



INTEGRATED REPORT
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Letter to *Stakeholders*



Sisme is a global player acting in the electric motors business sector; in the meantime, Sisme is a family Company having therefore a vision and targets that goes over short terms result and that are focused on sustainability. The understanding that we are engaged in giving to next generations a Company that is better than today's one is part of Sisme DNA. Sustainability means for Sisme, knowing that electric motors are fundamental for millions of people; The challenge is to understand how Sisme can improve people daily lives, granting for example the availability of fresh food through its motors for refrigerated trucks, aiming in the meanwhile at reducing the energy consumption perceiving efficiency.

We are proud to welcome you to the 3rd Sisme annual Sustainability Report where we summarize Sisme approach to protect the environment, source sustainable raw materials, promote responsible consumption. We wish to underline that most of the target of 2021 sustainability report has been reached.

Year 2022 can be defined a challenging year characterized by the Ukraine conflict, problems with the supply of energy and raw materials, growing inflation, and extreme weather events. This environment had social and economic repercussions that increased inequalities and highlighted the strong exposure of the global economic system to any kind of disruption; this context has affected Sisme operations, both internally and externally, impacting the relations with the community and other stakeholders.

The strong increase of energy costs and market quotation of main raw materials, like steel and copper, together with the highest inflation rate of last decade highlighted the need for Sisme to strongly focus on two main directions to remain sustainable: supply chain and selling price.

As regards supply chain, discussions with all main suppliers have been held and an inflation mode has been introduced; this means that purchasing costs have been linked to official market quotations (represented mainly by PUN for electricity and official market quotations for other materials). Main scope is to support Sisme supply chain in this challenging year but coming back automatically to original purchasing prices once market will go back to previous competitiveness.

Open book discussion with main customers, have been held to find new temporary agreements; we are proud to confirm that our partners recognized Sisme as a core supplier to maintain their competitiveness on the market and confirmed their support in case of need.

Sisme business continues to expand, we are continuously investing in R&D and several new products are ready in the pipeline. We are transforming our approach and we will continue to develop our targets.

On the social side, Sisme is perceiving gender equality and diversity by including more women in decision making position and increasing inclusion of different generations and nationalities.

The BoD thanks all Sisme employees, that through years demonstrated this culture and commitment, being as resilient as required to grant sustainable operations and help Sisme succeeding as a business that supports the local communities. Finally, the BoD gives a warm welcome to the new young talent introduced in the years, since we believe it is essential to invest in young people, developing new skills, both for company growth and culture.

Sisme closed 2022 financial year with a consolidated turnover of €147 millions, booking an increase of 5% if compared to previous year. This sustainability report will drive readers to know what Sisme did to increase energy efficiency and reduce carbon footprint, by the means of investments in new technologies with lower energy consumption.

More about Sisme sustainability initiatives is available in this report as well as online at www.sisme.it. We are proud of this third sustainability report and of all what has been done, we hope readers can find it informative.

Your feedback is really welcome and appreciated.

- *The Board of Directors*





1. THE DRAFTING METHOD

1.1 The limits of the integrated report

This integrated report examines the way in which the company operates to create value, strategies and goals aimed at maintaining the sustainability over time, the performances related to ESG issue that the organization considers relevant for the value creation over time.

The time frame for the accounting data and the perspective overview (strategic vision, goals and actions) refers to the three-years period 2020-2022. The information contained in the report refer to the Sisme Group.

Some data in the previous report may have been corrected or updated.

1.2 The drafting principles

The report drafting method is based on the principles proposed by the Integrated Reporting Framework

(<IR>) published by the International Integrated Reporting Council (IIRC): corporate strategy focus, orientation to the future, information connectivity, relationship with stakeholders, materiality, brevity, reliability and entirety, consistency and comparability.

Some of the reported information refers to the disclosures offered by the Global Reporting Initiative (GRI) and to the Sustainable Development Goals (SDGs) of the United Nations.

1.3 Stakeholder engagement

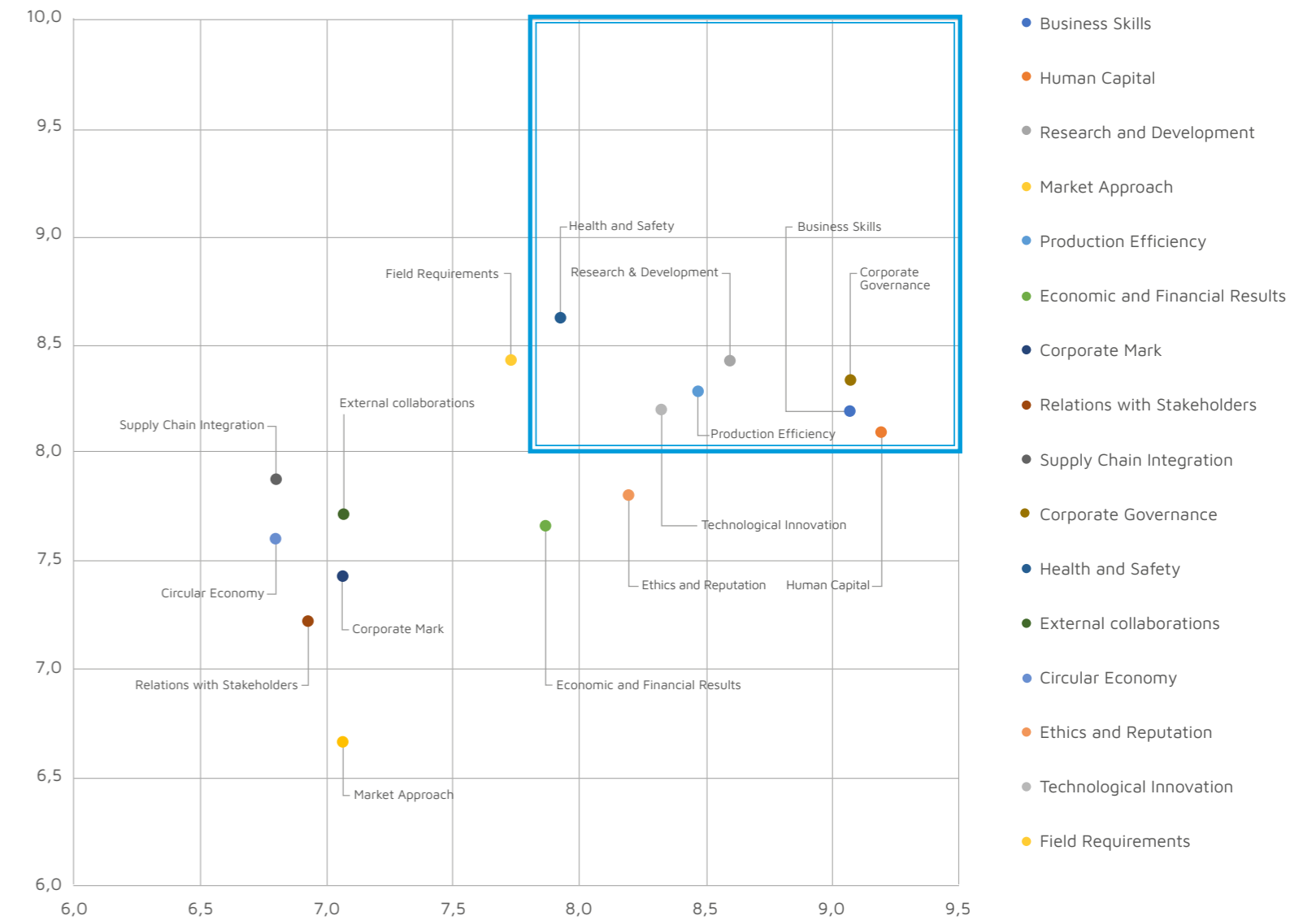
Two years ago, Sisme has triggered a listening process of the stakeholders in order to edit its own sustainability strategy. The Company's stakeholders were identified by the department managers who, in collaboration with the Company Governance, select the following categories: employees, advisers, customers, communities, suppliers and credit institutions.

The reporting project, the material topics and the voting methodology were explained to stakeholders through dedicated meetings. The result of these meetings enriched the corporate sustainability issues and the stakeholders' readiness to interact and collaborate.

1.4 The materiality matrix

The materiality analysis allows to identify all the aspects that have a significant impact on the economic, social or environmental performances of the Company. Stakeholders assigned a vote based on minor or greater issue's impact on company's ability to produce value in the medium-long term.

The materiality matrix represents the votes expressed by the Management Team on the horizontal axis and the Stakeholders' votes on the vertical axis.



The Most relevant sustainability topics, resulting from the materiality analysis are:

Corporate governance



Sustainability-oriented corporate governance strategy (MBO, BUs To-Be situation, formalized procedure, shared plans and budget, sustainability audit ...)

Human Capital



Development of an environment aimed at: encouraging employees' active participation, strengthening internal and external communication, activation of listening mechanism, attractiveness of "new talents" and developing internal resources

Business Skills



Mapping and development of internal skills

Research & Development



Several activities to develop existing or new products in order to accomplish market needs changing.

Production Efficiency



Production and operations waste reduction through a cost-quality-time optimization all along the supply chain

Technological Innovation



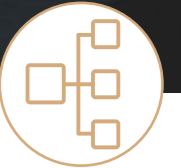
Digitalization process (implementation of software to support the Operations) vulnerability assessment and creation of IT synergies with clients and suppliers

Health and Safety



Compliance with current health and safety regulations and "zero accidents" target

2. THE COMPANY'S SYNTHESIS FRAMEWORK



2.1 Vision, mission, values

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

We produce and sell a wide range of electric motors and rotostators.

The constant commitment is to provide our customers excellent products using modern design procedure and the best production methods.

We believe in long-term partnerships with our customers and with countries hosting our production sites.

Sustainability is the key and a strategic concept for Sisme. Sustainability means facing change process managed in recent years with a responsible use of resources, investment plan, push for technological development and change in corporate governance as factors that harmoniously enhance current and future company's corporate value. Sustainability issues are clear and endorsed at all the company's levels. These concept guides and determines company's vision.

Our business is based on innovation and human values.

Our vision is **fully aligned with the current global policies on energy efficiency**, in which product sustainability and energy consumption have acquired fundamental importance.

Sisme owns internally the know-how to manage the strong points that allow us to stand out in the worldwide panorama of the electric motor field. The competitive-benchmark values are:



Technology

Production systems digitalization to facilitate the introduction of innovative solution



Quality

To create products that meet all the customer's requirements by using the best raw materials and by submitting the final manufactured products to rigorous and methodical checks.



Production footprint

Strong presence in Europe; consolidated reality in one of the most auspicious countries in terms of growth, China, Sisme has the ideal footprint in conformity with major customers' needs.



