



CONSOLIDATED
NON-FINANCIAL
DECLARATION
2022





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How to interpret this document

In line with last year, the SECO Group (hereinafter also the “Group” or “SECO”) has prepared and published a **Consolidated Non-Financial Declaration** (hereinafter also the “NFD”). The Group is governed by **Legislative Decree No. 254/2016**, which implements Directive **2014/95/EU** of the European Parliament and Council on the disclosure of non-financial and diversity information by large undertakings defined as “public-interest entities”.

In accordance with the specific requirements of **Articles 4 and 5 of Legislative Decree No. 254/2016**, this NFD discusses the SECO Group’s performance during the three-year period from 2020 to 2022, in relation to topics concerning the **environment, society, personnel, human rights, and combatting active and passive corruption**. Specifically, this document analyzes the management policies implemented by the Group in reference to these topics, in addition to the results achieved, current and future risks, and the management approach adopted. It also discusses the key non-financial performance indicators that are most relevant to the Group’s business activities.

This document has been prepared in accordance with the reporting principles of the Global Reporting Initiative (GRI)¹ to ensure that the information provided is high in quality, and that stakeholders can reasonably assess the Group’s performance. As such, data is reported in an **accurate, balanced, clear, comparable, complete and timely manner and to reliably report the organization’s sustainable ethos and reliability of the information**.

More methodological information is available in the “Methodological Note” section of this document.

This NFD therefore opens with this guide, followed by a **Letter to the Stakeholders**.

¹ | The Global Reporting Initiative (GRI) is a non-profit organization established to help companies and entities of all sizes around the world report on their sustainability performance and measure the environmental, social, and economic impact of their business activities. The GRI Standards — which are both universal and specific in nature, i.e., relevant to the various dimensions of sustainability — are voluntary and are recognized globally as the gold standard for non-financial reporting.

The main body of the document is subsequently organized into **four chapters**. Each chapter has a cover page that summarizes the Group’s key achievements in that area, the **material topics** covered², the relevant **GRI Standards**³ and their connection to the **2030 Agenda for Sustainable Development Goals**⁴, and finally, the **risks and opportunities** associated with the material topics covered in each chapter.

Each chapter contains text boxes that provide further information on certain topics.

01 Chapter

HIGHLIGHTS

MATERIAL TOPICS COVERED

RISKS

OPPORTUNITIES

GRI

SDG

Certain words and phrases have been **highlighted** to emphasize key qualitative and quantitative information.

Technical focus

Focus on some relevant projects developed by SECO

2 | More information is provided in the “Sustainability is strategy” section of this document.

3 | More information is available in the “Methodological Note” section of this document.

4 | The 2030 Agenda was adopted by the 193 Member States of the United Nations at the Sustainable Development Summit in September 2015. It includes a list of 17 Sustainable Development Goals (SDGs) divided into 169 targets, and an action plan for people, the planet, and prosperity. More information is provided in the “Sustainability is strategy” section of this document.

In the first chapter, “**The SECO Group**”, we discuss macro trends in the Group’s sector of operation, the key stages of its development, including in relation to product innovation, and the sectors and markets in which it operates. We then make reference to the Group’s structure, dedicating several pages to our governance model, commitment to research, development, and product innovation, and the economic value we have generated and shared with key stakeholders.

The second chapter, “**Sustainability is Strategy**”, describes the process that led us to prepare this document and the main actions we have taken to identify material topics for the Group. This chapter also presents SECO’s sustainability strategy, its compliance with the European Taxonomy, and its contribution to the achievement of the Sustainable Development Goals.

The third chapter “**Giving Our All**” focuses on management and social impacts, paying particular attention to the employees of our Group, customers, suppliers, and the local community.

In the fourth chapter “**Protecting the Environment**”, we report on how we are handling the environmental impact of our business in terms of energy resources, water, waste, and atmospheric emissions.

Lastly, the “**Annex**” at the end of this document contains a “Methodological Note”, in which the report’s technical details are explored in further detail, as well as a “Technical Details” section containing quantitative data tables, and, finally, an Independent Auditors’ Report.

All corporate entities coordinated by the Investor Relations department have helped write this document, demonstrating their utmost dedication and responsibility in doing so.

We hope you enjoy the report.

Letter to the Stakeholders

Dear Stakeholders,

the year we have just left behind us was a complicated one due to shortages in raw materials and electronic components, which impacted performance in numerous industries and resulted in a significant increase in lead times and in the cost of materials. It has been a challenging year, but one that has also left us feeling proud of what we have achieved.

The growing trend of digitalization is in front of us, sweeping through various sectors and aspects of daily life, including those that have historically been more reluctant to embrace the digital. The constant demand for innovation, smart objects, and real-time data analysis is shaping the behaviour of individuals and businesses at an unprecedented pace. We are in the early days of a vast digital revolution that is expected to last for many years.

In this dynamic landscape, we continued to expand our technology portfolio and grow in size and international presence. Our revenues climbed to Euro 201 million in 2022, increasing organically by more than 40% on 2021, and our Adjusted EBITDA surpassed Euro 44 million.

Despite the shortages we faced, we remained committed to supporting our customers and their business pursuits. By investing more than Euro 25 million in inventory, we were able to ensure the availability of crucial, time-sensitive components, thereby guaranteeing the continuity of our deliveries. Our R&D team re-designed nearly 20 existing products, substituting hard-to-find components with others that had shorter lead times. These measures, together with our business model, which afforded us flexibility and complete control over the production phase, allowed us to prevent disruptions to our production operations and to consistently meet our customer commitments.

At the heart of this year's remarkable achievements are the 800+ individuals employed at SECO. For this reason, we place a strong emphasis on training and professional development, and have continued to invest in these areas this year. Through our Talent Development Program, we support the growth trajectory of some of our highest-potential employees every year, with the intention of developing their managerial and leadership skills through specialized coaching courses. Within our R&D department, we started a project which helped us define structured career paths and strengthen our managerial hierarchy by identifying 13 team leaders. We also introduced a performance appraisal system that promotes transparent communication and feedback within each team, while recognizing the daily commitment our staff make and identifying areas for growth.

We believe that sharing and pooling knowledge creates greater value for all stakeholders, which is why this year, our ecosystem of partners, universities, and research centers has expanded to further enhance our technology portfolio and accelerate the time-to-market of our customer solutions.

Today, more than ever before, business sustainability is closely tied to the impact we have on the planet and the well-being of current and future generations. As a Group, we are committed to doing good, and firmly believe that our solutions can serve as valuable tools for sustainable development in numerous industrial sectors. For this we have identified, also taking into consideration the material environmental, social and governance (ESG) matters with the help of our stakeholders, a set of 20 ESG actions to be implemented in the coming years in order to continue enhancing the structural inclusion of sustainability in both our long-term strategies and our day-to-day operations.

In 2023, we will see strong inflationary pressures and high interest rates. However we also see great opportunities for growth thanks to the strong demand for digital products and solutions. Our customers' needs are increasingly shifting towards integrated hardware and software solutions for smart, interconnected products and for real-time data analysis using models of artificial intelligence. SECO is perfectly positioned to serve these needs in an efficient, innovative manner.

We are at the start of a new era, and the digital revolution has just begun. We will continue to work with passion and determination to seize the enormous opportunities for growth presented to us by our marketplace. We are convinced that our commitment will contribute generate significant value.

It is truly thrilling to be a part of this project and we would like to take the opportunity to thank all of our Stakeholders for their unwavering support, and also our employees, who channel their creativity, passion, and dedication into making SECO the successful, internationally recognized company that it is today.

The future holds countless exciting opportunities, and we are doing everything in our power to be ready for them: an amazing digital revolution has just begun!

Daniele Conti
Chairperson

Massimo Mauri
CEO



1| About SECO



More than 40 years
in the business



Present in 9 countries
with 10 R&D centers and 5 production plants



Over 300
international customers



33% of employees
dedicated to R&D activities



7% of revenues
invested in R&D activities



Euro 206 million
of economic value generated, of which 93% distributed to stakeholders

MATERIAL TOPICS

Combating active and passive corruption

RELATED RISKS

Failure of the organization to be transparent with regard to its operational and decision-making processes, causing markets, investors, and customers to distrust the Group.

OPPORTUNITIES

The adoption of anti-corruption measures, to protect the SECO brand from negative publicity and uphold ethical business practices in accordance with rules and regulations.

MATERIAL TOPICS

Research, development and innovation

RELATED RISKS

Failure to provide timely technical solutions that meet new environmental or safety regulations and failure to contribute to the sector’s technological development.

OPPORTUNITIES

More scientific research into sustainability topics and sustainable product design – contributing to the development of SECO’s local communities and business sector – and the identification of innovative ways to improve the Group’s competitiveness.

GRI

GRI 2-1, 2-6, 2-9, 2-10, 2-11, 2-12, 2-13, 2-27, 201-1, 205-2, 205-3, 207-1, 207-2, 207-3, 207-4

SDG

SDG #5 – Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life (Target 5.5)

SDG #8 – Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors (Target 8.2)

SDG #9 – Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending (Target 9.5)

SDG #16 – Substantially reduce corruption and bribery in all their forms (Target 16.5)
 Develop effective, accountable and transparent institutions at all levels (Target 16.6)
 Ensure responsive, inclusive, participatory and representative decision-making at all levels (Target 16.7)



1.1| Context

Digital technologies have taken on an even more vital role for organizations recently, becoming key to their business development due to the unexpected global events of the past three years. These technologies have significantly accelerated organizational changes and generated numerous opportunities for development, aided by innovative business models with a focus on digitalization. By 2023, 75% of global organizations are expected to have defined comprehensive roadmaps for their digital transformation strategies¹.

It is also important to underline that the pace of change in the technology sector has increased exponentially in recent decades. It has never been more important for companies to reinvent themselves and adapt to the changing priorities and demands of their customers and employees. Over the last two years, it has become evident how no one can avoid the impact of digitalization, which is increasingly shaping our society.

Businesses and governments alike have faced unprecedented pressure to increase their digital presence, both in terms of their portfolio and internal processes, making it easier for customers and employees to interact with them seamlessly from anywhere.

As a consequence, embracing digital products and services will not only give companies a competitive edge, but will also be key to their survival, regardless of the sector in which they operate. In fact, companies will need to rethink their services and operations to include technologically innovative elements.

Incorporating these advanced technologies and highly innovative features into business models is no mean feat. It requires significant expertise in technology and supply chain management. As such, being able to rely on highly specialized technology partners who offer comprehensive, customized hardware-software solutions (one-stop shops) is incredibly valuable. By adopting this approach, customers can take advantage of cutting-edge technologies while reducing both the time-to-market and execution risks often associated with technology investments.

The year 2022 saw various industrial and retail sectors affected by both geopolitical issues and trends in significant macroeconomic indicators.

Although there has been a slight drop in global demand for hardware components directly related to the world of connected devices (IoT Endpoints), company spending on IoT technologies equates to more than USD 200 billion² in the European market alone, with annual growth expected to sit at around 20% until 2026.

1 | IDC FutureScape Worldwide IT Industry 2021 Predictions

2 | The International Data Corporation’s (IDC) Worldwide Semiannual Internet of Things Spending Guide

The International Data Corporation (IDC) also predicts that the European IoT market will continue to develop and expand, while taking into account the effects of the ongoing Russia-Ukraine War. According to the January 2023 update, the IoT market has grown by 21.5% to USD 201 billion³.

IoT Analytics also predicts that the IoT market will grow at a compound annual growth rate (CAGR) of 19.4% between 2022 and 2027, reaching USD 483 billion.

