          | 5,925,228         | 7,56%                          | -3.6%                              |
| <b>EBITDA (Earnings before interest, taxes, depreciation and amortization)   GOM (Gross operating margin)</b> | <b>20,852,525</b> | <b>29.95%</b>                  | <b>27,020,545</b> | <b>30.90%</b>                  | <b>25,448,667</b> | <b>32,48%</b>                  | <b>-22.8%</b>                      |
| Amortization  | 6,096,390         | 8.76%                          | 5,988,696         | 6.85%                          | 5,931,652         | 7,57%                          | 1.8%                               |
| <b>EBIT (Earnings before interest and taxes)</b>  | <b>14,756,135</b> | <b>29.95%</b>                  | <b>21,031,849</b> | <b>24.05%</b>                  | <b>19,517,015</b> | <b>24,91%</b>                  | <b>-29.8%</b>                      |
| Interest and other financial costs  | 266,005           | 0.38%                          | 150,964           | 0.17%                          | 75,864            | 0,10%                          | 76.2%                              |
| <b>EBT (Earnings before taxes)</b>  | <b>14,490,130</b> | <b>21.19%</b>                  | <b>20,880,885</b> | <b>23.88%</b>                  | <b>19,441,151</b> | <b>24,81%</b>                  | <b>-30.6%</b>                      |
| Tax   | 4,494,660         | 6.46%                          | 6,234,729         | 7.13%                          | 6,794,901         | 8,67%                          | -27.9%                             |
| <b>Net profit</b>   | <b>9,995,470</b>  | <b>14.36%</b>                  | <b>14,646,156</b> | <b>16.75%</b>                  | <b>12,646,250</b> | <b>16,14%</b>                  | <b>-31.8%</b>                      |

## 4.3

### DETERMINATION AND DISTRIBUTION OF ADDED VALUE

Added value represents a fundamental economic and financial value in sustainability reports because it enables us to appreciate the wealth created through the management and how that added value is distributed

to the various parties: workers (pay for work), lenders (interest on loans), the state (tax) the company itself (amounts set aside) and shareholders (dividends).

#### DETERMINATION OF OVERALL NET ADDED VALUE

|   | 2020              |                | 2019              |                | 2018              |                |
|---|-------------------|----------------|-------------------|----------------|-------------------|----------------|
|   | €                 | %              | €                 | %              | €                 | %              |
| <b>Value of production</b>  | <b>69,628,033</b> | <b>100.00%</b> | <b>87,442,010</b> | <b>100.00%</b> | <b>78,348,130</b> | <b>100.00%</b> |
| Sales revenues  | 67,542,398        | 97.00%         | 87,276,750        | 99.81%         | 77,749,449        | 99.24%         |
| Changes in inventories, work in progress, semi-finished and finished products | -1,737,180        | 2.49%          | -780,825          | -0.89%         | 400,842           | 0.51%          |
| Other revenues and income   | 348,455           | 0.50%          | 946,085           | 1.08%          | 197,839           | 0.25%          |
| <b>Intermediate production costs</b>  | <b>43,560,815</b> | <b>62.56%</b>  | <b>55,585,614</b> | <b>63.57%</b>  | <b>47,989,149</b> | <b>61.25%</b>  |
| Raw and subsidiary materials, consumables, and supplies                       | 32,562,629        | 46.77%         | 43,019,921        | 49.20%         | 37,356,990        | 47.68%         |
| Services  | 8,961,727         | 12.87%         | 10,158,077        | 11.62%         | 8,868,328         | 11.32%         |
| Leased assets   | 1,700,895         | 2.44%          | 1,876,148         | 2.15%          | 1,506,404         | 1.92%          |
| Provision for risks and write-downs   | 22,613            | 0.03%          | 386,478           | 0.44%          | 27,599            | 0.04%          |
| Various management costs  | 312,951           | 0.45%          | 144,990           | 0.17%          | 229,828           | 0.29%          |
| <b>Gross income from ordinary operations</b>                                  | <b>26,067,218</b> | <b>37.44%</b>  | <b>31,856,396</b> | <b>36.43%</b>  | <b>30,358,981</b> | <b>38.75%</b>  |
| Accessory incomes   | 1,023,290         | 1.47%          | 1,605,627         | 1.84%          | 987,127           | 1.26%          |
| Extraordinary incomes   | 861               | 0.00%          | 29,251            | 0.03%          | 27,787            | 0.04%          |
| <b>Total gross income</b>   | <b>27,091,369</b> | <b>38.91%</b>  | <b>33,491,274</b> | <b>38.30%</b>  | <b>31,373,895</b> | <b>40.04%</b>  |
| <b>Ammortization</b>  | <b>6,096,390</b>  | <b>8.76%</b>   | <b>5,988,696</b>  | <b>6.85%</b>   | <b>5,931,652</b>  | <b>7.57%</b>   |
| Amortization of intangible fixed assets                                       | 5,385,904         | 7.74%          | 5,297,812         | 6.06%          | 5,283,951         | 6.74%          |
| Amortization of tangible fixed assets   | 710,486           | 1.02%          | 690,884           | 0.79%          | 647,701           | 0.83%          |
| <b>Total net income</b>   | <b>20,994,979</b> | <b>30.15%</b>  | <b>27,502,578</b> | <b>31.45%</b>  | <b>25,442,243</b> | <b>32.47%</b>  |



The total net income, including amortization of multi-year factors, enables us to appreciate the wealth available to pay the parties and sustain company reinforcement and growth.

On this matter, see the drafting principles of the Group sustainability report.<sup>14</sup> For Simonelli Group, we can observe, below, the profiles of the generation and destination of the total net income 2020, in comparison with performances in 2019 and 2018.

It can first be seen that in 2020 the company generated

a total net income 20,994,979 Euros, which, compared with 2019, is 6,399,905 Euros less, but which, in percentage terms, in relation with the production value, corresponds to an increase of 0.61% (38.91% in 2020 vs. 38.30% in 2019).

This is a demonstration of the careful policy adopted by the company to deal with the new scenario, by modulating its activities according to the changed conditions to preserve the high level of efficiency of the company processes.

