

Sustainability Report 2021

Forging Forward



Introduction

Founded on our long forging heritage, we are building a forward-thinking and sustainable future for Forgital people

Introduction

- 02 CEO's statement
- 03 Letter to stakeholders
- 04 Our new sustainability strategy

About

- 05 Forgital at a glance
- 06 What we do
- 09 Forgital's values
- 10 Our history
- 11 Forgital's strategic approach
- 12 Sector leaders
- 13 Highlights of the report

Sustainability

- 14 Forgital's perspective on sustainability
- 15 Stakeholders
- 17 Materiality analysis

Strategy

- 19 Introducing our new sustainability strategy

Environment

- 22 Decarbonization: E-Power system
- 23 Introduction to environment
- 25 Operational efficiency
- 26 Emissions
- 28 Transparency and responsibility
- 29 Commitment to energy efficiency
- 30 Environment roadmap

Social

- 32 The first Fly employee, Valerio Frigo
- 33 Introduction to social
- 34 Social
- 39 The COVID19 pandemic in Forgital Italy
- 40 Social roadmap

Innovation

- 42 New press for Aerospace market
- 43 Introduction to innovation
- 44 Lean approach: Six Sigma training
- 45 Collaboration with Cybertec
- 46 Innovation roadmap

Governance

- 48 Focus on cyber risk
- 49 Introduction to governance
- 50 Ethics and integrity
- 51 Anti-corruption
- 54 Product quality
- 55 The Forgital Group Compact Supply Chain
- 56 Governance roadmap
- 58 GRI content index

Front cover photo by Andrea Sottana



Photo from Forgital archives

CEO's statement



Our business is a fundamental pillar of our local communities, and we recognize and respect the responsibility that this infers upon us.

We have almost 150 years of history

As a market leader in forging, machining, and testing seamless rings for the aerospace and other industrial markets, we are proud to be recognized for excellence and for leading the way in transforming the industry. To produce the products we make, a significant amount of energy is used to transform materials from raw material state to final shaped parts to be assembled on airplanes and rocket launchers. Because this energy is in the form of natural gas and grid electricity, it behooves us to take the sustainability topic seriously and lead this industry by example. Customers are asking for it, our shareholders are committing to it, and the environment all around us is demanding it.

To genuinely commit to a sustainable future, we have had to rethink our business model, and to remind ourselves of the successful structure of our business around fundamental pillars based on local communities and our heritage. With almost 150 years of history, we have strong roots in the community with a very strong workforce that is based on generations of families working in Forgital. Our employees are proud to be part of the company and fully dedicated to making it best-in-class. Because we have been here for almost 150 years, there is a strong trust in the brand and for the future of the company: Our customers see strong partnerships with us to solve tough problems together.

Challenging global conditions include inflation and recession in many of our markets, as well as pressures on resources and supply chains, conflict and rising energy costs. At the same time, both the climate emergency and environmental and social initiatives towards sustainable development are developing internationally. The 2015 UN Sustainable Development Goals, and the European Union's commitment to a Green Deal (2019) for a carbon-neutral continent by 2050, and green NextGenerationEU budget (2021-2028) are inspirations in our work on sustainability.

Our 'Forging Forward' strategy sets out a forward-looking future in which our sustainability strategy forms a critical aspect of our business strategy. We are focused on four critical areas, against which we disclose our annual performance in alignment with the GRI framework:

1. **Environmental:** Protecting our futures by minimising our carbon impact through the energy efficiency, decarbonization, and transparency that drive our business and our customers towards greater competitiveness and success.
2. **Social:** To ensure Forgital's future success for the next 150 years, we are focused on safe, attractive workplaces; diversity, equality and inclusion, and a positive employee lifecycle. The wellbeing of our communities is central to our culture and our ability to employ dedicated and professional people and have a positive social impact.

3. **Governance:** Safeguarding our ethics and integrity and mitigating our sustainability risks enables our value chain to trust in our business.
4. **Innovation:** Our culture of continuous improvement is the foundation for the knowledge and technical expertise that sets us apart in the market. Our strategic focus on research and development, product safety and advanced solutions is what allows us to 'Forge Forward'. Investing in our people to explore and innovate means that we can better meet the challenges of founding a sustainable future together with our partners.

We carry the responsibility to forge a strong future for the generations who will follow us over the next 150 years, and I am proud to present this report, which lays out the critical aspects of that Forgital future through our approach to sustainability.

Meddah Hadjar
CEO

Letter to stakeholders



Forgital closed the 2021 fiscal year with sales revenues of almost €274 million and more than 1,000 employees across our production and commercial sites worldwide.

Committed to a sustainable future

Dear readers,

After another challenging and complex year, with the continuation of the pandemic emergency, and subsequent worldwide economic uncertainty, Forgital’s commitment towards a **sustainable future** has become stronger and firmer. Our commitment to our stakeholders is ever greater, as global issues highlight the importance of responsible business and its power to make meaningful change in the world.

It has become clear that a formal and transparent strategic plan that demonstrates our intentions and specifies our actions is essential to evidence our progress towards our sustainability goals. During 2021 we worked to develop our strategy, undertaking a program of stakeholder consultancy and examining our own practices and processes in detail.

We have developed our strategy, which is shared in this document, with three key building blocks:

1. our **sustainability pillars**, which make up the basic framework for our strategic approach;
2. our **high-level objectives**, stating measurable targets; and
3. a set of **specific actions** that will enable us to fulfill our objectives and create a roadmap for the future.

This 2021 Sustainability Report reports for the first time our results and activities at a worldwide Group level.

The report presents data that is aligned to the Global Reporting Initiative (GRI) framework and represents an instrument of transparency and sharing of information with our stakeholders that is rigorous, verifiable and comparable.

The strategy that is shared in this report was informed by detailed stakeholder engagement activity, to support the development of Forgital’s first-ever sustainability materiality matrix (see page 17). This matrix presents the strategic importance of key sustainability topics taking into account both our external stakeholders’ perspectives and those of our internal colleagues and senior team. This robust piece of research and analysis forms the foundation of our sustainability strategy.

Forgital closed the 2021 fiscal year with sales revenues of almost €274 million and more than 1,000 employees across our production and commercial sites worldwide. Approximately 60% of our revenue originates from the aerospace sector, with the remaining 40% coming from industrial markets.

We are indebted to the many Forgital people over our almost 150-year history who have worked with such commitment to build the successful business for which we act as stewards today. In that same spirit, we are focused on building a business for future generations that creates value for all, and shares a culture of sustainability and responsibility.

Our new sustainability strategy “Forging Forward” lays out clear objectives and actions ensuring that we are collectively aligned to our commitment to build a sustainable future for the next generation of Forgital people. We know that this will be an important undertaking, and will require investments and innovation both in Company culture and our products and approach over the coming years.

I would like to recognize and thank all our Forgital people – colleagues who work for Forgital in Italy, France and the USA. It is with their professionalism, strength and sense of responsibility that we are enabled to remain competitive in a global context that is increasingly demanding and evolving. And, most importantly, they are the people that are helping to forge a sustainable future for us all.

Aldo Carrabino
CFO

Our new sustainability strategy

Forging Forward

In common with the forging industry worldwide, our primary sustainability impacts are environmental in nature, concentrated on energy sourcing and consumption, materials sourcing and recycling.

With our inherent focus on building a long-term future, and as leaders and pioneers in our sector, we are among the first forging companies worldwide to address these critical sustainability issues with a robust and transparent governance framework.

Whilst many of our peers publicly report ESG performance and risk mapping, a formal GHG emissions reduction target by 2030 is not common practice.

It's our goal to inspire our peers in the sector to follow Forgital's lead by sharing best practice on topics such as emissions reduction, responsible materials sourcing and recycling. In this manner we will be able to catalyze the change that is urgently needed in the sector.

This report is the result of extensive work that we have undertaken during 2021 to consolidate and formalize our approach to sustainability. Based on our detailed materiality assessment, and consultation with primary stakeholders (see page 17), we have identified four areas of focus which form the framework for our strategy: Innovation, Social, Environmental and Governance. Focusing the strategy on these four vital areas will support Forgital's progress towards a sustainable future.

Within the framework, the Group has set ten strategic objectives with accompanying targets (for further detail on actions and targets see page 20) which we are pleased to share in this report.

This report is structured according to the GRI guidelines and disclosures are detailed according to the GRI standards.



Environmental

1. Operational efficiency
2. Decarbonization
3. Transparency and responsibility – carbon, waste and materials

Governance

7. Ethics and integrity across the whole value chain
8. ESG risks mitigation

Social

4. Safe and attractive workplace
5. Diversity, inclusion and equal opportunities
6. Employee life cycle

Innovation

9. R&D and product safety
10. Advanced manufacturing and technology systems

Forgital at a glance

A leader in forged components

9

facilities in Italy, France and the USA

1,021

employees

€274m

sales revenue 2021

Forgital is a leading vertically integrated group focused on the manufacturing of forged components for the aerospace and industrial markets.

Founded in 1873, Forgital operates nine facilities located in Italy, France and the USA: three forging companies, three machining shops, two testing labs and one distribution center. It is controlled by the Italian holding company ORIZZONTI 2 S.p.A., and provides high-quality solutions underpinned by a sound financial structure.

The Group has 1,021 employees and a global network of sales agencies and customers. Forgital's headquarters are in Velo d'Astico in Vicenza, Italy, where Forgital Italy S.p.A.'s main production plant is also located.

We specialize in forging and laminating rolled rings, with technologically advanced capabilities across a broad range of materials, including titanium, nickel and cobalt alloys, carbon steel, alloy steel, stainless steel and aluminum. Forgital currently serves a broad range of customers, including major aircraft aero-engine suppliers and customers working in the oil and gas, transmission, power generation and general mechanics markets. Our specialized products comply with strict customer requirements and we have an established track record of reliability and prompt lead times.

In 2021 Group sales revenues were €274 million, with 60% of sales from the Aerospace sector and 40% of sales from the different industrial markets, of which 26% were from General Mechanics, 26% were from Power Generation, 23% were from Oil & Gas, 22% were from Transmissions and 3% were from nuclear and reconciliations.

In Europe, Forgital is the leading company in the open die aerospace forging sector and globally one of the first and leading companies to offer best in class open die forging.

Our innovative approach is applied on site via our world-class facilities:

136,000

tons of raw material capacity

8

hydraulic presses, ranging from 1,200 to 12,000 tons

9

hot rolling mills

64

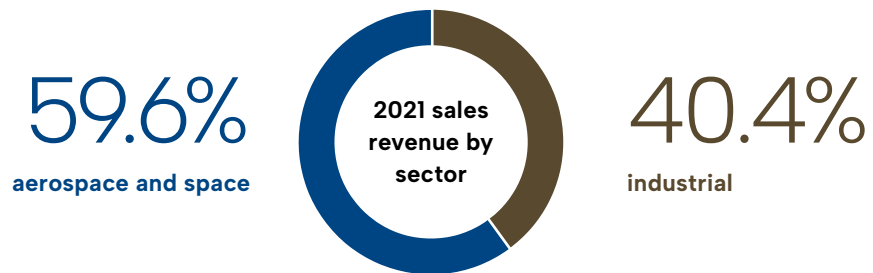
heating furnaces

What we do

GRI 2-1; GRI 2-6

Forged components for highly specialized applications

We are one of the few vertically integrated forging companies in Europe, and this spectrum of capabilities enables us to offer a uniquely streamlined service to clients. Forgital supplies highly specialized forged components to two main markets, the **Aerospace and Space sector** and the **Industrial sector**. Each sector is served by a dedicated Forgital division.



Aerospace and Space sector

This sector is characterized by a limited number of major international players. Forgital serves the majority of international players in the sector, manufacturing components specific to every client. Typically, contracts are medium to long term, and our approach to building long-term professional trading relationships is a critical success factor for the business. In recent years, Forgital has entered the aero-engine market and joined the restricted circle of companies which qualify to supply critical airplane engine components – turbojet and turboprop – for the most important aircraft currently in production.

Forgital also operates in the space sector, including on launch vehicles, satellites and orbital stations, with products also sold to leading aero-engine and rocket manufacturers. Consequently, the Group enjoys stable and longstanding relationships with clients, for several of which Forgital is the sole supplier of specific components. An integrated system of technologies and services, from production to assembly, is offered to original equipment manufacturers (OEMs).

What we do continued

Industrial sector

This sector is characterized by numerous clients and very strong competition. Trading relationships are of a more transactional nature, and contracts in this sector are typically short term. However, the strong client relationships that we build in this space, even though shorter term, represent a critical success factor for the delivery of long-term value to the Group.

The Group designs and supplies a huge variety of forged components for industrial applications in several industrial sectors. Forgital products serve "traditional" industries such as Oil and Gas and Nuclear, but are also applicable in the new energy industries such as Hydropower or Wind Power, mainly:



Oil & Gas

Strong investment, great competitive advantage and the high-quality level of components provided by Forgital are the key factors for our long-term relationships with customers.



Transmission

This sector requires components that are engineered for extreme applications such as wind turbines and other industrial applications. Forgital is the ideal partner to guarantee the quality, long service life, logistical flexibility and competitiveness that are required for these applications.

Power Generation

The leadership of Forgital in this sector originated in the early 1970s, with its involvement in nuclear energy development projects in Europe. The experience we have gained over several decades has allowed the Group to develop within its organization the processes and controls needed to comply with international quality standards.



General Mechanics

This wide sector covers many different markets and the consultancy we offer to clients ranges from materials, with the expertise of our metallurgists, to ensure that quality control specifications are met.



What we do continued

Our integrated services and capabilities

Pre-processing ▶

Processing ▶

Post-processing ▶



Know-how

We collaborate closely with OEM customers, sharing Forgital's extensive metallurgic experience to ensure the highest quality outcomes.



Forging

Our forging process creates metal with uniform grain size and flow characteristics, significantly reducing porosity in the material. Our forging plants are strategically located across Italy and France.



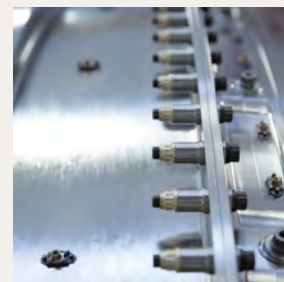
Rolling

Our rolling process creates the iconic rolled rings that serve a broad number of applications, including key aerospace OEM customers (Rolls-Royce, GE and P&W).



Heat treatment

Heat treatment is used to achieve the desired final metallurgical properties.



Finishing

Forgital provides detailed in-house finishing of its own components through its network of specialized facilities worldwide (including its Fly facility), as well as rough machining.



Welding

Internal welding of finished components allows Forgital to provide a differentiated service to its end customers, as there are a limited number of capable suppliers for large sized products.



Assembly

In-house assembly provides finished products to optimize customers' production; Forgital's partnership with Rolls-Royce (assembled fan case module for the Trent XWB-84K) is a strong example of this collaboration.



Testing

We undertake comprehensive end-product testing to ensure that customers are confident in quality.

Forgital's values

Our values are embedded in our corporate DNA

Forgital is an organization built by the hands of many over the course of 150 years. Our strong heritage of excellence and leadership, combined with the family ethos of a business built by consecutive generations, means that values are embedded in our corporate DNA.