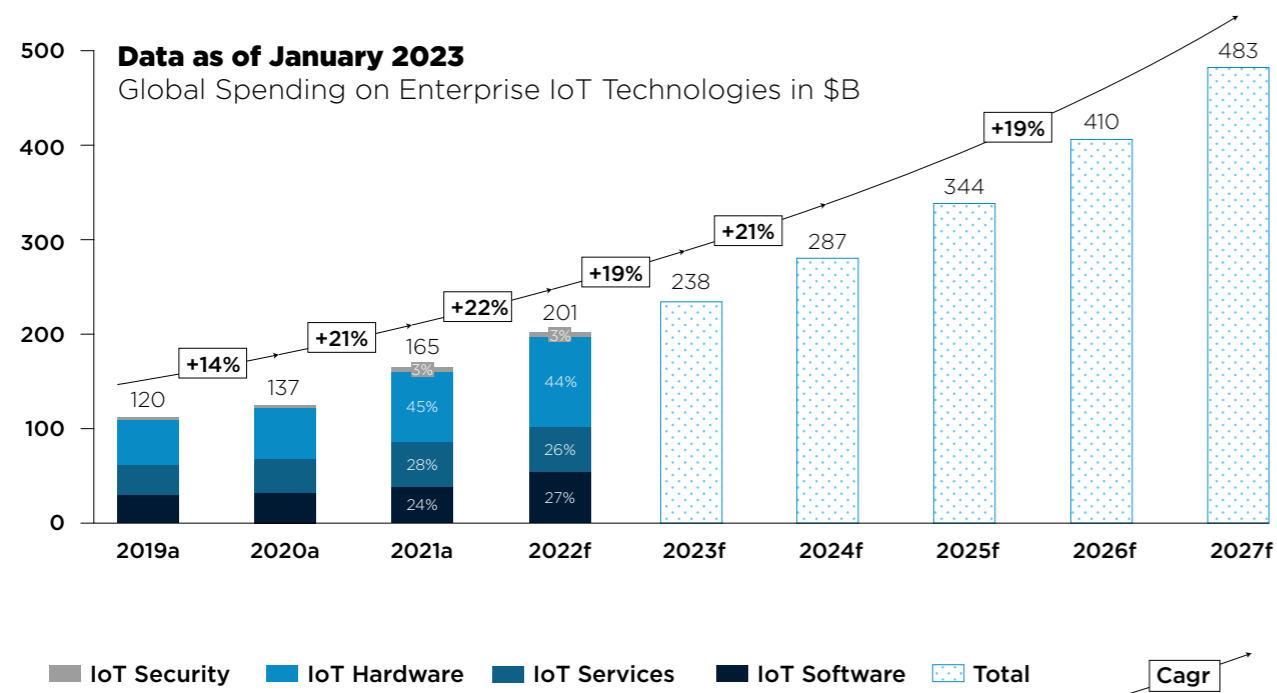


Figure 1: The Enterprise IoT market from 2019 to 2027 (IoT Analytics - February 2023)

The National Recovery and Resilience Plan and European Green Deal

The National Recovery and Resilience Plan (NRRP) also has a part to play. It is an important means of funding for new investments and reforms oriented towards innovation and digitalization.

The National Recovery and Resilience Plan was first adopted in 2021, with the achievement of 51 planned milestones. In April 2022, the Italian government passed a decree comprising 41 articles. The decree hopes to accelerate the achievement of end-of-June targets by providing for the adoption of 30 investments and 15 reforms (including a review of teaching careers, a delegated law for public tender reform, and a circular economy strategy).

As we have seen, digital innovation can help enact positive change in society and on the environment and business models.

The National Recovery and Resilience Plan (“NRRP”)

The NRRP belongs to the “Next Generation EU” program, which is a Euro 750 billion package put together by the European Union in response to the pandemic. The program provides for a series of investment measures and a comprehensive reforms package, of which Euro 191.5 billion of resources have been allocated to Italy.

The plan focuses on three strategic pillars in Europe: digitalization and innovation, ecological transition, and social inclusion, and has six missions:

- Digitisation, innovation, competitiveness, culture
- Green revolution and ecological transition
- Infrastructure for sustainable mobility
- Education and research
- Inclusion and cohesion
- Health

The Green Deal views technologies as having the potential to tackle climate change and environmental challenges in general, by improving energy efficiency, circularity, and sustainable mobility solutions.

From a societal point of view, if used properly, digital innovations can help provide an increasing number of people with access to digital tools, allowing them to consume more informative and educational content as a result.

Finally, digital technologies play an important role in the economic sphere as they can optimize production processes, allowing us to use natural resources more efficiently while streamlining the corporate value chain as a whole.

Future sector developments

Finally, we would like to highlight the following intriguing future sustainability-related developments that digital technologies may offer in the future⁴:

- Renewable-oriented energy: one of the key innovation-related challenges here is meeting the requirements of energy transition, particularly in terms of production and usage. Digital solutions may need to be developed to monitor and manage flows in a decentralized manner, particularly for energy communities;
- Environmentally sustainable transport: the European Union has set the ambitious goal of phasing out petrol and diesel car sales by 2035. The public and private transportation sectors, along with commercial fleets, present promising avenues for introducing innovative solutions, such as battery charging and replacement, and the promotion of alternative vehicle rental and sharing methods;

4 | Veronica Balocco, *Green tech, is the “beating heart” of sustainable development: the four sectors with the most promise - ESG360*, December 9, 2022

- Sustainability services for companies and edTech: as access to credit becomes increasingly intertwined with non-financial performance, companies will eventually need to adopt specialized solutions. These approaches may involve sustainability-related edTech innovations, tools for measuring, monitoring, and reporting on emissions, and carbon-offsetting and energy-reducing technologies;
- Carbon footprint monitoring and carbon offsetting, to provide the business world with the tools required to consistently and promptly monitor its environmental footprint, and to adopt specific, targeted actions to reduce it.

When drafting this NFD, we first analyzed the context and industry in which SECO operates. This document highlights the direction taken by the SECO Group to tackle these challenges.

1.2| From new beginnings to change

SECO's story begins in a garage in Arezzo, Italy. It was the 1970s, and Daniele Conti and Luciano Secciani had just turned twenty when – unbeknownst to them – they embarked on a journey that would change the world as they knew it.

They had shared an innate passion for electronics and a keen entrepreneurial spirit since they were children. As they grew up together, surrounded by circuit boards and schoolbooks, they realized they could turn their hobby into something much bigger. SECO was established in April 1979 as an electronics workshop. In under a decade, it established itself as a leading player in the electronics industry, thanks to its ability to create solutions for various applications, including small systems for manufacturers of jewelry-making machines and custom solutions for the transportation industry.

Daniele and Luciano's passion for the very first personal computers imported from abroad prompted them to develop SECO SYSTEM 210. It was the very first SECO computer to be showcased at SMAU, the leading Italian trade fair for IT and communication technologies, where it was nominated for the "Best Design" award, along with other innovative products.

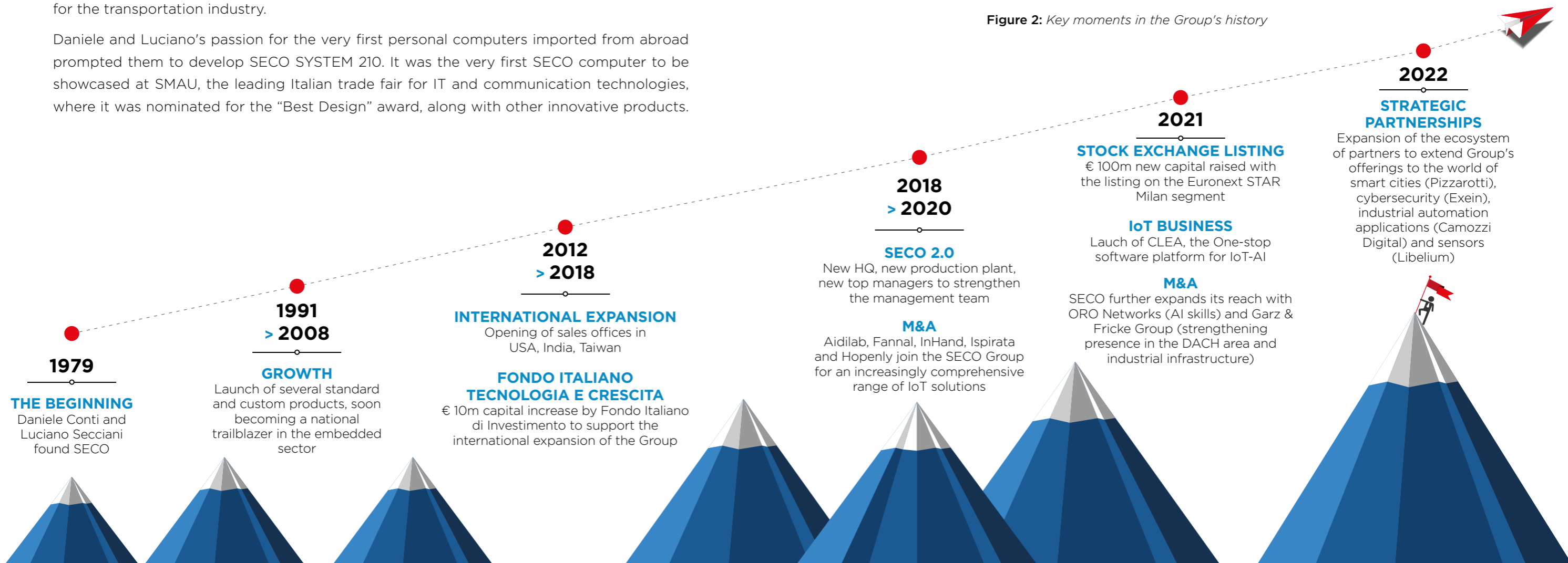
After gaining experience with personal computers, the duo soon had the idea to utilize their knowledge in the industrial sector. It didn't take long for them to develop the world's first industrial PC containing a Eurocard circuit board.

After that initial personal computer, SECO continued to develop various solutions based on miniaturized computers and touch panel systems. These technologies have allowed SECO's customers to digitalize their devices and make them "smart." Through data generation and processing, they have facilitated the creation of new features for end users in product categories spanning industrial machinery, gym equipment, and food and drink vending machines. SECO's growth has been driven by its dedication to assisting customers with their digital transformations using technologies. Currently, the company has revenues of Euro 200 million, an ever-evolving portfolio of software and hardware solutions, and a robust global base of over 300 customers.

The Group is now a point of reference for high technology, computer miniaturization, and IoT and Artificial Intelligence services. With a strong focus on industry, SECO is an international company with plants located in nine different countries. SECO concentrates a significant portion of its operations in five production plant located in Italy, Germany, and China. This strategic approach has proven to be beneficial, as it allows the Group to directly oversee quality control standards and offer superior service to customers. SECO's internal production planning allows it to optimize delivery times, despite the supply chain obstacles characterizing the current market.

Much has changed for the Group since April 1979, but the SECO team's desire for innovation and excellence has never waned.

Figure 2: Key moments in the Group's history





Identity

For over 40 years, SECO has been guided by the curiosity for tomorrow, a thirst for exploration, and the desire to offer the best to its customers.



VISION

We exist to open up the world to innovation.



MISSION

We bring together technologies and skills to answer new needs and opportunities.



PROMISE

End-to-end technologies that transform possibilities into concrete innovation.

I nostri valori



PASSION

We always give our best. We turn our ideas into action.



DYNAMISM

We are always looking for new ideas. We anticipate change.



RESPECT

We are driven by loyalty, honesty and integrity. We work to ensure the highest quality standards.



Our commitment



Respect for Colleagues

We believe in the value of diversity, and in getting the most out of each individual's uniqueness.



Professionalism

We are committed to knowing and applying the SECO standards of excellence.



Communicating with a Smile

We express passion, motivation, and enthusiasm, and always show respect for those with whom we are communicating.



Respect for the Environment by Example

We respect the environment, setting a good example with even the smallest daily gestures.



Team

We achieve success thanks to the people who work alongside us every day.



Excellence

We try to anticipate our customers' needs and exceed their most ambitious expectations.