## DISTRIBUTION OF ADDED VALUE

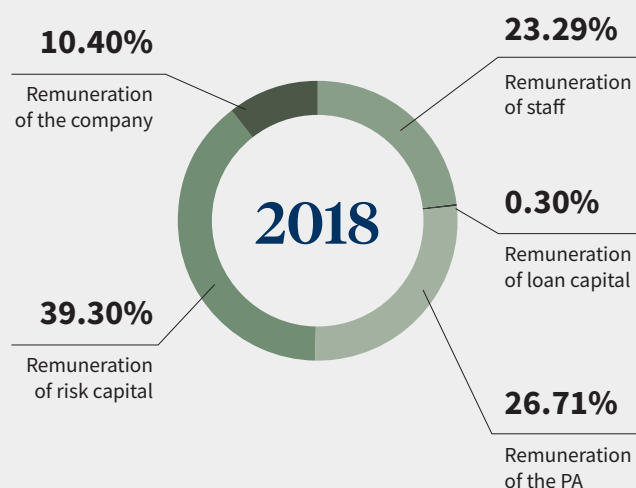
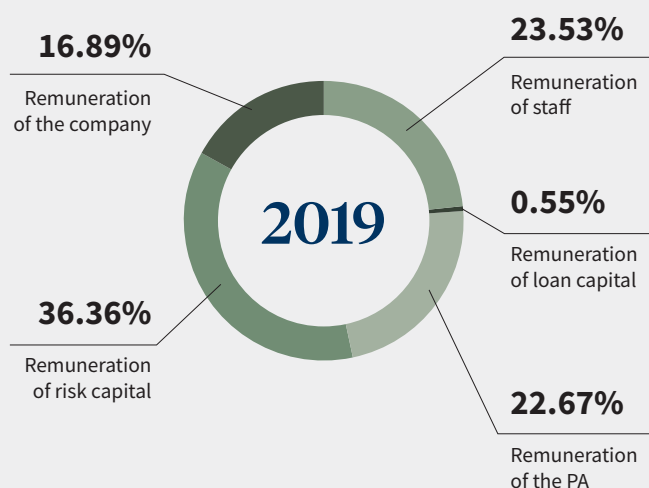
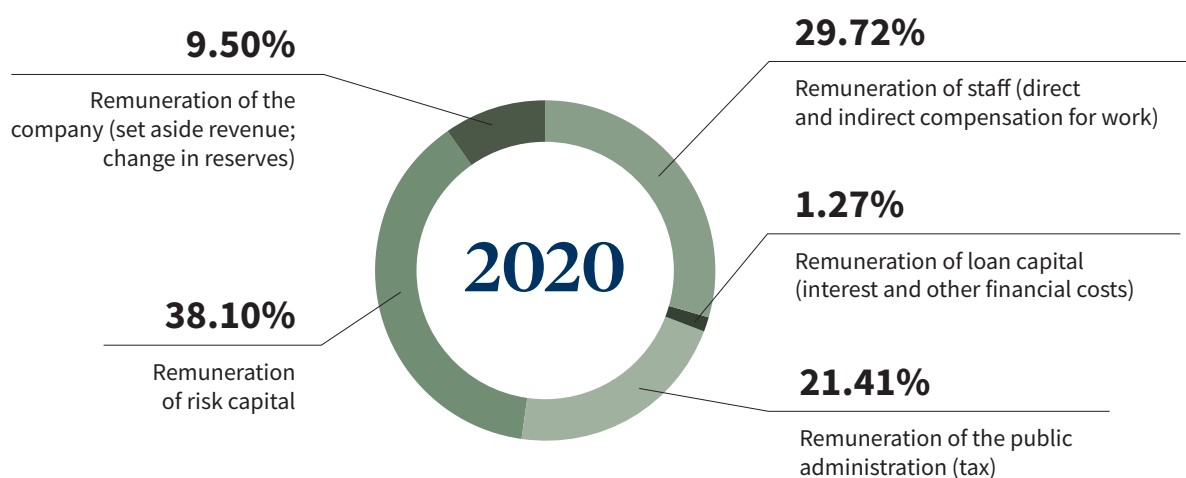
|   | 2020              |                | 2019              |                | 2018              |                |
|---|-------------------|----------------|-------------------|----------------|-------------------|----------------|
|   | €                 | %              | €                 | %              | €                 | %              |
| <b>Total net income</b>   | <b>20,994,979</b> | <b>100.00%</b> | <b>27,502,578</b> | <b>100.00%</b> | <b>25,442,243</b> | <b>100.00%</b> |
| Staff payroll (direct and indirect compensation for work)                   | 6,238,844         | 29.72%         | 6,470,729         | 23.53%         | 5,925,228         | 23.29%         |
| Remuneration of loan capital (interest and other charges)                   | 266,005           | 1.27%          | 150,964           | 0.55%          | 75,864            | 0.30%          |
| Public administration remuneration (tax)                                    | 4,494,660         | 21.41%         | 6,234,729         | 22.67%         | 6,794,901         | 26.71%         |
| <i>Net result for remuneration of risk capital and the company itself ↓</i> | <i>9,995,470</i>  | <i>47.61%</i>  | <i>14,646,156</i> | <i>53.25%</i>  | <i>12,646,250</i> | <i>49.71%</i>  |
| Remuneration of risk capital  | 8,000,000         | 38.10%         | 10,000,000        | 36.36%         | 10,000,000        | 39.30%         |
| Remuneration of the company (set aside revenue; change in reserves)         | 1,995,470         | 9.50%          | 4,646,156         | 16.89%         | 2,646,250         | 10.40%         |

<sup>14</sup> GBS, Study group for sustainability reports (2013), Principi di redazione del bilancio sociale, [2001], Milan: Giuffrè.