Supply chain

Focus on suppliers' sustainability and performance, development of an internal PMS and logistics productivity/efficiency and inventory accuracy are the most important supply chain goals

The added value for customer

Constant research and innovation in materials, technologies and components

Long-term agreements

Strong electromechanical internal competence



Co-designing products with clients

Direct connections with market leaders of Sisme business

Global market presence

2.2 Ownership structure and operational structures

Sisme Group can rely on three different production sites contributing to the manufacturing process' stages: research and development, products and production engineering, control and validation.



SISME SLOVAKIA



EMEA
Local markets supplier, production of rotostators

SISME ITALY



EMEA & US
High-value and technologically advanced products

SISME CHINA



APAC, US, LATAM
Local markets supplier, production of rotostators

2.3 History



The first plant of the current SISME was born in Olgiate Comasco (Como) on January 31st, 1957 with the initiative of the American multinational Ranco.

1957

1961

The Company moves to the new headquarters in via Achille Grandi, thus starting the mechanization process and the production capacity of engines increase. The flagship is the product refrigeration rotostator for compressors.



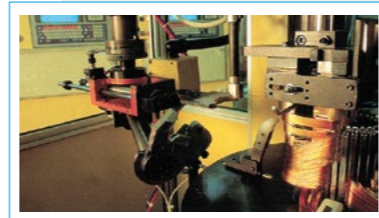
1975



SISME achieves a role of absolute leadership in the field of electrical motors for household appliances, industrial and civil ventilation and rotostators 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 globalization markets and product differentiation.

80s second half

Origin of the first automated machines for coils controlled wrapping. 80% of the product reaches markets around the world.



1995

We tackle market challenges: globalization, quality, security, ecosystem, involving professionals, seeking future trends.



Goal achieved: 10.000.000 dishwashers engines sold to Bosch-Siemens group.

**1999
2001**

Sisme ranked among the top 500 European companies that have increased both the turnover and the number of employees in the previous 5 years. In 2000 Sisme has been recognized as best electric motor supplier by the major customers.



2004



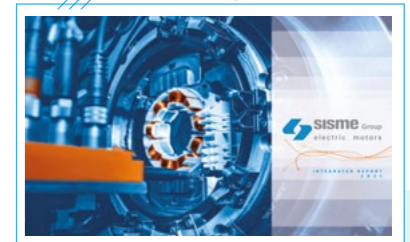
Sisme China was established.

2008







































New facility opened in Malj Krtiš, Slovakia.

2020



Start of the sustainability process and publication of the first sustainability report

2.4 Summary data of Sisme group

	2020	2021	2022
Turnover	 96.433.775	 131.020.415	 142.996.941
EBITDA	 8.362.570	 8.333.470	 8.403.270
Production Site	 3	 3	 3
Employees	 618	 636	 646
Women	 151	 164	 175
Men	 467	 472	 470
Average age	 42	 42	 41
Business			
Household appliances	 13%	 14%	 12%
Ventilation	 7%	 4%	 5%
Rotostators	 73%	 75%	 74%
Hoods and ovens	 9%	 7%	 8%
Markets No. / Type	 EMEA, US, APAC, LATAM	 EMEA, US, APAC, LATAM	 EMEA, US, APAC, LATAM

Our customers





3. CORPORATE GOVERNANCE

The company has adopted the traditional governance model. The board of directors consists of external members, company's managers and ownership representatives, the whole in order to have the right balance of professionalism and skills.

Differences are enhanced within the board of directors, where comparison and discussion find their synthesis becoming a corporate strategy.

The goals dictated by the board of directors are appropriately reflected in the three-year plan which constitutes the guide for all the management. A lean and flat organizational chart make the internal discussion simple and effective, with the advantage of a short decision chain and a very high speed of action.



3.1 Governance structure

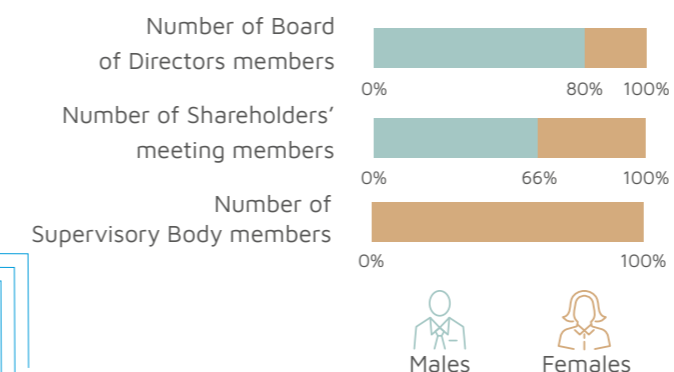
The Board of Directors decides the strategic guidelines and the organization of the company

Sisme Group adopted a set of rules and organizational structures in order to ensure a correct and efficient Corporate Governance system, the rights and interests of all the stakeholders. Sisme adopted an approach inspired by international best practices in compliance with laws and regulations. The Company has a traditional administration structure, complying with the Italian Civil Code control system which comprises the following corporate parts:

- **Board of Directors** consists of five directors. The Board deals with the management of the company, **defines strategic direction and evaluates the organizational structure of the company;**
- **Board of Auditors** consists of three auditors that monitor the compliance with laws, the articles of Association compliance and the principles of correct administration;
- **Shareholders' meeting:** responsible for appointing members of the Board of Directors and the Board of Auditors besides the approval of the Financial Statements.



Board's gender





Top Management
Serena e Luca Costantini

General Management
Luca Costantini

HSE

The sustainability team

In 2021 was established The Sustainability Team to promote corporate sustainability value creation and manage ESG issues. The team is composed by three young Sisme's employees.



3.2 Code of Ethics

Sisme's Code of Ethics defines the guidelines and basic principles of corporate management daily activities, supporting a sustainable growth while protecting reputation. The Code of Ethics represents a milestone for employees and stakeholders and it is available at the following web-site address: https://www.sisme.it/modello_231/

The Code of Ethics is part of the Organization, Management and Control Model adopted voluntarily by Sisme Group in line with the Legislative Decree 231/2001. The compliance with the Code of Ethics and the Organizational Model is guaranteed by the Supervisory Body, a collegiate body.

Human rights

Sisme firmly believes in the respect of the essential rights of each person. Code of Ethics defines the principles for respecting the rights of the individual in his activities, as well as the commitment to ensure equal opportunities for the development of the people and for the protection of privacy.

- The Group's values are based on the international pillars:
1. the UN 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.

Sisme Group has also introduced a **whistleblowing policy**; methods and operative instructions for the usage of this reporting channels - Whistleblowing - are indicated in a specific policy. The Company is committed to guarantee maximum confidentiality in the management of reports and does not tolerate any form of retaliation that may be a consequence of the report and the related corrections. No reports were collected in 2022.

The Group constantly monitors the risks associated with corruption and fraud offenses, adopting a "zero tolerance" approach towards any kind of unethical attitudes. For these reasons, Sisme Group has voluntarily adopted specific governance tools aimed at identifying, preventing and controlling risks related to corruption (e.g. A maximum value threshold above which no gifts are allowed, received or offered by employees or collaborators, consultants). In order to increase awareness about corruption issue, Sisme Group launched a project of continuous monitoring and documentation of the managers work. The Group develop specific checklists that each manager must adopt to document their significant operations performed. These checklists will then be provided to the Supervisory Body which could carry out random checks.

3.3 Tax policy

Sisme Group based his tax management on the principles of accuracy and transparency in order to prevent any tax claim.

The principles that Sisme Group adopts in this area are the following:

1. request for the **adoption of behavioural models** based on the highest level of transparency, honesty, correctness, accuracy and compliance with the law;
2. guaranteeing **rigorous compliance** with tax obligations and the correct determination of taxes, respecting deadlines and legal requirements;
3. principles of **good faith and transparency** in relations with the tax authorities;
4. **risk control** and management also to protect the Company's reputation.



4. BUSINESS MODEL

4.1 Understanding Sisme's External Context: Competitors, Opportunities, and Challenges

Sisme operates in a competitive environment with two types of competitors: larger international companies and comparable-sized Italian companies. Despite being smaller, Sisme maintains profitability and financial indicators in line with larger players, particularly in terms of investment rate and margin trend.

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 problems due to extended customer payment terms.

Environmental risks involve complying with hazardous waste disposal and transportation regulations, as well as meeting environmental requirements within their plants. **Social** risks include potential loss of essential authorizations, interdictions or sanctions for irregular payments, non-compliance with regulations related to discrimination, child labor, maternity protection, night work, and reputation damage from disputes or claims.

Sisme faces **supplier** risks such as over-reliance on single exclusive suppliers, use and quality of exclusive or patented products/services, reliability of current suppliers, and potential increases in component costs. The war in Ukraine indirectly affected Sisme, causing a significant 43% increase in steel prices, compared to 2021, rising energy costs due to regional energy market instability, and increased inflation impacting Sisme's economy.

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

In the **market and customer domain**, Sisme faces challenges in identifying/acquiring new customers, inadequate sales network coverage, highly competitive competitors ready to enter their target market, and lack of required qualifications/certifications. Concentration of orders from few customers, contractual penalties, and customer insolvency pose additional risks.

Opportunities for Innovation and Evolution: Sisme's Advancements in Motor Technology

However, Sisme also recognizes an opportunity in the **growth of the vehicle electrification market**. The company is engaged in **Research & Development projects** related to:



Trucking refrigeration



Electric scooters, bicycles and motorbikes



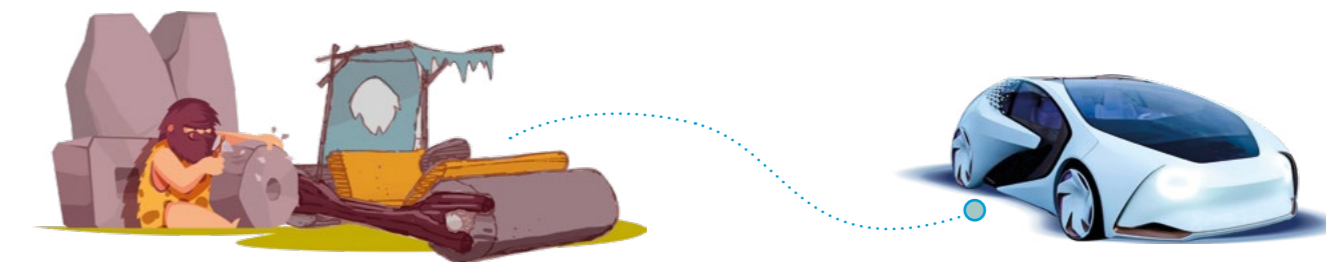
Electric motors cooling systems



Other industrial applications

The first results from these innovative projects are expected in the medium to long term, ranging from 2 to 4 years.

