

# SIMONELLI | GROUP



## SUSTAINABILITY REPORT - 2019 RESULTS

1st Edition

## PRESENTATION

This report's publication originated from the recognition of Simonelli Group's role in the coffee industry as a producer of high-end technological machinery and the great social and economic responsibility that the Company undertakes towards the world and its inhabitants.

The ethical and social responsibility that characterized the Company during its 80 years of activity changed progressively. A completely new vision took over, concerning the organization's dimensions and the world's ever-growing needs where Simonelli Group operates as a prime figure in the diverse global markets.

This report, therefore, satisfies a moral obligation towards the numerous stakeholders of the Simonelli Group, internal (employees, collaborators, managers, shareholders) and external persons (clients, suppliers, institutions, and local communities), that are directly or indirectly influenced by the Company's activities.

Publishing a sustainability report for the Simonelli Group is a public affirmation of the importance of sustainable development and our commitment to positive environmental, social and economic outcomes to our stakeholders.

This report is brought to light when the Company, which always follows a high-quality standard of processes and products, consolidates an all-embracing digitization project investing on all internal fronts. It is a significant step forward, uniting sustainable growth with client and partner satisfaction.

The President  
*Nando Ottavi*

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1

# INTRODUCTION AND METHODOLOGY PROFILES

- 1.1 Report purpose and methodological references
- 1.2 Report structure
- 1.3 Materiality analysis and SDG connection
- 1.4 Reporting analysis
- 1.5 Communication plan
- 1.6 Development team





# 1.1

## REPORT PURPOSE AND METHODOLOGICAL REFERENCES

With this sustainability report, the Simonelli Group outlines the managerial period with an integrated approach – considering the economic, social and environmental profiles collectively – to offer the entire network of stakeholders a fundamental systematic evaluation instrument. It encompasses all processes of value co-creation and performance improvements.

The Simonelli Group adopts a sustainability report as an element in planning and control with the objective of continuous improvement.

The attention placed on integrated sustainability has always been a core focus of the Simonelli Group. The company's vision is a world where wise and sustainable innovation empowers people to act with ethics, respecting the territory and the environment. In the **economic sustainability pillar**, it should be considered that the company maintained a consistent growth over the years, granting positive effects to the wide range of stakeholders. In the **environmental pillar**, consider the pursuit of energy efficiency self-sufficiency. In the **social pillar**, consider the strong regional foundations that the company has continued to nurture since 1936, contributing economically and collaborating with academic and local institutions.

A formal agreement in the Spring of 2020 between the University of Macerata and Simonelli Group was agreed. Professor Katia Giusepponi is the head project

leader for the University of Macerata. The objective is to assess the outcomes and to strengthen the integrated sustainability prospect, The University of Macerata – Department of Educational Science, culture and tourism – will deliver scientific support in the development of sustainability governance and reporting system for the Simonelli Group.

Relative to the methodological profiles, it is highlighted that for this first and experimental report, the reference points were:

- 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 prospective is to extend and analyze the references for the next report edition;
- 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 the social balance (GBS 2013)<sup>3</sup>.

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

Other than the dedicated section of the **introduction and methodology profiles**, the report is comprised of the following parts:



2

### **COMPANY IDENTITY**

with history synthesis, vision, mission, and strategic area presentation, network categories, human resources, and a presentation of the economic outlook.

### **2019 MANAGEMENT RESULTS AND 2020 PROGRAM**

with analysis of the 2019 management results, compared to the pre-established goals and future programs, relative to the distinct strategic areas: innovation, coffee, and education; of the economic sustainability, of the environmental sustainability; from the organizational sustainability and the relations with its stakeholders.



3



4

### **FINANCIAL PROFILES OF THE 2019 MANAGEMENT**

with appreciation of the business balance levels and analysis of the determination and distribution of the value added.



5

### **STAKEHOLDER ENGAGEMENT**

with illustration of the type of involvement from the parts and synthesis of the obtained results for improvement, for materiality analysis and for the integration of strategic areas.

# 1.3

## MATERIALITY ANALYSIS AND SDG CONNECTION

Following the standard GRI 101 Foundation 2016, the material topics are “three dimensions of sustainable development: economic, environmental and social that are significant to the organization or that influence profoundly the evaluation of the stakeholder’s decisions”.<sup>4</sup>

The Simonelli Group developed the materiality analysis based on an intensive internal consultation with stakeholders, which will be fully illustrated in part 5 of the report.

The priorities are defined together in the following map, where the relevance levels are shown based on the medium relevance for the stakeholders and the internal relevance results.

The reference follows the evaluation scale:

- 0 = none;
- 1 = very low;
- 2 = medium-low;
- 3 = medium-high;
- 4 = very high;
- 5 = maximum.

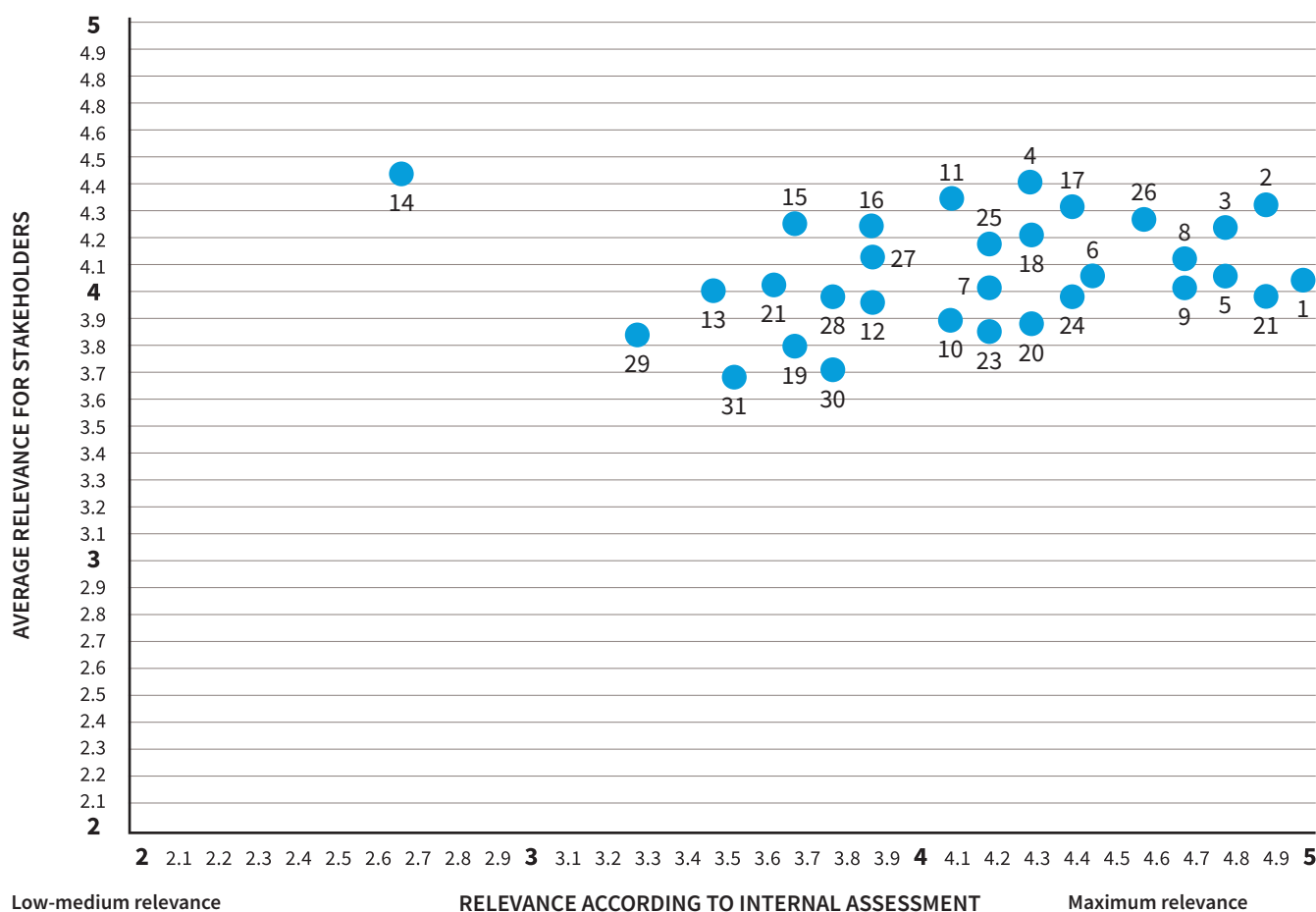
As there are no results under 2, to facilitate the map reading, the shown values are with a range of 2-5.



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

## MATERIALITY MATRIX

Maximum relevance



Low-medium relevance

RELEVANCE ACCORDING TO INTERNAL ASSESSMENT

Maximum relevance

1	Consolidation and strengthening of in-house <b>scientific research</b>
2	Expansion of the open innovation initiatives, in collaboration with research centers and educational institutes (universities, research institutes)
3	Development in the research of <b>sustainable solutions</b> (ex. reduced energy consumption)
4	Technological development to improve <b>product performance</b> in terms of service quality and efficiency
5	Advancements in product ergonomics and <b>improve user experience</b>
6	Development of a company <b>digital mindset</b> and expansion of innovative technologies for the service, keen with a proactive business approach in terms of a change of management
7	Support for <b>planning and control systems</b> , giving particular attention to the activities with significant value
8	Advancements in the Company coffee science, summarizing experience, coffee culture, and technology
9	<b>Spreading</b> of Company <i>coffee science</i> knowledge to clients, as modus operandi
10	<b>Networking</b> with the pertinent community to grow and share the <i>coffee science</i> with an open and straightforward approach
11	Strengthening <b>brand awareness</b> in the markets (concerning the product and intangible contents)
12	<b>Revenue</b> growth for the brands and the Group
13	<b>Income improvement</b> for the brands and the Group
14	Safeguard the <b>financial position</b>

15	Improving <b>energy</b> efficiency and increase the production of renewable energy resources
16	Reduce water consumption
17	Reduce the products <b>environmental impact</b> (LCA)
18	Analysis and management of the <b>company risks</b>
19	Training and reporting on <b>integrated sustainability</b>
20	Training for the development of a <b>digital mindset</b> , the convergence towards strategic areas, and the organizational evolution
21	Training and continuous update on <b>health and safety</b>
22	Training and continuous update on coffee knowledge and <b>other subjects</b>
23	Contribution to human resources through <b>benefits</b>
24	Widespread involvement of <b>human resources</b> to detect innovative solutions for the service
25	Analysis of the <b>organizations' climate</b> for any improvement
26	Implement the <b>customer engagement system</b> to improve and strengthen client relationships (technical services, marketing, sales, technical, and coffee training).
27	Analysis of <b>client satisfaction</b> for continuous improvement
28	Collaboration initiatives and <b>supplier networking</b>
29	<b>Supplier evaluation</b> based on environmental and social criteria
30	Strengthening of the <b>relationships with the local communities</b>
31	<b>Support</b> public institutes and non-profit associations in the territory

It involves areas particularly connected to the following SDGs which are part of the United Nations 2030 Agenda:<sup>5</sup>

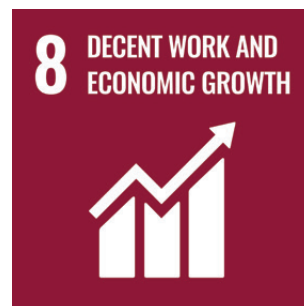
## SUSTAINABLE DEVELOPMENT GOALS



**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 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 impact.



**SDG 15.**  
Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt biodiversity loss.



**SDG 16.**  
Promote peaceful and inclusive societies for sustainable development.

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



# 1.4

## REPORTING ANALYSIS

The 2019 sustainability reporting represents an experimental path undertaken with a rigorous and critical approach, conveying the strengths and the improvement areas that are found in the table below.



### STRENGTHS AND ADVANCEMENT/IMPROVEMENT AREAS RELATIVE TO THE 2019 REPORT

#### STRENGTH POINTS

- The creation of the sustainability report with maximum attention to the consistency of the process based on a systematic strategic company analysis.
- Implementation of the sustainability report within a consistent and organic planning and control system, providing attention to goals, results and possible improvements. Maximum effort has been put into the production of expressive mapping of all company areas, and critical analysis of possible advancement paths.
- Extensive involvement of stakeholders in the strategic analysis and reporting processes, by duly considering their suggestions for defining prospects for improvement.

#### ADVANCEMENT AND IMPROVEMENT AREAS

- Further involvement of internal participation in the process increases the integrated sustainability report's value, even in terms of organizational integrity.
- Further consolidation of internal skills for the reporting. 2020 is the launch year and experimental phase of the report, and this by itself represents an important step. The additional fortification of skills and competencies will allow full independence of the process.
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# 1.5

## COMMUNICATION PLAN

The communication plan for the *Simonelli Group 2019 Sustainability report* includes:

1. An online publication on the corporate website [www.simonelli-group.com](http://www.simonelli-group.com).
2. A press release about the online publication including the link and content presentation.
3. A specific communication to the stakeholders involved in the process as stated in section 5 of the report.
4. Internal Company meetings.

The evaluation results of the communication activities are based on specific encounters that the Simonelli Group will obtain after the publication. These results will then be analyzed to improve future processes and reporting.



# 1.6

## SUSTAINABILITY REPORT DEVELOPMENT TEAM



<b>NANDO OTTAVI</b>	<i>President</i>	Strategy
<b>MARCO FELIZIANI</b>	<i>Vice president</i>	Strategy
<b>FABIO CECCARANI</b>	<i>CEO</i>	Strategy
<b>MAURIZIO GIULI</b>	<i>Corporate strategy and business development</i>	Strategy coordination for sustainability
<b>MANUELA FELIZIANI</b>	<i>Planning and control</i>	Coordination of the results and future program
<b>CLAUDIO CINGOLANI</b>	<i>R&amp;D and Technical Department</i>	Contribution to the analysis and to the reporting for the R&D and Technical Department
<b>LAURO FIORETTI</b>	<i>Knowledge and Education</i>	Contribution to the analysis and to the reporting for the Coffee Science area and Academy
<b>SIMONA GIAMPIERI</b>	<i>Marketing</i>	Contribution to the analysis and to the reporting for the Marketing Department
<b>STEFANO MOGLIANI</b>	<i>C.O.T.S. - Coffee Operations Technical Service</i>	Contribution to the analysis and to the reporting for the C.O.T.S. Department
<b>MAURO PARRINI</b>	<i>Operations</i>	Contribution to the analysis and to the reporting for the Operations Department
<b>CARLO STORTONI</b>	<i>Human Relations</i>	Contribution to the analysis and to the reporting for the Human Relations Department
<b>KATIA GIUSEPPONI</b>	<i>University of Macerata, Education, Culture and Tourism department</i>	General director for the project and scientific support for the development of a governance and reporting system for sustainability in Simonelli Group



2

## COMPANY IDENTITY

- 2.1 History
- 2.2 Simonelli Group's brands worldwide
- 2.3 Context, vision, and values
- 2.4 Mission and strategic areas
- 2.5 Stakeholders
- 2.6 Governance and people
- 2.7 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 cool, blue-toned color palette.

SIMONELLI  
GROUP



## 2.1

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

The Simonelli Group is the result of a long journey started in the heart of the Marche region and carried on by the same passionate and committed people that today bear the name of the company.



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>)



The Black Eagle technology by Victoria Arduino, today.

<sup>6</sup> Source: Simonelli Group / website; Simonelli Group / Market overview



1936

In a still rural society, an ingenious and creative man laid the foundation of a small but soon-to-be grand project. In his home-made laboratory in a tiny town in the Marche region, Orlando Simonelli created his first coffee machine. He named it *1936*, and like any great artisan, he took care of the commercialization and selling of the product.

1948

Facing the uncertain post-war times, Orlando Simonelli focuses even more on his goals and slowly transforms the start-up into a great company. In 1948 he decided to transfer his business to Tolentino and hires some workers. Thanks to the continuous growth of the company, a new establishment was built in 1960.

