



2018

Communication on Progress (COP)

Cavagna Group S.p.A.

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STATEMENT OF CONTINUED SUPPORT

February 21st, 2018

Confirming the commitment made by letter dated February 14, 2014, I'm pleased to confirm that Cavagna Group reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment and Anti-Corruption.

We believe that implementation of Global Compact and of its principles is important for double aspect: encourages development of an ethical culture and environmental within the company, while externally favors the creation of stakeholders network using our primary channels of communication. This Communication On Progress describes our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations.

This report, issued within one year of joining the Global Compact, and annually thereafter according to the Global Compact COP policy, includes:

- A statement of the chief executive expressing continued support for the Global Compact and renewing our ongoing commitment to the initiative and its principles.
- A description of practical actions (i.e., disclosure of any relevant policies, procedures, activities) that the company has taken (or plans to undertake) to implement the Global Compact principles in each of the four issue areas (human rights, labour, environment, anti-corruption).
- A measurement of outcomes (i.e., the degree to which targets/performance indicators were met, or other qualitative or quantitative measurements of results).

Sincerely yours,



Ezio Cavagna

President of BoD

CAVAGNA GROUP S.p.A.

Period covered by this Communication on Progress (COP)

From February 2017 to February 2018

WHO ARE THE CAVAGNA GROUP?

The Cavagna Group is a world leading manufacturer of equipment and components for controlling compressed gases (energy gases, alternative fuel gases, medical gases, industrial gases, and specialty and cryogenic gases). It was founded in 1949 with headquarters in Northern Italy, close to Brescia, which is historically renowned for its metal processing industry. The Group consists of ten vertically integrated production companies in Italy and eight others spread across the five continents. The Cavagna Group now sells in more than 145 countries worldwide through a distribution network consisting of fifteen fully owned additional distribution companies.

It boasts good business relations with major oil/gas companies, industrial gas companies, automotive OEMs, compressed and liquefied gas container manufacturers and gas appliance OEMs. All this makes the Cavagna Group a truly reliable technology partner for the optimal use of gas, in terms of performance, safety and reliability, in different applications. The Group has direct working relations in many industrial sectors and strong collaboration is becoming more and more important in the automotive sector.

Cavagna Group S.p.A. adhered to Global Compact in 2014 and is the main company of the group Cavagna and is divided into 2 different divisions, both ISO 9001 certified:

Omeca: proudly supplies valves and tank equipment to the Gas Divisions of most Major Multinational Oil Companies and to the leading LPG and CNG cylinder manufacturers; it also sells valves and accessories for high pressure applications;

Reca: is specialized in the production of LPG and Natural Gas regulators for domestic, commercial and industrial use, for camping and caravan, for do it yourself; it also sells regulators for industrial gases.

MISSION

“To stay in tune with people’s everyday living, providing innovative solutions that make practical, safe and beneficial use of compressed gas.”

The Cavagna Group chose technological manufacturing excellence in its field as its mission right from the outset, since it was aware that quality and safety are fundamental whenever gas is involved. To pursue this aim, the Cavagna Group has implemented continuous improvement procedures, takeovers and ongoing investments in research and development. Consequently, it is always at the forefront, thus ensuring maximum reliability, safety and quality for all its products.

Above all, the Cavagna Group has always pursued the concept of VERTICALLY INTEGRATED PRODUCTION UNITS AND IMPLEMENTED TOTAL CONTROL OVER ALL ITS PRODUCTION PROCESSES. Thanks to this commitment, the Cavagna Group has become a true world benchmark for the major gas players. Its collaboration with major world gas producers, the largest producers of compressed and liquefied gas tanks, automotive OEMs and gas appliance OEMs are clear proof of this.

In order to distinguish itself the Cavagna Group chose an equilateral triangle as its logo, where each angle represents a cornerstone of the Group’s values:

- **A Company’s commitment**

Towards its customers reflects its quest for success. Our Group aspires to anticipate, satisfy and even exceed our customer’s requirements not only by offering quality products but also by proposing customer tailored quality services. The Cavagna Group has been very successful in establishing long term business relationships with its customers by manufacturing a wide range of products with an excellent quality-price relationship.