Sisme has been evolving its **ventilation motors**, transitioning from manual production of classic multi-speed single-phase motors to automatic production of brushless motors with onboard electronics. The company anticipates that this trend will continue in the future. In the field of **rotostators**, Sisme offers induction motors with basic efficiency as well as LSPM IPM or reluctance motors with premium efficiency, which affect both the sale price and production.



How Sisme creates value

This diagram shows how Sisme’s business model works, according to the integrated reporting framework created by the International Integrated Reporting Council (IIRC). The business model of an organization is the process that transforms the “inputs”, through its industrial and production activities, into results (outputs) and impacts (outcomes), setting itself the goal of creating value in the short, medium and long term terms.

4.2 Input

CAPITALS	FINANCIAL	PRODUCTIVE	RELATIONAL	HUMAN	INTELLECTUAL	NATURAL																
Input Key elements feeding the business model	Direct access to the main credit lines and close collaboration relationships with the main local banks.	23 productive lines 2 seldom fully-automatic lines: 1 piece every 10 seconds 1 hoods fully-automatic line	Skill of establishing long-term relations with customers, suppliers and banks	Know-how standardization and internal competence development	Software, organization, licenses, 231	Raw materials: Copper, steel, aluminum																
	<table border="1"> <thead> <tr> <th></th> <th>NFP (thousands of €)</th> <th>NFP/equity</th> <th>NFP/EBITDA</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>14.568</td> <td>0,44</td> <td>1,74</td> </tr> <tr> <td>2021</td> <td>17.495</td> <td>0,54</td> <td>4,65</td> </tr> <tr> <td>2022</td> <td>24.101</td> <td>0,73</td> <td>8,26</td> </tr> </tbody> </table>						NFP (thousands of €)	NFP/equity	NFP/EBITDA	2020	14.568	0,44	1,74	2021	17.495	0,54	4,65	2022	24.101	0,73	8,26	6 manual lines
		NFP (thousands of €)					NFP/equity	NFP/EBITDA														
	2020	14.568					0,44	1,74														
2021	17.495	0,54	4,65																			
2022	24.101	0,73	8,26																			
		5 semiautomatic: 1 piece every minute																				

4.3 Business activity

ACTIVITY	DESCRIPTION
R&D	High electromechanical competence in constant research of technological innovation. The internal R&D center analyzes products reliability and validates processes. It develops, integrates and tests software and hardware. The crucial point of the research process is the simulations phase and experimental tests. A well-equipped and cutting-edge laboratory carefully examines any critical issue.
Quality	Control and analysis checks to ensure raw materials, processes and finished products accomplishment of pre-defined quality standards
Logistics	Planning, organization and control of all handling operation and goods storage, from raw materials procurement, through internal distribution process, up to the shipments to final customers
Commercial	The strong disposition of our account managers to customer satisfaction is demonstrated by the close, consolidated and long-term relationships with major customers.
Product engineering	Know-how for flexibility of our products and the production lines to the specific needs of our customers.
HR	The quality of our human capital is the asset allowing us to be market leader
Production	We reached a technological knowledge on manufacturing processes allowing us to express our value by integrating new production methodologies, joining the lean techniques and the “zero waste” philosophy

4.4 Output

We offer a wide products range designed for the following applications:

Dishwashers, convection ovens, vending machines, professional coffee machines, osmosis devices, hermetic and semi-hermetic compressors (scroll and hermetic compressors) LSPM compressors, industrial and domestic ventilation and different applications for e-mobility field.










Rotostators
 LSPM/IPM
 Hermetic
 Semi-hermetic

Air
 Cassettes
 Fancoil
 Kitchen hoods
 Professional ovens

Water
 Dishwashers motor pumps
 Rotary vane pumps

E-Mobility
 Motorbike
 Scooter
 E-bike

4.5 Outcomes

CAPITALS		IMPACTS (key factors feeding the business model)		
		2020	2021	2022
Financial 	Salaries 	8.215.757	9.362.883	8.744.074
	Taxes 	-879.058	197.703	22.099
	Cash flow 	2.199.026	-778.183	219.030
Productive 	Production line revamping and modernization projects.			
Relational 	Sisme has been recognized as a strategic partner for the supply of electrical equipment by the main market leaders.			
	Received many awards over the past years from main customers.			
Human 	Our company goal is to develop our employees' loyalty and a favorable internal climate.			
	Sisme is looking for skilled workers and aims to improve its attractiveness to new talents: over the last three years the number of employees with a degree has increased. In 2022, the percentage of employees with a degree is 11%.			
Intellectual 	Sisme participates to national and European announcement within the electric mobility and circular economy.			
Natural 	Lower energy and raw material consumed in our manufacturing processes.			
	The trade-off between these two goals makes Sisme efficient, oriented to reduce costs and wastes. Sisme supply chain is working for reducing scope 1 and 2 emissions and continuously improving the mix of measures by 2030. Lowering absolute scope 3 CO2 emissions by 10 percent by 2030			



5. CAPITALS

The summary of our strategic commitments



SUBJECT	POLICY	GOAL	PROGRESS 2022
T1 - Corporate Governance	Adoption of efficiency-oriented corporate governance tools (definition of objectives, roles, responsibilities ...)	Improvement of the MBO system	30%
		Change management logic	30%
		Code of Ethics / MOG 231	100%
		Sharing of three-year plan objectives	NEW
		Check promptly if the governance system is adequate at all levels (processes, procedures and delegations)	NEW
T2 - Human Capital	Development of a corporate climate aimed at encouraging the active participation of collaborators, the development of potential and the attractiveness of "new talents"	Develop an active listening mechanism	30%
		Identification of methods of attracting new talents	50%
		Introduce internal resource development	40%
T3 - Business skills	Coverage and development of internal skills (gap analysis)	Identification of training to fill the identified gap	25%
		Definition of new company profiles to be integrated into the organization to facilitate the achievement of company objectives	ON GOING
		Maintaining strategic skills (retention policy)	NEW
T4 - Research and development	The development of incremental innovation to ensure product availability in line with market needs	Performance improvement with focus on energy efficiency	50%
		Material consumption reduction	40%
		Identification of opportunities related electrification increase	40%

SUBJECT	POLICY	GOAL	PROGRESS 2022		
T5 - Production efficiency	Planning and optimization of production resources that combine quality - time - costs	Increase in plant reliability	75%		
		Optimization of production and exchange planning techniques	60%		
		Optimization of spaces and work environment	30%		
		Fulfillment of goods receipt checks (SAP lines)	NEW		
		Supplier quality	25%		
		IDR/IDS	50%		
		Customer claims	90%		
		Carbon footprint	70%		
		Suppliers' sustainability	25%		
		Suppliers' performance	30%		
		S&OP and SC PMS	40%		
		Lean journey	40%		
		T6 - Technological innovation	Development of information systems to support decision-making and industrial processes	Developing systems to support logistics (WMS)	100%
				Developing systems to support Production (MES)	10%
				Continuous IT security monitoring	25%
T7 - Health and safety	Compliance with current health and safety regulations	Aim to "zero" (zero accidents, occupational diseases, near misses ...)	90%		
		Development 45001	20%		
		Continuous improvement of the safety features of machinery	30%		

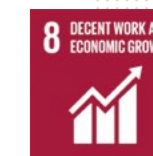
5.1 Financial Capital



The Financial capital refers to the financial resources and investments that are aligned with sustainable principles and practices. It involves directing capital towards renewable energy, green infrastructure, and companies that prioritize sustainable practices.



Under this prospective, Sime, with a leadership role in the production of rotostators and electric motors, introduced itself to the large audience of attendees at the fifth round of the "Imprese vincenti" roadshow. Intesa Sanpaolo's initiative aims to enhance the value of small and medium-sized enterprises that represent an example of corporate excellence capable of successfully responding to the delicate and constantly changing environment.



ECONOMIC VALUE DIRECTLY GENERATED AND DISTRIBUTED (GRI 201-1)	2020	2021	2022
A Economic value generated: revenues	53.936.361	81.536.332	86.477.386
B Economic value distributed:			
B1 Operating costs	39.213.057	65.794.672	71.799.492
B2 Employee's salaries and benefits	8.215.757	9.362.883	8.744.074
B3 Payments to capital providers	402.405	381.885	492.122
B4 Payments to the Public Administration	216.982	290.512	207.972
B5 Investments in the community	3.312	0	0
C Economic value withheld (A-B)	5.884.858	5.727.589	5.233.726

Research and development activity is a strategic asset from both a competitive and sustainability perspective. R&D grants are widely used tools to stimulate long-term economic growth. Through these, SISME develops highly innovative, customized and high-quality products.

In the past 3 years, paths full of new ideas and challenges aimed at developing technologically innovative products have been undertaken. Among these the main ones are:

- reluctance motor for use in compressors for refrigeration or cooling
- new hybrid motors
- motors with reduced magnet content

FINANCIAL ASSISTANCE RECEIVED FROM THE GOVERNMENT (GRI 201-4)	2020	2021	2022
A Tax relief	26.738	0	617.870
B Subsidies to R&D and investments	216.888	193.403	146.266

5.2 Productive capital



Productive capital refers to resources used in production that consider environmental, social, and long-term economic factors. It balances economic benefits with the preservation of natural resources and social equity. This approach promotes energy efficiency, sustainable resource use, and responsible waste management. It also emphasizes workers' rights, diversity, and community involvement. By creating long-term value and considering the needs of future generations, productive capital in sustainability aims for economic, social, and environmental harmony.

Under this prospective, the search for quality and operative excellence to increase the company's competitiveness must necessarily be combined with production efficiency.

Our Group has decided to undertake a process of continuous improvement and reengineering of some production processes in order to maximize performance and reduce costs.

Foster continuous improvement

2021 was a year of great changes for the Sisme group. The birth of the "Continuous improvement department" is one among the most important. Continuous improvement (referring to "kaizen" method) is one of the pillars at the base of Lean, a philosophy that Sisme decided to embrace in recent years.

In 2022 instead, thanks also to the arrival of the new production manager; Sisme started to work with its quality and warehouse operators and to the line supervisors aiming at lean principles.

Because of this, with the support of the continuous improvement dedicated to the productions department, the company decided to start different projects and a learning path for its operators based on lean techniques like:

- 5S (Seiri Seiton Seiso Seiketsu Shitsuke)
- SMED (Single minutes exchange of dies)
- KANBAN
- VSM (Value Stream Mapping) together with one of SISME major customers.



This path must be monitored through the use of indicators, keeping into consideration the principle that everything that is measurable can be improved.

The starting point for increasing efficiency in organizations that undertake a path of continuous improvement is the OEE (Overall Equipment Effectiveness) monitoring, an indicator offering the possibility of systematically discovering the potential for plant or production lines optimization.