1.3| Business sectors

We are constantly working to **increase the value we generate for our stakeholders** by integrating technology into customer products. We understand and listen to their needs and work to make their devices smart by equipping them with the most advanced technological solutions in terms of computing capabilities, data analytics, connectivity, device interoperability, and user experience. Through our highly innovative solutions, we empower our customers to transform their business models. We help them concentrate exclusively on their core business and view technological complexities as an opportunity rather than an obstacle.

This is all made possible thanks to **comprehensive, custom solutions** that use miniaturized computers, human-machine interfaces, and IoT-ready, plug-and-play software solutions and AI algorithms. We use technology to connect devices, enabling them to transfer high value-added information to users, who can process data in real time.

Our solutions can be customized to suit customer needs and, thanks to experience in multiple verticals, applied to a wide range of industries, including the **medical, industrial automation, transportation, infotainment, smart cities, aerospace, defense, fitness, and vending** sectors.

Figure 3: The markets in which SECO operates

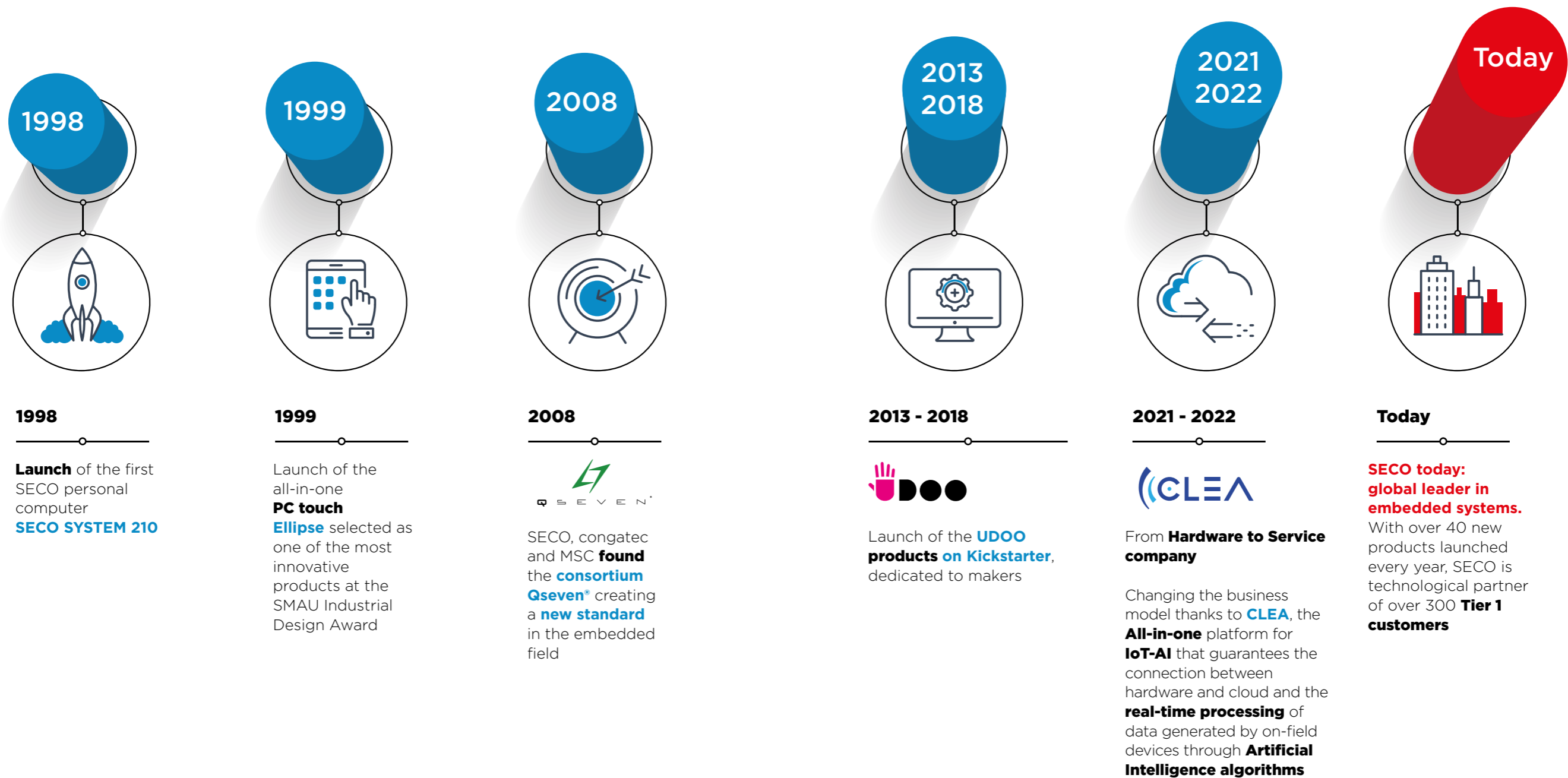


In recent years, we have successfully harnessed the potential of analyzing data generated by devices in the field in real time. Thanks to our dedicated AI algorithms, these data can prevent components and machines from being damaged or shutting down or even send users alerts about faults, thus rendering energy consumption more efficient while customizing services and products to suit customer usage habits. In addition to data analysis, these algorithms can develop insights, predictions, and suggestions on a dedicated basis for device managers and users, thus assisting their decision-making processes. By harnessing the potential of data, we can deliver high value-added solutions to our customers. These solutions optimize cost structures for activities such as device usage and maintenance and serve as a critical part of our customers' business models. Our offerings also incorporate artificial intelligence-based services for end customers and users of these devices.

In this regard, algorithms that can process a large amount of data from different sources, analyzing them in real time, and returning a set of customized KPIs to customers, are incredibly valuable and give users a significant competitive advantage.

This is why we have decided to use the launch of **CLEA** to further expand our product range along the value chain: CLEA is a Platform as A Service (PaaS). It is essentially a cloud computing and Artificial Intelligence solution to which customers can connect their devices, benefiting from the flexibility offered by an open source environment that allows them to develop, run, and manage custom applications without grappling with the difficulties linked to creating the infrastructure and platforms normally associated with these processes from scratch ⁵.

Figure 4: The evolution of SECO's products and services over time



⁵ | Further information is available in section "Research, development and innovation" of this document.

1.3.1| Our technology solutions by industry

An increasing number of industries are seeing the use of electronic devices in a wide variety of application areas, from measuring instruments to multimedia devices, wearables, and devices that are reinforced (rugged) to withstand stress and weather conditions. These objects can have a diverse set of characteristics in terms of their performance, computing capacity, connectivity, compactness, resistance to heat and moisture, and electromagnetic emissions, depending on their intended use and application. The quality of customer-designed solutions and the resulting transformation of their business models and competitive advantage can be significantly impacted by factors such as the scalability of solutions, their long-term availability, data cybersecurity, and interoperability with other devices and peripherals. Our off-the-shelf solutions are available in the following key sectors. They are either based on the most popular global industrial computer design standards or customized to meet specific verticals and customer needs.

Healthcare

Manufacturing devices for the healthcare sector⁶ involves complying with stringent safety standards and ensuring technology is available over the long term so that products can be used for over 10 years. We have been working with customers in the biomedical industry for over 20 years, and our Quality Management System⁷ is ISO 13485⁸ certified for the supply of medical devices.

Industrial Automation

Automation plays a key role in modern manufacturing industries, where it is used to implement processes that maximize product quality, improve efficiency, and ensure worker safety. We design products that help companies achieve these goals. Our solutions are based on comprehensive systems and customizable and connected platforms. These platforms respond to the technical and size-based requirements of our customers, boasting excellent performance and ease of use. We help our customers innovate their products, services, and business models by designing solutions to equip machinery and production plants with sensors, making them smart, facilitating connectivity, enabling them to use field data to predict maintenance requirements and faults, and rendering the entire production process more efficient.

⁶ | Please note that SECO operates in the market as a Contract Manufacturer and Distributor, and not as a Legal Manufacturer.

⁷ | PSM S.r.l. has been ISO 13485 certified since 2008. The company was merged into SECO S.p.A. in 2020.

⁸ | Certification involves complying with a series of (ISO 9000) quality management standards covering the development, implementation, and maintenance of a quality management system. It is intended for medical device designers, manufacturers, and distributors.

Transport

The transport sector requires excellent reliability, continuity of service, and long-term assistance. As such, we offer our transport customers a wide range of comprehensive and modular solutions designed to suit a range of needs: from on-board computers to black boxes and passenger infotainment/communication systems.

Digital Signage

Marketing products and services using video posters and digital signs in public spaces or buildings is becoming increasingly popular. Together with our customers, we work to make user interfaces increasingly intuitive, to enable the collection and transmission of high-value data, and to integrate new features such as voice and facial recognition into devices.

Coffee & Vending

The Coffee & Vending sector is expanding rapidly and requires constant innovation, increasingly intuitive interfaces, and ever more engaging user experiences. The challenge is to provide an uninterrupted service, whatever the conditions may be. Our customers also need to be able to update installed machines remotely and monitor how they are running in real time using geolocation and predictive maintenance features. We develop solutions using intelligent and modular touch interfaces for our Coffee & Vending customers, which we manufacture according to their specific technical, operational and visual needs. We also enable a quick and comprehensive shopping experience by integrating the latest generation of payment systems into our machines.

Smart Buildings & Smart Cities

The technology we use to make our buildings and cities “smart” has almost unlimited potential. It can be integrated into electric car charging stations, or used to run devices that automatically regulate temperature and brightness for greater energy efficiency. It can also be used to improve road safety, control traffic, and detect emissions. We work closely with our customers to develop smart devices and custom IoT and AI solutions that can do all of the above, and more.

Energia & Utilities

The Oil & Gas sector requires highly specialized expertise and product engineering skills due to its relative complexity. Companies in this sector use a wide range of plants and machinery, which have been built and installed over time and are equipped with a broad spectrum of technological devices. Our solutions allow different systems and machines to communicate with each other, ensuring that there is a constant flow of data between devices and sensors at production facilities and operations centers, installing powerful new monitoring tools that can detect faults, predict the need for maintenance, and detect gas leaks.

1.4| Our business model

As shown in the infographic below, the Group's business model centers around its **core values**, which are “passion, dynamism and respect”. SECO's business model is also linked to the **R&D activities** it conducts both in house and through its partnerships with global technology companies, research institutes, and university hubs⁹.

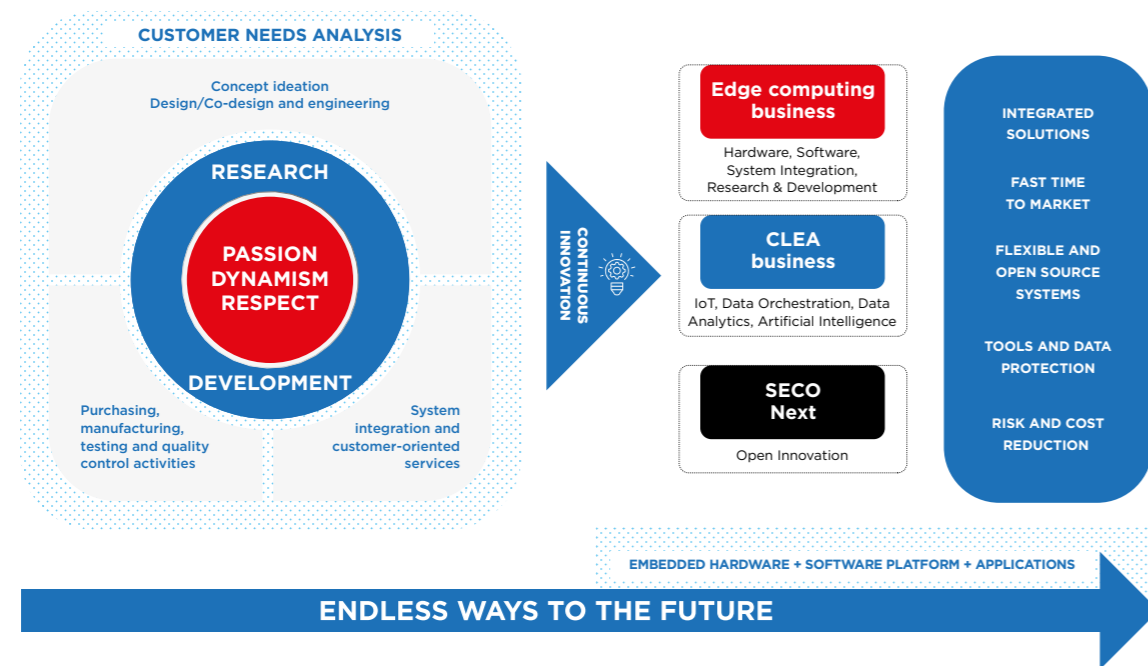


Figure 5: SECO's business model

The **value chain** comprises three main strategic and operational phases, which are supervised and monitored by our in-house teams¹⁰.