Here, we can see how the overall net added value generated in 2020 was transferred to the various parties:

- to employees, 29.7% (overall, the 6,238,844 Euros cost of labor in 2020 comes close to the 2019 figure);
- to lenders (overall, the 2020 figure for interest and other financial costs is marginal while exceeding the 2019 level by more than 115,000 Euros);
- to the public administration (this is the third-largest amount, even though in 2020 overall tax for the financial year was 1,740,000 Euros lower as a consequence of reduced turnover and lower profits earned);
- to the remuneration of risk capital (the share of profits distributed to shareholders was 8 million Euros, which is 20% less than previous years to compensate for lower net earnings);
- to the company itself (overall, net profits approach 10 million Euros, about 2 million was set aside). Even though 2020 was a challenging year due to Covid-19, the company was able to further increase its reserves).

## DISTRIBUTION OF ADDED VALUE



5

## STAKEHOLDER ENGAGEMENT

- 5.1 Engaging stakeholders in the 2020 sustainability report
- 5.2 Outcomes of engagement: overview
- 5.3 Outcomes of engagement: evaluation of relevance by strategic area and stakeholder category
- 5.4 Strength points, areas for improvement and strategic areas for stakeholders: summary
- 5.5 Your feedback



# 5.1

## ENGAGING STAKEHOLDERS IN THE 2020 SUSTAINABILITY REPORT

The 2020 edition of the report has been drafted to continue the 2019 report. Also, in this case, primary stakeholder categories included their input in terms of strategic priorities.

The scope of the consultation was to explore the various parties to understand the areas deemed most important for sustainable growth and gather further helpful thoughts to understand the specific needs of their contexts better. This consultation was also an opportunity to grasp their opinions regarding strength points and improvement plans that distinguish the relationship with Simonelli Group.

All of this constitutes a fundamental contribution to guiding the future actions of the Simonelli Group, and for this we feel the need to thank everyone that has dedicated time, attention and energy to this activity.

The consultation was carried out in May-July 2021, and involving employees, customers, and suppliers in particular, the employees were given a questionnaire to fill out and hand in either anonymously or by contacting the supervisor (Katia Giusepponi managed this part of the questionnaire) for an exchange of views.

As for the other categories, an exclusive consultation with representative sectors was preferred by remote interviews or by filling out the questionnaire.

Our intention was not to overhaul the strategic pathways highlighted in the 2019 edition of the sustainability report but to draw attention to any discrepancies

or necessary additions regarding the identified strategic paths. Many stakeholders have already expressed their satisfaction with these paths and do not feel required to provide further input.

The consultation obtained 29 responses from employees; 36 responses were collected and distributed equally between suppliers and customers from the other categories.

### STAKEHOLDER CONSULTATIONS: RESPONSES OBTAINED

| STAKEHOLDERS | RESPONSES |
|--------------|-----------|
| EMPLOYEES    | 29        |
| CUSTOMERS    | 18        |
| SUPPLIERS    | 18        |
| <b>TOTAL</b> | <b>65</b> |



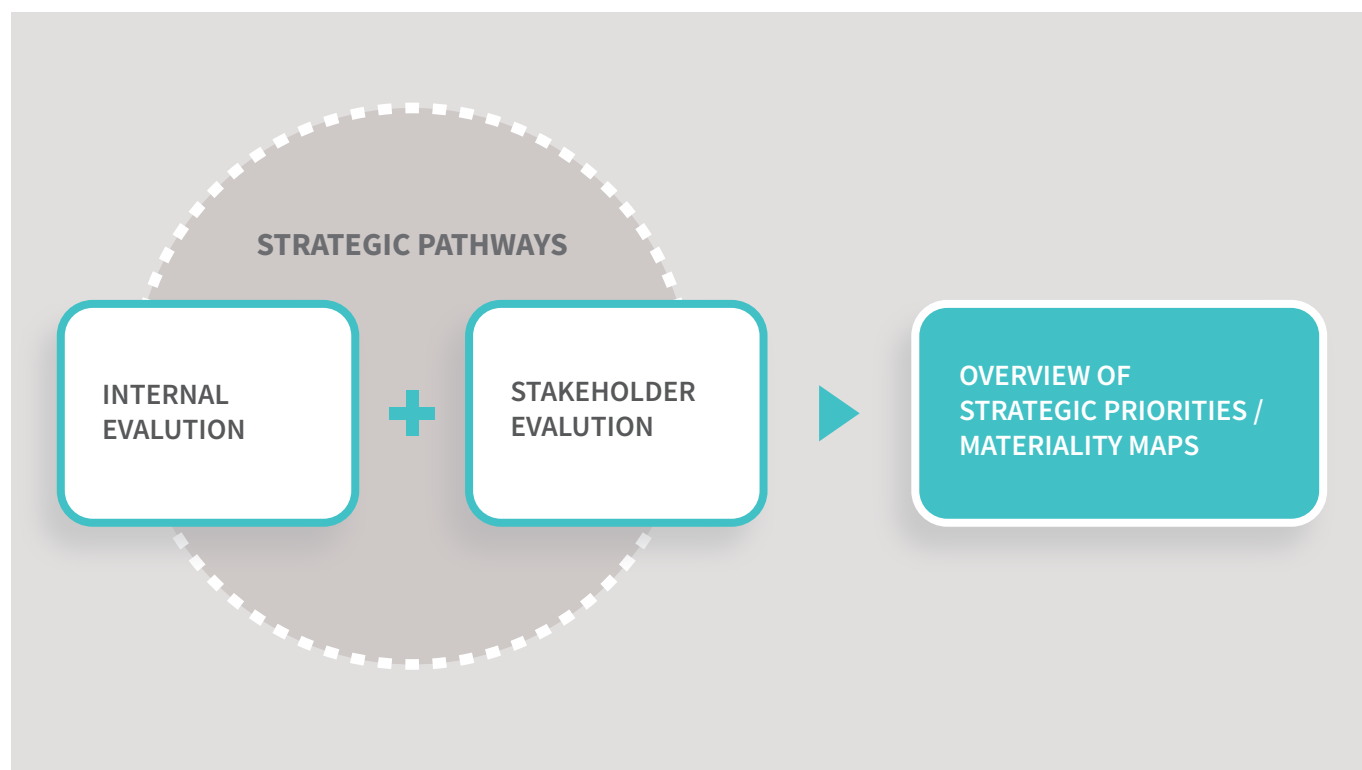
## 5.2

### OUTCOMES OF ENGAGEMENT: OVERVIEW

The responses gathered from this consultation confirmed the strategic priorities that had already emerged in the previous survey.