- **Human Resources**

Cavagna Group knows that people are a Company’s most important asset. That is why we support our employees, not only by acknowledging the work they carry out but also by investing in their constant growth and education.

- **Quality**

In the gas industry, quality and safety are strongly linked to one another. Our Group believes that quality is an important stepping stone towards successful business and an essential in everyday work. Our overall quality policies combined with our knowhow and cutting edge technology are the ingredients which go into the development and manufacturing of superior products. This is why our products are first choice when it comes down to quality and safety.

SUSTAINABLE PRINCIPLES

The Cavagna Group has always considered its environmental commitment one of its core principles. It seeks product quality excellence and safety, while keeping environmental impact to a minimum. The Cavagna Group has long made use of renewable energy sources to minimize the emission of CO₂ and other gases that affect the climate and the atmosphere. For this purpose, the Group's production units in Italy and abroad have been equipped with photovoltaic panels to exploit energy from renewable sources. Together with energy companies, governments, transport companies, component manufacturers and the media, the Cavagna Group is committed to promoting the entire alternative fuel gas industry (CNG, LPG, LNG, H₂G and biogas) by describing it as the best choice of alternative energy for public transport, heavy vehicles, passenger cars, small engines and marine applications. These projects are strictly related to an advanced "smart city" concept. The Cavagna Group is on the front line among the major industrial groups to boost the use of a clean energy policy and offer some practical solutions to support the widespread use of LPG and CNG in everyday life. It is particularly interesting to note that a special Cavagna Group project has been selected in the national competition for "Smart Cities and Communities and Social Innovation" organized in Italy by the Ministry of Education, University and Research (MIUR). The main project goal is to improve the quality of life of citizens and boost employment by generating new services through a smart meter solution. The project aims to spread the smart grid concept, typically focused on energy distribution networks, thanks to the creation of a computer able to integrate neighborhoods, streets, dwellings and individuals.

Furthermore the Cavagna Group actively supports the "Cooking for life" global project being a member of GLPGP, seeking to reduce the health and environmental risks caused by using solid fuels for cooking (with particular focus on coal and wood) in several developing countries. The aim is to introduce LPG as a clean and safe alternative fuel. Converting to LPG represents a key step forward in the evolution of society and culture, which will help safeguard the welfare of populations around the world and protect ecosystems against deforestation and pollution.

THE UN GLOBAL COMPACT'S 10 PRINCIPLES



HUMAN RIGHTS

I PRINCIPLE: businesses should support and the protection of internationally proclaimed human rights in their respective spheres of influence

(Italian version: *“Alle imprese è richiesto di promuovere e rispettare i diritti umani universalmente riconosciuti nell'ambito delle rispettive sfere di influenza”***)**

II PRINCIPLE: businesses should make sure that they are not complicit in human rights abuses, not even indirectly

(Italian version: *“Alle imprese è richiesto di assicurarsi di non essere, seppure indirettamente, complici negli abusi dei diritti umani”***)**

COMMITMENT (Assessment, Policy and Goals)

Cavagna Group is committed to providing employees all basic Human Rights guaranteed by the Universal Declaration of Human Rights and UN Global Compact Principles.

Our Company firmly believes that the implementation of these principles is vital for its performances, because we believe that People can give the best only when these principles are respected. Group anyhow, regardless by its performance, puts the "Person" and his dignity at the first place.

Based on our commitment we have set up a code of conduct "*Codice comportamentale dei dipendenti della Cavagna Group SpA*", published on our Intranet, to make our position clear for all employees and partners which ensures equal dignity, safe and healthy working environment. Recently we also issued a Code of Ethics, clearly defining the values and responsibilities that the Cavagna Group recognizes, accepts, shares and assumes, contributing to build a better future for everyone.

To develop a human right protection policy, we take into account at least the following factors:

- Tutelage of human resources who constitute the core capital for development and business success.
- Supply of proper working tools.
- Safety and health.
- Conduct standards.
- Activities aimed to increase competence and skills of the employees.