We focus on leadership

Forgital people are fundamental to our results. This means that we focus on teamwork, leadership and performance at every level, to ensure that our products are always the very best in the market and our people are empowered to perform at their best.



Customer satisfaction is our mantra

Our success is built on a continual focus on our customers – understanding exactly what they need and ensuring consistently high-quality product delivery. Relationships are at the heart of everything we do and building enduring relationships is as important to us as building enduring products.



Integrity

We assume full responsibility for our actions, and build all our relationships on respect. Likewise we demand respect for the highest ethical principles in all our business engagements.



Excellence in quality

Our excellent reputation is underpinned by an unrelenting focus on improvement of quality in all aspects of our business, and by our dedication to ensuring our customers experience the highest standards in all interactions with us.



Teamwork

To maintain our technological excellence, we are constantly looking for new opportunities for innovation and development.



Belonging

Our family heritage and responsibility to our people are central to Forgital's culture. We take care of the health and wellbeing of our co-workers. We aim to ensure a safe and supportive workplace, recognizing and respecting the part we play in the fabric of our local communities.

Our history

GRI 2-1

We are an evolution of an entrepreneurial family business

Forgital is an evolution of an entrepreneurial family business whose origins date back to the second half of the 19th century in Italy. Our growth occurred following significant industrial investments and expansion in European and extra-European markets and, more recently, through the acquisition of two leading French companies in the sector, which became Forgital FMDL and Forgital Dembiermont. The dynamic rate of the business' evolution is reaffirmed by our most recent initiatives, which range from the takeover of the services company RTM Breda, to the creation of Fly, a high-tech machining shop.

In September 2019, the Company became part of The Carlyle Group. The Carlyle Group works closely with its portfolio companies to drive understanding and adoption of ESG principles and to create tailored value creation plans, and with investors and broader stakeholders to drive industry learning and best practices.

1873 ▶ 1881 ▶ 1938 ▶ 1983 ▶ 1998 ▶ 2008 ▶ 2019 ▶



Forgital Italy was founded in the Astico Valley, in the North-East of Italy.

Photo from Forgital archives



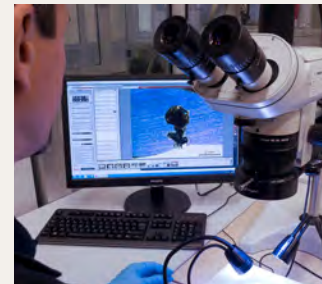
Foundation of "Forges Maurice Dembiermont", today Forgital Dembiermont, in Northern France.



"Aciers fins de la Loire", today Forgital FMDL, was created in Saint Etienne, France.



Forgital USA was founded as a strategic point in the world's main Oil&Gas market.



Foundation of RTM Breda, which became a world excellence pole in material research.



Creation of Fly, the machining shop specializing in high-technology finish machining.



The Carlyle Group finalized the acquisition of Forgital, a transaction amounting to approx. €1 billion.

Forgital's strategic approach



Forgital's corporate strategy is based on five pillars

- 1 Integration**
Be the leading integrated and independent European provider of mission-critical integrated and finished products and services, from forging to final machining, testing and assembly.
- 2 Improvement**
Accelerate operational improvement and efficiencies through continuous improvement; enhance business mix to reduce costs.
- 3 Market share**
Win market share vs competitors through further diversification of materials, platforms, components, technology and clients, extending scope of capabilities to other engine sections.
- 4 Financial**
Deliver best-in-class financial performance through operational excellence and working capital improvements.
- 5 Technical**
Enlarge technical capabilities through investments in technology and talents.

Sector leaders

The Forgital difference

With almost 150 years of experience in the skill of forging, and a deep knowledge of our materials and techniques, we consider ourselves the experts in our sector.



Technical expertise

Our technical expertise has been progressively refined in countless and diverse sectors of the engineering industry, and through many years' experience of developing parts required for the most critical conditions. Through this experience we have outstanding problem-solving capacities, which we harness for the benefit of Forgital's partners.



Unique culture

This unique expertise is embedded in our culture and our people. As the most important employer in our community, we have many colleagues who have been loyal to Forgital throughout their careers. This gives them lived experience of forging processes handed from colleague to colleague, which enables us to produce to unrivalled standards of excellence. It is the combined wisdom of the many Forgital people who came before us that enables us to meet the high expectations of our customers today.



Multi-facility infrastructure

In addition to our human capital, our multi-facility infrastructure provides a unique advantage for our customers. Our strategically located operational sites mean that we can meet customer requirements across both Europe and the USA, and our manufacturing flexibility helps to protect supply chain integrity, so we are able to meet customer timelines even when presented with challenges.



Geographically diverse locations

Our dispersed locations also represent shorter shipping distances, which offer efficiencies in time, money and carbon emissions. The combined capacity of our multiple sites is high, enabling us to meet all customer volume requirements.



Vertically integrated

We are recognized as one of the few vertically integrated forging companies offering the comprehensive process control that OEMs prefer. Our Compact Supply Chain is an integrated system of technologies and services, unique in the sector.



Long-term relationships

Our focus on building valuable long-term relationships and partnerships that allow innovation to flourish means that we work together with customers of excellence on projects of excellence.

Highlights of the report



Formalising and sharing the new sustainability strategy that we developed in 2021 with our people and stakeholders.

[» Read more on page 19](#)



Although we have had an increase in production of around 8.1%, we have a 4.2% increase in energy intensity, indicating improved energy efficiency and energy management.

[» Read more on page 25](#)



Read about Valerio Frigo and Fly, our new generation machining shop.

[» Read more on page 32](#)



29,544 total training hours for our employees, an increase on 2020 and a welcome return to in-person training.

[» Read more on page 33](#)



In 2021, we took on the challenge of COVID19 through proactive initiatives.

[» Read more on page 39](#)



We continued our innovation and iteration to the Forgital Compact Supply Chain to make our processes even more efficient.

[» Read more on page 43](#)



We led highly effective cyber-security training that led to a significant decrease in phishing success rate.

[» Read more on page 48](#)



We hit the low rate of 0.197% complaints on produced pieces.

[» Read more on page 54](#)

Forgital's perspective on sustainability

Prioritizing our ESG strategy

The stable future of our industry and our business is heavily reliant on a number of key sustainability issues, in particular the availability of responsibly sourced materials, our ability to dispose of waste materials safely and responsibly, recycling practices, price and availability of energy, commodity prices, employee health and safety, and, of course, climate change. Over time, we anticipate an increase in sustainability-related EU legislation, in these areas and beyond, to ensure that businesses operate ethically and responsibly. We are focused on ensuring that we are able to meet and exceed future legal requirements.

In response to these critical external factors, during 2021 we worked to further develop and formalize our Group sustainability strategy. We have developed a framework for the many sustainability initiatives in our business which enables us to report accurately and transparently on our progress. It also allows us to anticipate topics that will require future attention.

Our customers are constantly responding to changing market conditions by challenging their supply chains to respond to ESG issues. This is increasingly a consideration in our commercial relationships and is a key reason why our ESG strategy is such an important aspect of our operations.

In this, our first year of formal ESG reporting, we aim to:

1. communicate our ESG strategy; and
2. report on the many ESG-related topics that we are already actively addressing in our business.

The formation of a sustainability team, alongside the development of a formal strategy, has enabled us to formalize and commit to a comprehensive range of targets and actions. As these activities are enacted throughout 2022/23 we will address further issues, enabling greater breadth of reporting in 2022.



Stakeholders

GRI 2-29

Identifying and categorizing our primary stakeholders

Forgital would not exist without our set of engaged and motivated stakeholders. This year, we undertook a process of research and evaluation to identify and categorize our primary stakeholders. This insight informed our materiality analysis, as well as our stakeholder management and engagement approach.

Forgital is developing a multi-year Stakeholder Engagement Plan. For the 2022 stakeholder engagement activities, we set the following objectives:

1. identifying which sustainability issues stakeholders consider relevant to the context in which Forgital operates (to inform materiality); and
2. verifying the alignment between internal and external stakeholders' expectations for how sustainability issues are managed within the Group.

For the two objectives, we have identified as key stakeholders the supervisory body (engaged with virtual one-to-one interviews), employees and collaborators, clients and raw materials suppliers (engaged with virtual surveys dedicated to their specific category).

Creation of value for shareholders and other stakeholders
 Our activities have always been focused on generating value for our shareholders and remain so. In a changing world that is increasingly focused on value creation for other stakeholders, we are also turning attention to the value we create for our customers and communities through the lens of ESG.

Forgital identified 14 key stakeholder groups, which we categorize as follows:

Key stakeholders

- Ownership
- Management
- Supervisory body (OdV231)
- Clients
- Raw materials suppliers

Institutional stakeholders

- Institutions and public bodies
- Standardization bodies

Operational stakeholders

- Employees and collaborators
- Competitors
- Banks and insurers

Stakeholders to inform

- Services suppliers and subcontractors
- Local communities
- Research partners
- Media

Stakeholders continued



Stakeholder	Description
Banks and insurers	Banks and insurance companies that have contacts and business relations with Forgital.
Competitors	Companies and organizations that operate in the same market or have the same client targets as Forgital.
Clients	Companies or public or private institutions that maintain business relations with Forgital or benefit from collaborations with the business.
Employees and collaborators	All direct employees and external collaborators who, while being employed by third-party companies, undertake permanent work activities within Forgital facilities.
Institutions and public bodies	Institutions and international, national, regional and local authorities establishing obligations that Forgital must respect, and that supervise the actions of the Group.
Local communities	All the citizens residing in territories potentially affected by the presence of Forgital.
Management	Executive roles who work to ensure Forgital’s Group strategies and operations align with established plans and policies.
Materials suppliers	All the partners or companies by which Forgital is supplied with raw materials or with equipment and systems for production.
Media	Newspapers, television channels and social media.
Ownership	People or entities that have control of Forgital.
Research partners	Universities, research centers and private partners with which Forgital collaborates in the research and development of studies, materials, products and processes.
Services suppliers	All the partners or companies by which Forgital is supplied with services.
Standardization bodies	All entities that issue regulations and other instruments to regulate activities and standards for the protection of the environment, people, governance and the wider economy.
Supervisory body	Supervisory bodies responsible for regularly monitoring and verifying the effectiveness of the organizational model of Forgital according to the Italian legislative decree 231/01.

Materiality analysis

GRI 3-1; GRI 3-2

Identifying materially important topics

In line with the requirements of GRI Standards, following the identification of the Group’s stakeholders, Forgital carried out a materiality analysis.

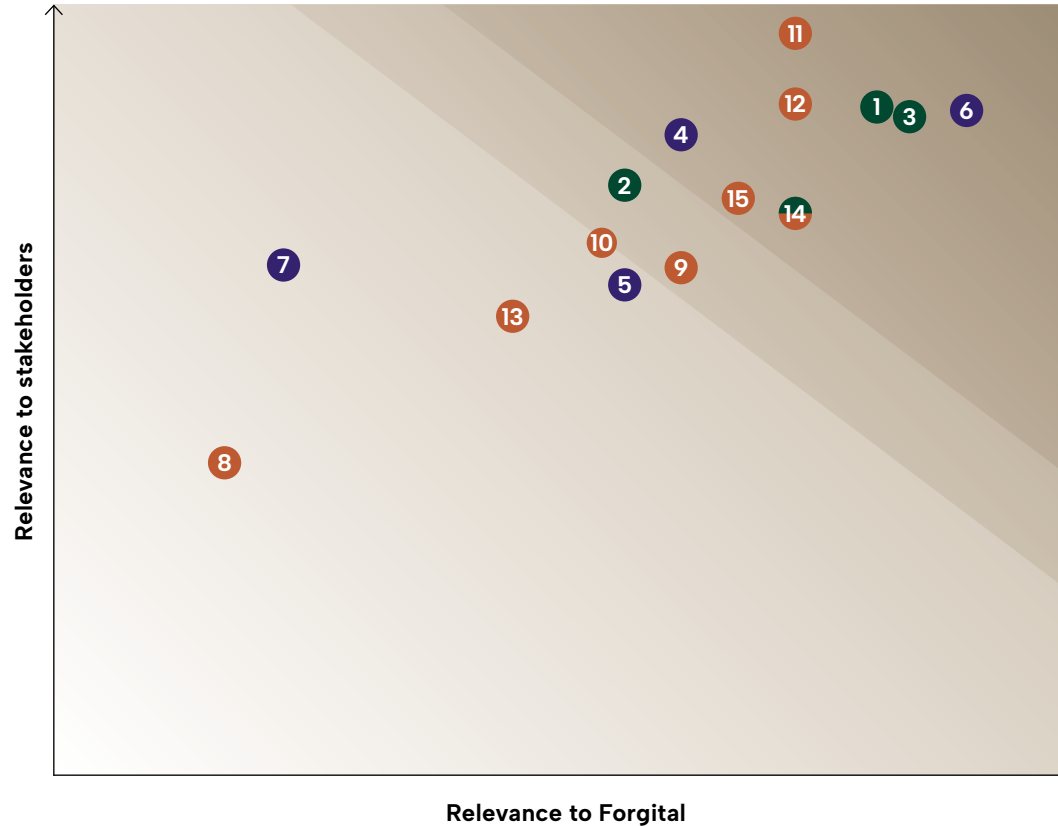
This analysis identifies the most significant environmental, social and economic topics to Forgital and its stakeholders; they are and must be the subject of attention by the organization and are reported in this document.

Our key stakeholders (supervisory body, employees and collaborators, clients and raw materials suppliers) were asked to input into this exercise, sharing opinions on the 15 potentially material topics initially identified, assigning each a score from one to five, and selecting the three topics they considered to be most materially important.

The results of this analysis are shown below in Forgital’s materiality matrix, which maps out the importance of the sustainability topics from both the Company’s (x-axis) and stakeholders’ (y-axis) perspectives. All those topics located in the top right band have been identified as material. Three further topics were found to be “immaterial” from stakeholders’ perspectives, but highly strategic and already managed by the Group – shown in the bottom left band. All these topics will be covered throughout the report.

Note: The engagement rate of clients was 10% (representing 80% of the turnover), of suppliers was 100% and of employees and collaborators was 42%.

