



Sustainability Report

Consolidated disclosure of non-financial information
in accordance with Italian Legislative Decree 254/2016

2018



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The consolidated disclosure of non-financial information has been translated from the original Italian into English solely for the convenience of international readers.

Contents

Letter from the Chairman	4
IMA Group	6
Who we are	6
Our values and philosophy.....	11
Economic performance: value creation for stakeholders	13
Governance of the Group	15
IMA's commitment to business integrity	18
Sustainability strategy	22
The non-financial issues relevant for IMA	25
Analysis of non-financial risk and management methods	28
Listening to stakeholders	31
End-users – Customers and markets	34
Global policy for product quality and liability	34
Innovation, research and development.....	37
Quality.....	41
End-user satisfaction	44
The Supply Chain	47
Custom designed component suppliers.....	50
Catalogue-component manufacturing suppliers.....	51
Relationship with suppliers of goods and services	52
Qualification and monitoring of suppliers	53
IMA's people	56
Global policy on responsible management of people	56
IMA and respect for human rights	57
Employee management model.....	58
Composition and characteristics of employees.....	58
Contractual matters and industrial relations.....	63
Health and safety.....	65
Personnel training and development.....	68
Equal opportunity.....	70

Local community engagement	73
Global policy for communities and the development of knowledge	73
Community support initiatives.....	73
Relations with trade and sector associations.....	81
Environmental sustainability	84
Global environmental policy.....	84
Environmental management and risk management systems.....	85
Energy management.....	86
Carbon footprint and greenhouse gas emissions.....	90
Waste management	92
Methodological note	95
GRI Content Index	100
Independent auditors' report	103

Letter from the Chairman

2018 was another year of considerable satisfaction for the IMA Group: we achieved excellent results, thanks to the high quality of the solutions and services provided to our customers, while always maintaining respect for all our stakeholders. We strengthened our leadership thanks to a development policy that combined organic and external growth. This was bolstered by an industrial strategy based on responsible and prudent development in operational management and innovation, which led to the acquisition of new market shares.

IMA intends to take on more and more of a leading role in the world of industrial automation and digitisation, maintaining sustainability as a guiding light when making strategic decisions. The creation of economic value is led by a vision of future development based on sustainability, as a shared and essential value for coping with global challenges.

In fact, sustainability accompanies innovation: in both the production process and the products. Within the new concept of "**Smart Manufacturing**", which involves responsible use of digital technologies in the manufacturing sector, we are investing in solutions such as Additive Manufacturing, IoT, Cloud, Big Data, Collaborative Robotics, advanced automation and artificial intelligence. **IMA Digital** summarises our efforts for a 4.0 that considers the need to combine, say, innovation and job protection. Remembering the need to balance technological growth and access to new languages that can generate outcasts.

Business, environment, society and work are the pillars of a strong bond that unites IMA with the territories in which it operates, and there are many exchanges, partnerships and joint projects in various fields: cultural, social and educational. In particular, IMA actively supports **technical and scientific training**, which is necessary to remain competitive in global markets.

And it is thanks to the knowledge gained through highly work-oriented study courses that younger generations will manage to cope successfully with changes in the world of labour.

2018 marks the 7th edition of our Sustainability Report which bears witness, once again, to our belief in accountability to all of our stakeholders. We have **new Group companies** around the world that are now involved in the reporting process and **several new locations** obtained **environmental certification** during 2018: a path that is gradual, but we feel duty-bound to take it and will continue to do so.

But our real strength, like that of any business, lies in our **People**: we implement a global policy for responsible management of our human capital with the aim of protecting and strengthening it, building a culture of responsibility and respect. Proof of this is IMA's recent recognition as a "**Top Employer**", as well as the "Breaking the glass ceiling" project, by which we encourage the presence of women in positions of responsibility.

In 2018, our People in the various Group offices contributed to IMA's growth, and not only in terms of production and turnover.

In this Sustainability Report you will find non-financial data and information that give an account of the economic, social and environmental results of IMA around the world.

I hope you enjoy reading this report. I look forward to receiving any comments from anyone interested in sending them to me, for whatever reason.

The Chairman
Alberto Vacchi

IMA Group

Who we are

THE IMA GROUP IN BRIEF

- Consolidated sales in 2018: **1,500.4 million euros**
- Share capital (fully paid-in): **20,415,200 euros**
- Employees: more than **5,600**, of whom around 58% in Italy and 42% in the rest of the world
- **39 manufacturing plants** in Italy, Germany, Switzerland, UK, USA, India, Malaysia, China and Argentina
- Extensive sales network covering about **80 countries**

Established in 1961, IMA today is world leader in the design and manufacture of automatic machines for the processing and packaging of pharmaceuticals, cosmetics, food, tea and coffee.

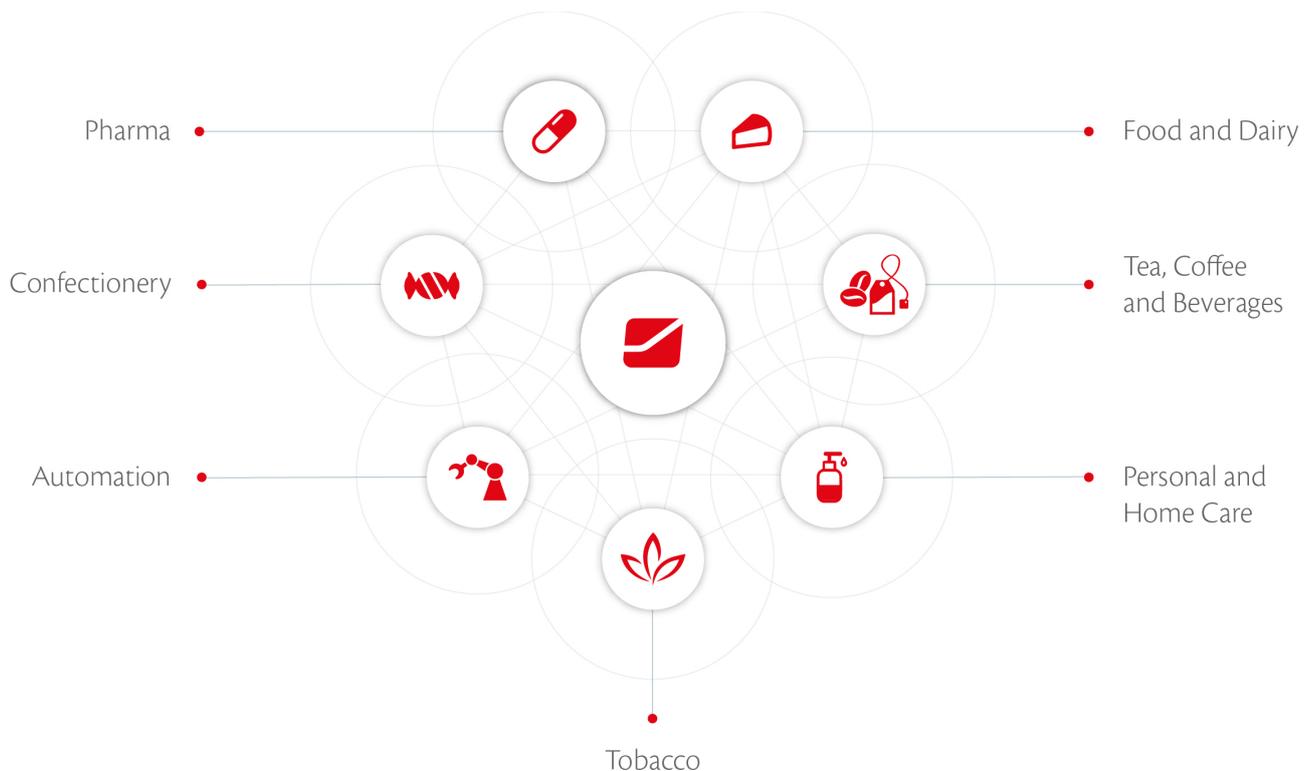
A leadership gained through significant investments in research and development, constant and constructive dialogue with end-users in the various sectors, and the Group's ability to internationalise and conquer new markets. The Group ended **2018 with consolidated revenue** of 1,500.4 million euros (+13.6% on 2017), of which 88% is from exports.

The Group chaired by Alberto Vacchi has over **5,600 employees**, including **around 58% in Italy** and **42% abroad**, and is present in about **80 countries**, supported by a network of 29 branches offering sale and post-sale services in Italy, Switzerland, UK, Germany, Austria, Spain, Poland, Israel, Russia, USA, India, China, Malaysia, Thailand and Brazil, representative offices in Central and Eastern Europe and more than 50 agencies. The Group has **39 manufacturing plants in Italy, Germany, Switzerland, UK, USA, India, Malaysia, China and Argentina.**

IMA S.p.A. has been listed on the Milan Stock Exchange since 1995 and in 2001 it joined the STAR segment. The IMA Group holds **1,700** patents and patent applications pending throughout the world; it has more than 500 engineers involved in product innovation and has launched several new models in recent years.

Over the 50 years that it has been in business, the Group has built up highly qualifying values such as experience, reliability, an extensive presence in the global market and a high capacity to respond to the requests of end-users; values that allow it to be able to propose innovative solutions as well as high quality products.

THE IMA GROUP: AN INTEGRATED ECOSYSTEM



IMA Group's main lines of business:

PHARMA

IMA is world leader in the design and manufacture of **automatic machines for the processing and packaging of pharmaceuticals**, thanks to **three highly specialised divisions: IMA ACTIVE** (Solid Dose Solutions), **IMA LIFE** (Aseptic Processing & Freeze Drying Solutions) and **IMA SAFE** (Packaging Solutions).

The **IMA ACTIVE** division offers a complete range of machines for processing and manufacturing solid oral products: granulation plant, tableting machines, capsule filling machines with a wide

range of filling and control systems, capsule and tablet coating machines in perforated coating pan and solid wall, capsule and tablet weighing machines, product handling and washing systems.

The **IMA LIFE** division offers machines for washing and sterilizing pharmaceutical bottles, filling and closing systems for bottles, vials and syringes in aseptic environment, including complete lines in isotecnia and containment systems, filling and closing systems for the pharmaceutical and cosmetic sectors, microdosing machines for powders in aseptic environment, and freeze-drying systems, which can be combined with a wide range of loading and unloading systems. IMA LIFE also offers labelling machines, blowing/vacuuming machines, case-packing machines and tray-packing machines.

The **IMA SAFE** division, which includes the production of IMA SAFE Swiftpack, IMA North America (IMA SAFE Nova), IMA SAFE Co.ma.di.s. and IMA SAFE PG, designs and manufactures complete lines for primary and secondary packaging for the pharmaceutical, nutraceutical and cosmetic industries. In particular IMA SAFE supplies a complete range of blistering machines, counters for capsules and tablets, tube fillers, deep thermoforming machines, horizontal and vertical cartoning machines, as well as complete end-of-line solutions for the pharmaceutical industry, designed thanks to the IMA BFB division, which specialises in this area. In collaboration with Universal Pack, IMA SAFE also offers complete lines for packaging in thermo-sealed single-dose bags and stick packs.

FOOD & DAIRY

In the **FOOD & DAIRY** market IMA is present with **BENHIL**, **CORAZZA**, **FILLSHAPE** and **HASSIA INDIA**, companies that design, produce and market individual machines, as well as complete packaging lines.

BENHIL and **CORAZZA** create dosing and packaging solutions for melted, fresh and cream cheese, pressed and paste stock cubes, butter, margarine and yeast.

FILLSHAPE offers machines and innovative lines for filling pouches and cups with liquid and viscous products.

HASSIA INDIA offers vertical packaging solutions in flexible packaging (bags, sachets and flow-packs) and machines for dosing and filling cups.

TEA

IMA is world leader in the design and production of **automatic machines for the packaging of tea** (a sector in which **IMA holds 70% of the world market**). The **IMA TEA & HERBS** division, together with **IMA Maisa** (Argentina) and **Revisioni Industriali S.r.l.**, offers the broadest and most sophisticated range of machines for the packaging of tea and herbal teas in filter bags.

COFFEE

IMA now has a cluster specifically dedicated to the design and production of automatic systems and machines for **processing and packaging coffee**.

IMA COFFEE is the synthesis of the specialisation, experience and know-how of each individual unit that makes it up; one that is able to serve the coffee industry from A to Z.

CONFECTIONERY

IMA ACTIVE, GIMA, SAFE, BFB and EUROSICMA are the brands that make IMA a reference company for the design and production of automatic machines for processing and packaging in the **Confectionery** market. IMA covers all of the various production sectors of this market, making it able to supply complete and customised lines.

For the process, IMA produces machines for powder handling, granulation, compression, coating and pelleting. It handles primary packaging with blister packers, wrapping machines, candy fillers, pellets and dried fruit in any kind of package, including flowpack. For secondary packaging, IMA produces capping machines, display boxes and wrapping machines, as well as end-of-line case packers and palletisers.

PERSONAL CARE

IMA offers complete packaging solutions in the **Beauty and Personal Care** market. This particular market requires the utmost attention and delicacy when processing the product, also at high speeds. IMA produces filling machines for creams and lotions in flexible tubes, jars and bottles, cartoning machines suitable for feeding extremely delicate and irregularly shaped products, wrapping machines, tray fillers and end-of-line machines for packaging and final shipping. The IMA brands that design, produce and market machines for this market are **IMA BFB, LIFE, FILLSHAPE, ILAPAK, GIMA and SAFE**.

AUTOMATION

IMA AUTOMATION is the business unit of IMA made up of five leading companies in the assembly market. IMA AUTOMATION produces advanced technological solutions for the assembly of products used in various fields of application, including **medical devices** (inhalers, insulin pens, contact lenses, etc.), **caps** composed of two or more components (both for the food & beverage sector and for the personal & home care sector), clutches and other components for the **automotive** market.

ILAPAK, DELTA SYSTEMS AND TEKNOWEB

ILAPAK, world leader in the production of automatic packaging machines, is able to meet any packaging requirement with flexible film, thanks to its wide range of solutions: vertical and horizontal packaging, modified atmosphere, sachets, product handling and even fully automated lines. This sector also includes **DELTA SYSTEMS** (producer of lines for automatic packaging composed of HFFS-type horizontal machines and product feeding systems) and **TEKNOWEB** (producer of machines for the production of disposable wet wipes).

TOBACCO

GIMA TT is leader in the design and assembly of electronic automatic packaging machines for tobacco products and, in particular, new-generation reduced-risk products.

GROUP STRUCTURE

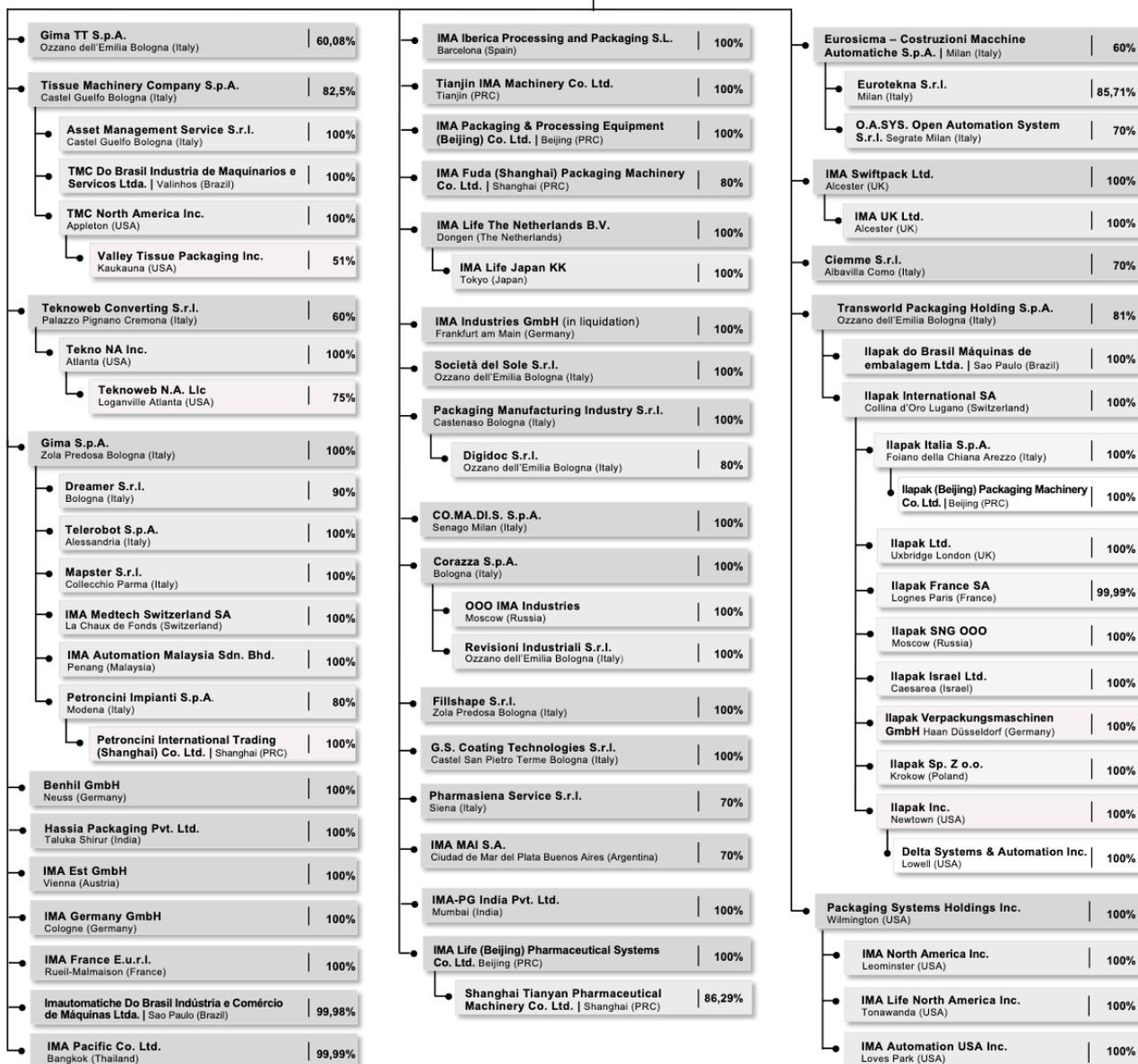
The entire product range is sold and serviced by marketing companies that cover specific geographical areas, and by an extensive network of agents covering other areas.

The IMA Group, which is controlled by the operating holding company IMA S.p.A., operates through four macro-groups of companies:

- **Manufacturing and service companies**
- **Marketing companies**
- **Holding companies**
- **Other companies**



Industria Macchine Automatiche S.p.A.
 Registered Office
 Via Emilia, 428/442
 40060 Ozzano dell'Emilia, Bologna (Italy)



Our values and philosophy

Remarkable growth has led IMA to compete in many international scenarios that are in constant evolution. The versatility of the context in which IMA works means that it has to reaffirm and implement its own culture, making explicit the values to which it aspires, together with the responsibilities that the Group intends to assume both internally and externally.

IMA'S VISION AND MISSION

IMA is well aware of its skill and ability in the multi-disciplinary design and manufacture of complex machinery and equipment. These skills have been inherited from those developed locally over the past seven centuries. It is also aware of the potential for innovation and service made up of the rich network of subcontractors and manufacturers of components that the Group has managed to create in over fifty years of business.

IMA maintains constant contact with producers in the food, pharmaceuticals, cosmetics and nutraceuticals sectors, understanding their production needs and preparing for them in good time. The objective is to increase the quality of production and the products made while reducing the related costs, all in compliance with local and international standards, including those on safety and the environment.

Having correctly identified its true potential and developed products and services for its end-users, IMA has achieved a leading position on international markets and now intends to strengthen its leadership by investing in technologies that will improve the quality of life on the planet in the future, reducing food waste, ensuring that people around the world have greater access to increasingly effective drugs, while having more and more respect for the environment. Through the work of its men and women, a company aims to create wealth and well-being, interacting with the social and natural environment. In other words, it cannot be oriented solely towards the pursuit of profit; instead, it has to be imbued with the values and principles inspired by corporate social responsibility and sustainability.

In particular, IMA's values are:

- **Legality**
- **Integrity**
- **Dignity**
- **Equality**
- **Loyalty**
- **Sustainability**
- **Sociability**

CODE OF ETHICS

It represents the Company's "Constitutional Charter", which sets out the ethical and social responsibility of all participants in IMA's entrepreneurial organization. It is an important instrument for implementing ethics both inside the company, ensuring fair and effective management of transactions and human relations, and outside the company, maintaining its reputation.

To ensure that all employees share the ethical principles of the code and observe its recommendations, the full Code of Ethics is handed out to all new employees along with their employment contract. IMA also sends the Code of Ethics to its suppliers with an invitation to base its trade relations to the highest ethical standards.

Economic performance: value creation for stakeholders

The IMA Group has closed 2018 with **consolidated revenue** of 1,500.4 million euros, an increase of 13.6% compared with 1,320.2 million at 31 December 2017.

Gross operating profit (EBITDA) before non-recurring charges shows a significant increase to 260 million euros (+16% compared with 224.1 million at 31 December 2017), **gross operating profit (EBITDA)** increases to 253.6 million euros (+15.9% compared with 218.8 million at 31 December 2017) and the **consolidated backlog** reaches 941.5 million euros (+16.7% compared with 806.8 million at 31 December 2017). The IMA Group's **net debt** at 31 December 2018 amounts to 184.6 million euros (50.1 million at 31 December 2017).

CONSOLIDATED RESULTS AT 31 DECEMBER¹ (Amounts stated in millions of €)

MILLIONS OF EUROS	2017 (Restated)	2018
Revenue	1,320.20	1,500.37
Gross operating profit (EBITDA) before non-recurring charges	224.14	259.98
Gross operating profit (EBITDA)	218.77	253.63
Operating profit (EBIT)	185.81	210.06
Total net profit for the year	99.4	124.59
Group backlog	806.75	941.53
Net debt	(50.05)	184.58

¹The figures for 2017 (published revenue of 1,444.7 million euros and EBITDA of 207.3 million euros) were restated following the sale of 60% of the investment in IMA Dairy & Food Holding GmbH in 2018.