1972

After a long illness, on May 9th, 1971, Orlando Simonelli says goodbye to his beloved. The following year, his workers decide to take over the Company guaranteeing industrial continuity. The individual Company becomes a society and changes its name from Simonelli to *Nuova Simonelli*.

1976

To keep the Company going, they needed to make prudent and united decisions. Keeping this in mind and looking at the future, the new associates decide to transfer their business into a new establishment to have adequate productive and commercial growth space. In 1976 the Company moved to Belforte del Chienti. The Company continues its internationalization started in 1976 with its first sales profits in the US market.

1993

The efforts begin to show, with the production expanding massively between the '80s and '90s. The new advanced technologies, the internationalization of the product, and the immerging international market exports lay the foundations in 1993 of a new operative USA branch based in Ferndale, Washington.

2001

Nuova Simonelli becomes a multi-brand and affirms its position in the “luxury sector” with the prestigious brand’s acquisition, Victoria Arduino, a synonym of Italian quality since 1905.

2005

The company's constant growth towards the markets made it necessary to enlarge the production plant, so it transferred to Loc. Fonte Moreto, always in Belforte Del Chienti. The new infrastructure of 20.000 square meters guarantees productive performance enhancements and offers a comfortable working environment, safe and sustainable.

2009

The Nuova Simonelli products' technological quality is confirmed by the World Barista Championship's technical committee that chooses the Aurelia machine as the official machinery of the WBC Championships for the years 2009-2011. The following three years with the Aurelia II and the last six years with the Victoria Arduino Black Eagle.

2015

To increase the vast Asian market presence, Simonelli Group opens a new branch office in Singapore with commercial offices, a showroom, and a training center that every day welcomes distributors, clients, and technicians for sales inquiries and professional training.

2017

To celebrate 80 years of business, the company decides to change its name to Simonelli Group. They made this choice following the company's organizational evolution, trying to portray the story of a group of people that during decades grew but never lost their creative and igneous approach of that small laboratory where everything began.

2018

The company's evolution transforms into new milestones with the opening of different Experience Labs worldwide: immersive showrooms where one can live the Group's brands' experience through events and training sessions, similar to the company headquarters situated in Belforte Del Chienti. In 2018 the new branch office near Lyon, France, was inaugurated.

2019

The new branch office in the UK is inaugurated, with headquarters in London, and focused on sales and PR of Victoria Arduino.

2020

SUSTAINABILITY GROWTH.

## 2.2

### SIMONELLI GROUP'S BRANDS WORLDWIDE<sup>7</sup>

Simonelli Group holds 10% of the worldwide market of coffee machines. It exports to more than 124 countries, and the sales outside of Europe accounts for over 70%.

Through a complex sales network made of international subjects and stakeholders, the products are installed in bars, restaurants, hotels, and coffee chains.

#### THE BRANDS

The company's genetic heritage – based on skills, innovative approach, and the utmost attention to sustainability – unites the two brands of Simonelli Group. Two prestigious brands in the international market for espresso coffee machines of excellence.



The brand Nuova Simonelli represents functionality combined with design, efficiency in terms of performance and energy, and allows everyone to make a good coffee.



With over 110 years of experience, the brand Victoria Arduino produces prestigious coffee machines, embodied with heritage, classic Italian design, and advanced technology, allowing any barista to make an exceptional coffee.

<sup>7</sup> Source: 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>

#### CONTEXT

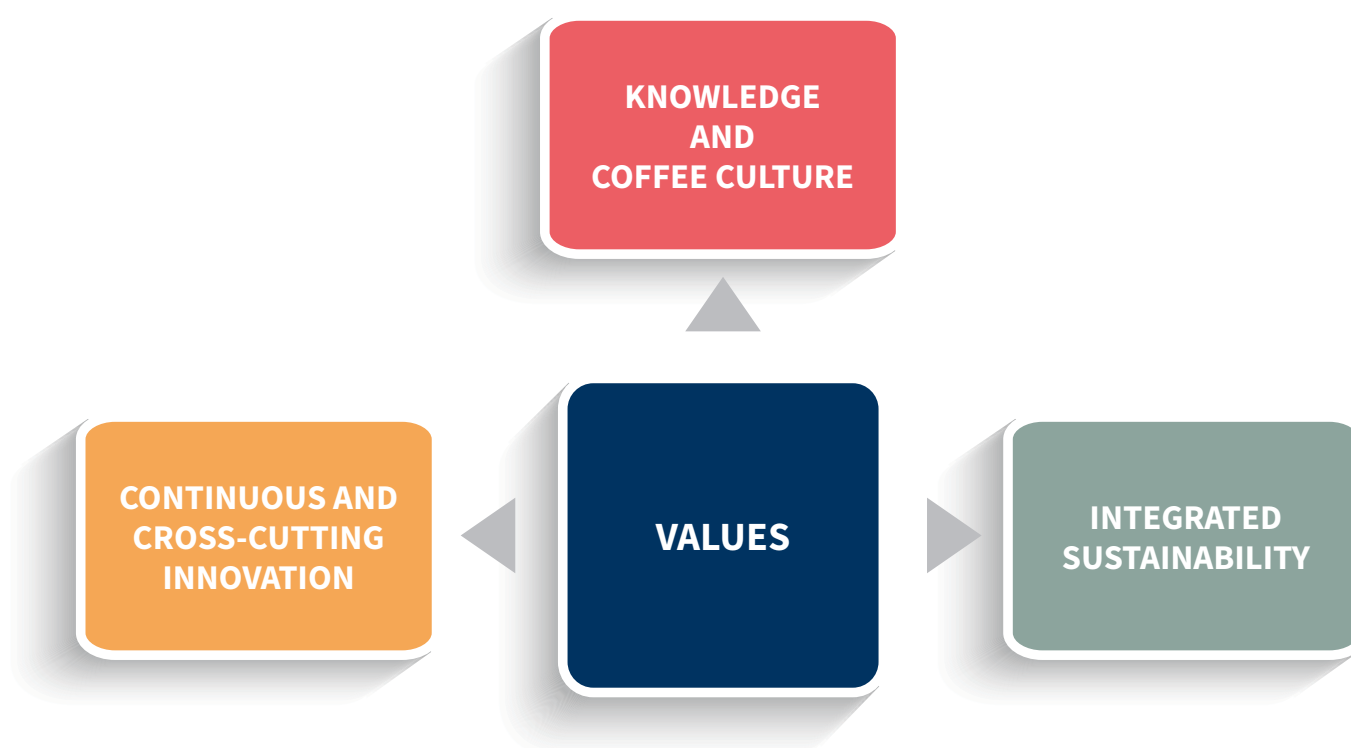
The worldwide coffee market is developing, while the market for coffee machines is crossing a maturing phase. Particularly, the player's concentration is changing, with the passage from independent players to chains of players of big dimensions (for example, Starbucks and McCafé). These big chains require machinery to respond to the ever-changing customer habits, constant automation needs, and energy efficiency, dictated by the development and advancement of a digital mindset and global sustainability.<sup>9</sup> Those who cannot stay on track with this competitive train will fall behind. It is fundamental to invest, distinguish oneself, and quickly evolve.

#### VISION AND VALUES

We believe in a wise and sustainable innovation that empowers people to act with ethics, respecting the territory and the environment.

Simonelli Group believes that evolution is possible, guaranteeing:

- a continuous and cross-cutting effort towards innovation;
- the sharing of knowledge to heighten coffee culture in the relevant community;
- the proper balance for integrated sustainability (economic, environmental and social).

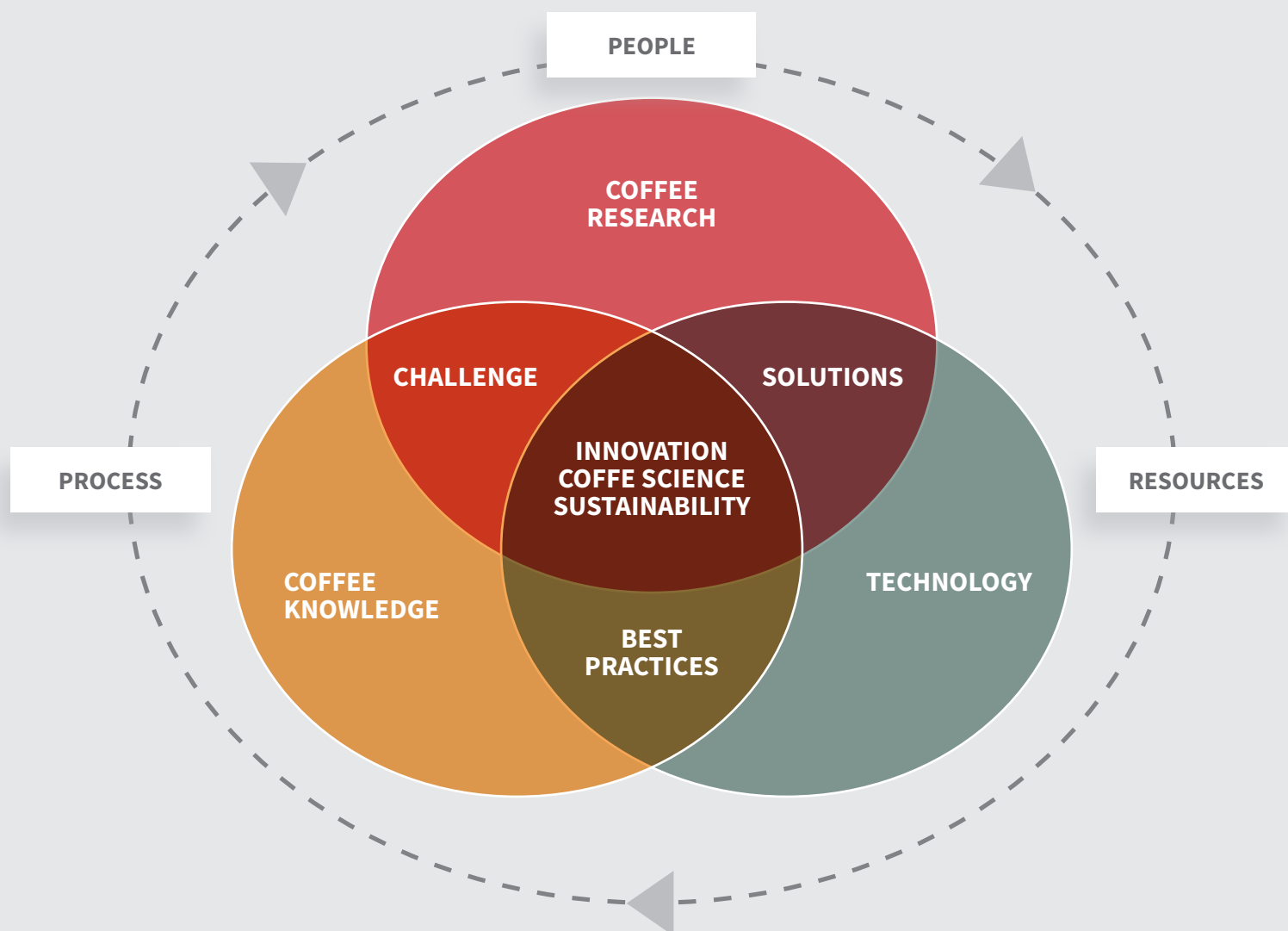


<sup>8</sup> Source: Simonelli Group / Linee Strategiche 2020-2022 CDA – 14 December 2019; Il percorso per la sostenibilità in Simonelli Group Simonelli Group/ Market overview; Simonelli Group / website

<sup>9</sup> UCIMAC e 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 e 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>.



The goal is to connect people, organizations, and Company processes around such values, following a business model that can be broken up as follows:



### THE CORPORATE VALUES “WISE INNOVATOR”

The archetype “Wise Innovator” represents Simonelli Group’s continuous and transversal innovation with coffee culture, and integrated sustainability.

The Wise Innovator spreads and shares innovation and is a part of the universe’s collective story.

The Wise Innovator has an ethical and cultural responsibility to bring forth specific terms such as sus-

tainability and education, theoretically and with concrete action and support. Its steadfast authority allows it to trace a path towards a new era, characterized by a democratic diffusion of knowledge and quality - an age where many people have access to scientific discoveries that can let them live a tasting experience with much more awareness.

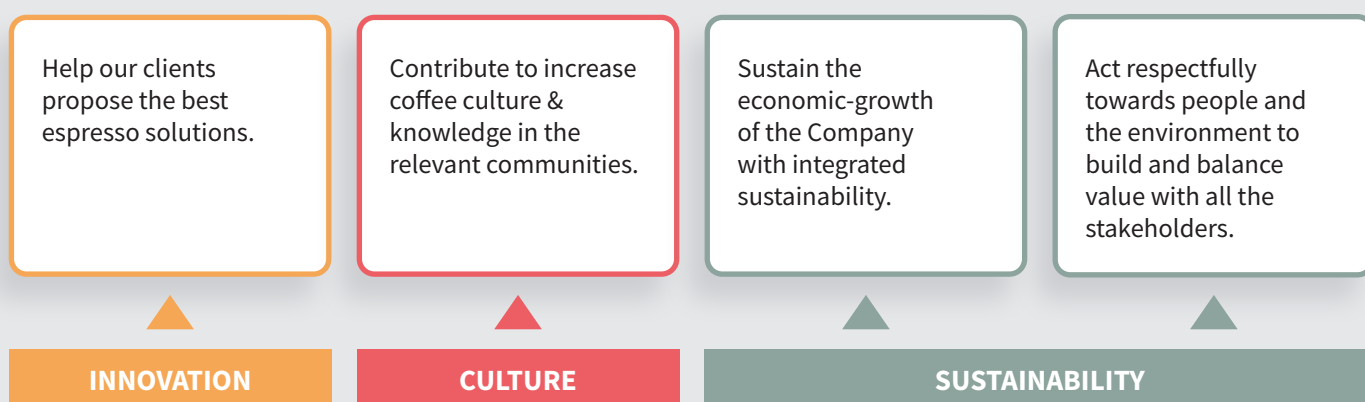
## 2.4

### MISSION AND STRATEGIC AREAS<sup>10</sup>

#### MISSION

The company's mission encompasses the continuous improvement of technical solutions, the realization of experiences, social-environmental balances, and financial performance connected to the company vision. *We combine passion, commitment, creativity and intelligence to ensure to our clients the best brewing in the*

*cup. In our labs and workshops we merge research and design to create high performance, innovative and sustainable machines, that are solid and with a great design. From our region, Le Marche, to the world, bringing coffee culture everywhere.*



#### PRINCIPAL STRATEGIC AREAS

##### CREATE INNOVATION

Simonelli Group is committed to coffee research to increase knowledge that can be translated into innovation and heighten the industry's quality standards.

The innovation promoted by the Simonelli Group translates into the creation of advanced machinery, with increased performance and efficiency, internationally patented, and technologically advanced that

contribute to heightening the coffee industry's quality standards.

The Simonelli Group invests heavily in its research and development. The Simonelli Group has been collaborating for over 25 years with different universities to analyze mechanics and material choices, digital technology projects, and chemical-physical research.

In 2016, in collaboration with the University of Camerino, the company founded the "International Hub for Coffee Research and Innovation" (now "Research and Inno-

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

vation Coffee Hub”). The center is dedicated to studying and researching the world of coffee and supports the entire supply chain: to reach high-quality standards in the final products, a scientific approach is necessary, starting from cultivation to the final cup of brewed coffee. Although the operational offices are in Italy, the hub has an international perspective to become a leading force for knowledge and coffee know-how and spread the coffee quality culture worldwide.

### **SPREAD KNOWLEDGE AND COFFEE CULTURE**

The company continually spreads knowledge and coffee culture, engaging all the partners and operators of the industry through educational programs to improve the profession and the service quality.