The company's perspectives generated the materiality map referred to in the first part of the report.

#### INPUT BY THE PARTIES IN EVALUATING THE IMPORTANCE OF STRATEGIC PATHWAYS AND PRIORITIES



The following summarizes the relevance/materiality overview that emerged from the previous survey, where details from the evaluation are provided for all the strategic directions that assemble the matrix of materiality.

Out of all the strategic directions subjected to our attention, the evaluation of importance expressed from the stakeholders was moderately high, with values above 3.5 on a scale from 0-5, where:

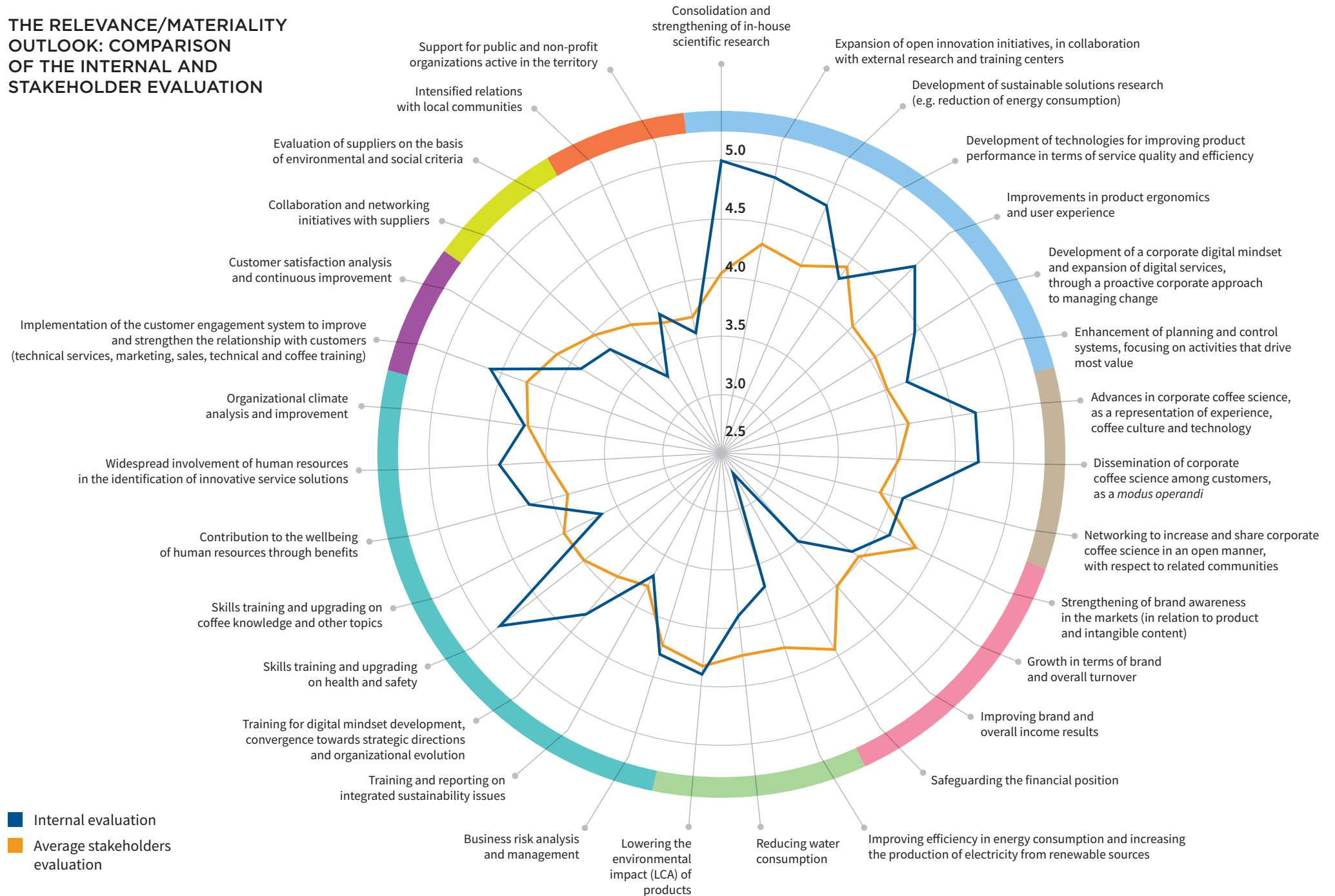
- 0 = zero importance;
- 1 = low importance;
- 2 = moderately low importance;
- 3 = moderately high importance;
- 4 = very high importance;
- 5 = maximum importance.