ECONOMIC VALUE GENERATED AND DISTRIBUTED

The economic value generated and distributed represents the ability of a company to create wealth and to share it among its stakeholders. In 2018 the IMA Group generated an economic value of **1.555 billion euros** (+16% on 2017). The economic value distributed by the Group amounted to **1.356 billion euros** (+14% on 2017). 87% of the economic value produced by the Group was distributed to stakeholders, both internal and external, and the remaining 13% was retained in the Company.

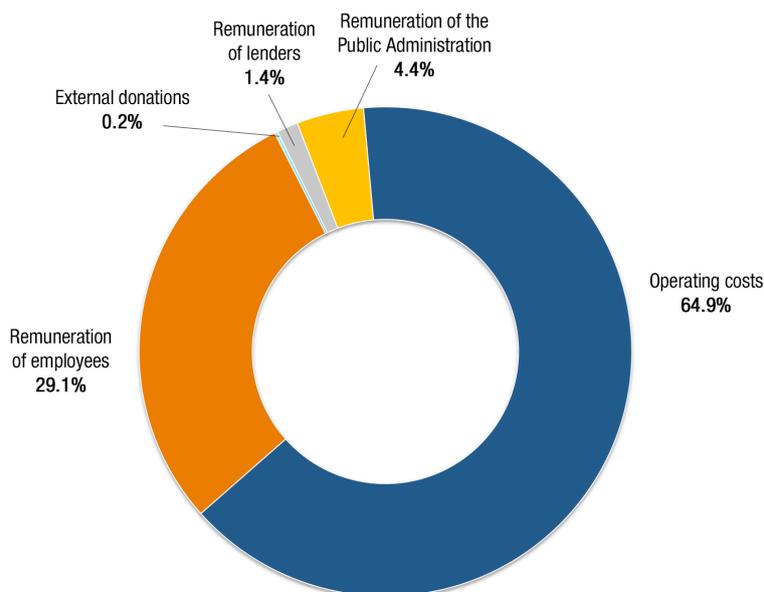
Economic value distributed reflects the IMA Group's ability to generate wealth during the period, for the benefit of some of the main stakeholders, in accordance with the cost efficiency of operations and the expectations of the stakeholders: the two main items are represented by suppliers (operating costs), with 65% of the economic value distributed, and by IMA's employees, with 29%.

THOUSANDS OF EUROS	2017 ²	2018
Economic value generated	1,345,034	1,555,581
Economic value distributed	1,191,446	1,356,075
Operating costs	760,509	880,198
Value distributed to employees	362,022	394,610
Value distributed to the Public Administration	54,686	59,703
Value distributed to the community	1,960	2,067
Value distributed to lenders	12,269	19,497
Economic value retained	153,588	199,506

Economic value retained is calculated as the difference between the economic value generated and the amount distributed: among the other items, it includes amortisation and depreciation, deferred taxes and the result for the year.

² The figures for 2017 (economic value generated of 1.471 billion euros, economic value distributed of 1.329 billion euros and economic value retained of 142 million euros) were restated following the sale of 60% of the investment in IMA Dairy & Food Holding GmbH in 2018.

ECONOMIC VALUE DISTRIBUTED 2018



The IMA Group regularly communicates and disseminates its financial results through:

- publication of **press releases** and **company information** on the Borsa Italiana circuit, on the Parent Company's website and subsequent dissemination to the **press** and the **financial community**;
- organization of **meetings with the financial community** and participation in **roadshows and conferences organized by brokers**;
- organization of **meetings with the press** on the occasion of significant corporate events and operations.

For further information on the Group's performance and on its financial position, reference should be made to the Group's consolidated financial statements.

Governance of the Group

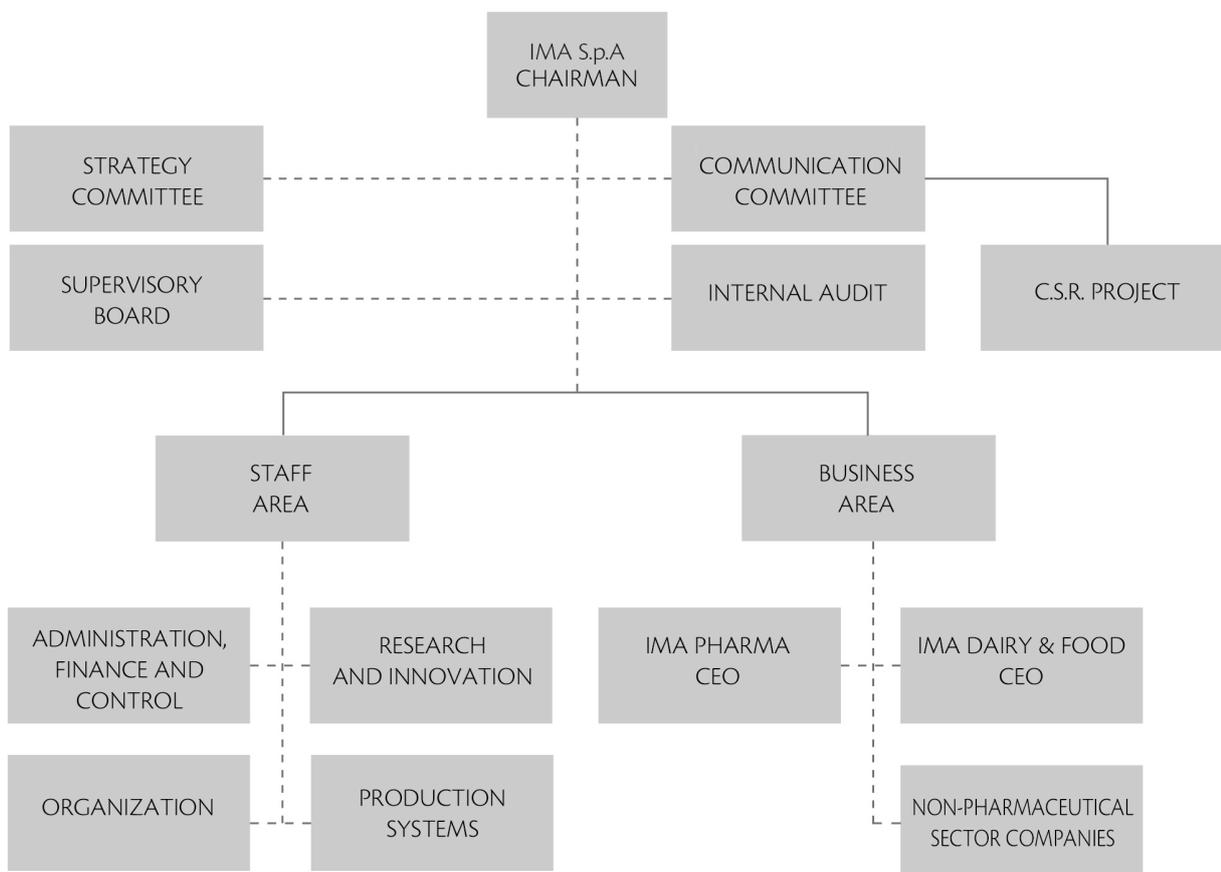
To ensure more transparency and efficiency in its corporate governance, to protect shareholders, investors and all stakeholders, IMA S.p.A. follows the recommendations and rules contained in the Code of Conduct for Listed Companies for the definition of its Corporate Governance structure.

IMA S.p.A. adopts the traditional system of administration and control, having as its main bodies:

- the Board of Directors;
- the Board of Statutory Auditors;
- the Shareholders' Meeting.

The organizational structure of IMA S.p.A. is based on the integrated management of business processes according to the rules laid down by certified management systems. The Company's organization chart is structured on the basis of the production and commercial divisions that characterise the business.

THE GENERAL ORGANIZATION CHART OF IMA S.P.A. IS AS FOLLOWS³:



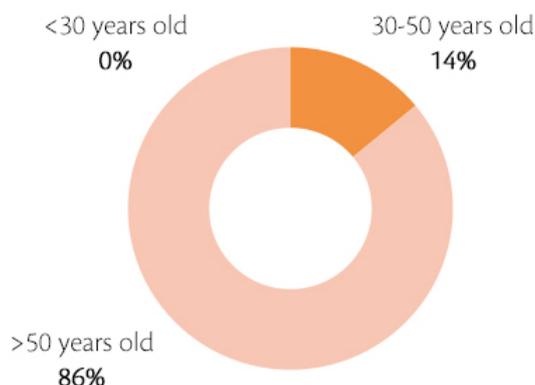
The IMA Group is audited by a firm of independent auditors.

CORPORATE BOARDS OF IMA S.p.A.

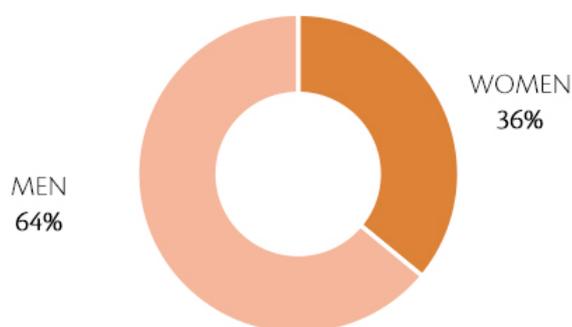
The Board of Directors of IMA S.p.A., in office until the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2020, consists of **14 members**, including 4 independent and 6 non-executive directors. The rules on gender quotas were applied when electing the Board.

³ Situation at 20/12/2018, after the sale of the IMA Dairy & Food companies.

COMPOSITION OF THE BOARD OF DIRECTORS BY AGE



COMPOSITION OF THE BOARD OF DIRECTORS BY GENDER



The **Board of Statutory Auditors**, consisting of 3 Standing Auditors and three Alternate Auditors, will remain in office until the Shareholders' Meeting called to approve the financial statements for the year ended 31 December 2018; the rules on gender quotas were also applied in this case.

The **Board of Directors** includes the Internal Control, Risk and Related-Party Transactions Committee, made up of 3 independent Directors, as well as the Nominations and Remuneration Committee, made up of two independent Directors (including the Chairman of the Committee) and a non-executive Director.

The **Supervisory Board** consists of three members.

→ For further information on the administration and control bodies of IMA S.p.A., please refer to the Investor Relations section of www.ima.it, where the Corporate Governance Report can be downloaded.

IMA's commitment to business integrity

One of the key factors of IMA's reputation is the ability to carry on its business with integrity, transparency, legality, impartiality, prudence and in compliance with laws, regulations and guidelines on social responsibility.

The key concept of IMA's approach to sustainability is **transparent governance**, with which the Company intends to manage the impact of its decisions and activities with a sense of responsibility, gradually introducing CSR to the entire organization and incorporating it into all of its dealings. Transparency is understood as being towards all stakeholders and should inspire socially responsible conduct that leads to sustainable development.

Within IMA's organization, the **Code of Ethics** is the point of reference for the definition and implementation of management policies in the various reporting areas; its use allows IMA to define the ethical and social responsibilities of its members and stakeholders and the rules of conduct that those who work for the Group and on its behalf have to comply with. The ability to apply the principles of the Code of Ethics is recognized by IMA as a fundamental value on which to base its corporate mission.

IMA considers the **fight against bribery and corruption** an indispensable commitment: under no circumstances can the pursuit of the Company's interest or advantage at Group level justify unethical, dishonest or unlawful conduct. It is illegal for IMA's staff, business partners or anyone else who carries on activities for or on behalf of the Company and the Group to promise, offer, pay or accept, directly or indirectly, money or other benefits with a view to obtaining or maintaining a deal and securing an unfair advantage by means of conduct on the part of public and private counterparties that is contrary to the duties of their profession or office.

This objective is pursued through various actions, including:

- identification of the areas where corruption is a risk and integration of IMA's broader regulatory compliance program to combat it;
- maintenance and development, for companies with registered offices in Italy, of the Organization and Control Model pursuant to Legislative Decree 231/2001, which also regulates the anti-corruption issue; in 2018, the update of the Model of the Parent Company IMA S.p.A. was approved by the Board of Directors by resolution dated 14 November 2018;
- training for its employees and representatives on the actions to be taken to combat the risk of corruption;

- responsible involvement of the staff to strengthen the effectiveness and ethical reputation of IMA.

During 2018, there were no episodes of corruption (reports to the Supervisory Board nor were there sanctions in this area by the judicial authorities).

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Internal Control and Risk Management System adopted by IMA makes it possible, through an adequate process of identification, measurement, management and monitoring of the main risks, to ensure sound and fair management of the Company consistent with the objectives of sustainable development of the business. This process includes the system for managing risks associated with financial reporting, which complies with regulations on Corporate Governance in force in Italy, including:

- Legislative Decree 231/2001 on the "Administrative liability of legal persons of companies and associations with or without legal personality";
- Law 262/2005 ("Savings Law");
- Code of Conduct prepared by the Corporate Governance Committee of Borsa Italiana S.p.A.

IMA also made reference to international best practice and adopted the "CoSO Report - Internal Control-Integrated Framework".

The key players in the Internal Control and Risk Management System are:

- the Board of Directors;
- the Internal Control, Risk and Related-Party Transactions Committee⁴;
- the Board of Statutory Auditors;
- the Independent Auditors;
- the Supervisory Board;
- the Group Internal Audit function;
- the Manager responsible for preparing financial reports as per Art. 154-bis of the CFA.

⁴ In this regard, it should be noted that at the Board meeting of 15 May 2018, following the renewal of the Board of Directors, which took place on 27 April 2018 as per the resolution of the Shareholders' Meeting on the same date, IMA replaced the Single Committee with an Internal Control, Risk and Related-Party Transactions Committee pursuant to art. 7 of the Code of Conduct, made up of three independent directors. The Board also approved the regulation for the functioning of this committee, which was entrusted with the functions, tasks and powers of the Related-Party Transactions Committee; and a Nominations and Remuneration Committee, pursuant to articles 5 and 6 of the Code of Conduct, which is made up of three non-executive directors, two of whom are independent.

The **Supervisory Board** supervises the operation, effectiveness and compliance with the Organizational Model for corporate crime prevention, with the aim of preventing the crimes from which administrative liability for IMA S.p.A. could derive, pursuant to the provisions of Legislative Decree 231/2001 (such as corruption, false corporate communications, exploitation of persons, etc.). As regards Italy, the following companies of the IMA Group applied an organizational model as per Law 231 ("231 MOGC") in 2018 :

• IMA S.p.A.
• GIMA S.p.A.
• CORAZZA S.p.A.
• COMADIS S.p.A.
• REVISIONI INDUSTRIALI S.r.l.
• PHARMASIENA S.r.l.
• GIMA TT S.p.A.
• FILLSHAPE S.r.l. (merged with IMA S.p.A. on 31/12/2018)
• ILAPAK ITALIA S.p.A.

The **Code of Ethics**, which is valid for the entire Group, is also applied by the above mentioned companies to complete the Management and Control Model, MOGC 231. It spells out the ethical commitments and responsibilities of directors, employees and collaborators in the conduct of business and corporate activities. It also provides a confidential channel to prevent or report any behaviour contrary to the Code.

In 2018, the Supervisory Board received 207 reports to do with the current organizational procedures through its dedicated e-mail address and implemented the follow-up procedures laid down in the 231 Model. During the year there were no cases of disputes opened as a result of reports relating to matters governed by the Code of Ethics and the 231 Model. The "Investor Relations" section of the website contains detailed information on corporate, economic and financial matters of interest to shareholders, investors, analysts and the press. An Investor Relations Manager has been identified within the corporate structure, who is responsible for handling relations with the financial community both nationally and internationally and with all of the shareholders.

TRAINING FOR THE PERSONNEL OF THE ITALIAN COMPANIES ON THE "231" ORGANIZATION, MANAGEMENT AND CONTROL MODEL

IMA has included specific classroom sessions on matters associated with Legislative Decree 231/01 and Law 262/05 in the training program for new recruits, dedicating particular attention to the system of internal control.

Classroom training in 2018 involved 240 employees of IMA and other Group companies for a total of 230 hours.

Again in 2018, 611 employees had courses for a total of 614 hours through the e-learning platform for training on Legislative Decree 231/01.

The **Risk Assessment** activity during the updating of the 231 MOGC was carried out by identifying the risks and the areas most exposed to the commission of the predicate offences envisaged by law 231, including the crime of corruption, according to a risk-based approach, i.e. taking into consideration the so-called "inherent risk" or "potential risk" of offences being committed.

Once this risk was defined in the context of Sensitive Activities, the Company's current "Internal Control System" was assessed in order to establish its level of adequacy, so as to reduce the risk to an acceptable level.

In general, the outcome of the mapping activity confirmed that IMA is standardizing its procedures for monitoring the areas at risk of crime in accordance with the general principles that characterise an efficient internal control system, as indicated above. Specifically, the residual risk assessed in terms of corruption was mostly medium level.

As regards non-financial risk, reference should be made to the following chapter: "The non-financial issues relevant for IMA".

MANAGEMENT SYSTEMS: QUALITY, SAFETY, ENVIRONMENT

IMA introduced a set of management systems certified by an independent third party, designed to create value in a sustainable way, shared with all stakeholders, above all human resources. The aim is to interpret the needs of end-users by pursuing the highest possible quality standards while reducing our environmental impact to the minimum.

In particular, IMA has achieved and maintains the following international certifications:

UNI EN ISO 9001 - QUALITY MANAGEMENT SYSTEM

IMA S.p.A.

Gima S.p.A.

Corazza S.p.A.

Ilapak International

Ilapak Italia

IMA Life North America

IMA Life Beijing

IMA Swiftpack Ltd

IMA-PG India Private

Benhil GmbH

BS OHSAS 18001 - HEALTH AND SAFETY AT WORK MANAGEMENT SYSTEM

IMA S.p.A.

Gima S.p.A.

Corazza S.p.A.

Gima TT S.p.A.

ISO 14001 - ENVIRONMENTAL MANAGEMENT SYSTEM

IMA S.p.A.

Benhil GmbH

Lastly, IMA subscribes to the ethical codes applied by leading multinational clients on issues relating to sustainability, after verifying that they are consistent with its own principles.

During 2018 a project was developed to extend the corporate Quality System to Gima TT, with the aim of achieving its inclusion in the ISO 9001:2015 certification in 2019.

Sustainability strategy

To ensure the right sort of balance between competitiveness, environmental sustainability and social responsibility, the IMA Group takes into account the economic, social and environmental implications of its work as part of strategic planning.

For IMA, sustainability is a way of working; it is a commitment to create value that lasts over time. The **Group Sustainability Policy**, which was approved by the Board of Directors in February 2018, reaffirms the objectives and commitments in the various areas of sustainability and corporate responsibility valid for all Group companies.

As the basis of its Sustainability Policy, IMA takes into consideration:

- the UN's Sustainable Development Goals, identifying those that are most relevant to its value chain;
- the needs expressed by its customers and markets, above all with reference to the sustainability characteristics that packaging will have to have more and more in the future;
- local and global partnerships, for the development of technologies and solutions, and to encourage the economic and social empowerment of the communities involved.

The Policy is structured in 5 macro areas of engagement represented in the following picture: the following chapters contain summarised texts of the specific policies.



THE STAGES OF SUSTAINABILITY AT IMA

In recent years, IMA has launched a process of reflection within the Group to tracing a path that the company can take in the medium term towards a position of social responsibility able to support its competitiveness as an enterprise.

So far, IMA's path has gone through the following stages:

2010

- Participation in the creation of FID (*Fare Impresa in Dozza*), a concrete program of Solidarity Sourcing.

2011

- IMA celebrates its 50th anniversary. For the occasion, IMA promotes and finances Social Responsibility projects proposed by employees, supporting them financially for three years.
- Participation in the setting up of E.R.-AMIAT (Emilia-Romagna Advanced Mechanics and Industrial Automation Technology).

2012

- Membership of Impronta Etica.
- Membership of SAVE FOOD, a project in partnership with FAO.
- Membership of the Carbon Disclosure Project; IMA starts calculating its own carbon footprint.
- IMA supports the areas of Emilia affected by the earthquake in May 2012.
- Publication of the first Profile of a Sustainable Company.

2013

- Implementation of a common training program for employees on the issues of business ethics and the Code of Ethics (organization and control model pursuant to Legislative Decree 231/01).
- Launch of the video wall during trade exhibitions: the technology allows visitors to participate in a virtual automation experience, while reducing the environmental impact of using actual machines.

2014

- Membership of Industry Codes (e.g. Ecovadis and Sedex).
- Update and dissemination of the new Code of Ethics.
- Publication of the first Social Responsibility Report, according to the Global Reporting Initiative standards.
- Certification for the Safety Management System (OHSAS 18001) for IMA S.p.A..
- IMA nominated Best Newcomer 2014 in the CDP Program.
- Launch of the Group's new payoff: Sustain Ability.

2015

- Electricity purchased from certified renewable sources for certain Group companies.
- Collaboration with the Bocconi University (Master in Green Management, Energy and Corporate Social Responsibility).
- The CSR Project Unit integrates the Communications Committee in a staff role for the Presidency.
- Launch of the csr.ima.it website.

2016

- Production of the report on the sustainability performance of the IMA Group at a global level.

2017

- Certification ISO 14001 for IMA S.p.A. and another 2 Group companies and OHSAS 18001 for 3 new Group companies; implementation of the European Non-Financial Reporting Directive.

2018

- Update of the ISO 14001 certification for the registered office and for two other locations and its extension to other IMA S.p.A. plants and three subsidiaries, scheduled for 2019.

The non-financial issues relevant for IMA

In relation to the principles defined by the GRI standard, IMA carried out a materiality analysis, with the aim of identifying the most relevant and significant issues - defined as "material" - for the organization, capable of influencing decisions, actions and performance of IMA and its stakeholders.