The first phase is of high strategic value and involves **designing or co-designing** customer solutions based on hardware (edge computing) or software (CLEA) technologies. We listen to our customers in order to better understand their needs, anticipate them, and create solutions that best fit their requirements.

Once we have agreed on the preliminary specifications with our customers (**design win**), we move on to the **engineering** phase, which comes after product design and before manufacturing. During this phase, we industrialize the product, developing a workable and customizable solution based on customer requirements with regard to:

- industry design standards, form factors, technical and dimensional requirements, the materials to be used, and process and product certifications (for edge computing solutions);

- infrastructure for data processing and edge or cloud storage, frequency of data warehouse updates and logging, data collection and orchestration requirements and methods, the nature of KPIs to be monitored, and the tasks completed by artificial intelligence algorithms (for CLEA-based solutions).

Once this phase is complete, we directly oversee the operations cycle and supply chain management phases, from the purchase of **raw materials and components** to product **manufacture**, which comprises the integral phrases of **testing** and **quality control**. We are committed to complying with high-quality standards, our own objectives, legal regulations, and all applicable certification standards (such as compliance with ISO 13485 certification for the manufacture of biomedical devices). During this phase, we can check and assess signal strength and certification pre-compliance, develop custom BIOS and firmware, and coat hardware to provide customers with a comprehensive offering that is tailored to their needs.

The final phase involves **system integration and customer assistance activities**, which we perform through dedicated services designed to meet customer needs. We manufacture plug-and-play hardware solutions that are already equipped with HMI touch screens and are ready to be connected to CLEA, meaning that, our products can be quickly and efficiently integrated with our customers' solutions, thus minimizing the effort required to get them up and running. Similarly, for CLEA-based solutions, our team of developers and service designers is tasked with building an IoT-AI infrastructure, which is adopted per the specifications defined in the design phase and is ready to be installed on customer devices.

SECO is divided into the following **two main business lines to meet various market needs**:

- **Edge computing**, which is dedicated to developing integrated hardware solutions to transform customer products into “smart” devices, thus enabling them to generate data and provide advanced human-computer interaction capabilities using touch displays;
- **CLEA**, which includes our IoT and AI software solutions. These technologies can transform data collected by devices into high value-added information in real time using data orchestration¹¹ and data analytics.

In addition, in 2021 we launched **SECO Next**, an innovation hub focused on monitoring state-of-the-art technologies with the highest growth potential and developing sustainable business models in collaboration with our partnership ecosystem.

To summarize, our business model has a **competitive advantage** because it offers customers **integrated**, customized, end-to-end, and **secure solutions**. By overseeing each step of the process, we can optimize costs and significantly reduce the **time-to-market of customer products**. We support and promote open innovation and collaborate with our peers and partners to respond to the needs of public and private companies and institutions through technology, helping to create products and solutions that automate and make industrial processes safer, thus improving people's quality of life.

9 | More information can be found in the “Research, Development and Innovation” section of this document.

10 | We note that the Group started outsourcing some hardware manufacture activities to certified external manufacturers in 2020. We made this decision to make our production processes more flexible while maintaining full control over quality levels during the manufacturing phases that generate the most value for end customers.

11 | Management of disaggregated data (including from multiple sources) using a customized algorithm so that they can be organized into a valid format for data analysis purposes

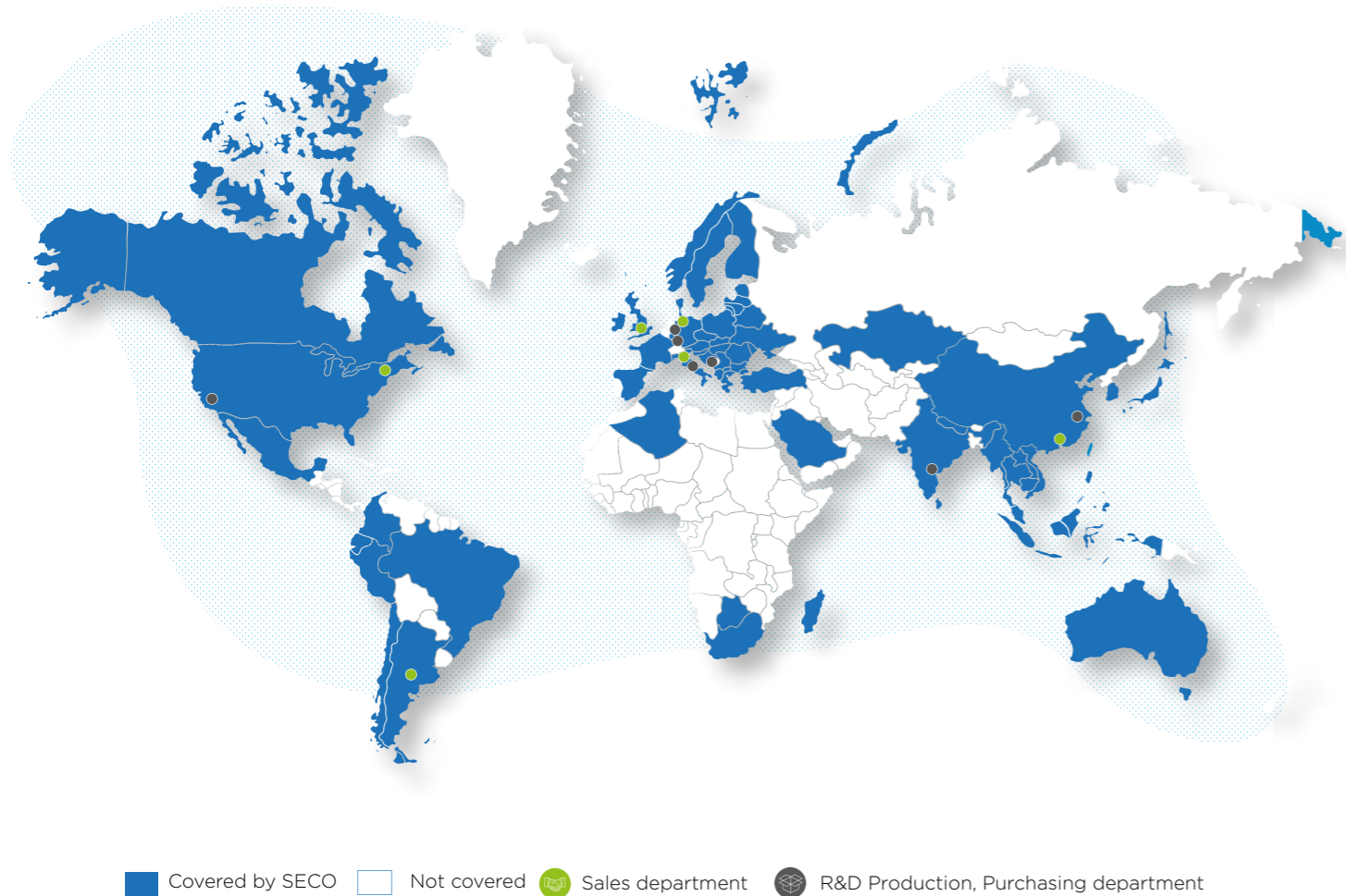


Figure 6: Global presence and markets served

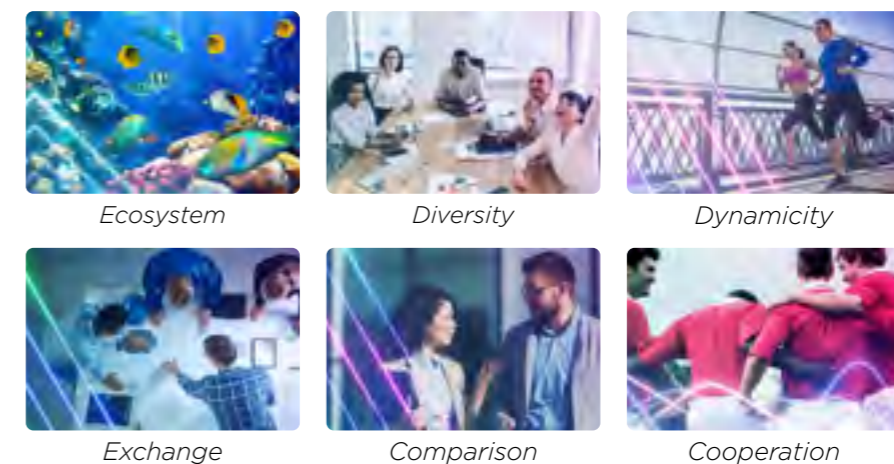
SECO Next: creating more sustainable business models

Founded in 2021, **SECO Next** is a business unit that acts as a bridge between cutting-edge research and the business world, with the goal of encouraging **sustainability-oriented digital transformations**.

We created SECO Next to generate value for companies by adopting an **Open Sustainability Innovation** approach. To achieve this, we opened a laboratory that invites an **open ecosystem of stakeholders** (customers, suppliers, technology partners, start-ups, universities, and research centers) to contribute their experience and expertise towards **co-designing innovative solutions using cutting-edge technologies, thus allowing companies to contribute to people's well-being while generating sustainable value**. The end goal is to apply highly innovative technologies, such as edge AI, machine vision, VR, AR, cybersecurity, 5G, photonics, and quantum computing, integrating them into new business solutions and using sustainability-oriented development models to improve people's quality of life.

Some of the solutions currently being studied by SECO Next and its ecosystem of partners include next-generation IoT sensors for detecting gas leaks and air pollutant emissions along the hydrocarbon production chain, hyperspectral sensors for quality control in the food & drink, packaging, and pharmaceuticals sectors, and digital twin models for monitoring and analyzing the effect of adverse events on infrastructure at hydrogeological risk.

Collaborate with customers to design and develop highly innovative project ideas at low cost and with a quick time-to-market. Test new solutions, assess their value, and gather feedback from users. Turn new innovations into scalable, mass production-ready solutions, significantly reducing the time-to-market for customers. These are the objectives of the SECO Next project.



1.5| Group Governance

Corporate Governance

The Group comprises the parent company SECO S.p.A. and its subsidiaries, as shown in the diagram below.