The value of the OEE consists in the multiplication of three factors:



Availability

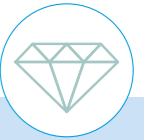
Percentage of time worked in relation to the opening time of the production site.

The ratio is between the time during which the plant has produced goods and the opening time of the production site.



Efficiency

the efficiency is the ratio between the real output and what the line could theoretically produce. in the planning phase, planners take into consideration the average efficiency of the different lines. Delays are in this way highlighted through the on time production.



Quality

It is the percentage ratio between the compliant parts compared to the total of the parts produced. In this way, drops in production related to waste or rework are so highlighted.

Quality policies and management systems

For Sisme, the concept of quality is a milestone of all the processes: the goal is not only to create products that meet all the customer's requirements, but also to use the best raw materials and subject the manufactured products to rigorous and methodical checks.

With a quality management system compliant with the ISO 9001 standard, Sisme constantly manages and monitors quality throughout the organization, promoting the culture of "risk-based thinking" preventing and reducing risks within of each business process. The priority objective is "zero defects", this is necessary to ensure compliance with the requirements and expectations of customers.

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

- Supplier performance in terms of quality of materials and service
- Improvement of the effectiveness and efficiency of production processes,
- Reduction of waste and non-quality costs,
- Maximum customer satisfaction

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

In order to demonstrate the ability to face the challenges in product's development, the company considers the perspective of the whole life cycle, always keeping into considerations technical assistance, packaging and transport conditions, settings of the technical-managerial interfaces to facilitate relationships and make communications efficient.

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

Suppliers and collaborators are also empowered and monitored in order to ensure the necessary quality performance and are maintained in the perspective of full compliance with customer requirements and legal requirements.

Certifications



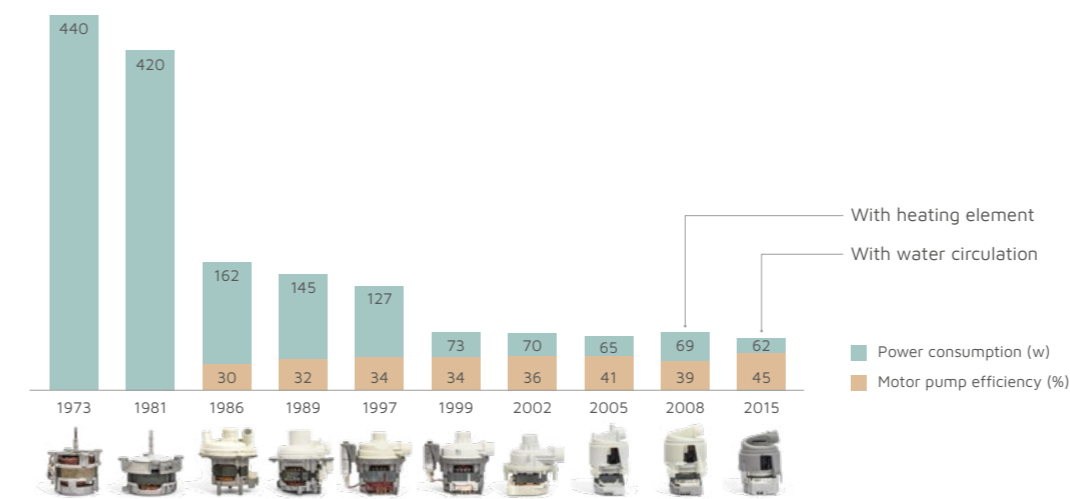
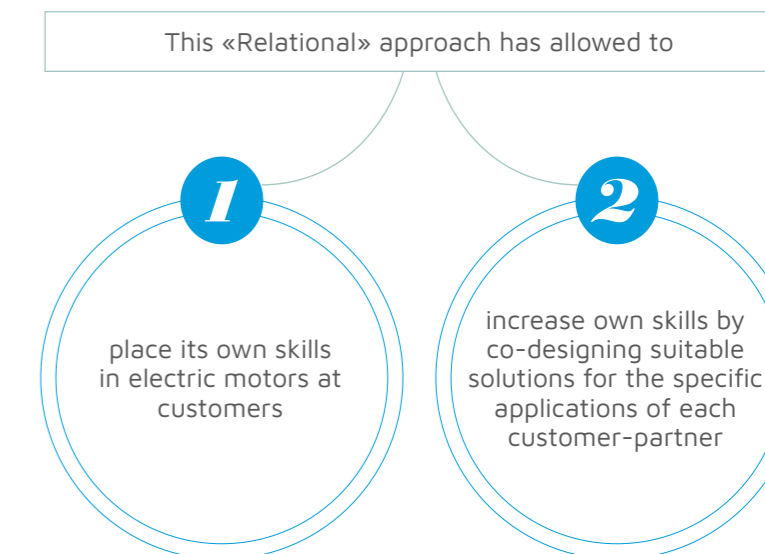
5.3 Relational Capital



The relational capital is an "intangible" value and consists in the so-called "trustworthy" resources, centered on the virtuous exchange of flows of information between the company's internal and external resources. An intangible heritage pertaining to company relations that internally reflect in staff's motivation and cohesion and externally in corporate credibility (brand strenghten).

Sisme is an historical company that builds long-term relationships with its customers and its suppliers and makes the human factor a key element for its sustainability.

Sisme has always paid great attention and invested in long-term relationships and collaborations, which we can define as partnerships with large multinational compan



Sisme is still evolving relationship with its customers together with its products, allowing to cultivate and establish a mutual trust heritage over the years. To day, thanks to this approach, Sisme has a electric motors portfolio ranging from 60w to 60kW, with skills ranging from applications to household appliances to those for ventilation, refrigeration and industrial air conditioning.

Client portfolio is made up of large international groups such as BSH, Electrolux, Carrier, Danfoss, Bitzer, Emerson, Trane technologies, just to mention the most important ones whose relationship is governed by multi-year agreements. Relationships ranging from materials planner to the CEO passing through all company departments, Quality, R&D, Purchasing, Operations have been established.

Heritage of relation has nourished a virtuous circle made up of exchanges of “technical” information, knowledge and interpersonal relationships, in a broad sense. Over the years this has made possible not only to maintain but also to increase this capital’s value.

Sisme’s customers are not just the source of its turnover but also a network

made up of international relationships and skills giving the company solidity and resilience characteristics

that go beyond specific dimensions of the company.

This approach towards customers born from Antonio Costantini, the commercial director of Ranco, (whose later became the owner after the “management buy-out” with the name of Sisme), was transmitted to the relationships with other internal and external stakeholders of the company.

5.3.1 Supply chain

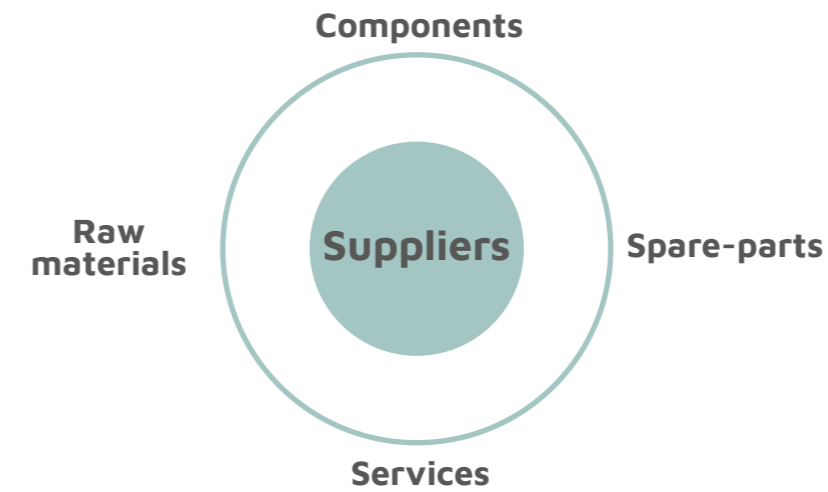
Sisme is mindful to its suppliers choice with whom it always tries to

develop long-term relationships that lead to the creation of added value

both for them and Sisme, favoring the choice of local suppliers.

Sisme’s supplier fleet is made up of raw material suppliers, components for the construction of electric motors, spare-parts and service providers (example: canteen and cleaning); relations with suppliers are guided by the principle of partnership, mainly based on fairness and impartiality without keeping back from the procedures defined by the company.

Suppliers are generally market leaders and the partnership developed by Sisme allows simple, lean and effective management of problems that might occur, as well as the availability of the most advanced and cost-competitive solutions on the market.



Sisme’s approach does not focus on the “frontal” cost of materials but aims at maximum containment of the TCO (total cost of ownership); in addition to the purchase cost, Sisme considers the suppliers’ level of service, the components quality, the productions sustainability and the service level provided by Sisme’s production lines.



PARTNERSHIP



Supply chain

The SC strategy aims to define the contribution of Supply Chain to a successful implementation of Corporate goals highlighting key elements already addressed in the past, but also sets some new priorities and raises new requirements from Supply Chain at SISME:

- Rising requirements to define and upgrade logistics service offering (i.e. consignment stock);
- Business development and focus on engaged customers require new logistics solutions;
- Supply Chain needs t establishing a global team to be ready for our growth path and at the same time, needs to continue to drive operational excellence.



The strategy will plan our way forward to deliver the Supply Chain contribution to sustainable value creation in term of:

- Cost (productivity);
- NWC (days on hand);
- Revenue (from services);
- How do we optimize our demand and supply planning (S&OP) and inventory positioning;
- Excellence in operations;
- Lean journey.

Sisme focuses on market leadership, customer engagement and strengthening differentiation and many questions have to answer:

- What should be our service offering and service levels considering customer needs, market trends and competitive forces? Where will we differentiate in Logistics and at what cost and revenue? Can customer segmentation help us drive engagement?



Suppliers' sustainability

Our global supplier network contributes significantly to the added value, quality, and innovative strength of our company as well as to the overall sustainability performance along the complete value chain.

Consequently, our suppliers have a vast influence on whether we achieve our sustainability goals.

They remain strong partners who make a positive contribution to both the ecological and social aspects of our business activities.

We work with

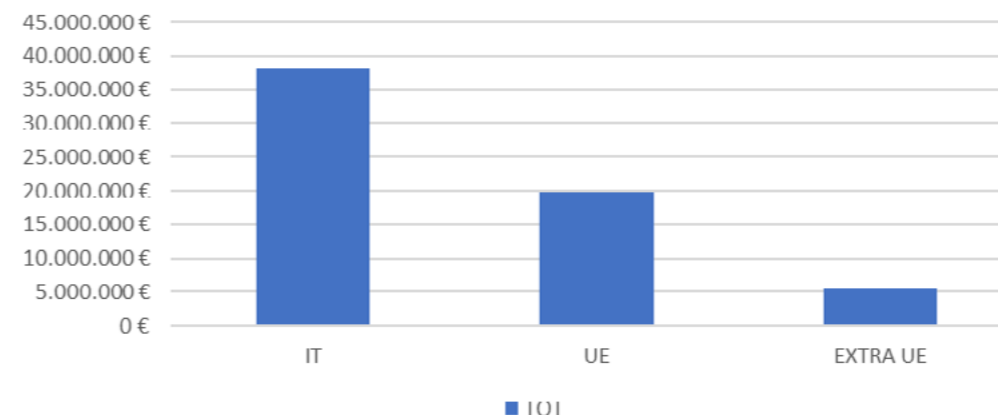
roughly 500 suppliers

to purchase the material that goes directly into our products or consumed in our facilities.