The following chart "**Materiality Matrix**" shows a summary representation of IMA's materiality analysis; the methodology used for updating the matrix and defining potentially relevant issues envisaged:

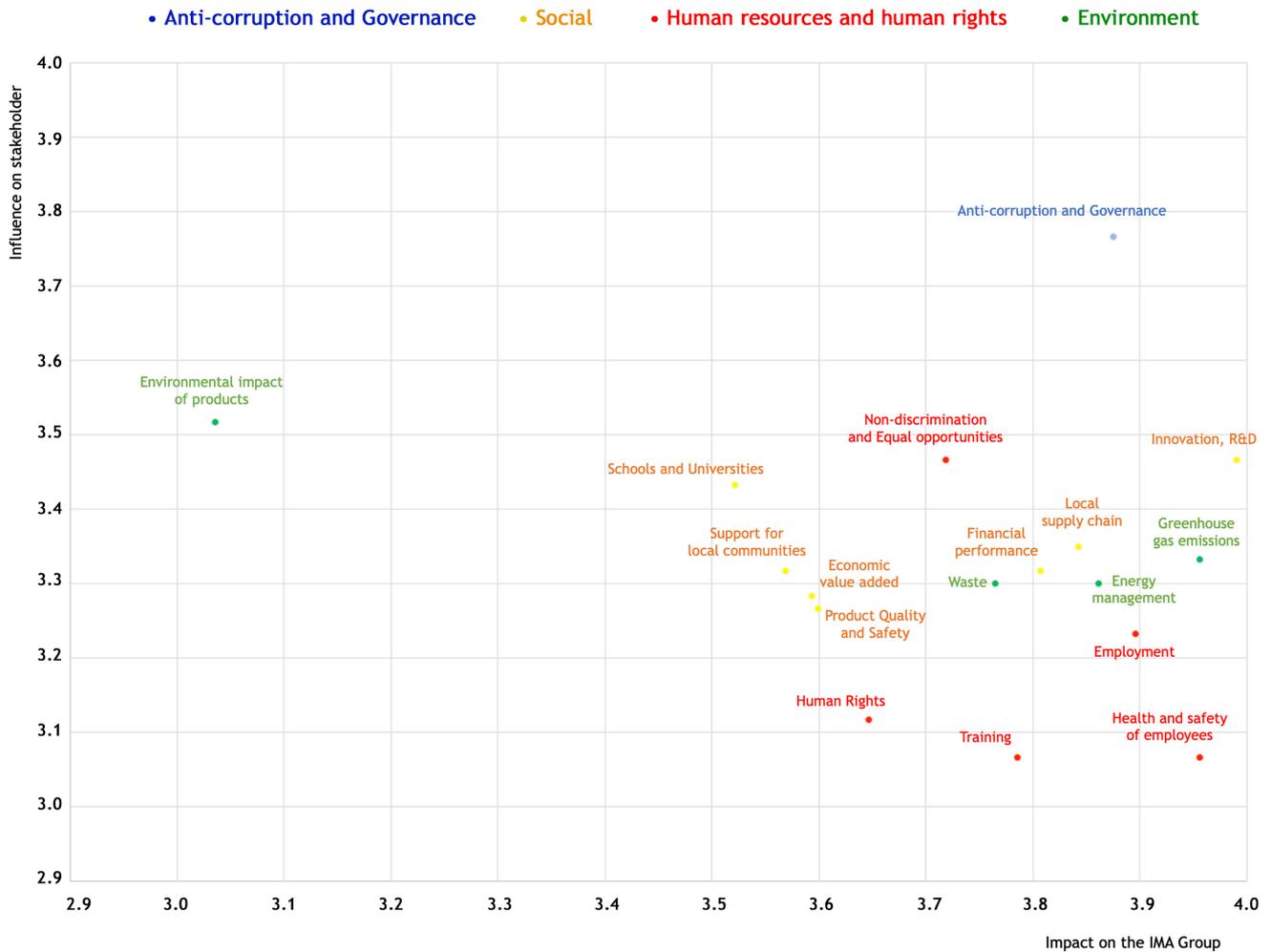
- an internal analysis based on various in-house sources made available to the public through the website;
- an external analysis of sector benchmarks, conducted on a sample of competitors at national and international level;
- an analysis of the listening and communication channels to assess stakeholders' expectations.

Each sustainability issue was assessed according to a scale (from 1 to 4), highlighting the importance and priority of each for IMA and its stakeholders.

The materiality matrix makes it possible to give a synthetic representation of the topics being analysed and, based on the analysis performed, they assume a specific positioning that makes it possible to define the degree of relevance: the issues that are positioned at the top right of the graph are the most significant issues, both for companies and stakeholders.

The analysis highlighted the following as some of the most significant topics: **anti-corruption and Governance, financial performance, employment, training, relations with the world of technical and higher education, innovation and Research and Development.**

MATERIALITY MATRIX



For 2019, IMA's external stakeholders will be involved in updating these analyses. For 2018, the materiality assessments were carried out internally with the involvement of IMA Heads of Department and Functions, analysing different tools, listening and dialogue channels that the Group uses, such as:

- climate surveys;
- internal investigations;
- quality audits;
- customer satisfaction;
- customer audits and assessments;
- after sales reports;
- technical visits;
- improvement and innovation partnerships.

Issues with a valuation of more than 3.0 (defined as the "materiality threshold"), on a scale of 1 to 4 on both axes, are considered material for the IMA Group, and are:

FIELD	MATERIAL ISSUES	GRI ASPECT	GRI INDICATOR	SCOPE	
				INTERNAL	EXTERNAL
Anti-corruption	Anti-corruption and governance	Anti-corruption	205-3 Confirmed incidents of corruption and actions taken	IMA Group	
Social	Innovation, R&D		Other disclosure: number of patents filed and granted	IMA Group	
	Financial performance	Economic Performance	201-1 Direct economic value generated and distributed	IMA Group	
	Economic value added				
	Product Quality and Safety	Approach to stakeholder engagement + Customer Health and Safety	102-43 Approach to stakeholder engagement 416-1 Assessment of the health and safety impacts of product and service categories	IMA Group	
	Local Supply Chain	Procurement practices	204-1 Portion of spending on local suppliers	IMA Group	
	Schools and universities	Local communities	413-1 Operations with local community engagement, impact assessments, and development programs	IMA Group	
	Support for local communities				
Human resources and human rights	Non-discrimination and equal opportunities	Diversity and equal opportunity	405-1 Diversity of governance bodies and employees	IMA Group	
	Training	Training and education	404-1 Average hours of training per year per employee	IMA Group	Suppliers
	Health and safety of employees	Occupational health and safety	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	IMA Group	Suppliers
	Human Rights	Non discrimination	406-1 Incidents of discrimination and corrective actions taken	IMA Group	Suppliers
	Employment	Employment	401-1 New employee hires and employee turnover	IMA Group	
Environment	Energy management	Energy	302-1 Energy consumption within the organization	IMA Group	
	Environmental impact of products	Environmental Compliance	307-1 Non-compliance with environmental laws and regulations	IMA Group	
	Waste	Effluents and waste	306-2 Waste by type and disposal method	IMA Group	Suppliers
	Greenhouse gas emissions	Emissions	305-1 Direct (Scope 1) GHG emissions	IMA Group	
305-2 Energy indirect (Scope 2) GHG emissions			IMA Group		

With regard to the scope of this report outside of the Group, suppliers have so far not been included.

Analysis of non-financial risks and management methods

For each area that is considered material and significant (anti-corruption, human resources and human rights, environment, other social aspects), IMA has started a process of identification and analysis of the **non-financial risks** connected to them, which also makes it possible to identify the policies and the organizational model adopted. As better defined in the following chapters, IMA has in fact endowed itself with policies on single topics for some companies of the Group (reference should be made in this regard to in-depth studies relating to Management Systems) and the Code of Ethics valid at global level. As already mentioned, IMA adopted the **Group Sustainability Policy**, approved by the Board of Directors in February 2018, which contains the Group Policies relating to the non-financial areas listed previously.

The process for identifying Group risks was performed, starting from internal analyses of the Risk Management function, as well as through benchmark analyses carried out for the implementation of the Sustainability Report that made it possible to evaluate the typical risks of the sector.

RISKS RELATED TO ANTI-CORRUPTION

- Commission of illegal acts and in particular acts of corruption by members of the organization.
- Inappropriate or ignored delegations of authority.
- Non-compliance or violation of the reference legislation.
- Failure to obtain or losing certifications or approvals or authorisations to operate.
- Risks linked to corporate crimes.

RISKS RELATED TO HUMAN RESOURCES AND HUMAN RIGHTS

- Increase in turnover and loss of capable and relevant personnel.
- Increase in accidents.
- Increase in work-related stress.
- Risk of incompetence and negligence.
- Risk of discrimination and inequality of treatment along supply chains (Human Rights).
- Difficulty in finding trained and capable human capital.

RISKS RELATED TO SOCIAL ASPECTS

- Reputational risk.
- Conflict due to lack of dialogue and discussion with local stakeholders.
- Risks related to intellectual property.
- Loss of competitiveness due to inadequate innovation development.
- End-user dissatisfaction due to non-compliance with quality standards.
- Non-compliance in product information.
- Lack of collaboration with customers and suppliers to minimize any negative external effects generated.
- Lack of control over Human Rights in the supply chains of non-EU countries.

RISKS RELATED TO THE ENVIRONMENT

- Negative effects on activities resulting from climate change.
- Negative effects on activities resulting from new or more stringent regulation.
- Inability to correctly align the GHG (greenhouse gas) strategy with the business (e.g. end-user requests).
- Increase in energy supply costs.
- Increase in emissions due to the use of fossil energy sources.
- Sanctions for non-compliance with environmental regulation.
- Reputational risk.
- Risks along the supply chain, related to non-compliance with applicable environmental legislation.

RISKS RELATED TO ANTI-CORRUPTION

In managing its business, IMA implements a global policy for governance and business integrity, enabling it to address the risks associated with the issue of anti-corruption; this policy allows IMA to carry out its business with integrity, transparency, legality, impartiality, prudence and in compliance with laws, regulations and guidelines on social responsibility. The management and organization models implemented for the purpose of preventing or mitigating the risks associated with this issue are many: the Code of Ethics, a widespread tool throughout the organization, the internal control system, the risk management system, the organization, management and control model pursuant to Legislative Decree 231/2001, the Code of Conduct of Listed Companies prepared by the Corporate Governance Committee of Borsa Italiana S.p.A. and the standard Coso Report – Internal Control Integrated Framework.

RISKS RELATED TO HUMAN RESOURCES AND HUMAN RIGHTS

The Group policy adopted by IMA in view of the risks connected to the issue of human resources and human rights considers people a genuine capital resource; this policy focuses on a specific personal and professional growth path aligned with the values and culture that characterize IMA. The key elements that can be recognized in it are training, active involvement, respect for fundamental human rights, diversity, health and safety, social dialogue and work and social inclusion.

There are various management and organization models used to prevent or mitigate the risks associated with this issue: for example, the Code of Ethics, local policies on H&S, corporate welfare initiatives for certain Group companies, training management (IMA Group Academy), etc.

RISKS RELATED TO SOCIAL ASPECTS

Various policies exist to protect the risks associated with social aspects: the global product quality and responsibility policy makes it possible to create economic value not only for IMA shareholders, but also for its stakeholders, since the primary objective is to satisfy the end user. The values characterising this topic are the culture of quality, investment in research and development, responsible management of the supply chain and the promotion of projects or initiatives for the development of local economies. The global policy for communities and the development of knowledge is based on the belief that industry must be responsible towards society and the world; through this policy, IMA promotes the involvement of its employees in programmes and initiatives of corporate citizenship and Corporate Social Responsibility. The relationship with the territory is also constantly active: in fact, there is a continuous exchange of knowledge, experience and wealth that makes the relationship as inseparable as it is interdependent. There are numerous different models of organization and management for this topic: in addition to certain Group companies' quality management systems certified ISO 9001, IMA adopted an Integrated ERP system (SAP) for the Supply Chain, audits at suppliers according to the quality system, use of the Ecovadis platform, the CRM system and electronic document management, Internal Audit, etc.

RISKS RELATED TO THE ENVIRONMENT

The global environmental policy involves multiple initiatives relating to the protection and safeguarding of the environment, which, set within the environmental management system, are considered genuinely strategic business decisions. What IMA intends to implement is realized through the reduction of its direct impacts, investments in Research and Development for

sustainable innovation and the promotion of responsible behaviours along the value chain. The organization and management models for this issue are identified in joining the Carbon Disclosure Project, regulatory compliance and having all the authorisations issued by the competent bodies, the Environmental Management system according to the ISO 14001 reference standard for certain Group companies and the energy audit program.

Listening to stakeholders



Thanks to constant efforts over time, IMA has developed a complex system of information and communication through which it interacts with all stakeholders at a local, national and international

level. In this way, IMA has identified the issues that its stakeholders consider most important in terms of social responsibility and sustainability.

For example, IMA's end-users, which are often multi-national organizations that are very sensitive to issues of Corporate Social Responsibility, express a number of **recurring sustainability themes** through supplier valuation processes, requests to sign codes of conduct and contractual clauses. IMA has taken that into consideration in this Sustainability Report. These issues are:

LABOUR AND HUMAN RIGHTS	
STAKEHOLDERS	<ul style="list-style-type: none"> • Human Resources • Trade unions • Suppliers and their workers
LISTENING TOOLS	<ul style="list-style-type: none"> • Industrial relations • Reports by employees and direct comparison • Internal communication
ISSUES	<ul style="list-style-type: none"> • Respect for human rights (e.g. child labour) • Health and safety in the workplace • Compliance with contract terms • Protection from molestation, including sexual harassment • Promotion of equal opportunities • Respect for individual cultural and religious preferences • Presence and dissemination of the Code of Ethics • Professional development and training • Promotion of merit

CHAIN SUPPLIERS	
STAKEHOLDERS	<ul style="list-style-type: none"> • Partners • Suppliers
LISTENING TOOLS	<ul style="list-style-type: none"> • Selection process and qualification of suppliers
ISSUES	<ul style="list-style-type: none"> • Differentiation of suppliers: company policy that promotes the purchase of goods and services from different firms • Policy of sustainability throughout the supply chain • Development of the industrial cluster

COMUNITY, TERRITORY	
STAKEHOLDERS	<ul style="list-style-type: none"> • Community • Schools • University
LISTENING TOOLS	<ul style="list-style-type: none"> • Conventions • Agreements • Work tables
ISSUES	<ul style="list-style-type: none"> • Relationship with schools, universities and promotion of youth employment • Adherence to international codes on transparency and corporate governance, such as the Sarbanes-Oxley Act in the U.S.A.

ENVIRONMENT	
STAKEHOLDERS	<ul style="list-style-type: none"> • Community • Institutions
LISTENING TOOLS	<ul style="list-style-type: none"> • Continuous institutional comparisons
ISSUES	<ul style="list-style-type: none"> • Measuring environmental impact and intervention strategies • Energy efficiency • Use of renewable energy sources • Water use reduction • Waste reduction • Measurement of GHG emissions and dissemination of results • Pollution reduction • Raising awareness of environmental issues



In 2018, IMA was successfully assessed by Ecovadis, which awarded IMA a "Silver Recognition Level" for its activities in 2017, with a better score than in previous years. This result positions IMA among the top 30% of best performances among the companies analysed by Ecovadis in 2018.

End-users – Customers and markets

Global policy for product quality and liability

IMA's strategy aims to create profit to remunerate its shareholders, but also **economic value for all of its stakeholders**. This is based on the primary objective of IMA's business: **end-user satisfaction**.

Continuous investment in technology and constant improvement in the quality and reliability of products allowed IMA to open new foreign branches, create joint ventures with other industry players and partnerships in the academic and scientific field; in this way, IMA is able to serve its end-users more and more quickly and efficiently, obtaining a competitive advantage.

Behind these characteristics lie the ability and commitment to propose to the market and to customers solutions related to the Company's values, which are oriented towards:

- promoting a **culture of Quality** to ensure products and services of the highest possible level and safety and reliability over time of its solutions;
- investing in the **Research and Development** of programs for innovative services, designing technologically advanced solutions with a lower environmental impact;
- implementing responsible and integrated management of the **Supply Chain** in economic, social and environmental terms;
- promoting or joining projects and initiatives for the **development of Local Economies** in the communities in which IMA operates.

IMA IN THE WORLD



End-user satisfaction is the final expression of a company strategy aimed at Sustainability, in which all of the Group's resources are involved by taking part in company processes.

Consolidated revenue in 2018 amounted to 1,500.37 million euros, an overall increase of 13.6%, of which 8.5% due to the organic growth, with respect to the previous year.

As regards the trend in revenue by sector, note that the Tea, Food & Other sector recorded an increase in revenue of 13.9%, the Pharma sector showed growth of 11.6%, while the Tobacco sector turned in growth of 20.5%.

Revenue by sector	2017 ⁵ RESTATED		2018		
	AMOUNT	%	AMOUNT	%	% Change
Tea, Food & Other	602.57	45.6%	686.17	45.7%	13.9%
Pharma	565.87	42.9%	631.27	42.1%	11.6%
Tobacco packaging	151.76	11.5%	182.93	12.2%	20.5%
TOTAL	1,320.20	100.0%	1,500.37	100.0%	13.6%

Export revenue accounts for more than 88%, growing in all areas, with particular emphasis on Europe, North America, Asia and the Middle East. About 70% of revenue were generated by plant and machines, while 30% came from after-sales activities (support, spares, kits etc.).

Million euros	2017 ⁶ RESTATED		2018		
	AMOUNT	%	AMOUNT	%	% Change
European Union (excluding Italy)	400.87	30.40	450.01	30.00	12.3
Other European countries	107.60	8.10	114.97	7.70	6.8
North America	225.30	17.10	241.13	16.10	7.0
Asia & Middle East	290.44	22.00	375.66	25.00	29.3
Other countries	133.39	10.10	150.95	10.00	13.2
TOTAL EXPORTS	1,157.60	87.70	1,332.72	88.80	15.1
Italy	162.60	12.30	167.65	11.20	3.1
TOTAL	1,320.20	100.0	1,500.37	100.00	13.6

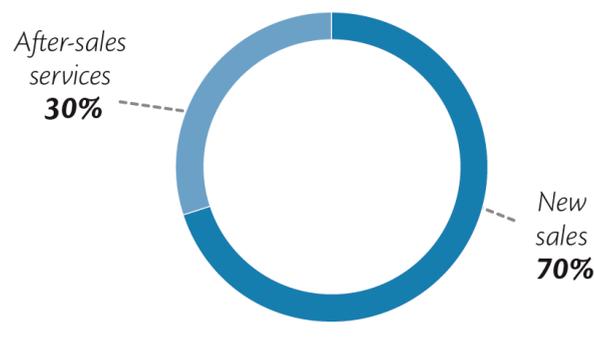
⁵ The figures for 2017 (total published revenue of 1,444.73 million euros) were restated following the sale of 60% of the investment in IMA Dairy & Food Holding GmbH in 2018.

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IMA'S AFTER-SALES SUPPORT

A high level of after sales service, made possible by a worldwide network, has always been the focus of IMA's **customer-oriented** policy. A significant proportion of Group revenue, namely **30%**, is in fact generated by the **after-sales services**: the provision of spare parts and equipment is, in fact, a high value-added activity that is recurrent and typically with high margins.

IMA's after-sales service structure fosters the consolidation of relationships with customers, basing them on transparency and maximum satisfaction. The quality of original spare parts, together with the very high professionalism of technicians, provide customers with the best possible conditions for the maintenance and operation of the machines, ensuring their maximum efficiency and reliability.



INFORMATION AND COMMUNICATION

Communication with end-users and operators in the reference sector (Trade Press) takes place through **media relations**: this includes the preparation, dissemination and follow-up of **product press releases, editorials and case histories** for industry magazines and portals. Editorial material is produced in collaboration with the Marketing Departments of the Group's main sectors. At the time of the **main trade fairs**, where the IMA Group exhibits, press releases are prepared with information and photos of the new products on display. Press packs are available to journalists visiting IMA's stand and at the trade fair's press room. IMA also organizes press tours during the Group's main events (open house events, new office inaugurations, etc.) and regularly publishes advertising pages on the main Italian and international trade publications, as well as banners and e-news, especially during major exhibitions.

In 2018, no complaints were received about breaches of customer privacy.

Innovation, Research and Development

IMA's vocation in the pursuit of innovation reflects its strong orientation to be seen as a **solution provider** rather than just as a product vendor. This approach has always been a distinguishing characteristic of the Group and has resulted in a strong market leadership position.

Research and development costs in 2018 amount to **55.31 million euros**, higher than the 50.99 million euros last year, representing **3.7% of revenue**.

This item primarily includes the research costs incurred on the technological upgrading and normal revamping of standard products. The balance does not include the cost of development work ordered by specific clients, or the cost of customizing standard products. This expenditure is included in the cost of sales so it is invoiced to the clients concerned.

THE ORGANIZATION OF RESEARCH AND NEW TECHNOLOGIES

Given the complexity of the markets that it has entered and the dynamism of its growth, the IMA world requires a greater centrality and transversality of research and development skills, implemented by following two guidelines:

- research and development of machinery and equipment in a specific market segment: carried out within the individual divisions;
- experimentation, implementation, technology scouting, studying new architectures: performed by the Innovation structure.

In IMA, the development of **innovation is widespread**, that is, deriving from the ideas of individuals, from Marketing inputs, from the analysis of competitors' machines, from collaborative innovation or from scouting enabling technologies.

To ensure the dissemination of knowledge and stimulate new ideas, new hires from the Research & Development department follow a path of **continuous training on technological innovation**, for example on real time operating systems, on the software framework produced for the use of Personal Computers as a machine controller, on mechatronics, on the development of industrial software for automatic machines, on ultrasound technology in welding applications and softening plastic materials.