We also introduced into our Quality Policy (referred to our ISO 9001 certified QMS) the central importance we give to the Human resources; this policy is worldwide available on Cavagna website.

IMPLEMENTATION

We already take under control our suppliers for being sure that their activity, if their products contain tin, tantalum, tungsten or gold, in any way supports the African “covered countries”.

As already mentioned the Group has always been committed to condemn and combat behaviors that violate fundamental rights and the internal behavioral code. In order to tutelage potential victims of such behavior each worker can contact RSU (Union representative) or alternatively the human resource responsible to denounce the potential cases fact without fear of reprisal. Company is committed to provide and issue, with impartiality and uniformity, proportional fines in according to the law, under articles 2104 and 2105 of Civil Code. This is also officially formalized and shared with the involved parties through the Code of Ethics.

Each worker is trained on privacy, both for their rights and duties, and signs a proper informed consent.

MEASUREMENT OF OUTCOMES

The Company monitors each reported violation to the Code to ensure that who report non-compliant behaviors are not subject to interference. Any report is considered only if submitted in writing and in a non-anonymous manner, while guaranteeing the confidentiality of the reporting person. Cavagna Group has never received any complaint that could damage its reputation -> **IHR₁ = 0** (IHR₁ is the total number of episodes linked to discrimination and actions undertaken)

Till now NO supplier informed us of any problematic situation (or their product do not contain the so-called Conflict Mineral or otherwise they are reasonably confident that these minerals are NOT originated from those countries).

The improvement outcomes of 2017 have been the following:

- Issuance of our ethical code (ref. specific preventive action AP 17-17); the document has been published and made available to everybody, also on the website. We also created a whistleblowing system, defining that anyone who becomes aware of a violation of the contents of this Code must report to the Cavagna Group General Counsel in a detailed manner;
- a strong campaign of sensitization of our supply chain, in order to further promote Global Compact principles and in particular those concerning the Human Rights (ref. specific preventive action AP 14-17) and environment; it has been possible through the issuance and acceptance by our supplier of a specific “Code of ethics for suppliers):

Expected outcomes for 2018 are the following:

- a better definition of indicators for the suppliers concerning their attitude to topics related to the “Code of ethics for suppliers”; they will include also the position of our supplier which will be rated also based on such their performance (ref. specific preventive action AP 14-17).



LABOUR

III PRINCIPLE: Business should uphold the freedom of association and the effective recognition of the right to collective bargaining

(Italian version: *“Alle imprese è richiesto di sostenere la libertà di associazione dei lavoratori e riconoscere il diritto alla contrattazione collettiva”***)**

IV PRINCIPLE: Business should uphold the elimination of all forms of forced and compulsory labour

(Italian version: *“Alle imprese è richiesto di sostenere l'eliminazione di tutte le forme di lavoro forzato e obbligatorio”***)**

V PRINCIPLE: Business should uphold the effective abolition of child labour

(Italian version: *“Alle imprese è richiesto di sostenere l'effettiva eliminazione del lavoro minorile”***)**

VI PRINCIPLE: Business should uphold the elimination of discrimination in respect of employment and occupation

(Italian version: *“Alle imprese è richiesto di sostenere l'eliminazione di ogni forma di discriminazione in materia di impiego e professione”***)**

COMMITMENT (Assessment, Policy and Goals)

Cavagna Group's policies and procedures, including our Health and Safety policy, employment contracts, and non-discrimination policies, comply with both Italian and EU employment legislation to ensure that our staff are treated fairly and without discrimination. We are committed to maintaining positive labor relations, and encourage open debate between the team and the Board of Directors about issues that affect them or that they feel need to be discussed.

As a team, we have a zero tolerance policy for all forms of forced and compulsory labor both within Cavagna Group and within our clients and suppliers. We also are vehemently opposed to any form of child labor and discriminatory practices.

Cavagna Group S.p.A. ensures the right to collective bargaining and it is always committed to combat each forced or juvenile work form in full agreement with ILO (International Labor Organization) and with its principles. In particular in phase of recruitment, career development and training, it is very careful to ensure equal treatment to all the workers, without discriminations founded on age, sex, religion, origins (social and ethnic), sexual orientation, political affiliation or trade-union membership, favoring protected categories.