Making coffee becomes a unique sensory experience; many actors must take part in the entire scene. Those who produce the prime material, who work with it, and design machines and technologies to transform it into drinks. Everyone equally contributes to the product quality. To promote this virtuous educational process, Simonelli Group shares the obtained knowledge through the Simonelli Academy (in 2020 renamed the Coffee Knowledge Hub) and the Champion's Hub. Simonelli Academy is a high-level educational center concerning coffee and business-related opportunities. It operates the Q Grade, Coffee Science Certificate, Coffee sensorium, Cup of Excellence and SCA Coffee Skills Programs and courses dedicated to baristas, producers, roasters, technicians, and purchasing department managers. Along with this project, in 2018, Simonelli Youth Academy, an exclusive section dedicated to young barista under 30, was established. It provides licensed courses aimed to form professionals with complete knowledge of the coffee world. The Champion's Hub is a preparatory study for the World Barista Championship where the national edition champions can confront international judges, experts, researchers, and preceding winners, measuring themselves with technical trials to elevate their performance level.

### **GUARANTEE INTEGRATED SUSTAINABILITY**

The company approach embraces the entire coffee value chain with specific actions to guarantee integrated sustainability, researching the balance of economic, environmental, and social dimensions.

This report is entirely dedicated to sustainability profiles.

From an economic perspective, the company's growth carried through with an absolute continuity and success has positive repercussions on a great plateau of stakeholders during the years.

From an environmental perspective, energy auto sufficiency is a must: the headquarters in Belforte Del Chienti are equipped with a photovoltaic system. The entire establishment has been studied and designed to reduce energy needs for illumination, taking advantage of the solar daylight. In 2017, the establishment was developed following strict thermal isolation criteria and using the most innovative technologies to manage energy. Energy consumption optimization is also a necessity for the company. Simonelli Group machines are designed to be efficient in energy consumption, life cycle, and Co<sub>2</sub> emissions. This reduces costs and waste with notable benefits for the environment and clients balance sheet. Moreover, the new generation models are made of recyclable materials and are studied to reduce unwanted machine noises. Simonelli Group has always seen the operators' safety as a priority, and in 2003 the Aurelia machine was the first to be certificated for ergonomics.

From a social perspective, the company is integrated in the local community. This contributes to the ongoing growth economically and socially. This is achieved through collaborations with academic institutes and local associations.

## FOCUS AREAS AND STRATEGIC APPROACHES

AREA	APPROACHES
Innovation	<ol style="list-style-type: none"> <li>1. Consolidation and strengthening of in-house scientific research</li> <li>2. Expansion of the open innovation initiatives, based on the growth model through hubs, in collaboration with research centers and educational institutes (universities, research institutes) in a shared value perspective.</li> <li>3. Development in the research of sustainable solutions (ex. reduced energy consumption)</li> <li>4. Technological development to improve product performance in terms of service quality and efficiency</li> <li>5. Technological development to improve product productivity</li> <li>6. Advancements in product ergonomics and user experience improvement</li> <li>7. Advancements in digital technologies for service (DOSE and Coffee Knowledge Hub)</li> <li>8. A pervasive development of a digital mindset with human resources assistance to define agile and coherent systems in tune with the market trends (time to market, speed, continuous innovation, etc.)</li> <li>9. The strengthening of the planning and control system following a design thinking logic based on client empathy and other company stakeholders and prototyping with maximum attention to the most valuable activities</li> </ol>
Knowledge and coffee culture / education	<ol style="list-style-type: none"> <li>10. Advancements in the Company coffee science, summarizing experience, coffee culture and technology</li> <li>11. Spreading of Company coffee science knowledge to clients, as <i>modus operandi</i></li> <li>12. Networking with the pertinent community to grow and share the coffee science with an open and straightforward approach</li> </ol>
Economic sustainability	<ol style="list-style-type: none"> <li>13. Strengthening brand awareness in the markets (concerning the product and intangible contents, company values)</li> <li>14. Revenue growth for the brands and the Group</li> <li>15. Improvements of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) of the brands and the Group</li> <li>16. Safeguard the NFP (net financial position)</li> </ol>
Environmental sustainability	<ol style="list-style-type: none"> <li>17. Increase the production of sustainable and renewable energy resources</li> <li>18. Reduce the products environmental impact (LCA)</li> </ol>
Organizational and social sustainability (stakeholder relationship):	<ol style="list-style-type: none"> <li>19. Analysis and management of the company risks</li> <li>20. Training and reporting on integrated sustainability</li> <li>21. B-Corp project</li> </ol>
– organization and human resources	<ol style="list-style-type: none"> <li>22. Training for the development of a digital mindset</li> <li>23. Training for a strategic cohesion and organizational evolution with a lean approach</li> <li>24. Training and continuous update on health and safety</li> <li>25. Training and continuous update on coffee knowledge</li> <li>26. Training initiatives of cultural character (ex. English courses)</li> <li>27. Contribution to human resources through benefits</li> <li>28. Widespread involvement of human resources to consolidate high quality, customer service reliability and to detect innovative solutions</li> <li>29. Analysis of the organizations' climate for any improvement</li> </ol>
– customers	<ol style="list-style-type: none"> <li>30. Implement the customer engagement system to improve and strengthen client relationships (technical services, marketing, sales, technical, and coffee training)</li> <li>31. Analysis of client satisfaction for continuous improvement</li> </ol>
– suppliers	<ol style="list-style-type: none"> <li>32. Collaboration initiatives and supplier networking</li> <li>33. Supplier evaluation based on environmental and social criteria</li> </ol>
– community and public / non-profit actors	<ol style="list-style-type: none"> <li>34. Strengthening of the relationships with the local communities</li> <li>35. Support public institutes and non-profit associations in the territory</li> </ol>

## 2.5

### STAKEHOLDERS

The Simonelli Group is distinguished throughout local and international communities for its products, services and expertise. Feedback highlights that quality and client engagement are consistently built and maintained. Evidence of stakeholder engagement is cited in section 5 of the report.

Through stakeholder engagement, Simonelli Group delivers the resources, work, and territory as a community and shares information with the coffee world. Interacting with the different stakeholders (Clients,

Consumers, Suppliers, Financial lenders, Human resources, shareholders and partners, the coffee community, Schools, Universities, Environment, collectivity), and finding the right balance, is indispensable to the company identity.

Such an approach requires a constant awareness of its roots to disseminate it worldwide - the company must always be ready to improve.

Details about the stakeholder interactions are found in section 3.5: *Organizational sustainability, and stakeholder relationships*.





## 2.6

### GOVERNANCE AND PEOPLE

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#### COMPOSITION AND PARTICIPATION RELATIONSHIPS

Simonelli Group S.p.a. has been established in June 2017 upon the initiative of Nuova Simonelli S.p.a. – that conferred the industry of espresso coffee machine production – and started operating in August 2017.

Subsequently, as of April 2018, Nuova Simonelli S.p.a. was incorporated into OMT Belforte Srl that today makes up 100% of Simonelli Group S.p.a..

In turn, **SIMONELLI GROUP S.p.a.** is active in other territories:

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

However, as a company controlled 100% by another organization, and under article 27, D.Lgs. 127/1991, Simonelli Group S.p.a. does not draw up a consolidated financial statement. In this regard, this report

refers to the resources, activities, goals, and results conferred directly under Simonelli Group S.p.a. and, in particular, the global performance that connects to the 2019 financial statements of Simonelli Group.

## GOVERNANCE AND INTERNAL CONTROL

As mentioned above, Simonelli Group S.p.a. is 100% controlled by the only shareholder, OMT Belforte Srl, through the 20,000 ordinary shares that correspond to 20,000,000.00 Euro of share capital.

### ADMINISTRATION

The board of directors is composed of 6 members:

#### THE BOARD OF DIRECTORS

- *President* Nando Ottavi
- *CEO* Marco Feliziani, *Vice president*
- *CEO* Fabio Ceccarani
- *Adviser* Sonia Boldrini
- *Adviser* Nicola Ottavi
- *Adviser* Giorgio Ziemacki

### CONTROL

The Board of statutory auditors includes 3 effective members and 2 supplementary members. The legal control of the accounts is exercised by the accountant auditor. Below the members:

#### BOARD OF STATUTORY AUDITORS

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

#### LEGAL REVISOR

Giovanni Marco Borroni

## HUMAN RESOURCES

The Simonelli Group is committed to achieving a positive connection between the leadership and employees. Points 3.5.1 (*System organizational areas*) and 3.5.2 (*Human resources*) of the present report elaborate on the different administrative aspects and relationships. Section 5 of the report synthesizes the inclusiveness and availability and other company profiles highlighted by the workers.

Here below we provide a general overview of the composition of the human resources and working relationships.

Confronting 2019 with the 2018 data, the overall company personnel implied a slight **net increase of 7.02%**: eight additional workers, five permanent workers, and three fixed-term workers. They are under full-time contracts, three in eight permanent, and one in 10 are women.

In 2019 the newly employed are 9 (8 men and one woman), the resigned were 4 (all men).

All types of employment refer to the collective contract.

Staff at 31.12.2019 and 31.12.2018 articulated by type of contract (permanent and fixed-term) type and typology of employment (full-time or part-time).

	2019		2018		Δ	
	n.	%	n.	%	n. 2019 - n. 2018	%
<b>Permanent work</b>	<b>100</b>	<b>81.97%</b>	<b>95</b>	<b>83.33%</b>	<b>5</b>	<b>5.26%</b>
<b>FULL TIME</b>	<b>97</b>	<b>79.51%</b>	<b>92</b>	<b>80.70%</b>	<b>5</b>	<b>5.43%</b>
<b>Women</b>	<b>14</b>	<b>11.48%</b>	<b>13</b>	<b>11.40%</b>	<b>1</b>	<b>7.69%</b>
Fixed-term	4	3.28%	4	3.51%	0	0.00%
Permanent	10	8.20%	9	7.89%	1	11.11%
<b>Men</b>	<b>83</b>	<b>68.03%</b>	<b>79</b>	<b>69.30%</b>	<b>4</b>	<b>5.06%</b>
Fixed-term	6	4.92%	4	3.51%	2	50.00%
Permanent	77	63.11%	75	65.79%	2	2.67%
<b>PART TIME</b>	<b>3</b>	<b>2.46%</b>	<b>3</b>	<b>2.63%</b>	<b>0</b>	<b>0.00%</b>
<b>Women</b>	<b>2</b>	<b>1.64%</b>	<b>2</b>	<b>1.75%</b>	<b>0</b>	<b>0.00%</b>
Permanent	2	1.64%	2	1.75%	0	0.00%
<b>Men</b>	<b>1</b>	<b>0.82%</b>	<b>1</b>	<b>0.88%</b>	<b>0</b>	<b>0.00%</b>
Permanent	1	0.82%	1	0.88%	0	0.00%
<b>Fixed-term</b>	<b>22</b>	<b>18.03%</b>	<b>19</b>	<b>16.67%</b>	<b>3</b>	<b>15.79%</b>
<b>FULL TIME</b>	<b>22</b>	<b>18.03%</b>	<b>19</b>	<b>16.67%</b>	<b>3</b>	<b>15.79%</b>
Men	22	18.03%	19	16.67%	3	15.79%
Fixed-term	22	18.03%	19	16.67%	3	15.79%
<b>Total</b>	<b>122</b>	<b>100.00%</b>	<b>114</b>	<b>100.00%</b>	<b>8</b>	<b>7.02%</b>

The **average working age** is less than 40 years, with 2019 resulting in even less due to fixed-term working contracts.

The detailed table of the workers' municipalities of residence portrays the vital **connection to the territory** and the social and economic effects.

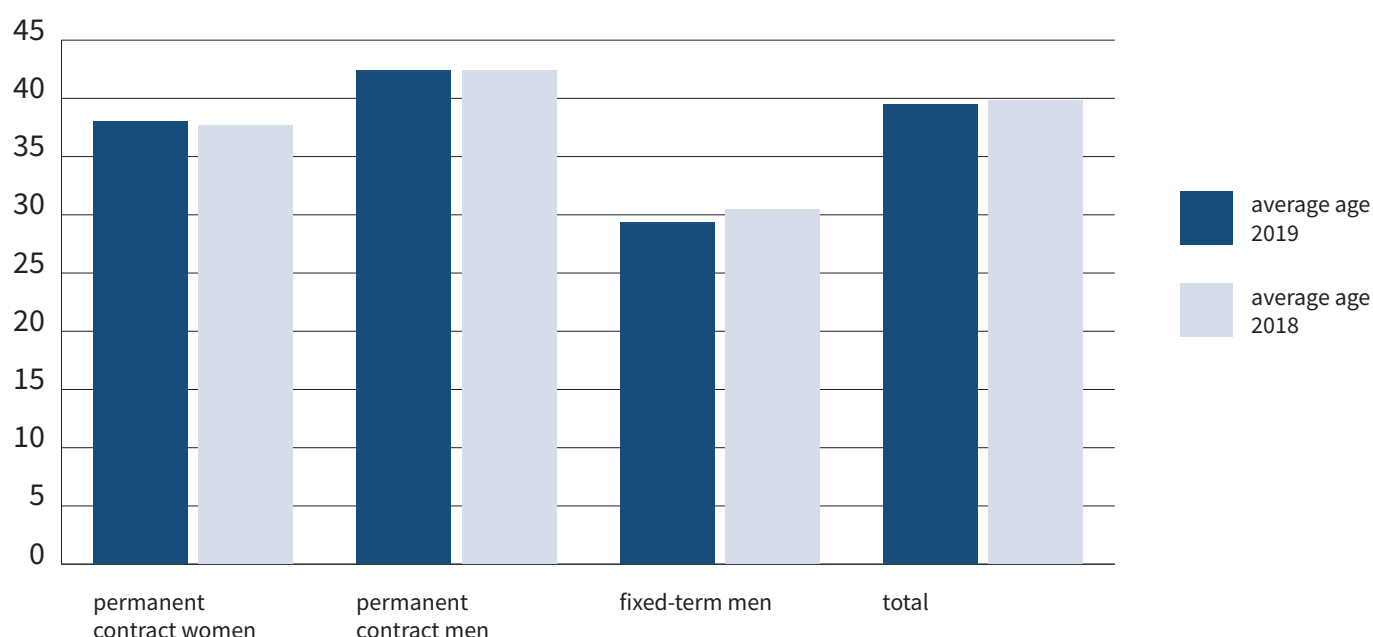
Staff at 31.12.2019 and 31.12.2018 per age

#### AGE GROUPS

AGE	Permanent Women		Permanent Men		Fixed-term Men	
	2019	2018	2019	2018	2019	2018
between 21 & 30	4	4	11	11	15	13
between 31 & 40	8	7	25	23	4	3
between 41 & 50	1	1	27	25	3	2
between 51 & 60	3	3	20	18	0	1
between 61 & 70	0	0	0	3	0	0
between 71 & 80	0	0	1	0	0	0
<b>Total</b>	<b>16</b>	<b>15</b>	<b>84</b>	<b>80</b>	<b>22</b>	<b>19</b>

#### AVERAGE AGE

Permanent Women		Permanent Men		Fixed-term Men		General	
2019	2018	2019	2018	2019	2018	2019	2018
38.06	37.67	42.43	42.44	29.36	30.47	39.50	39.82



## Staff at 31.12.2019 and 31.12.2018 per residential area

	2019	2018
<b>PERMANENT CONTRACT</b>	<b>100</b>	<b>95</b>
ANCONA	1	1
APPIGNANO	1	
BELFORTE DEL CHIANTI	13	14
CALDAROLA	4	4
CAMERINO	2	2
CAMPOROTONDO DI FIASTRONE	1	1
CASTELRAIMONDO	2	2
CESSAPALOMBO	1	1
CIVITANOVA MARCHE	3	2
CORRIDONIA	2	2
ESANATOGLIA	1	
FERMO	1	2
LORETO	1	1
LORO PICENO	1	1
MACERATA	12	9
MATELICA	1	
MOGLIANO	2	2
MONTELUPONE	1	
MONTEMARCIANO	1	1
OSTRA	1	1
POLLENZA	3	3
PORTO RECANATI	1	1
PORTO SANT'ELPIDIO	1	1
POTENZA PICENA		1
RECANATI	3	3
SAN GINESIO	1	1