IMA is incorporating the new production concept called **Smart Manufacturing**, which involves the use of **digital technologies** in the manufacturing sector.

Some of the enabling technologies which IMA has decided to invest in are:

- Additive manufacturing;
- IoT;
- Cloud;
- Big Data;
- Collaborative robotics;
- Advanced automation;
- Artificial intelligence.

Some examples of these active collaborations in 2018 are:

- INFN (National Institute of Nuclear Physics), Trento, Italy;
- Johannes Kepler University (JKU), Linz, Austria;
- ELEDIA Research Center, University of Trento, Italy;
- CNR Nano, Pisa, Italy;
- Interdepartmental Center for Industrial Research of Advanced Mechanics and Materials of the **University of Bologna**, Italy;
- School of Engineering and Architecture, **University of Bologna** - Industrial Product Design Course;
- **University of Parma** - Degree in Chemistry and Pharmaceutical Technology;
- Project with the **Ministry of Education, University and Research**, in which IMA has participated with funding for the development and strengthening of national technology clusters. IMA is included in the Operational Research "Smart Manufacturing Research Observatory";
- Project with the **Ministry of Economic Development**, co-financer of the MaXima project (Multiple Actions for Innovation in Machine Automation) to develop high performance, intelligent, and adaptive production systems that are efficient and eco-compatible, in accordance with the Industry 4.0 paradigm;
- IDM IMA Digital Manufacturing project, financed by the **Emilia-Romagna Region** for the creation of research, development and innovation centres;
- **Horizon 2020 "ROSSINI"** European project, which has as its objective the design and development of modular platforms for the integration of robotic technologies with human operators in an industrial environment;

- IMA is one of the founding members of **ITS MAKER – Mechatronics Institute for Mechanical Engineering and Packaging**, the heart of Emilia Romagna's mechanical and mechatronics technology hub. IMA contributes by means of in-house training courses and by hosting students in the production departments for first and second year apprenticeships;
- **University of Ferrara**: diagnostic and prognostic maintenance of automatic machines through remote monitoring of data collection;
- **VTT (Technical Research Centre of Finland Ltd)**: study and development of eco-compatible materials for food packaging.

IMA forms part of the EU's 2018 scoreboard on investments in industrial R&D (latest figures available): it is worth pointing out that IMA's R&D expenditure as a percentage of sales (**4.3%**) is higher than the world average (4.0%), with a percentage increase in R&D investment of 7.6% in 2018. The purpose of IMA continuously investing large amounts in R&D is to provide end-users with an ever wider range of products and services with advanced solutions, sometimes revolutionary, often designed in collaboration with academic institutions and in a spirit of co-makership with the end-users.

PATENTS FILED AND GRANTED IN 2018

(out of a total of more than 1,700 patents and patent applications pending worldwide)

	PATENT APPLICATIONS FILED (OF WHICH DESIGN)			PATENTS GRANTED (OF WHICH DESIGN)		
	2016	2017	2018	2016	2017	2018
IMA Life NA	4	19	3	1	13	3
GIMA	12	31	28	51	55	82
GIMA TT	20 (1)	33	29	39 (6)	55	30
Corazza	3	6 (4)	8	10	5	6
IMA	97 (5)	87	114	194 (9)	76 (1)	85 (1)

THE MAIN INNOVATIONS AT IMA IN 2018

IMA Tea & Herbs continued the development of the weighing doser, developing a unique solution in the world of dynamic weighing and dynamic compensation of vibrations. This system that corrects and eliminates any vibration of the machine has made it possible to expand the range of applications to the primary packaging.

A new machine, the CT11, has been developed, where with a simple format change it is possible to produce rectangular or pyramid filter bags. It is an **important innovation** in the sector as, up to now, the type of filter bag could not be so drastically changed on IMA machines. The machine was completed with the possibility of inserting an external envelope (to guarantee the maintenance of the aroma and the quality of the product) applicable to both types of bags. The doser mentioned above has been applied to this machine with excellent results in dosing precision.

A machine for the production of single-chamber filter bags with PLA (Polylactic Acid) material for coffee packaging was also developed on an existing C59 platform.

NEW MATERIALS

The high consideration that sustainability policies are beginning to have is leading to a search for innovative solutions aimed at **improving performance** of the product and **reduce its environmental impact**: in turn, this also leads us to reflect on the use of new packaging materials, especially in food chains. In this regard IMA is working, in collaboration with a number of customers, on the use of **compostable packaging materials**. Currently, these materials, which are still being developed, are seldom used for packaging, mainly for reasons of cost, but also because they are more complicated to use. It is therefore essential to involve IMA during the development of these materials to identify the most suitable packaging solution for the customer. In terms of partnerships involving this topic, IMA is financing a research grant to acquire skills in packaging materials. The person awarded the grant to do research at **DICAM** (*Dipartimento Ingegneria Civile, Chimica, Ambientale e dei Materiali*) at the University of Bologna will study "**Polymeric materials for eco-sustainable packaging**". As described above, IMA has a growing interest in environmental matters and in packaging solutions with a lower environmental impact. For example, the **MaXima project** includes a line of research entitled "Use of eco-compatible materials", which seeks to overcome the restrictions that limit the use of PLA (Polylactic Acid) and equivalent materials. This activity is carried out in collaboration with an important company that produces filters made from PLA.

Quality

INTEGRATED QUALITY AND REGULATORY COMPLIANCE SYSTEM

The system adopted by IMA, which is highly **focused on processes**, aims to ensure the highest level of service to its customers: this has made it possible for IMA to offer its end-users maximum transparency in the execution of the various phases of the project. This allows Group companies to deliver highly complex solutions on schedule, while maintaining a simple and flexible organizational structure. For this reason, various companies of the IMA Group (see § Management Systems) have the **ISO 9001** certification of their own Quality System, which covers the **entire product life cycle**, from research and development to sale, delivery and installation, all the way through to after-sales support. Particular attention is paid to the design control, which is crucial for the quality of the end product.

The Quality System has been designed and implemented to achieve the objectives of **centrality and flexibility** and to have the possibility to adapt to the specific characteristics of the market and the organization of the individual divisions and companies.

This facilitates inclusion in the Quality System of the new companies that become part of the IMA Group as a result of acquisition, and their harmonization with the "world of IMA".

In March 2018, the Parent Company's Quality System was updated to the **new edition** of **ISO 9001:2015**. The heart of the project was a **risk analysis** of all the processes involved in IMA's Quality System to verify whether all of the main risks related to quality are adequately kept under control and managed. This project was an opportunity to review the entire system in the face of the changed scenarios and contexts in which IMA operates.

As part of the innovation of the processes and technological systems used to support them, the **CRM project and electronic document management** has been active since 2014, which has made a state-of-the-art platform for Customer Relationship Management available to the world of sales.

Today, this platform is used by all divisions of the Parent Company IMA S.p.A., almost all of the Pharma divisions and is in the process of advanced adoption by the divisions of the various companies involved in other market sectors. This tool allows the sharing of structured and classified data among all organizations, returns information on the market and indications on commercial, production and marketing strategies. The system, integrated with the ERP, the content management platform and the document management system, makes it possible to manage efficiently document

transmission and approval flows according to the requirements of national and international regulations.

In addition to incorporating the minimum requirements of local legislation, the internal technical regulations extend to various areas where it is important to follow precise international standards, starting from the mechanical and electrical design, up to the internal and external production processes and packaging of the products.

Quality assurance and compliance with procedures is ensured by a continuous internal audit plan which, on an annual basis, involves the companies and divisions involved in the IMA Group's Quality System. In 2018, 14 internal audits (12 in 2017 and 13 in 2016) were carried out with the participation of auditors from various areas of the company, previously qualified by the Quality Assurance Area.

With a view to the new edition of the ISO 9001 standard, audits are planned in a **risk-based** perspective so as to focus the checks on the most critical areas.

"Quality" also means ensuring the best **safety conditions when the machines are being operated by the end-users**: in fact, IMA performs an in-depth analysis of risks related to safety, implementing it during the design phase for all machines on the market, in accordance with the applicable regulations (primarily, the Machinery Directive which is valid for the European Community). The output of this process is used to draw up a technical file containing the assessment of the risks and the measures taken to eliminate or minimize them. In addition, since 2013 the Group has been monitoring non-conformities found during use, which have an impact on the safety of IMA's machines.

The resources of the **Technical Compliance office** provide continuous advice and support to the Group's divisions and companies on machinery safety regulations and their practical application.

INTEGRATED MANAGEMENT SYSTEM

IMA has chosen to integrate ISO 9001 certification with sector-specific regulations:

- Standards such as GMP, GAMP and food compatibility are part of the IMA Quality System to offer end-users the highest possible level of compliance with industry best practices;
- product safety is a key objective for IMA, and for this reason it follows and monitors all binding regulatory aspects such as the EU Machinery Directive and related regulations, in order to ensure that all IMA machines fully comply with legislative requirements.

In this area, the Quality Assurance function has developed various tools that allow detailed reporting:

- a reference database for the certification of materials used on the machines in contact with the product (for food and pharmaceutical compatibility), which can be used by all Group companies and divisions;
- A second activity concerns the creation of correlation schemes between the regulations to which customers are subject (GMP, GAMP) and the IMA Quality System. The aim is to facilitate dialogue with end-users, identifying areas for improvement and development of the system.

To further protect end-users, ensuring business continuity, IMA has adopted the "Disaster Recovery Plan for IT Systems" (updated every year), an operational plan to prevent disasters such as accidents or natural disasters affecting computer systems, leading to loss of data, or even interruption of business.

REGULATORY AND TECHNICAL KNOW-HOW

Technical updates from an analysis of regulatory changes and innovations introduced by IMA represent a wealth of information and know-how that the Group makes available to end-users, meticulously preparing the documentation supplied with the machine, such as:

- the compulsory technical documentation, such as the "Parts Manual" and the "Instruction Manual for the use and maintenance of machinery" (which contains information on the origin of the goods, instructions on how to carry out handling, unpacking, installation, use and maintenance correctly and safely, methods of decommissioning and dismantling, and information on possible emissions of radiation, gases, vapours and dusts);

- supporting documentation for the validation of equipment in accordance with regulatory guidelines (FDA, EMEA) for the pharmaceutical market.

For this last aspect, IMA has laid down internal procedures for managing the life cycle of the control software of machines according to **GAMP** guidelines, including the **risk analysis** to ensure a **test protocol that is optimized** and focused on the critical areas.

Moreover, as regards the information provided to customers on the main categories of products, all of the machines that are sold by IMA are subject to the Machinery Directive, which lays down an obligation to provide adequate documentation of their proper installation, operation, maintenance and disposal.

In terms of feedback, the percentage of problems reported by customers relating to documentation compared with the number of machines under warranty in 2018 was 1.0%.

In 2018, the Company activated the new ISO 313 Technical Committee "**Safety of Packaging machines**" with the ambitious goal of defining a common standard at world level for the safety regulations of packaging machines, which levels out the regulatory differences that currently exist, above all between Europe and the USA. IMA obtained the **Chairmanship of the Technical Committee** and actively participates in the group's proceedings for the development of the new standard.

End-user satisfaction

As part of the certified Quality System, there is a procedure for **collecting feedback from customers** with the following characteristics:

- sending a questionnaire by the Central Quality Body at the end of the machine/line installation at the customer's premises;
- customer evaluation by means of a questionnaire of all the main aspects of the project, from sales to installation;
- collection of feedback and its transmission to the managements of the companies / divisions involved for reviews twice a year.

In IMA, end-user satisfaction is monitored through a **dashboard of indicators** that is able to measure the quality delivered over time (the degree of compliance with the requirements of products and services) and the quality that is perceived. The tools used for these measurements are:

- audits carried out by the end-user as part of the qualification process of IMA as a supplier;
- managing and minimizing complaints and disputes (for example, non-payment for technical/quality issues, etc.);
- reduction of warranty costs;
- surveys carried out at end-users' premises to assess their level of satisfaction with the products and services offered. For this purpose, questionnaires are prepared following each project for the sale of machines and production lines, in order to evaluate various aspects of the supply.

The **customer satisfaction questionnaires** have been in use for a number of years. The results for Italy in 2018 are the following:

Area	% questionnaires sent/machines installed	% questionnaires received/questionnaires sent	Average score of answers (from 1 to 5, where 3 is satisfactory)
Pharma	29%	12%	3.7
Non-Pharma	64%	21%	3.6

During 2018, as part of the IMA Digital agenda, a project was developed to digitize the process of managing customer satisfaction questionnaires, with the dual purpose of:

- improving the efficiency of the internal management process;
- increasing the rate of feedback from customers.

The new process involves its integration within the **corporate CRM** system implemented recently in **the larger Group companies**; this new flow is expected to be used in 2019. The Company is well aware that a **policy for the prevention of defects** is not only a competitive advantage, but also a way of reducing internal costs. For this reason, IMA undertakes to comply with all product requirements prior to shipment: it prefers to spot any cases of non-conformity while the machine is still at its premises rather than having to resolve the problem at the end-users.

LISTENING TO CUSTOMERS AND CUSTOMER SATISFACTION IN THE WORLD

The importance of listening to customers and customer satisfaction is fundamental for all the companies of the IMA Group: through systems of **listening and interaction** that include regular visits to customers, meetings during fairs or "**Open House**" events, companies meet their end-users directly, also to collaborate in health and safety initiatives. Customer visits are scheduled regularly before finished products are delivered, so that the level of satisfaction of their needs and expectations can be verified. Throughout the world, IMA offers an extended warranty service, maintenance and spare parts included, training on how to use the products and remote assistance. Each branch has a well structured **system of claims management** by completing questionnaires and/or by e-mail or through the use of dedicated online platforms.

The Supply Chain

In the choice of suppliers, IMA guarantees absolute impartiality and undertakes to comply strictly with the agreed terms of payment (all purchases have always been regulated according to the agreements). In particular, production-related suppliers are also selected taking into account a **criterion of "proximity"** (partner companies in product innovation, companies operating in the local production cluster, etc.).

IMA's suppliers have to have a **high level of quality and sustainability**: to increase the added value of its offer, IMA, on the one hand, uses selected partners and suppliers, actively involving them in the processes of designing, manufacturing and assembling the machines; and on the other, monitors along the entire chain the high quality standards and technical and regulatory requirements that have to be met. The goal is to **share rigorous methods and standards** so that the successes can be shared as well.

THE IMA MODEL FOR MANAGING THE SUPPLY CHAIN

IMA's approach to the supply chain has always been innovative, developing over time an unconventional model.

The scheme based on a **win-win partnership approach** has evolved with **IMA's participation in the share capital of its most strategic suppliers**, allowing IMA to cope better with the recent challenges related to growth: this model, which is perfectly consistent with the logic of Industry 4.0, provides support throughout the Supply Chain for investing in new machinery and production tools and in the organizational and IT development typical of this new industrial revolution. In particular, IMA is working along three guidelines with its most important suppliers:

- dematerialization;
- control of production scheduling;
- 3D and Additive Manufacturing.

All this translates into projects that are already operational, ranging from the implementation of an **integrated ERP** (Enterprise Resource Planning) **system that also covers the supply chain** (online tools for the receipt of purchase orders and engineering drawings), to collaboration on Additive Manufacturing projects, that will revolutionise the design and construction of components for automatic machines.

The objective in the coming years is to further increase the **collaborative logic between client and supply chain**.

**MAIN STAGES IN THE PRODUCTION OF AUTOMATIC MACHINES:
THE IMA MODEL**

DESIGN	COMPONENT SUPPLY	ASSEMBLY	TESTING
<p>Research & Development, a core activity for the Group, is carried out internally. However, certain design work on details, electrical circuits and software may be outsourced, especially at times of peak work.</p>	<p>This is the operational phase that is easiest to outsource. In the case of mechanical parts, the creation and management of a network of subcontractors able to guarantee the delivery times and quality required is of fundamental importance. As regards commercial components, the strategic decision is to combine purchasing and storage at a single central structure.</p>	<p>Some parts of the assembly process (such as mechanical assembly of the basic machine, wiring of the standard electrical panel) can be outsourced to reduce production lead-times.</p>	<p>Subcontractors are unlikely to bring added value in this phase because it involves the fine-tuning of mechanical movements, motion control and verifying compliance with the customers' specifications.</p>

Many of the strong contacts established by IMA in recent years are within its own **industrial cluster**, above all in Italy. These relationships sometimes take the form of **minority investments** (up to **30% of the share capital**) in certain subcontractors. These investments serve to support the network of small local businesses, an active part of the process of innovation promoted by the Group: they are **financial and strategic interventions**, which strengthen the cohesion of the production system and integrate the innovative potential of local players.

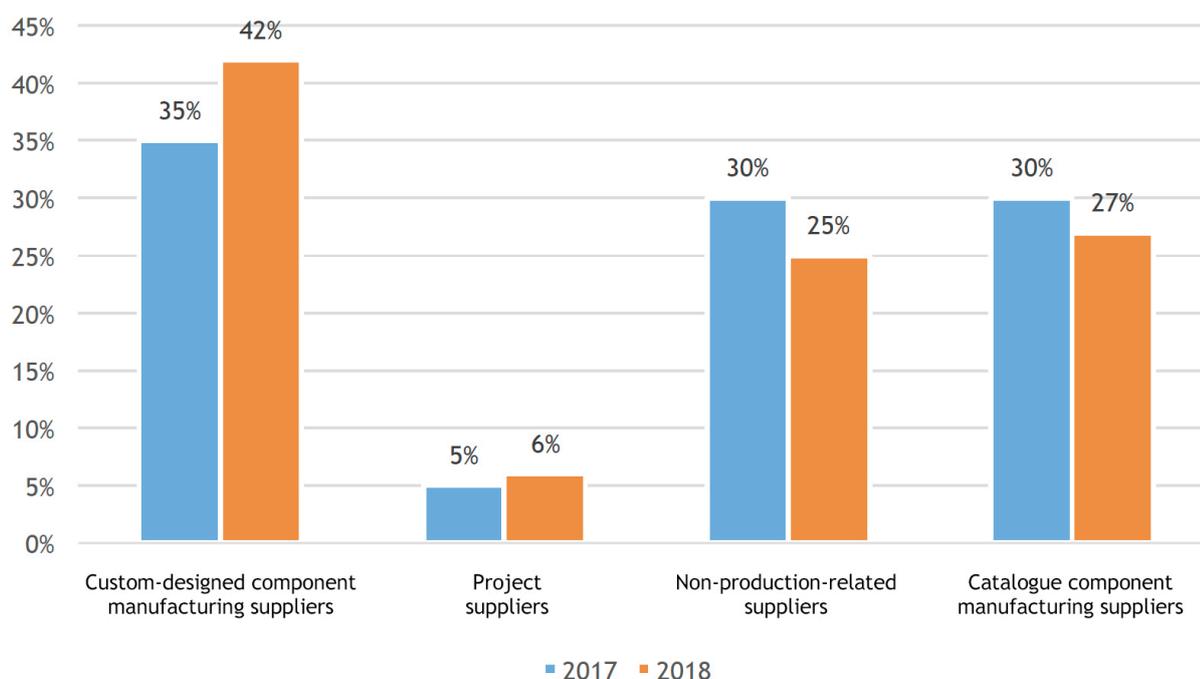
No significant changes arose in the supply chain organization during the reporting period.

IMA works with different types of suppliers; the main ones include:

- **Manufacturers of components for the production of machines**, which in turn are divided into:
 - *custom-designed component suppliers*, supplying components on the basis of drawings and projects prepared by the Group;

- *catalogue component ("commercial") suppliers*, who provide components that are available in manufacturers' catalogues.
- **Project suppliers**, for goods and services closely related to customers' projects, such as assembly, design, third-party machinery.
- **Other suppliers** (so-called **non-manufacturing suppliers**).

BREAKDOWN OF ITALIAN COMPANY MANUFACTURING SUPPLIERS ⁷ BY TYPE (% OF EXPENDITURE)



Considering the purchases made in 2018 by the main Group companies based in Italy, without calculating the costs incurred for VAT, customs, employees, vehicles and agents, the **sales revenue paid to third parties** amounted to **601 million euros**: of this amount 93% remained in Italy. 5% and 2% of procurement expenditure were for purchases from EU and non-EU areas, respectively. These figures demonstrate the value created by IMA for its territory and the local production cluster.

⁷ The Italian companies considered in this chapter are IMA S.p.A., GIMA S.p.A., Corazza S.p.A., GIMA TT S.p.A., Fillshape S.r.l., Ilapak Italia S.p.A., Mapster S.r.l., Comadis S.p.A., Revisioni Industriali S.r.l., Pharmasiena Service S.r.l., G.S Coating Technologies S.r.l. and Telerobot S.p.A.

For Group companies located elsewhere in the world, the number of domestic suppliers represents around 54%⁸ of their supplies.

The best companies with which the Group works are in fact rewarded by remaining partners for several years, allowing them to capitalize on the investments they have made in production technologies. The **low "rate of change/replacement"** is therefore the salient feature of the relationship between IMA and its suppliers. In this way IMA establishes preferential relationships based on the duration of the collaboration and on mutual loyalty.

Custom designed component suppliers

In 2018 there were **1,199** custom-designed component suppliers. Also for this type of supplier, IMA focuses on the local area for supplies, not only for reasons of logistical convenience and undoubted technical skills, but also to actively contribute to and support the **social development of its territory**: at an Italian level, 98% of expenditure is concentrated in Italy.

IMA has adopted and developed a **data exchange** tool to support the production cycle of components/groups, through which the direct exchange of purchase orders, order confirmations, delivery plans, non-compliance reports and transport documents takes place. The project is in continuous development and provides other important exchange features, with all Group divisions gradually getting involved in using it.

In order to help develop suppliers' skills, **training courses** have been organized on specific topics relating to production processes, such as welding and dimensional testing.

For affiliated suppliers only, regular meetings are held to keep them in line and update them on the results achieved, on production plans and operational strategies to be pursued.

