



SUSTAINABILITY REPORT

2023

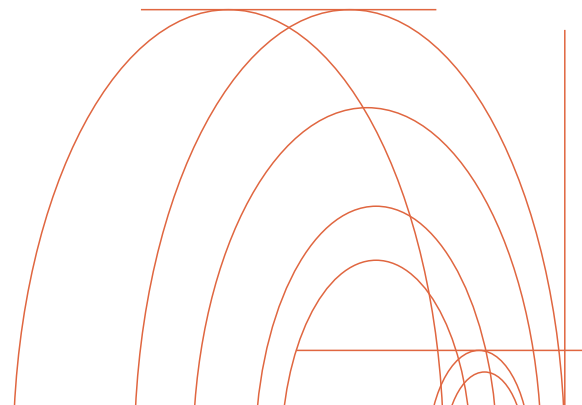


SUSTAINABILITY REPORT

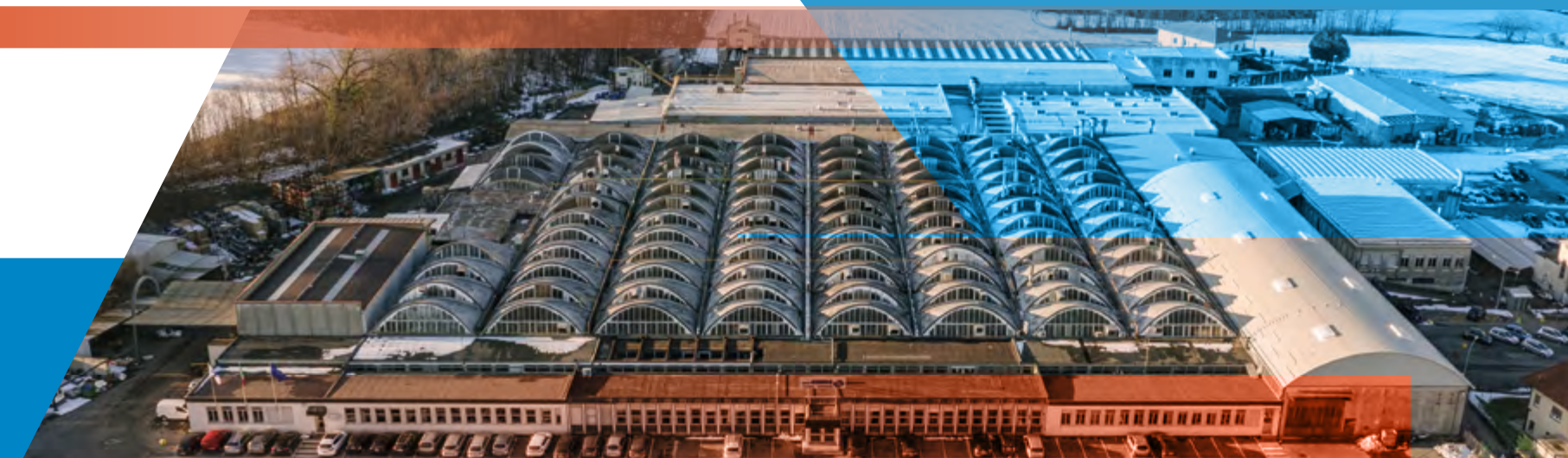
2023

SUMMARY

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LETTER TO STAKEHOLDERS

60 YEARS OF ELECTRIC ENGINES

Dear Stakeholders,

We are glad to present our Sustainability Report for the year 2023, a document that reflects our ongoing commitment to pursuing responsible and sustainable business practices.

Since the first edition, dating back to the year 2020, we have been voluntarily preparing the Sustainability Report in accordance with the GRI Standards, defined by the **GRI - Global Reporting Initiative**, which are currently the most widely used and internationally recognized standard for non-financial reporting.

First and foremost, we would like to express our gratitude to all of you, our valued stakeholders, for your constant support and collaboration in our journey towards sustainability; it is thanks to your commitment, to the joint contribution of all the people in our company, that it is possible for us to face extremely complex times such as the ones we are living through, marked by unprecedented difficulties, such as the war in Europe, supply chain disruption and economic uncertainty, while achieving significant results to contribute positively to the communities in which we operate. For more than 60 years, our Group has passionately produced quality electric motors, with an entrepreneurial spirit that clearly expresses a desire to innovate, a sense of responsibility to the people, communities and environment in which we operate. Our electric motors express the professionalism and energy of the people who work at Sisme, those whom we consider our true strength.

The year 2023 was an intense year, during which even in a declining market we supported future growth, sustainability projects, the ability to innovate, but also openness to the world. It is precisely in this challenging and uncertain period, marked by a series of events that have led to a transition, characterized by changes in society, finance, culture and technology, that we are increasingly motivated to continue on our path of sustainability, confirming even in a negative context the willingness to invest, in order to create new possibilities for our company and the community.

The current year was marked by important milestones and challenges for the Sisme Group. We are proud to share with you some of our key achievements:

Reduced environmental footprint: we continued to invest in sustainable technologies and processes to reduce our environmental impact. New energy and water management systems have been implemented, leading to significant reductions in consumption and emissions.

Social responsibility: we have strengthened our commitment to corporate social responsibility, promoting diversity and inclusion in our teams and supporting community development projects in the areas where we operate.

Sustainable innovation: we have continued to invest in research and development to develop more sustainable products and solutions, contributing to the transition to a circular and low-carbon economy.

We are confident that our responsible approach will enable us to overcome the current difficulties and continue to generate value for all our stakeholders.

Gender equality at Sisme is a core value, at the heart of our vision and sustainability policies; this is demonstrated by the sponsorship, organization, and management of specific women's empowerment and gender equality initiatives hosted in our venues.

Looking to the future, we recognize that there are still many challenges to be faced and opportunities to be seized. We are committed to working even harder to improve our sustainability performance and to actively collaborate with you, our stakeholders, to achieve ever more ambitious goals.

We thank you once again for your support and invite you to continue to follow us on our journey toward a more sustainable future.

We wish you a good reading

Best Regards,
The Board of Directors of Sisme SpA



GRI 2-22 Statement on sustainable development strategy



READING GUIDE

The report consists of four parts divided into as many chapters and an appendix.

01

The **first chapter** provides an essential description of the organization, its identity, history and ownership structure.

02

The **second chapter** reports the organs, principles and procedures the company has in place for its proper management.

03

The **third chapter** details how the organization uses productive, economic, human and intellectual resources to generate value, and what impacts, risks and opportunities are related to this process. Furthermore, this chapter describes what strategies enable sustained and shared value creation.

04

The **fourth chapter** goes into detail about the company's achievements, activities and goals declined in the ESG dimensions, namely Environmental (Environment) Social (Social) and Economic (Governance).

The last part contains references used in the preparation of the sustainability report, an index of GRI indicators used and a glossary for a better understanding of some of the terminologies used.



1 OVERVIEW OF THE ORGANIZATION

The first chapter provides an essential description of the organization, its identity, history, ownership structure, and the main data and highlights that represent it.

1.1 VISION, MISSION, VALUES

VISION

We are working to build a future in which electric motors will be the main driver of sustainable consumption. We continuously seek to reduce waste while minimizing the impact of our business on the environment.

Our vision is fully in line with current global policies on energy efficiency, in which product sustainability and energy consumption have gained paramount importance. Sustainability is key and a strategic concept for Sisme. Sustainability means addressing the process of change managed in recent years with responsible use of resources, investment plan, push for technological development, and change in corporate governance as factors that harmoniously improve current and future business value.

Sustainability issues are clear and shared at all levels of the company. These concepts guide and determine the corporate vision.

MISSION

A corporation is an association or collection of individuals, whether individuals, legal entities, or a combination of both. Sisme members share a common purpose: to provide added value through quality, reliability, and attention to detail.

VALUE DRIVERS

The strengths that enable us to stand out in the global electric motor industry are:



Technology

Digitization of production systems to facilitate the introduction of innovative solutions.



Quality

Create products that meet all customer needs by using the best raw materials and subjecting finished products to rigorous and methodical testing;



Manufacturing footprint

Strong presence in Europe; as a well-established entity in one of the most favorable countries in terms of growth, China, Sisme has an ideal footprint, in accordance with the main needs of customers.



Supply chain

Focus on supplier sustainability and performance, internal PMS development, logistics productivity/efficiency, and inventory accuracy are the most important supply chain goals.

Long-lasting relationships with suppliers and clients



1.2 OWNERSHIP STRUCTURE AND OPERATIONAL STRUCTURE

Società Italiana Statori e Motori Elettrici S.p.A. manufactures and sells electric motors and roto-stators with a broad product portfolio aligned with market demands. The composition of the ownership structure is illustrated in *Figure 1*.