	2019	2018
SAN SEVERINO MARCHE	4	5
SANTA VITTORIA IN MATENANO	1	1
SANT'ANGELO IN PONTANO	1	1
SANT'ELPIDIO A MARE	1	1
SERRAPETRONA	3	3
TOLENTINO	26	26
TREIA	1	1
URBISAGLIA	1	1
VISSO	1	
<b>FIXED-TERM CONTRACT</b>	<b>22</b>	<b>19</b>
BELFORTE DEL CHIANTI	7	5
CALDAROLA	1	2
CAMPOROTONDO DI FIASTRONE	1	
CESSAPALOMBO	1	
COLMURANO	1	
MACERATA	1	1
MATELICA		1
MOGLIANO	1	1
PIEVE TORINA	1	
POLLENZA	1	1
SAN GINESIO	1	1
SAN SEVERINO MARCHE		1
SERRAPETRONA	1	1
TERRANUOVA BRACCIOLINI	1	1
TOLENTINO	4	4
<b>TOTAL</b>	<b>122</b>	<b>114</b>

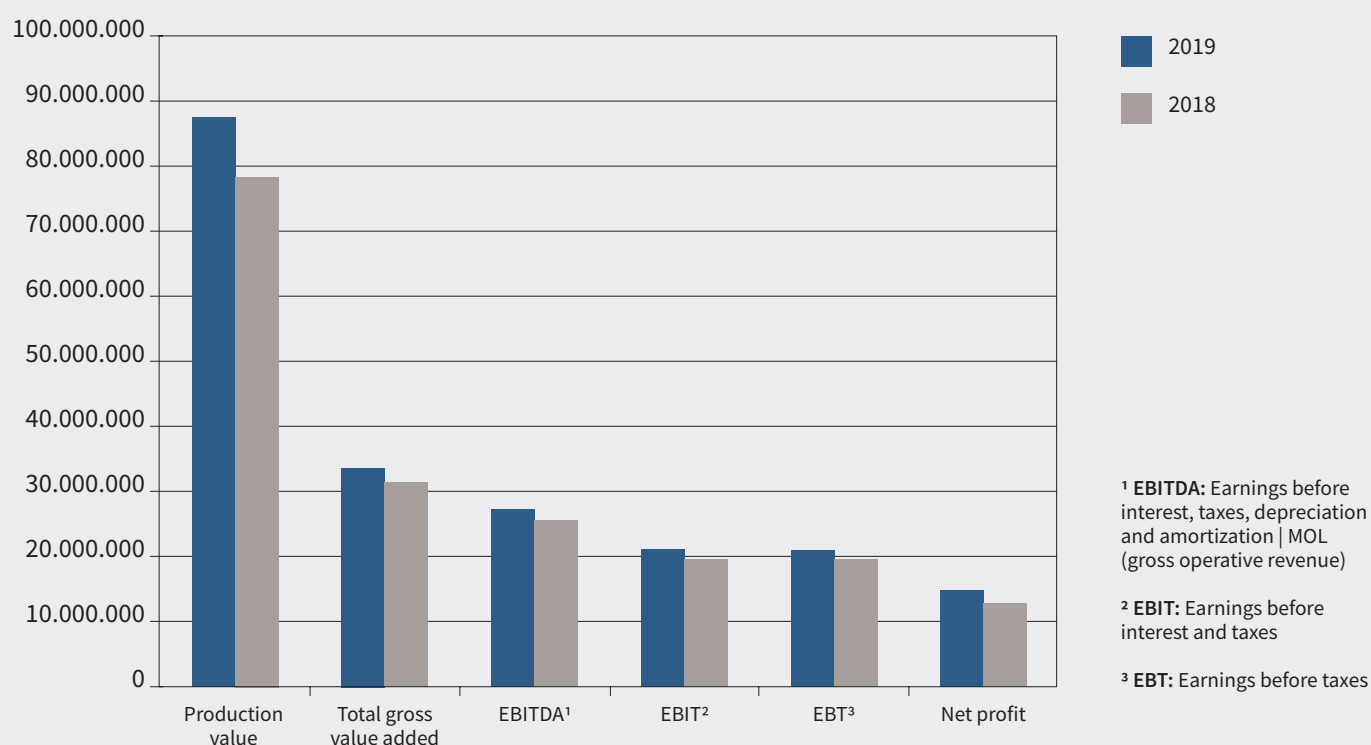
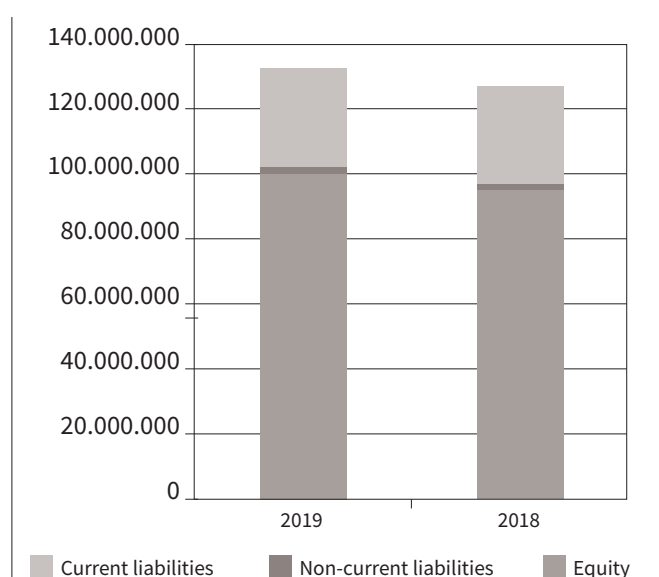
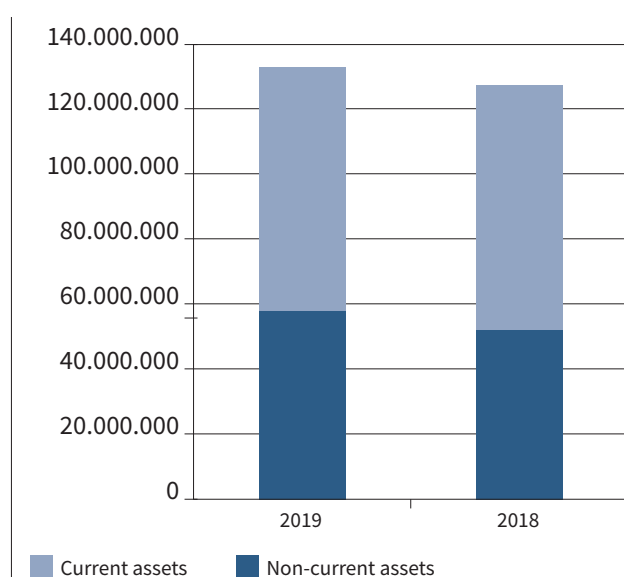
## 2.7

## FINANCIAL PERFORMANCE

The financial performance of the Simonelli Group has continually grown with each passing year towards the company's capital. In 2019 there has been an increase of 11.61% in production value, 12.25% in sales profits,

and 15.81% in net income. See below, a general outlook of the financial profiles.

More information regarding this subject is found in paragraph 3.3 and section 4 of the report.





3

## 2019 RESULTS AND 2020 SUSTAINABILITY PROGRAM

- 3.1 Innovation
- 3.2 Coffee culture and education
- 3.3 Economic sustainability
- 3.4 Environmental sustainability
- 3.5 Organizational sustainability and stakeholder relations
  - 3.5.1 Cross-cutting organizational areas
  - 3.5.2 Human resources
  - 3.5.3 Clients
  - 3.5.4 Suppliers
  - 3.5.5 Community and territory



# 3.1

## INNOVATION AREA

Keyword:  
**RESEARCH**



### MEANING AND AREA OF IMPACT

The concept of innovation has always been a principal foundation of Simonelli Group. Since 1936 when Orlando Simonelli designed and produced the first espresso coffee machine, up until today, the company has continuously been changing and innovating.

Today, Simonelli Group is advancing in terms of product innovation, processes, and technological research. Since the beginning of university collaborations, the company revolutionized the industry with technological advancements. These included using an electric pump to increase the water pressure in the 1950s and integrating the new functions of microprocessors' during the 1970's. The commitment Simonelli has for innovation continues fiercely until recently, with the

new T3 technologies and Clima Pro that are specific for the coffee quality. But it does not stop here. Gravimetric technology equipped with coffee machines and grinders, and the most recent technologies NEO and TERS, opened up a new vision in terms of environmental sustainability.

In 2016, together with the University of Camerino, the company founded the *International Hub for Coffee Research and Innovation* (now called *Research and Innovation Coffee Hub*). It is a scientific research center on coffee where experts, researchers, students, professors of different disciplines, and various countries study and research chemical-physical phenomena based on coffee extraction.

The continuous transformation includes digitalization. Commencing 2017, Simonelli launched a digital transformation program. It impacts organizational design, operations, and information technology infrastructure. The transformation is integral, and the entire company is rethinking the processes and platforms to deliver a value proposition. Once the change is complete, products, clients, baristas, managers, technicians, and businesses can be interconnected and can exchange information to optimize technical assistance, logistics, machinery monitoring, consumption, and functioning conditions. The new generation products that will emerge, will be equipped with a new sensor system able to program predictive maintenance that can reduce the inconveniences connected to equipment faults. These digital revolutions offer a targeted service to each stakeholder, strengthening client relationships, baristas and technicians worldwide.

## AREAS

- Consolidation and strengthening of in-house scientific research.
- Based on the growth model through hubs, expansion of the open innovation initiatives in collaboration with research centers and educational institutes (universities, research institutes) in a shared value perspective.
- Development in the research of sustainable solutions (ex. reduced energy consumption).
- Technological development to improve product performance in terms of service quality and efficiency.
- Technological development to improve product productivity.
- Advancements in product ergonomics and improve user experience.
- Advancements in digital technologies for service (RICH and *Coffee Knowledge Hub*).
- A pervasive development of a digital mindset with human resources' assistance to define agile and coherent systems in tune with the market trends (time to market, speed, continuous innovation, etc.).
- The strengthening of the planning and control system following a design thinking logic based on client empathy and other company stakeholders and prototyping with maximum attention to the most valuable activities.

## SUMMARY OUTLOOK AND CONSIDERATIONS FOR THE FUTURE

Innovation goals were established in 2019. For example, the **projects** carried out in collaboration with the different universities which are taking form as part of the *Research and Innovation Coffee Hub*.

The innovative and sustainable solutions offered to provide services, render significant protection towards the environment, and drive integrated sustainability. The profound internal and external transformation is proceeding thanks to an open innovation approach. Ideas and solutions come from inside the company and external stakeholders such as research institutes, suppliers, universities, and start-ups.

On this front, the company actively participates in two projects:

- Partnership project for “Smart Manufacturing Machine with Predictive Lifetime Electronic maintenance (SIMPLE) aimed to develop an advanced system of predictive maintenance together with another four businesses of different industries (Sigma S.p.a., Clabo S.p.a., Pieralisi Maip S.p.a., Schnell S.p.a.) and co-financed with the same companies along with MISE and the Marche Region.
- Research project (Mercury) created in collaboration with 20 other companies and two universities (UNICAM and Marche Polytechnical university) and co-financed by the Marche Region) to sustain and develop technological platforms for collaborative research, development, and innovation in intelligent specialization areas.



Milan Host 2019 exhibition, Simonelli Group Digital Area

In 2019, different **university students collaborated** with Simonelli Group for several research projects. For example, the validation of new mathematical models done through experimental measurements to optimize coffee extraction, the analysis of active molecules present in the *silverskin* of coffee where they found different food compositions. A third project studied extraction efficiency using less coffee powder to obtain the same excellent result in the cup as the standard amount of coffee powder. The result was, yes, it could. For 2020 the goal is to implement this research by funding Ph.D. scholarships and the research program. The research outcomes will be peer reviewed and published.

Moreover, the European Committee's evaluation grade is still unknown regarding the continuation of the active project in collaboration with Unica, Coffee Island, and Cropster of creating a software able to optimize the different phases of coffee transformation concerning client preferences. Regarding sustainability, it is proposed for the year 2020 to start a collaboration with the Polytechnical University of Milan for a research project involving the product's energy-saving level.

**Internationally** speaking, the triennial research project started with the Coffee Science Foundation (CSF) – with the scope to finance the scientific activities re-

garding espresso coffee extraction – will see development in 2020 when the specific projects are concretely defined and publicly announced for all the universities that would like to participate. The candidacy of our Ing. Lauro Fioretti of the Knowledge & Education in Simonelli Group to become a member of the Committee board of the Coffee Science Foundation is also on stand-by. 2020 will also see a new hub made of labs and testing facilities for the different research activities in collaboration with external individuals.

The **technological area** of the Simonelli Group patented two new technologies in 2019 were patented.

NEO (*New Engine Optimization*) and TERS (*Thermal Energy Recovery System*) are incorporated into the new Eagle One machine by Victoria Arduino to reduce energy consumption. In 2020, the goal is to continue studying a method to contain the steam boiler's thermal dispersion, utilizing new materials and developing a new technology of instant steam production. What concerns the Eagle One machine is that a new app will be completed by 2020, allowing the barista to improve machine interaction, monitor performances, and set the main functions. The app will be launched in parallel with the new single group Eagle One, the Eagle One Prima.



For 2020, the company's goal is to **extend the product portfolio**, especially concerning super-automatic machines, concentrating on a new platform of products that offer advanced performances. To enhance customer engagement, in 2020, the company will consolidate *predictive maintenance*: a remotely controlled system activated through a sensor placed inside the machine that can monitor and anticipate any problems and reliability of critical components. In 2019, the dedicated team created a functioning prototype in collaboration with the University of Ancona (UNIVPM). However, the real goal for 2020 is to implement the sensor system of the *predictive maintenance* on 200 machines installed in primary markets together with our partners.

Also, regarding the service area of the Simonelli Group, the ongoing digitalization process brought the need to amplify the instruments needed for **optimal technical service**. The new interactive platform DOSE is just the beginning. The first services regarding technical assistance and technical training were already provided in 2019, while others will be added during 2020 and 2021 in correspondence with the relative digital platforms. These projects keep the client updated about the machines' technical evolutions and allow technicians to solve problems that they could not before.

The company will activate new educational courses singularly for each client to facilitate and benefit the most from the platform DOSE. The anticipated reach within the year is 700 active clients. Next year, Simonelli Group intends to complete a new e-learning platform for an integrated coffee training to strengthen all partners' skills. Another goal is to implement a new ERP platform to efficiently coordinate the various company processes (design, supply, logistics, warehouse, production, sales, marketing, and administration) together with a new CRM (Customer Relationship Management) to manage the relationships with clients adequately and allow them to access important information useful for their activity.

Moreover, in 2020 Simonelli Group intends to revise its **organization** following logical rules and begin internal training courses to gain new skills following a *Digital Mindset*, take advantage of all the latest digital instruments, and improve the working day. A new method, the *design thinking*, will be followed to increase the company's ability to make efficient decisions, including all the stakeholders, external or internal, surpassing old operational schemes and promoting a positive attitude based on listening, collaboration, and teamwork.

**“The participation of Simonelli Group in the Coffee Science Foundation is a pioneering and visionary contribution that appears during a critical moment: science and research are ever-more important in making our industry sustainable.”**

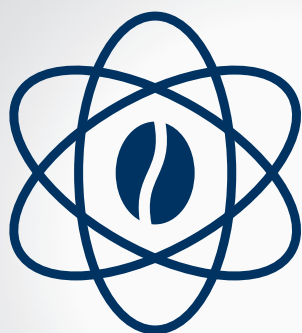
(Peter Giuliano, *Executive Director CSF*)



## 3.2

### COFFEE CULTURE AND EDUCATION AREA

Keyword:  
**COFFEE  
SCIENCE**



The company also promotes young entrepreneurs. In 2018, the company launched an innovative training project dedicated to people under the age of 30. The Simonelli **Youth Academy** is for those young professionals wanting to expand their knowledge of the coffee/bar world. After the success in Italy, in 2019, in partnership with the company UCC, Simonelli Group extended the initiative in Switzerland, which obtained significant success in social media. Following these positive outcomes, the company intends to expand the project to other markets.