Forgital’s materiality matrix



Environment

- 1 Energy and emissions
- 2 Operations impacts
- 3 Respect for the environment

Governance

- 4 Economic performance and market presence
- 5 ESG governance
- 6 Ethics and integrity
- 7 Tax

Social

- 8 Community engagement
- 9 Diversity and equal opportunity
- 10 Human rights
- 11 Occupational health and safety
- 12 Product quality and client satisfaction
- 13 Sustainability awareness and training
- 14 Sustainable sourcing
- 15 Wellbeing and personal development

Materiality analysis continued

The eight Material Topics and the three Highly Strategic Topics that emerged from the process, and which feed into our ten sustainability topic areas, are listed below:

Material Topic	Description
Ethics and integrity	The maintenance of good corporate governance, which favors business management in compliance with national/international laws and the ethical principles adopted by the Company (e.g. Organizational Model 23).
Respect for the environment	Activities implemented by the organization to minimize its impact on the environment, in particular on flora and fauna in the areas surrounding the Company's production plants.
Occupational health and safety	The promotion of safety in the workplace, through careful assessment and management of risks, daily actions such as training, promotion of responsible behavior and the implementation of adequate preventive actions.
Energy and emissions	The careful use of energy resources in the organization's activities, and the adoption of processes and technologies to trace greenhouse gas emissions.
Product quality and client satisfaction	The organization's ability to increase the quality, reliability and safety of its products and maintain positive relationships with its clients.
Sustainable sourcing	Monitoring the Company's suppliers, to provide a guarantee of sustainable behavior, in some cases to universally recognized environmental and social standards.
Economic performance and market presence	Careful management of the organization, leading to an increase in value created and shared, and to transparency in financial reporting.
Wellbeing and personal development	Paying attention to the wellbeing and development of employees.
Highly Strategic Topic	Description
Operations impacts	The direct environmental (other than energy and emissions), social and economic impacts of the organization's manufacturing activities.
Diversity and equal opportunity	The organization's commitment to providing equal opportunities to everyone; to preventing discrimination; and to recognizing, respecting and valuing difference in our employees, collaborators and new job candidates.
Human rights	The organization's performance, policies and procedures concerning human rights. This includes the training of employees and collaborators, and the extent to which human rights considerations are integrated into the organization's business decisions.

Introducing our new sustainability strategy

Identifying our four strategic pillars

Forging Forward

Forgital's success today is our inheritance from the generations before us who worked with dedication and commitment to forge a future for Forgital's people and community that is resilient and enduring.


Our approach to sustainability is anchored in 150 years of commitment to the future from our forebears and, in that same spirit, we are planning forward for the next 150 years to ensure we secure a bright future for the Forgital people who come after us, their communities and the wider world.

Forging Forward comprises four pillars. The identification of the pillars was undertaken after benchmark analysis, taking into account input from peers, competitors and clients, and then centrally evaluated by Forgital. The four general pillars then became the framework for ten Group strategic objectives that will direct our roadmap to 2030. Our ten objectives are therefore the translation into action of the material and high-level strategic topics identified through the materiality matrix.

To determine the Group's strategic objectives, a series of multi-level stakeholder activities were completed:

- internal desk analysis (e.g. certified management systems, production processes, etc.);
- stakeholder expectations research (e.g. supervisory body, shareholders);
- general global and European sustainability trends and risks research;
- sectoral sustainability trends and risks research; and
- trends seen in play in national and international peers, clients and competitors.

In order for these objectives to be effectively achieved, a series of targets, actions and monitoring KPIs were identified. These targets are detailed in the table overleaf.



Environmental

1. **Operational efficiency**
2. **Decarbonization**
3. **Transparency and responsibility – carbon, waste and materials**



Governance

7. **Ethics and integrity across the whole value chain**
8. **ESG risk mitigation**



Social

4. **Safe and attractive workplace**
5. **Diversity, inclusion and equal opportunities**
6. **Employee life cycle**



Innovation

9. **R&D and product safety**
10. **Advanced manufacturing and technology systems**

Introducing our new sustainability strategy continued

Our strategic objectives and targets

Environmental

High-level strategic objectives	Targets
1. Operational efficiency	<ul style="list-style-type: none"> 25% reduction in energy intensity (fuels and electricity)
2. Decarbonization	<ul style="list-style-type: none"> 30% reduction in Group Scope 1 and 2 GHG emissions % reduction in Group Scope 3 GHG emissions (TBD)
3. Transparency and responsibility – carbon, waste and materials	<ul style="list-style-type: none"> Share our environmental responsibility goals transparently with our stakeholders 60% waste to recycling

Social

High-level strategic objectives	Targets
4. Safe and attractive workplace	<ul style="list-style-type: none"> Implement upgraded Group HR and H&S data collection process Target zero injuries in 2022 for the whole of Forgital
5. Diversity, inclusion and equal opportunities	<ul style="list-style-type: none"> Formalize our diversity, inclusion and equality activities
6. Employee life cycle	<ul style="list-style-type: none"> Develop Group Human Resources Development Plan

Governance

High-level strategic objectives	Targets
7. Ethics and integrity across the whole value chain	<ul style="list-style-type: none"> Formalization of Group ESG commitment and strategy Integration of shared value across the value chain
8. ESG risks mitigation	<ul style="list-style-type: none"> Integration of ESG factors into risk mapping Implementation of a legal quantitative data collection system for all Group entities to consolidate information Definition of an ESG financing framework

Innovation

High-level strategic objectives	Targets
9. R&D and product safety	<ul style="list-style-type: none"> Offer and promote ESG focused products or services Understand the ESG impacts of own products
10. Advanced manufacturing and technology solutions	<ul style="list-style-type: none"> Enhance and innovate production systems



Environment

Decarbonization: E-Power system

We are focused on continual improvement and constantly seeking new techniques and methods. Energy efficiency has been a core focus throughout our history, and as we progress on our decarbonization journey it becomes more important than ever.

We recognize that emissions transparency will be an important part of our future and a necessity for our customers, so we are focused on ensuring that Forgital continues to offer the highest quality products, with minimized carbon emissions as standard.

In 2021, we installed the E-Power system at our Forgital Italy plant. This is an innovative energy control system that dynamically adapts energy flow to balance power absorption in the system, thereby maximizing energy efficiency.

This system was used to manage energy consumption of furnaces, machine tools and our office spaces.

The E-Power system has delivered a 4% energy saving, translating to a saving of 130,000 kWh per year, where the plant is at 100% capacity. This represents a potential reduction of 16 tons of CO₂ emissions annually. The system is based on WEB technology which allows accurate sampling of energy use for subsequent analysis and system adjustment.

This successful trial has led us to plan installation of a second machine in 2022, for which the estimated saving is almost 4%, 90,000 kWh per year. We plan to extend the application of the E-Power system across other plants in the Group as an important element of our decarbonization plan.



Introduction to environment

GRI 3-3; GRI 302-1; GRI 302-3; GRI 302-4; GRI 305-1; GRI 305-2; GRI 305-4; GRI 305-6

Focusing on climate change and a low-carbon future

We know that the combustion of fossil fuels produces greenhouse gases, the main cause of climate change. This means that our business needs to rely on a more sustainable source of fuel.

For a business like Forgital’s – with a diversified supply chain – climate variations can have a profound impact on the secure supply of our raw materials. Beyond endangering physical infrastructure and supply chains, the impacts of climate change and its effects could undermine business growth by exacerbating disruptions for clients, investors, employees and communities.

Against this backdrop, the Environmental pillar of our Sustainability Plan aims to address climate change risks and build resilience while seizing opportunities presented by a low-carbon future. Forgital’s environmental ambitions rely on accurate carbon footprint accounting, formal energy reduction and GHG reduction targets, complex management and governance structures, and internal key enablers.

Ensuring that Forgital plays its part in minimising the impacts of climate change is central to our strategy. We recognise the significant impacts of forging and are working hard to mitigate these. This is essential for our immediate future, but more importantly for the future generations of Forgital people who will inherit the business from us, the present-day custodians.

The Environmental pillar of our Forging Forward strategy focuses on building a sustainable future.

It has three areas of focus:

- 1 Operational efficiency:** We will achieve operational efficiency goals through exploring and implementing new technologies. This will help us remain competitive and attractive in the market, whilst reducing our use of energy and resources.
- 2 Decarbonization:** Decarbonization is imperative for Forgital, as it is for all businesses and their stakeholders. It is a highly challenging issue for the forging sector, but we recognize that decarbonization is a fundamental requirement and a critical success factor for the future. To deliver on our emissions goals, we will prioritize reducing absolute carbon emissions. We will do so by optimizing efficiency and reducing consumption while minimizing the use of fossil fuels and promoting the switch to renewable energy.
- 3 Transparency and responsibility:** In addition to the fundamental requirements of efficiency and decarbonization, the Group will reinforce its governance to ensure that sustainability commitments are feasible and realistic, as well as measurable. We will also act to ensure a responsible approach to other factors that impact the environment including reduction of pollution and waste from production.

Introduction to environment continued

Key environmental targets

- 25% reduction* in energy intensity by 2030
- 30% reduction** in Group Scope 1 and 2 emissions by 2030
- 60% of waste recycled

* Against 2019 baseline (2019 value: GJ/t 23,49).
 ** Against 2019 baseline (2019 value: tCO₂e 80,266).

To understand our impact on the environment, in 2021 Forgital assessed its Group carbon footprint in terms of the amount of the six GHGs recognized by the Kyoto Protocol.

Following the guidelines proposed by the GHG Protocol, the Group adopted a four-step process to determine its Scope 1 and Scope 2 emissions starting from 2019 as the baseline year:

1. define organizational boundaries;
2. define operational boundaries;
3. identify emissions sources and scopes; and
4. measure and calculate emissions.

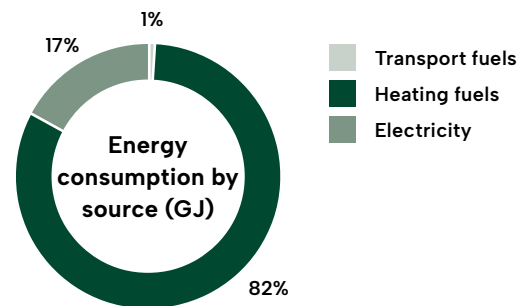
To deliver on our goals, we will prioritize reducing absolute carbon emissions. We will do this by optimizing efficiency and reducing consumption while minimizing the use of fossil fuels and promoting the switch to renewable energy.

Commitment to energy efficiency

By their very nature, our production plants have the most significant energy consumption and environmental impact of all Forgital activities, given the type of processes undertaken, and the high production volumes needed. To effectively manage all environmental issues, each of our subsidiaries is organized according to specific systems with delegated powers. Each has appropriate organizational functions to monitor the use of energy and environmental regulatory compliance.

The energy consumption that occurs within our Group can be divided into three macro categories:

- transport fuels, which include consumption relating to the company car fleet and those relating other vehicles used throughout the premises (e.g. forklifts);
- electricity, directly produced or purchased from the market, intended both to power systems, plants and machinery, and to power some heating systems; and
- heating fuels, also intended for powering systems, plants and machinery, as well as heating systems.



GRI 302-1: Energy consumption within the organization		UoM	2021	2020
Transport fuels	Gasoline	GJ	951.92	688.74
	Diesel	GJ	14,355.77	14,009.45
	LPG	GJ	1,763.78	1,495.08
	Total transport fuels consumption	GJ	17,071.47	16,193.28
Heating fuels	Natural gas	GJ	989,437.04	944,513.90
	Coal	GJ	778.40	719.79
	Total heating fuels consumption	GJ	990,215.45	945,233.68
Electricity	Consumption of electricity purchased from renewable sources	GJ	—	—
	Consumption of electricity purchased from non-renewable sources	GJ	197,976.93	194,833.22
	Electricity produced by photovoltaic system	GJ	445.29	498.46
	Electricity produced by photovoltaic system consumed	GJ	425.68	481.12
	Electricity produced by photovoltaic system sold	GJ	19.61	17.34
	Total electricity consumption	GJ	198,402.61	195,314.34
	Electricity from renewable sources	%	0.21%	0.25%
Total energy consumed	GJ	1,205,689.53	1,156,741.30	

Operational efficiency

Due to the energy-intensive nature of the processing of materials, the greatest consumption occurs within our production plants. In fact, the most significant portion of Forgital’s natural gas consumption (82% in 2021) comes from the heating demand for forging and heat treatment activity, as the combustion of natural gas is necessary to start up and maintain high temperatures in the furnaces.

With regard to electricity consumption, the second largest source of the Group’s energy consumption (17% in 2021), it should be noted that the use of a solar power generator at the Forgital Italy site from July 2019 onwards allowed the Company to partly reduce its reliance on centralized energy generation that is partially dependent on fossil fuels.

The smallest proportion of the Group energy consumption is represented by transport fuels (1%), which is predominantly comprised of the on-site transportation of material, as well as cars and vans for passenger and off-site material transportation.

With fewer pandemic-related restrictions, and the increased demand observed over the last two years, Forgital has achieved greater production volumes, causing an increase in energy consumption. Consumption grew across all categories. However, compared to an increase in production of around 8.1%, the related indicator of energy intensity has increased by just 4.2%, indicating improved energy efficiency and energy management.

GRI 302-3: Energy intensity	UoM	2021	2020
Energy consumption	GJ	1,205,689.53	1,156,741.30
Energy intensity	GJ/t	25.58	25.41
	GJ/€	0.0046	0.0042

All our subsidiaries are committed to continually seeking technical, management and organizational solutions to enable energy reduction and efficiency initiatives. The evaluations for installation of new photovoltaic systems were extended to other Italian sites of the Group. Furthermore, a series of maintenance and continuous energy efficiency improvement measures are being explored across the business, including in:

- motors and machinery;
- furnace combustion systems;
- compressed air systems;
- power quality; and
- ventilation systems.

Several improvement projects were completed during 2020-2021, including upgrades to high-efficiency motors and air compressors; electronic and electrical revamping; the increased use of high-efficiency electric transformers; and the elimination of water-cooled furnace doors.

In addition, undertaking preventive and predictive maintenance in our main production plants and extraction and ventilation systems allows them to exhibit high ongoing performance, and to optimize efficiency and reduce electricity and gas consumption. To support our employees in these endeavors, the Group also introduced a series of employee training activities with the aim of raising awareness on the issue of energy waste. This training has shown very encouraging results.

An overview of the projects and their results is reported in the table below.

GRI 302-4: Reduction of energy consumption	Types of energy included in the reductions	UoM	Annual reduction in energy consumption	Baseline year
Replacement of old air compressor with new one with high-efficiency motor (IE5)	Electric	GJ	328.00	2021 ¹
Installation of new transformer with very low electric losses and special filter for reduction of electrical disturbance and harmonics	Electric	GJ	468.00	2019 ¹
Control unit for co-ordinating the activity of air compressors	Electric	GJ	108.00	2019 ¹
Removal of doors water cooling from n.2 forging furnace	Electric and gas	GJ	8,627.00	2021 ¹
Replacement of old heating system from the maintenance department	Gas	GJ	2,103.00	2021 ²

¹ Estimation based on supplier data sheet and direct measurement of previous compressor.

² Direct measurement on similar heating system.

Emissions

Management and monitoring of emissions

Greenhouse gas emissions are the first consequence of energy consumption. In fact, production is the main cause of global warming, which generates devastating impacts on both the flora and fauna. With the aim of counteracting the negative effects that derive from it, Forgital's Sustainability Plan is partly dedicated to the progressive replacement of fossil fuels with more sustainable solutions for the environment. These investments are a clear example of our commitment, as they go in the direction of both the adoption of instruments with lower carbon emissions and the pursuit of maximum energy efficiency (where the first path is not viable due to technical constraints).