For more than 50 years, Sisme has been meeting the most demanding requirements from the ventilation, industrial and commercial refrigeration, residential and commercial air conditioning and household appliance markets by providing customers with its experience, technical resources and highly robotized production lines.

Figura.1

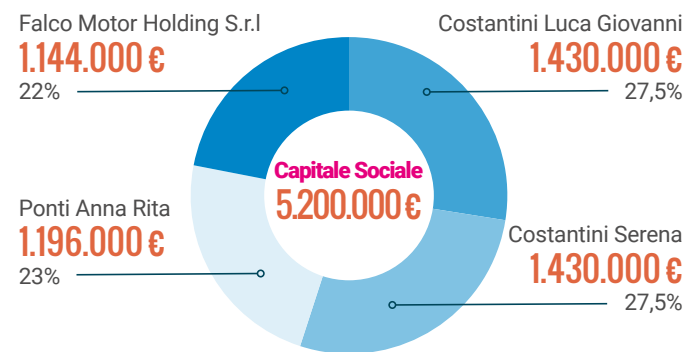
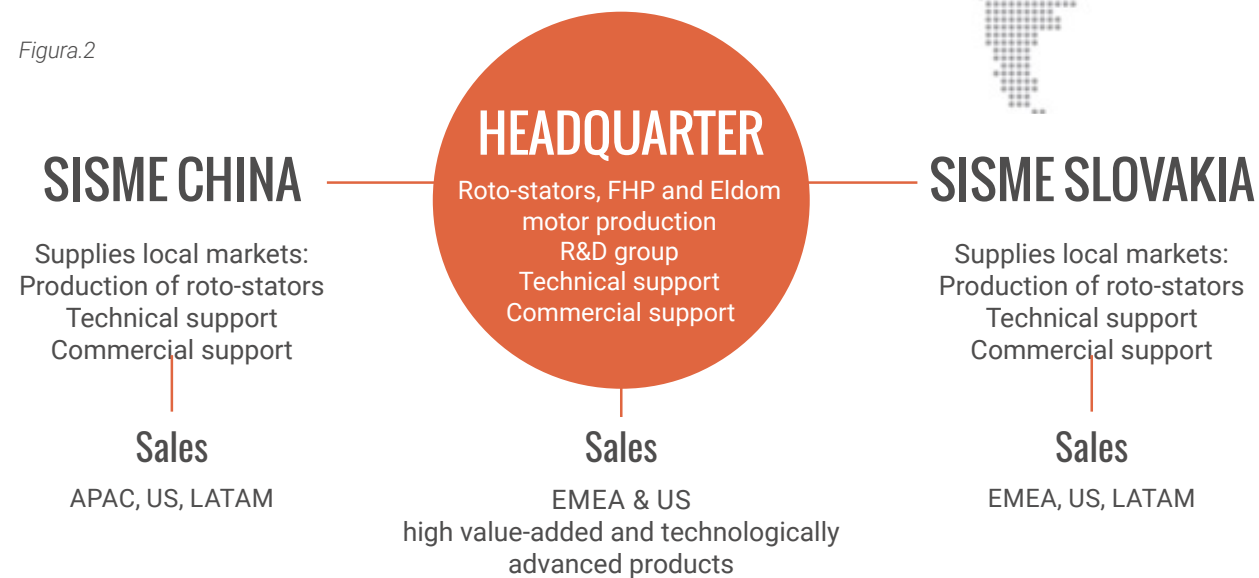


Figura.2



The Head quarter is in Olgiate Comasco (CO) and centrally manages research and development as well as the design of Sisme engines.

The Group has **3 main manufacturing plants** (*Figure 2*) actively involved in both the production of engines with high quality standards and the delivery of high levels of service (OTD).



GRI 2-1 Organizational details **GRI 2-2** Entities included in the organization's sustainability reporting

SISME ITALY

Research and Development, Administration, Purchasing, IT, Sales, and Quality divisions are harmonized in Olgiate Comasco and part of Production is allocated. Specifically, the products made at Sisme's Italian facility cover the EMEA and partially the US markets.

In this production division all motors for the water and air movement sectors and part of the roto-stators for the HVAC sector are manufactured with meticulous care.

25.000 sqm **250 Employees**



SISME CHINA

Established in **2005**, Sisme China is based in Tianjin. Part of the roto-stator production lines for hermetic and semi-hermetic compressors are located there.

In a short time, the SISME Group's China plant has proven to be essential for increasingly effective coverage of the world market; in particular, the target of this location is to serve and meet the specific needs of the Chinese and Southeast Asian markets, one of the fastest growing markets in the world

10.000 sqm
200 Employees



SISME SLOVAKIA

Established in **2007**, Sisme Slovakia is the newest production unit of the Sisme Group. This plant produces **roto-stators** for semi-hermetic compressors destined for the European market (mainly the **Czech Republic and Germany**).

This unit represents a **strong response to the demands** of a European market in which Sisme is a strong player

6.000 sqm
200 Employees



1.3 HISTORY



1957

SISME S.p.A. was established with the first plant in Olgiate Comasco (Como), at the initiative of the American multinational Ranco Italiana S.p.A.



1961-1962

New plant in Olgiate Comasco, via Achille Grandi. Start of the mechanization process. Increased motor production capacity. Flegship is the refrigeration roto-stator for compressors.



1975

Società Italiana Statori e Motori Elettrici S.p.A. SISME takes an absolute leadership role in the field of electric motors for household appliances, industrial and civil ventilation and roto-stators for compressors. At this stage, Cavalier Antonio Costantini, at the top of the company, gives a modern imprint to the organization based on attention and optimal use of internal resources in a perspective of market globalization and product differentiation.



Anni 80 (Seconda Metà)

Highest technological expression in motor manufacturing: introduction of first numerically controlled machines. First automated machines for controlled packaging of coils. Eighty percent of product reaches markets around the world.



1995

Production reaches more than 15,000 motors produced daily. Goal achieved: 10,000,000 dishwasher motors sold to the Bosch-Siemens group.



1999-2000

Ranked among the top 500 European companies that have increased both revenues and the number of employees in the past 5 years. In 2000, Sisme was recognized as the best supplier of electric motors by major customers.



2005

New plant SISME CHINA, located in Tianjin.



2007

New plant SISME SLOVAKIA, located in Malj Krtíš.



2020

Sustainability becomes an essential pillar of the company's 'strategic orientation: the Sustainability Team composed of vertical figures within the company is born and the first of the 4 sustainability reports prepared by Sisme is published.

1.4 DATA AND HIGHLIGHTS 2023

2023

99.5 ML €
Revenues

860 K €
EBITDA

578
Employees

27%
Women

73%
Men

BUSINESS LINES

10%

Hoods and Ovens

7%

Household appliances

8%

Ventilation

75%

Roto-stators



Presence in all major global markets

1.4.1 OUR CLIENTS

Among our clients:





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2. CORPORATE GOVERNANCE

This chapter reports the organs, principles and procedures the company has in place for its proper management.

2.1 GOVERNANCE STRUCTURE

The Group adopts a traditional organizational model.

The board of directors is composed of external members, company executives and ownership representatives, all in order to have the right balance of professionalism and expertise.

The differences are accentuated within the board of directors, where discussion and debate find their synthesis becoming a corporate strategy.


The goals dictated by the Board of Directors are appropriately reflected in the three-year plan that is the guide for all management. A lean and flat organizational chart makes internal discussion simple and effective, with the advantage of a short


decision-making chain and a very high speed of action.

The Board of Directors decides the strategic directions and organization of the company.

The Group has an internal sustainability committee.

In 2021, the **Sustainability Team** was established to promote value creation for corporate sustainability and manage ESG issues. The team consists of four young Sisme employees.

 **GRI 2-9** Governance structure and composition

 **GRI 2-11** Chair of the highest governance body



The Sisme Group has adopted a set of rules and organizational structures to ensure a proper and efficient system of corporate governance, respecting the rights and interests of all stakeholders.

Sisme has adopted an approach inspired by international best practices in compliance with laws and regulations.

The Company has a traditional administrative structure in accordance with the control system of the Civil Code, which includes the following corporate components:

- The **Board of Directors** consists of five members. The Board deals with the management of the company, sets the strategic direction and evaluates the organizational structure of the company;
- The **Board of Statutory Auditors** consists of three professionals who monitor compliance with the laws, bylaws, and principles of proper administration;
- **Shareholders' Assembly**: is responsible for appointing the members of the Board of Directors and the Board of Statutory Auditors as well as approving the Financial Statements.
- The **Supervisory Board** is composed of two external members with administrative, fiscal, and legal expertise, as well as an internal member. The SB is responsible for verifying the company's compliance of the control model in accordance with Law 231.