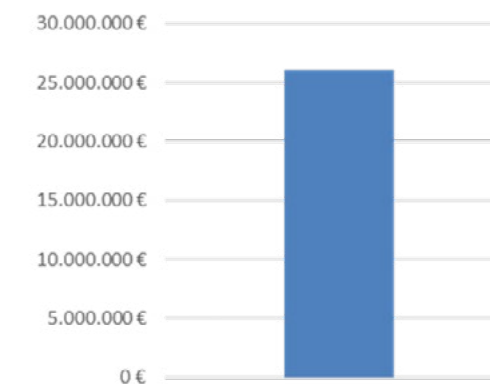
Approximately 83 percent of these suppliers are based in Italy, 11 percent in Europe, 4 percent in the Asia/ Pacific region and 2 percent in the western hemisphere outside Europe.

Our direct suppliers need to agree to our Code of Conduct for Suppliers in order to start a business relationship. Alternatively, they may have their own codes in place meeting the Company's requirements.

Proportion of spending on suppliers (by geographical area)



Lombardy





Suppliers' performance

Market pressure forces the industry to deal with increased innovation speed, to cope with shorter product lifecycles, to source for best possible suppliers, so automate operational procurement becomes a competitive key. Sisme is structuring his own processes and systems to drive a transformation to fully digitalized source to pay process in order to let a new level of efficiency and responsiveness.

We might get connected with almost all our roughly 500 core suppliers.

***The 500 suppliers
handle more than
90 percent of our
total purchasing volume
of components and
raw materials.***

Our goal is to make a digital transformation of procurement to have the contract documentation and communication of all suppliers on our ERP. This enables us to document standards, product compliance statements, agreements and audit results, helping to support us in systematically cultivating our supplier relationship.

The supplier's Segmentation is the key next step to "de-average" positioning and set clear priorities by segment, to enable the introduction of the Category Management to address the three key issues:

1. **Develop** the correct category strategy to meet either current either future business requirements and, at the same time, identify new potential savings;
2. **Involve** all the main actors involved, ensuring the communication in a management process that avoid any discontinuities in the implementation of the strategy choice;
3. **Guide** the multiplicity of initiatives, build up of numerous sub-activities, which are launched to implement the chosen strategy, ensuring an effective monitoring and reporting about achieved results.



Suppliers' qualification

Sisme adopts the Code of Ethics, therefore suppliers's qualification is made by following its guidelines, objectively evaluating

***parameters such as competitiveness
and cost-effectiveness;***

furthermore, suppliers possibilities to face regulatory obligations in force and certifications in their possession are analyzed.

As it is structured the supplier's approval process minimizes risks to depend on individual suppliers (example: supply interruptions). Sisme also adopts a second source model for all strategic material and components suppliers. Compared to the main supplier a slightly lower share is allocated to the second source: this always guarantees supply continuity and the risk reduction of uncontrolled and unmanageable price increases.

Attention to worker's safety is taken into account during supplier qualification process too.



5.3.2 Membership of associations

Since 2003 Sisme has an association called «CRAL-SISME» with the aim of promoting cultural, sporting, social, humanitarian and recreational initiatives among the members.

The registration into the CRAL SISME system is open to employees, former employees, relatives or friends of employees.

Sisme is also member of Confindustria Como, an organization that represent and protect the interests of the associates towards local authorities with direct intervention or national and international public institutions.

A representative of our top management is also acting as advisor in charge (Internationalization and the European Union) for Confindustria and appointed as president of the Metalworking Group.

Sisme opens to ITS Mechatronics students:

a joint effort strongly desired by the Metalmechanics Group of CONFINDUSTRIA COMO, of which Serena Costantini is president, in collaboration with the ITS Lombardy Mechatronics Foundation and at the ITIS Magistri Cumacini pole school.



5.3.3 SISME: projects and initiatives

La Provincia, one of the main national journals, recounts the visit to #Sisme by the students of ITS Lombardia Meccatronica, and reports the statements of Serena Costantini, president of the Metalworkers Group of CONFINDUSTRIA COMO.



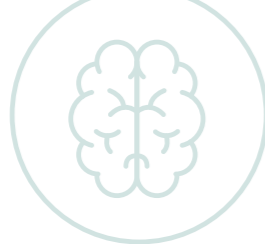
Creatività imprenditoriale e storie di successo, Il sole24ore



Interview by Serena Costantini :
A real opportunity with also a gender equality certification

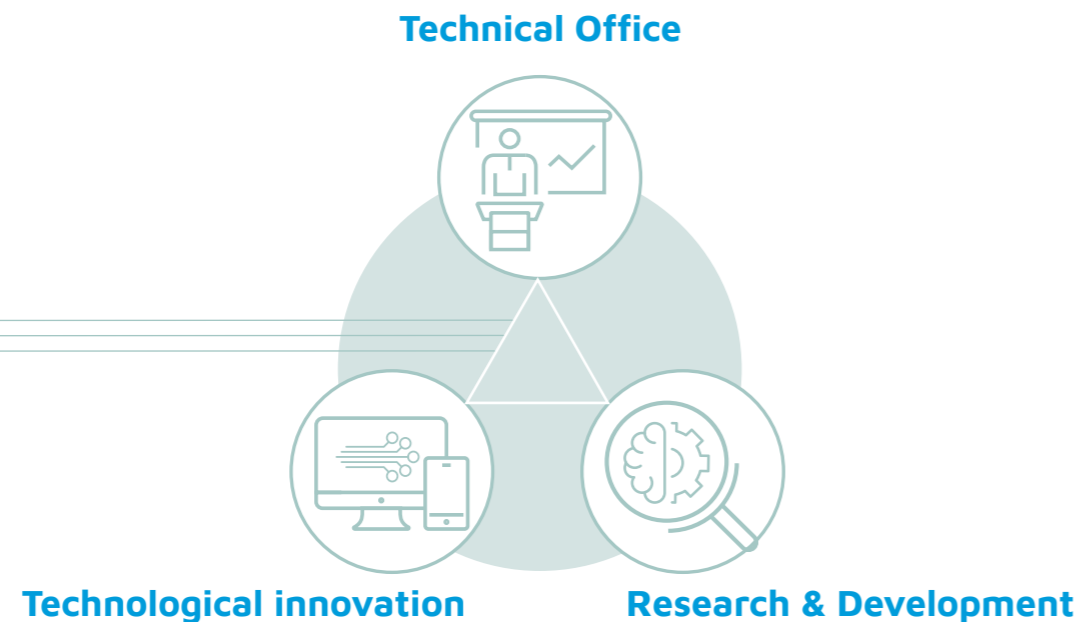


5.4 Intellectual capital



Over the years, Sisme has continued and will continue to invest in tools and initiatives oriented to increase its intellectual capital, i.e. the system of intangible resources contributing to the value creation.

For us these resources are attributable to 3 categories:



Research and development (R&D) and Technical Office

Sisme produces electric motors of many types. Since its introduction on the market, electric motors have experienced an incessant spread in all sectors, expanding possible fields application and significantly increasing the demand in various markets.

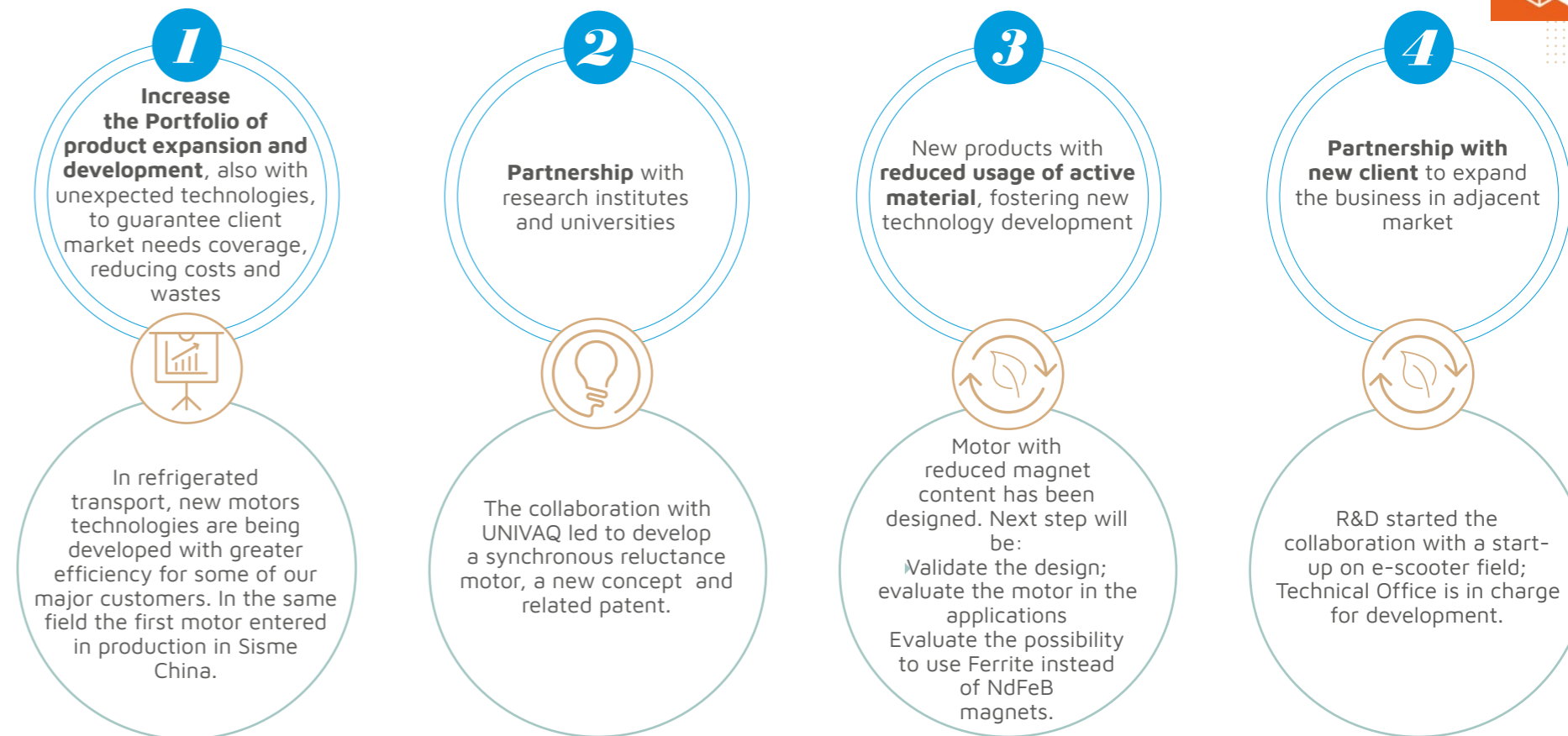
We are committed to innovation and improvement, starting with Research & Development, technological innovation and also corporate governance oriented to organizational efficiency.