In developing own policy on labor, Cavagna Group paid particular attention to the following points:

- Dealing with unions;
- Proper working conditions;
- Equal opportunity;
- Respect different cultures;

- Integration of disabled people.

IMPLEMENTATION

Cavagna Group S.p.A. regularly apply the National Collective Labor Contracts, in addition to the internal union agreement. All employees have the right to join any trade unions and this does not entail any advantage or disadvantage. On the other hand the trade unions are free to conduct these activities away from the pressure or interference from the Company management. The Company ensures respect of work contract and its obligations, including the right to freely elect their representatives (RSU), without conditioning, which represent both the office and production workers.

Periodically, based on Unions requests, there are workers meetings where they speak of work's issue, also with a Unions' delegate, in order to potentially make proposal to the company (e.g. holidays, work improvements, ...)

Group ensures an equal time work, coming meeting the physical and social needs of its employees. Women are favored with part-time contracts or with particular times, that allow them to follow the school age sons. Overtime is regularly paid and each worker enjoys the right to disease and to holiday they deserve.

Company distributes production prizes at own employees in order to recognize the good made work and to stimulate to continue in this direction.

Cavagna Group has a precise human resources management system, which is developed in three main points and which ensure equal treatment to all the workers:

- Individuation of candidates;
- Evaluation of their competences;
- Possible training.

The candidate research can be internal or external; in the second case Cavagna Group often cooperates with "Università degli Studi di Brescia" (UNIBS). The agreement provides for access to a database where there are curricula for new graduates just emerging from university. We also have an agreement of this type with "Università Cattolica del Sacro Cuore di Brescia" and "Università Ca' Foscari di Venezia". Within common projects UNIBS provide as with interns which subsequently can be inserted in company.

Once identified the candidate, at the end of probationary period, the worker's competence is evaluated and if necessary is drawn up a training plan. This system allows to better develop the skills of employees.

We also usually spread the practice of stage periods, both for students of secondary school and for university attendants.

Company provides all necessary tools to perform their tasks to the best and safely. The central attention given to safety is constantly monitored through the DVR "Documento di Valutazione dei Rischi" (risk assessment document). DVR is a structured document which contains:

- organization chart of safety actors (competent doctor, RSPP health & safety advisor, RLS representative of workers for safety, emergency team), all properly trained;
- safety policy;
- the assessment of the risks for safety and health;
- Instructions about correct functioning and utilization of materials for a safe work;

- Improvement & adaptation actions;
- Instructions on emergency procedures in different dangerous situation (fire, earthquake, accident).

DVR is kept updated for work changes and each worker must examine work area before to begin, indicating to their supervisor any further necessary action.

Also these topics are well managed through the “Code of ethics” and “Code of ethics for suppliers”, whose content and management have been described into “Human rights” section.

MEASUREMENT OF OUTCOMES

In 2017 the company DVR has been updated in order to align it to the real risks available in the company, defining also the proper mitigation actions. The update of such document is still ongoing in order to have it fully aligned with the real situation.

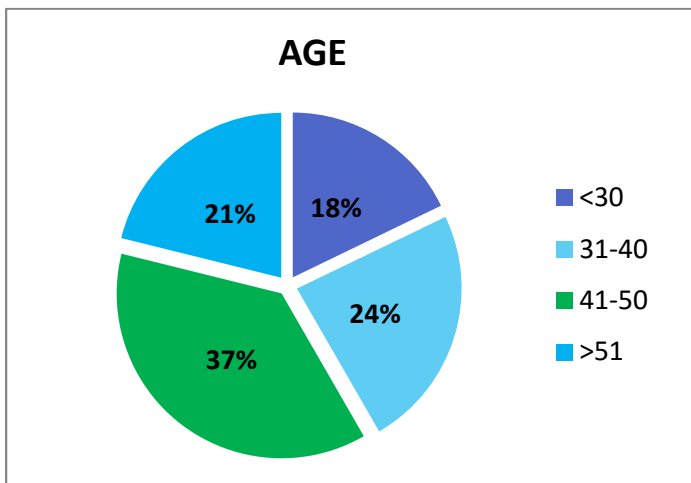
In accordance to our commitment we do not use any form of labor child, as per conventions 138 and 182 of ILO -> **ILA₁ = 0** (**ILA₁** is the number of cases of labor child).