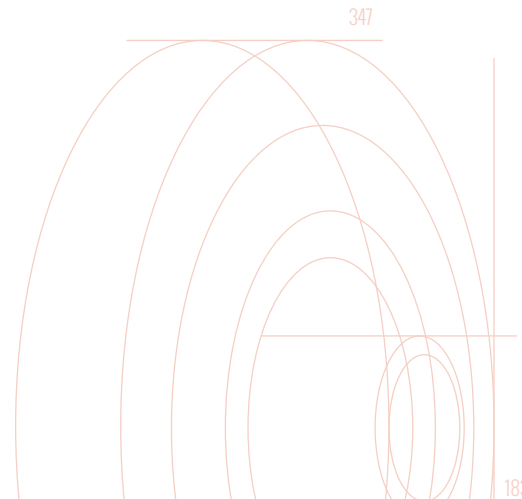
2.2 CODE OF ETHICS

Sisme's **Code of Ethics** defines the basic guidelines and principles of daily business management activities, supporting sustainable growth that preserves reputation.



The Code of Ethics is a milestone for employees and stakeholders and is available at the following web address:

The Code of Ethics is part of the Organization, Management and Control Model voluntarily adopted by the Sisme Group in line with Legislative Decree 231/2001. Compliance with the Code of Ethics and the Organizational Model is ensured by the Supervisory Board, a collegial body.



2.3 QUALITY POLICIES AND MANAGEMENT SYSTEMS

Human rights

Sisme firmly believes in respecting the essential rights of every person. The Code of Ethics defines the principles for respecting the rights of the individual in its activities, as well as its commitment to ensuring equal opportunities for the development of individuals and the protection of privacy.

The Group's values are based on the international pillars:

1. **The United Nations Universal Declaration of Human Rights**
2. **The international labor conventions and recommendations issued by the International Labor Organization - ILO**
3. **The Earth Charter drawn up by the Earth Council, which contains basic ethical principles, approved internationally**

The Group constantly monitors the risks associated with corruption and fraud, adopting a "zero tolerance" approach to any kind of unethical attitude. For these reasons, the Sisme Group has voluntarily adopted specific governance tools aimed at identifying, preventing and controlling corruption-related risks (e.g., a maximum value threshold above which gifts, received or offered by employees, collaborators or consultants, are not permitted).

In order to raise awareness of the problem of corruption, **Sisme Group has launched a project to continuously monitor and document the work of managers.**

The Group is developing **specific checklists for each manager to adopt to document their significant operations performed.** These checklists will then be provided to the Supervisory Board, which can conduct random inspections.

The Group adopts its own Fiscal Policy.

Tax management is based on the principles of **accuracy and transparency** in order to prevent any tax claims.

The principles adopted by the Group are:

- The requirement to adopt behavioral patterns based on the highest level of transparency, honesty, fairness, accuracy and compliance with the law;
- The principles of good faith and transparency in dealing with tax authorities;
- Ensuring strict compliance with tax obligations and the correct determination of taxes, in accordance with the terms and requirements of the law;
- The control and management of risks also to protect the reputation of the Company.

2.4 CERTIFICATIONS

For Sisme, the concept of quality is cardinal to all processes

The company's goal is not only to make products that meet all customer requirements, but also to use the **best raw materials** and subject manufactured products to **rigorous and methodical testing**.

Sisme has been **ISO 9001** certified since 1993. The voluntary recognition acknowledges the high quality standard of the products.

Sisme continuously manages and monitors quality throughout the organization, promoting a culture of "risk-based thinking" by preventing and reducing risks within each business process. The overriding goal is "zero defects," which is necessary to ensure compliance with customer requirements and expectations.

Sisme is focused on **continuous improvement of its products and processes** by committing to manage:

- Supplier performance in terms of material and service quality
- Reducing waste and non-quality costs,
- Improving the effectiveness and efficiency of production processes,
- Maximum customer satisfaction

The **annual results** of each Business Unit are **monitored through specific indicators** developed by the Quality function and periodically presented to Management.

To demonstrate the ability to meet challenges in product development, **the company considers the full life-cycle perspective**, always taking into account technical assistance and the packaging and transportation conditions, and providing interfaces to facilitate relationships and make the communication efficient.

All motors produced by SISME are designed and manufactured to ensure **maximum environmental protection**, from the components used in the production process to the materials used for packaging.

Suppliers and collaborators are also qualified and monitored to guarantee the necessary quality performance and are maintained with a view to full compliance with customer requirements and legal regulations.



2.5 ASSOCIATION MEMBERSHIPS

Since 2003, Sisme has had an association called “**CRAL-SISME**” with the aim of promoting cultural, sports, social, humanitarian, and recreational initiatives among its members.

Registration in the CRAL SISME system is open to employees, former employees, as well as employees' relatives and friends.


Sisme is also a member of **Confindustria Como**, an organization that represents and protects members' interests in dealings with local authorities through either direct intervention or with national and international public institutions.

Sisme opens to its Mechatronics students: a joint effort strongly desired by the **Metalworking Group of CONFINDUSTRIA COMO**, of which Serena Costantini is president, in collaboration with the ITS Lombardia Meccatronica foundation and at the school Polo ITIS Magistri Cumacini.



GRI 2-28 Membership associations





3. BUSINESS MODEL

This chapter details how the organization uses financial and non-financial “capital” to generate value and what impacts, risks and opportunities are related to this process. Furthermore, this chapter describes what strategies enable sustained and shared value creation.

3.1 DESCRIPTION OF THE EXTERNAL CONTEXT

Sisme serves the ventilation, commercial and industrial refrigeration, residential and commercial air conditioning, and household appliances sectors.

In these sectors, Sisme's **electromechanical skills** are a strong added value.

With strong technological skills, highly integrated and automated processes, motivated and professional human resources, and constant process and product improvement, the Group is the ideal Partner in providing innovative and high value-added solutions.

Sisme operates **in a competitive environment with two types of competitors: large international companies and Italian companies of comparable size.**

Despite being smaller in size, Sisme maintains profitability and financial indicators in line with larger players, particularly in terms of investment rate and margin trends. Regular SWOT analyses help Sisme assess market risks and opportunities. Medium- to long-term sustainability risks have been identified, including unfavorable economic conditions for targeted sectors, increased financial exposure, and cash flow issues due to extended payment terms to customers. Environmental risks involve compliance with hazardous waste disposal and transportation regulations, as well as compliance with environmental requirements within their facilities.

Social risks include potential loss of essential authorizations, disqualifications or penalties for irregular payments, noncompliance with regulations related to discrimination, child labor, maternity protection, night work, and reputational damage resulting from litigation or complaints.

Sisme faces **risks such as over-reliance on sole suppliers, use and quality of exclusive or patented products/services, reliability of current suppliers, and potential increases in component costs.**

Geopolitical uncertainty has indirectly affected Sisme. The impact comes from rising steel prices and also rising inflation. These factors directly affect Sisme's economy.

Health and safety risks come from inadequate risk assessment/control and insufficient training/information for employees. **Logistical risks** include incorrect product identification and traceability, leading to incorrect shipments by suppliers.

Sisme also sees **opportunities** from the growth of the vehicle electrification market.

The company is engaged in **R&D projects** related to:

- Refrigeration for trucking
- Electric scooters, bicycles and motorcycles
- Cooling systems for electric motors
- Other industrial applications



GRI 2-6 Activities, value chain and other business relationships

3.2 SISME'S OFFER

The Group produces and sells:

ROTO-STATORS



HERMETIC



LSPM




SEMI-ERMETICO

WATER HANDLING MOTORS

Brushless motor pumps for dishwashers (home appliances)



Asynchronous and brushless motors for rotary vane pumps (flow rate 50-350 l/h)

 **GRI 2-6** GRI 2-6 Activities, value chain and other business relationships

Main applications

- Professional coffee machines
- Gasifiers
- Reverse osmosis
- Beverage dispensers



AIR HANDLING MOTORS



Asynchronous and brushless motors for fan-coil air conditioning applications



Asynchronous and brushless motors for box air conditioning applications



Asynchronous motors for professional ovens

High efficiency asynchronous and brushless motors for fume hoods



The added value for the customer

Constant research and innovation on materials, technologies and components

- Design and industrialization of electric motors
- Research and development department based in Europe
- Commercial electronic (R&D), electrical, and mechanical expertise

Long-term agreements

Strong in-house electromechanical skills and knowledge

Close cooperation with the customer (co-design of products)

Early involvement with market leaders in each segment

Global presence

Well-located production in Italy, Central Europe and China and commercial presence in North America



 **GRI 2-6** Activities, value chain and other business relationships

Focus

There is a dedicated R&D department in Italy for the entire Group.