To understand its impacts on the environment, in 2021 Forgital assessed its Group carbon footprint in terms of the amount of six greenhouse gases (GHGs) recognized by the Kyoto Protocol. To measure its GHG emissions, the Group followed the guidelines set out by the Greenhouse Gas Protocol¹, the internationally recognized and leading carbon accounting framework for measuring and reporting Scope 1, 2 and 3 GHG emissions.

Being directly related to energy consumption, the trend of emissions is in line with the latter: the increase in consumption linked to higher production has caused a consequent increase in emissions.

The emission sources were classified differently from energy consumption sources, including four categories:

- natural gas consumption, intended for powering systems, plants and machinery, as well as heating systems;
- transport fuels, which include diesel, gasoline and LPG consumption relating to the company car fleet and those relating to other vehicles used throughout the premises (e.g. forklifts);

- process fuels, which represent the coal used as a lubricant material in steel punching process, with only small quantities required for this process; and
- refrigerant gases, which represent the loss of gaseous compounds contained within air conditioning and other air conditioning units that have a global warming potential if escaped into the atmosphere.

Natural gas consumption represents almost entirely Forgital's Scope 1 GHG emissions, accounting for more than 97% for each year. This comes from the heating demand required for forging and heat treatment activity, with combustion of natural gas necessary to start up and maintain high temperatures in the furnaces. Natural gas is also used for space heating, but demand from this activity is minimal.

Looking at the data in more detail, it can be seen that the majority of the Group's GHG emissions (two-thirds) originate at Forgital Italy, where its main site is Velo d'Astico. This is expected given that this factory has the highest production tons output. The remaining factories, Forgital FMDL and Forgital Dembiermont, represent almost all of the remaining emissions, whilst the other owned sites account for barely 2% of Forgital 2021 Scope 1 GHG emissions.

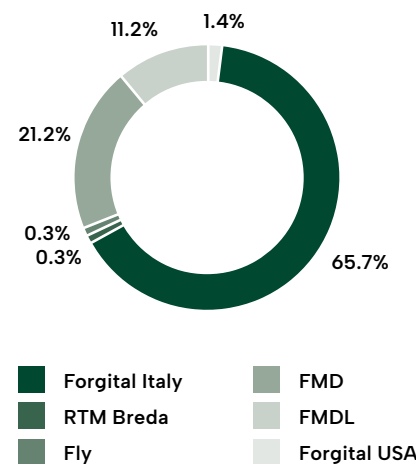
The second largest source of energy consumption (17% in 2021) coincides with the second largest source of GHG emissions – electricity – which is reported within Scope 2 GHG emissions. Scope 2 GHG emissions are indirect GHG emissions associated with the purchase of electricity, steam, heat or cooling. Although these emissions physically occur at the facility where they are generated, they are accounted for in an organization's GHG inventory because they are the result of the organization's use of energy.

As shown in the table below, Forgital's GHG emissions increased from 2020 to 2021 as a normal consequence of an increase of production, thanks to the recovery from the pandemic. In the next few years, the Group will focus its efforts towards the GHG emission reduction, allocating dedicated investments.

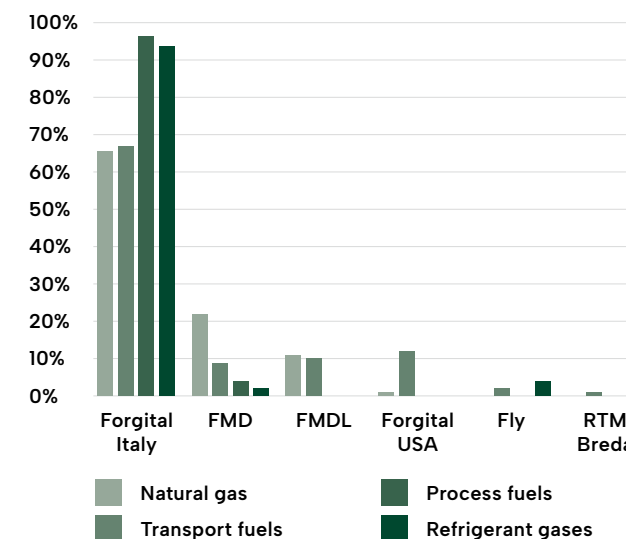
¹ <https://ghgprotocol.org/>
² The UK Government Department for Business, Energy and Industrial Strategy (DBEIS) GHG Conversion Factors were used as a basis for calculating emissions from purchased gas, company owned vehicles, process emissions and the majority of space cooling activities. The DBEIS emission factors used are updated annually and are not geography specific.

GRI 305-1: Direct (Scope 1) GHG emissions ²	UoM	2021	2020
Natural gas	tCO ₂ e	50,340.36	48,145.28
Transport fuels	tCO ₂ e	1,215.17	1,159.71
Process fuels	tCO ₂ e	61.32	57.67
Refrigerant gasses	tCO ₂ e	58.40	143.22
Total Scope 1 GHG emissions	tCO ₂ e	51,675.25	49,505.88

Scope 1 GHG emissions by company



Scope 1 GHG emissions by source



Emissions continued

Management and monitoring of emissions continued

As shown in the table below, against an overall increase in electricity consumption of around 2%, there is a decrease in CO₂ emissions in 2021 vs 2020 of around 3%. This is justified as the overall increase is due to the contribution of FMDL which increases the consumption of electricity by about 33%, but the tCO₂/kWh conversion factor for French companies is of an order of magnitude lower than for Italian plants.

GRI 305-2: Indirect (Scope 2) GHG emissions ¹	UoM	2021	2020
Emissions from purchased electricity	tCO ₂ e	10,109.00	10,459.75
Total Scope 2 GHG emissions – location-based method²	tCO ₂ e	10,109.00	10,459.75

¹ The International Energy Agency (IEA) Emission Factor Database was used as a basis for calculating emissions from purchased electricity. The IEA emission factors are updated every year and include the carbon dioxide, methane and nitrous oxide emissions associated with national energy generation for almost every country, including Italy, France and the USA.

² The location-based method consists of calculating emissions from electricity consumption using national average emission factors for the different countries where electricity is purchased.

As shown by the table below, GHG emissions per tons of produced steel increased in 2021 for Scope 1, while decreased for Scope 2. It should be noted, however, that these emissions include general activities not directly linked to steel production, such as vehicle transport and space cooling.

GRI 305-4: GHG emissions intensity	UoM	2021	2020
Scope 1 GHG emissions	tCO ₂ e	51,675.25	49,505.88
Scope 2 GHG emissions – LB	tCO ₂ e	10,109.00	10,459.75
Scope 1 GHG emissions intensity	tCO ₂ e/t	1.10	1.09
	tCO ₂ e/€	0.00020	0.00018
Scope 2 GHG emissions intensity	tCO ₂ e/t	0.21	0.23
	tCO ₂ e/€	0.000038	0.000038

Transparency and responsibility

The third element of our environmental pillar, “transparency and responsibility”, refers to the impacts of our business in addition to carbon emissions, such as waste and other emissions. It also represents further commitment to transparency of our CO₂ emissions. It takes into account our impact on the flora and fauna in the areas surrounding the Company’s production plants as well as more global impacts.

Other emissions

The emissions outlined above that result from the combustion process are not the only greenhouse gases with an impact on climate change. Other elements can pollute the environment around Forgital’s sites, and it is the Company’s duty to limit its impacts on the atmosphere and local environment.

Production sites using forge furnaces and heat treatments are subject to environmental permits issued by local authorities to ensure that methane gas combustion emissions (primarily NOx and dust) are controlled. At a Group level there is no formal continuous monitoring of these types of emissions; however, compliance with these stringent constraints is certified annually by local environmental authorities.

To go beyond compliance, Forgital is implementing a program of activities:

- maintenance programs for emission filtering plant systems that keep the equipment efficient, guaranteeing high abatement values at all times and keeping dust and metal emissions close to the technical minimum; and
- operating practices that allow for a more effective management of the shutdown/ignition of the furnaces, which save methane and reduce combustion gas (NOx) emissions.

Another important emission is that of ozone-depleting substances (ODS).

The ODS emissions of Forgital are considered to be immaterial. The ozone-depleting potential of the refrigerant gases used is null, and during both 2021 and 2020, leakages of refrigerant gases were recorded amounting to 0 tons of CFC-11 equivalent.

Even though refrigerant gases represent a small impact on the environment, Forgital pays particular attention to their monitoring as they are classified as substances with high global warming potential (GWP).

GRI 305-6: High global warming potential substances used					
	UoM	2021	2020	GWP	ODP
R-134a	t	27.50	30.89	1,260	—
R-410a	t	30.90	112.33	2,088	—

Waste management

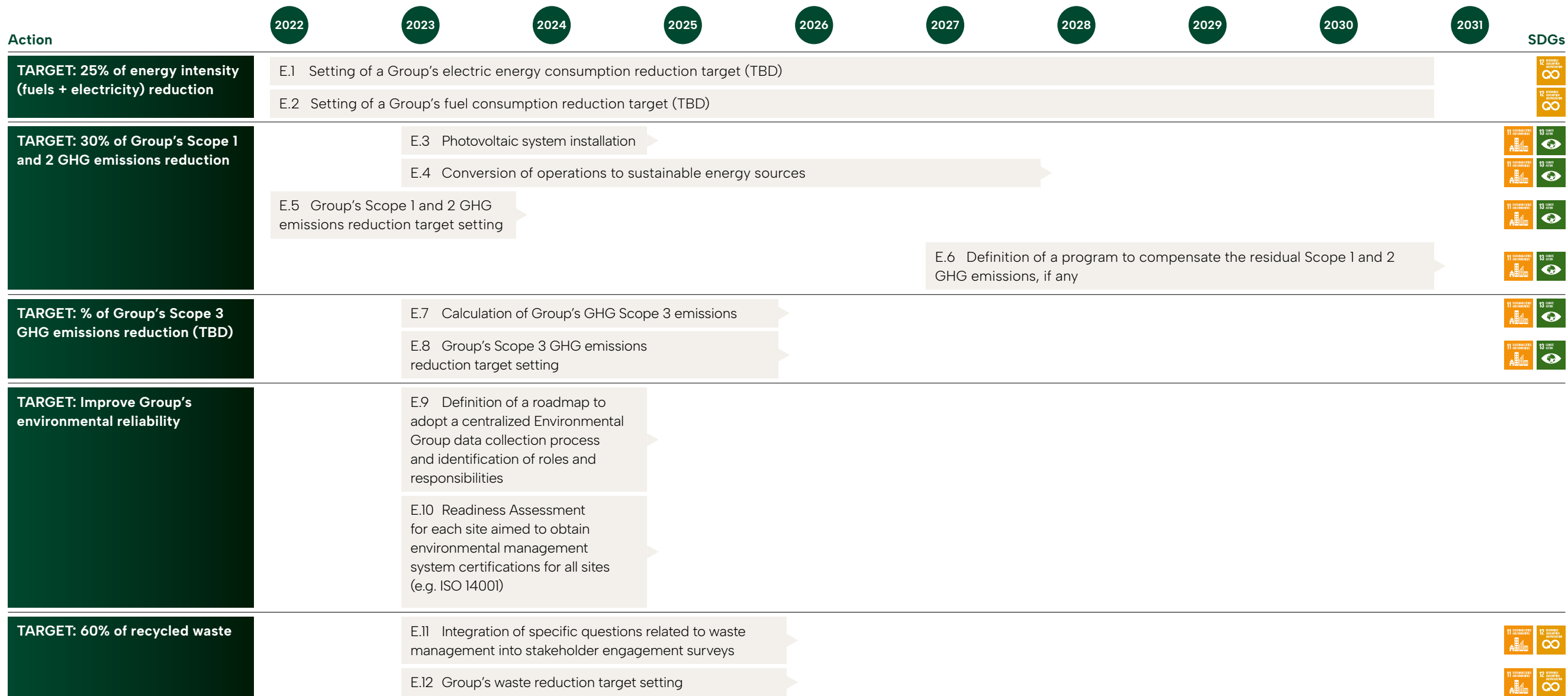
Waste generated by the operations did not emerge within our Material Topics, but is still seen as highly relevant to our business and sustainability strategy. Forgital is improving waste management on a Group level, with dedicated actions in our Sustainability Plan. In the next few years, the Group will also set a specific waste target. In the medium term, stakeholder engagement surveys will be shared with specific questions related to waste management, in order to anticipate our stakeholders’ needs.

Commitment to energy efficiency

Energy efficiency is a primary pillar of our decarbonization strategy. Below are some of the initiatives currently underway at our sites.

- Automatic switch-off of dormant equipment.
- Automatic adjustment of lighting levels in our plants and offices.
- Induction training for new employees, and ongoing training for all employees to ensure energy efficiency measures are implemented (e.g. ensuring computers, printers and electronic devices left on “standby” setting when not in use, and responsible use of air conditioning, heating and lighting).
- We plan for office staff to work from home on Fridays to enable complete switch-off of heating/air conditioning/lighting for three full days during the weekend.
- Taking a “Human Factor” approach, which acknowledges the reasons behind human errors, such as fatigue, bad habits and mishandling procedures. This is a good example of energy saving through all types of waste – waste material, waste time and wasted human energy.

Environment roadmap





Social

The first Fly employee, Valerio Frigo

Fly is Forgital Group's new generation machining shop, established in 2008. This new machining capability enabled Forgital to enter the aerospace engine manufacturers sector.

Valerio Frigo was Fly's first employee, and he retired last year. Valerio's commitment to innovation and excellence can be summarized in the "3Ps" model for innovation and experimentation. When working towards Rolls-Royce's intensive two-year supplier evaluation process to select a partnership for production of components for the XWB engine, our "3Ps" approach was a winning factor in our proposal.

We spoke to Valerio about the 3Ps, and he explained it as:

1. **Professionalism:** An innovative, trust-minded team with strong competency and teamwork.
2. **Passion:** Innovative solutions inspired by a talented and dedicated team of technical experts working collaboratively to develop unique ideas and projects.

An example is Forgital's automatic grinding station, developed exclusively for Rolls-Royce, which was very impressed by such a creative "Italian" solution that they could never have devised themselves. Our passionate and dedicated Fly team admits that they were even thinking about this solution at night!

3. **Patience:** Confidence and resilience to experiment and grow, and a commitment to building long-term innovation partnerships with customers. Even a newborn company like Fly can feel confident in its growth potential through being part of a large industrial group like Forgital with extensive experience.



Photo by Andrea Sottana

Introduction to social

GRI 2-7; GRI 2-8; GRI 2-19; GRI 2-20; GRI 2-21; GRI 2-30; GRI 3-3; GRI 401-1; GRI 404-1; GRI 404-2; GRI 404-3; GRI 405-1

Enhancing our human capital

Key social targets

- Develop enhanced HR & H&S data collection process
- Zero injuries
- Update diversity, inclusion and equality programme
- Develop groupwide HR development approach

Employees and collaborators are essential for the success of a business. Cultivating our human capital has always been a cornerstone of Forgital, where training plays a key role for both new hires and long-time employees. We have an extensive range of programs to improve knowledge and skills, not just for the professional development of our employees, but our collaborators too.

This report considers our seven key people issues, drawn from our prioritization exercise:

1. skills and training;
2. employee engagement and wellbeing;
3. employment;
4. remuneration;
5. performance management;
6. diversity, equity and inclusion; and
7. health and safety.