5.4.1 Research & Development

Sisme operates with a R&D function working in cooperation with product engineering in order to have a dedicated structure, capable of interfacing and collaborating effectively with universities, research institutes, start-ups, customers, suppliers and all company functions.

The main objectives of the R&D function are:



To pursue these goals, the company has in force research contracts with universities and participates in national, regional and European tenders in the field of electric mobility and circular economy. Furthermore, there are existing co-designs with our main customers in the field of refrigeration, air conditioning, household appliances and air movement.



5.4.2 Technical Office

Sisme has three ways of product development process in which R&D and Technical office are involved:

1) Co-design projects with customer

A new project - in partnership with a market leader client - for electric mobility in the MTB sector is under development. Focus on the design and manufacture of a new Drive Unit for MTB. The drive unit integrates a motor, a reduction unit and a drive board. Sisme will supply the roto-stator on the basis of specifications provided by the customer. The first prototype has been delivered to the customer in 2022. The work program is ambitious and foresees an SOP in the first quarter of 2024.

2) Projects developed independently (based on current market needs)

This project involves the construction of complete engines for both medium-small size scooters (3-5 KW) and for bicycles / electric scooters (powers around 250-300 W). The engines for scooters are currently being tested on some motorcycles of the end customer to check their performance. The bike engine is currently completing its internal verification tests. The motors for scooters would have a much wider potential market at competitive costs. Possibility to start with the motorbike engine after customer approval.

3) Customization for different markets/customers' needs.

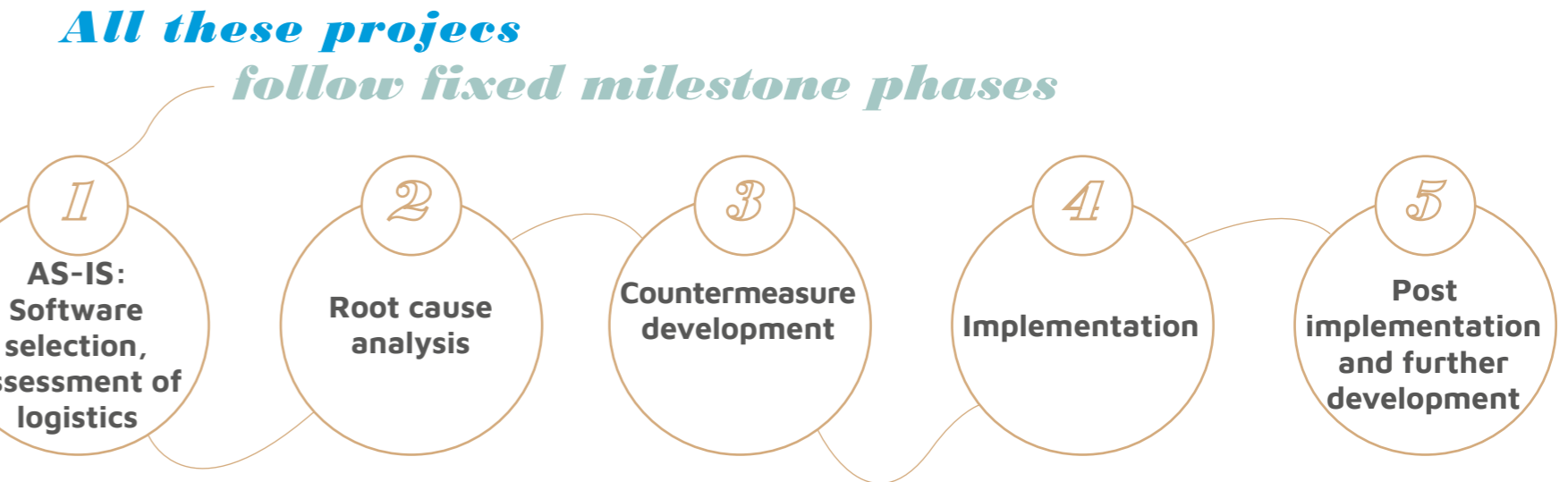
The project uses the motors designed for motorcycle applications to be developed for different industries where electrification by endothermic engines is under evaluation. These are also low voltage 48-72V battery powered applications and we currently provided some samples to a system integrator who would like to enter in this business. Tests are ongoing.

5.4.3 Technical Innovation

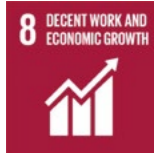
Sisme group is aware that the technological evolution process and in particular the control and interconnection of the operative systems has reached a level of pervasiveness to become an essential element for the effective and efficient management of a modern plant. Today, these aspects are becoming key competitive factors allowing to reduce wastes and costs related to production. This system digitalization process consists in the software implementation to support the company's operations. In 2021 Sisme was involved in three main projects:

- Software to support logistics (WMS)
- The manufacturing execution system (MES).

All these projects follow fixed milestone phases:



The implementation of these software is a part of the target. In the next years IT department will be furtherly involved in two main activities: a **vulnerability assessment** to secure the company perimeter and the creation of IT **synergies with clients and suppliers** with the aim of strengthening and optimizing communication, reducing overprocessed activities and costs.



1. Software for logistics management (WMS) and further implementation

In 2021 Sisme has implemented the SAP WM package. The WMS (warehouse management system) is a software supporting logistics from the incoming goods to the location in the ware-house, the material preparation for the production phases or for the Line Supermarkets supply, the preparation of shipments.

The goal for the software implementation:

- Mapping through wm locations of all logistic areas present in Sisme
- Develop strategical loading and picking policy (on the basis of rotation index and ABC clusters)
- Flows (inbound mgmt, distribution to the factory, outbound mgmt) handled through barcode scanner device

The introduced innovation allow increase logistics productivity and efficiency by reducing the time for picking and loading.

The WMS implementation strengthen some processes into the SAP system in order to increase the inbound management accuracy, or an app for HU cross check for the outbound that will be developed to reduce shipping mistakes. WM introduction will change also the way for carrying out the inventories. In 2022, the aim will be managed it through rolling inventories, avoiding the year-end inventory.

Wms as an occasion for re-layout WH (and supermarkets for Kanban logic)

The SAP WM package implementation allowed to rethink some logistics areas and the development of new WH. In 2021 Sisme invest in a main central intensive warehouse for small components, but also 15 gravity supermarkets for high runner parts (for household application and RS). The Kanban logic production procurement was something new. it was possible to implement this type of strategy for specific categories of materials thanks to the ROP defined in WM. This logic allows logistics operator in saving time avoiding the count for the materials manually for each production order.



2. Informatic system to support production (MES)

The integration process between Sisme production lines and the SAP environment was achieved through the MES system (Manufacturing Execution System) that provides a real-time "SAP/machinery" interaction enabling the final accounting and reporting stages.

Savings in terms of time for data collection as well as in their accuracy and punctuality are undoubted.

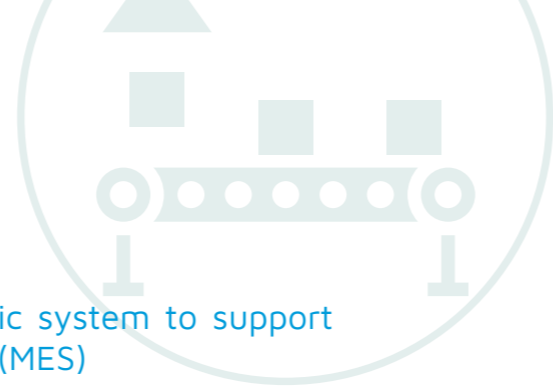
The two pilot lines on which the integration of the MES will be initiated have been identified.

The necessary hardware / software investments approved; the integration will be gradually extended to all lines.

WMS and MES to enhance operational efficiency and productivity

Sisme pursues a comprehensive approach to enhance efficiency and productivity. Integration of MES and WMS optimizes operations and product quality. Maintenance, SMED techniques, and redefined production methods maximize equipment utilization.

Quality assurance is prioritized with self-control, poka-yoke, and vision systems. Failure analysis and supplier collaboration reduce costs. **Lean methodologies** drive continuous improvement. Sisme aims for operational excellence through organizational efficiency and WMS implementation.





5.5 Human Capital

The Human capital refers to the knowledge, skills, and abilities of individuals that contribute to sustainable development. It encompasses the education, training, and expertise of people in addressing environmental and social challenges. Human capital in sustainability involves promoting sustainable awareness, fostering a culture of innovation, and nurturing a diverse and inclusive workforce. It emphasizes the development of skills by investing in human capital, societies and organizations that can harness the potential of individuals to drive positive change and advance sustainability goals.



5.5.1 New talent attraction

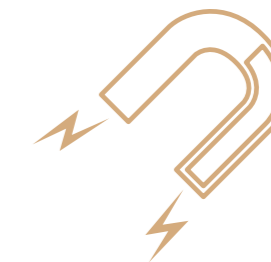
SISME is constantly committed to the development of its human capital and creating a positive work environment oriented to mutual collaboration, teamwork, sharing of objectives and suited to express every single person's potential.

In 2021 Sisme decided to improve external communication, observing the same principles of transparency and honesty adopted internally.

Transparency in sustainability communication is one of the greatest attraction and natural empathy factors with external stakeholders.

The attraction of new talents was the main focus for the HR Dept the last year.

Sisme decided to start collaborating with the **Politecnico di Milano "Lean Excellence Center"**. **Four projects have been implemented to date: "Production plan scheduler for set-up time reduction" "lean thinking for downtime reduction" and "maintenance process and task analysis for CMMS implementation assessment" and "EOQ model application"**. The path started in the end of 2020 and it is still going on. It contributed to have in Sisme, through the last 3 years, 5 different students, both Italian and foreign ones, coming from Politecnico di Milano. One of the value added from these projects, is the possibility of attraction of new talents, indeed, 2 of the 5 aforementioned students are now working for Sisme. In 2021 this collaboration was divided into three projects that allows HR to hire two new Sisme employees.



One of the most important Company's goal is to create an effective and proactive communication system with the collaborators based on principles of truthfulness, respect and fairness.