R&D deals with research **in the fields of Electronics, Mechanics, Chemistry, and Materials.**

It conducts research on innovative materials and deals with mechanical, electromagnetic and electronic design. It analyzes the reliability of products and valid processes. It develops, integrates, and tests software and hardware.

Crucial node of the research process is the **simulation and experimental testing phase. A well-equipped, state-of-the-art laboratory** carefully screens all possible criticalities and subjects Sisme motors to the most stringent tests to ensure their quality and durability.

In order to declare the products suitable, surge tests, ground continuity tests, dielectric strength tests, electrical absorption tests, acoustic tests and life tests are carried out with meticulousness. Part of these checks is then also replicated downstream of production to verify that quality standards are met.

Design & Engineering



The early stages of the development of a new product take place at the Olgiate Comasco headquarters in Italy.

Through the use of the most up-to-date numerical calculation and 3D modeling tools, Sisme's R&D division is able to synthesize the knowledge acquired over the years into projects capable of meeting the most complex customer requirements.

Rapid Prototyping



Making use of traditional and advanced mechanical machining (including 3D printing and laser cutting), Sisme is capable of producing prototypes of the studied objects in a short time, being able to effectively concretize the developed 3D modeling.

Trials and Testing



At the laboratory, Sisme validates the prototypes made, making sure they fully comply with the design specifications (mechanical and electrical). In order to be able to declare products suitable, surge tests, ground continuity tests, dielectric strength tests, electrical absorption tests, acoustic tests and life tests are carried out meticulously.

Certifications & Quality



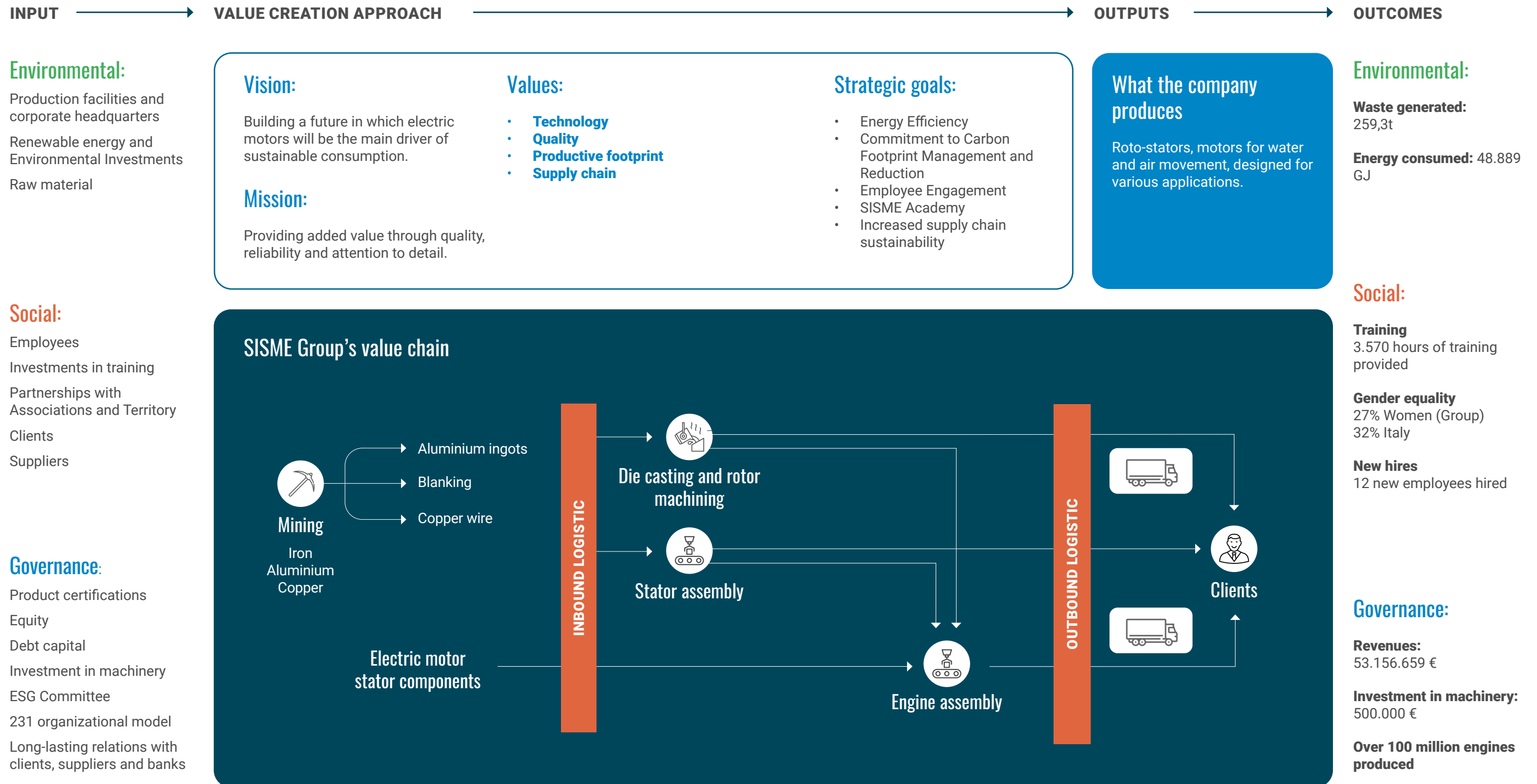
Sisme's motors are manufactured in full compliance with current European standards in this field, respecting the limits imposed by them according to the different categories they belong to.

For brushless motors, where electronic control boards are a key element, Sisme is able to carry out conducted emission pre-analyses in order to facilitate customers in the final validation stages at third-party bodies.

3.3 SHARED VALUE CREATION

GRI 2-6 Activities, value chain and other business relationships

The diagram represents a summary of how Sisme generates shared value through ESG factors (inputs), which the organization uses and returns in the form of products and services (outputs) and impacts (outcomes) through its business model.



3.3.1 STAKEHOLDER ENGAGEMENT

The first step in defining a corporate sustainability ESG strategy was taken through the materiality process. This analysis aims to identify, among the significant issues, those that are actually “material” i.e., relevant to the company, through a **process of listening to its stakeholders**. For the purpose of drawing up the materiality matrix, some specific stakeholders in the national and international sphere (**employees, customers, suppliers, banks, consultants, trade associations and territory**) were asked, through a dedicated survey, to express their opinion on a series of issues of potential impact for the creation of shared value.

The engagement process revealed insights and additions that enriched the issues relevant to the company’s sustainability, as well as offering reflections of potential mutual engagement on common paths.

Stakeholders were asked to indicate an order of preference among the indicated ESG themes, based on the lesser or greater impact of each theme **on the company’s ability to produce value in the medium to long term**.



 **GRI 3-1** Process to determine material topics
  **GRI 3-2** List of material topics
  **GRI 2-29** Approach to stakeholder engagement

The table shows the themes submitted for voting..

In bold are the most voted ESG themes.

Climate change adaptation and mitigation

Energy efficiency

Environmental footprint

Natural resources and biodiversity

Value chain sustainability

Worker health and safety

Wellbeing, diversity & inclusion

Human capital development

Business ethics

Integration of ESG concerns into corporate governance

Compliance

3.3.2. DOUBLE MATERIALITY - ESG RISKS AND OPPORTUNITIES

In order to determine our material ESG themes, significant themes were analyzed by applying Double Materiality analysis.

The methodology

Double Materiality Analysis is an analysis process that helps organizations identify and select their material ESG themes through a logical and progressive process.

The analysis considers two different perspectives that help the organization identify the highest impact ESG themes (material ones):

- **Inside-Out Perspective:** i.e. how the organization produces impacts externally (on environment and society), through its activities;
- **Outside-In Perspective:** i.e., how sustainability issues produce financial economic impact within the organization.

In a process of progressive compliance with emerging instances of ESG reporting (i.e. CSRD), we wanted to proceed with an exercise of identifying material issues precisely in a double materiality logic.

The operational steps

Through a guided activity in the company, the Management Team was led along a process of in-depth analysis of each significant theme brought under consideration. Each theme was presented and broken down into **elements of significance**.

The results of the stakeholder engagement were considered as an indication for a more conscious process of analysis and evaluation of the significant issues.

The Management Team was guided in its reflection to:

- Identify the likelihood (high-medium-low) of certain dynamics with environmental, social and financial impacts occurring;
- Predict what the impact would be (high-medium-low) should the event occur;
- Identify where the main impact falls on the ecosystem in which the company is located (for example: along the supply chain, the customer, the community and the environment...).

The diagram below shows a summary of the study conducted and the result obtained.