1. Skills and training

To support our people in their roles, we have dedicated development plans, designed to increase skills, and enhance levels of responsibility and role awareness. This enables our people to develop towards new and more complex roles over time. Personal development is very important at Forgital for all employees, regardless of their formal level. Annual updating courses are planned for the entire Group population.

Cross-company training takes place frequently, in order to encourage interaction between our departments, and to support our colleagues in potential departmental rotations. Our employees enjoy the opportunity for change and to operate in various roles in different production lines. Our training approach gives them the opportunity to trial different roles and practice the skills needed.

Forgital has a skills assessment system that is reviewed on an annual basis. Great importance is given to soft skills. In particular, the Group has defined the following six core competencies:

- leadership;
- collaboration;
- communication;
- client focus;
- performance and accountability; and
- innovation.

On the basis of the results, skill gaps are identified and the necessary training and development actions are defined to support individual professional growth.

An overview of the training hours in 2021

GRI 404-1: Average hours of training	UoM	2021 total	2021 average	2020 total	2020 average
Total hours of training	h	29,544	28.94	22,269	20.66
Hours of training divided by:					
Men	h	24,657	27.90	18,309	19.48
Women	h	4,887	35.68	3,960	28.70
Executives	h	110	5.50	377	11.79
Managers	h	2,897	32.55	646	7.98
Office staff	h	9,058	34.71	3,115	11.85
Factory workers	h	17,479	26.85	18,131	25.83

Forgital Group's training programs aim to offer a continuous learning opportunity to all levels of workers. We are particularly focused on ensuring a high level of awareness about safety in all daily activities. Quality training is also mandatory, to promote correct behaviors amongst employees and ensure a high level of service to our clients. In 2021, many additional hours of training were delivered on the topic of smart working (working remotely), to promote versatility and language training.

Due to the COVID19 emergency in 2020, we discontinued in-person courses, and started to deliver remote training courses via Zoom. This led to a reduction in the overall number of hours of training for that year. However, in 2021

it was possible to resume our in-person courses and we saw the number of hours delivered return to similar levels as before. Our induction programs, which are specifically designed to support new hires or employees moved to new roles, are also fundamental.

It should be noted that the high degree of specialization of Forgital employees, required by the Group's business, represents a potential risk, as our colleagues' competencies are highly competitive and sought out by our clients and our competitors. We consider high staff turnover as lost investment, and so have a strong and continual focus on employee retention as well as attraction.

Social

2. Employee engagement and wellbeing

Human Resources are a critical asset to the Forgital Group. Our efforts are focused on monitoring and increasing employee engagement across all departments. We are deeply aware of the value that employees bring to the business – and support them to reach their objectives, both corporate and personal.

To manage the effectiveness of employee wellbeing the Group monitors the following KPIs:

- employee turnover rate;
- absenteeism rate;
- gender;
- worked hours vs available hours (%); and
- headcount by site.

Starting from 2020, these indicators will be measured on an annual basis at Group level and will be compared to the data collected in previous years.

We invest time and effort into building positive relations amongst all our employees at every responsibility level, and believe that sharing of our corporate values and objectives is an important factor in the building of these relationships. We also believe it's important to ensure that our employees understand our business, and regularly inform them about market trends; the Company's upcoming challenges; our most significant order acquisitions; and our future corporate objectives. A quarterly Forgital Global Meeting for all employees (on a digital platform) is led by the CEO and the Group executives.

Vacancies are shared internally to keep employees informed about open vacancies and allow them to apply for new roles, enabling career development in their specialist area. We also encourage professional development through applying for roles in other areas. Forgital informs current employees about new openings, to give them the opportunity to make an internal application to a different role inside the Company.

In 2021, Forgital did not conduct a people survey, but at the beginning of 2022, the Company launched a 360° Evaluation Program for executive and middle management. In Q3 2022, Forgital will launch a new engagement survey, involving all Group employees. Their feedback will help the Company to identify engagement levels across the business, and track areas for improvement.

3. Employment

From 2020 to 2021, employee numbers decreased by 57 employees on a net basis (22 new hires, 79 leavers). During this period, we implemented a hire freeze due to a post-COVID slowdown in business operations based on the affect of COVID19 on the airlines industry. The 79 employees that left were not replaced. Data was obtained from direct measurements – from Forgital sources, rather than external sources.

GRI 401-1: New hires	2021 No.	2021 %	2020 No.	2020 %
Total employees at 31 December	1,021		1,078	
Total new hires	22	2.2%	19	1.8%
Men	19	1.9%	16	1.5%
Women	3	0.3%	3	0.3%
< 30 years	9	0.9%	7	0.6%
30 ≤ x ≤ 50 years	11	1.1%	9	0.8%
> 50 years	2	0.2%	3	0.3%

GRI 401-1: Leavers	2021 No.	2021 %	2020 No.	2020 %
Total employees at 31 December	1,021		1,078	
Total leavers	79	7.7%	77	7.1%
Men	74	7.2%	68	6.3%
Women	5	0.5%	9	0.8%
< 30 years	16	1.6%	19	1.8%
30 ≤ x ≤ 50 years	38	3.7%	33	3.1%
> 50 years	25	2.4%	25	2.3%

Social continued

3. Employment continued

The table opposite shows an overview of the number of employees shown by type of contract and by country. Data refers to total Group employee headcount, split by permanent or temporary contract type, excluding the members of the Board of Directors that are not employees, interns or third-party contractors.

The number of employees covered by collective agreements represents 96.7% of the workforce. All European employee contracts (in Italy and France) align to national collective bargaining agreements, integrated into local agreements. In the USA there are only individual contract agreements. In 2021 the number of non-employee workers (including temporary workers) was nine; in 2020 it was ten.

GRI 2-7: Employees divided by type of contract		2021 Male	2021 Female	2021 Total	2020 Male	2020 Female	2020 Total
Number of employees	No.	884	137	1,021	940	138	1,078
Permanent contract	No.	874	133	1,007	935	136	1,071
Temporary contract	No.	10	4	14	5	2	7
Full time	No.	875	116	991	925	120	1,045
Part time	No.	9	21	30	15	18	33

GRI 2-7: Employees divided by country		2021 Italy	2021 France	2021 USA	2021 Total	2020 Italy	2020 France	2020 USA	2020 Total
Number of employees	No.	746	242	33	1,021	783	267	28	1,078
Permanent contract	No.	743	231	33	1,007	776	267	28	1,071
Temporary contract	No.	3	11	—	14	7	—	—	7
Full time	No.	725	233	33	991	759	258	28	1,045
Part time	No.	21	9	—	30	24	9	—	33

Social continued

4. Remuneration

On a yearly basis, the Board of Directors establishes guidelines and variable incentive targets for the following fiscal year, aimed at achieving the improvements detailed in the Company's strategic goals.

Senior executives and managers are eligible for the Management by Objectives (MBO) incentive plan. Specific targets are assigned to each manager, aligned to Group and individual objectives, defined by the finance department and approved by HR. Final bonuses are paid after the approval of our consolidated financial statements. Currently performance indicators relate only to financial targets; they do not include objectives related to ESG targets.

After the closing of the annual performance evaluation, typically in January, employee salary review proposals are collected from the departments, approved by functional heads and confirmed by the Human Resources department, according to budget targets. For senior executives, approval is made by the Board of Directors. An overview of remuneration data is shared below.

GRI 2-21: Annual total compensation ratio	UoM	2021
Median of the total annual salary of all employees, excluding the individual with the highest salary	€	35,171
Total annual salary rate	%	6.72

Rate of percentage increase in total annual salary	UoM	2021
Median of the percentage increase in total annual pay of all employees, excluding the individual with the highest salary	%	2.7
Rate of percentage increase in total annual salary	%	-5.93

5. Performance management

During the year, around 30% of employees received a regular performance evaluation.

For senior managers and managers there is a formal annual MBO incentive process that includes both Group and individual targets. At the local level, for Forgital Italy and Fly, other performance evaluation systems are applied and the assessment is based on competencies and skills matrices both for office and manufacturing employees.

Data related to performance measurement is reported below.

GRI 404-3: Performance evaluation	UoM	2021	2020
% of employees who received a regular performance evaluation	%	35%	36%
Executives	%	90%	94%
Men	%	89%	94%
Women	%	100%	100%
Managers	%	67%	64%
Men	%	71%	71%
Women	%	55%	42%
Office staff	%	39%	44%
Men	%	43%	48%
Women	%	31%	35%
Factory workers	%	27%	28%
Men	%	28%	29%
Women	%	4%	6%

Social continued

6. Diversity, equity and inclusion

Forgital is committed to promoting equal opportunity and eliminating discrimination. Any violation of this commitment is recognized as contravention of our Code of Ethics. We implement a training program to ensure the observation of equal opportunities and human rights principles at Forgital. A formal whistleblowing policy has been published for Forgital Italy in 2021 to allow all individuals to play an active role in reporting unfair behaviors. This policy will be extended to the whole Group in 2023.

Principles detailed in our Code of Ethics include morality, dignity and equality. There is also a detailed description of our internal policies including equal opportunities, child labor and the protection of human rights inside the Company.

An overview of diversity at Forgital Group is reported in the following tables. For both tables, data resulted from direct measurement.

GRI 405-1: Diversity of employees	2021 No.	2021 %	2020 No.	2020 %
Total employees	1,021		1,078	
Executives	20	2%	18	2%
Men	18	2%	17	2%
Women	2	—	1	—
< 30 years	—	—	—	—
30 ≤ x ≤ 50 years	10	1%	6	1%
> 50 years	10	1%	12	1%
Managers	89	9%	84	8%
Men	69	7%	65	6%
Women	20	2%	19	2%
< 30 years	5	1%	4	1%
30 ≤ x ≤ 50 years	59	6%	55	5%
> 50 years	25	2%	25	2%

GRI 405-1: Diversity of employees continued	2021 No.	2021 %	2020 No.	2020 %
Office staff	261	25%	267	25%
Men	174	17%	181	17%
Women	87	8%	86	8%
< 30 years	42	4%	34	3%
30 ≤ x ≤ 50 years	173	17%	185	17%
> 50 years	46	4%	48	5%
Factory workers	651	64%	709	65%
Men	623	61%	677	62%
Women	28	3%	32	3%
< 30 years	113	11%	121	11%
30 ≤ x ≤ 50 years	354	35%	379	35%
> 50 years	184	18%	209	19%

GRI 405-1: Diversity of governance bodies	2021 No.	2021 %	2020 No.	2020 %
Total members of governance bodies	8	100%	7	100%
Men	7	88%	7	100%
Women	1	13%	—	—
< 30 years	—	—	—	—
30 ≤ x ≤ 50 years	3	38%	4	57%
> 50 years	5	63%	3	43%

Social continued

GRI 3-3; GRI 403-1; GRI 403-2; GRI 403-3; GRI 403-4; GRI 403-5; GRI 403-6; GRI 403-7; GRI 403-9

7. Safety

Safeguarding health and safety at all our sites is a moral responsibility towards our people. The Group has always complied with the relevant legislation, and constantly works to improve working conditions within our production units. Our aim is to reduce accidents to zero and keep our staff as safe and healthy as possible. Group policy is oriented towards the pursuit of excellence, the application of the highest standards in health and safety in the workplace, and improving our environmental and energy performance.

Thanks to our training courses, our periodic surveillance of health and wellbeing, our COVID19 committee, the ISO 45001 and ISO 14001 certification, as well as a structured business welfare program, Forgital did not realize any negative impacts on the economy, environment and people this year, in line with GRI definitions.

To effectively manage health and safety, all our subsidiaries implement the following:

- plan health and safety processes and actions based on identified risks and opportunities;
- effectively manage principal and supporting processes;
- systematically and constantly monitor safety performance; and
- pursue ongoing improvement in safety of workplace.

Thanks to the continuous improvement of processes and the respect of international standards and guidelines, during 2021, Forgital has not registered any negative internal and external impact, which we report in line with GRI expectations.

Health and safety – our top priorities:

- increase credibility and manage reputation in health and safety;
- grow our export opportunities by meeting H&S requirements of international clients;
- meet requirements of investors, facilitating access to capital;
- decrease the injuries rate; and
- increase our efficiency in meeting the legal and regulatory obligations of the Company.

To prevent and protect its workers and to reduce their exposure to occupational risks such as injuries, accidents and occupational diseases, Forgital has adopted a safety system, managed by each subsidiary according to its own specific requirements – both legislative and organizational.

Forgital Italy represents our global point of reference, as it holds an internationally certified Occupational Health and Safety Management System in compliance with ISO 45001:2019 standard¹. Furthermore, Forgital Italy oversees health and safety through an Integrated Management System, based on:

- Quality Management (ISO 9001:2015, EN9100:2016 and AS9100 Rev. D);
- Environmental Management (ISO 14001:2015);
- Energy Management (ISO 50001:2018); and
- Health and Safety Management (ISO 45001:2018).

Performance is regularly measured through questionnaires and internal surveys.

The Group carries out continuous and constant review of our risk assessment document, dealing periodically with the worker safety representatives and with supervisors. Safety issues are reported to meetings with the emergency management teams. The Group complies with legislation, conducting evaluations of work activities as well as undertaking continuous improvement processes. Any incidents are responded to appropriately and mitigating action taken.

Incidents are monitored and investigated to understand the root causes. Key individuals involved are interviewed, to understand events and underlying causes, and to enable corrective actions to be taken.

The main injuries that occur within each subsidiary are cuts and crushes to limbs.

At Forgital, regular health monitoring is provided. This service involves an appointed doctor who assesses the suitability of workers for their tasks, checks health conditions in the workplace, and drafts, together with the Forgital HSE department, a health protocol providing clear and precise guidance for the identification of risk-related tasks. During 2021, Forgital Italy promoted an initiative to update the pedestrian

path of the ELTI line, inserting an LED path of over 100m, thus increasing workers' safety in the plant.

Our teams actively participate in guaranteeing a healthy and safe workplace. Forgital Italy has a committee in which workers' representatives and other key figures (such as HSE Manager, union representatives, HR department, appointed doctor and the employer) participate. In addition, each worker can report any problems via written communication through dedicated mailboxes in our factories. There are also monthly follow-up meetings with team leaders and foremen, at which problems or reports can be communicated.

The Group holds health and safety training courses on a regular basis for all employees. Specific training courses are also planned for external personnel who need special skills.

The following table shares our work-related injuries for 2021. The frequency index is 15.80 compared to 2021 which was 18.56. However, consideration should be given to the sharp decrease in 2020 as working hours increased due to the pandemic.

GRI 403-9: Employees' injuries	UoM	2021 No.	2021 Rate	2020 No.	2020 Rate
Recordable work-related injuries at 31.12	No.	29	18.56	25	15.80
Hours worked	h	1,562,736		1,582,027	

The total injuries rates are calculated as follows: (total recordable work-related injuries/hours worked) x 1,000,000.

¹ From 2005 to 2019 the OHS Management System was BS OHSAS 18001 certified.