#### MEANING AND AREA IMPACT

Simonelli Group has always considered education one of the fundamental values of its identity. This is why it is particularly active in educational activities, encouraging and spreading coffee culture throughout staff members and stakeholders. The company believes that to become winners, all the supply chain's protagonists must increase their skills.

The company also devised an exclusive *educational* format for baristas that intend to participate in the national and international competitions of the **World Barista Championship** (WBC). Leveraging the knowledge and experience gained as the WBC technical partner, Simonelli Group created the Champion's Hub. In this unique educational event, students learn directly from the experts and official judges to improve their performance during the competition.

#### AREAS

- Advancements in the Company coffee science, summarizing experience, coffee culture and technology.
- Sharing knowledge relating to coffee science to clients, as *modus operandi*.
- Networking with the coffee community to grow and share coffee science with an open and straightforward approach.

## SUMMARY OUTLOOK AND FUTURE CONSIDERATIONS

In 2019, the goal was to bring the *Champions' Hub*, to the Asian region such as Indonesia, to involve the large barista community. So, in that year, the WBC edition took place in Jakarta, in collaboration with Toffin, a valued partner of Simonelli.

The event was very successful developing a strong interest throughout the community and participants. Due to capacity constraints a limited number of spaces were available. However, with a high number of requests, the administration increased the number of participants to 48. They were all satisfied and enthusiastic about the experience and skills they acquired skills. The Asian community was consciously approaching the *Specialty Coffee* world.

The company's commitment to expanding knowledge is seen with the education programs offered.

They allow all stakeholders to develop their skills, primarily by sharing coffee science with an open-minded approach towards the entire community.

The company intends to update and renew the *Simonelli Academy* project. Next year, they propose a more practical educational service, to reach more people. This will be enabled through the use of a digital platform. Which will both enhance the quality and scalability of the education program.

The company believes that spreading and sharing scientific knowledge about coffee is a fundamental feature of their know-how. Starting in 2020, they intend to collaborate with international research centers to increase coffee knowledge in the community.

One of the vital collaborations will be with the *Specialty Coffee Association* (SCA), which is active in scientific research projects with the Simonelli Group. As mentioned, in the report's Innovation section (3.1), the development of knowledge cannot disregard scientific research.

In 2016, Simonelli, in collaboration with the University of Camerino (UNICAM), founded the *Research and innovation Coffee Hub* (RICH). RICH offers a unique educational proposal focused on scientific areas and will be ready in 2021.



Champions' Hub, Jakarta, Indonesia



It will provide deeper interaction between the company and the academic world. At the beginning of the collaboration, the relationship between Simonelli Group and UNICAM was based on technological and research projects; however, in 2020, it will be oriented more towards education.

The initiative will be established in Belforte and Camerino and will add further social and economic value to the region.

Another future goal is to define a new course plan to activate for 2021 through our *Experience Labs*. Details regarding these topics are treated in the section related to Clients (in the organizational sustainability and social area – stakeholder relationships). If clients are true vanguards of the machines, technology, and style of Simonelli Group, the goal for 2020 is to involve them as best as possible to export the culture and knowledge of the world of coffee.

“Professional growth is not only fueled by technical skills but also by exchanging experiences, sharing ideas and solutions.”

(Maurizio Giuli, *Executive for Corporate Strategy and Business Development Simonelli Group*)



## 3.3

### ECONOMIC SUSTAINABILITY AREA

Keyword:  
**GROWTH**



It sustains investments in innovation, strengthens the presence in key markets, introduces innovative products for the new generation of clients, and distributes significant value to all stakeholders through salaries, interests, dividends, and taxes.

The company's active **sales chain in 124 countries worldwide** allowed it to register in 2019 a 12% annual revenue growth. Thanks to this extensive network, Simonelli gained the trust and partnered with the leading international clients in the restaurant and roasting industry.

Simonelli Group is present in the market with its two brands: Nuova Simonelli and Victoria Arduino. Nuova Simonelli concentrates its products on the mainstream market, which is the most generic and largest market in which many roasters, chains, and independent shops operate. On the other hand, Victoria Arduino focuses on the *Specialty Coffee* market, where small operators such as roasters, micro-roasters, independent shops, and coffee boutiques work and give extra attention to the coffee quality of the entire supply chain.

#### MEANING AND AREA IMPACT

Growing sustainably in the long run, even economically and financially, has always been a foundation in Simonelli Group. Since the company's establishment, Simonelli has been following a **constant growth trend**, and this development generated resources to increase production and grow the business.

#### AREAS

- Strengthening brand awareness in the markets (concerning the product and intangible contents, company values).
- Revenue growth for the brands and the Group.
- Improvements of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) of the brands and the Group or MOL.
- Safeguard the NFP (Net Financial Position).

## SUMMARY OUTLOOK AND FUTURE CONSIDERATIONS

The company's growth is also observed through the increase in revenue: the goal was to reach 85 million euros, and at the end of 2019, it touched 87 million euros with a rise of 12% compared to the preceding year, continuing the trend.

This increase is possible thanks to the innovative and high performance products designed to foster education to stakeholders and a thorough expansion of the worldwide markets supported by its sales manager's.

Other than revenue, other significant indicators for the company are the EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) and NFP (Net Financial Position). The first one encountered a slight negative variation compared to the previous year's budget due to a disadvantageous exchange rate in the

mix of products sold, partly compensated through infrastructural costs; in 2020, they aim to recover it by working with the combination of products sold and cutting unproductive expenses. The NFP is in line with last year (even with the 12% revenue increase) because the differently adopted supply chain management reduced the warehouse stock. In 2020, the company will work intensively on advancing process management.

In 2020, the company would like to launch more advanced products on the market to increase revenue and keep the reference indicators such as EBITDA and NFP under control. The Group will continue to inform and spread knowledge to the community about the brand's differences.



Milan Host 2019 exhibition, Nuova Simonelli booth.



“There are different factors for success: firstly, continuous innovation. Then the optimal response from the markets thanks to continuous improvement on the product range, the extensive technical assistance network for clients where the company is present in 124 countries worldwide with sales partners, and the constant training offered to baristas and operators of the industry.”

(Nando Ottavi, *Simonelli Group President*)



Milan Host 2019 exhibition, Victoria Arduino booth.

## 3.4

### ENVIRONMENTAL SUSTAINABILITY AREA

Keyword:  
**ECO-FRIENDLY**



#### MEANING AND AREA IMPACT

Environmental sustainability is considered an essential dimension in the Simonelli Group. Even the recently constructed headquarters were designed following innovative solutions to minimize electrical energy and water and diminish thermal dispersion.

The company set the goal to become **completely green within 2025** through the already installed photovoltaic system (with plans to expand it).

For some years now, in collaboration with the Marche Polytechnical university, Simonelli Group uses the LCA (Life Cycle Assessment) standard method (ISO 14040 and 14044) that verifies the influence a product has on the environment during its entire life cycle. This study defined the quantity of CO<sub>2</sub> produced during the coffee machine's operative life span.

The study uses the Carbon Footprint measurement to measure the machine's environmental impact, which expresses in equivalent CO<sub>2</sub> the total emissions associated directly or indirectly with a product. This analysis is useful for the company to improve the products' design process. These studies helped us understand that the production process causes only 2% of CO<sub>2</sub> emissions, while the machine's ordinary functioning determines the remaining 98%. And for this, the company is advancing technologically.

#### AREAS

- Increase the production of sustainable and renewable energy resources.
- Reduce the products environmental impact (LCA).

## SUMMARY OUTLOOK AND FUTURE CONSIDERATIONS

The goals for 2019 were:

- Increase the self-production of energy using a photovoltaic system of 100Kw to arrive at 98,000 kW yearly; system expansion is in process.
- Through the LCA study, lower the environmental impact of the products, trying to design a low energy consuming machine for at least 30% of the entire product range.

In 2019, the company expanded the 100Kw solar panels to reach an auto production of 98,000 kW. Unfortunately, this year, the electrical cabin's renewing did not adopt the self-produced energy, so the confirmed self-produced power was only 28,000 kW.

Even in the last launched models (*Eagle One* and *Appia Life*), the company extended the LCA study, added to the previous years' machinery (*Aurelia Wave*, *Black Eagle*, and *White Eagle T3*). The *Appia Life* had a 20% energy saving thanks to the use of new materials and the boilers thermal insulation, while the *Eagle One*

had a 35% savings because of the NEO and TERS technology. Overall, in 2019, Simonelli reached the goal of bringing to 30% the total number of low consumption machines in the category.

What concerns the auto-production of sustainable energy, where the company would like to become completely green by 2025, the goal in 2020 is to increase the number of solar panels in two distinct phases, first to amplify the system's power to 30 kW and afterward to 47.5 kW.

The company is also evaluating to change the contract with the electrical company and request the use of only sustainable energy, produced by 100% renewable energy- this may increase management costs. However, as environmental sustainability is a core foundation for Simonelli Group, we work 360° to develop it fully.

As for the machine's energy consumption, the intention is to continue working sustainability and always improve innovatively and research new technologies.





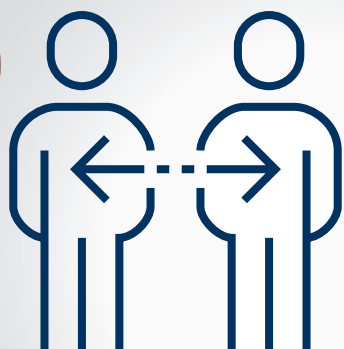
“Climate change is nothing but the consequence of an irresponsible behavior that us humans had towards the worlds ecosystem. The coffee world is not immune from this responsibility- all the phases of the industry have an environmental impact and as such even our business is called to correct all those non-sustainable practices.”

*(Mauro Parrini, Chief Operating Officer Simonelli Group)*

## 3.5

### ORGANIZATIONAL SUSTAINABILITY AND STAKEHOLDER RELATIONS

Keyword:  
**CONNECTION**



#### MEANING AND AREA IMPACT

Simonelli Group's value is expressed mainly with its human resources and the quality of the relationships with all stakeholders (clients, suppliers, community, and territory.)

The company has always recruited locally when hiring staff and in developing its supplier's network.

The bond it has with the local region is substantial and is probably the winning key to become an internationally competitive company. Besides exporting its products worldwide, it makes the clients feel a part of a great family.

#### 3.5.1 CROSS-CUTTING ORGANIZATIONAL AREAS

##### AREAS

- Analysis and management of the company risks.
- Training and reporting on integrated sustainability.
- B-Corp project.

Some of the administrative areas regard pervasive system approaches that concern the risk and integrated sustainability.

The company continuously monitors the significant risks (Property, Liability, Delivery, Transportation, MTPL, and other insurance types) to keep everything organized and optimal condition. In 2019, they reached the goal to monitor all the standard insurances attentively, and for 2020, there is a new project about new risks connected to the brands' image, cyber data attacking, fluctuations in prime material costs, and exchange rates.

In 2020, integrated sustainability will see a new governance and accountability system involving all company head managers. The goal is to implement a systematic process of sustainability reporting.

The company is also approaching an innovative system to analyze integrated sustainability. The new B-Corp system made the first analysis to comprehend the current company position following the B-Corp's requisites and evaluate the necessary path to gain the relative certification. The goal for 2020 is to compose an in-depth analysis and identify the correct course for improving the B-Corp score concerning the certificate.



### 3.5.2 HUMAN RESOURCES

#### AREAS

- Training for the development of a digital mindset.
- Training for a strategic cohesion and organizational evolution with a lean approach.
- Training and continuous update on health and safety.
- Training and continuous update on coffee knowledge.
- Training initiatives of cultural character (ex. English courses).
- Contribution to human resources through benefits.
- Widespread involvement of human resources to consolidate high quality, customer service reliability and to detect innovative solutions.
- Analysis of the organizations' climate for any improvement.

In the Simonelli Group employees are updated continuously regarding **health and safety** during working hours.

When a new worker is hired and does not have the relative certificate for the compulsory training program DLGS 81/08 "Testo Unico salute e Sicurezza", the company provides it. The follow-up course is conducted by the same manuscript and changes with the company's functions (office employee, forklift driver, etc.). Other than being obligatory by law, the program is provided by the internal Head of Protection and Prevention Service to provide in-depth incurring operative risks (for example, a forklift driver during the moving of products, or a sales manager during the long driving hours in the car).

In 2019, the complete training program for new employees was 8 hours for eight people, while the follow-up course for the rest of the staff was 4 hours for five people, a total of 84 hours. In 2020 the company will continue to automatically arrange and provide the programs, maybe increasing the follow-up courses' hours and adjusting the plans based on the number of newly hired employees.

In the Simonelli Group, human resource education also means increasing coffee knowledge increase the

knowledge of the industry and the core product - a cup of coffee. The employee learns how an in-depth knowledge of coffee can proffer such a strong emotion. The various programs illustrate the key variables for creating a perfect coffee, different coffee extractions, and avoiding errors. In this way, the employee can understand how the international market reacts to its innovation and technologies. The coffee tasting skills are strategic to offer significant quality of the product during the ordinary working day.

In 2019 the coffee knowledge 24 hours of classes were offered to the new hires (for six people). The follow-up courses were 8 hours for thirty people. The company provided a total of 384 hours of training courses. The lessons were initially taught for the sales department, marketing, and COTS (Coffee Operations Technical Service) and all the employees in these departments completed the program in 2019. Seeing the success and involvement of all the workers, in 2020, the company would like to extend them to the whole organization, including advanced courses for roasting and the barista profession using complex techniques.

Because Simonelli Group is an international company, they also offer **language courses**. During the years, Simonelli addressed such programs for junior



Course about Coffee Knowledge for the employees in Simonelli.

sales managers, recent graduates, and technicians to strengthen their relevant language skills. In 2019, they wanted to extend this opportunity to all human resources to expand their language skills. Most of the courses were for English, and in one case, Spanish. While during the past years, provided lessons were in person, in 2019, they started offering a new online format for distance learning: the employee was able to choose where to study and when to study openly. The workers appreciated this new remote type of linguistic, educational course for flexible hours, tutor availability, and platform quality. The number of enrollments was initially high: of the 18 people who took part in the cultural project, one-third completed the entire program. In 2020 the company intends to offer other language courses (Arab for the area manager, Portuguese and Spanish for the technical area, 30 hours each) for the traveling employee.

Regarding the spreading of the **company welfare culture**, in 2019, The HR department launched a pilot project. This year, the sales department employees received a part of their annual productivity bonus in vouchers to spend on welfare services such as traveling, parental care, wellness, and culture (books, cinema).

This new method and an online platform were initially tricky for a couple of employees, but the company expects to continue using the technique to undertake a new path to awarding bonuses, in line with the latest international experiences in the HR world. This change in welfare management also allows the employee to benefit from the related tax support.

Moreover, for all the organization employees, the company provides an integrated health insurance (Metasalute) based on the CCNL metal mechanic: in this case, the agreements with the trade union provide a con-

tract adjustment for the additional service of the National Health Services, seeing that all the services are executed quicker. The coverage is much appreciated by those already familiar with online services and a little less with others. In 2020 the company will provide all employees an instruction handbook for the offered insurance.

The goals were to bestow part of the sales staff bonus (59,500 Euros) through a welfare program, in function to the obtained results, while for Metasalute, to put down a maximum sum of 16,000 Euros. At the end of 2019, the welfare program's bonus was used by seven on 15 sales managers for the total amount of 20,684 Euros. In the case of Metasalute, it is not possible to define data because each employee can use the service on his own.

Both the welfare and Metasalute programs are reconfirmed in 2020.

The quality that characterizes Simonelli Group's activity cannot be achieved without adequate human resources involvement, especially in the production areas (line staff) and quality control. In this context, a project called **"The path of quality"** was developed

to improve the quality of the products and processes. During the year, the company evaluates the questionnaires filled by the workers with inputs and improvement proposals. In 2019 at least 40 forms were expected, but the company counted an astonishing number of 88 filled questionnaires. To further motivate the employees, the organization rewards the three employees that presented the most useful ideas. In 2020 at least 50 forms are expected.