The outcome of the analysis

The process included a further comprehensive analysis and final election of the **material themes**, i.e., the ESG aspects aimed at constituting a fundamental part in the design of **the path to corporate sustainability**.

With regard to the environmental dimension, two themes emerged: **Energy Efficiency** and the **Climate Change Adaptation and Mitigation**, the former because of its actual internal and external relevance, and the latter because it is considered as an indispensable theme within corporate strategies.

For the Social part, the theme of attention to Sisme's People (i.e. **Human Capital Development and Wellbeing, diversity & inclusion**) along with the theme of **Value Chain Sustainability** were considered to have high external and internal impact.

Finally, for the Governance part, **Business Ethics** was identified as material, since the issues of ESG Compliance and Governance are already particularly well attended to with established processes and practices within the company.

3.4 SUSTAINABILITY STRATEGY

Sime's sustainability strategy is the result of the double materiality process described in the previous paragraphs, which, starting with the material issues, identifies the objectives for the three-year period 2024-2026, declined in the ESG (Environmental, Social, Governance) dimensions. The second step in drafting the strategy involved the implementation of an action plan to achieve these goals, measuring the results and potential impacts on the organization, people and the environment.

Among the issues considered to be of high priority are those related to environmental impact. Sime's first goal is to make the energy performance of its production processes and locations more efficient, through a series of activities aimed at the progressive recovery of dissipated heat, a valuable resource that can be reused in the company.

The second goal aspires to reduce its Carbon Footprint, a strategic issue that involves all corporate stakeholders.

Regarding the impacts on people, Sime aims to ensure the well-being and safety of employees and collaborators in the workplace, constantly contributing to their professional and technical growth. An important step in this direction is the Sime Academy, which aims to provide customized training and professional development paths for its employees.

Among the goals is also to progressively increase the sustainability of the supply chain.

To do so, Sime considers the contribution of platforms and tools for ESG profiling of its suppliers. The Group aims to be able to progressively increase the sustainability of its supply chain and strengthen the relationship with its suppliers.

Sime's commitment is to activate a violation reporting system, for all types of offenses.

Following is the diagram representing the three-year plan for each ESG dimension.



GRI 2-22 Statement on sustainable development strategy

3.4 SUSTAINABILITY STRATEGY

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Energy efficiency

Optimization of energy performance of production sites and processes

GOAL

Energy efficiency

ACTIONS

- Obtaining the certification ISO 14001
- Efficiency of sites and processes



Climate change

Emissions management and combating climate change

Commitment to CF management and reduction

- Reducing impacts in GHG scopes
- Sourcing from renewable energy through green supply certification

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SDGs



3.4 SUSTAINABILITY STRATEGY

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MATERIAL THEME

Our people

Corporate welfare and initiatives to create an inclusive work environment.

Employee skills development and initiatives dedicated to young people



Value chain sustainability

Monitoring the supply chain in terms of environmental performance, worker welfare, and respect for human rights

GOAL

Engagement dei dipendenti

Employer branding

Academy SISME

Progressively increase value chain sustainability

ACTIONS

- MBO system
- White collar performance management
- Compensation policy, definition of career paths, retention policy
- Knowledge formalization
- Identification of training and resource development paths

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SDGs



3.4 SUSTAINABILITY STRATEGY

SUSTAINABILITY REPORT 2024-2026

 **GRI 2-22** Statement on sustainable development strategy

183

#876

G



MATERIAL THEME

Business ethics

Practices related to the conduct of the company and employees in relation to its activities (anti-corruption policies, sales and marketing policies, anti-competitive policies....)

GOAL

Supplier involvement on sustainability score (supplier blanket involvement)

231 organizational model, whistleblowing

Management and control procedures

ACTIONS

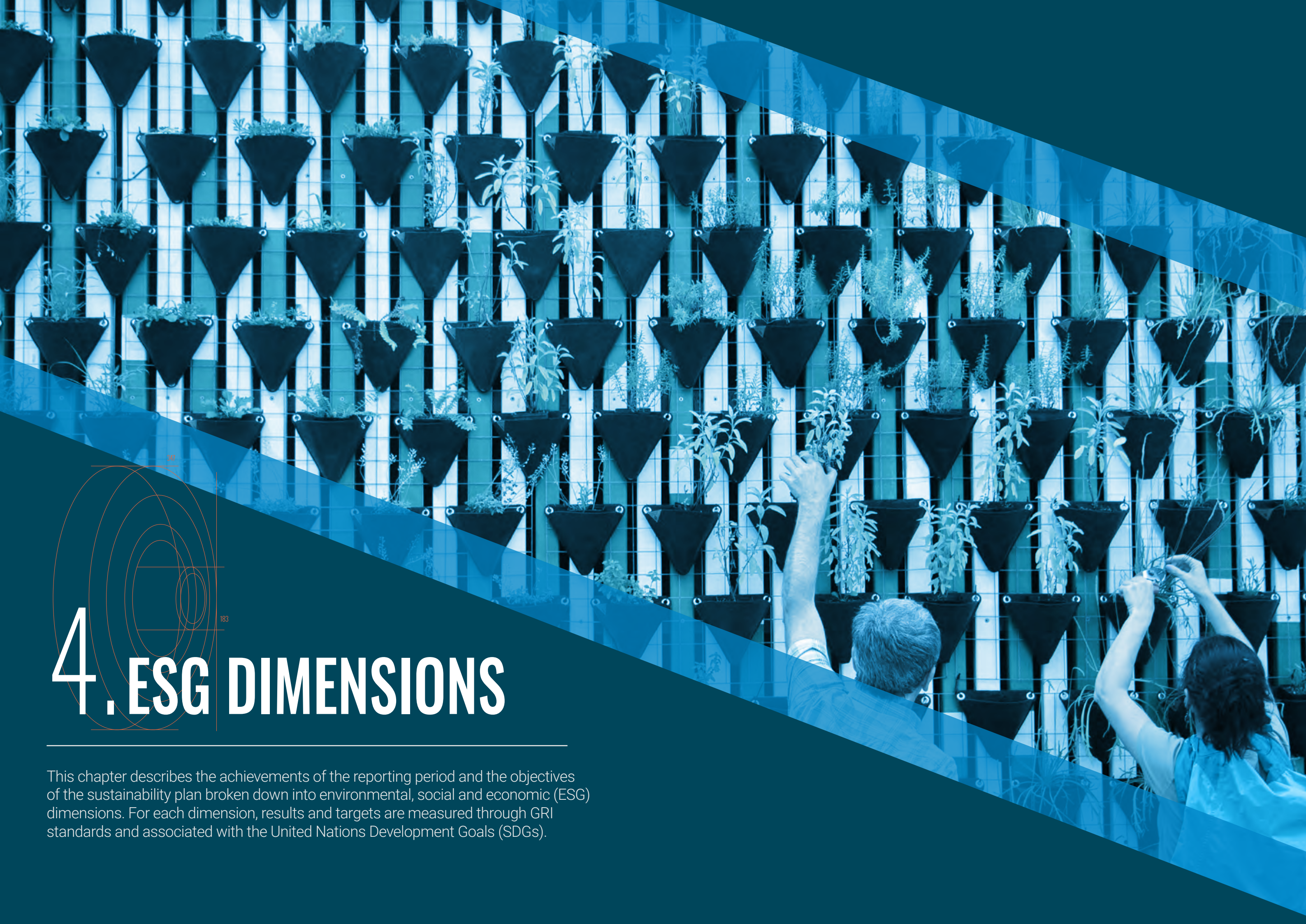
Invitation for sustainability score compilation of selected providers through Open-es platform

Attivazione piattaforma whistleblowing per tutte le tipologie di reato

Review of procedures

SDGs





4. ESG DIMENSIONS

This chapter describes the achievements of the reporting period and the objectives of the sustainability plan broken down into environmental, social and economic (ESG) dimensions. For each dimension, results and targets are measured through GRI standards and associated with the United Nations Development Goals (SDGs).