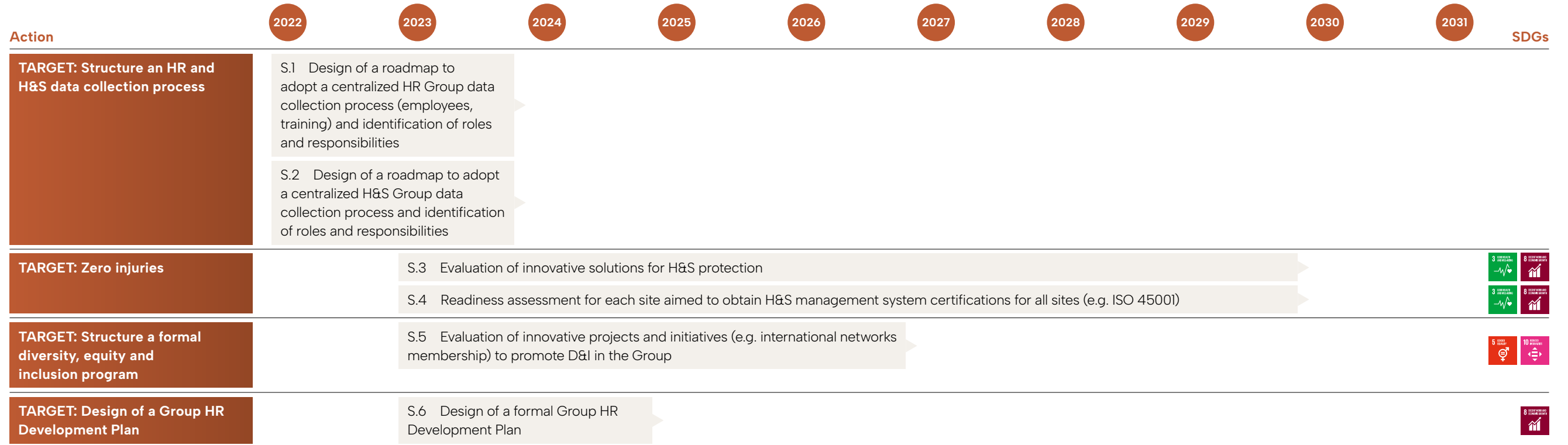
The COVID19 pandemic in Forgital Italy

The COVID19 health emergency is an unprecedented emergency which continues to cause paradigm shifts on all fronts. Whilst the absolute priority is safeguarding health, the severe consequences in economic and social terms of the lockdown required by government authorities are evident.

From the earliest phases of the developing epidemic, Forgital Italy S.p.A. planned and took action to guarantee safety and hygiene in the workplace and protection against risk, with actions and instructions aimed at reducing the possibility of contagion to a minimum.

Although Forgital Italy S.p.A. has always moved quickly from the first Decree issued by the Italian government, the Company also proactively signed and implemented, through a "Protocol to regulate the containment of the COVID19 risk of contagion" with the relevant union parties, a suite of actions to combat the virus, such as checking the temperature of employees with fixed and portable thermoscanners, precautionary closures, smart (remote) working, stopping transfers, social distancing, the beginning of activities in phases to reduce the flow of people in dressing rooms, an obligation to wear face masks, distribution of hand sanitizing gel and daily cleaning and sanitizing in all corporate areas. All these actions we took enabled us to contain the spread of the disease as much as possible in Forgital Italy.

Social roadmap





Innovation

New press for Aerospace market

Forgital in 2020 completed the installation of a 12,000 ton press with accompanying furnaces. This new equipment enabled the production of large rings in Waspalloy for the Aerospace market, where material requires higher power to be processed. The large investment, of about €50 million means that a new market will open for Forgital, targeting components for the hot section of the engine within the Aerospace sector.



The installation of the new line began in 2017 and ended in 2020.

Introduction to innovation

Value is created through innovation

Key innovation targets

- Offer and promote ESG focused products or services
- Understand the ESG impacts of own products
- Enhance and innovate production systems

At Forgital, innovation is driven by our unwavering focus on exceeding customer expectations in terms of quality, efficiency, operational excellence and sustainability (CO₂ emissions in particular). In combination these things deliver a product and service that are highly valued by our many world-class customers.

Forgital's innovation process creates value for our customers by maintaining relentless focus on production efficiency. In particular, we focus on initiatives that optimize material use and reduce energy consumption. Our geographical spread enables us to minimize transportation costs and emissions in many cases. Efficiency for us is always a benefit to our customers, helping us to build the long-term relationships that our business reputation is founded on.

We occupy a unique position in the value chain of our customers. Our streamlined service – Forgital Compact Supply Chain – spans acquisition of responsible materials from high-quality suppliers, right through to conversion into technically complex components suitable for highly specialist and technically challenging applications. This “end-to-end” approach makes for a simplified procurement process for customers, a higher quality product, and enhanced scope for product innovation, setting us apart in the industry.

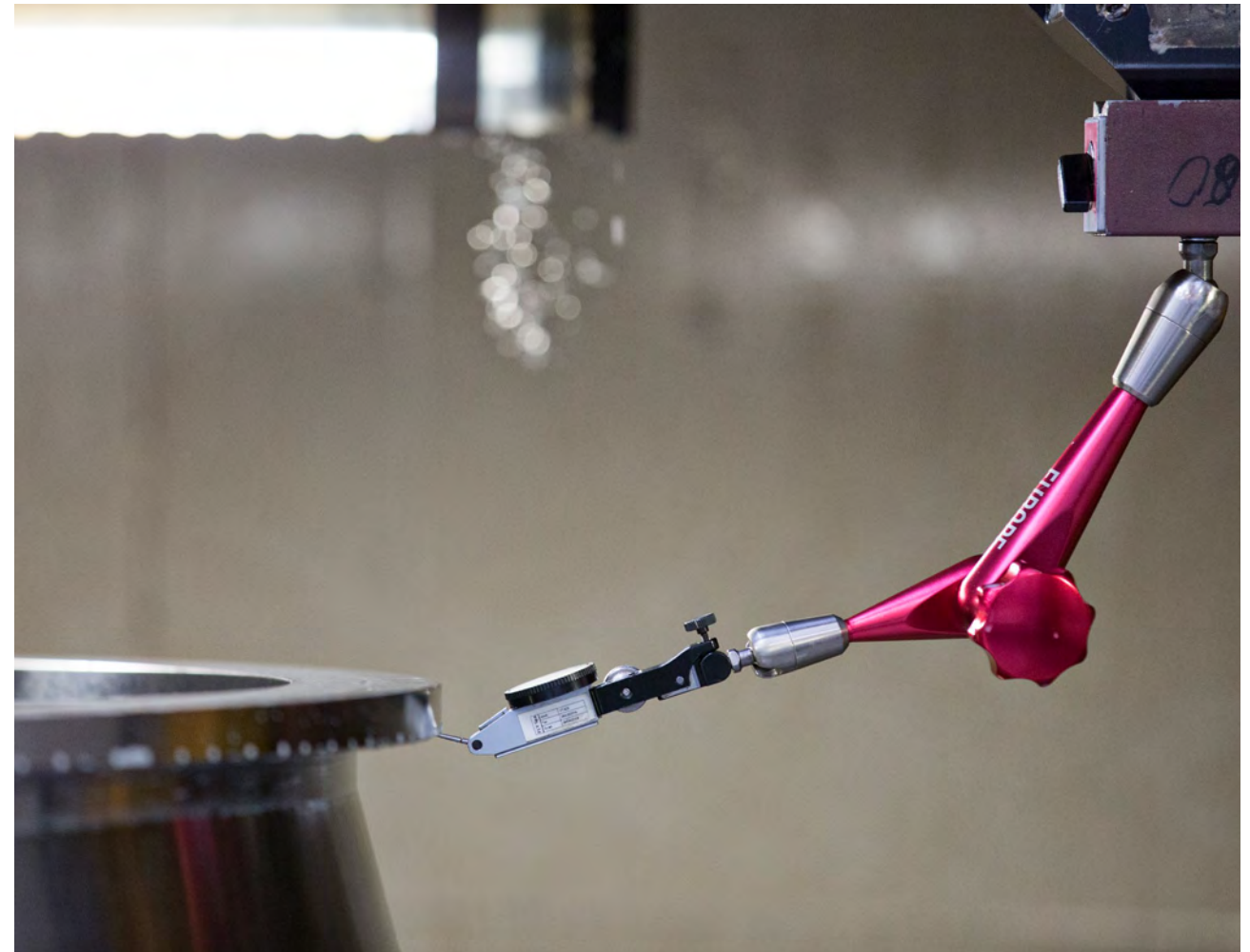
Our innovation process

We take an innovative co-engineering approach from the start, working alongside clients to support at the critical design stage, helping them to define the most suitable profile for forging and the most design-appropriate heat treatments. Our extensive materials knowledge informs their choices of material for use in the forging process and beyond.

Our continuous improvement process drives us to constantly innovate in design and materials, with the goal of improving product quality, performance and sustainability. This ongoing process is driven by our operational excellence team, which constantly re-evaluates and refines our products and processes to search for more effective solutions.

Forgital's unique technical expertise in heat treatments has been progressively refined across many diverse sectors of the engineering industry. We have extensive and long-term experience in developing parts to meet the most critical conditions, a process which relies on our ability to solve technical engineering challenges innovatively.

The breadth of testing protocols we implement is unique in the industry and sets the standard for quality. We evaluate materials, products and production processes, and promote mechanical testing, chemical analysis, corrosion tests, metallography, non-destructive tests, failure analysis and engineering and research. Our testing rigor safeguards quality to a level that sets our product apart in the market.



Lean approach: Six Sigma training

We strongly believe in the professionalism of all of our people.

Forgital has undertaken a journey aimed at Lean transformation, adopting the Six Sigma approach as a quality improvement tool. This has the aim of increasing customer satisfaction, perfecting processes and reducing errors. This approach is based on measurable data to eliminate defects. This requires, first of all, the correct identification of the product or process characteristics that must necessarily comply with specific criteria in order not to generate customer dissatisfaction. It's also necessary to implement improvement actions to reduce the variability of the processes, aligning the output to the demands of the market. As part of every Six Sigma initiative, we promote the involvement of all personnel in the use of statistics, measurement and data collection, analysis and optimization actions, focusing on specific objectives. Forgital has chosen this approach in

order to face the challenges of our different markets and to meet the demand of an increasing number of customers for a more rationalized process.

For ten years, Forgital Group has approached the Lean philosophy, creating and training Green Belts to act as resources within the organization. Our Green Belts act as operational experts, training colleagues across the organization. Thanks to this training approach, which is targeted at new skills and increased production outputs, Lean techniques allow and will continue to allow our teams to analyze and improve our internal processes.

More than 3,600 hours of training have been provided on Lean production in total. In 2021–2022, 22 people attended the training course for the Green Belt, and 16 people have already taken and successfully passed the exam. We wish the best of luck to those colleagues who will be taking their exams over the coming months!

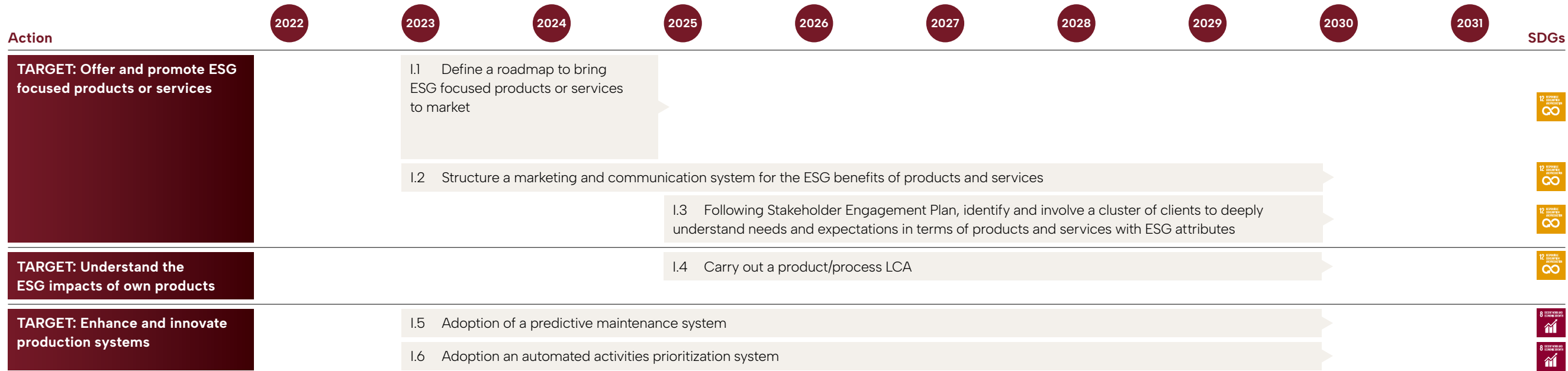
Collaboration with Cybertec

In 2022, Forgital started a collaboration with Cybertec, the Italian software house specializing in planning and scheduling production for manufacturing companies. Our plan is that the collaboration will lead to the complete renewal and extensive technical development of Cyberplan, the main application that we use at Forgital for production planning activities.

Forgital has been using Cyberplan for over 15 years, and thanks to this new collaboration, we expect to benefit from an updated and bespoke version of this indispensable tool, which will optimize all levels of our own supply chain, by reducing costs, maximizing productivity and increasing the level of customer service. This will be a “tailor-made” solution linked to the bespoke needs of Forgital’s production processes.

Photo by Andrea Sottana

Innovation roadmap





Governance

Focus on cyber risk

In 2021, employees regularly using a corporate email address completed an online cybersecurity training program focused on security awareness.

The training focused on the security of email, raising awareness and understanding of the risks posed by increasingly targeted phishing emails that compromise the security of personal data and corporate information systems. 60% of all attacks use email as their vehicle of entry, and as there are no tools that fully protect users and companies, training is the most effective available method to manage risk.

The program was structured as follows:

- three online training modules;
- simulated phishing emails; and
- where employees did not adhere to the protocols, they were re-trained.

Results

When sent in September, 15.80% of the recipients opened the potentially fraudulent fake link; on the second December sending, the mass campaign was opened by 34.80% of the recipients.

After our simulation sessions, the trend fell sharply to very low levels: in February 2022 it was 2.60%; in June 2022 it was 1.50%; and in September 2022 it was 3.63%. This demonstrated an increasing vigilance to and awareness of cyber risk.

Introduction to governance

GRI 2-2; GRI 2-9; GRI 2-10; GRI 2-11; GRI 2-12; GRI 2-13; GRI 2-14; GRI 2-15; GRI 2-16; GRI 2-17; GRI 2-18; GRI 2-23; GRI 2-24; GRI 2-25; GRI 2-26; GRI 2-27; GRI 3-3; GRI 205-2; GRI 205-3

Good ethics and acting with integrity

Managing ethics is an integral part of any successful business operation. It has played an important role in building our long-held reputation as a leader in our sector. Forgital believes that issues such as corruption, unfair competition and unsafe workplaces undermine societal wellbeing.

While following basic legal requirements is critical, it is not enough. It can be possible to behave unethically even while complying with the law. Good ethical judgment helps the Group guard against such failures, and build lasting business success.