Locally the companies operate according to the Headquarter's guidelines, however organizing initiatives dedicated to local employees thanks to the procedural body in place.

The recruitment process is based on candidates' specific range of skills referred to the internal requesting BU needs always respecting peers opportunities for all the stakeholders.

Sisme, regardless of gender and location, offers remuneration in line with the market, benefits and incentive systems to improve the quality of people's life.

5.5.2 Business skills



A “rewarding” system for active listening is also under consideration, rewarding ideas and practical tips leading to company’s savings / greater efficiency.

Today, talents stay longer in an organization, as long as their commitment is valued and recognized.

Sisme therefore intends to implement a reward system based on two elements:

A resource assessment system, essentially based on the use of skill matrix, where each manager evaluates his/her colleagues in function; the evaluation mechanism could also be bidirectional, with appropriate attention.

1
Attracting new talent

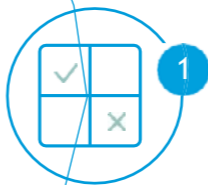
For Sisme enhancement of human resources also means

Sisme is one of the main companies in Como area nowadays producing one of the most requested goods on the market (the electric motor) and external communication becomes essential to enhance our commitment and attract new talents.

Therefore, Sisme intends to work on external communication, observing the same principles of transparency and honesty adopted in internal communication, i.e. making known and sharing (for example through a better use of social channels, but not only) the strengths, opportunities and also the aspects to improve of Sisme.

In order to attract new potential talents, Sisme also intends to develop closer contacts with schools and universities and to define specific paths for work placement and growth in the company, trying to customize the paths and avoiding the use of standard methods for all colleagues of the same function.

2
Developing retention mechanisms for talents, i.e. the person denoting growth potential working in Sisme



1 Implement specific individual development paths for talents.

Starting from the indications contained in the skill matrix it is possible to create:

A- Essential checkpoints to assess both the training effectiveness provided and the learning level by talent (closure of the GAP).

B- Customised development and growth paths: providing for mobility both among functions and Group plants (secondment).

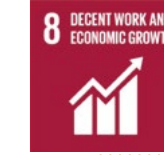


The performance management project is started. The first step involves a self-assessment by the employee combined with evaluation by his/her manager. The strengths and possible areas for improvement of everyone are identified. The next step will be the implementation of specific trainings to generate growth internally and to retain talent.

	2020	2021	2022
New hires and turnover (GRI 401-1)			
Number of new hires	3	13	45
Males	3	7	30
Females	0	6	15
Benefits expected for employees (GRI 401-2)			
% of employees covered by standard benefits			
Life insurance -	5,8%	6,4%	6,1%
Health care -	100%	100%	100%
Stock options -	-	-	-
Parental leave (GRI 401-3)			
Total number of employees with the right to the p.l.	ALL 184 (Males) / 80 (Females)	ALL 177 (Males) / 80 (Females)	ALL 177 (Males) / 87 (Females)
Total number of employees who have benefited from the p.l.	34 15 (Males) / 19 (Females)	22 12 (Males) / 10 (Females)	26 10 (Males) / 16 (Females)
On-the-job-injuries (GRI 403-9)			
Number and rate of deaths from injuries	0	0	0
Recordable number and rate of injuries	3	6	6
Near miss	4	4	6
Number of hours worked	369.766	423.023	408.536



	2020	2021	2022
Occupational diseases (GRI 403-10)			
Number of cases of occupational diseases	0	0	0
Main types of occupational diseases	0	0	0
Spending on training per year (GRI 404-1)			
Type	Males: 16 Females: 20	Males: 21 Females: 24	Males: 13 Females: 13
Spending on skills development	18.370,00	31.615,20	18.907,00
Percentage of employees receiving a periodic assessment of performance and professional development (GRI 404-3)			
Tipologia	Males: 7 Females: 1	Males: 7 Females: 1	Males: 46 Females: 6



At the end of 2022 Sisme started a new journey. A training path for direct and indirect production operators. The different operators, divided in 4 groups are attending different courses held by the top management of the company. These program is not included for the calculation of the GRI 404-1

	2020	2021	2022
Ratio of basic salary and wage of women compared to men (GRI 405-2)			
Employee categories			
Level D1 -	100%	Just men	Just men
Level D2 -	100%	100%	99%
Level C1 -			
Level C2 -	99%	99%	99%
Level C3 -	89%	89%	89%
Level B1 -	88%	92%	93%
Level B2 -	100%	100%	100%
Level B3 -	Just men	Just men	Just men
Level A1 -	78%	91%	90%
Events of discrimination and corrective measures adopted (GRI 406-1)	0	0	0
Total number of discrimination events			

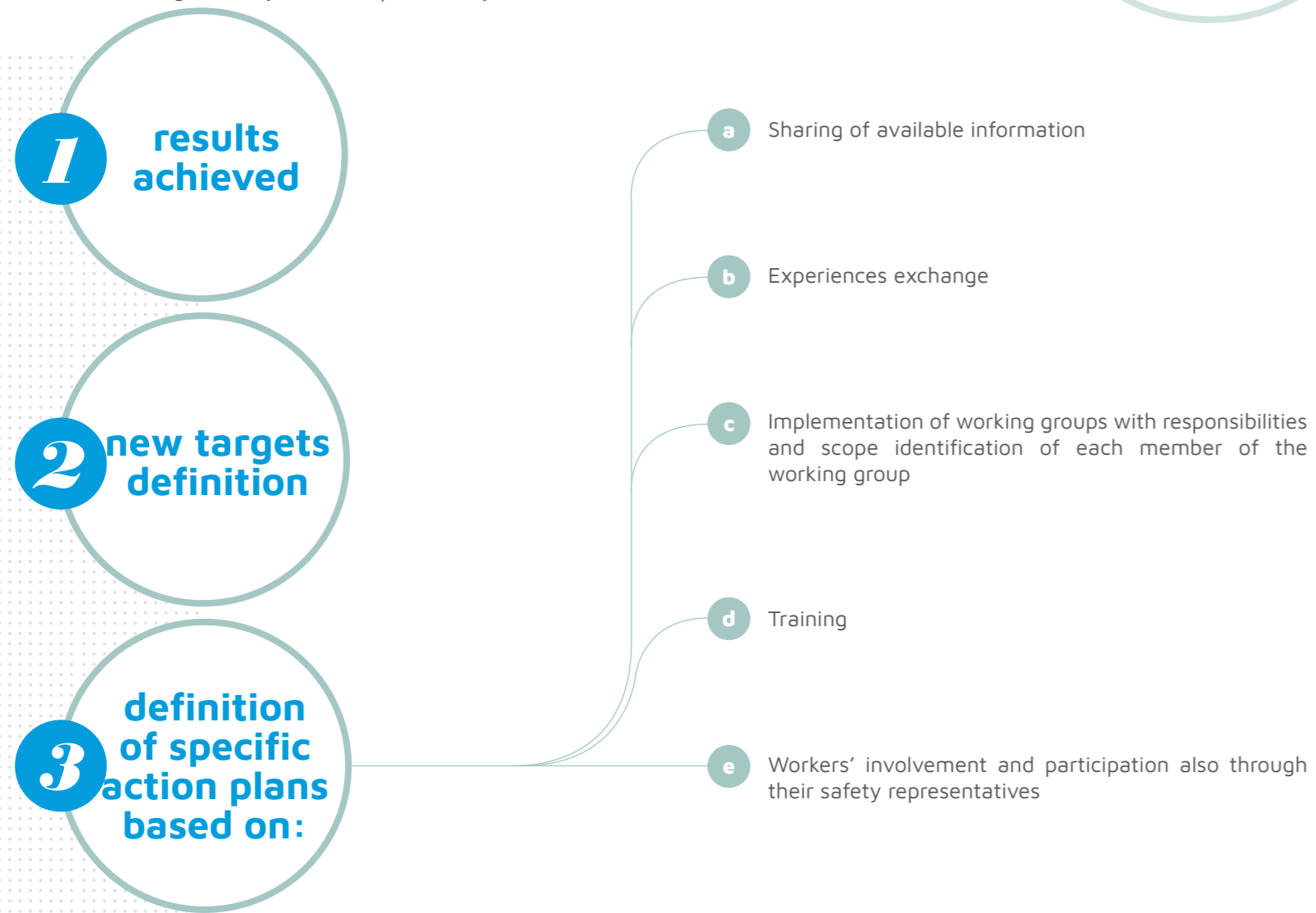




5.5.3 Health & Safety

SISME has embarked on a path of prevention and protection systems for workers and the environment, focus on long-term goals that can be achieved through the planning of various intermediate activities.

Sisme management systems are periodically reviewed in order to take into account:



One of the most important target for the company is to reach the “0 accidents” milestone enhancing the personnel awareness. This can be achieved by reviewing or drafting new safety procedures; instructions, information and training activities. The revision of the procedure on the management of accidents, near misses and reports takes a lot of space in this awareness raising process. This has made it possible right from the start to increase the collaboration between the production and RSPP function, helping the prevention and protection service both to collect more information for the updating of the risk assessment document, and to identify alternative solutions.

Thanks to the effort of all the departments involved in safety and prevention, Sisme registered a continuous improvement on the results. Indeed, in 2022 we registered 6 injuries, of which, only one can be classified as serious; 0 were the deaths correlated to injuries and 0 the professional illnesses.

FREQUENCY INDEX		
2020	2021	2022
7,9	13,8	14,7
Calculated as: (total number of accidents at work/total number of hours worked)*10 ⁶		
SEVERITY INDEX		
2020	2021	2022
0,1	0,6	0,1
Calculated as: (total n. of days of absence due to accidents/total n. of hours worked)*1.000		
INCIDENCE RATE		
2020	2021	2022
1,1	2,2	2,3
Calculated as: (total number of injuries/total number of employees)*100		

“0 injury target”

that Sisme intends to achieve, so continuous improvement will be pursued through new goals planned for the next three years, tending to give SISME an integrated safety management system, for this reason it is planned to:



The periodic review and updating of the risk assessment document, together with the ergonomic analysis of the workstations, are a

fundamental step in increasing the degree of safety and comfort in the company.

These two activities have become part of the daily routine of SISME with the help of the external collaborators we are going to increase the quality of the workstations.

The other corporate objective is to development an ISO 45001 certification path, that includes various activities such as the expansion and updating of safety instructions on individual workstations, a complete review of company safety procedures and management more effective than personal protective equipment.

The company has objectives of adapting and updating machinery to current safety regulations, investing in new machinery that is increasingly safer, more effective and ergonomic.

SISME's corporate health situation is continuously monitored thanks to the function of the Competent Doctor. Health surveillance is managed, based on the assessment of the risks ti which each employee is exposed with respect to his or her relevant task. Medical examinations complied with regulations and showed, overall, a health situation aligned with previous years.