## OVERVIEW OF RELEVANCE/MATERIALITY IN INTERNAL EVALUATION BY STAKEHOLDERS

| Strategic Area  | Strategic Area Details   | Evaluation  |              |            |              |          |  |      |
|---|--|---|--------------|------------|--------------|----------|--|------|
|   |  | Internal  | By employees | By clients | By suppliers | By banks | Average data of the consulted stakeholders |      |
| Innovation  | Consolidation and strengthening of in-house <b>scientific research</b>   | 5.00  | 3.79         | 3.76       | 3.96         | 4.67     | 4.04                                       |      |
|   | Expansion of <b>open innovation</b> initiatives, in collaboration with external research and training centers                                  | 4.90  | 4.30         | 3.95       | 4.04         | 5.00     | 4.32                                       |      |
|   | Development of <b>sustainable solutions</b> research (e.g. reduction of energy consumption)  | 4.80  | 4.22         | 4.18       | 4.57         | 4.00     | 4.24                                       |      |
|   | Development of technologies for improving <b>product performance</b> in terms of service quality and efficiency                                | 4.30  | 4.24         | 4.31       | 4.48         | 4.67     | 4.42                                       |      |
|   | Improvements in product ergonomics and <b>user experience</b>  | 4.80  | 4.03         | 4.06       | 3.82         | 4.33     | 4.06                                       |      |
|   | Development of a corporate <b>digital mindset</b> and expansion of digital services, through a proactive corporate approach to managing change | 4.45  | 4.13         | 3.89       | 3.87         | 4.33     | 4.05                                       |      |
|   | Enhancement of <b>planning and control systems</b> , focusing on activities that drive most value  | 4.20  | 3.64         | 3.97       | 4.14         | 4.33     | 4.02                                       |      |
| Coffee knowledge and culture / Education                              | Advances in corporate <b>coffee science</b> , as a representation of experience, coffee culture and technology                                 | 4.70  | 3.97         | 3.97       | 4.21         | 4.33     | 4.12                                       |      |
|   | <b>Dissemination</b> of corporate coffee science among customers, as a modus operandi  | 4.70  | 3.97         | 3.83       | 4.29         | 4.00     | 4.02                                       |      |
|   | <b>Networking</b> to increase and share corporate coffee science in an open manner, with respect to related communities                        | 4.10  | 3.77         | 3.97       | 4.17         | 3.67     | 3.90                                       |      |
| Economic sustainability   | Strengthening of <b>brand awareness</b> in the markets (in relation to product and intangible content)   | 4.10  | 4.22         | 4.06       | 4.12         | 5.00     | 4.35                                       |      |
|   | <b>Growth</b> in terms of brand and overall turnover   | 3.90  | 3.94         | 3.73       | 3.86         | 4.33     | 3.97                                       |      |
|   | Improving brand and overall <b>income results</b>  | 3.50  | 4.00         | 3.69       | 4.00         | 4.33     | 4.01                                       |      |
|   | Safeguarding the <b>financial position</b>   | 2.70  | 4.22         | 4.15       | 4.41         | 5.00     | 4.44                                       |      |
| Environmental sustainability  | Improving efficiency in <b>energy</b> consumption and increasing the production of electricity from renewable sources                          | 3.70  | 4.24         | 4.06       | 4.35         | 4.33     | 4.25                                       |      |
|   | Reducing <b>water</b> consumption  | 3.90  | 4.06         | 3.87       | 4.35         | 4.67     | 4.24                                       |      |
|   | Lowering the <b>environmental impact</b> (LCA) of products   | 4.40  | 4.13         | 4.19       | 4.35         | 4.67     | 4.33                                       |      |
| Organizational and social sustainability of stakeholder relationship: | <b>Business risk</b> analysis and management   | 4.30  | 3.58         | 3.96       | 4.35         | 5.00     | 4.22                                       |      |
|   | Training and reporting on <b>integrated sustainability</b> issues  | 3.70  | 3.44         | 3.68       | 3.73         | 4.33     | 3.80                                       |      |
|   | Training for <b>digital mindset</b> development, convergence towards strategic directions and organizational evolution                         | 4.30  | 3.81         | 3.62       | 3.76         | 4.33     | 3.88                                       |      |
|   | Skills training and upgrading on <b>health and safety</b>  | 4.90  | 3.74         | 3.66       | 3.91         | 4.67     | 3.99                                       |      |
|   | Skills training and upgrading on coffee knowledge and <b>other topics</b>  | 3.65  | 3.72         | 3.97       | 3.70         | 4.67     | 4.01                                       |      |
|   | Contribution to the wellbeing of human resources through <b>benefits</b>   | 4.20  | 4.15         | 3.67       | 3.96         | 3.67     | 3.86                                       |      |
|   | Widespread <b>involvement of human resources</b> in the identification of innovative service solutions   | 4.40  | 4.21         | 3.69       | 4.04         | 4.00     | 3.99                                       |      |
|   | <b>Organizational climate</b> analysis and improvement   | 4.20  | 4.15         | 3.69       | 4.18         | 4.67     | 4.17                                       |      |
|   | 2. Clients   | Implementation of the <b>customer engagement system</b> to improve and strengthen the relationship with customers (technical services, marketing, sales, technical and coffee training) | 4.60         | 4.23       | 4.26         | 4.58     | 4.00                                       | 4.27 |
|   |  | <b>Customer satisfaction</b> analysis and continuous improvement  | 3.90         | 3.86       | 4.15         | 4.21     | 4.33                                       | 4.14 |
| 3. Suppliers  | Collaboration and <b>networking initiatives with suppliers</b>   | 3.80  | 3.47         | 3.83       | 4.29         | 4.33     | 3.98                                       |      |
|   | <b>Evaluation of suppliers</b> on the basis of environmental and social criteria   | 3.30  | 3.60         | 3.70       | 4.04         | 4.00     | 3.84                                       |      |
| 4. Community, public relations and non-profit in the territory        | Intensified relations with <b>local communities</b>  | 3.80  | 3.63         | 3.39       | 3.87         | 4.00     | 3.72                                       |      |
|   | <b>Support</b> for public and non-profit organizations active in the territory   | 3.55  | 3.52         | 3.21       | 3.70         | 4.33     | 3.69                                       |      |
|   | MAX  | 5.00  | 4.30         | 4.31       | 4.58         | 5.00     | 4.44                                       |      |
|   | MIN  | 2.70  | 3.44         | 3.21       | 3.70         | 3.67     | 3.69                                       |      |
|   | AVERAGE  | 4.15  | 3.93         | 3.88       | 4.11         | 4.39     | 4.08                                       |      |