Where necessary we take external advice, and as a result of our care to ensure that we enforce Labor principles compliant with the Global Compact position, we have never had a breach or complaint about unfair treatment since the Company formation -> **ILA₂ = 0** (**ILA₂** is the number of breaches or complaint about unfair treatment).

The rights of all employees are continuously reviewed to ensure that the Cavagna Group team are happy and that they are fulfilled and motivated by their work; in our periodical review of the occupational hazards, also the work-related stress is taken under control.

ILA₃: Composition and breakdown of employees per category according to employment type, employment contract, qualification, gender, age, nationality, membership in a protected class

Total number of workers for these statistics = **336**



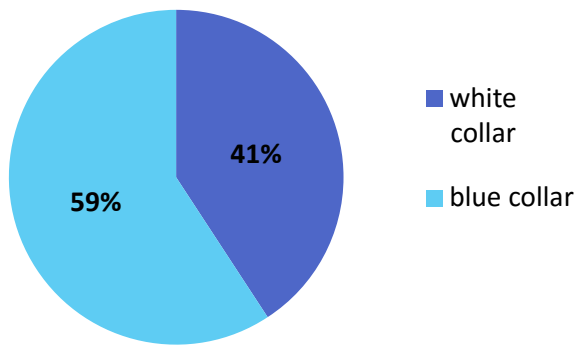
Under the age of thirty: 60

Between the age of thirty and forty: 80

Between the age of forty and fifty: 125