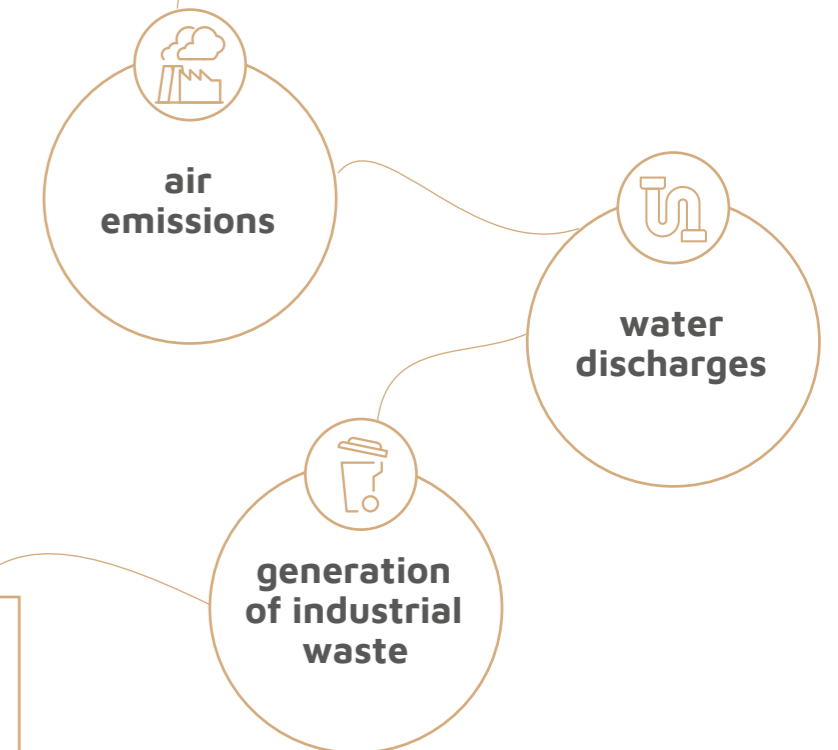


SISME's desire is to increase its employees' knowledge on health and safety issues to enable them, in the performance of their tasks, to adopt the highest care and diligence in aspects related to their own health, safety and that of others.

Ad hoc training is provided for newly hired employees with a focus of the main risks related to the job function.

With the purpose of anticipating first aid times, in the event of cardiac arrest in the workplaces, we have considered indispensable and fundamental to strengthen prevention to have a semi-automatic defibrillator (AED) and personnel trained for its use.

For several years, the company has also been committed to improve industrial practices aimed at reducing the environmental impact with a progressive introduction of more sustainable materials and processes in terms of:



With the ultimate goal of preserving the natural environment and the hygiene of the internal workplaces.

5.6. Environmental Capital



Natural capital in sustainability refers to the Earth's natural resources and ecosystems that provide essential goods and services for human well-being. It involves sustainable management and conservation practices that ensure the long-term availability and resilience of natural resources. By valuing and preserving natural capital, we can maintain ecosystem health, mitigate climate change, and safeguard the planet's biodiversity for future generations.

Reducing the environmental impact is one of the most important aim for Sisme and since its founding the company has followed environmental protection practices through proper waste management, continuous monitoring and analysis of atmospheric and water emissions.

In addition, the company is subject to "Autorizzazione Unica Ambientale" (AUA), an enabling measure issued by the Lombardy Region authorities providing guidelines to limit the impact on the environment.



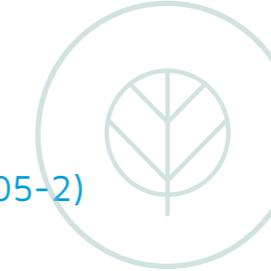
Sisme is committed to identify any energy waste and improving company's energy efficiency levels.

The trend is to minimize the environmental risks present in the various production steps, leaving production capacity unchanged while increasing its efficiency.

The increasingly replacement of solvent paints in the production process with water-based paints or self-cementing products is significantly reducing the environmental impact.



5.6.1 Carbon Footprint (GRI 305-1 e 305-2)



Emissions	Emissions	Total tCO2e 2021	Total tCO2e 2022
Direct emissions	Scope 1	3.323,52	2.934,18
Indirect emissions	Scope 2	1.284,85	1.164,41
Total		4.608,37	4.098,60

The 2021 data collection and calculation was carried out with technical support from ReteClima. All activity data related to GHG emissions in this study were modeled through use of databases such as Ecoinvent, ISPRA, EUROSTAT, ISTAT and in reference to the GHG Protocol Corporate Accounting and Reporting Standard.

The emission calculation for 2022 was reproduced internally by the company based on the analysis conducted the previous year.



	2020	2021	2022
Energy used inside the organization (GRI 302-1) Total combustible material consumption from non-renewable energy sources inside of the organization (gigajoules)	56.488	65.155	57.921
Energy intensity (GRI 302-3) Energy intensity of the organization (Energy in gigajoules used / 1000 pieces produced)	26,75	25,42	20,56
Energy intensity of the organization (Energy in gigajoules used / 1000 minutes of production)	5,77	5,78	5,60
Reduction of energy consumption (GRI 302-4) Reduction of energy consumption obtained as a direct result of energy saving and initiatives of improvement of efficiency	0%	6,2%	19,3%

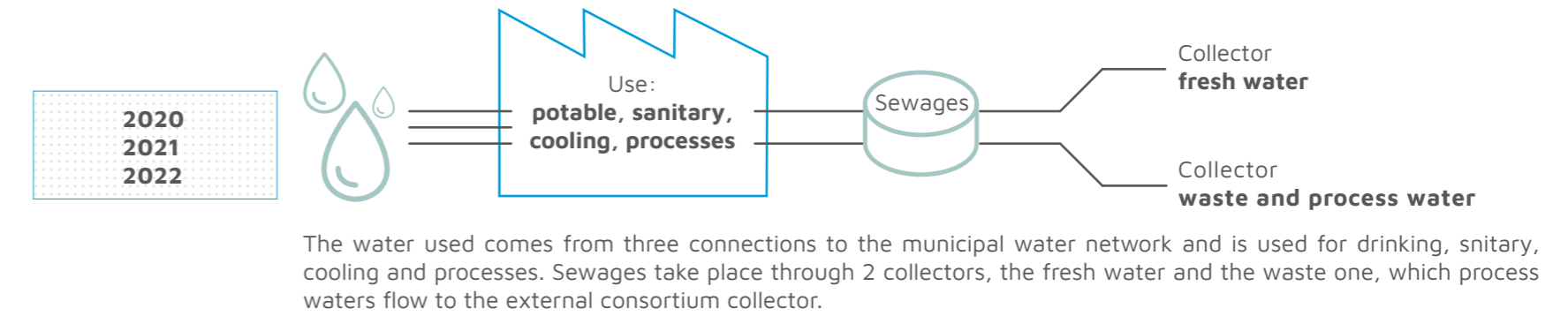


While the absolute value of the energy consumption is for sure a relevant data to be shown, it should also be compared with the trend of the production. Considering the ratio between Gigajoule used and 1000 minute of production, it is possible to see that Sisme exploited in a better way its resources through the years and this achievement has been reached thanks to the investments made to improve the efficiency of the implants afforded in 2021 and 2022.

The comparison is based on minutes of production instead of pieces produced, because of the relevancy and the better understanding of the analysis.

5.6.2 Interaction with water as a shared resource (GRI 303-1)

Description of how the organization interacts with water resources (collection, consumption and sewages) and the impacts caused or tied to.






The water used comes from three connections to the municipal water network and is used for drinking, snitary, cooling and processes. Sewages take place through 2 collectors, the fresh water and the waste one, which process waters flow to the external consortium collector.

	2020	2021	2022
Water withdraw (GRI 303-3) Total water withdrawal (megaliters)	10,561	11,399	12,0139
Water sewage (GRI 303-4) Total water sewage (megaliters)	1,20	1,35	1,43

	2020	2021	2022
Water consumption (GRI 303-5) Total water consumption (megaliters)	9,36	10,05	10,98









5.6.3 Waste production and management

	2020	2021	2022
Waste produced (i) (GRI 306-3) a) total weight in tons of waste produced and subdivision of the total weight according to the composition of the waste; (use 1000 kg as a measure for one ton)	 363,155	 564,95*	 412,135
b) context information necessary to understand the data and how to compile it.	The CER codes are attributed by the producer of the waste, in this case Sisme. The company protects itself from this by requesting specific waste characterization analyzes from accredited and authorized laboratories to confirm or modify the attribution of the CER code to be communicated to the disposer and the authorities. The data relating to the weights are initially provided by Sisme by weighing the waste on site, but then the official value is verified at destination and then by the final receiver of the waste. The latter, through the delivery of the 4th copy of the formulation, indicates to Sisme the verified weight of the waste and this data is entered in the Winwaste company management system from which the MUD will be obtained annually.		

*There is a growing deviation from the average waste produced as, in addition to an increase in production, specific activities have been carried out to improve the company's energy efficiency and the dismantling of obsolete plants and machinery as well as extraordinary maintenance interventions.



	2020	2021	2022
Waste not destined for disposal (GRI 306-4) Description of waste not destined for disposal	Any SISME waste is destined for disposal		
Waste not destined for disposal (GRI 306-5) b) total weight in tons of hazardous waste destined for disposal	 36,272	 52,805	 40,627
Waste not destined for disposal (GRI 306-5) c) total weight in tons of non-hazardous waste destined for disposal	 326,883	 512,145	 371,508
Waste destined for disposal (GRI 306-5) d) for each disposal method listed in Disclosures 306-5-b and 306-5-c, a breakdown of the total weight in tons of hazardous and non-hazardous waste destined for disposal: i. on site; ii. at an external site.	All the waste listed above is destined for disposal at various authorized and authorized external sites		





6. REFERENCES



[Link table with GRI indicators \("GRI-Referenced"\)](#)

GRI STANDARDS	DESCRIPTION	Pages
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GRI 2: General Disclosures 2021	2-2 Entities included in the organization's sustainability reporting	6
GRI 2: General Disclosures 2021	2-3 Reporting period, frequency and contact point	6-last
GRI 2: General Disclosures 2021	2-4 Restatements of information	6
GRI 2: General Disclosures 2021	2-5 Activities, value chain and other business relationships	20-21-22-23
GRI 2: General Disclosures 2021	2-7 Employees	14
GRI 2: General Disclosures 2021	2-9 Governance structure and composition	16-17-18

GRI STANDARDS	DESCRIPTION	Pages
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GRI 401: Employment 2016	401-1. Total and number of hires and turnover rate	52-53
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Sisme has reported the information cited in this GRI content index for the period from 1 January 2022 to 31 December 2022 with reference to the GRI Standards.



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