4.1 SISME FOR THE ENVIRONMENT

Material themes

- Energy efficiency
- Climate change adaptation and mitigation

SDGs

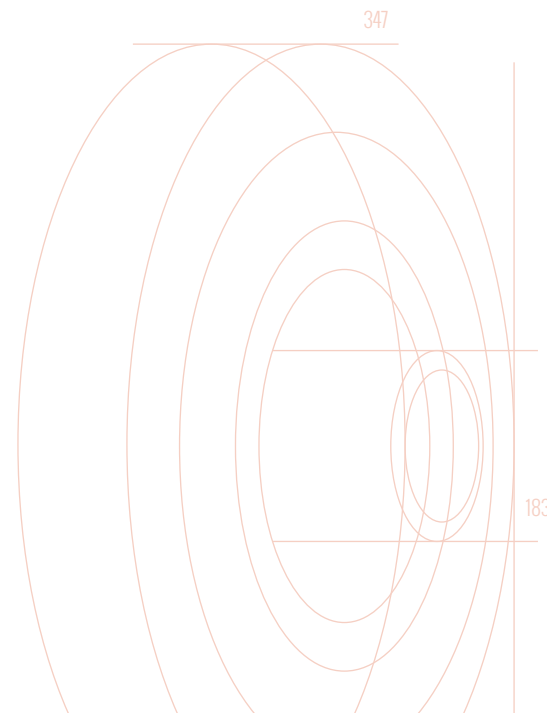


During 2023, Sisme continued its campaign to **make its locations and processes more efficient.**


The first action taken consists of the continuation of the relamping activity begun in 2022, that is, the replacement of the neon lamps in the company with new LED lamps .

During 2023, the total shutdown of central boilers during the summer period was completed. In fact, until 2022, Sisme was using the central boilers also for its production processes, thus resulting in the need to use the central heating plant even during the summer period, under the condition of the heating system being turned off. Thanks to the plant maintenance work and the purchase of boilers (smaller and more efficient) dedicated to the individual production processes that require steam, it was possible to completely shut down the central boilers.

One of the fundamental processes of Sisme's production, is the die-casting process, through which the company produces most of the rotors that will then be sold to its customers (individually or within the engine). The die-casting process is a very energy-intensive process: Sisme buys pure aluminum in ingots from its suppliers and using industrial furnaces melts it and then casts it into molds to make the rotors. The temperature required for this process is approx. 700°C, the energy expenditure is considerable, so innovation is key to lowering consumption. For this reason, two old melting furnaces were replaced in 2023 with state-of-the-art models with significantly lower consumption.



4.1.2 COMPANY PERFORMANCE


 GRI 302-1 Energy consumption within the organization	2021	2022	2023
Total energy consumption of the organization in GJ	65605.4	57921.4	48889.2
Energy from combustion of Natural Gas in GJ*	50678.5	44398.2	37176.9
Energy from combustion of Gasoline	n.d	n.d	140.7
Energy from combustion of Diesel fuel	n.d	n.d	471.8
Purchased electricity consumption in GJ**	14926.9	13523.2	11099.8
Thousands of minutes of production (thousands of minutes)	11.269	10.350	7.572
Purchased electricity consumption in GJ	n.d	n.d	9.730

*Despite the fact that the company's overall consumed electricity is decreasing every year, energy intensity has been increasing in the last year.


Despite the various energy reduction and efficiency activities carried out, the decrease in consumption is not reflected in the energy intensity, this was due to the sharp reduction in workloads suffered in the year 2023, which contributed to a sharp decrease in the figure present at the denominator in the formula, in the face of almost unchanged electrical and heating system switch-on timings, as well as the presence of energy-intensive processes in continuous cycle (Impregnation and Die-casting).

**Installation of boilers dedicated to particular production processes, which allowed the total shutdown of the central boilers in the summer period


***Total relamping of the plant, LED lamps present in all rooms of the company


 GRI 302-3 Energy intensity*	2021	2022	2023
Sales	804.6	669.8	919.7
Thousands of minutes of production	5.8	5.6	6.5
AVG Thousands of minutes of production	6,7	6,0	5,0


*Formula calculated from GJ energy consumed vs. Revenues or thousands of minutes of production


 GRI 302-4 Reduction of energy consumption	2021	2022	2023
Reduction in energy consumption achieved as the direct result of energy conservation and efficiency initiatives	6.20%	19.30%	4.13%

Value obtained from ENEA report (savings as a function of changing lighting, various installations etc...). Data obtainable on ENEA report file.


 GRI 305-1 Direct (Scope 1) GHG emissions	2021	2022	2023
Total direct (Scope 1) GHG emissions in tCO ₂ e	2556.8	2239.9	1920.8
Natural gas	2556.8	2239.9	1875.6
Gasoline	n.d	n.d	10.3
Diesel fuel	n.d	n.d	34.9


 GRI 305-1 Direct (Scope 1) GHG emissions	2021	2022	2023
Total GHG emissions in tCO₂° (Location based)	3616.6	3340.6	2824.2


 GRI 305-2 Energy indirect (Scope 2) GHG emissions	2021	2022	2023
Purchased electricity in tCO ₂ eq. (Location based approach)	1059.8	1100.6	903.4


 GRI 305-4 GHG emissions intensity*	2021	2022	2023
Revenues	44.4	38.6	53.1
Thousands of minutes of production	0.32	0.32	0.37

*Formula calculated from total GHG emissions vs. Revenues or thousands of minutes of production

 GRI 303-1 Interactions with water as a shared resource	2021	2022	2023
The water used comes from three connections to the municipal water supply and is used for drinking, cleaning, cooling, and processes. Wastewater flows through two collectors, the freshwater and waste water collectors, while process water flows into the external consortium collector. process water flows into the external consortium collector.			

 GRI 303-3 Water withdrawal	2021	2022	2023
Third party water (Aqueduct)	11.40 ML	12.01 ML	9.73 ML

 GRI 306-1 Waste generation and significant waste-related impacts	2021	2022	2023
All waste produced is the result of controlled production processes (most from the die casting department, then island department, FHP department, and to a small extent the offices) and routine and extraordinary maintenance. Production waste is collected and deposited in special bins in the department to be emptied in the waste area used for temporary collection of the same and remain waiting to be picked up and disposed of by authorized external disposers. Maintenance waste, on the other hand, is immediately collected and taken to the temporary storage area as mentioned above The waste life cycle is as follows:			
1a - waste produced in the department and laboratories 55%.			
1b - waste production from ordinary and extraordinary maintenance activities 45%.			
1c - waste production from offices 5%			
2a - waste collection in. containers in the department			
2b + 3b - waste collection and immediate transport to the temporary waste storage area			
2c - waste collection in containers in offices			
3a - Emptying of containers in the department into the appropriate containers in the temporary waste storage area			
3c - Emptying of containers the containers present in the department into the appropriate containers in the temporary waste storage area			
4a+4b+4c - Requesting pickup and disposal from authorized agencies and completing the appropriate forms			

 GRI 306-3 Waste generated	2023
Total waste generated (in tons)	259.31
Metal scrap - ferrous scrap (in tons)	79.52
Electrical and electronic equipment (in tons)	3.87
Washing waters (in tons)	27.15
Sludge - Oils - Emulsions (in tons)	5.23
Die casting scraps (in tons)	8.95
Filter material (in tons)	3.26
Scrap from paint products (in tons)	4.064
Packaging (in tons)	127.27

 GRI 306-4 Waste diverted from disposal	2021	2022	2023
Total NON-hazardous waste (in tons)	526.54	380.71	229.97
Total NON-hazardous waste NOT landfilled (in tons)	510.74	370.48	216.83
Total hazardous waste NOT landfilled (in tons)	15.80	10.23	13.14
 GRI 306-5 Waste directed to disposal	2021	2022	2023
Total hazardous waste	38.70	31.43	29.34
Total NON-hazardous waste sent to landfill	1.41	1.03	0.52
Total Hazardous waste landfilled	37.29	30.40	28.82
TOTAL WASTE	565.24	412.14	259.31



4.2 SISME FOR SOCIAL GOOD

Sisme is actively committed to promoting local community involvement through a series of initiatives aimed at developing partnerships with local institutions and improving the link between the company and the region. These initiatives not only represent a commitment in terms of social responsibility, but are also an 'opportunity to train new workers and promote economic development in the region.

Material themes

- Our people
- Value chain sustainability

SDGs



The main initiatives carried out by Sisme in 2023 are reported:



School visits

School visits are a key pillar of the company's community engagement strategy. Through these visits, students are given the opportunity to learn first-hand about the world of work and acquire skills that complement their education.



Girl Day

Girl Day represents an important initiative to promote gender equality and empower women in the world of work. Through a series of initiatives, the company is committed to inspiring and supporting young women to pursue their professional goals. This helps create a more inclusive and diverse work environment where everyone has the opportunity to realize their potential regardless of gender



School-to-work alternation

School-to-work alternation and internship initiatives represent an important commitment for our company in contributing to the education and training of young people within our local community.

As a company, we strongly believe in the importance of investing in the future and talent of young people, and school-to-work alternation and internship initiatives are one of the main ways through which we manifest this commitment.

We actively collaborate with educational institutions and universities to offer students hands-on learning opportunities within the company.

Our company views school-to-work alternation and internship experiences not only as a way to provide students with meaningful experience but also as an 'opportunity for the company to contribute to the training of the future workforce, for this reason, the company welcomes students with enthusiasm, offering them an inclusive and challenging environment in which they can grow and develop professionally.