Another essential aspect that Simonelli Group is incredibly dedicated to is **organizational climate**. In 2020, Simonelli Group will implement a specialized Digital Mindset project to allow human resources to adapt and continuously improve working procedures using the new digital technologies at hand. Such technologies significantly impact the organizational level and human relations and undoubtedly require changes in the processes and working habits. In connection to the Digital Mindset project, Simonelli is launching the project Change Management. It will support introducing the changes in procedures and goals, allowing the resources to assimilate all the new practices and customs best. The last goal is always to put the employee at the center.

### 3.5.3 CLIENTS

#### AREAS

- Implement the customer engagement system to improve and strengthen client relationships (technical services, marketing, sales, technical, and coffee training).
- Analysis of client satisfaction for continuous improvement.

A goal of 2019 was to strengthen the relationship with clients and implement a **customer engagement** system and a pilot version of the new **digital platform iSack** to spread information about the brand's products' main characteristics and provide distance learning for technicians and clients. During the Host exhibition of Milan, an entire area was dedicated to the pilot project iSack and was presented to a broad audience.

In 2020, the goal is to expand and integrate the iSack platform with the new digital services and combine it with the new CRM (Customer Relationship Management). It is not only software but a simple strategy to enhance current customer loyalty and future clients. It should generate long-lasting relationships, grasping the values and specific needs of the client. For 2020, the goal is to complete a CRM with a profiled list of all the active clients and connections.

Another goal is to consolidate client relationships and be closer to the Simonelli Group, and that is why the company invested in the development of **Experience Labs**. When clients visit the SG headquarters in Belforte Del Chienti, the ambiance leads them to appreciate the company's services and get to feel the coffee world's cultural intensity, thus leaving the establishments with an enriched vision. The organization created experience labs to provide clients the same experiences even in other locations. They are positioned in strategic areas and are real hands-on laboratories where newcomers enrich their know-how and where

operators and baristas undergo the Simonelli spirit, get to know the brands, and the continuous innovations that distinguish the company.

In 2019 these labs were opened in China and Indonesia (other than the branch offices already based in the USA, Singapore, France, and the UK) and can be considered authentic "Hubs" where the company's values and services are presented. They are not just simple spaces where Nuova Simonelli and Victoria Arduino products are exposed, but are a place where people can meet, revel in educational courses, confront ideas with stakeholders such as coffee producers, roasters, baristas, and coffee shop owners.

The Experience Lab's goal is to be closer to the different markets, retrieving immediate feedback on specific needs, and offering a quick solution. For 2020, the Group aims to increase the Labs worldwide in strategic countries such as Australia, the US, and Italy.

To continue improving client satisfaction, in 2020, the Simonelli Group will proceed with in-depth analysis, activating a constant dialog with clients and with relevant partners for each brand and country. The company is also organizing quarterly update calls with the top 10 clients and branches worldwide.

Clients will also be interviewed about their opinion regarding the sustainability path of Simonelli Group programmed for 2020.

### 3.5.4 SUPPLIERS

#### AREAS

- Collaboration initiatives and supplier networking.
- Supplier evaluation based on environmental and social criteria.

In 2019 the company decided to enhance the production process and introduced the **Kanban box** system. This new system is necessary to simplify processes and improve its efficiency, identifying what, how much, and when to produce, based solely on the effective number of client requests (compared to an expected value). Kanban is considered a Just in Time approach and follows a pull logic: it starts producing only after the confirmed request, and the process begins from the supply chain. Following this method, the company only makes what is requested, eliminating waste and non-useful phases such as overproduction, extra material transportation costs, warehouse space, and the actual products that could deteriorate over time.

In particular, in 2019, the company applied an experimental Kanban system to manage the supply chain. The goal was to reach **90 codes**, start with one supplier, and slowly arrive at 15 suppliers and 90 relative codes. The suppliers taken into consideration were, of course, those with a high value and rotation capability. For 2020, the company aims to reach and extend the process to at least **150 codes**, also expanding the number of suppliers to improve all the different production phases. Seeing the ever-growing importance of sustainability in Simonelli Group, the company would like to provide specific courses for all suppliers regarding this topic next year. **Supply chain sustainability** un-

derlines more responsible management from an environmental, social, and economic point of view regarding the supplier's operations (supply, production, and distribution activated by the company).

Simonelli Group considers fundamental the **evaluation of the suppliers based on their environmental and social criteria**. They have been using the evaluation procedure based on vendor ranking for some time, monitoring a series of parameters. During 2019, new options have been added to the evaluation form to verify the absence of underage workers, environmental protection, employee health, and ethical behavior.

This kind of administration is applied to new suppliers, comparing them with the best performing suppliers we work with and giving them a score from 1 to ten for each parameter. The data meets the requirements of the ISO 9001, other certifications, order management, the business situation, active environmental protection, confidentiality agreements, and labor protection acts. In 2020 the company aims to increase the number of evaluated suppliers applying the relative social, ecological, and economic parameters.

Suppliers will also be interviewed about their opinion regarding the sustainability path of Simonelli Group programmed for 2020.



### 3.5.5 COMMUNITY AND TERRITORY

#### AREAS

- Strengthening relationships with the local communities.
- Support public institutes and non-profit associations in the territory.

A company's characteristic is putting extra attention into the regional needs, the inhabitants, the working class, and public institutions and non-profit organizations that work together to grow and create jobs.

The relationship with the communities is an essential tool for student internships. The company intends to respond to most of the requests, knowing that participating is vital for educating the young and favors a constructive confrontation. In line with this tendency, in 2019, the company offered generous space and educational experiences for a total of 35 initiatives composed of 2 PhDs, ten university internships, and 23 high school internships. The future perspective is to continue accepting internships and grants for doctorates and post-doctorate research activities.

The company also contributes to public and non-profit organizations in the territory. For example, they contribute to the Premio Pannaggi for contemporary art, dedicated to young artists, support the Belforte Del Chienti public library and the theatrical activities of

Caldarola. Simonelli Group also contributes to cultural and sports initiatives, with the highest benefaction being the Macerata Opera Festival and, for many years now, the Tolentino Basket Association.

The Macerata Opera Festival of the Sferisterio Arena represents an important lyrical event on an international level. The Tolentino Basket Association, on the other hand, has the scope to promote, support, and develop basketball as a means of physic-physical and moral education (article 2 of the statute) and has more than 100 members per year, of which 75 are in the mini-basketball section, and 60 in the youth sector.

For 2020, the company wants to continue supporting such organizations with subsidies for local cultural and sports activities in line with the Simonelli Group values to develop the territory. It is the evaluation of direct or indirect positive impacts that a region's cultural and social liveliness has on the people's overall wellbeing, even in economic terms and occupation, that encouraged the Simonelli Group to support them.

**“Simonelli Group professes its commitment towards sustainability everyday in many ways, from the advanced research to the sharing of information with coffee experts and keeping track of the obtained results.”**

*(Fabio Ceccarani, Simonelli Group CEO)*



4

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

- 4.1 Company assets
- 4.2 Income statement
- 4.3 Determination and distribution of value added



# 4.1

## COMPANY ASSETS

Below are outlined the principal economic profiles of Simonelli Group during 2019, compared with the preceding year.<sup>11</sup>

Simonelli Group S.p.a. was incorporated at the end of June 2017 upon the initiative of the sole shareholder Nuova Simonelli S.p.a. that conferred the industrial branch of espresso coffee machines. The society started operating on August 1st, 2017, and

they completed the financial statement beginning in January 2018. The following paragraphs describe the years 2018-2019.

Both years had stable levels of assets, capital, and liquidity.

As you can see on the below diagram, the long-term activities represent half of the invested capital.

In contrast, net assets and fixed liabilities represented more than three-fourths of the company's financial means for more than 98%.

In both years, the short-term liquidity surpasses the value of the fixed liabilities.

### BALANCE SHEET 2019 AND 2018

	2019		2018	
	€	%	€	%
<b>BUSINESS ASSETS</b>				
Intangible assets	36,942,104	27.79%	41,974,076	32.96%
Fixed assets	2,290,516	1.72%	2,260,007	1.77%
Current assets	18,524,647	13.94%	7,716,188	6.06%
<b>Consolidated activities</b>	<b>57,757,268</b>	<b>43.45%</b>	<b>51,950,271</b>	<b>40.79%</b>
Inventory	10,393,525	7.82%	11,872,011	9.32%
Long-term liquid assets	23,220,729	17.47%	24,801,679	19.47%
Short-term liquid assets	41,547,520	31.26%	38,732,483	30.41%
<b>Current activities</b>	<b>75,161,774</b>	<b>56.55%</b>	<b>75,406,173</b>	<b>59.21%</b>
<b>NET CAPITAL</b>	<b>132,919,042</b>	<b>100.00%</b>	<b>127,356,444</b>	<b>100.00%</b>
<b>Net assets</b>	<b>100,497,876</b>	<b>75.61%</b>	<b>95,851,719</b>	<b>75.26%</b>
<b>Fixed liabilities</b>	<b>1,906,529</b>	<b>1.43%</b>	<b>1,328,826</b>	<b>1.04%</b>
<b>Current liabilities</b>	<b>30,514,637</b>	<b>22.96%</b>	<b>30,175,899</b>	<b>23.69%</b>
<b>CAPITAL EMPLOYEED</b>	<b>132,919,042</b>	<b>100.00%</b>	<b>127,356,444</b>	<b>100.00%</b>

<sup>11</sup> These profiles are aligned based on the 2019 Simonelli Group Financial statement's contents compared to the 2018 statement.

## 4.2

### INCOME STATEMENT

Simonelli Group holds about 10% of the worldwide market of coffee machines and exports in more than 124 countries worldwide. The sales interest  $\frac{1}{4}$  of the European market (Italy included) and  $\frac{3}{4}$  UE.

The machines are designed for commercial uses such as bars, restaurants, hotels, and coffee shop chains. The products arrive at their destination through dealers, roasters, importers, and specialized retailers that comprise of more than one thousand players worldwide.

The company has a complete vision of their income through a prospect based on reclassification to emphasize the added value and other intermediate quantities.

Important increments made in 2019 can be identified immediately: in production value (+11.61% compared to the previous period), in sales revenues (+12.25%) in net revenue (+15.81%). With this successful management, other areas can be considered, such as gross value performances. Before that, the accretion relative to production intermediate costs brought a reflection in terms of different product profitability and sales, which are explained below.

## INCOME STATEMENT 2019 AND 2018

	2019		2018		% Deviation
REVENUE	€	% on production value	€	% on production value	(2019 val. – 2018 val.) / 2018 val.
<b>Production value</b>	<b>87,442,010</b>	<b>100.00%</b>	<b>78,348,130</b>	<b>100.00%</b>	<b>11.61%</b>
Sales revenue	87,276,750	99.81%	77,749,449	99.24%	12.25%
Inventory variation of work-in-progress, semi-finished, and finished products.	-780,825	-0.89%	400,842	0.51%	-294.80%
Other income	946,085	1.08%	197,839	0.25%	378.21%
<b>Intermediate production costs</b>	<b>55,585,614</b>	<b>63.57%</b>	<b>47,989,149</b>	<b>61.25%</b>	<b>15.83%</b>
Prime material consumption, subsidiaries, and goods	43,019,921	49.20%	37,356,990	47.68%	15.16%
Service costs	10,158,077	11.62%	8,868,328	11.32%	14.54%
Costs for the use of third party assets	1,876,148	2.15%	1,506,404	1.92%	24.54%
Risk provisions and other types	386,478	0.44%	27,599	0.04%	1300.33%
Various management charges	144,990	0.17%	229,828	0.29%	-36.91%
<b>Gross value</b>	<b>31,856,396</b>	<b>36.43%</b>	<b>30,358,981</b>	<b>38.75%</b>	<b>4.93%</b>
Accessory components	1,605,627	1.84%	987,127	1.26%	62.66%
Extra components	29,251	0.03%	27,787	0.04%	5.27%
<b>Total gross value</b>	<b>33,491,274</b>	<b>38.30%</b>	<b>31,373,895</b>	<b>40.04%</b>	<b>6.75%</b>
Work cost	6,470,729	7.40%	5,925,228	7.56%	9.21%
<b>EBITDA (Earnings before interest, taxes, depreciation and amortization)   MOL (gross operative revenue)</b>	<b>27,020,545</b>	<b>30.90%</b>	<b>25,448,667</b>	<b>32.48%</b>	<b>6.18%</b>
Amortization	5,988,696	6.85%	5,931,652	7.57%	0.96%
<b>EBIT (Earnings before interest and taxes)</b>	<b>21,031,849</b>	<b>24.05%</b>	<b>19,517,015</b>	<b>24.91%</b>	<b>7.76%</b>
Interest and other financial charges	150,964	0.17%	75,864	0.10%	98.99%
<b>EBT (Earnings before taxes)</b>	<b>20,880,885</b>	<b>23.88%</b>	<b>19,441,151</b>	<b>24.81%</b>	<b>7.41%</b>
Taxes	6,234,729	7.13%	6,794,901	8.67%	-8.24%
<b>NET result</b>	<b>14,646,156</b>	<b>16.75%</b>	<b>12,646,250</b>	<b>16.14%</b>	<b>15.81%</b>



## 4.3

### DETERMINATION AND DISTRIBUTION OF THE VALUE ADDED

The value added represents a fundamental law for the financial part of the sustainability report because it explains the generated value of the management and distributed between the workers (compensation), the lenders (interests), the Government (taxes), the com-

pany (earmarked revenues) and shareholders (dividends).

The amount of the net value added, which includes pluriennial amortization factors, allows the parts to sustain the company's growth. They are illustrated in the group's social balance.<sup>12</sup>

For Simonelli Group, we can observe the production profiles and the destination for the 2019 net value added, compared to the 2018 performances.

#### DETERMINATION OF THE VALUE ADDED

	2019		2018	
	€	%	€	%
<b>Production value</b>	<b>87,442,010</b>	<b>100.00%</b>	<b>78,348,130</b>	<b>100.00%</b>
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<b>Total gross value added</b>	<b>33,491,274</b>	<b>38.30%</b>	<b>31,373,895</b>	<b>40.04%</b>
<b>Amortization</b>	<b>5,988,696</b>	<b>6.85%</b>	<b>5,931,652</b>	<b>7.57%</b>
Amortization for intangible assets	5,297,812	6.06%	5,283,951	6.74%
Amortization for fixed assets	690,884	0.79%	647,701	0.83%
<b>Total net value added</b>	<b>27,502,578</b>	<b>31.45%</b>	<b>25,442,243</b>	<b>32.47%</b>

<sup>12</sup> GBS, Gruppo di studio per il bilancio sociale (2013), *Principi di redazione del bilancio sociale*, [2001], Milano: Giuffrè.

In the 2019 management, the company generated a net global value of more than 2 million euros compared to 2018.

There was also a decrease of 1% of the value added than the production value (31.45% in 2019 respect 32.47% in 2018). As seen in the 2019 balance sheet,

there was a notable impact of a mix of sold products, with a higher growth rate for those products with a higher incidence of material consumption and commercialization. Moreover, nothing changes how the company pays attention to prime material consumption and company process efficiency.