⁸ The companies located worldwide are: Ilapak (Beijing) Packaging Machinery Co. Ltd., IMA Life Beijing, IMA HASSIA Packaging Pvt Ltd, IMA-PG INDIA PRIVATE LIMITED, IMA Automation USA, IMA Life North America, Inc., Teknoweb NA LLC, IMA North America, Inc, Delta Systems & Automation, Inc., IMA MAI SA, Tmc Do Brasil, Ilapak Limited, IMA Medtech Switzerland SA, IMA Swiftpack, Benhil GmbH, Ilapak International SA.

Catalogue-component manufacturing suppliers

Suppliers of catalogue components defined as "commercial suppliers" are all leaders in their field of competence: IMA in fact needs the best electronic, IT, mechanical, pneumatic and electro-mechanical components available on the market; in 2018 IMA has **1,359** catalogue-component suppliers.

In order to guarantee and certify the origin of their machines, IMA requires all suppliers of commercial parts to provide **certification of the origin of individual components**. In Europe, the preferential origin is Italy, followed by Germany.

In Italy, the total value of commercial parts bought by the Group in 2018 exceeded **160 million euros**, 83% of which was from Italian suppliers.

In order to **reduce the impact on the environment** of commercial components, IMA has introduced a few innovations for the central warehouse:

- **Transport and logistics optimization:** the IMA Group is developing out a transport optimization project aimed at improving the connection between the headquarters and the other production centres, in particular Germany, Switzerland and France, through the study of an appropriate "milk run" that maximizes loads in both directions, reducing CO₂ emissions.
- **RFID technology:** a project is currently being tested with some pilot subsidiaries, which envisages the use of boxes that are collapsible, reusable and traceable using RFID technology: exploiting the collapsible sides, the boxes are returned to the sender with a reduction in their volume of about 75%. It is also possible to check their position, ensuring accurate information on how shipments are progressing.
- It is a well-established procedure for the IMA Group to use certified suppliers for all materials that will have direct contact with the product. The Group's history in the **pharmaceutical sector** - in which certifications have been necessary for years - has meant that the same approach was used also in the **Food sector**.

Relationship with suppliers of goods and services

The IMA Group also uses so-called "**non-manufacturing**" suppliers, i.e. companies from which it buys goods and services that are essential for its operations, but that are not strictly related to the process of manufacturing the machines. This category of suppliers includes providers of energy, portorage/logistics services and cargo handling, travel, customs operations, consulting, various types of design services, canteen, corporate car pool, cleaning, rents and buildings, packaging, etc.. In 2018, in Italy, IMA used around **3,137 non-manufacturing suppliers**, for a total of **151 million euros** (of which 92% to Italian suppliers).

IMA's policy for choosing non-manufacturing suppliers favours **local companies** as far as possible. This is also in order to have a greater control over the supplier's policies with regard to **social and environmental criteria**. In the case of suppliers of important product categories, given that they are bound to have an impact on the machines produced (e.g. logistics, design, etc.), the supplier coding process provides for:

- verification of the supplier's solidity with the help of IMA's administration department;
- a preliminary meeting;
- filling in a codification request form prepared by the quality department that must show the name of the unit making the request;
- confirmation by the Non-manufacturing Purchases Manager.

In addition, the impact that a new supplier may have in terms of erosion of the turnover of local and historical suppliers that work with IMA is taken into account. The growth of the business in recent years has allowed the Group to expand the network of suppliers without having a negative impact on the workload that IMA's partners rely on.

The supplier qualification process is carried out only for suppliers of design, drawing, documentation and translation, as is foreseen by the Company's Quality Department, as their work is considered to have an impact on the machine produced and sold to the customer. The audit is carried out together by IMA's Purchasing Department, the Quality Department and, if necessary, the technical part of the division that is most involved in using the supplier.

As regards **environmental aspects**, over the past two years, favourable consideration has been given to the initiatives of suppliers that have pursued projects in the area of environmental

sustainability (e.g. suppliers of automatic distributors that use recycled cups): in 2018, the use of these cups by IMA and by Group companies enabled a total saving of 2,888.28 kg of CO₂.

A project developed in 2017 and fully implemented in 2018 with important environmental benefits involved the replacement of solvent-based detergents with **water-based detergents**: during the year, the Company replaced the chemical products used for general degreasing and cleaning of parts and components of automatic machines in the production cycle of all of IMA's operating divisions. In addition to being a significant improvement in terms of safety, this step has also made it possible to completely eliminate atmospheric emissions of VOCs (volatile organic compounds) coming from this sector.

Activities also continued to include objects made with eco-friendly materials in the gifts circuit.

Qualification and monitoring of suppliers

In order to check the qualification of suppliers and their compliance with the minimum requirements laid down by IMA, questionnaires are sent concerning how they organize design, production and testing activities, as applicable.

Supplier performance is measured in terms of:

- quality;
- price;
- delivery.

They are summarized in a **vendor rating**: it is an established methodology which allocates scores that make it possible to measure purchasing performance. Component suppliers are periodically given a vendor rating calculated on the basis of three parameters (in order of importance): quality, delivery, price.

RANGE OF RATINGS

Over a range of ratings from 0 to 100, where 60 is satisfactory, the average score of core suppliers was 72 for the custom-designed components in 2018 (73 in 2017) and 71 for catalogue components (75 in 2017).

At the end of 2018, there were 191 suppliers qualified through the IMA method:

- 57 for assembly and wiring;
- 36 for third-party machines;
- 64 for design and documentation;
- 34 for technical assistance.

For custom-designed component suppliers, IMA has developed another method of qualification designed to raise suppliers' awareness of quality issues through training sessions by IMA testing personnel. The idea is then to transfer part of the testing of mechanical components to the suppliers. At the end of 2018, 36 suppliers qualified for self-control.

Another qualification activity began in 2017 to ensure compliance with the hygiene requirements and contain the risk of contamination for parts that come into contact with the customer's food or pharmaceutical product. This led to the qualification of 48 suppliers at the end of 2018.

In 2018, work began on focusing and better defining the requirements for the qualification of "hub" suppliers, i.e. those who in turn have their own subcontracting network for the production of complex products, generally IMA machines that are partially or completely assembled by them. The objective is to strengthen the control and monitoring of these particular suppliers, given the critical nature and complexity of the products that they supply.

To date there are no further specific environmental or social requirements used in the qualification of a new supplier, except as provided for aspects related to safety and protection of work both during the document collection phase and during the visit at the supplier's premises, evaluating elements such as the technical-professional suitability of the company examined, the fact that they pay their employees and social contributions regularly, the existence of a structure dedicated to job security, etc.

PERSONNEL OF THIRD-PARTY COMPANIES

An important category of suppliers is represented by personnel of third-party companies who work directly at IMA's plants: these relationships are governed by contracts that meet the standards prescribed by law and require the Contractor to provide IMA all the guarantees required by laws on safety, health and safety, social security, insurance cover at work, regular payment of contributions, etc.

IMA's people

Global policy on responsible management of people

People represent a real capital for IMA. People are continually stimulated and are accompanied toward personal and professional growth that is aligned with the culture of the Company, its role as a producer of economic and social value.

IMA promotes **training** and **active involvement** for the purpose of capacity building and the empowerment of employees and collaborators.

IMA also promotes:

- **respect for work and workers**, avoiding all forms of discrimination and guaranteeing full compliance with Fundamental Human Rights, according to the principles contained in the UN Declaration on Human Rights
- **inclusion**
- **integration**
- **equal opportunities**, aimed at enhancing the value of diversity, as an element that can remove the economic and social obstacles that restrict the freedom of the individual in application of the principle of substantial equality and respect for individual dignity.

IMA protects the **health and safety of the people** working in the Group and in the supply chain: the quality of the work environment and the well-being of people are values that go beyond compliance with current legislation.

IMA's management is committed to guaranteeing these values at Group level, by assessing risks to health, training, monitoring systems, prevention activities and continuous investments in preventive maintenance programs for plants and infrastructures.

IMA encourages the participation and responsible involvement of employees and collaborators through:

- **social dialogue;**

- **freedom of association:** promotes confrontation with trade unions to identify and evaluate together with other operators in the sector the impacts of modern challenges related to the world of work such as, for example, the processes of digitization.

IMA takes into account the development and social cohesion needs of the communities in which it operates by fostering **employment and social inclusion**, directly or through collaborations with production companies and institutions that operate for the employment of weak categories of workers and youth employment.

IMA and respect for human rights

Respect for human rights underpins the values of the Group, its way of working and doing business, its relations with employees, suppliers and other external stakeholders. In this sense, the Group has implemented specific policies to safeguard human rights and activated controls over the supply chain. Almost every company in the IMA Group adopts formal measures (e.g. the Group's Code of Ethics) to ensure that they do not participate in or facilitate discriminatory practices or forced labour.

Specifically, moreover:

- In **North America**, most of the supply chain for the companies in the United States and Canada is located within the two countries: in these contexts, overseeing environmental, safety and human rights issues are guaranteed by current legislation.
- Lastly, numerous companies operating in **Europe** use European suppliers that, in addition to complying with the stringent EU regulations, also receive regular inspections.

Based on the reporting, monitoring and control mechanisms set out in the Code of Ethics, during 2018 there were no episodes of discrimination.

Employee management model

The people who work for IMA are the Group's most strategic and by far its most important **intangible asset**, as they incorporate all of the Company's skills and knowledge. In fact, for its customers, the IMA Group is a solver of complex problems via specially designed solutions that are custom-tailored to meet their individual requirements.

This means that all of its business processes have a very low level of repetition: from preparing bids to making the sale, from design and production to after-sales assistance. Knowledge, skills and professional/human expertise are the assets that the Group intends to develop to ensure its future success. IMA therefore considers proper HR management as a matter of the highest importance and seeks to strengthen the Group's resources in a variety of ways, for example through strong and continuous investment in professional growth.

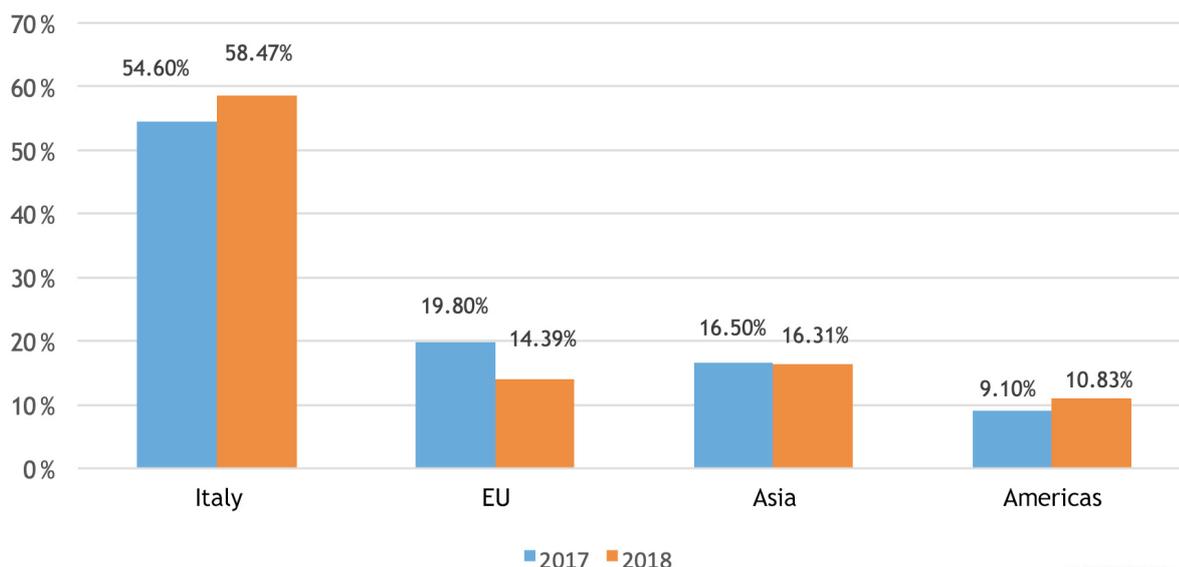
Our willingness to emphasise the importance of the individual is a goal that the Company pursues from the moment that a person first joins IMA:

- for professionally strategic positions, the selection process is being constantly improved;
- the main types of contract used in recruitment are permanent contracts and apprenticeships, with certification of the training process;
- links with universities and national and international centres of excellence are encouraged and reinforced; collaboration with local technical institutes is also developed;
- new hires are offered thorough training, information and guidance, which helps new employees find their feet and absorb IMA's corporate values.

Composition and characteristics of employees

Considering the scope of this Sustainability Report/Consolidated Non-Financial Information, at 31/12/2018 there were **5,623** employees in total. The majority of the workforce is in Italy (58.47%), followed by Asia (16.31%), the rest of Europe (14.39%), and the Americas (10.83%).

% DISTRIBUTION OF IMA GROUP EMPLOYEES IN THE WORLD BY GEOGRAPHICAL AREA
(at 31 December 2018)



Most of the Group's employees in Italy live in the Emilia region: in fact, 69.3% reside in the Province of Bologna and 11% elsewhere in Emilia-Romagna (19.7% in other parts of Italy and 0.1% in the rest of the world). **97.4%** of personnel, i.e. **5,478** employees, are hired on **permanent contracts**, in line with the Company's policy to create stable, long-term employment for its workers; 97.9% of men are employed on permanent contracts, while for women this percentage is 95.1%.

In addition to employees, in 2018 IMA Group companies in Italy used the services of 226 collaborators, 88.9% of whom are involved in internships.

% DISTRIBUTION OF IMA GROUP EMPLOYEES BY CONTRACT CATEGORY
(at 31 December 2018)⁹



⁹Apprenticeship contracts have been included in permanent contracts.

TOTAL NUMBER OF EMPLOYEES BROKEN DOWN BY TYPE OF CONTRACT AND GEOGRAPHICAL AREA OF THE IMA GROUP (at 31 December 2018)

	ITALY	EU	ASIA	AMERICA	TOTAL
<u>2017</u>					
Permanent contract	2,646	985	811	468	4,910
Fixed-term contract	94	12	40	7	153
TOTAL	2,740	997	851	475	5,063
<u>2018</u>					
Permanent contract	3,199	779	904	596	5,478
Fixed-term contract	89	30	13	13	145
TOTAL	3,288	809	917	609	5,623

TOTAL NUMBER OF EMPLOYEES BROKEN DOWN BY TYPE OF CONTRACT AND GENDER OF THE IMA GROUP (at 31 December 2018)

	2017			2018		
	Men	Women	TOTAL	Men	Women	TOTAL
Permanent contract	4,155	755	4,910	4,556	922	5,478
Fixed-term contract	104	49	153	97	48	145
TOTAL	4,259	804	5,063	4,653	970	5,623

TOTAL NUMBER OF EMPLOYEES BROKEN DOWN BY FULL-TIME, PART-TIME CONTRACT AND GENDER OF THE IMA GROUP (at 31 December 2018)

	2017			2018		
	Men	Women	TOTAL	Men	Women	TOTAL
Full time	4,285	664	4,949	4,595	800	5,395
Part time	80	165	245	58	170	228
TOTAL	4,365	829	5,194	4,653	970	5,623

IMA gives part-time work to employees who make a reasoned request, within the limits set by collective agreements: in 2018, out of **228** part-time contracts, **74.6%** had been requested by women. In total, **170** women are in part-time work, this being **17.5%** of the total number of women working for IMA at 31 December 2018. Part-time work has been requested by **4%** of personnel.

At a global level, the recruitment rate¹⁰ is 11.0% for men and 12.4% for women. In the period being analysed, 686 new workers entered the Company (556 men and 130 women) 477 left (389 men and 88 women). In absolute terms, IMA has predominantly recruited staff aged between 30 and 50 years, representing 49.7% of all new staff hired, while those under the age of 30 years account for 43.1%. Some of the outgoing staff are under the age of 30 (25.2% of the total number of leavers); 52.8% of the total number of leavers are between the ages of 30 and 50.

The attention dedicated to personnel by the Group is confirmed in practical terms by the low turnover, based on physiological levels.

NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER BY GENDER AND GEOGRAPHICAL AREA OF THE IMA GROUP

NUMBER OF NEW EMPLOYEE HIRES

	ITALY		EU		AMERICAS		ASIA		GROUP	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
GENDER										
Men	239	260	103	123	117	59	64	114	523	556
Women	65	64	30	26	14	22	4	18	113	130
AGE										
<30 years old	161	171	40	42	36	31	25	52	262	296
30-50 years old	127	139	70	90	59	36	43	76	299	341
>50 years old	16	14	23	17	36	14	0	4	75	49

¹⁰ The recruitment rate is calculated as the number of workers hired during the period compared with the staff at the end of the period - see Methodological Note for IMA D&F Group companies.

RECRUITMENT RATE

	ITALY		EU		AMERICAS		ASIA		GROUP	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
GENDER										
Men	10.4%	9.8%	11.6%	11.8%	29.2%	11.4%	8.3%	14.0%	11.98%	11.0%
Women	12.1%	10.2%	22.1%	12.7%	18.9%	20.4%	4.8%	16.8%	13.63%	12.4%
AGE										
<30 years old	40.6%	34.5%	29.2%	33.9%	53.7%	41.9%	19.1%	32.9%	35.79%	34.7%
30-50 years old	7.4%	7.2%	12.3%	13.4%	27.2%	13.0%	7.2%	11.9%	9.63%	9.7%
>50 years old	2.2%	1.6%	7.3%	3.8%	18.8%	5.1%	0	3.3%	5.53%	2.8%

NUMBER OF EMPLOYEE TURNOVER

	ITALY		EU		AMERICAS		ASIA		GROUP	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
GENDER										
Men	103	106	149	115	31	62	79	106	362	389
Women	24	25	25	27	8	19	16	17	73	88
AGE										
<30 years old	19	35	35	20	10	16	25	49	89	120
30-50 years old	44	58	92	92	14	34	62	68	212	252
>50 years old	64	38	47	30	15	31	8	6	134	105

RATE OF EMPLOYEE TURNOVER

	ITALY		EU		AMERICAS		ASIA		GROUP	
	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
GENDER										
Men	4.5%	4.0%	16.7%	11.0%	7.7%	11.9%	10.2%	13.0%	8.29%	7.7%
Women	4.5%	4.0%	18.4%	13.2%	10.8%	17.6%	19.3%	15.9%	8.81%	8.4%
AGE										
<30 years old	4.8%	7.1%	25.5%	16.1%	14.9%	21.6%	19.1%	31.0%	12.16%	14.1%
30-50 years old	2.6%	3.0%	16.1%	13.7%	6.5%	12.3%	10.3%	10.6%	6.83%	7.2%
>50 years old	8.9%	4.4%	14.9%	6.7%	7.8%	11.2%	6.5%	4.9%	9.88%	6.1%

New hires generally follow training paths that involve working alongside expert personnel. This assists their professional growth and facilitates the rotation of resources among the various roles. In agreement with local high schools and universities, several apprenticeships and internships were held in 2018, involving a total of **201** young people.

Contractual matters and industrial relations

The distribution of the workforce is a good reflection of **IMA's business model, which is designed to retain the activities that represent critical and distinctive skills** and outsource all other activities. At the Group level, the majority of employees fall into the "white collar" category: **59.67%** of the total, i.e. **3,355** employees.

TOTAL NUMBER OF EMPLOYEES BROKEN DOWN BY CATEGORY AND GENDER OF THE IMA GROUP (at 31 December 2018)

	2017			2018		
	Men	Women	TOTAL	Men	Women	TOTAL
Managers	416	19	435	249	38	287
Middle managers	320	59	379	299	79	378
White collars	2,173	725	2,898	2,540	815	3,355
Blue collars	1,456	26	1,482	1,565	38	1,603
TOTAL	4,365	829	5,194	4,653	970	5,623

TOTAL NUMBER OF EMPLOYEES BROKEN DOWN BY CATEGORY AND AGE OF THE IMA GROUP (at 31 December 2018)

	2017				2018			
	<30 years old	30-50 years old	>50 years old	TOTAL	<30 years old	30-50 years old	>50 years old	TOTAL
Managers	5	260	170	435	2	133	152	287
Middle managers	12	231	135	378	10	235	133	378
White collars	396	1,794	714	2,904	440	2,047	868	3,355
Blue collars	319	821	337	1,477	357	857	389	1,603
TOTAL	732	3,106	1,356	5,194	809	3,272	1,542	5,623

IMA contributes to the development of human capital of the territory using a **recruitment pool that is preferably local**, even at senior management level: in Italy, **100%** of the managers in IMA at 31 December 2018 live in Italy. This situation is related partly to IMA's choice of social responsibility, which binds it particularly to its local territory, and partly to the presence of widespread, qualified skills that can be found in the advanced mechanics cluster of Bologna and the Emilia-Romagna region.

The contractual conditions that IMA offers its staff are **often better than those granted by the sector on average**, e.g. comprehensive health and accident insurance, agreements for discounted purchases and the best market terms for numerous aspects of the employment contract (pay, maternity leave, advances against severance indemnities, use of part-time work, etc.).

IMA S.p.A.'s **supplementary labour contract** provides economic and regulatory conditions that are more favourable than the National Labour Contract for Engineering Workers, without distinction between full-time, part-time and/or fixed-term employees. **67%** of the IMA Group's personnel is covered by collective labour agreements.

On the Industrial Relations front, the conflict is modest for the Italian companies of the Group and is generally affected by national disputes. These results have been achieved thanks to the activities of listening and dialogue between the Company, its employees and their representatives (Trade Union Representatives and the Workers' Representatives). For Italian employees the minimum notice period for significant operational changes within the organization is **4.5 weeks**.

Even though the level of industrial unrest is low, IMA still manages any work-related complaints or disputes through formal mechanisms agreed with the social partners or through channels expressly provided for under labour regulations. The **Supervisory Board** (Legislative Decree 231/2001) is informed every six months by the HR Department of any disputes resolved by agreements between the parties or by conciliation reports with the trade unions; in 2018 there were no disputes relating to personnel management.