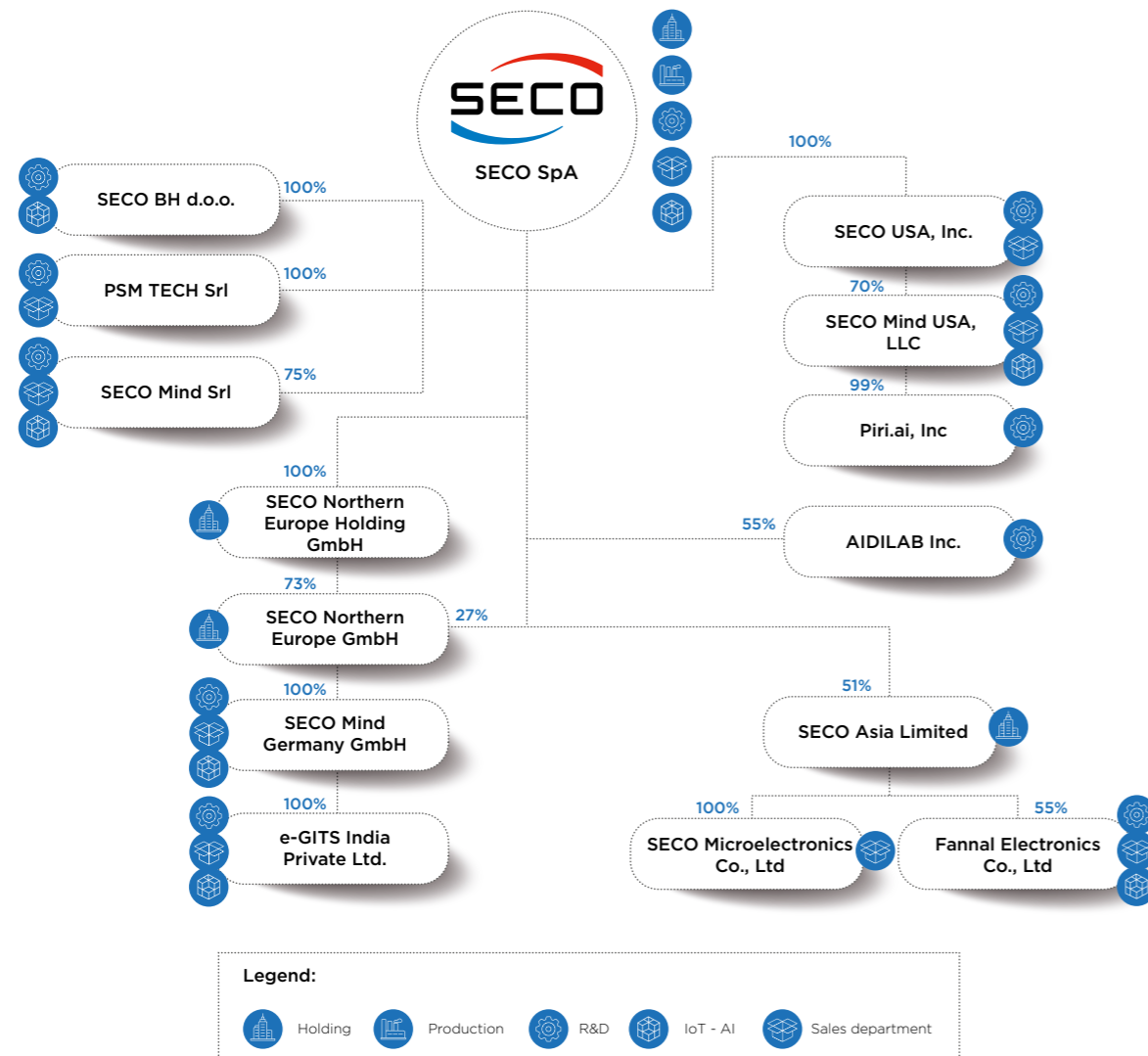


Figure 7: Group structure

SECO S.p.A. has been listed on the Italian Stock Exchange (Euronext STAR Milan segment) since May 5, 2021. This listing has enabled the Company to raise approximately Euro 100 million in share capital increases, which will allow the Company to finalize acquisition transactions and accelerate its expansion, thus increasing the Group's international presence and technology solutions portfolio.

In 2022, SECO also completed the following corporate transactions:

- Acquisition of a business unit, including assets and employees belonging to the company Camozzi Digital S.r.l., transferred to the company SECO BH d.o.o., 100% owned by SECO

S.p.A, as part of the business partnership agreed between SECO and Camozzi Digital. The transaction was announced to the market on April 29, 2022 and finalized on July 5, 2022. It saw the assignment of 7,971,583 shares of SECO S.p.A. to Camozzi Digital S.r.l. against the contribution mentioned above.

- Simplification of the corporate structure through the merger of the German-based legal entities SECO Deutschland GmbH, Garz & Fricke Holding GmbH, and Keith & Koep GmbH within the company Garz & Fricke GmbH, simultaneously renamed SECO Northern Europe GmbH and wholly owned by SECO S.p.A. The merger took effect on July 1, 2022, with accounting effects backdated to January 1, 2022. Following the merger, Dirk Finstel was appointed the new CEO of SECO Northern Europe GmbH in August 2022.

At December 31, 2022, SECO's share capital amounts to Euro 1,153,965.12, divided into 118,677,417 ordinary shares.

SECO's shareholder base is depicted in the pie chart below.

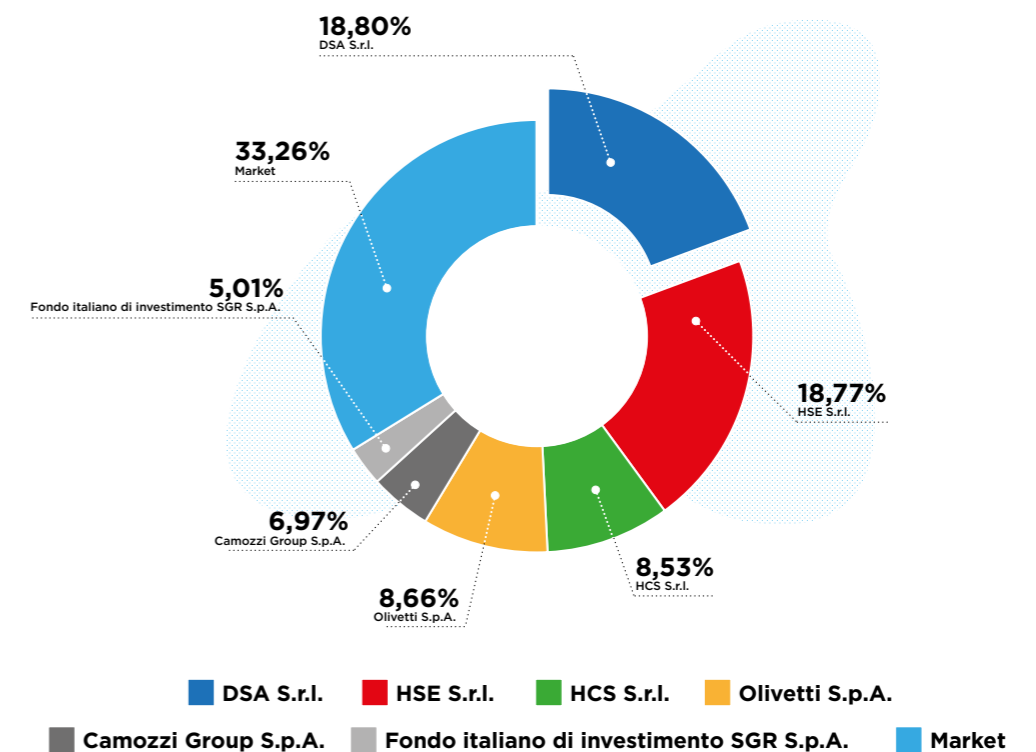


Figure 8: SECO shareholder base

The Group's corporate governance system is based on a traditional corporate governance model, which is structured according to legal provisions and the recommendations of the Self-Governance Code for Listed Companies issued by Borsa Italiana S.p.A., with which the Company complies.

Corporate governance is structured as depicted in the following diagram.

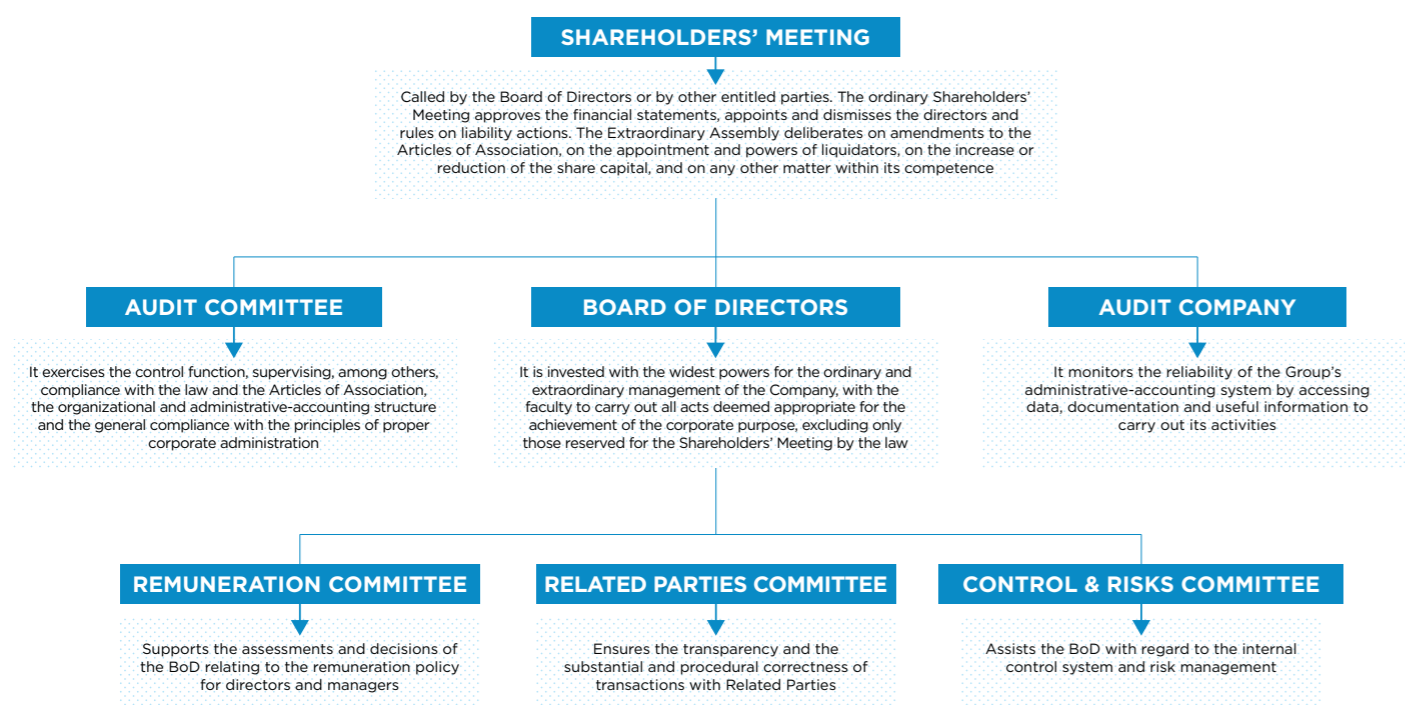


Figure 9: Corporate governance structure

SECO is governed by a **Board of Directors (BoD)**, consisting of ten members: the Chairperson, the Chief Executive Officer (CEO), and eight Directors, five of whom are non-executive and three of whom are independent^{12,13}.

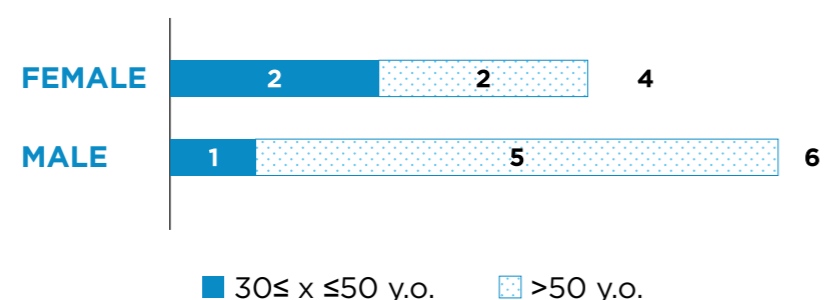


Figure 10: Composition of the BoD by gender and age group in 2022

The appointment of the Board of Directors takes place on the basis of slates¹⁴ in compliance with the applicable regulations in force concerning gender balance and the need for Directors to meet independence requirements. Directors must meet the eligibility requirements of

12 | Independence is defined in Article 147-ter of Legislative Decree No. 58/1998 and in the Self-Governance Code for Listed Companies issued by Borsa Italiana S.p.A.