## THE RELEVANCE/MATERIALITY OUTLOOK: COMPARISON OF THE INTERNAL AND STAKEHOLDER EVALUATION



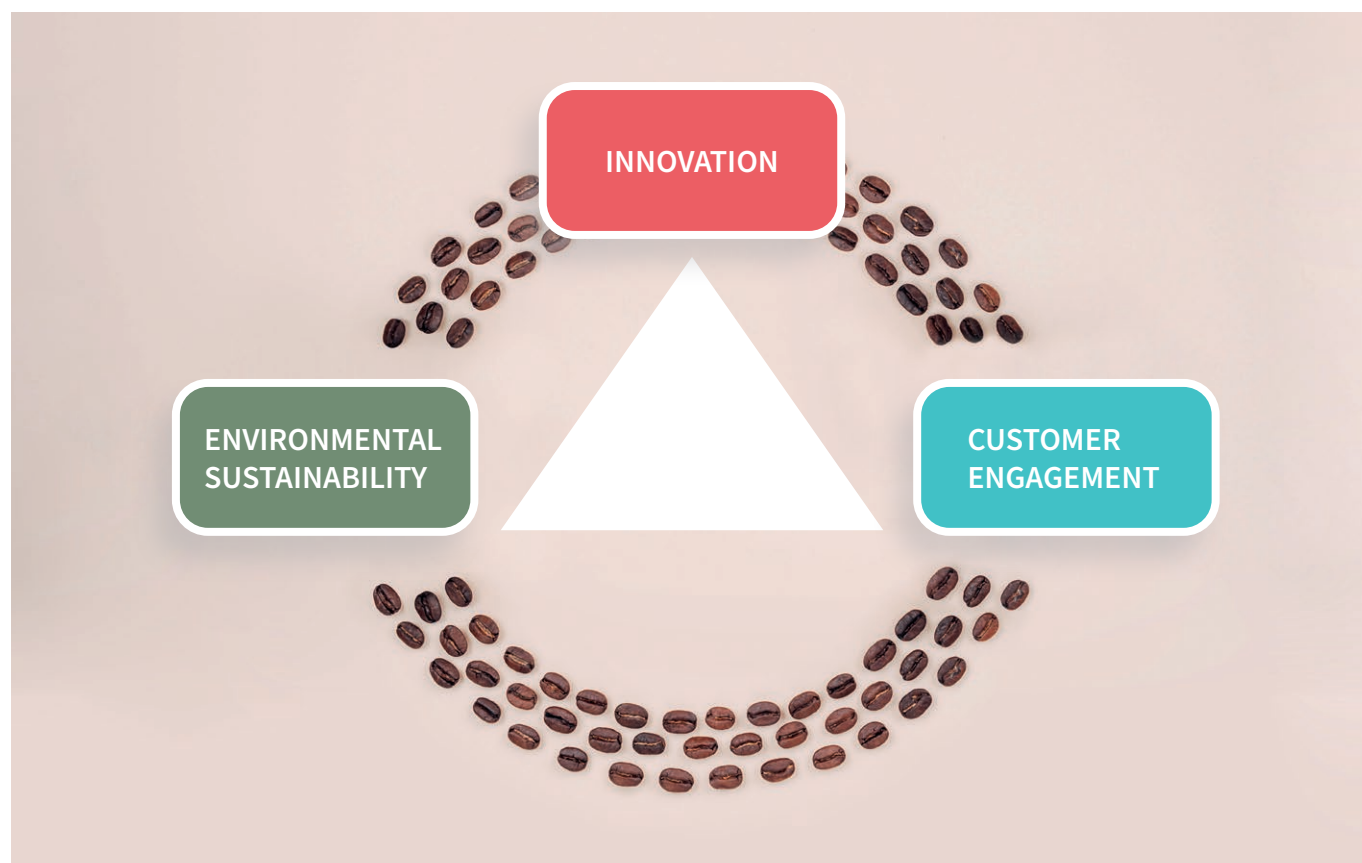
## 5.3

### OUTCOMES OF ENGAGEMENT: EVALUATION OF RELEVANCE BY STRATEGIC AREA AND STAKEHOLDER CATEGORY

The parties' contribution in this survey proved to be particularly useful for gathering new input and tracking changes in feeling about the company's strategic priorities. The feedback obtained has the company closely monitor strategic detail and set future objectives.

The comprehensive agreement that emerged in the previous survey about specific innovative approaches regarding environmental sustainability and customer engagement was reconfirmed in this survey.

#### STRATEGIC FOCUS ON PROSPECTS OF COMPANY DEVELOPMENT



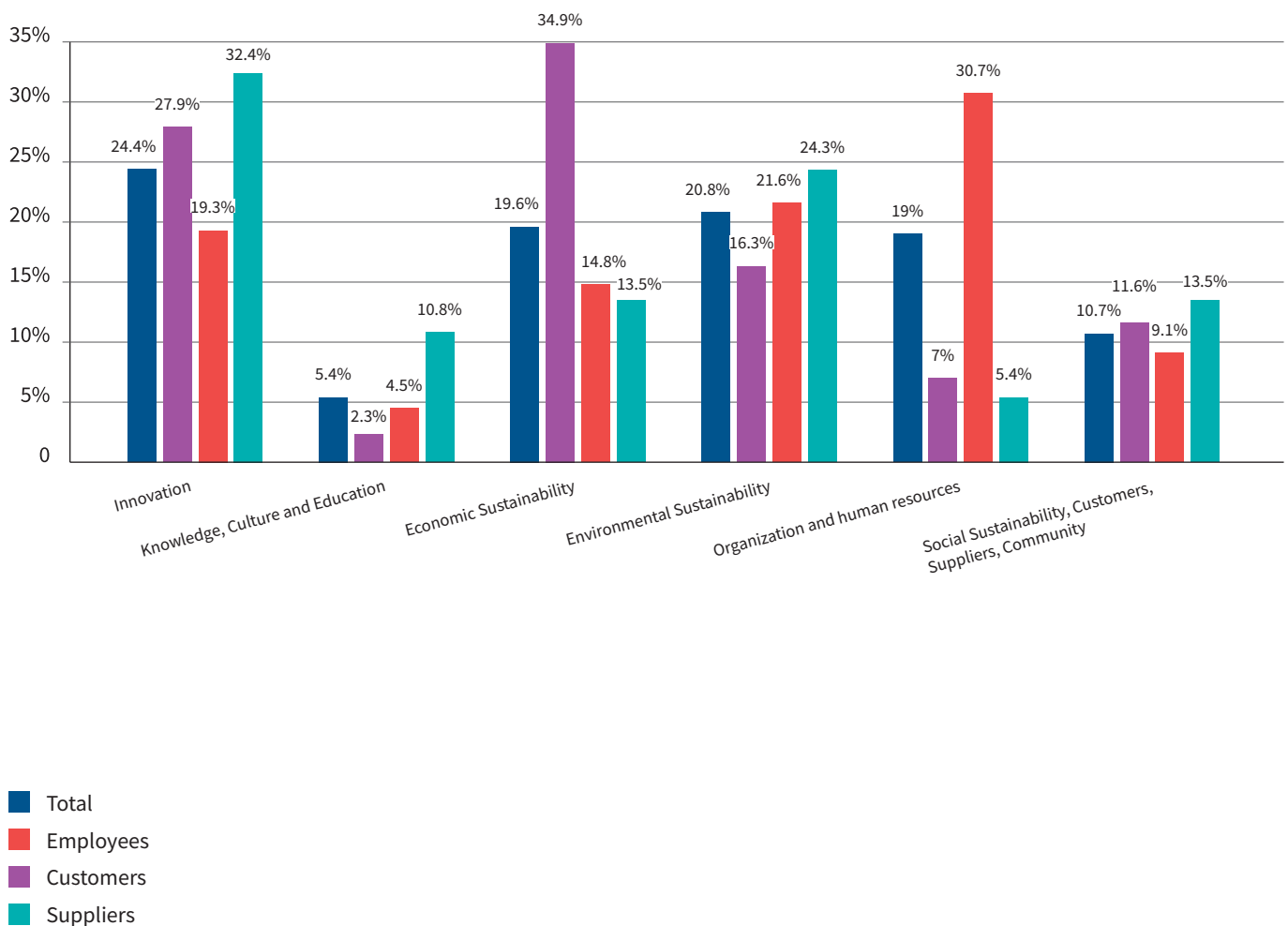
The following graph demonstrates the distribution by strategic area of proposals voluntarily given by interviewees.