Health and safety

The attention to workers' health and safety in the workplace at IMA Group companies is constant. In 2018, the Parent Company IMA S.p.A. and the Group companies Corazza S.p.A., Gima TT S.p.A. and Gima S.p.A. confirmed the certification of their Safety at Work Management System according to the international standard that is currently the most widespread, namely the British Standard **BS OHSAS 18001**.

Revisioni Industriali S.r.l. also formalized its safety management system in 2018. Certification is expected to be obtained by the end of June 2019.

There were 98 accidents in the workplace in 2018 (28 in Italy and 70 at other Group companies in Europe and worldwide), of which 18 while commuting. No deaths occurred as a result of injuries. Overall, 91 accidents involved men and 7 women, for a total of 584 days lost due to injuries.

The total injury rate for the IMA Group is 7.4, while the lost day rate is 0.05 (excluding first aid injuries and excluding accidents while commuting. Days lost due to injury are calculated from the day of the accident).

ACCIDENT RATIOS BY REGION AND GENDER OF EMPLOYEES OF THE IMA GROUP

	ITALY			EU			AMERICAS			ASIA		
	M	W	Tot.	M	W	Tot.	M	W	Tot.	M	W	Tot.
No. of injuries	23	5	28	17	1	18	23	1	24	28	-	28
<i>of which: while commuting</i>	<i>11</i>	<i>2</i>	<i>13</i>	<i>5</i>	<i>-</i>	<i>5</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Injury rate	2.6	3.1	2.7	6.4	3.0	5.9	21	5	18.6	22.4	-	15.6
Lost day rate	0.05	0.01	0.04	0.05	-	0.05	0.17	-	0.15	0.04	-	0.03
Rate of occupational diseases	-	-	-	0.53	2.98	0.90	-	-	-	-	-	-

Notes to the table:

- Injury Rate = No. of injuries/hours worked*1,000,000
- Lost day rate: Lost days/total workable hours*1,000
- Occupational Disease Rate: No. cases occupational diseases/tot hours worked*1,000
- Excluding first aid injuries and excluding accidents while commuting. Days lost due to injuries are calculated from the day of the accident

Worker participation at all levels on occupational health and safety issues is constant and high in the Italian group companies, guaranteed by specific health and safety representatives designated by the workers themselves (RLS): in total, the Parent Company IMA S.p.A. has 17 representatives compared with the legal minimum of six, plus another 12 if the scope is extended to companies of the Corazza S.p.A. group, Gima S.p.A., GimaTT S.p.A., G.S. Coating Technologies S.r.l., Revisioni Industriali S.r.l., Fillshape S.r.l. (merged with IMA S.p.A. from 31/12/2018), Digidoc S.r.l., Pharmasiena S.r.l. , Comadis S.p.A. and Teknoweb Converting S.r.l.

A Safety Officer has also been appointed at all of the other Group companies in Italy. In addition to their representative role, they collect input from the workers and are pro-active, presenting ideas and suggestions for improvement to the Prevention and Protection Unit, and supportive, taking part in the training courses delivered to new recruits.

During 2018, further attention was dedicated to the management of risks deriving from the activities performed, both those deriving from the type of intervention carried out according to the characteristics of the relative workplace, and those connected to the geographical area of the intervention. In the first case, questionnaires are sent to customers around the world, with a view to obtaining information in advance to prevent potential risks and train those who will go on assignment. In the second case, specific instructions and operational protocols to be adopted according to the destination area are established with the help of the company doctor (e.g. optional vaccinations, behavioural rules to be followed in the particular place).

TRAVEL SECURITY

During 2018, the "**Assignment Manual**" was updated by the General Services, Environment and Safety Department. The manual offers a series of information relating to the regulatory context of reference, the exchange of information between the Customer and the Contractor, the personal protective equipment for the assignment and, above all, practical and behavioural indications that those going on assignment can apply according to the various types of risk or emergency encountered at the destination.

A TRAVEL SECURITY office has been opened, which prepares booklets with information, warnings and behavioural protocols, country by country. This office also has a telephone number that can be contacted if there are problems.

With regard to the work performed by IMA technicians when they are on assignment and the possible allergic reactions of technicians working in environments where pharmaceutical products and materials are produced and packaged, specific tests have been devised together with the company doctor to identify any allergies to the main active ingredients used.

The most important measures taken in 2018 to improve the working environment include:

- seismic risk in Italy: following the guidelines issued by the municipalities of the Emilia region hit by the 2012 earthquake, IMA S.p.A. decided to make its factories earthquake resistant by eliminating their vulnerabilities, despite not having any locations subject to the mandatory requirements. During 2018, anti-seismic consolidation work continued on the buildings (including the new local units) as protection against any earthquakes that may occur in the future;
- activation of a software portal to verify the technical-professional suitability of personnel of the contractor companies that operate within the work environments of the Parent Company IMA S.p.A. This system, which can be connected to the points of access to the individual plant, allows the gatekeepers of the various sites to verify the completeness and correctness of the documentation required by the safety regulations for contracting companies, blocking any personnel for whom such documentation is deemed non-compliant or incomplete.

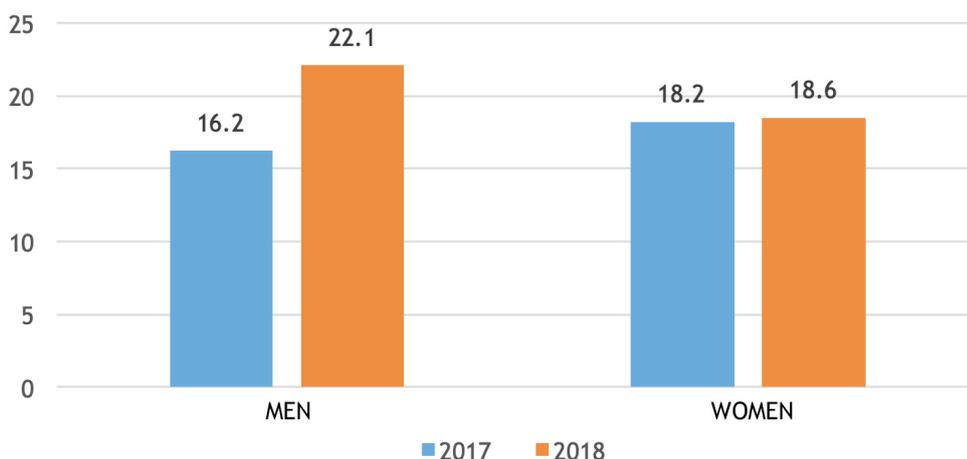
IMA's Prevention and Protection Service participates in **meetings of the Heads of Prevention and Protection of Bologna and Imola**, which are made up of the Heads of Prevention and Protection Services of the most important manufacturing companies in the area, with the aim of sharing management methods (analysis and resolution) on issues of mutual interest in the field of occupational safety.

Personnel training and development

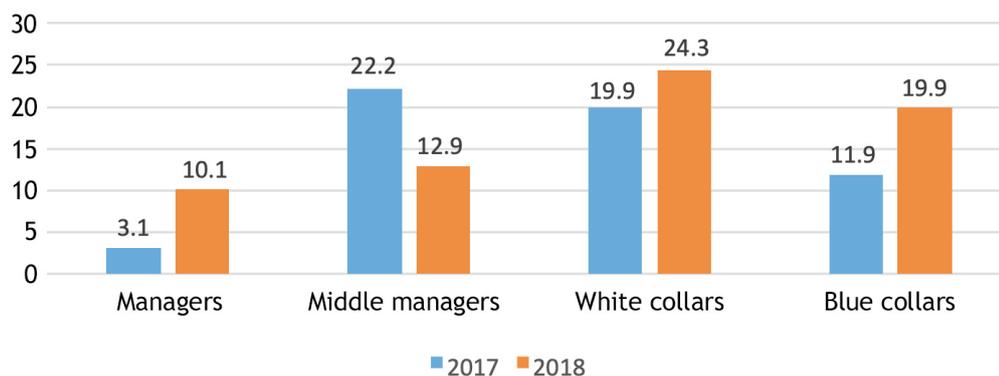
IMA considers continuing education a strategic resource. So IMA's investment in this area is not limited to the starter training given to new hires, but is maintained over time, with the aim of encouraging professional growth and individual motivation. For IMA, investing in human capital also means establishing ongoing and mutually profitable relationships with schools and universities, in order to transfer skills and provide young people opportunities for growth and development.

The average training hours provided to each employee by Group companies came to **21.5 hours** in 2018 and concerned specialist training, professional updating, occupational safety, managerial development, foreign languages and issues related to Legislative Decree 231/2001 (for Italy).

AVERAGE NUMBER OF HOURS PER PERSON BY GENDER IN THE IMA GROUP



AVERAGE NUMBER OF HOURS PER PERSON BY PROFESSIONAL CATEGORY IN THE IMA GROUP



TRAINING OF GROUP EMPLOYEES IN THE WORLD

In **North America**, there are several initiatives to improve the training and professional growth of the people who work in the Group, such as technical and administrative training, language courses, safety, first aid, awareness on the issue of sexual harassment and diversity in the workplace. In **Europe**, the main training sessions were on safety, technical skills and control of export processes, along with language courses. Lastly, in **Asia**, training for the entire company population was mainly focused on improving their knowledge of the English language. Technical training is provided for newly hired personnel.

IMA ACADEMY PROJECT

Since research and constant innovation underpin the IMA philosophy, it is necessary to develop the skills of employees in accordance with these principles.

The Academy of the IMA Group is a training ecosystem in process of formation. It was inaugurated in 2017 in response to the need to transfer general skills into IMA skills, combining plain knowing with knowing how. Various tools are used to implement the road map for developing the skills of the Group's human resources:

- **job descriptions**, that describe the corporate roles and skills mapping;
- **training catalogue**, an organized compendium of training paths that could potentially be taken, comprising over 245 courses;
- **IMA masters**, a combination of classroom and on-the-job training, designed to qualify and perfect the abilities and professional skills of Group employees: IMA Potential, aimed at new recruits, and IMA Talent, currently in preparation, for the development of managerial skills to consolidate values and organizational drivers;
- **training maintenance**, the long-term planning of training needed to maintain staff skills in line with their role.

Equal opportunities

IMA guarantees equal opportunities, protection and enhancement of the Company's human resources; discrimination based on political or union allegiance, religion, race, nationality, age, gender, sexual orientation, health or whatever is not permitted. The IMA Group is careful about the issue of equal opportunities, while operating in a production and industrial environment that, by history and tradition, tends to employ much fewer women than men: women account for 17.3% of the total workforce; 84% of female staff works in white-collar positions, staff services and in the commercial areas. In terms of remuneration, the provisions laid down in national contracts and current legislation in force in the countries where the company operates are applied. In the governance bodies of the Italian Group companies there are 104 members, nine of whom are women. Abroad, the percentage of women in governance bodies is around 17.3%.

IMA won the fourth edition of the **Responsible Innovators Award** of the Emilia-Romagna Region in the category "Companies with over 250 employees" and the **Gender Equality and Diversity Award**, with the project **Breaking the Glass Ceiling**, a path of training and professional development aimed at female employees with a view to increasing the presence of women in positions of responsibility. Through a career support training program, General Management recognized the value and commitment in working practice with economic incentives and a framework for career progression. The training program aimed to bring out women's skills, cognitive models and leadership styles, facilitating the enhancement of managerial skills within the IMA Group and strengthening a generative culture, also by implementing a strategy of diversity and inclusion.

IMA's workforce includes people belonging to **protected categories** as required by current legislation: to this end, for example in Italy, the Company has entered into agreements with the relevant entities.

PROTECTED CATEGORIES OF EMPLOYEES (in 2018)

	NUMBER OF EMPLOYEES	% OF THE TOTAL
TOTAL 2017	115	2%
TOTAL 2018	99	1.76%

DIVERSITY POLICY FOR THE COMPOSITION OF THE ADMINISTRATION, MANAGEMENT AND CONTROL BODIES

With reference to its administration and control bodies, IMA adopted the Diversity Policy for the composition of the administrative, management and control bodies.

The Policy aims to ensure proper functioning of the corporate bodies by regulating their composition and laying down that their members should satisfy personal and professional requirements that determine a high degree of heterogeneity and skills. The Policy promotes corporate social responsibility insofar as **inclusion, integration and non-discrimination**, aimed at enhancing **diversity**, can help remove the economic and social obstacles that restrict the freedom of the individual, in application of the principle of substantial equality and respect for individual dignity. In this sense, diversity is perceived as a strength, as it allows the formation of an administrative body and a control body with a variety of values, points of view, skills and ideas. This variety favours and enriches the debate, mitigating the risk of formulating an undifferentiated collective thought. The diversity aspects considered by IMA for the composition of the administrative and control bodies are:

- **age diversity**, understood as belonging to different age groups;
- **gender diversity**, understood as a balanced representation of genders;
- **professional diversity**, intended as the diversification of professional knowledge (for example, in terms of financial skills, concerning sectors that are relevant to the Company, international experience, leadership, risk management, planning and implementation of business strategies).

The **Board of Directors**, in office until 31 December 2020, consists of **14 members**, broken down as follows:

- 10 out of 14 (71%) aged up to 60 years old; 4 out of 14 (29%) are aged over 60;
- 5 out of 14 (36%) are women; 9 out of 14 (64%) are men;
- different professions are represented, an expression of the Italian entrepreneurial, professional and academic world.

The **Board of Statutory Auditors** that, in its current composition, has been in office since April 2016, is composed of **6 members**, broken down as follows:

- 5 out of 6 (83%) aged up to 60 years old; 1 out of 6 (17%) are aged over 60;
- 3 out of 6 (50%) are women; 3 out of 6 (50%) are men;
- different professional skills are represented, all of which are extremely relevant to IMA's operations.

Dialogue with the Workers' Representatives has led the Company to participate in various **social projects for the territory** in favour of disadvantaged people in the area and to create employment opportunities.

DIGIDOC S.R.L.: A START-UP FOR DIGITISATION

Founded in 2015 and 80% indirectly owned by IMA, DIGIDOC mainly provides document scanning services (invoices, shipping documents and other types of business documentation). As part of a project of inclusion and job placement, the company mainly uses hearing impaired staff, supported by LIS Certified Interpreters (experts in Italian Sign Language). DIGIDOC currently has 17 employees, including 12 who are hearing impaired, split between the locations in Castenaso and Ozzano dell'Emilia, with the support of three LIS interpreters.

Local community engagement

Global policy for communities and the development of knowledge

IMA's social commitment is based on a fundamental concept: the responsibility that an industry has towards society and the world is an expression of will on the part of top management, as well as an element of identity for all those who work for the enterprise. That is why IMA promotes the involvement of its employees in programs and initiatives of corporate citizenship and Corporate Social Responsibility.

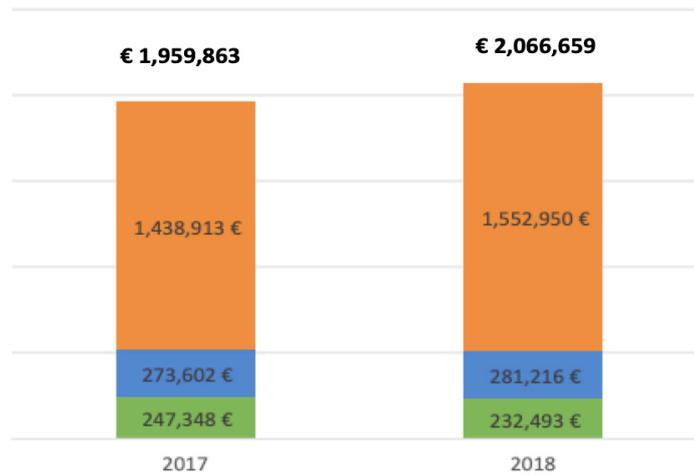
The Group applies the same philosophy at factories located in all geographical areas, promoting educational and awareness-building projects for the personnel of newly acquired companies in order to increase their consciousness and sense of identification.

The territory, understood as the economic and social fabric in which IMA was born and raised, and in which it operates, is a strategic element for the Group's activities. Between territory and enterprise there is in fact a constant exchange of knowledge, experience and wealth (and not just economic wealth), that makes the relationship both inseparable and interdependent. IMA's success hinges on the welfare of the community in which it operates. This is why the Group is committed to promoting and supporting programs with a social, educational and cultural purpose, with particular attention to the technical one; IMA aims to develop solid relations with its own subcontracting network made up of small businesses and artisans, to generate economies of scale even in situations of fragmentation.

Community support initiatives

The companies of the IMA Group contribute to various cultural and social projects both in their own territories and internationally. During 2018, IMA Group companies supported numerous social, cultural, education and sports activities, making **grants and donations** for a total of **2,066,659** euros (+5.4% on 2017). This amount includes the resources allocated to the social responsibility projects, expenses incurred for the benefit of employees (such as for sports groups or other corporate initiatives), as well as the fees that the Group has paid to join representative or industry associations.

IMA'S SOCIAL COMMITMENT



- Costs of social utility
- Contributions to trade associations
- Projects and social activities for employees

SPORTS AND SOCIAL ACTIVITIES

IMA supports important sports organisations in Bologna, such as the **Bologna Football Club** and **Virtus Pallacanestro**. It also devotes its attention to minor sports activities and organizations in the area.

In the path promoted in favour of social sustainability, IMA helped to support various projects during 2018.

Antoniano Onlus: "Progetto Famiglie"

At Christmas 2018, IMA renewed its support for the **"Progetto Famiglie"** by Antoniano Onlus, which continues to support families in need, facing emergencies and also promoting the **process of economic and social emancipation**. Thanks to IMA's contribution, during 2019, Antoniano Onlus will be able to help 20 families (around 80 people, including 42 children).

www.onlus.antoniano.it

FID (*Fare Impresa in Dozza*)

Along with two other important companies in the sector, IMA provides financial support for "*Fare Impresa in Dozza*", a **small mechanical engineering business that employs detainees**, located inside the **Dozza Prison of Bologna**.

During 2018, the facility hosted several detainees for internships and training periods, as part of a training course dedicated to 12 detainees who will become part of the FID workforce in 2019. All participants achieved the educational objectives of the training.

Lions Club of Juhu and Riddhi Siddhi Charitable Trust

IMA-PG in India supports the Lions Club of Juhu and the Riddhi Siddhi Trust, engaged in projects for education, development and improvement of the conditions of life and health of the communities in which they operate.

Comunità Nuovi Orizzonti

Present in many countries, the Nuovi Orizzonti Community aims to intervene in all areas of social hardship through support actions aimed at those in serious difficulty, with particular attention to street children and the world of youth. The Community, which is engaged in acts of solidarity and welcoming outsiders, also operates in the field of education, making use of techniques and methods developed by psychology to favour educational intervention and the consequent social reintegration.

www.nuoviorizzonti.org

Associazione Libera

In 2018, IMA supported two activities promoted by Libera. The first was the "**XXIII Giornata della Memoria e dell'Impegno in ricordo delle vittime innocenti delle mafie**" (XXIII Day of Remembrance and Commitment in memory of the innocent victims of the mafias) **held on 21 March in Foggia** and simultaneously in other squares and places throughout Italy. The event was anticipated on 17 and 18 March by a meeting in Bari with the families of the victims of the various types of mafia.

The second event was the "**Benfatto – 2018 Edition**", a journey in stages along the Italian territory interspersed with moments of training. Between April and June, Libera accompanied dozens of young people on the itinerary, exploring with them two themes in particular: community care and new forms of economy.

www.libera.it

RESEARCH AND HEALTH

IMA supports various scientific research projects and the work of associations that are dedicated to the care and health of people in Italy and in various parts of the world. Among these:

Beth Israel Deaconess Medical Center, Boston, United States

For the period 2018-2021, IMA decided to support the research work of "Ultra-Precision Medicine", led by Professor Pier Paolo Pandolfi, MD, PhD at the BIDMC Cancer Center in Boston.

www.bidmc.org/research/research-by-department/pathology/laboratories/pier-paolo-pandolfi-lab

Bimbo Tu

With its donation, through the Bimbo Tu Association, IMA supports:

- the **National Cancer Institute of Milan, Paediatric Unit**, directed by Dr. Maura Massimino, contributing to the financing of new research protocols for the treatment of children with medulloblastoma at standard risk and of all those affected by ependymoma, rare tumours that mainly affect children under the age of six and whose causes are still unknown;
- the **Umberto I Institute of Rome, Department of Neurology and Psychiatry**, contributing to the financing of Advanced Molecular Diagnostics and the Biomolecular Research Project of the Laboratory of Neuropathology and Pathological Anatomy of the Institute.

www.bimbotu.it

Médecins Sans Frontières

On the occasion of the Christmas festivities, IMA gave its support to the MSF project for the **prevention and early detection of malaria** in Bili, in the Democratic Republic of the Congo, where this disease is still the leading cause of mortality in the country today: 75 children out of 1,000 born alive do not reach the age of five. In 2018 the health program in Bili addressed more than 180,000 people, including about 36,000 children under the age of 5.

IMA, with its donation, helps MSF to reach and treat more than 5,000 children affected by malaria and to provide about 800 children with intensive nutritional therapy at MSF Centres.

www.medicisenzafrontiere.it

In **India**, IMA-PG is actively involved in supporting local communities, through collaboration with various local NGOs.

Abhilasha Foundation

Mumbai NGO active in the field of education, health and sustainability, which also provides vocational training courses and support for women and children in need.

Akshara Samajik Pratishthan

Non-governmental non-profit association that performs voluntary activities aimed at spreading well-being in Indian communities; it also supports the growth of young people and children belonging to different social classes.

South Indian Education Society, Mumbai, India

IMA-PG India supports SIES, one of the oldest educational institutions in Mumbai.

In the United States, IMA Life NA participated in **The Ride for Roswell**, a cycling event in favour of cancer research.