## DISTRIBUTION OF THE VALUE ADDED

	2019		2018	
	€	%	€	%
<b>Net value added</b>	<b>27,502,578</b>	<b>100.00%</b>	<b>25,442,243</b>	<b>100.00%</b>
Employee Remuneration (direct and indirect)	6,470,728	23.53%	5,925,229	23.29%
Credit capital remuneration (interests and other financial charges)	150,964	0.55%	75,864	0.30%
Public administration remuneration (taxes)	6,234,729	22.67%	6,794,901	26.71%
<i>Net result destined to the remuneration of the risk capital and the company itself ↓</i>	<i>14,646,156</i>	<i>53.25%</i>	<i>12,646,250</i>	<i>49.71%</i>
Risk capital remuneration	10,000,000	36.36%	10,000,000	39.30%
Company remuneration (earmarked income and reserve variations)	4,646,156	16.89%	2,646,250	10.40%

The net value added is distributed as follows:

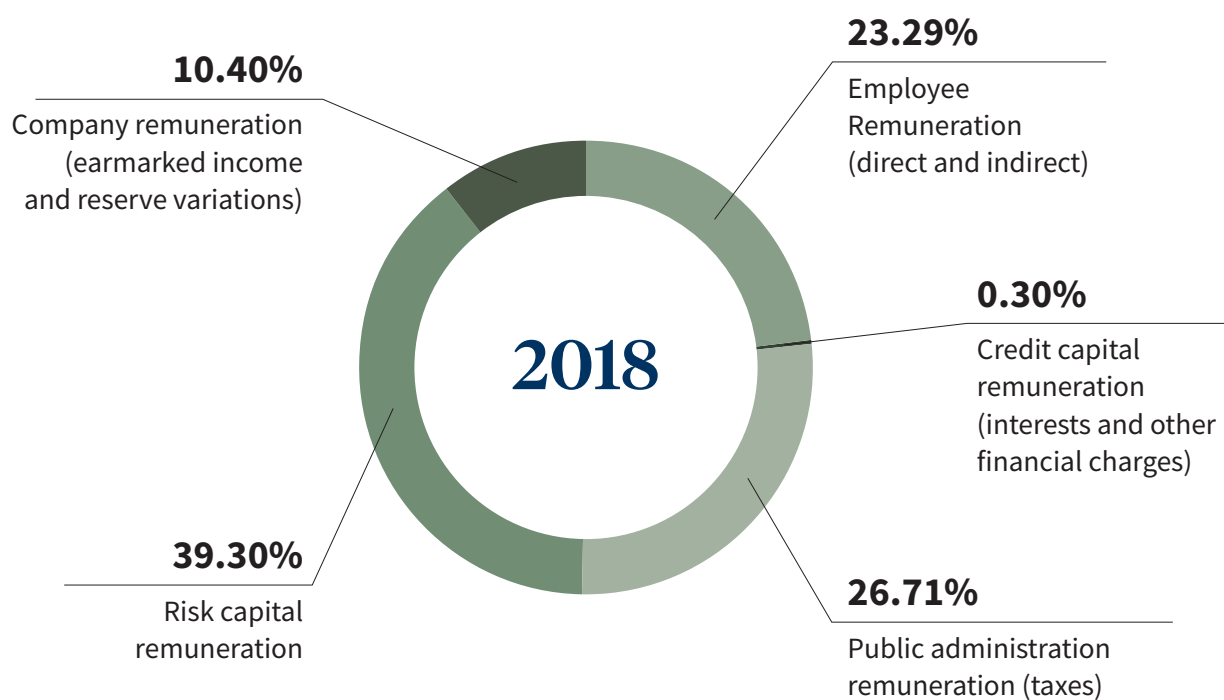
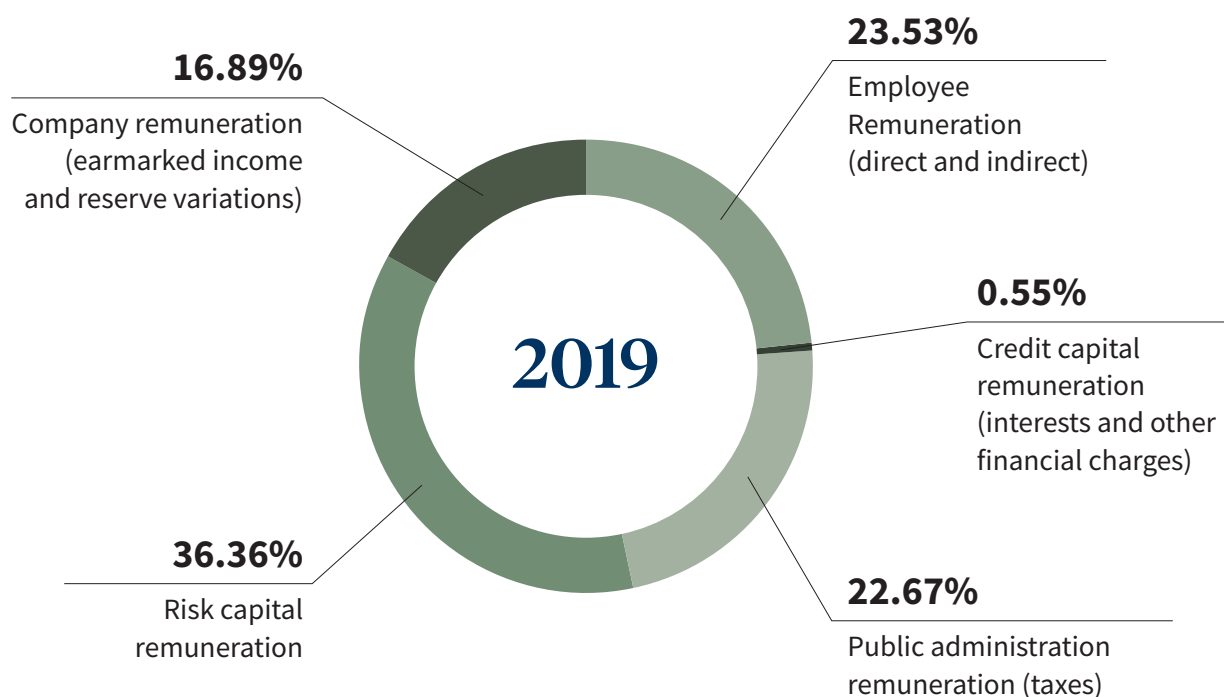
- On the employees (overall the 2019 labor cost exceeds 2018 by more than 75,000 Euros);
- On financial lenders (overall the 2019 interest and other financial charges exceeds 2018 by more than half a million Euros);
- The company itself (which sees a profit deviation for the reserves of about 2 million Euros (compared to the net value added, the income incidence was more than 6.5% in 2019 compared to 2018).

A downward inflection was also observed in the public administration remuneration through taxes.

In this regard, the 2019 financial statement outlines the fiscal consequences of the amortization of goodwill, stemming from the transfer of a business division.



## DISTRIBUTION OF THE VALUE ADDED



5

## STAKEHOLDER INCLUSIVENESS

- 5.1 Stakeholder Engagement process of the 2019 sustainability report
- 5.2 Engagement results: general outlook
- 5.3 Engagement results: relevance evaluation for strategic area and sub-network category
- 5.4 Strength points, improvement areas, and integration of the strategic field within the prospect of the stakeholders: Synthesis
- 5.5 Your feedback



# 5.1

## STAKEHOLDER ENGAGEMENT PROCESS OF THE 2019 SUSTAINABILITY REPORT

For the 2019 report, the consultation process focuses on the employees, clients, suppliers, and banks. The company developed the consultation in the summer of 2020.

It analyzed the strategic areas of the Simonelli Group and gained information and indications of the stakeholder, which are fundamental elements to examine the materiality. It also included the opinions about focus points and improvement areas about their partnership with Simonelli Group and other useful reflections to consider the different contexts where the company operates and the specific consequences. (for example, foreign markets.)

The employees gave their opinion through a written questionnaire, through a telephone interview or completing the emailed questionnaire. The employees returned 34 feedbacks, 62 by the different categories (28 with a telephone interview, and 34 through the emailed questionnaire). The company would like to make a systematic consultation and expand the interviewed classes and other future groups.

Simonelli Group thanks all the stakeholders who dedicated their time and attention to the consultation process, for their valuable viewpoints.

### STAKEHOLDER CONSULTATION: OBTAINED RESULTS

STAKEHOLDERS	FEEDBACKS
EMPLOYEES	34
CLIENTS	33
SUPPLIERS	26
BANKS	3
<b>TOTAL</b>	<b>96</b>

## 5.2

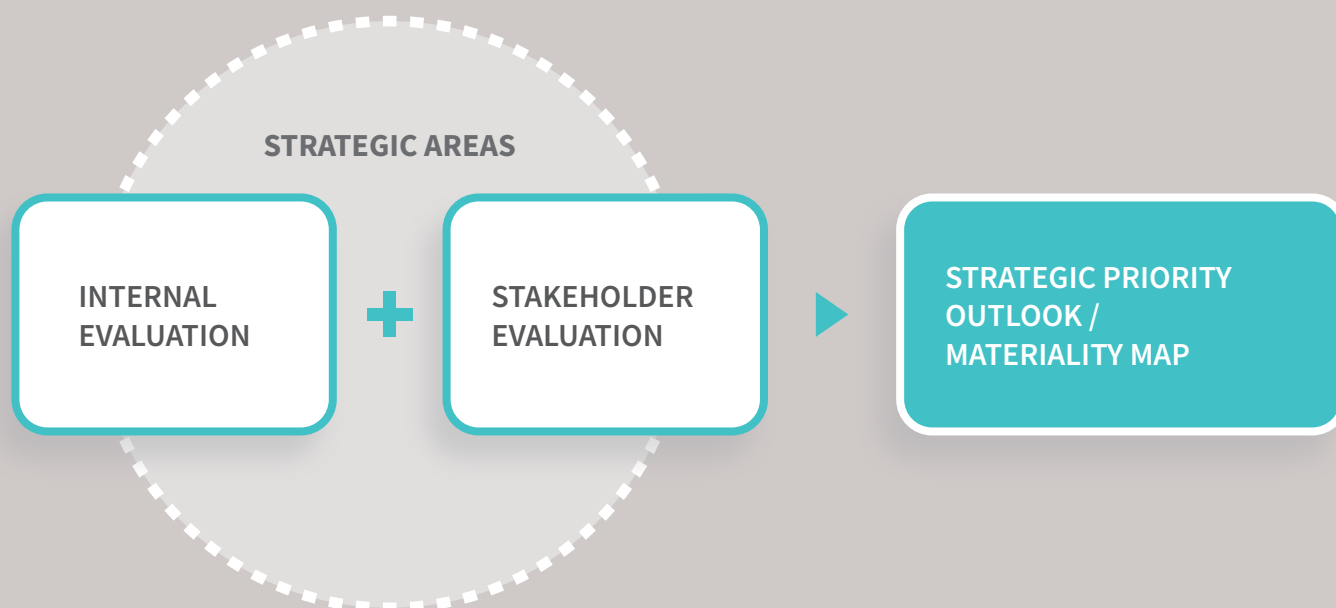
### ENGAGEMENT RESULTS: GENERAL OUTLOOK

Thanks to the deliberation of all the parts, the sustainability team obtained important feedback to evaluate the strategic areas formulated by Simonelli Group. They combined this evaluation with the internal review elaborated during the strategic analysis process.

So many ideas favored a great internal reflection and determined the company priorities that feed the materiality map. Furthermore, this feedback is considered when developing strategic processes and for future goal evaluation.

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THE STAKEHOLDER CONTRIBUTION IN THE EVALUATION PROCESS  
OF THE STRATEGIC AREAS AND PRIORITIES.



The table and graphic, based on the relevance/materiality (see below), shows the importance of the stakeholders' evaluations and the average rate.

The result is over 3.5 on a 0-5 scale, where:

0 = null;  
1 = very low;  
2 = average-low;  
3 = average-high;  
4 = very high;  
5 = max.

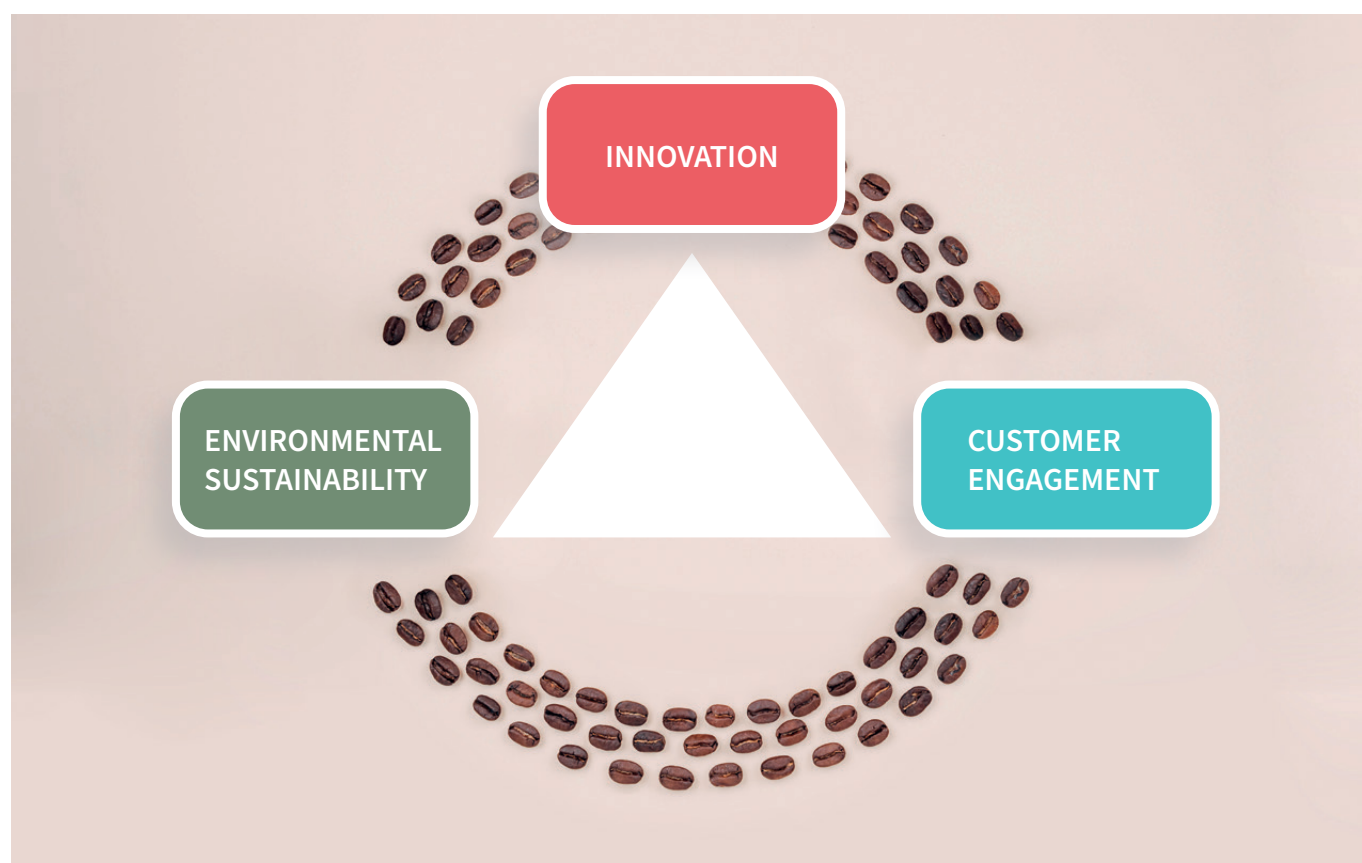
The considerable concentration around specific innovation, environmental sustainability, and customer engagement profiles emerge with evidence, impacting the general averages.

In particular, such standards are more than 4.30 for the following strategic areas.

- Expansion of the open innovation initiatives, in collaboration with research centers and external training hubs (universities, research institutes): 4.44;
- Improvement of technologies for product performance, service, and quality: 4.40;
- Development in sustainable solutions (energy consumption reduction): 4.35;
- Decreasing of the products environmental impact (LCA): 4.35;
- Implementing the customer engagement system to improve and strengthen client relationships (technical services, marketing, sales, technical and coffee education): 4.33.

The stakeholder's assessments of the strategic areas and indications were essentially centralized around innovation, sustainable, environmental, and customer engagement strategies.