Over the age of fifty: 71

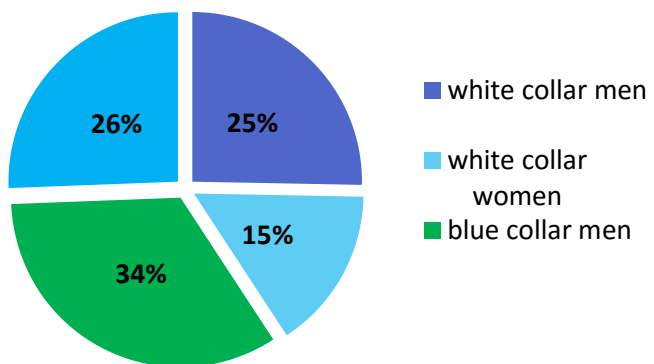
QUALIFICATION



Number of white collar: 137

Number of blue collar: 199

QUALIFICATION/GENDER



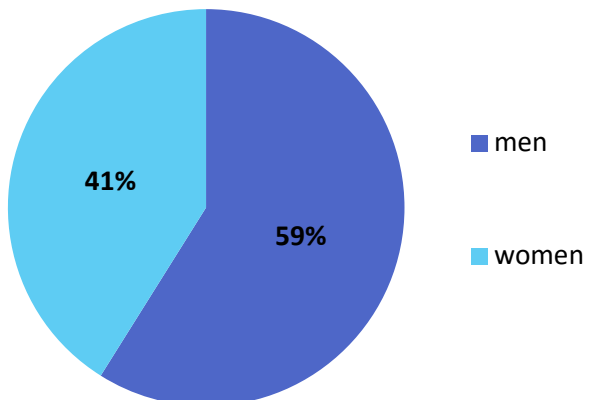
Number of white collar men: 85

Number of white collar women: 52

Number of blue collar men: 113

Number of blue collar women: 86

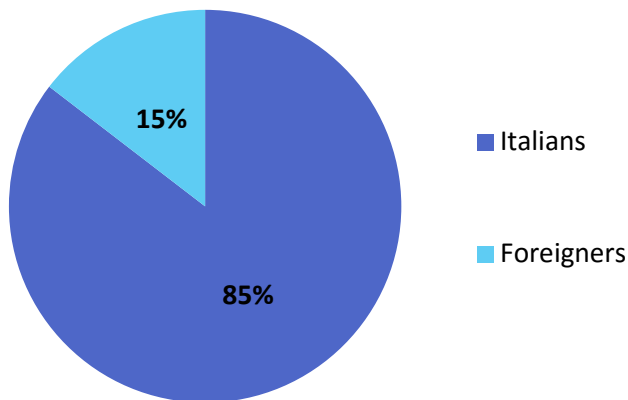
GENDER



Number of man: 198

Number of woman: 138

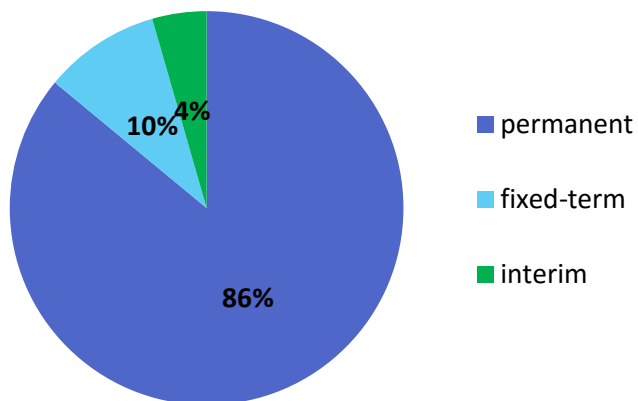
NATIONALITY



Number of Italians: 287

Number of foreigners: 49

CONTRACT

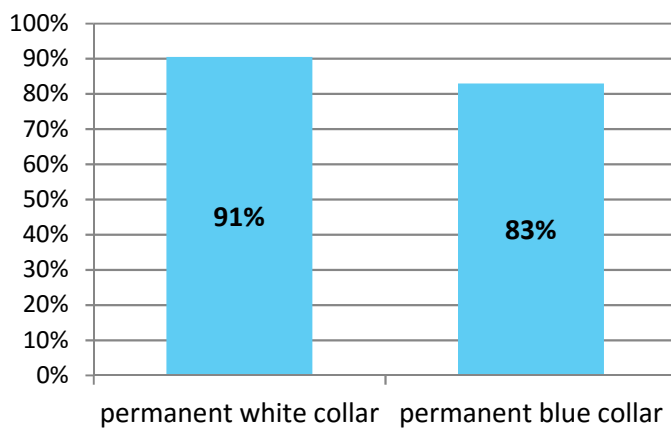


Number of permanent contracts: 289

Number of fixed-term contracts: 32

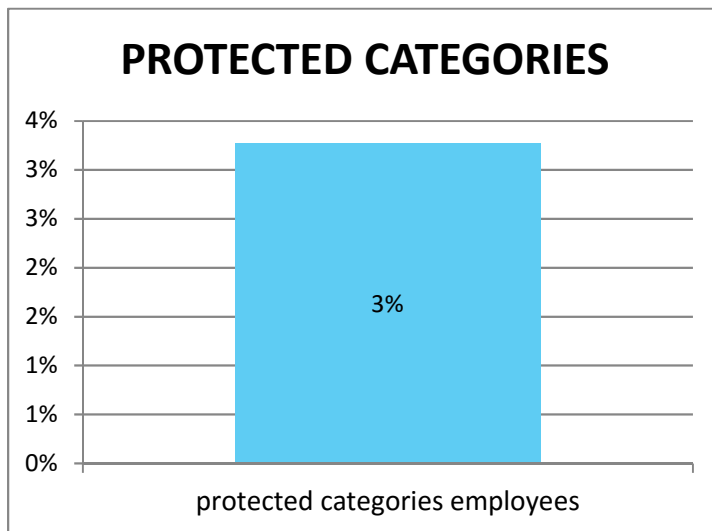
Number of interim workers: 15

PERMANENT CONTRACTS



Number of white collar with permanent contract: 124 (out of 137)

Number of blue collar with permanent contract: 165 (out of 199)



Out of a total of 336 employees, 11 belong to **protected categories**, the 3% of the total workforce.