SCHOOLS AND UNIVERSITIES, TRAINING, TECHNICAL CULTURE, DISTRICT

Because of the historical links with the district to which it belongs and the need to face future challenges, IMA has always supported various initiatives that enhance the industrial and technical culture of its territory.

Associazione Amici del Museo del Patrimonio Industriale

Since 1997, IMA has been a member of the Association founded to reinforce and promote the corporate culture and the deep bond between the world of production and the world of training. The Association supports the ***Museo del Patrimonio Industriale (Industrial Heritage Museum) of Bologna***, and its **training projects** aimed at new generations, facilitating dialogue between companies, technical schools, universities and institutions.

In 2018 the *Associazione Amici del Museo del Patrimonio Industriale* (Association of Friends of the Museum of Industrial Heritage) promoted and supported the creation of the **Factory of the Future**

inside the museum. This new reality will allow visitors to learn about the evolution of industrial technologies, starting from the past and projecting them into the future.

www.amicidelmuseo.org

E.R.-AMIAT (Emilia-Romagna Advanced Mechanics and Industrial Automation Technology)

IMA participates in E.R.-AMIAT, a non-profit organization founded in 2011 by the main companies in Emilia-Romagna in the field of advanced mechanics. The purpose of E.R.-AMIAT is to reconcile productivity and economic, social and environmental sustainability by researching business models that companies can follow. E.R.-AMIAT aims to promote the conditions for the growth of the territory, enhancing its high concentration of mechanical and electronic skills, and the subcontracting and collaboration networks based on specialization and flexibility.

www.eramiat.eu

CAIMA – A NewCo to promote employment

27 October 2018 saw the inauguration of CAIMA's headquarters in Monghidoro (Bologna). IMA S.p.A. and Marchesini Group S.p.A. both have 20% interests in CAIMA, which specializes in the design and construction of systems for automatic machines, electrical panels and automatisms. The newco currently employs ten people from the Stampi Group, who have thus joined the supply chain of IMA and Marchesini Group. A new life for the company that dealt with electromagnetic coils and a sign of hope for the Apennines.

University degree course in Industrial Product Design

The University degree course in Industrial Product Design, financed by IMA, is part of the Department of Architecture at the University of Bologna. The course aims at training industrial designers who know how to develop designs of the practical use to companies and guide them through industrialisation and development to the production stage.

www.corsi.unibo.it

ESI (Economic Strategy Institute), Washington DC, United States

ESI is a private, non-profit organization dedicated to the study and development of global business strategies. In particular, the entity's attention is focused on the analysis of those corporate and national strategies that allow globalization to develop in conditions of equality and mutual benefit. IMA supports a project that aims to assess the potential fallout of **Artificial Intelligence** in the

industrial manufacturing sector and to identify the effects of enabling technologies on market trends. The topics being researched include cloud computing, Open Source software and Artificial Intelligence with particular reference to machine learning.

www.econstrat.org

Fondazione Adriano Olivetti

On 8 and 9 June 2018, in collaboration with the Adriano Olivetti Foundation, the round table "**Focus: Adriano Olivetti**", now in its fifth edition, took place in Turin. The event, curated by Michele Fasano, was a moment of dialogue among the protagonists of the **responsible economy**. In fact, Olivetti's vision was known for being futuristic and a source of inspiration for cutting-edge business models. Today his ideas are considered relevant as part of the digitisation process of Industry 4.0.

www.fondazioneadrianolivetti.it

CULTURE: MUSIC AND ART

For a long time, IMA has contributed various types of artistic and cultural initiatives, encouraging the development of culture and the creation of important works of art. These are projects that have a historical and artistic value, but also a special meaning for the territory to which IMA is linked.

Fondazione Manzoni Factory

IMA supported the 2018/19 season of the Manzoni Factory. The convention program allows employees and collaborators of the IMA Group to benefit from discounts for the purchase of tickets for the 2018/19 season of the Manzoni Factory at the Teatro Manzoni in Bologna.

www.auditoriummanzoni.it

"L'Eterno e il Tempo tra Michelangelo e Caravaggio"

In 2018 IMA gave its contribution to the exhibition "*L'Eterno e il Tempo tra Michelangelo e Caravaggio*" (The Eternal and Time between Michelangelo and Caravaggio), which was held from 10 February to 17 June 2018 at the **San Domenico Museums in Forlì**.

Exhibition by Sergio Vacchi: "*Mondi Paralleli*"

Two years after the death of the Maestro, Palazzo Fava of Bologna hosted "*Mondi Paralleli*" (Parallel Worlds), an exhibition dedicated to the painter Sergio Vacchi by **Fondazione Carisbo and Genus Bononiae - Musei nella Città**. The works of Sergio Vacchi, which belong to the period 1948-2008, have been reinterpreted by the curator of the exhibition **Marco Meneguzzo** in an international context. A bilingual volume published by Skira, with complete scientific apparatus and numerous illustrations, accompanied the exhibition: inside were unpublished essays by the curator and Renato Barilli, together with a testimony by Flavio Caroli. The exhibition was realized with the collaboration of the **Sergio Vacchi Foundation** and with support from **IMA**.

Christmas Evening at the EuropAuditorium Theatre

For Christmas 2018, an evening was organized for the Italian employees of the Group at the EuropAuditorium Theatre in Bologna, which took place on 12 December. The event, entitled "**A special evening to share a smile**", starred Maria Pia Timo, Roberto Mercadini and Giuseppe Giacobazzi, who cheered up the audience with an amusing show.

ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

Fondazione Symbola

Since 2017 IMA has been a member of Symbola, the Foundation for Italian Quality which promotes the soft economy, along with a quality-oriented development model. One of the objectives of Symbola is to network different groups of people: organizations, associations and personalities of the economic and entrepreneurial world, of active citizenship, of territorial and institutional realities and the world of culture. Also in 2018, Symbola published the **GreenItaly Report**, which dealt with the theme of the national green economy.

www.symbola.net

SAVE FOOD Initiative

Since March 2013, IMA joined the SAVE FOOD initiative, sharing the intentions expressed in the founding declaration. SAVE FOOD, in partnership with FAO, Messe Düsseldorf and Interpack, works with supporters, international organizations, financial institutions, private partners in the

sector of the packaging industry and in other areas, in order to develop and implement programs regarding food losses and waste.

www.save-food.org

The FAO project for the development of food packaging in Sub-Saharan Africa

Since 2015, IMA has supported the FAO project with the aim of intervening with appropriate technologies to reduce food waste. As part of SAVE FOOD, in 2015, IMA's Chairman Alberto Vacchi and Laurent Thomas, FAO Assistant Director-General, signed an agreement for the execution of the project "**Improving food packaging for small and medium agro-enterprises in Sub-Saharan Africa**".

According to FAO estimates, in fact, a third of all the food produced in the world is lost. Packaging can play a strategic role in the fight against hunger and malnutrition. The International Trade Centre (ITC) in Geneva will also participate in this project. ITC is the centre for international trade affiliated to the World Trade Organization and the United Nations Conference.

The project organized a regional packaging workshop which took place on 10 September 2018 in Lusaka, Zambia, during the World Export Development Forum (WEDF). Leaders and experts in industrial packaging from various Sub-Saharan African countries came together to discuss and make recommendations on how to develop packaging-related solutions in the agri-food sector.

During 2019, the FAO-IMA project will finalize its activities by organizing feasibility studies for the construction of multi-service packaging centres in select African countries, and for the development of guidelines that provide advice to small and medium-sized farms regarding selection, operation and maintenance of packaging equipment.

Relations with Trade and Sector Associations

IN ITALY

IMA is a member of various associations and institutions at **national and international** level to contribute to the dissemination of quality and innovation, automation culture and sustainability. The main associations and institutions to which it belongs are:

- CONFINDUSTRIA EMILIA AREA CENTRO (Regional Italian Manufacturers' Association);
- FEDERMECCANICA (Italian Federation of Metallurgical and Mechanical Trade Unions);

- UCIMA – *Unione Costruttori Italiani Macchine Automatiche per il Confezionamento e l'Imballaggio* (Italian Association of Automatic Packing and Packaging Machine Manufacturers);
- E.R.-AMIAT - Emilia-Romagna: Advanced Mechanics and Industrial Automation Technology;
- *Associazione Amici del Museo del Patrimonio Industriale* (Association of Friends of the Museum of Industrial Heritage);
- IMPRONTA ETICA, association that works to promote sustainable development. IMA has been a member of the Management Committee since 2013;
- PROMETEIA, independent institute for economic research;
- SAVE FOOD Initiative
- CRIT, company specialised in research and analysis of technical and scientific information;
- COMITATO LEONARDO, an Italian Quality Committee;
- SYMBOLA FOUNDATION for Italian Quality.

All of IMA's relationships with Institutions and the Public Administration are based on the principles of honesty, fairness, transparency and full compliance with laws and regulations, in respect of the public nature of the function, as indicated in IMA's Code of Ethics and regulated by the Management and Control Model in accordance with Legislative Decree no. 231/2001.

IN THE WORLD

The IMA Group companies around the world also belong to trade and other associations, in order to promote their relationships with local communities by organizing events to involve them or by supporting their initiatives.

North America

- PMMI (Packaging Machinery Manufacturers Institute)
- NACDS (National Association of Chain Drug Stores)
- SCAA (Specialty Coffee Association of America)
- ISPE (International Society for Pharmaceutical Engineering)
- EANE (Employers Association of the North East)
- INDA (Association of the Nonwoven Fabrics Industry)
- ABA (American Bakers Association)
- BEMA (Bakery Equipment Manufacturers & Allieds)

European Union

- IHK (The Association of the German Chambers of Industry and Commerce)

Asia & Middle East

- The Institute of Packaging Machinery Manufacturers of India
- Maratha Chamber of Commerce, Industries & Agriculture, Pune
- Deccan Chamber of Commerce
- Care Child & Old Age Foundation
- Vatsalya Trust, to promote healthcare
- Tata Memorial Hospital, to promote healthcare
- Vinimay Trust, an NGO that supports children in need in Mumbai
- Tamahar Trust supports children with disorders such as autism and cerebral palsy and their families.

Environmental sustainability

Global environmental policy

Global awareness of threats related to climate change, the depletion of limited resources, the problems of energy supply and the loss of biodiversity make the IMA Group recognize the importance of **protecting and safeguarding the environment as part of strategic business decisions**. The Company's commitment concerns the reduction of its direct impacts, investments in research and development for sustainable innovation and the promotion of responsible behaviours along the value chain.

In terms of direct impacts, IMA is committed to **minimizing** any possible **impact deriving from the production cycle** through:

- rational consumption of energy resources favouring the supply from renewable sources with a low environmental impact;
- the use of raw materials and environmentally preferable products, encouraging recycling or reuse;
- the prevention of pollution generated by atmospheric emissions, as well as the reduction of greenhouse gas (GHG) emissions, through the use of the best available technologies and methods of calculation and monitoring (carbon footprint);
- careful management of waste and waste generated by production activities.

IMA is extremely active in the field of **sustainable innovation**: in fact, it progressively adopts solutions capable of reducing energy requirements and the environmental impact of products. It also invests in research and development: promotes studies and solutions (in partnership with customers) to create **innovative and environmentally friendly packaging** that can reduce food loss, preserve the freshness of food and reduce the impact that plastic components have on the environment and marine ecosystems.

Environmental management and risk management systems

The IMA Group has prepared programs and initiatives aimed at **continuous reduction of environmental impacts** and **improving efficiency in the use of energy resources**. This line of action also includes the path initiated by the Parent Company IMA S.p.A. for the certification of its Environmental Management System according to **ISO 14001:2015**, the most accredited standard in the world. During the year the certification was updated for the head office of IMA S.p.A. and the plant in Via I ° Maggio 14-16, including the unit in Via Libertà 1-15. Certification was also extended to other plants of IMA S.p.A. and other subsidiary companies (Gima TT S.p.A., Corazza S.p.A., Gima S.p.A.). ISO 14001 certification is also envisaged for these companies during 2019.

IMA Group companies have an environmental impact essentially in three significant areas:

- **waste management**
- **energy consumption**
- **greenhouse gas emissions**

As regards these impacts, it is worth emphasizing that IMA fully complies with the regulations in the way that they are handled, as each Group company has all of the required authorizations from the competent authorities, where applicable.

To a lesser extent, inasmuch as they potentially derive from the work carried out in the workplace, IMA has performed specific measurements at its main plants aimed at assessing and highlighting its own regulatory compliance in terms of the acoustic and electromagnetic pollution of the surrounding environment, also respecting the quality objectives set by legislation for the protection of any civilian populations living near industrial sites.

The main **activities carried out** included:

- installation of technological systems with a lower direct or indirect environmental impact;
- training for staff on environmental issues;
- monitoring consumption of the main energy carriers.

The environmental data reported here reflect the higher production volumes that have characterised recent years, from 2010 onwards, thanks to an increase in orders and sales, as well as the change in the Group scope as a result of new acquisitions.

Energy management

Pursuant to the provisions of art. 8 of Legislative Decree 102/2014 (Transposition of EU Directive 27/2012, obligations for Energy Efficiency), IMA S.p.A., falling within the scope of the legislation as a "Large Company," appointed an ESCo (Energy Service Company) to carry out an **Energy diagnosis** at its **main production sites**. In accordance with the Guidelines issued by ENEA (Italian National Agency for New Technologies, Energy and Sustainable Economic Development), all plants of the IMA Group were taken into account (not only those included in the scope of this Report, but also the production units of associates of the Parent Company IMA S.p.A. held with interests of between 25% and 50%).

From "clustering", sites were identified for which a specific Energy Diagnosis should be implemented: specifically, the Diagnoses covered the two main production facilities of IMA S.p.A. (Via Emilia 428-442 and Via I° Maggio 14-16 in Ozzano dell'Emilia, Bologna) and made it possible to identify several potential interventions to improve energy efficiency in future years. Energy Diagnoses will be performed again in 2019.

The object of the Energy Diagnosis is to get in-depth knowledge of the effective **energy behaviour (and consumption)** of the entity under review in order to identify the most effective amendments of such behaviour to achieve the following objectives:

- **improve energy efficiency**
- **reduce energy supply costs**
- **improve environmental sustainability**
- **redevelop the energy system**

Various methods have been adopted to reduce energy consumption: from the adoption of responsible behaviour by the personnel (for example, in the company regulation it is recommended to turn off PCs at the end of the working day), to investment in efficient or low energy plants, machinery and devices (involving general and auxiliary production services), through implementation in the technological systems of supervisory systems for their monitoring and control (possibility of programming the operating parameters and switch-on and switch-off times, receiving feedback in the event of losses or faults).

In 2018, considering the Italian companies in the scope of consolidation, out of **81,231** GJ of electricity purchased, 41% came from renewable sources: in 2018, in addition to the Via Emilia 428-442 plant, the one in Via I ° Maggio 14-16 was also supplied with electricity from certified renewable sources. In addition, **1,744** GJ of photovoltaic electricity were produced and self-consumed, while **541** GJ were produced and put on the grid.

Over the last year, there has been an increase in the total electricity consumption by the Italian companies of the IMA Group. At the same time, in line with previous years, there was a further simultaneous expansion of the number of industrial sites of the Group, which again in 2018 marked strong growth in terms of revenue, personnel and production area. The ratio between the electricity purchased and the total number of employees of the IMA Group is equal to 6,504.9 kWh per capita.

The consumption of natural gas, diesel and LPG is primarily due to the functioning of plants and machinery, also in the service of production (mainly for central heating systems and the production of hot water for non-industrial use). The remaining consumption of fuels (petrol in addition to the aforementioned) to power the cars of the company pool (including cars given as fringe benefits and trucks). The trend in natural gas consumption in the two-year period reflects a better quality of data and information available at Group level.

The ratio between the consumption of gas and the total useful floor area of IMA Group locations is 9.2 Smc/sqm.

2018 ENERGY CONSUMPTION (GJ)

	TOTAL 2017	TOTAL 2018
Energy consumption from non-renewable sources		
Natural gas (used for heating work environments)	192,038	116,323
Natural gas (used in vehicles)	n.d.	1
LPG (used for roasting and testing roasting machines and for vehicles)	56	57
Diesel (used in generators, motor-driven fire-fighting units and high-pressure cleaners and in vehicles)	35,703	30,945
Petrol (used in vehicles)	2,205	1,322
Total	230,002	148,648
Electricity purchased (tot.)		
	126,889	129,710
of which from certified renewable sources	n.d.	33,175
Electricity that is self-produced and consumed (from photovoltaic systems)	n.d.	4,018
Electricity that is self-produced and sold/fed back into the grid (by photovoltaic systems)	n.d.	541

INVESTMENTS IN ENERGY EFFICIENCY AND THE USE OF RENEWABLE ENERGY

The IMA Group has prepared programs and initiatives aimed at **continuous reduction of environmental impacts** and **improving efficiency in the use of energy resources**. In particular, in pursuit of this commitment, the IMA Group has implemented the following policies in Italy:

- since 2014, for its largest facility, as well as the Group's head office, or the Via Emilia 428/442 site in Ozzano dell'Emilia (Bologna), electricity is supplied exclusively from certified renewable sources. In 2018, IMA extended this supply to the Via I Maggio 14-16 site in Ozzano dell'Emilia (Bologna); together, the consumption of these two sites constitutes over 40% of the electricity that IMA purchases on the Italian free market. This source of green energy is certified by appropriate GO (Guarantee of Origin certificates) issued by the entity that supplies the electricity to IMA;

- it produces renewable electricity from photovoltaic installation:
 - factory of IMA S.p.A. in Via Emilia 428-442, Ozzano (Bologna): capacity of 155 kWp;
 - factory of IMA S.p.A. in Via Piave 16, Ozzano (Bologna): capacity of 310.9 kWp;
 - factory of G.S. Coating Technologies in Via Friuli 38-40, Osteria Grande (Bologna): capacity of 70 kWp;
 - factory of Revisioni Industriali S.r.l. in via Nobel 34, Ozzano (Bologna): capacity of 19.5 kWp;
 - factory of Eurosicma S.p.A.: plant with capacity of 158.4 kWp
- it produces renewable thermal energy using solar collectors (supporting the thermal plant at the factory in Via Emilia 428-442), with a consequent saving in the consumption of methane;
- during 2018, it replaced fluorescent lamps with new generation LEDs in workplace lighting systems; over the years to come, this is expected to take place gradually at all the plants;
- it implemented a program over the past few years for the gradual replacement of:
 - old compressors with new models that have inverter-controlled motors, more efficient even with partial loads;
 - UPS (back-up power units) with new, more efficient models;
 - conditioners with new models that guarantee greater efficiency and the centralization of installations;
- construction has started on a new building for use by the Safe Division of IMA S.p.A. in Ozzano (Bologna), which will have a photovoltaic system with a nominal power of about 800 kWp installed on the roof.

Other energy efficiency initiatives foreseen in the future in Italy concern:

- installation of a gas-powered trigeneration plant for the production of electricity, hot water for heating and refrigerated water for cooling;
- purchase of electricity solely from certified renewal sources for the other sites of IMA S.p.A.

In general, one of the primary objectives over the next few years will be to **apply eco-sustainable techniques during the construction of new factories or the renovation or expansion of others** (e.g. the use of double glazing, insulation in cavity walls, more efficient systems for the generation of heat and cool air etc.), in order to reduce the energy requirement.

INITIATIVES FOR THE REDUCTION OF ENERGY CONSUMPTION OF IMA IN THE WORLD

Also with regard to energy consumption, Group companies have launched programs for the **management and reduction of their consumption. Most foreign locations have energy-saving lighting, separate waste collection systems and state-of-the-art refrigeration systems.**

In some Asian offices, continuous improvements are undertaken to eliminate any gaps with the best practices and current regulations regarding the environment. The Beijing offices have established an environmental policy in accordance with ISO 14001: every month environmental targets, responsibilities and improvement programs are updated and monitored.

Carbon footprint and greenhouse gas emissions

To develop its commitment with regard to direct and indirect emissions and gradually reduce them over time, in 2012 IMA joined the **Supply Chain Program of CDP** (former Carbon Disclosure Project) and from 2014, as a listed company, the Main program of the same project, the **Climate Change Program**.

CDP is an international non-profit organization that provides companies and the community with a global system for measuring, disseminating, monitoring and publishing information on environmental sustainability issues. The Program, which is aimed at companies, provides for the implementation of strategies designed to gradually reduce emissions, also involving partners along the supply chain, and to manage environmental risks associated with climate change. Every year companies participating in the Main program of the CDP undertake to report their emissions (calculated in terms of emissions of carbon dioxide equivalent (or CO₂e) in order to monitor them and, if possible, establish a plan to reduce them over time: the reported data are made public by the CDP, available to international investors, in order to guide their investment decisions towards companies that have a profile that is more sustainable for the environment.

In 2018, IMA S.p.A. placed itself in the "Awareness C" band, confirming levels similar to the previous year. Since 2014 IMA has been publishing its data in the "CDP" section of the website dedicated to investors, making them freely available to a wider audience.

IMA calculates its "carbon footprint" in terms of CO₂ equivalent, reporting:

DIRECT EMISSIONS (SCOPE 1)	INDIRECT EMISSIONS (SCOPE 2)
deriving from the consumption of fuels needed to power thermal plants and machinery (natural gas, diesel and LPG) and the cars of the company pool (petrol, diesel, LPG and methane).	deriving from electricity consumption, net of energy produced by the photovoltaic park, and self-consumed, and certified supplied energy from renewable sources.

Thanks to the monitoring of emissions, IMA has formulated a plan to contain and reduce them. Various interventions have already been implemented, while others have been programmed as part of a reduction plan.

In 2018, the supply of electricity to the plants of IMA S.p.A. of Ozzano dell'Emilia (Bologna), Via Emilia 428-442, the head office of the Parent Company IMA S.p.A., and of Via I Maggio 14-16, is certified as coming exclusively from renewable sources. In terms of Scope 2, this made it possible to save more than 12,000 tonnes of CO₂ equivalent of indirect emissions each year (using the Market-based method of calculation set out in the "GHG Protocol Scope 2 Guidance – An amendment to the GHG Protocol Corporate Standard" of 2015).