13 | On December 22, 2022, the Board of Directors co-opted Valentina Montanari as an Independent Non-Executive Director, after the Independent Director Giovanna Mariani passed away on November 4, 2022.

14 | For further information, please refer to the Group By-Laws. It should be noted that the Board of Directors was appointed by the Shareholders' Meeting in 2021, and will remain in office until the date of approval of the financial statements at December 31, 2023.

professionalism and integrity, are appointed for a period of three financial years and may be re-elected.

If the Shareholders' Meeting has not so provided, the Board of Directors shall elect a **Chairperson** from among its members, who in turn may elect a Vice-Chairperson to replace him/her in the event of absence or impediment. The Chairperson exercises the functions provided for under the applicable laws, regulations and By-Laws¹⁵. On the proposal of the Chairperson, the Board of Directors also appoints a Secretary, who need not be an employee of the Company.

The **Board of Statutory Auditors** has three standing members, including a Chairperson and two Statutory Auditors, plus two Alternate Auditors, who may be re-elected and who are appointed and operate in accordance with the law. The members of the Board of Statutory Auditors shall remain in office for three years until the date of the Shareholders' Meeting called to approve the financial statements for the third year following their appointment.

Business ethics and integrity

Our corporate culture is inspired and driven by respect and the observance of **ethical principles, fairness** and **transparency**. To this end, aware that we need to continuously improve our internal and external principals, we have equipped ourselves with the following tools¹⁶.

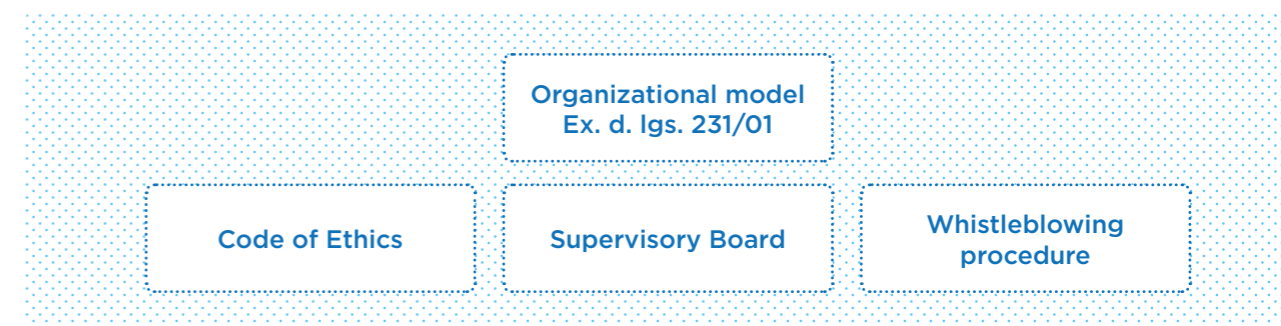


Figure 11: Our tools for guaranteeing business integrity

The **organization and management model**, pursuant to **Legislative Decree No. 231/2001** (updated in November 2020), was adopted to prevent the commission of offenses under the Decree and, consequently, any administrative liability for the Company. The Model contains a "General Section" which describes the contents of the Decree, the objectives and functioning of the Model and the tasks of the Supervisory Board, and indicates the measures put in place to protect the Model. Conversely, the "Special Section" identifies the processes that are sensitive to the risk of offenses being committed and defines the preventive protocols for mitigating the relative level of risk, divided according to the type of offence.

The **Supervisory Board** is appointed by the Board of Directors, which also defines its term of office (renewable) and its remuneration. The Supervisory Board, which is guaranteed hierarchical-functional independence from top management in order to ensure its maximum

15 | For further information, please refer to the Group By-Laws.

16 | For additional information and more in-depth analysis, the documents can be consulted in their entirety in the section Corporate Governance on the Group website.

effectiveness and impartiality of judgement, is entrusted with the task of supervising the operation, implementation, effectiveness and compliance of the Model pursuant to Legislative Decree No. 231/2001.

During 2022, the SB presented a control plan, which was finalized in December 2022, with the support of external consultants. In addition, special checklists were drafted and structured interviews were conducted to monitor the following three topics: business, the environment, and safety. Potential areas for improvement were noted for each of these topics, but no critical issues were found.

The Supervisory Board must be informed by the recipients of the Model of any circumstance relating to the implementation of and/or compliance with the Model or, at any rate, with regard to any and all events that could, even potentially, render SECO liable under the Decree. Therefore, and in order to facilitate the flow of information between the recipients of the Model and the Supervisory Board, **special dedicated lines of communication** have been set up through which recipients can send information, data, documents and reports, including in anonymous form (see the section "Whistleblowing Procedure" of this document).

The Ethics Code

The Ethics Code (hereinafter also referred to as the "Code") was approved by the Board of Directors on December 11, 2018 and is an integral and substantial part of the system of values and rules detailed in the Model. It sets down the lines of conduct for compliance with the Group's ethical and legal requirements.

The Group's commitment lies in its desire to make the document easily accessible to all recipients, to guarantee that anyone operating on behalf of and/or in the interest of SECO observes and makes sure that their interlocutors, whether internal or external to the Company, conduct themselves in a manner that complies with the principles of **integrity, fairness and impartiality** and which ensures **transparency** of their actions¹⁷.

The Code also regulates the following topics: the protection of personal safety and respect for human rights; the right of employees to equal employment opportunities; health and safety at work; the protection of company assets; respect for the environment; relations with suppliers, customers and the public administration; anti-corruption; money laundering; conflicts of interest; internal controls; traceability of transactions; confidentiality of information and transparency and truthfulness in communications; the protection of data to safeguard confidentiality and, finally, the disciplinary system that regulates violations of the Code and the channels for reporting any breaches thereof.

As regards the **promotion and adoption of rules and internal controls targeted at preventing and minimizing the risk of corruption**, in compliance with current anti-corruption regulations and rulings, all members of the Board of Directors, Executives and employees of the Group, are required, at the beginning of their relationship with SECO and during the course thereof, to disclose any family or kinship ties (including spouses and cohabitants) existing with senior managers and/or employees of the Public Administration.

¹⁷ | The Ethics Code is available on SECO's website at the following link:

We promote the adoption of specific measures to combat and prevent the performance of work, in any form, by former employees or collaborators of the Public Administration who, in the last three years of service and prior to the termination of their relationship with the same, have held positions of authority or negotiating power in relation to SECO ("Pantouflage").

To combat corruption in all its forms, the Company has adopted additional measures such as disclosing and communicating its anti-corruption policies and procedures, distributing its Ethics Code, and providing anti-corruption training.

In the three-year period, every member of the Board of Directors of the parent company was informed about the policies and procedures adopted by the Group in relation to anti-corruption. Specifically, the updated versions of the Organizational Model and the Ethics Code were shared.

With reference to the parent company SECO S.p.A., training on the Organizational Model and the anti-corruption policies and procedures adopted by the Group is conducted through a corporate e-learning platform. This method was adopted in April 2022, replacing in-person training, which was provided periodically to new hires prior to the COVID-19 pandemic. As of December 31, 2022, 45% of parent company employees had completed the training.

As regards training activities, please refer to the specific information in the "Technical Details" section.

Whistleblowing procedure

In order to ensure that all stakeholders can report any unlawful conduct or offence, a **Whistleblowing Procedure** has been established.

As part of this process, the procedure for dealing with the report is regulated in such a way as to ensure the confidentiality of the whistleblower, including in compliance with the procedures and policies adopted by SECO on the protection of personal data. Compliance with this process in accordance with the provisions of the Decree, and so as to prevent any abuse, is guaranteed by the application of specific sanctions against anyone who violates the measures aimed at protecting the whistleblower.

It is the task of the Supervisory Board to receive, appraise and verify the reports, including with support from the company functions and departments deemed competent on a case by case basis.

The channels through which reports can be sent are alternatively:

- via email to whistleblowing@seco.com;
- via registered mail with return receipt marked for the attention of the Supervisory Board c/o SECO S.p.A., Via A. Grandi, 20 - Arezzo (AR) - 52100 - IT.

To facilitate its consultation, the procedure is also available on the HR portal, which can be accessed by all employees of SECO S.p.A., PSM Tech S.r.l., and SECO Mind S.r.l..

At December 31, 2022, there were no ongoing proceedings as a result of reports received through the channels mentioned above.

The Internal Control and Risk Management System

We devote the utmost care in defining internal organizational structures and operating procedures to ensure **efficiency, effectiveness** and **maximum transparency** in the management of business activities and in the allocation of operational and top management responsibilities. We have set up internal control systems consisting of rules, procedures, protocols and organizational structures that aim to ensure compliance with company policies and the proper functioning of each Group company, in accordance with the Company's strategies and objectives and with the goal of detecting, verifying and analyzing the typical risks associated with our activities.

Our organization is bolstered by a **certified and integrated Quality Management System**¹⁸, based on a **risk-based mindset** and developed in accordance with the requirements of ISO 9001:2015¹⁹, ISO 14001: 2015²⁰, ISO 13485:2016²¹, ISO 27001:2013²² and ISO 45001:2018²³.

Specifically, SECO S.p.A. has developed an Integrated Quality Manual that identifies, among other things, the methods for the context analysis and the content of the risk assessment document

Risk assessment is based on an **analysis of the context** in which the Group operates, taking **seven dimensions** into account. These are economic-financial, internal social, technological-infrastructure, organizational-operational, regulatory, competitive and market-related. For each of these we conduct an in-depth analysis to identify its **main contents** in relation to the Group's information and data, the **internal and external stakeholders** involved in the scope of the context, their expectations and, finally, the **risks and opportunities**.



Figure 12: The phases of the risk assessment process

18 | Further information is available in section "Process quality and safety" of this document.

19 | Obtained in 2004 for SECO S.p.A. and broadened to the subsidiary SECO USA, Inc. in 2020, limited to commercial and customer management procedures. Certification has also been acquired by PSM Tech S.r.l., Fannal Electronics Co. Ltd., and SECO Northern Europe GmbH.

20 | Obtained in 2020 for SECO S.p.A. and in 2019 by Fannal Electronics. SECO Northern Europe GmbH also possesses this certification.

21 | Obtained in 2020 for SECO S.p.A.

22 | Obtained in 2021 for SECO S.p.A., corporate certificate broadened to PSM Tech S.r.l. The company SECO Mind S.r.l. also complies with the standards required by the certification framework, and plans to obtain certification in 2023.

23 | Obtained in 2022 for SECO S.p.A. (for its Tregozzano offices in Arezzo, with the intention of extending it to Siena in 2023) and in 2022 for Fannal Electronics.

Each risk is assigned an **impact** ratio determined on the basis of the perceived scale of **severity** (level of loss in terms of money and/or time) and **probability** (0%-100%) of the phenomenon occurring. **Management controls and actions** already in place or that could be introduced to **mitigate the impact** are then identified.

Constant updates to the analysis on the basis of the changing market environment and the evolution of the corporate structure, make it possible to compare impact ratios and to verify trends, be they upwards or downwards, in the level of risk and consequently take the most appropriate measures.

We therefore carried out an analysis targeted at identifying the related risks and opportunities for each material topic. The management methods for these are dealt with in the relevant chapters. In addition, visibility was given to the risks and opportunities associated with material topics on the title page of each chapter.

Protection and safeguarding of human rights

The protection of and respect for human rights are among the main principles set out in our Ethics Code and guide the conduct of our business. We are committed to protecting the personal and individual safety of all those who work for and/or collaborate with SECO, to safeguard human rights.