Workplace violence and harassment prevention

Sisme hosts the event sponsored by the National Equal Opportunity Commission of the CCNL Metalmeccanico for the prevention of workplace harassment and gender-based violence.

The event titled "Together Against Gender-Based Violence and Harassment in the Workplace" was held with the aim of raising awareness not only of the workers part of Sisme on the issue, but also to involve and raise awareness throughout society.



4.2.1 HEALTH & SAFETY

The Sisme Group has been carrying out the company's vision and commitments in the field of Occupational Health and Safety for several years, according to a criterion of continuous improvement in terms of the application of technical-organizational measures to reduce the risk factors present, for the prevention of accidents (with the goal of reaching zero), as well as aspects related to organizational well-being by promoting healthy work environments. Risks in the HSE (Health, Safety, Environment) area are carefully assessed by the company's in-house department in charge.

In addition to the maintenance of all practices carried out according to the cadences established by mandatory regulations, the main activities aimed at expanding and increasing Health, Safety and Environment standards include the purchase of electric and pneumatic manipulators used on production lines to handle materials, semi-finished and finished products. These investments aim to improve workstations on the principles of ergonomics thus lightening the work of employees and


significantly decreasing the risk of Manual Handling of Loads (MMC). These activities will be pursued over time by setting increasingly higher targets.

The value of Safety is constantly transmitted in the company through the Prevention and Protection Service and by all the other figures in the Safety organization chart, from Managers to the Responsible Officers of the individual areas of competence and also with the consultation of the Workers' Safety Representatives who act as intermediaries for the workforce.


The Company considers the extensive dissemination of the culture of Safety in the workplace to be crucial, through the direct involvement of employees and through the implementation of targeted training courses on the subject in accordance with Legislative Decree 81/08 and as amended by State-Regions agreements on the specific risks within the company.




4.2.2 COMPANY PERFORMANCE


	2023		
	WOMEN	MEN	SUM
 GRI 2-7 Employees			
Total number of employees	75	162	237
Total number of permanent employees	74	157	231
Total number of temporary employees	1	5	6
Total number of non-guaranteed hours employees	0	0	0
Total number of full-time employees	69	158	227
Total number of part-time employees	6	4	10


	2023		
	WOMEN	MEN	SUM
 GRI 401-1 New employee hires and employee turnover			
New hires: range < 30 years old	2	2	4
New hires: range 30 - 50 years old	0	5	5
New hires: range > 50 years old	0	3	3
Total new hires	2	10	12
Percentage of hires to total employees	3%	6%	5%
TERMINATED staff: range < 30 years old	3	5	8
TERMINATED staff: range 30 - 55 years old	7	6	13
TERMINATED staff: range > 50 years old	3	13	16
Total terminated employees	13	24	37
Percentage of terminated employees compared to total	17%	15%	16%


	2023
 GRI 2-30 Collective bargaining agreements	
Total percentage of employees covered by agreements out of the total*	100%

*All employees are covered by collective bargaining agreements

 GRI 403-9 Work-related injuries	2021	2022	2023
Deaths as a result of work-related injuries	0	0	0
Work-related accidents with serious consequences	0	0	0
Recordable work-related accidents	6	6	6
Rate of recordable work-related injuries	14.2	14.7	17.1
Near miss	4	6	3
Main types of work-related injuries	Fracture, distortion, abrasion, contusion	Distorsion, irritation, contusion, fracture, commuting accident	Wound, fracture, contusion
Number of hours worked	423,023	408,526	351,089

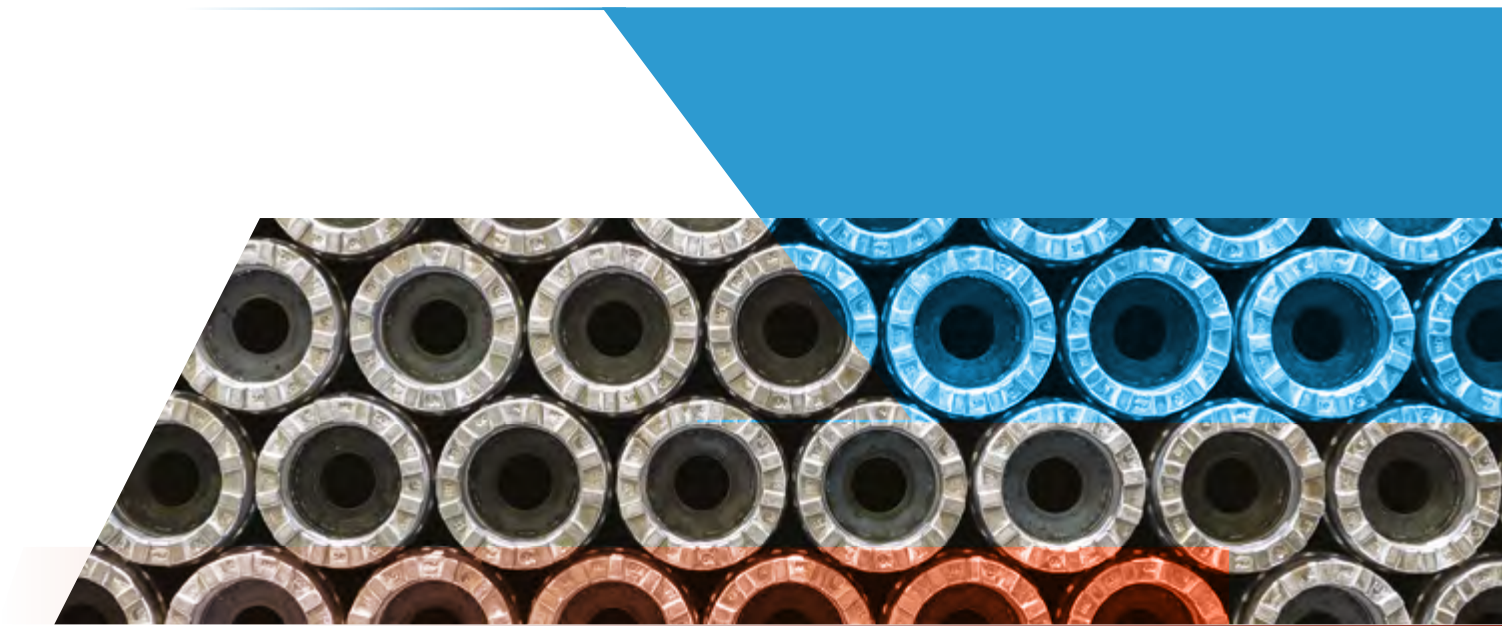
 GRI 403-10 Work-related ill health	2021	2022	2023
Deaths as a result of work-related ill health	0	0	0
Recordable work-related ill health cases	0	0	0

 GRI 404-1 Average hours of training per year per employee	WOMEN	MEN	SUM
Average hours of training	15	15	15
Total hours of training	1,106	2,464	3,570
TYPE OF TRAINING			
Total hours of MANDATORY training	150	280	430
Total hours of NON-MANDATORY training	956	2,184	3,140
Total hours of INTERNAL training	678	994	1,672
Total hours of INTERNAL training	428	1,470	1,898
TRAINING TOPICS			
Total training hours SAFETY	214	488	702
Total training hours TECHNICAL	800	1,828	2,628
Total hours of training of SUSTAINABILITY	92	128	220
Total training hours of LANGUAGE	0	20	20

 GRI 405-1 Diversity of governance bodies and employees	WOMEN	MEN	SUM
Total gender Employees			237
Percentages of employees by gender	32%	68%	
Percentage of employees: <30 years old	1,3%	4,2%	5,5%
Percentage of employees: 30 - 50 years old	11,0%	24,0%	35,0%
Percentage of employees: >50 years old	19,4%	40,1%	59,5%
Sum gender Board			4
Percentages by gender	25%	75%	
Percentage: <30 years old	0%	0%	0%
Percentage: 30 - 50 years old	0%	25%	25%
Percentage: >50 years old	25%	50%	75%



 GRI 405-2 Ratio of basic salary and remuneration of women to men	2021	2022	2023
Level D2	1	1	1.03
Level C1		Just men	
Level C2	0.99	0.99	1.00
Level C3	0.89	0.89	0.92
Level B1	0.92	0.93	0.92
Level B2	1	1	Just men
Level B3	Just men	Just men	Just men
Level A1	0.91	0.90	1.02