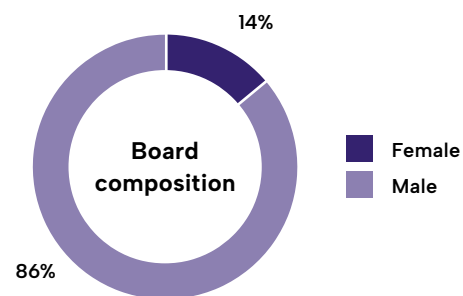
Good ethics and acting with integrity positively impact the Group across our entire value chain: generating trust in our relationships with internal and external stakeholders, and promoting a positive overall reputation for the business. Internally, ethics and integrity are essential for creating an atmosphere based on trust and mutual respect.

Our approach to governance covers three key areas:

1. leadership and structure;
2. ethics and integrity; and
3. product quality and customer satisfaction.

Leadership and structure

Forgital Group is controlled by Orizzonti 2 where the highest governance body consists of a Board of Directors (hereinafter the “Board”), which comprises eight members (seven male and one female), one chairman and one CEO. There is also a Strategic Committee made up of five members, who are The Carlyle Group’s senior consultants and represent the investors’ interests.



The shareholders’ meeting appoints the Orizzonti 2 Board of Directors every three years. The Board then appoints the Strategic Committee. The appointment of the members of the Board of Directors takes place in accordance with the provisions of the articles of association and by resolution of the shareholders’ meeting. The president of the Board is not a senior executive.

It is the Board that defines and approves Group policies, the management and implementation of which are delegated to the legal representatives and related officers of individual subsidiaries.

The Board is also responsible for:

- approving the Sustainability Report and appointing the Board of Statutory Auditors;

- approving the organizational model across Group companies; and
- appointing the leads in charge of health, safety and environment.

In terms of our sustainability commitments, the Board delegates responsibility for managing the impact of the organization on the economy, environment and people. Group Business Reviews are held on a quarterly basis, while those of the individual subsidiaries are held on a monthly basis; a rapid progress review is scheduled every 15 days between the Group CEO, Group CFO and some members of the Strategic Committee and The Carlyle Group.

Moreover, as required by legislation, to ensure the prevention and mitigation of conflicts of interest, the Board annually notifies interested parties and reports on any conflict of interest in the financial statements.

GRI 2-9: Highest governance body composition	UoM	2021 Male	2021 Female	2021 Total	2020 Male	2020 Female	2020 Total
Age of highest governance body’s components (< 30)	No.	—	—	—	—	—	—
Age of highest governance body’s components (30-50)	No.	4	—	4	4	—	4
Age of highest governance body’s components (> 50)	No.	3	1	4	3	—	3

Ethics and integrity

Key governance targets

- Definition of a Group ESG commitment and ESG policy/strategy
- Integration of shared value across the value chain
- Integration of ESG factors into risk mapping
- Structure a legal quantitative data collection system
- Definition of an ESG financing framework

Critical concerns related to potential and actual negative impacts on stakeholders, which are raised through grievance mechanisms and other processes, are reported to the Board. These are discussed during quarterly Business Reviews. During FY 2021 no criticalities emerged.

The Board is informed by the Group CFO regarding any updates to the sustainability strategy, goals and targets over the course of the year. A dedicated function has just been appointed. To ensure the maintenance of responsible corporate conduct, Forgital has several policies in place, including:

- our Code of Ethics (our human rights policy, including internationally recognized human rights as applied to relevant categories of stakeholders, including groups at risk, or otherwise vulnerable). This is available on the Forgital website. The Code of Ethics is approved by the Board;
- our whistleblowing procedure; and
- our general conditions of sale and purchase. These report the rules established by the Code of Ethics, as well as our GHG protocol and the adoption of individual devices.

The policies are disseminated through Company communications systems, through employee training, and through well-communicated updates to clauses in our purchase and order confirmations, which are shared across the business.

Should any negative ethical behavior be identified by Forgital, our main point of reference is the 231 Organizational Model. This is a set of protocols which regulate and define the corporate structure and management of its sensitive processes. The 231 Organizational Model, if correctly applied, reduces the risk of commission of criminal offenses. The task to control the correct application of the model is entrusted to an autonomous body called the Supervisory Body. Our Supervisory Body is notified of non-conformities relating to products and processes. This is, however, only applicable to the companies that have adopted the 231 Organizational Model, namely Forgital Italy and RTM Breda. In addition, to allow our people to seek advice on the implementation of the organization's policies and practices for responsible conduct, or to share concerns, we have a whistleblowing procedure in place. Colleagues can also contact the Supervisory Body via email, or physical message boxes. No cases of non-compliance were recorded during the years 2020 and 2021.

Forgital Italy and RTM Breda adopted the 231 Organizational Model and are therefore subject to the oversight of the Supervisory Body, while Fly reports quarterly to the Board of Directors (but starting from 2022 will be subjected to Supervisory Body oversight too).

Anti-corruption

The Code of Ethics represents the Company's point of reference in terms of anti-corruption. In fact, the risk of crime is mitigated through the communication of the rules of conduct and behavior contained in the Code of Ethics, which is communicated to the corporate bodies (Directors and auditors), employees and collaborators (project collaborators, interns and temporary workers), consultants, suppliers, clients, contractors and all other people that co-operate with Forgital. In fact, during 2021, all employees hired during the year have read the Code of Ethics. Furthermore, the Supervisory Body monitors the overall functioning of the evaluation system, the transparency and the integrity of internal controls and draws up an annual report on the state of the system, also making proposals and recommendations to the senior management.

Some companies in the Group are not subjected to Supervisory Body oversight; however, in the next two years there is a development plan to bring about a "Group 231 Organizational Model" that guarantees compliance with the Company's fundamental values. Even if this model is not formally implemented in the other companies, the Group started a process of dissemination which guarantees, at an operational level, the achievement of the standards on a Group level.

Below is an overview of the quantitative data related to communication and training, including an online training course on the Code of Ethics, 231 Organizational Model and whistleblowing procedures. The training record is managed by the HR department. The above procedures are published on the Forgital website, and on the Company Information System. The anti-corruption policies are also included in Forgital's general conditions of sale and purchase.

Referring to communication of anti-corruption policies and procedures, 100% of government bodies and employees have been informed about the existence and content of such documents, in all plants in Italy, France and the USA. As referenced in our purchase and sales conditions, we can also confirm that all suppliers and customers dealing with the Forgital Group are fully aware of the anti-corruption policies and procedures.

Detailed training on anti-corruption is in progress. In 2021, the training has already involved 24% of Italian employees (including executives, managers and office staff) and 39% of French employees (including managers, office staff and factory workers).

Anti-corruption

GRI 205-2: Communication of anti-corruption policies and procedures	UoM	2021 Italy	2021 France	2021 USA	2020 Italy	2020 France	2020 USA
Number of members of the governing bodies to whom the organization's anti-corruption policies and procedures have been communicated	No.	20	2	1	19	2	1
Number of employees to whom the organization's anti-corruption policies and procedures have been disclosed	No.	746	95	—	783	110	—
of which executives	No.	15	—	—	15	—	—
of which managers	No.	73	2	—	68	2	—
of which office staff	No.	177	38	—	176	41	—
of which factory workers	No.	481	55	—	524	67	—
Number of business partners to whom the organization's anti-corruption policies and procedures have been disclosed	No.	852	793	154	777	788	143
of which clients	No.	204	203	77	198	197	74
of which suppliers	No.	648	590	77	579	591	69
Total members of governing bodies	No.	20	2	1	19	2	1
Total employees	No.	746	242	33	783	267	28
of which executives	No.	15	4	1	15	3	—
of which managers	No.	73	16	—	68	16	—
of which office staff	No.	177	75	9	176	79	12
of which factory workers	No.	481	147	23	524	169	16

Anti-corruption continued

GRI 205-2: Communication of anti-corruption policies and procedures continued	UoM	2021 Italy	2021 France	2021 USA	2020 Italy	2020 France	2020 USA
Total business partners	No.	852	793	154	777	788	143
of which clients	No.	204	203	77	198	197	74
of which suppliers	No.	648	590	77	579	591	69
Percentage of members of government bodies to whom the organization's anti-corruption policies and procedures have been communicated	%	100%	100%	100%	100%	100%	100%
Percentage of employees to whom the organization's anti-corruption policies and procedures have been disclosed	%	100%	39%	—	100%	41%	—
of which executives	%	100%	—	—	100%	—	—
of which managers	%	100%	13%	—	100%	13%	—
of which office staff	%	100%	51%	—	100%	52%	—
of which factory workers	%	100%	37%	—	100%	40%	—
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been disclosed	%	100%	100%	100%	100%	100%	100%
of which clients	%	100%	100%	100%	100%	100%	100%
of which suppliers	%	100%	100%	100%	100%	100%	100%

Anti-corruption continued

GRI 205-2: Anti-corruption training	UoM	2021 Italy	2021 France	2021 USA	2020 Italy	2020 France	2020 USA
Number of members of government bodies who have received anti-corruption training	No.	—	—	—	—	—	—
Number of employees who received anti-corruption training	No.	182	95	—	—	110	—
of which executives	No.	8	—	—	—	—	—
of which managers	No.	57	2	—	—	2	—
of which office staff	No.	117	38	—	—	41	—
of which factory workers	No.	—	55	—	—	67	—
Total members of governing bodies	No.	20	2	1	19	2	1
Total employees	No.	746	242	33	783	267	28
of which executives	No.	15	4	1	15	3	—
of which managers	No.	73	16	—	68	16	—
of which office staff	No.	177	75	9	176	79	12
of which factory workers	No.	481	147	23	524	169	16
Percentage of government body members who received anti-corruption training	%	—	—	—	—	—	—
Percentage of employees who received anti-corruption training	%	24%	39%	—	—	41%	—
of which executives	No.	53%	—	—	—	—	—
of which managers	No.	84%	13%	—	—	67%	—
of which office staff	No.	66%	51%	—	—	52%	—
of which factory workers	No.	—	37%	—	—	—	—

Note: during FY 2020–2021 there were no reported episodes of corruption within the Company.

Product quality

GRI 3-3; NON-GRI 1

Product quality and client satisfaction

Forgital Group serves a broad range of clients, including major aircraft and aero-engine OEMs, as well as clients working in the oil and gas, transmission, power generation and general mechanics markets. The nature of our clients' businesses means that Forgital's products and services must comply with strict requirements, given the impact our products can have on people's health and safety. Our positive reputation for product quality and client satisfaction is a fundamental asset for the organization, which we have built up over many years. Quality is an essential aspect of product safety, and reliability, safety and quality are essential to corporate reputation. Reputational damage can lead to negative economic impacts on the Group including loss of business to competitors.

Quality management

To effectively oversee quality management at an organizational level, Forgital Group nominates a Group Quality System Director and appoints multiple quality functions with different responsibilities for each production unit, or each operational company.

Employees responsible for overseeing each quality function are in regular contact with each other and with the departments in their own unit or company.

This helps to quickly resolve issues that transpire, to analyze quality KPIs, and to facilitate the flow of information and progress of operations.

To demonstrate our commitment to quality management, all Group companies have signed a Quality Policy and have been certified in accordance with internationally recognized Quality Standard ISO 9001:2015 for industrial markets and EN9100:2016 for aero markets. Moreover, in line with the Group promise of offering operational excellence to its clients, Forgital Italy adopted an Integrated Management System in 2004, based on:

- Quality Management (ISO 9001:2015, EN9100:2016, equivalent to AS9100 Rev. D);
- Environmental Management (ISO 14001:2015);
- Energy Management (ISO 50001:2018); and
- Health and Safety Management (ISO 45001:2018).

Group companies have also gained additional quality certifications, both from third parties and customers. One example we are particularly proud of is the Nadcap accreditation for special processes to meet aerospace clients' stringent production criteria.

All product non-conformities are managed according to the specific quality system procedures 08.03.02 (Claims Management) and 08.03.01 (Management of Non-Conformities). The entire management process is performed through the specific applications of the Company Information System. Complaints are recorded as non-conformities in the Company Information System and classified as "Client Complaints". In accordance with this procedure, a complaint management cycle is created by the Quality Office. The relevant department is then drawn on to identify the causes of the complaint, to define the corrective actions to be communicated to the client, and to manage the outcome, which could be:

- derogation on the claimed pieces;
- rework and/or repair;
- scrap of the pieces with reproduction; or
- other solutions agreed with the client.

Complaints also include other issues such as non-compliant packaging, damage during transport, and delivery delays. These also follow the same process described above.

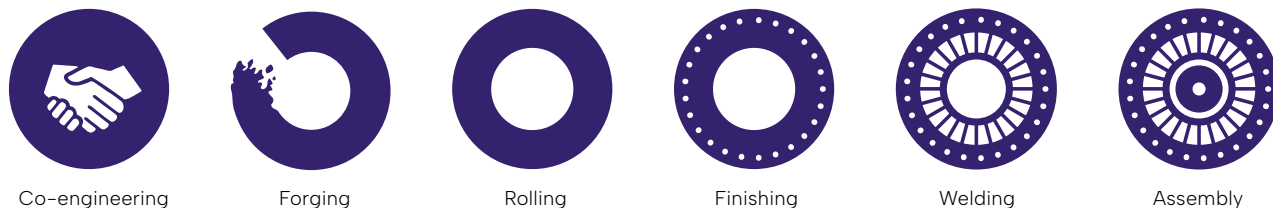
Forgital has a dedicated sales assistance team which manages relations with our clients from the moment of placing an order through to shipment and post-delivery. This service is also in charge of managing client complaints from receipt to negotiation and reconciliation. This service represents a focal point for our clients.

Our complaint process involves multiple Company areas, each of which can propose improvements and changes to the processes at any time. Opportunities for improving our audited processes are also gathered through internal Company audits.

All complaints are recorded in the Company Information System and made available across the business for multi-level consultation and verification. The summary data of the complaints is projected onto Company screens located across our sites. The details of complaints, exceptions, and outcomes are periodically published on the whiteboards located in each production department.

GRI 2-25: Number of complaints	UoM	2021	2020
Total number of complaints	No.	154	259
Percentage of complaints on produced pieces	%	0.197%	0.379%
Number of complaints that have been resolved through remedial mechanisms	No.	93	134
Percentage of users satisfied with the repair mechanism	%	100	100
Number of complaints received during the reporting period from clients	No.	154	259

The Forgital Group Compact Supply Chain



To ensure an excellent result at both levels of products and processes, it's essential that the quality is consistent throughout the whole value chain, from suppliers to clients. Forgital is aware of the importance to develop a responsible supply chain and selects reliable and stable partners. Moreover, Forgital builds strong industrial relationships with associations and other organizations who protect and assist industrial companies (such as the Italian Confindustria Vicenza and Federacciai).

It is essential that quality assurance mechanisms are supported by a continuous improvement approach. Forgital's operational excellence team (OEX) coordinates the Group's continuous improvement process which is aimed at enhancing production effectiveness and efficiency. To achieve these same objectives, in 2020, a collaborative specialized working group of process engineers was created. This is a multi-functional team of experienced engineers, whose goal is to reduce product non-quality.