In 2022, we also adopted a new policy on managing "conflict minerals". This additional safeguard defines responsible sourcing practices based on a respect for human rights throughout the supply chain.

The graphic below shows the main dimensions to universal human rights monitored by the Group. More information can be found in the relevant chapters.



Figure 13: The areas in which we actively protect human rights

1.6| Research, development and innovation

We strive to stay ahead of the curve in innovation by infusing our daily actions with creativity and passion. Our goal is to equip our customers with the technological tools necessary to tackle future challenges through digitalization, transforming their business models and providing valuable solutions to their end users.

We consistently invest in our research and development processes and personnel while collaborating **with some of the top players in the Edge Computing and Artificial Intelligence industries.** This includes partnering with leading global universities and research centers.

In addition, SECO regularly participates in **Early Access programs** organized by some of the world's leading processor manufacturers. This allows us to gain access, often several months before mass market releases, to the latest technology solutions.

Thanks to this "priority access", we can perform tests and preliminary developments on the technologies we will use in our future products. We provide feedback to our partners on critical issues while gaining an in-depth knowledge of new products well in advance of our competitors. This allows us to significantly reduce the time-to-market of our solutions and integrate technologies for our customers.

In recent years, we have also accelerated our path to growth by completing **corporate acquisitions** and entering into **strategic partnerships** in order to integrate our expertise and develop increasingly high-level technological solutions.

In 2022, we launched 41 new products, including 13 dedicated to custom applications for specific customers and 28 off-the-shelf solutions with multiple areas of application. In addition, in response to the challenges posed by supply chain shortages, we redesigned around 20 existing products in 2022. This enabled us to address component shortages while ensuring that we honored delivery timelines agreed upon with our customers.

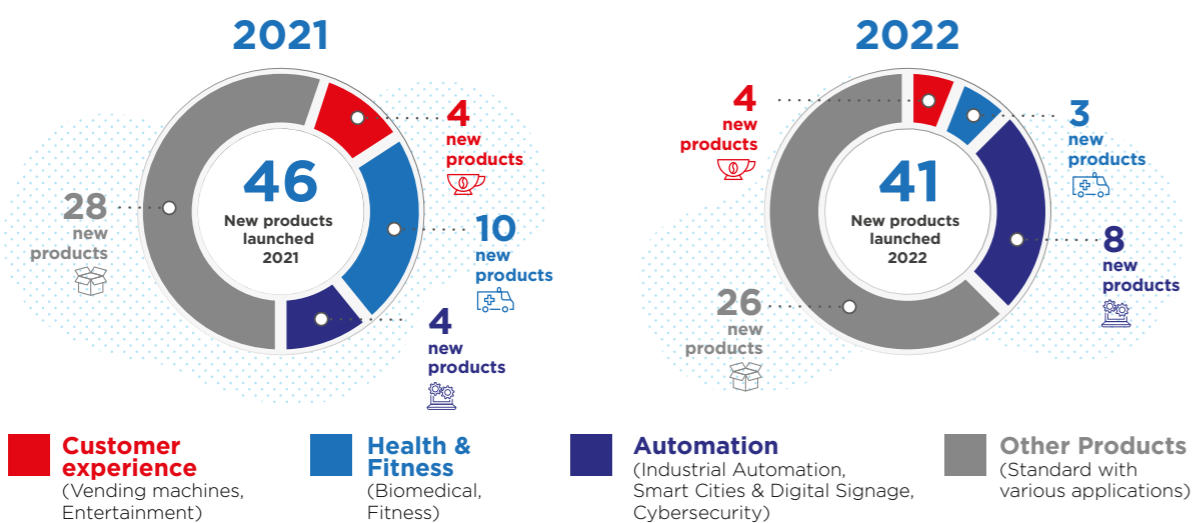


Figure 14: Products launched by application field

1.6.1| Investments in R&D

The market in which we work is marked by rapid change and dynamism. It is continuously evolving and driven by a strong desire for innovation from all sector operators. The rapid pace at which our market moves can quickly render obsolete that which had recently constituted a new ingredient with a competitive advantage. To remain at the cutting edge of technological innovation, we continuously invest in research and development infrastructure and in personnel with highly specialized skills who know how to work within cross-departmental teams and combine their diverse range of skills and experience to respond quickly and effectively to market needs.

	2021	2022
Share of turnover allocated to R&D investments (%)	10%	7%
Employees assigned to R&D activities (%)	30%	33%

Figure 15: Research and development investment

During 2022, we allocated approximately **7% of our turnover** and assigned **more than 30% of our employees to R&D.** Working closely with our customers, we have invested in designing, co-developing and co-engineering new products and solutions for the market. Specifically, roughly 16% of our people work daily on developing AI and software technologies and solutions.

Thanks to the **integration, coordinated work,** and **highly specialized expertise** of the different departments within the Group, we can handle all phases of a project **rapidly and efficiently.** Specifically, with regard to the research and development phase, in order to formalize the different stages of the process and the contribution of each stakeholder involved, we have defined "**New Product Development**" **procedures** which, according to the type of product (standard, semi-customized or customized), **establish responsibilities and interactions** between internal stakeholders (such as the departments which oversee each phase of the project), and external stakeholders (such as customers or suppliers). The procedure is accompanied by **operating instructions**, including details for each activity, enabling each of us to maximize our contribution and ensure high levels of efficiency and time-to-market.

In 2022, SECO continued its **ongoing improvement** efforts by promoting the standardization of processes and best practices within its recently acquired entities. Additionally, the Group placed significant emphasis on project management, roadmap management, and product and process quality.

1.6.2| Partnerships with Peers and Industry Bodies

We have divided our portfolio into standard, semi-custom, and custom products. This allows us to offer a full range of hardware and software solutions to meet every need.

Standard products are based on the most widely used design standards in the industrial world, ensuring continuity in terms of design, engineering, dimensions, and form factors. In this way, users are assured of **long-term** product availability and **high scalability** R&D investments made by the customer. These solutions can be integrated within more complex, plug-and-play systems ready to be incorporated into the customer's final product.

Based on specific requirements, our products can be developed upon specific form factors and design standards that SECO helped co-found by actively participating in some of the leading **Standardization bodies for form factors** used in the market today. Form factor concerns the hardware design specifications of devices, particularly electronic boards, defining and prescribing their size and shape, in addition to other specific physical design rules for the components used.

These rules are codified and standardized by Standardization bodies, among the world's leading bodies are:



STANDARDIZATION
GROUP FOR
EMBEDDED
TECHNOLOGIES



PCI INDUSTRIAL
COMPUTER
MANUFACTURERS
GROUP

of which SECO is a founding member, and to which we owe the emergence of some of the most widely used standards worldwide, including:



COM
Express



COM+HPC



SEVEN



SMARC
module

On the other hand, as far as **customized or semi-customized products** are concerned, the process is usually based on **synergic work between our R&D team and that of our customer**. The two teams cooperate to define the technical, performance, dimensional and design features of the solution.

We are a business partner that can digitalize our customers' offerings. Through our innovation and integration capabilities, combined with many years of experience in customization in numerous industries, we can significantly **reduce** the **time-to-market** of the solution developed and designed to meet the specific needs of the customer. The result is a long-term **win-win** relationship that generates value for both parties.

1.6.3| Anticipating our customers' needs

Our desire to be the driving force behind technological advances has led us to develop an increasingly broad portfolio of products suitable for the most diverse applications in the B2B field.

In recent years, we have worked to increase the value of our customers' offerings by equipping their products with additional features and technologies. We provide our business partners with end-to-end solutions based on miniaturized computers, touch displays, hardware-software interconnection software, and data analytics solutions.

An illustration of this is **CLEA**, an innovative "as-a-service" software solution that utilizes the Internet of Things (IoT), data orchestration, and Artificial Intelligence (AI) to empower customers to leverage the enormous potential of the data collected by their devices. Users can analyze these data in real time to increase profit margins and launch new business models based on value-added services. We built CLEA, a modular and open-source platform, by combining the specific technologies and skills we have acquired in recent years thanks to targeted M&A transactions.

CLEA is in fact an end-to-end software platform that combines **Artificial Intelligence, Internet of Things, Edge and Cloud computing** through a single Suite, thereby making it possible to collect data in the field, transfer it to the cloud (or process it directly on the Edge, harnessing computing power accelerated by Artificial Intelligence) and make it usable in real time in a highly customized way, to deliver information with high added value for our customers.

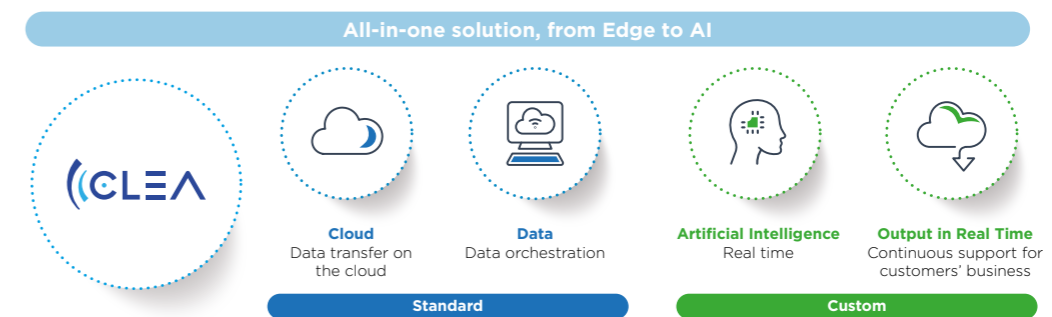


Figure 16: CLEA: a proprietary, modular solution that enables Edge-to-AI services

There are many possible application cases for CLEA: for example, the predictive maintenance of machinery can enable the advance planning of repairs, optimizing logistics flows for maintenance work, making energy consumption more efficient, and reducing the occurrence of malfunctions and risks for operators. Cross-referencing information from devices with external technologies and data sources (weather, temperature and atmospheric pressure, facial and voice recognition solutions, sensors) can also enable the customer to offer customized high value-added content and services to end users.

Specifically, among the possible fields of application are vending (for example, to analyze sales trend forecasts), medical (monitoring of the clinical picture and vital parameters, flagging of anomalies), transport (connection between vehicle sensors and other devices available to the driver), industrial automation (identification of operating anomalies and predictive maintenance for the prevention of possible breakdowns).

1.6.4| Our technologies at the service of sustainable business

Generating data from devices and analyzing it in real time paves the way for multiple applications that can automate numerous processes and activities carried out every day in industrial and B2B settings, thereby increasing the efficiency of production processes, reducing product waste, and optimizing resource and energy consumption.

During 2022, more than 90% of our revenue was generated by products that enable or accelerate capabilities such as:

- Predictive maintenance: anticipating possible failures of certain components enables maintenance transactions to be planned so that focused interventions can be performed as opposed to replacing the complete device, thus optimizing the travel of service professionals;
- Energy consumption monitoring: regulating the temperature or lighting of a commercial, industrial, or residential environment based on usage trends; managing the on or off time of a device;
- Waste reduction: enhancing process quality through industrial transaction automation and real-time production monitoring;
- Fault detection: monitoring the device's working status to detect problems and avert failure or service interruption;
- Functional safety: the automatic adoption of a set of precautionary steps to limit the risk of harm to people or property following the discovery of a device failure or malfunction;
- Logistics optimization: identifying the most effective route, regulating the saturation level of vehicles and warehouses, and organizing repair and replenishment activities at customer locations;
- Biometric parameter monitoring and sophisticated diagnostics: real-time analysis of indicators to determine the health status of patients or athletes during specialist consultations, laboratory testing, or athletic competition.

By promoting the digital transformation of industrial devices and processes, each of our solutions enables the launch of new value-added applications for the customer that can also provide substantial prospects for sustainable development. Some of the solutions we have recently launched or helped to develop are concrete illustrations of how the digital transition can be linked to tangible benefits such as controlling and reducing emissions, extending the useful life of devices, efficient use of natural resources, and industrial automation.