## STRATEGIC FOCUSES IN A PROSPECTIVE COMPANY EVOLUTION

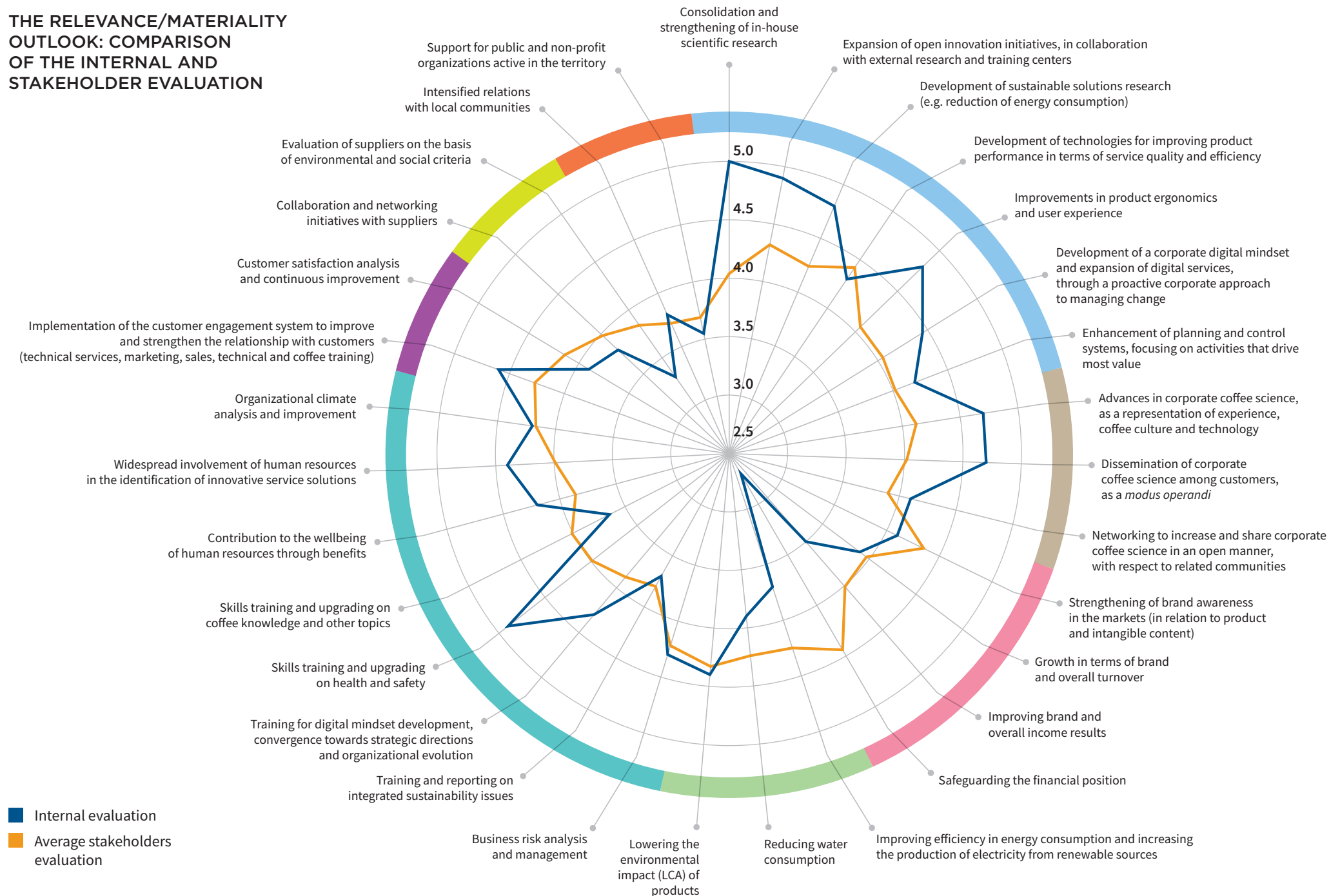




## THE RELEVANCE/MATERIALITY OUTLOOK IN THE INTERNAL AND STAKEHOLDER EVALUATION

STRATEGIC AREA	STRATEGIC AREA DETAILS	EVALUATION				
		Internal	By employees	By clients	By suppliers	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	4.04
	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
	Development of <b>sustainable solutions</b> research (e.g. reduction of energy consumption)	4.80	4.22	4.18	4.57	4.00
	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
	Improvements in product ergonomics and <b>user experience</b>	4.80	4.03	4.06	3.82	4.33
	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
	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
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
	<b>Dissemination</b> of corporate coffee science among customers, as a modus operandi	4.70	3.97	3.83	4.29	4.00
	<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
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
	<b>Growth</b> in terms of brand and overall turnover	3.90	3.94	3.73	3.86	4.33
	Improving brand and overall <b>income results</b>	3.50	4.00	3.69	4.00	4.33
	Safeguarding the <b>financial position</b>	2.70	4.22	4.15	4.41	5.00
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
	Reducing <b>water</b> consumption	3.90	4.06	3.87	4.35	4.67
	Lowering the <b>environmental impact</b> (LCA) of products	4.40	4.13	4.19	4.35	4.67
Organizational and social sustainability of stakeholder relationship:	<b>Business risk</b> analysis and management	4.30	3.58	3.96	4.35	5.00
	Training and reporting on <b>integrated sustainability</b> issues	3.70	3.44	3.68	3.73	4.33
	Training for <b>digital mindset</b> development, convergence towards strategic directions and organizational evolution	4.30	3.81	3.62	3.76	4.33
	Skills training and upgrading on <b>health and safety</b>	4.90	3.74	3.66	3.91	4.67
	Skills training and upgrading on coffee knowledge and <b>other topics</b>	3.65	3.72	3.97	3.70	4.67
	Contribution to the wellbeing of human resources through <b>benefits</b>	4.20	4.15	3.67	3.96	3.67
	Widespread <b>involvement of human resources</b> in the identification of innovative service solutions	4.40	4.21	3.69	4.04	4.00
	<b>Organizational climate</b> analysis and improvement	4.20	4.15	3.69	4.18	4.67
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
	<b>Customer satisfaction</b> analysis and continuous improvement	3.90	3.86	4.15	4.21	4.33
3. Suppliers	Collaboration and <b>networking initiatives with suppliers</b>	3.80	3.47	3.83	4.29	4.33
	<b>Evaluation of suppliers</b> on the basis of environmental and social criteria	3.30	3.60	3.70	4.04	4.00
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
	<b>Support</b> for public and non-profit organizations active in the territory	3.55	3.52	3.21	3.70	4.33
MAX		5.00	4.30	4.31	4.58	5.00
MIN		2.70	3.44	3.21	3.70	3.67
AVERAGE		4.15	3.93	3.88	4.11	4.39

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



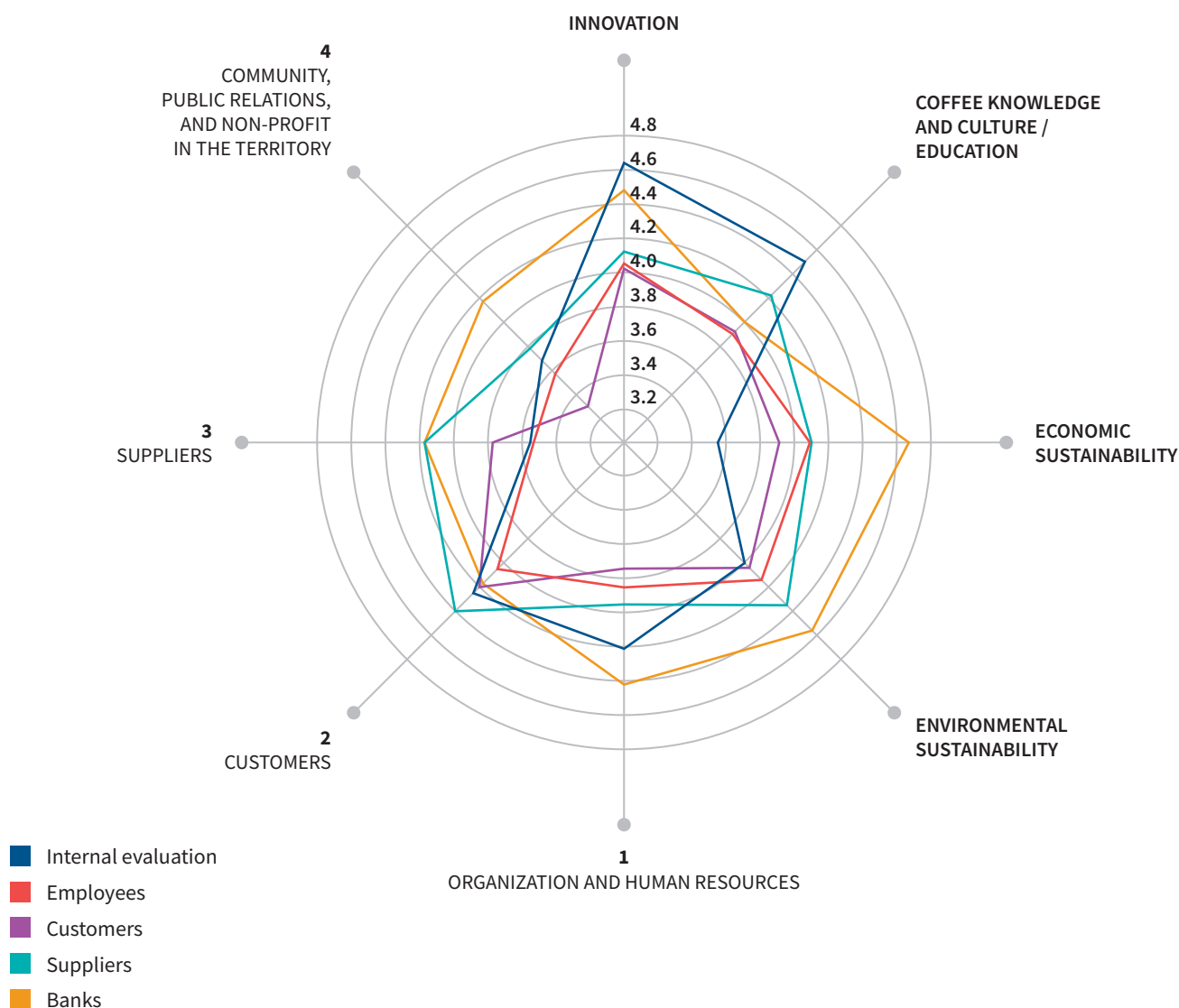
## 5.3

### ENGAGEMENT RESULTS: RELEVANCE EVALUATION FOR STRATEGIC AREA AND STAKEHOLDER CATEGORY

The stakeholders' convergence encompassing **innovation**, **environmental**, and **client** service areas (see graphic below) shows relevant and distinct evaluations of the strategic scopes and stakeholder categories.

It is seen that 4 out of 5 areas are averagely expressed with an evaluation above the medium (see the comparative table).

#### RELEVANCE EVALUATION FOR STRATEGIC AREA AND STAKEHOLDER CATEGORY



## EVALUATIONS ABOVE (IN BOLD) AND BELOW THE AVERAGE

AREAS	AVERAGE EVALUATIONS				
	internal	by employees	by clients	by suppliers	by banks
Innovation	<b>4.64</b>	<b>4.05</b>	<b>4.02</b>	4.12	<b>4.48</b>
Coffee knowledge and culture / Education	<b>4.50</b>	3.90	<b>3.92</b>	<b>4.22</b>	4.00
Economic sustainability	3.55	<b>4.09</b>	<b>3.91</b>	4.10	<b>4.67</b>
Environmental sustainability	4.00	<b>4.14</b>	<b>4.04</b>	<b>4.35</b>	<b>4.56</b>
Organization and social sustainability of stakeholder relationships:					
1. Organization and human resources	<b>4.21</b>	3.85	3.74	3.95	<b>4.42</b>
2. Customers	<b>4.25</b>	<b>4.05</b>	<b>4.20</b>	<b>4.40</b>	4.17
3. Suppliers	3.55	3.53	3.77	<b>4.17</b>	4.17
4. Community, public relations, and non-profit in the territory	3.68	3.57	3.30	3.78	4.17
AVERAGE FOR STAKEHOLDER CATEGORY	<b>4.05</b>	<b>3.90</b>	<b>3.86</b>	<b>4.14</b>	<b>4.33</b>

■ Minimum value for each stakeholder category.

■ Maximum value for each stakeholder category.

## 5.4

### STRENGTH POINTS, IMPROVEMENT AREAS, AND INTEGRATION OF THE STRATEGIC FIELD WITHIN THE PROSPECT OF THE STAKEHOLDERS: SYNTHESIS

As mentioned above, the deliberation revealed the importance of the strategic areas but also:

**A** - The opinion of the Groups strength points and improvement areas regarding the client-company relationship;

**B** - Stakeholder indications of other priorities and useful considerations.

Below, a summary of points **a** and **b**.

#### EMPLOYEE CONSIDERATIONS

STRENGTH POINTS	IMPROVEMENT AREAS	INTEGRATION OF STRATEGIC AREAS
<ul style="list-style-type: none"> <li>• Stable business.</li> <li>• Inclusiveness.</li> <li>• Availability.</li> <li>• Innovation 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 fully respecting one another).</li> <li>• Organization and flexibility.</li> <li>• Production process aspects.</li> <li>• Environmental profiles.</li> </ul>	<ul style="list-style-type: none"> <li>• Involvement.</li> <li>• Flexibility.</li> <li>• Smart working.</li> <li>• Environment safeguarding.</li> </ul>



## CLIENT CONSIDERATIONS

STRENGTH POINTS	IMPROVEMENT AREAS	INTEGRATION OF STRATEGIC AREAS
<ul style="list-style-type: none"> <li>• Innovation.</li> <li>• A long-run vision.</li> <li>• Flexibility.</li> <li>• Closeness.</li> <li>• Team and values.</li> <li>• Partnership capability.</li> <li>• Quality.</li> <li>• Isack platform.</li> </ul>	<ul style="list-style-type: none"> <li>• Client service responsiveness.</li> <li>• Managerial approach and intervention to client service assertiveness.</li> <li>• Marketing activities.</li> <li>• Expansion of the product range.</li> <li>• The launching of new models.</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental impact reduction.</li> <li>• Improvement in the supply chain and erp systems.</li> <li>• Increase response assertiveness.</li> <li>• More client confrontation.</li> <li>• Listening to the client.</li> </ul>

## SUPPLIER CONSIDERATIONS

STRENGTH POINTS	IMPROVEMENT AREAS	INTEGRATION OF STRATEGIC AREAS
<ul style="list-style-type: none"> <li>• Stable business.</li> <li>• Relationship continuity.</li> <li>• Reliability.</li> <li>• Capability to share knowledge.</li> <li>• Open to new ideas.</li> <li>• Relation capacity.</li> <li>• Technical skills.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase confrontation between the company and suppliers.</li> <li>• A more intense involvement of the suppliers regarding product politics.</li> <li>• Collaboration for an integrated approach to sustainability.</li> <li>• Computerization.</li> <li>• Rapid decision making.</li> </ul>	<ul style="list-style-type: none"> <li>• More confrontation opportunities between company and supplier.</li> <li>• Coffee consumer education and coffee culture.</li> <li>• Environmental collaboration.</li> <li>• Certifications.</li> </ul>

## BANK CONSIDERATIONS

STRENGTH POINTS	IMPROVEMENT AREAS	INTEGRATION OF STRATEGIC AREAS
<ul style="list-style-type: none"> <li>• Absolute reliability.</li> <li>• Reputation.</li> <li>• Correctiveness.</li> <li>• Always open to dialogue.</li> <li>• Organizational balance.</li> <li>• Clarity in sales strategies and brands.</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluation of financial partners based on the quality and speed other than costs.</li> <li>• Gives attention to some closing profiles in the territory.</li> <li>• Strategic evaluation in the global market.</li> </ul>	<ul style="list-style-type: none"> <li>• Further attention to the territory.</li> <li>• Sharing of financial needs.</li> <li>• Reflection on strategic partnerships.</li> </ul>

## 5.5

### YOUR FEEDBACK

We invite you to communicate your ideas and questions about this report and our activity in general. Understanding our stakeholder's perspectives is fundamental for our improvement path.

We thank you for your time and attention and for all the thoughts you will share with us in the future.

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## APPROVALS

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