The trend in direct emissions in the two-year period reflects a better quality of the data and information available at Group level regarding natural gas consumption.

GREENHOUSE GAS EMISSIONS

	ton CO ₂ eq 2017	ton CO ₂ eq 2018
Direct emissions – Scope 1	13,727	9,015
Natural gas consumption emissions	10,916	6,604
LPG consumption emissions	4	4
Diesel consumption emissions	2,653	2,313
Company car emissions (petrol driven)	155	93
Company car emissions (gas driven)	ND	0.05
Indirect emissions – Scope 2		
Electricity consumption emissions (Location Based Method)	12,580	14,505
Electricity consumption emissions (Market Based Method)	ND	21,627

INITIATIVES TO REDUCE GREENHOUSE GAS EMISSIONS AND RESULTS ACHIEVED

The total production of the Italian photovoltaic park of the IMA Group, in 2018, net of network sales, came to 635 MWh, which satisfied part of the energy needs of the various plants served, helping to avoid a total of 189 tons CO₂e.

OTHER ATMOSPHERIC EMISSIONS (POLLUTING EMISSIONS)

IMA's activities involve minimum emissions of NOX (nitrogen oxides), SO₂ (sulphur dioxide), volatile organic compounds (VOCs) and atmospheric particulates, deriving from combustion in the thermal power plants, for space heating purposes and therefore non-productive. Therefore, given the low relevance of the issue at Group level, it was considered appropriate not to report on these pollutants in this document.

Waste management

The type of waste generated by IMA's production activities consists mainly of mixed packaging materials, such as plastics and the like, cardboard and wood. In addition, the plants that carry out mechanical processes on metal surfaces with chip removal generate waste consisting of residues such as iron and aluminium filings, ferrous scrap and other metals, such as aluminium, bronze and brass.

To a lesser extent, the waste resulting from the testing of the automatic machines produced by IMA also has to be considered. Tests are performed with the materials and products to be packaged, sent directly by Customers (pharmaceuticals, cosmetics, medicines, food, such as tea, coffee, stock cubes and cheese).

Lastly, as regards liquid waste (which is in any case disposed of safely, so not discarded), IMA's plants produce waste in the form of oily emulsions and used mineral oils generated by maintenance activities on workshop machine tools and on automatic machines being assembled and tested. In addition to these, other types of liquid waste produced are the water solutions that are the result of washing automatic machines after testing with the products to be packaged and with demineralized water. Also to be considered is a small quantity of WEEE (waste electrical and electronic equipment) and electric cables (copper).

In Italy, all types of waste produced by operations are collected by each factory separately by type and disposed of in compliance with the law (preferably taking them to specialist disposal facilities that treat them with a view to recycling materials and energy). Office areas also have to separate their waste (toner, paper, cardboard, etc.), as do the refreshment areas and canteens (plastic, food, etc.): all employees have been trained and informed about the criteria for waste separation.

Only 9.5% of the waste disposed of by IMA is classified as hazardous.

33.2% of the waste products produced by IMA in 2018 were to be recycled and reused.

Again in 2018, there were no significant spills or discharges of waste water containing chemicals, waste or fuels, reflecting successful implementation of the procedures that constitute the Company's Environmental Management System and the awareness, training and care of staff.

The trend in data relating to waste produced and disposed of over the two-year period reflects a better quality of data and information available at Group level.

WASTE DISPOSED OF BY DISPOSAL METHOD *(in tonnes)*

	2017			2018		
	Hazardous waste	Non-hazardous waste	Total	Hazardous waste	Non-hazardous waste	Total
Recycling/Re-use	2.95	2,755.1	2,758.1	2.52	1,769.40	1,771.92
Energy recovery		87.9	87.9	-	64.10	64.10
Stocking and/or placing in reserve for recovery purposes	120.4	1,053.6	1,174.0	113.93	1,383.42	1,497.3
Incineration	11.8	181.0	192.8	3.88	135.38	139.26
Landfill	0.1	1,060.4	1,060.5	0.09	364.35	364.44
Other disposal operations (such as: purifier)	192.8	865.7	1,058.5	260.77	1,031.23	1,292.00
Stocking or placing in reserve for disposal purposes	42.9	92.2	135.1	124.40	85.99	210.39
TOTAL	371.9	6,096.0	6,466.9	505.57	4,833.88	5,339.45

WASTE MANAGEMENT IN IMA'S PRODUCTION SITES IN THE WORLD

Most foreign companies pay a lot of attention to recycling (cardboard, paper, wood, metals and waste oils), both in offices and in production plants.

In particular, in North America, ad hoc training modules have been included to make employees aware of proper waste disposal: the initiative makes it possible to reuse, recycle and compost a significant part of the waste produced. Moreover, most of the processes are now paperless, contributing to the reduction of waste in offices.

Methodological note

IMA GROUP'S 7th ANNUAL SUSTAINABILITY REPORT

This is the seventh consecutive document prepared and published by IMA and constitutes the Consolidated Disclosure of Non-Financial Information required by Legislative Decree 254/2016 (hereinafter also "Decree") and subsequent amendments. This report contains information regarding environmental and social issues that concern IMA's personnel, respect for human rights and the fight against corruption. It serves to ensure an understanding of the activities carried on by the Group, its performance, its results and the impact of its activities.

REFERENCE PERIOD

The qualitative and quantitative figures and information contained in the IMA Group's consolidated non-financial disclosure refer to the performance of the IMA Group for the year ended 31 December 2018. Comparisons with previous periods are also provided.

REFERENCE REPORTING STANDARDS

This Report is drafted in accordance with articles 3 and 4 of Legislative Decree 231/2004 and in accordance with the "Global Reporting Initiative Sustainability Reporting Standards" ("GRI Standards") defined in 2016 by the GRI - Global Reporting Initiative ("Core options") which is today the most widespread and internationally recognized standard for non-financial reporting.

DATA COLLECTION

The preparation of the consolidated disclosure of non-financial information of the IMA Group for 2018 is based on a structured reporting process that includes the steps illustrated below.

- The corporate structures and divisions responsible for the various areas and for the figures and information involved in this Group's non-financial report have been asked to contribute to the identification and assessment of the material issues, of significant projects and initiatives to be described in this document and in the collection, analysis and consolidation of data, with the role of verifying and validating all of the information contained in the Report, each for its own area of competence. The figures and information included in this Report derive from the corporate information system used for the management and accounting of the Group and from a

non-financial reporting system (data collection forms) specially implemented to meet the requirements of Legislative Decree 254/2016 and GRI Standards.

- The figures have been calculated on the basis of data extracted from the company's records and calculations, whereas estimates have been made in a limited number of cases, as follows:
 - If certain environmental data (consumption of electricity, consumption of natural gas and waste) was not available for foreign production companies, such available data was used to calculate the intensity per employee. On the basis of the amounts identified in this way, company figures were then estimated in proportion to the number of employees. This calculation was carried out on a geographical basis, dividing the foreign companies into three macro-regions: Europe, the Americas and Asia.
 - Similarly, if data on the total hours worked by the employees of foreign companies was not available, the figure was estimated using an average parameter for the sector, i.e. 1,752 hours worked per employee. On the basis of this figure, the total hours worked were estimated in proportion to the number of employees of the companies for which data was not available.

The conversion factors used to transform the different energy quantities into GJ are taken from the Defra database (UK Department for Environment, Food and Rural Affairs), which is updated annually. The emission factors used for the calculation of CO₂ emissions reported in this NFR are the following:

- direct emissions (scope 1): emission factors taken from the Defra database (UK Department for Environment, Food and Rural Affairs), updated annually;
- indirect emissions (scope 2): for electricity purchased from the electricity grid, the Market Based and Location Based method of calculation was used. For all countries, Terna emission factors were used on Enerdata values, the latest publication available.

This Consolidated disclosure of non-financial information was approved by IMA S.p.A.'s Board of Directors on 15/03/2019.

REPORTING SCOPE

As required by Legislative Decree 2454/2016, this Disclosure includes the figures of the parent company (IMA S.p.A.) and its fully consolidated subsidiaries, with the exclusions described below.

- This Report does not include figures and information for the holding and representative companies, in light of the fact that these organizations are deemed to have little impact (compared with the Group as a whole) in terms of their socio-economic and environmental impact (based on the five areas mentioned in Legislative Decree 254/2016), given their impact in terms of turnover, number of employees and type of activity.
- No environmental information (energy, emissions, waste) is provided for commercial companies, given their low impact on the environment.

Moreover, on 20/11/2018, IMA sold 60% of its investment in a number of companies (ERCA, HASSIA, HAMBAGASTI, and IMA Dairy & Food USA) belonging to the IMA Dairy & Food Holding GmbH Group (IMA D&F), which are therefore no longer part of the Group at 31/12/2018. In order to ensure a correct representation of the Group's performance and impacts, the following information is provided for these companies, unless otherwise specified in the text:

- financial data, consolidated in the Group's financial statements up to the date of completion of the sale (20/12/2018);
- personnel data in terms of turnover, injuries and training up to the date of completion of the sale (20/12/2018);
- environmental data (energy consumption, emissions and waste) up to the date of completion of the sale (20/12/2018);
- the GRI indicators that require end-of-period data (at 31/12/2018) are not reported.

In addition to what has just been specified, the companies included in the scope of this report are the following, grouped by macro-geographical region:

ITALY	EU	AMERICAS	ASIA
<ul style="list-style-type: none"> • IMA S.P.A.* • GIMA TT S.P.A.* • GIMA S.P.A.* • CORAZZA S.P.A.* • REVISIONI INDUSTRIALI S.R.L.* • CO.MA.DI.S. S.P.A.* • PHARMASIENA SERVICE S.R.L.* • ILAPAK ITALIA S.P.A.* • G.S. COATING TECHNOLOGIES S.R.L.* • TECNOWEB CONVERTING S.R.L.* • FILLSHAPE S.R.L. (Merged with IMA S.p.A. with effect from 31/12/2018*) • TELEROBOT S.P.A.* • MAPSTER S.R.L.* • DIGIDOC. S.R.L • EUROSICMA S.R.L. AND ITS SUBSIDIARIES (EUROTEKNA S.R.L., O.A.SYS. S.R.L.)* • TISSUE MACHINERY COMPANY S.P.A.* • ASSET MANAGEMENT SERVICE S.R.L.* • PETRONCINI IMPIANTI S.P.A.* • CIEMME S.R.L.* 	<ul style="list-style-type: none"> • IMA LIFE THE NETHERLANDS BV* • IMA FRANCE • ILAPAK LIMITED • ILAPAK VERPACKUNGSMASC HINEN GMBH • ILAPAK FRANCE • ILAPAK SP. Z O.O. • IMA EST GMBH • IMA GERMANY GMBH • IMA MEDTECH SWITZERLAND SA* • OOO IMA INDUSTRIES • ILAPAK SNG OOO • IMA IBERICA PROCESSING AND PACKAGING, S.L. • IMA SWIFTPACK* • BENHIL GMBH* • ILAPAK INTERNATIONAL SA* • IMA UK LTD. 	<ul style="list-style-type: none"> • IMA AUTOMATION USA* • IMA LIFE NORTH AMERICA, INC.* • TECNOWEB NA LLC • VALLEY TISSUE PACKAGING INC.* • IMA NORTH AMERICA, INC* • TMC NORTH AMERICA, INC. • ILAPAK INC • DELTA SYSTEMS & AUTOMATION, INC.* • IMA MAI SA* • TMC DO BRASIL* • IMAUTOMATICHE DO BRASIL IND. COM MAQ. LTDA 	<ul style="list-style-type: none"> • ILAPAK (BEIJING) PACKAGING MACHINERY CO. LTD.* • SHANGHAI TIANYAN PHARMACEUTICAL MACHINERY CO., LTD* • IMA LIFE JAPAN KK • TIANJIN IMA MACHINERY CO., LTD. • IMA PACK.& PROC.EQ. (BEIJING)* • IMA FUDA (SHANGHAI) PACKING MACHINE CO.LTD • IMA AUTOMATION MALAYSIA SDN BHD* • IMA PACIFIC CO.LTD • IMA HASSIA PACKAGING PVT LTD* • IMA-PG INDIA PRIVATE LIMITED* • ILAPAK ISRAEL LTD • IMA LIFE BEIJING*

* Companies included in the scope of environmental data for the year 2018.

Any limitations to this scope are appropriately indicated in the document.

CHANGES IN REPORTING

With respect to the 2017 Sustainability Report, there have been no restatements, with the exception of the Group's economic figures (GRI 201-1 and GRI 102-7), which were restated following the sale of 60% of the investment in IMA Dairy & Food Holding GmbH in 2018. In order to give a clearer picture of the Group's impacts, from 2018 social information (human resources) of the marketing companies in Europe and the World are included.

REPORT OF THE INDEPENDENT AUDITORS

This Report has been subjected to a limited examination (as part of a so-called "limited assurance engagement") according to the "International Standard on Assurance Engagements ISAE 3000 (Revised)" by EY S.p.A.

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GRI Content Index

<i>GRI STANDARD TITLE</i>	<i>GRI DISCLOSURE NUMBER</i>	<i>GRI DISCLOSURE TITLE</i>	<i>PAGE NUMBER</i>	<i>OMISSIONS</i>
GRI 102: General Disclosures – Organizational Profile	102-1	Name of the organization	Cover	
	102-2	Activities, brands, products, and services	6-7	
	102-3	Location of headquarters	11	
	102-4	Location of operations	6-7	
	102-5	Ownership and legal form	6-7, 10-11, 15-16	
	102-6	Markets served	34-46	
	102-7	Scale of the organization	6, 13-14	
	102-8	Information on employees and other workers	58-64	
	102-9	Supply chain	47-55	
	102-10	Significant changes in the organization and its supply chain	49-51	
	102-11	Precautionary principle or approach	84	
	102-12	External initiatives	73-83	
	102-13	Membership of associations	73-83	
GRI 102: General Disclosures – Strategy	102-14	Statement from senior decision-maker	4-5	
GRI 102: General Disclosures – Ethics and integrity	102-16	Values, principles, standards, and norms of behaviour	11-13	
GRI 102: General Disclosures – Governance	102-18	Governance structure	15-21	
GRI 102: General Disclosures – Involvement of stakeholders	102-40	List of stakeholder groups	31-33	
	102-41	Collective bargaining agreements	63-64	
	102-42	Identifying and selecting stakeholders	31-33	
	102-43	Approach to stakeholder engagement	25-26, 31-33	
	102-44	Key topics and concerns raised	25-27, 31-33	
GRI 102: General Disclosures – Reporting process	102-45	Entities included in the consolidated financial statements	10-11, 98	
	102-46	Defining report content and topic Boundaries	25-27, 97-98	
	102-47	List of material topics	26-27	
	102-48	Restatements of information	95-99	
	102-49	Changes in reporting	95-99	
	102-50	Reporting period	95-99	
	102-51	Date of most recent report	95-99	
	102-52	Reporting cycle	95-99	
	102-53	Contact point for questions regarding the report	99	
	102-54	Claims of reporting in accordance with the GRI Standards	95-99	
	102-55	GRI content index	100-102	
	102-56	External assurance	103-105	

<i>GRI STANDARD TITLE</i>	<i>GRI DISCLOSURE NUMBER</i>	<i>GRI DISCLOSURE TITLE</i>	<i>PAGE NUMBER</i>	<i>OMISSIONS</i>
GRI 201: Economic Performance	103-1	Explanation of the material topic and its Boundary	25-27	
	103-2	Management approach and its components	13-15	
	103-3	Evaluation of the management approach	13-15	
	201-1	Direct economic value generated and distributed	14-15	
GRI 204: Procurement practices	103-1	Explanation of the material topic and its Boundary	25-27	
	103-2	Management approach and its components	47-55	
	103-3	Evaluation of the management approach	47-55	
	204-1	Proportion of spending on local suppliers	49-50	
GRI 205: Anti-corruption	103-1	Explanation of the material topic and its Boundary	25-27	
	103-2	Management approach and its components	18-21	
	103-3	Evaluation of the management approach	18-21	
	205-3	Confirmed incidents of corruption and actions taken	19	
GRI 302: Energy	103-1	Explanation of the material topic and its Boundary	25-27	
	103-2	Management approach and its components	84-88	
	103-3	Evaluation of the management approach	84-88	
	302-1	Energy consumption within the organization	88	
GRI 305: Emissions	103-1	Explanation of the material topic and its Boundary	25-27	
	103-2	Management approach and its components	84-86, 90-92	
	103-3	Evaluation of the management approach	84-86, 90-92	
	305-1	Direct (Scope 1) GHG emissions	91	
	305-2	Energy indirect (Scope 2) GHG emissions	91	
GRI 306: Discharges and waste	103-1	Explanation of the material topic and its Boundary	25-27	
	103-2	Management approach and its components	19, 84-85, 92-94	
	103-3	Evaluation of the management approach	19, 84-85, 92-94	
	306-2	Waste by type and disposal method	93	
GRI 401: Employment	103-1	Explanation of the material topic and its Boundary	25-27	
	103-2	Management approach and its components	56-63	
	103-3	Evaluation of the management approach	56-63	
	401-1	New employee hires and employee turnover	61-63	

<i>GRI STANDARD TITLE</i>	<i>GRI DISCLOSURE NUMBER</i>	<i>GRI DISCLOSURE TITLE</i>	<i>PAGE NUMBER</i>	<i>OMISSIONS</i>
GRI 403: Health and Safety at Work	103-1	Explanation of the material topic and its Boundary	25-27	
	103-2	Management approach and its components	19, 56-57, 65-67	
	103-3	Evaluation of the management approach	19, 56-57, 65-67	
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	65	
GRI 404: Training and education	103-1	Explanation of the material topic and its Boundary	25-27	
	103-2	Management approach and its components	56-57, 68-69	
	103-3	Evaluation of the management approach	56-57, 68-69	
	404-1	Average hours of training per year per employee	68	
GRI 405: Diversity and equal opportunities	103-1	Explanation of the material topic and its Boundary	25-27	
	103-2	Management approach and its components	17, 56-57, 70-72	
	103-3	Evaluation of the management approach	17, 56-57, 70-72	
	405-1	Diversity of governance bodies and employees	17, 63	
GRI 406: Non-discrimination	103-1	Explanation of the material topic and its Boundary	25-27	
	103-2	Management approach and its components	56-57	
	103-3	Evaluation of the management approach	56-57	
	406-1	Incidents of discrimination and corrective actions taken	57	
GRI 413: Local communities	103-1	Explanation of the material topic and its Boundary	25-27	
	103-2	Management approach and its components	73-83	
	103-3	Evaluation of the management approach	73-83	
	413-1	Operations with local community engagement, impact assessments, and development programs	73-83	
GRI 416: Consumer Health and Safety	103-1	Explanation of the material topic and its Boundary	25-27	
	103-2	Management approach and its components	41-44	
	103-3	Evaluation of the management approach	41-44	
	416-1	Evaluation of health and safety impacts of products and services by category	42	
Innovation	103-1	Explanation of the material topic and its Boundary	25-27	
	103-2	Management approach and its components	37-40	
	103-3	Evaluation of the management approach	37-40	
	-	Number of patents filed and granted	39	

Independent auditors' report



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Independent auditors' report on the consolidated disclosure of non-financial information in accordance with Article 3, par. 10, of Legislative Decree 254/2016 and with Article 5 of Consob Regulation adopted with Resolution n. 20267 of 18th January 2018

(Translation from the original Italian text)

To the Board of Directors of
I.M.A. Industria Macchine Automatiche S.p.A.

We have been appointed to perform a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5 of Consob Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non-financial information of I.M.A. Industria Macchine Automatiche S.p.A. and its subsidiaries (hereinafter the "Group") for the year ended on 31st December 2018 in accordance with article 4 of the Decree approved by the Board of Directors on 15th March 2019 (hereinafter "DNF").

Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by GRI - Global Reporting Initiative (hereinafter "GRI Standards"), identified by them as a reporting standard.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the International Standard on Quality

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Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the GRI Standards. Our work has been performed in accordance with the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This principle requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant matters in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the DNF with those included in the I.M.A. Group's consolidated financial statements;
4. understanding of the following aspects:
 - o Group's management and organization business model, with reference to the management of the matters indicated in the article 3 of the Decree;
 - o policies adopted by the Group related to the matters indicated in the article 3 of the Decree, results achieved and related key performance indicators;
 - o main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below.

5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF.

In particular, we have conducted interviews and discussions with the management of I.M.A. Industria Macchine Automatiche S.p.A. and with the personnel of Benhil GmbH and Corazza S.p.A. and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.

Furthermore, for significant information, considering the Group activities and characteristics:

- at group level
 - a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
 - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- For the sites of Neuss (Germany) of Benhil GmbH and Bologna of Corazza S.p.A., that we have selected based on their activities, relevance to the consolidated performance indicators and location, we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the I.M.A. Group for the year ended on 31st December 2018 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.

Other Information

The comparative information presented in the DNF for the year ended 31st December 2016 has not been examined.

Bologna, 27th March 2019

EY S.p.A.
Signed by: Alberto Rosa
(Partner)

This report has been translated into the English language solely for the convenience of international readers.

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Our heartfelt thanks go to the working group, coordinated by the Corporate Communications Department, that made it possible to collect and process the data and information included in this report.

The **working group** is made up of the following entities:

Administration, Finance and Control

Corporate Communications

Chairman's Office

Quality and Compliance, Internal Audit

Research and Innovation

Human Resources

General Services, Environment and Safety

Production Systems

Sincere thanks also go to all contacts and colleagues at the **IMA Group companies in Italy and the rest of the world**, who helped in the preparation of the 2018 Social Responsibility Report/Non-Financial Statement by providing the figures for their respective companies.

*Technical and methodological assistance: **BDO Italia S.p.A.***

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