Parallel to the activities by the operational excellence team and process engineers, operational excellence and product non-quality are managed through the use of the Eight Definitions (8D) Model. Iterated and developed over many years, this framework enables the Group to address any non-compliance occurrences by outlining a path to identify root causes, to implement corrective action and to avoid repeat occurrences.

In addition, RTM Breda can provide engineering and material science expertise through its Failure Analysis service (to support failure investigations) and materials behavior model, Finite Element. This modeling represents an important step ahead in manufacturing, permitting engineers to simulate, in advance, the hot forging/rolling processes, validating the product itself and the tooling before the actual production commences.

The KPI regarding the rejected parts versus the parts produced shows a very low level of defects. We saw a slight improvement in 2021 compared to 2020, where production was lower due to the pandemic of COVID19.

Sourcing

GRI 2-6; GRI 2-28; GRI 3-3; GRI 204-1

Raw material purchasing is one of the most strategic assets for the Group, as raw material costs are the most important deciding factor in the price of our products, and so our market competitiveness. Raw material purchase price is a critical success factor as increased prices can lead to lost sales and market share. This can also negatively impact reputation, leading to long-term decline.

This means that effective raw material purchasing can open up new market sectors, increase market share and enhance the Group's economic performance through long-term contracts. The purchasing team, together with suppliers, is responsible for supporting Group performances and competitiveness in the market. All possible precautionary and protective measures are taken to reduce risks in the raw material supply chain, to limit any negative impact on the Group's performance.

To mitigate and minimize the potential negative impacts on the organization which could be caused by suppliers, a regular risk management review is undertaken.

Other key supplier management activities are also undertaken with an aim to mitigate risks. This includes daily communication with our supplier base, monthly vendor rating metric checks (addressing metrics such as quality and on-time deliveries), and supplier audit and assessment where necessary.

A weekly Quality Review meeting shares updates on purchasing issues, attended by representatives of Purchasing, Sales, Engineering, Product Quality, and Operations. These meetings aim to monitor ongoing activities and to share information in a cross-functional manner. The stakeholder or the Top Management (Purchase Director, Sales Director, Quality Directors and COO) is informed and involved during the monthly Quality Meeting and Business Reviews planned by the organization. In addition, a Monthly Purchasing Review meeting is set with a specific and unique focus on overall Group performance.

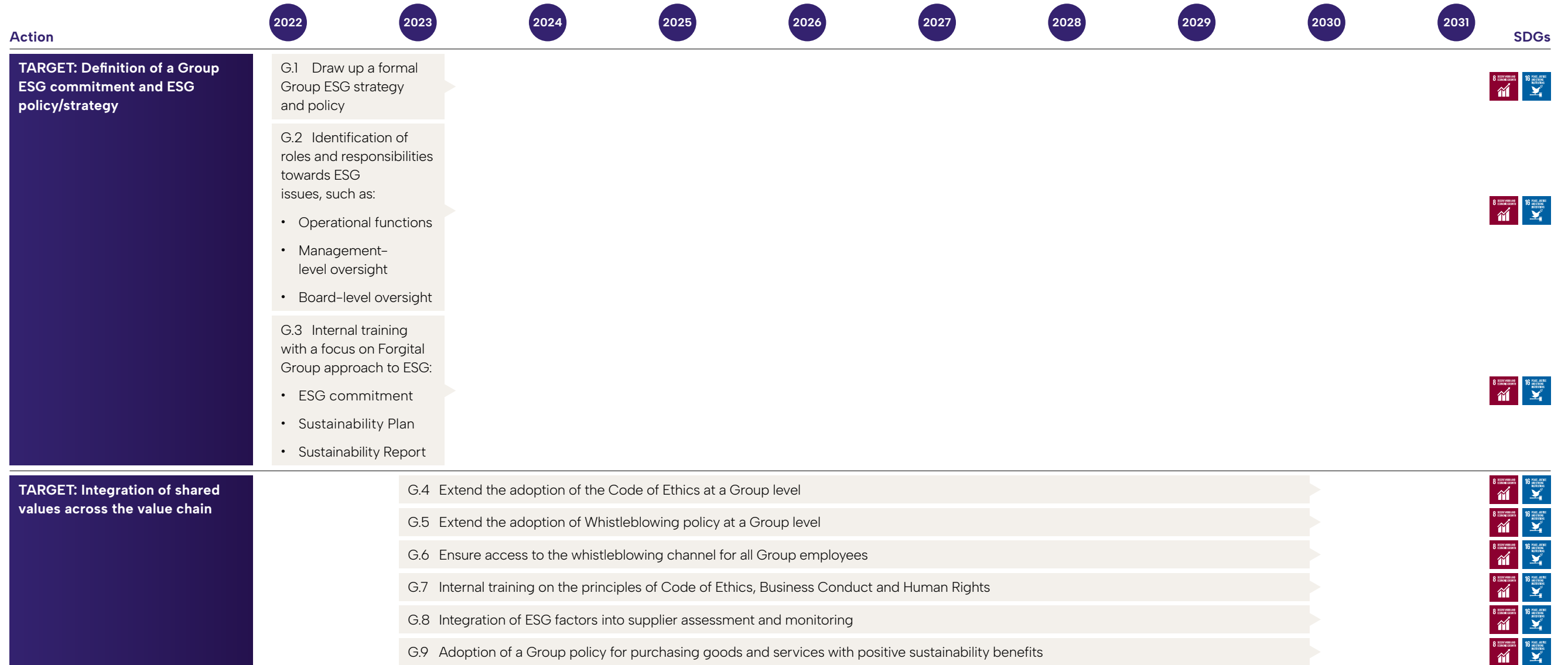
To date, there are no specific negative events to highlight.

Forgital works with domestic suppliers wherever possible, which means those based in Italy for the Forgital Italy plant and those based in France for the Forgital Dembiermont and Forgital FMDL plants. The below percentage is the sum of the two and is calculated on the total received quantity in year 2021 and year 2020, at Group level.

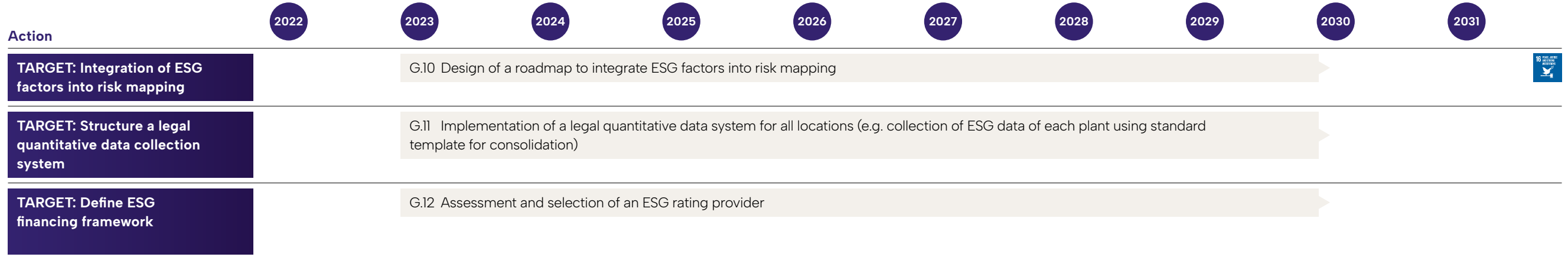
Non-GRI: Rejects/pieces produced	UoM	2021	2020
Rejects	No.	890	784
Pieces produced	No.	78,024	68,253
Rejects/pieces produced	%	1.14%	1.15%

GRI 204-1: Proportion of spending on local suppliers	UoM	2021	2020
% of procurement volume to local suppliers	%	90%	85%
% of procurement spend to local suppliers	%	60%	35%

Governance roadmap



Governance roadmap continued



Methodological note

This Sustainability Report consolidates information on the entire Forgital Group, that is composed of:

- Forgital Italy S.p.A.;
- Fly S.p.A.;
- RTM Breda S.r.l.;
- Forgital Dembiermont S.A.S.;
- Forgital FMDL S.A.S.; and
- Forgital USA Inc.

Any limits to the scope of reporting are clearly identified in the text and do not significantly affect the understanding of the Group’s business, its performance or its results.

The qualitative and quantitative information reported in the Sustainability Report derives from a data-gathering process performed at a Group level using Excel reporting packages.

The Report discloses the data for the period 1 January 2021–31 December 2021, is drafted annually, and is approved by the Board of Directors of Forgital Group.

Previous years’ data are included for comparative purposes, in order to enable an assessment, over time, of the performance of the Group. Any restatement of data reported in previous years will be clearly indicated in the next documents. As this is the first year of reporting at a Group level, there are no restatements in this document.

The document was drafted with the aim of providing information that is reliable, complete, balanced, accurate, understandable and comparable, as required by the reporting standards used: GRI Sustainability Reporting Standards, 2021. This report has been prepared in accordance with the GRI Standards. A detailed overview of the indicators disclosed can be found in the GRI Content Index which provides a detailed description of all the topics covered in the document.

The document is not subjected to external assurance.

As mentioned on page 5, the Group is controlled by Orizzonti 2. All data relating to governance refer to the latter company. To comply with the GRI 2–11 requirements, it is important to mention that the chair of the highest governance body is not also a senior executive.

In terms of environmental data (carbon), this is derived from an internal project focused on the development of a GHG inventory. The relative conversion factors used are reported in the “Environment” section, page 26.

GRI content index

Statement of use

Forgital Group has reported in accordance with the GRI Standards for the period 1 January 2021 to 31 December 2021.

GRI 1 used

GRI 1: Foundation 2021.

Applicable GRI Sector Standard(s)

Not applicable (no Sector Standards available).

GRI Standard/other source	Disclosure	Location	Omission			GRI Sector Standard Ref. no.
			Requirement(s) omitted	Reason	Explanation	
General disclosures						
GRI 2: General Disclosures 2021	2-1 Organizational details	6				
	2-2 Entities included in the organization’s sustainability reporting	49			A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.	
	2-3 Reporting period, frequency and contact point	57				
	2-4 Restatements of information	57				
	2-5 External assurance	57				
	2-6 Activities, value chain and other business relationships	6; 55				
	2-7 Employees	35				
	2-8 Workers who are not employees	35				
	2-9 Governance structure and composition	49				
	2-10 Nomination and selection of the highest governance body	49				
	2-11 Chair of the highest governance body	57				
	2-12 Role of the highest governance body in overseeing the management of impacts	49				
	2-13 Delegation of responsibility for managing impacts	49				

GRI content index continued

GRI Standard/other source	Disclosure	Location	Omission			GRI Sector Standard Ref. no.
			Requirement(s) omitted	Reason	Explanation	
General disclosures continued						
GRI 2: General Disclosures 2021 continued	2-14 Role of the highest governance body in sustainability reporting	49				
	2-15 Conflicts of interest	49				
	2-16 Communication of critical concerns	49				
	2-17 Collective knowledge of the highest governance body	49				
	2-18 Evaluation of the performance of the highest governance body			Not applicable	The organization does not yet implement performance evaluation of the highest governance body.	
	2-19 Remuneration policies	36				
	2-20 Process to determine remuneration	36				
	2-21 Annual total compensation ratio	36				
	2-22 Statement on sustainable development strategy	4				
	2-23 Policy commitments	50				
	2-24 Embedding policy commitments	50				
	2-25 Processes to remediate negative impacts	49; 54				
	2-26 Mechanisms for seeking advice and raising concerns	50				
	2-27 Compliance with laws and regulations	50				
	2-28 Membership associations	55				
2-29 Approach to stakeholder engagement	15-16					
2-30 Collective bargaining agreements	35					

GRI content index continued

GRI Standard/other source	Disclosure	Location	Omission			GRI Sector Standard Ref. no.
			Requirement(s) omitted	Reason	Explanation	
Material topics						
GRI 3: Material Topics 2021	3-1 Process to determine material topics	17	A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.			
	3-2 List of material topics	18				
Material Topic: Sustainable Sourcing						
Procurement practices						
GRI 3: Material Topics 2021	3-3 Management of material topics	55				
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	55				
Material Topic: Ethics and Integrity						
Anti-corruption						
GRI 3: Material Topics 2021	3-3 Management of material topics	49; 50				
	205-2 Communication and training about anti-corruption policies and procedures	51-53				
	205-3 Confirmed incidents of corruption and actions taken	50				
Material Topic: Energy and Emissions						
Energy						
GRI 3: Material Topics 2021	3-3 Management of material topics	23-25				
GRI 302: Energy 2016	302-1 Energy consumption within the organization	24				
	302-3 Energy intensity	25				
	302-4 Reduction of energy consumption	25				

GRI content index continued

GRI Standard/other source	Disclosure	Location	Omission			GRI Sector Standard Ref. no.
			Requirement(s) omitted	Reason	Explanation	
Material Topic: Energy and Emissions, Respect for the Environment						
Emissions						
GRI 3: Material Topics 2021	3-3 Management of material topics	26-28				
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	26				
	305-2 Energy indirect (Scope 2) GHG emissions	27				
	305-4 GHG emissions intensity	27				
	305-6 Emissions of ozone-depleting substances (ODS)	28				
Material Topic: Wellbeing and Personal Development						
Employment						
GRI 3: Material Topics 2021	3-3 Management of material topics	34-35				
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	34				

GRI content index continued

GRI Standard/other source	Disclosure	Location	Omission			GRI Sector Standard Ref. no.
			Requirement(s) omitted	Reason	Explanation	
Material Topic: Occupational Health and Safety						
Occupational health and safety						
GRI 3: Material Topics 2021	3-3 Management of material topics	38				
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	38				
	403-2 Hazard identification, risk assessment, and incident investigation	38				
	403-3 Occupational health services	38				
	403-4 Worker participation, consultation, and communication on occupational health and safety	38				
	403-5 Worker training on occupational health and safety	38				
	403-6 Promotion of worker health	38				
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	38				
	403-9 Work-related injuries	38				
Material Topic: Wellbeing and Personal Development						
Training and education						
GRI 3: Material Topics 2021	3-3 Management of material topics	33				
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	33				
	404-2 Programs for upgrading employee skills and transition assistance programs	33				
	404-3 Percentage of employees receiving regular performance and career development reviews	36				

GRI content index continued

GRI Standard/other source	Disclosure	Location	Omission			GRI Sector Standard Ref. no.
			Requirement(s) omitted	Reason	Explanation	
Material Topic: Wellbeing and Personal Development <i>continued</i>						
Diversity and equal opportunity						
GRI 3: Material Topics 2021	3-3 Management of material topics	37				
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	37				
Material Topic: Economic Performance and Market Presence						
GRI 3: Material Topics 2021	3-3 Management of material topics	5				
Material Topic: Product Quality and Client Satisfaction						
GRI 3: Material Topics 2021	3-3 Management of material topics	54				

Non-GRI Indicators

GRI Standard/other source	Disclosure	Location				GRI Sector Standard Ref. no.
Material Topic: Product Quality and Client Satisfaction						
Non-GRI	Rejects/pcs. Prd. (%)	54				



forgital@forgital.com
forgital.com