It provides an initial overview of the parties involved: the themes of environmental sustainability, innovation and economic, and financial sustainability gathered many proposals. In particular, innovation was particularly sensitive to suppliers, while economic and

financial sustainability, including customer engagement, is crucial for customers.

Interest for environmental causalities is even more marked if we consider that about half of the proposals connected to innovation regard themes related to environmental sustainability, like the reduction in the energy consumption of products, the use of recyclable materials and recycling leading to a circular economy.

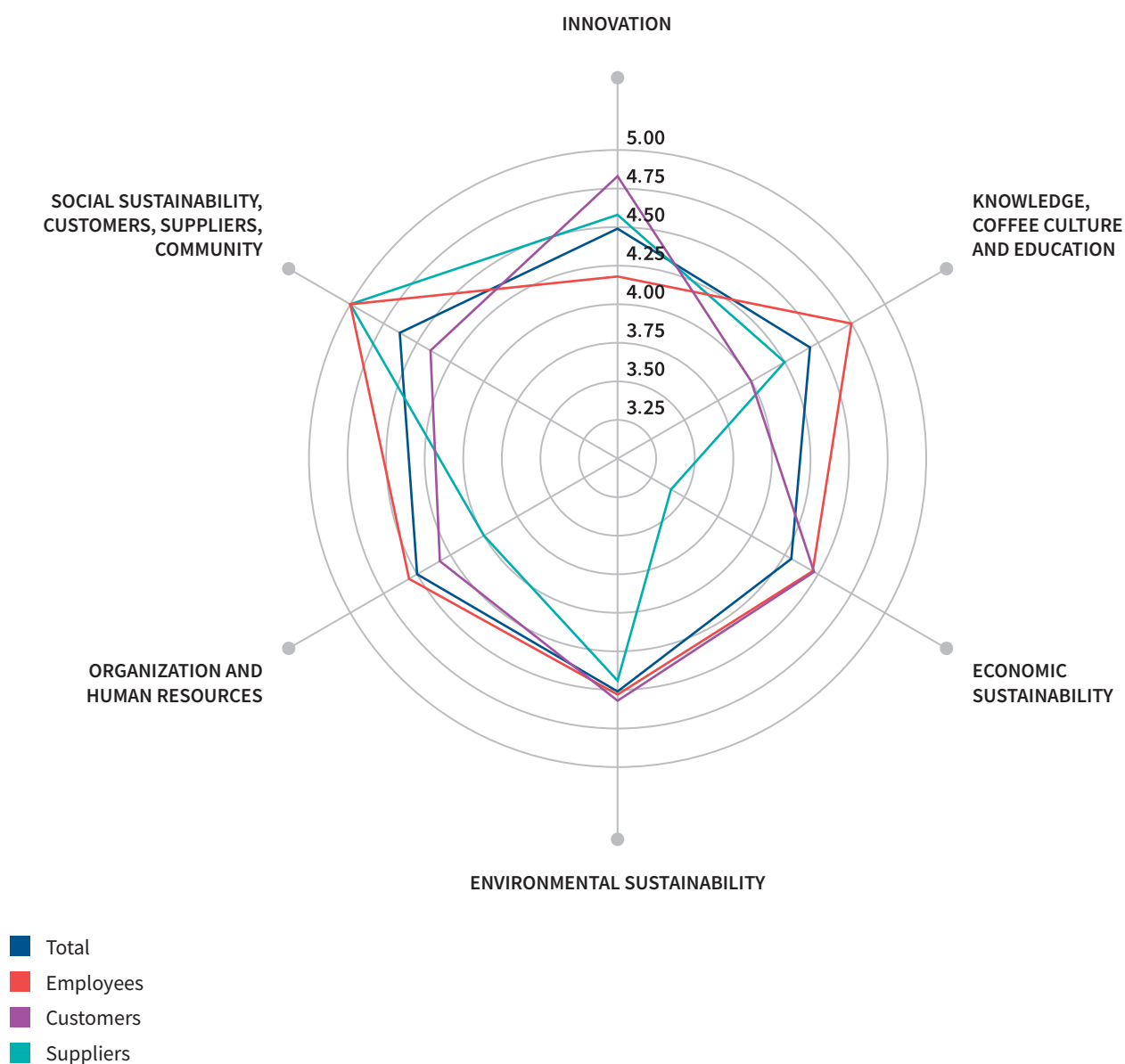
## DISTRIBUTION OF PROPOSALS RECEIVED BY STRATEGIC AREA AND STAKEHOLDER CATEGORY



This feedback is confirmed by the results from the analysis of the evaluation of importance expressed by the same stakeholders, from which the following priorities emerge: for customers, the themes of innovation, environmental sustainability and economic and

financial sustainability; for suppliers, environmental sustainability, innovation, and social sustainability are the most important; while for employees all elements are essential, with a moderately lower tendency towards innovation.