4.3 SISME FOR A GOOD GOVERNANCE

Material themes

Business ethics

SDGs



Business ethics

In today's increasingly dynamic and ever-changing business landscape, where regulatory compliance, business ethics and risk management assume an increasingly crucial role in every decision made, the vital importance of a strong and efficient supervisory body emerges as a pivotal element within any organization. The **supervisory body** serves as a moral guide for our company, providing fundamental guidance in monitoring and ensuring compliance with regulations, internal policies, and the high ethical and safety standards we have set for ourselves. The composition of the supervisory body includes two members from outside the organization and one

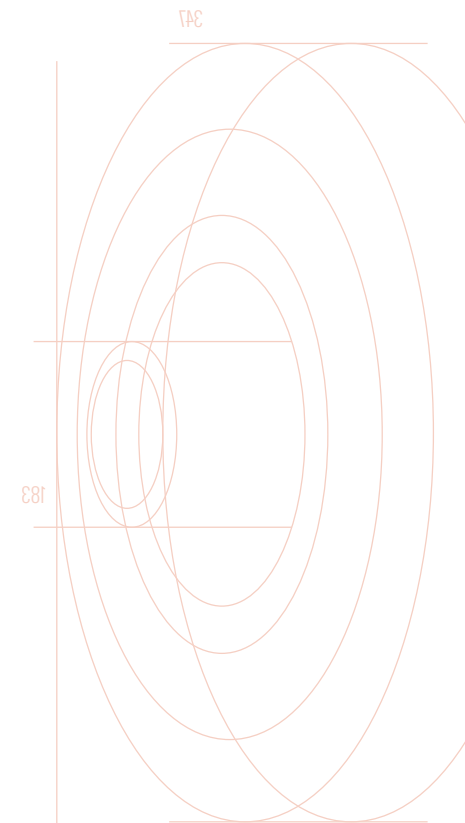
internal member, each responsible for overseeing specific aspects such as compliance with laws and regulations, risk management, promoting a safe working environment, and monitoring business ethics. This structure ensures an objective and multidimensional view of business activities, helping to maintain high standards of integrity and accountability.

One of the tasks of the supervisory body is to **review and monitor the management and control procedures adopted by the organization**, these procedures are many and are divided into operational procedures and administrative procedures.

These procedures are periodically reviewed and updated to adapt to the changing needs of the company and the 'evolving regulatory environment. This periodic review process ensures that the supervisory body remains aligned with the company's goals and priorities, while ensuring an effective and timely response to emerging challenges.

In conclusion, the supervisory body represents a bastion of transparency, integrity and compliance within 'our organization. Its key role in ensuring regulatory compliance and promoting an ethical and responsible corporate culture is essential to the long-term success of our company.

Also with a view to Business Ethics, the Sisme Group has introduced the Whistleblowing Policy, which encapsulates methods and operating instructions for the use of reporting channels for non-compliance found within the organization. The company is committed to strict confidentiality in the handling of reports and will not tolerate any form of retaliation that may be a consequence of the report and its corrections. No complaints were collected in 2023.








€	GRI 201-1 Direct economic value generated and distributed	2021	2022	2023
A	Economic value generated	81.536.332 €	86.477.386 €	53.156.659 €
A1	Net sales	81.536.332 €	86.477.386 €	53.156.659 €
B	Economic value distributed	75.808.743 €	81.243.660 €	53.300.023 €
B1	Operative Costs	65.794.672 €	71.799.492 €	43.741.384 €
B2	Employees Salaries and Benefits	9.362.883 €	8.744.074 €	8.046.404 €
B3	Payments to capital suppliers	381.885 €	492.122 €	1.124.747 €
B4	Payments to governments	269.303 €	207.972 €	387.488 €
B5	Investments in the community	0 €	0 €	0 €
A-B	Retained value	5.727.589 €	5.233.726 €	-143.364 €

€	GRI 201-4 Financial assistance received from government	2021	2022	2023
	Tax relief and tax deductions	n.d	617.870 €	638.000 €
	Investment, research and development grants and other relevant forms of contributions	193.403 €	146.266 €	123.172 €

€	GRI 204-1 Proportion of spending on local suppliers	2021	2022	2023
	Percentage of expenditure to suppliers of goods or services located in Italy	54%	60%	30%
	Percentage of expenditure to suppliers of goods or services located in EU	36%	31%	44%
	Percentage of expenditure to suppliers of goods or services located in Non-EU	10%	9%	26%

In the previous three years, there were no instances of noncompliance concerning the GRIs reported below:

-  **GRI 406-1** Incidents of discrimination and corrective actions taken
-  **GRI 417-2** Incidents of non-compliance concerning product and service information and labeling
-  **GRI 417-3** Incidents of non-compliance concerning marketing communications GRI
-  **GRI 418-1** Substantiated complaints concerning breaches of customer privacy and losses of customer data
-  **GRI 2-27** Compliance with laws and regulations



5. METHODOLOGY

BOUNDARIES OF THE SUSTAINABILITY REPORT

Sisme Group's Sustainability Report 2023 is the result of a journey that began in 2020 and has led the company to a growing awareness regarding the measurement and monitoring aspects of performance indicators.

Following the execution of the ESG 2021-2023 plan, this document provides a renewed vision of corporate sustainability for the three-year period 2024-2026 and keep stakeholders constantly informed about its commitments, management model, policies practiced, key risks opportunities, and impacts related to ESG issues identified as material.

PREPARATION PRINCIPLES

The preparation of this Sustainability Report was guided by the principles of the **Global Reporting Initiative (GRI)** specifically following the GRI-Referenced option. This approach ensures that the reporting of environmental, social and governance activities and impacts conforms to internationally recognized standards for transparency and accountability.

The drafting of the Sustainability Plan within the Report also refers to the United Nations **Sustainable Development Goals (SDGs)**, relating the implications of material issues to the Sustainable Development Goals.



GRI DISCLOSURES TABLE

GRI STANDARDS	DISCLOSURE	PAGE
GRI 2: General Disclosures 2021	2-1 Organizational details	14
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GRI 2: General Disclosures 2021	2-7 Employees	67
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GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	75
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GRI 302: Energy 2016	302-3 Energy intensity	58
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GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	59
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GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	58

Dichiarazione d'uso

SISME S.p.A. has reported the information mentioned in this GRI content index for the period from January 1, 2023 to December 31, 2023 with reference to GRI Standards.

Utilizzo GRI 1

GRI 1 - Foundation- 2021

GRI STANDARDS	DISCLOSURE	PAGE
GRI 305: Emissions 2016	305-2 Energy indirect (Scope 2) GHG emissions	59
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GRI 403: Occupational Health and Safety 2018	403-9 Work-related injuries	69
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GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	76
GRI 417: Marketing and Labeling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling	76
GRI 417: Marketing and Labeling 2016	417-3 Incidents of non-compliance concerning marketing communications	76
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	76

GLOSSARY

Agenda 2030 for Sustainable Development:

is the Programme of Action for People, Planet and Prosperity signed in September 2015 by the governments of the 193 member countries of the UN. The Agenda incorporates the 17 Development Goals, referred to as the SDGs (see next item).

Sustainability Report: is a concise communication tool that illustrates how the company is committed to sustainability issues and measures its performance.

Carbon Footprint: expresses in CO2 equivalent the total greenhouse gas emissions associated directly or indirectly with a product, organization or service. This index is used to measure the sustainability of companies.

ESG (Environmental, Social, Governance): indicates the dimensions of sustainability by which an organization's activities are evaluated, not only from an economic and governance perspective, but also from an environmental and social perspective.

Circular Economy: a model of production and consumption that involves sharing, reuse, repair, reconditioning and recycling of materials and products.

Global Reporting Initiative (GRI): a n international nonprofit body established for the purpose of defining sustainability performance reporting standards for organizations.

Governance: The persons or bodies (e.g., the board of directors or a corporate trustee) with responsibility for overseeing the strategic direction of an organization and its accountability and stewardship obligations.

Greenwashing: the activity of communicating one's sustainability in a fraudulent manner.

SDGs (Sustainable Development Goals):

17 United Nations goals to be achieved by 2030. These goals serve as a guideline to contribute to global development, promote human well-being and protect the environment.

Stakeholders: entities, organizations or individuals who can be affected by the organization's activities, products and services or who have the ability to influence the organization's decisions.

Shared Value: a business model in which a company's pursuit of financial economic success and competitive advantage includes environmental and social decisions and strategies.

Analysis of Dual Materiality: The concept of "double materiality" was first formally proposed by the European Commission in the Non-Financial Reporting Guidelines. Following the DM principles, a company judges materiality from two perspectives: 1) "the extent necessary to understand the company's development, performance and position" and "in the broad sense of influencing the value of the company"; 2) environmental and social impact of the company's activities on a wide range of stakeholders. The concept also implies the need to assess the interconnection between the two perspectives.

Source: <https://www.globalreporting.org/media/jrbntbyv/griwhitepaper-publications.pdf>

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