As evidenced by our numbers Cavagna Group doesn't discriminate regarding employment and occupation. Contrarily, we encourage integration of employees who has these differences. In particular we have always paid attention to tutelage protected categories, ensuring to those who are part it, a fundamental right such as to labor.

ILA4: Accident rate and index of gravity

In 2017 we had the following data (further better than in 2016):

- Accident rate (calculated as: $n^{\circ} \text{ accident} \times 1000000 / \text{working hours}$) = 5,7
- Index of Gravity (calculated as: $n^{\circ} \text{ working days lost} \times 1000000 / \text{working hours}$) = 5,7

In 2017 we realized many training for safety-related issues, which engaged hundreds of man hours; it included:

- training for specific work activities (usage of forklifts);
- general training for safety at work (rights, duties, risks, hazards, ...);
- specific training for the operators (in particular on risks during work and the proper behaviors);
- training to members of emergency team (both for firefighting and first aid).

This is a continuing training and therefore also for 2018 different training sections have been scheduled and will provided within the end of the year.



ENVIRONMENT

VII PRINCIPLE: Business should support a precautionary approach to environmental challenges (**Italian version:** *“Alle imprese è richiesto di sostenere un approccio preventivo nei confronti delle sfide ambientali”*)

VIII PRINCIPLE: Business should undertake initiatives to promote greater environmental responsibility (**Italian version:** *“Alle imprese è richiesto di intraprendere iniziative che promuovano una maggiore responsabilità ambientale”*)

IX PRINCIPLE: Business should encourage the development and diffusion of environmentally friendly technologies.

(**Italian version:** *“Alle imprese è richiesto di incoraggiare lo sviluppo e la diffusione di tecnologie che rispettino l'ambiente”*)

COMMITMENT (Assessment, Policy and Goals)

Cavagna Group has long been engaged in environmental challenges, both as regard environmental impact limitation generated by our activities, both in research of innovative ideas and new environmentally friendly technologies to carry on market. This one have a dual importance, as we go to contribute either directly (with an emissions limitation and of energy waste) or indirectly (placing on the market new environmentally friendly solutions) to the resources preservation.

Following this principles Cavagna Group have developed its "Cavagna Group environmental policy" in which it's contained the corporate philosophy, which is also available on our official website.

We are committed to the continuous improvement of our environmental performance, as part of our overall goal of implementing the principles of sustainable development in all areas of our work. Our aim is to ensure that environmental objectives are integrated into relevant business objectives in a cost-effective manner.

IMPLEMENTATION

Wanting to take the road of sustainable development, Company developed an environmental control and an ISO 14001 certified environmental management system focused on the following points:

- Ensure customer satisfaction also in environmental requirements terms.
- Promote use of eco-friendly technologies.
- Environmental impacts analysis.
- Definition of annual improvement targets.

Into our Environmental Policy (referred to our ISO 14001 certified EMS) we give the central importance to the Wastes management; this policy is worldwide available on Cavagna website.

Cavagna Group is also very active in participation in projects and in development of eco-friendly technologies (“Smart Cities and Communities and Social Innovation” and “Greengear”).

The Cavagna Group has long made use of renewable energy sources to minimize the emission of CO₂ and other gases that affect the climate in order to prevent climate changes, which are unanimously deemed as the most crucial global environmental challenges, and to cut down the release of pollutants into the atmosphere. In particular (some more details are also available in our website):

- we installed a photovoltaic plant (generating electric energy); recently we also added two new sections in order to reinforce its potential;
- we installed a cogeneration plant for power generation from raw vegetal oil (generating both electric and thermal energy);
- The Eco sustainable transport solution implemented by Cavagna Group includes different company vehicles rented to employees; regularly replaced and serviced. The corporate car policy envisages the possibility of only choosing from models manufactured by Italian firms (with one exception), and envisages measures to cut down CO₂ emissions (e.g. engine capacity limit of the cars, cars hybrid or powered by LPG, CNG, ...).