## EVALUATION OF IMPORTANCE OF PROPOSALS RECEIVED BY CATEGORY



## 5.4

### STRENGTH POINTS, AREAS FOR IMPROVEMENT AND STRATEGIC AREAS FOR STAKEHOLDERS: SUMMARY

As shown above, the consultation of the interested parties has allowed the revelation not only of the evaluation of importance of the strategic pathways but also:

**A** - the opinion of the parties about strengths and how to improve their partnership with Simonelli Group;

**B** - the indication of other priorities and other useful reflections according to the stakeholder's point of view.

The following is a summary of the contents in points a) and b).



## EMPLOYEE PERSPECTIVE

| POINTS OF STRENGTH   | AREAS FOR IMPROVEMENT   | ADDITIONS TO STRATEGIC PATHWAYS   |
|--|---|---|
| <ul style="list-style-type: none"> <li>• Company stability;</li> <li>• Inclusiveness;</li> <li>• Openness;</li> <li>• Innovative approach;</li> <li>• Informal environment.</li> </ul> | <ul style="list-style-type: none"> <li>• Relationship between human resources and management;</li> <li>• Communication and sharing of information (between departments and individuals);</li> <li>• Organization, flexibility and delegation;</li> <li>• Aspects related to production processes;</li> <li>• Environmental profiles.</li> </ul> | <ul style="list-style-type: none"> <li>• Involvement;</li> <li>• Flexibility;</li> <li>• Smart working;</li> <li>• Environmental commitment.</li> </ul> |

## CUSTOMER PERSPECTIVE

| POINTS OF STRENGTH  | AREAS FOR IMPROVEMENT   | ADDITIONS TO STRATEGIC PATHWAYS   |
|---|---|---|
| <ul style="list-style-type: none"> <li>• Capability to innovate;</li> <li>• Long-term perspective;</li> <li>• Flexibility;</li> <li>• Proximity, dedication and facility to communicate;</li> <li>• Team and values;</li> <li>• Trust and capacity cooperation;</li> <li>• Quality;</li> <li>• Brand Reputation;</li> <li>• Quality of training support, service and marketing;</li> <li>• Family-owned company.</li> </ul> | <ul style="list-style-type: none"> <li>• Speed of response;</li> <li>• Managerial approach and intervention on factors that may occasionally interfere with prompt response;</li> <li>• Marketing activities;</li> <li>• Broadening of product range;</li> <li>• Launch of new models;</li> <li>• Programming and delivery times;</li> <li>• Spare-part management;</li> <li>• Rigour/reliability of processes</li> <li>• Opportunities for synergy.</li> </ul> | <ul style="list-style-type: none"> <li>• Reduction of environmental impact;</li> <li>• Improvement to supply chain and ERP systems;</li> <li>• Increase response speed;</li> <li>• More opportunities for interaction with customers;</li> <li>• Listening to customers.</li> </ul> |



## SUPPLIER PERSPECTIVE

| POINTS OF STRENGTH   | AREAS FOR IMPROVEMENT   | ADDITIONS TO STRATEGIC PATHWAYS  |
|--|---|--|
| <ul style="list-style-type: none"> <li>• Company stability;</li> <li>• Continuity in relations;</li> <li>• Reliability;</li> <li>• Transparency and capacity to share knowledge;</li> <li>• Flexibility and ease of communication;</li> <li>• Open to new solutions;</li> <li>• Technical skills;</li> <li>• Stability and cohesion of internal team;</li> <li>• Collaborative spirit;</li> <li>• Capacity of innovation.</li> </ul> | <ul style="list-style-type: none"> <li>• Increase opportunities for interaction between company and suppliers;</li> <li>• More intense involvement of suppliers in product policy;</li> <li>• Collaboration for integrated approach to sustainability.</li> </ul> | <ul style="list-style-type: none"> <li>• Increased opportunities for interaction between company and suppliers</li> <li>• Consumer education and coffee culture;</li> <li>• Collaboration in environmental projects;</li> <li>• Certificates.</li> </ul> |

## BANK PERSPECTIVE

| POINTS OF STRENGTH  | AREAS FOR IMPROVEMENT  | ADDITIONS TO STRATEGIC PATHWAYS   |
|---|--|---|
| <ul style="list-style-type: none"> <li>• Absolute reliability;</li> <li>• Reputation;</li> <li>• Integrity;</li> <li>• Willingness to discuss;</li> <li>• Organisational cohesiveness;</li> <li>• Clear commercial and brand strategy.</li> </ul> | <ul style="list-style-type: none"> <li>• Evaluation of financial partners on the basis of quality and speed rather than only cost;</li> <li>• Attention to certain profiles of closure in the local area;</li> <li>• Strategic evaluation of the global market.</li> </ul> | <ul style="list-style-type: none"> <li>• Increased attention to the local area (such as leaders of recovery);</li> <li>• Sharing financial requirements;</li> <li>• Consideration of strategic partnerships.</li> </ul> |

## 5.5

### YOUR FEEDBACK

Please share any of your ideas/  
comments and/or questions on  
this report and generally regarding  
our activities. Understanding the  
perspectives of our stakeholders is  
fundamental to our improvement.

Thank you for your time and  
attention and for all the contributions  
you intend to share with us.

**Simonelli Group** S.p.a.  
Via Emilio Betti, 1, 62020  
Belforte del Chienti MC  
Tel +39.07339501  
[info@simonelligroup.it](mailto:info@simonelligroup.it)

## APPROVALS

---

This sustainability report has been approved  
by the Administrative council in the session of  
November 2021

Publication: December 2021

# SIMONELLI | GROUP

**Simonelli Group S.p.a.**

Via E. Betti, 1

62020 Belforte del Chienti (MC)

Italy

[www.simonelli-group.com](http://www.simonelli-group.com)