MEASUREMENT OF OUTCOMES

In 2014 Cavagna Group started to assess in systematic manner own CO₂ impact, in order to identify some potential improvement areas. To achieve what it has been developed a report: "GHG emissions inventory". Report was limited to productive unit OMECA, and the analysis was performed for the year 2012 and it has been developed according to the GHG directives.

This document contained:

- Guidelines used to perform analysis and the system of data processing.
- The analysis actual results that will serve as a comparison and as a starting point for subsequent analysis.
- Actions already implemented to support of environmental challenge.

We standardized the project intending to re-perform this project, including also the other companies of the group, in order to map our CO₂ emissions and therefore plan specific plans in order to improve our environmental impact. This have been done, and the results are available on the website, for the year 2015; according to our internal EMS we already started the analysis to publish a similar report for 2017 and in the future we'll do such work every two years.

In 2015 Cavagna Group obtained the certification ISO 14001, improving the already existing management system in the last period we also further improved the temporary storage of the wastes we generate, besides having sensitized the resources involved in giving the proper attention and priority to environmental issues and the correct management mode. We have opened a project (internal ref. AP 40-15) in order to get the certification to ISO 14001:2015 in March 2018.

In accordance to our commitment we defined some indicators for our environmental performance and they allow us to take under control our environmental impact; they are structured and monitored into our Environmental Management System. These indicators are related to:

- consumption of water;
- consumption of electric energy;
- consumption of natural gas;
- production of electric energy from renewable sources;
- production of wastes and % of them destined for recovery.

In December 2015 we completed, as per Italian law requirements, an in-depth energy audit which allowed us to map the use of the main energy carriers; This allowed us to identify inefficiencies if present, and this allowed us to plan targeted interventions in order to further improve our

environmental and consumption performance. Based on this we opened different project and we already some important results in terms of reduction of consumption of electric energy.

We have in all offices the separate collection of paper and plastic, which will allow us to better differentiate the waste and then to target more effectively their recovery. The project continues and the results are more and more improving.

Also these topics are well managed through the “Code of ethics” and “Code of ethics for suppliers”, whose content and management have been described into “Human rights” section.



ANTI-CORRUPTION

X PRINCIPLE: Businesses should work against corruption in all its forms, including extortion and bribery.
(Italian version: “Le imprese si impegnano a contrastare la corruzione in ogni sua forma, incluse l'estorsione e le tangenti”)

COMMITMENT (Assessment, Policy and Goals)

Cavagna Group S.p.A is committed to operating responsibly wherever we work in the world and to engage with our stakeholders to manage the social, environmental and ethical impact of our activities in the different markets in which we operate.

Cavagna Group S.p.A does not engage in bribery or any form of unethical inducement or payment including facilitation payments and ‘kickbacks.’ All employees are required to avoid any activities that might lead to, or suggest, a conflict of interest with the business of the Company. We do not make direct or indirect contributions to political parties.

We also introduced into our Quality Policy (referred to our ISO 9001 certified QMS) the central importance we give to these issues; this policy is worldwide available on Cavagna website.

IMPLEMENTATION

Cavagna Group regularly reviews the implementation of this policy in respect of its suitability, adequacy and effectiveness and makes improvements as appropriate. It periodically reports the results of this process to the Board, who makes an independent assessment of the adequacy of the policy and discloses any material non-compliance.

It's not allowed to promise objects, money or services to favor managers or functionaries both public and private, in order to obtain an advantage for Cavagna Group or for themselves. Company hasn't ever financed or put pressure on institutional bodies or political parties. Each financing to bodies or associations has always been exclusively charitable purpose.

Prizes and professional growth of employees are decided exclusively according to merits working of person and in accordance with the provisions of the contracts.

MEASUREMENT OF OUTCOMES

In accordance to our commitment we take under control the cases of bribery and corruption -> **IAC₁ = 0** (IAC₁ is the number of cases of bribery and corruption).

Also these topics are well managed through the “Code of ethics” and “Code of ethics for suppliers”, whose content and management have been described into “Human rights” section.