Easy Edge, for instance, is a microcontroller designed for retrofitting any device not equipped with the most up-to-date miniaturized computer, enabling its rapid connection to the network and complete integration with CLEA. By utilizing all the IoT-AI services of the platform, even a machine that is not "IoT-ready" can be projected into the age of Artificial Intelligence, allowing it to take full advantage of the technological optimization capabilities of activities made possible by digitalization. Through the employment of a plug-and-play device, it is possible to extend the useful life of machinery otherwise at risk of becoming obsolete, hence avoiding the need to discard or replace it.

CLEA AI EV Charging Station, co-presented with Intel and constructed by integrating technologies provided by Intel, is a system meant to enable the electrification of mobility through intelligent, cost-effective, and efficient transportation solutions. This charging station for electric vehicles is designed to enable remote management of the entire installed base via specialized Artificial Intelligence models. With the integration of a user interface and electronic payment system, in addition to the ability to access real-time technical assistance and support, the solution is intended to provide a more intuitive method of usage.

Off-grid box is a system capable of generating power for a requirement of 3-8 kWp and drinking water for 5,000 liters per day. It is designed to function in remote areas that are not connected to the power or water supply network for geographical or humanitarian reasons. Due to the complexity of the surroundings in which these devices are deployed, the ability to remotely control, via CLEA, the operational condition of the machines for maintenance or optimizing the dispensing capacity to reduce waste is of particular importance.

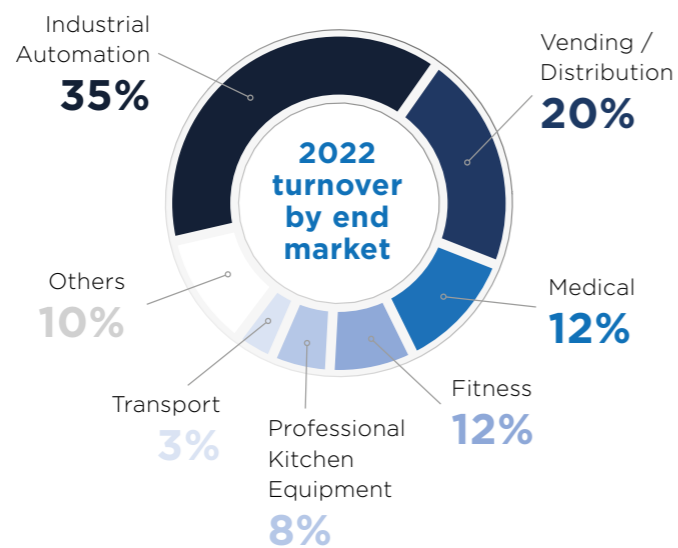
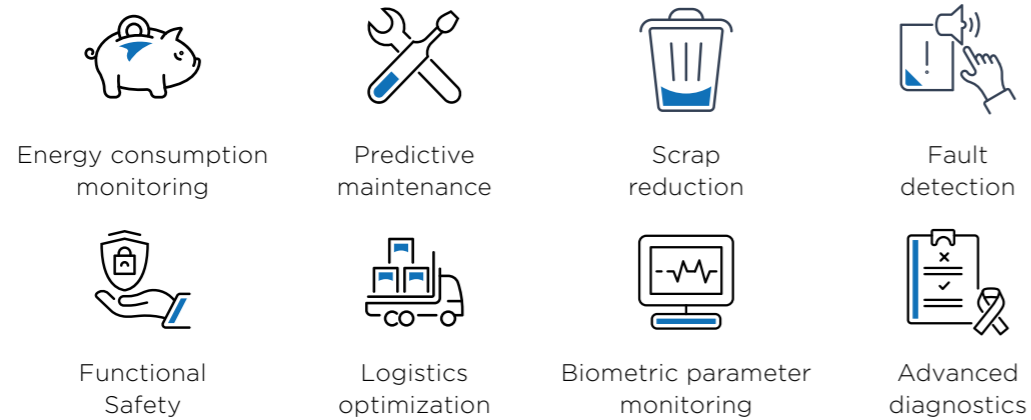
Industrial automation is leading to rapid intensification of human-machine interactions. For this reason, it is vital to implement safety-enhancing technology in environments where humans interact with automated systems. The **SMARC Halley module**, for instance, was created in partnership with Intel using Intel Atom® x6427FE and x6200FE CPUs. Optimized for Functional Safety, this module is proposed as a tool for recognizing when a system is not operating according to the minimum required reliability level (e.g., due to component failure) and autonomously intervening on the machine to prevent a potential malfunction from posing a risk to people and the surrounding environment.

The Internet of Things (IoT) and artificial intelligence (AI) are, in our opinion, particularly useful tools on a route leading to higher sustainability of the models used by each industry sector. To speed up the deployment of more creative technologies, we believe it is essential to combine the support of the specialized knowledge of industry leaders with our in-house capacity to build edge computing solutions and IoT and AI algorithms. The relationships formed in 2022 have found their place along this path.

CLEA's AI capabilities were utilized in partnership with **Impresa Pizzarotti & C. S.p.A.** to construct the Pizzarotti Monitoring System (PMS) platform for the monitoring and administration of excavations, infrastructure, and smart buildings. The platform enables the application of artificial intelligence and machine learning models to construction site data streams, utilizing geotechnical and engineering techniques to assist construction personnel in managing excavations. This enables the optimization of the entire building or infrastructure project by automating procedures, decreasing costs, and monitoring risk factors to improve the safety of excavation operations.

Use cases for systems based on monitoring sensors include regulating consumption, enhancing the quality of life in our cities, and maximizing the utilization of natural resources. Here is where our partnership with **Libelium S.L.** to combine its novel sensors with our solutions comes into play. In fact, sensors are essential components for enabling devices to connect with their surroundings, collecting the various types of data that, with the help of CLEA, can be processed in real time to provide decision-supporting KPIs in a variety of fields, such as smart cities, infrastructure, environmental monitoring, and agrifood.

Our technology for better quality of life



Some examples of application

CLEA AI EV Charging Station

CLEA-based solution for electric vehicle charging stations



Easy edge

Device for retrofitting legacy machines to increase their functionality and extend their lifespan



Off-grid box

Remote control, via CLEA, of the Off-grid box machines, designed for water and energy self-sufficiency in areas not connected to the grid



Figure 17: SECO technologies for better quality of life

The partnership with **Exein S.p.A.**, on the other hand, is designed to provide our customers, through CLEA, with cutting-edge on-Edge Artificial Intelligence capabilities capable of detecting and neutralizing cyber threats by promptly defining corrective actions to be taken without compromising the operability of field-based devices.

Detection of air and water quality, detection of contaminants, control of irrigation, soil fertility or the spread of pests or crop diseases, and intelligent mobility and transportation management are a few of the applications that, along with our ecosystem of partners, we envision as potential and initial responses to the action the planet is demanding of us in response to the climate change that is happening before our eyes.

1.7| Value sharing

The continuous development of new technologies has progressively driven the digital transformation of objects, production lines and business models.

The acquisition and partnership initiatives that SECO has carried out in the past few years form part of a strategy to increase the value created for all its stakeholders through organic and inorganic business expansion:

- for customers, ensuring a wide range of highly innovative, integrated and customizable hardware and software solutions;
- for suppliers, reinforcing collaborative relationships to create an increasingly consolidated, entrenched network, enabling them to also benefit from SECO's growth path;
- for employees, fostering continuous opportunities for growth, training and collaboration to improve satisfaction and engagement;
- for shareholders, making them key actors on the road to market expansion and value creation.

2022 reported **overall revenues of Euro 201 million** (up 79% from 2021, of which over 40% organic growth), while **Adjusted EBITDA** was Euro 44.0 (22% of revenues), **up 74%** on 2021. **Profit for the year** amounted to Euro 14.6 million, **up 124%** on the previous year.

Economic value generated in 2022 was Euro 206 million, of which 93% was distributed to our stakeholders. The remainder is retained internally in order to continue funding the Group's further acceleration due to the attractive growth opportunities offered by the sector.

Below is a breakdown of the economic value generated which illustrates the value distributed to the different categories of stakeholders and the value retained internally.

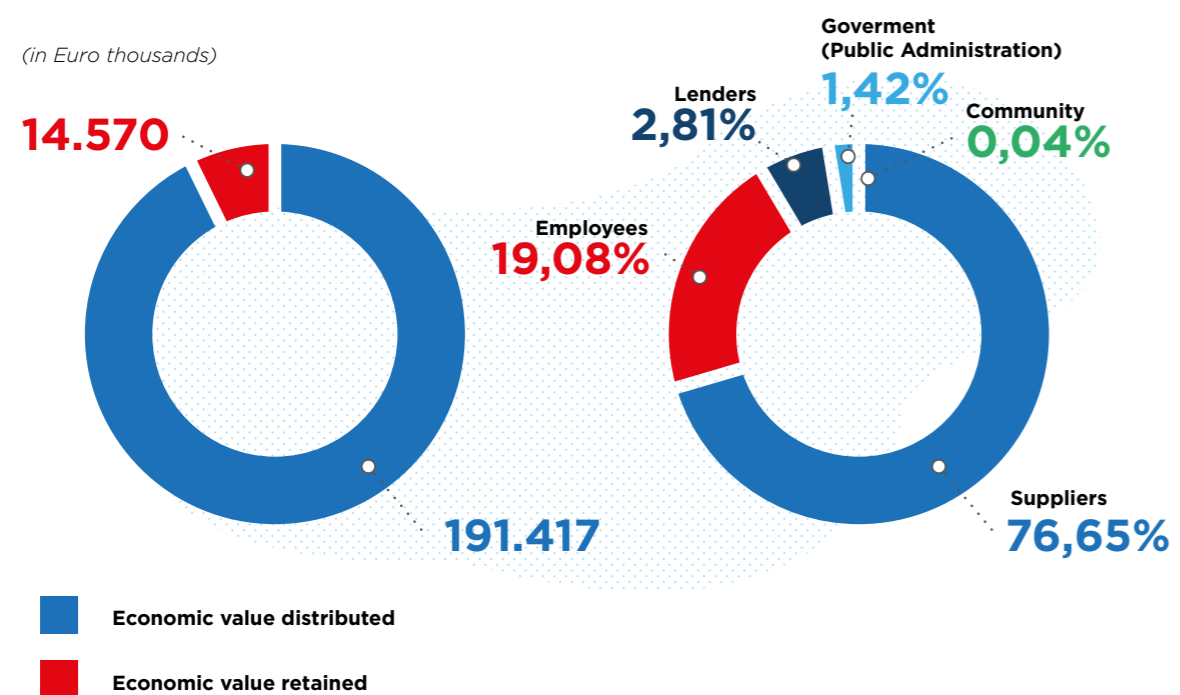


Figure 18: Direct economic value generated and distributed

1.7.1| Taxation

Management of the Group's fiscal strategy is the responsibility of the Chief Financial Officer (CFO), to whom the Chief Administrative Officer, the Controller and the CFOs of the subsidiaries report. This strategy aims to ensure **maximum transparency and correctness** in relations with the tax authorities and is based on **formal and substantial compliance with all applicable laws and regulations**. The Group adopts a series of actions to minimize tax-related risk. Indeed, every transaction performed outside the Group's normal core business activities is initially monitored by the local CFO and subsequently brought to the attention of the Group's CFO and legal advisors.

Moreover, in order to guarantee maximum accuracy regarding taxation on international inter-Company transactions, a **Group transfer pricing policy** has been implemented and forwarded to the Italian authorities. In this regard, it is the responsibility of the CFO to provide area managers with information regarding transfer pricing, the criteria adopted and any analysis supporting the transfer pricing policies adopted. Finally, beginning 2021, to ensure greater efficiency the Group adhered to the national tax consolidation scheme²⁴.

²⁴ | More quantitative information can be found in the "Technical Details" section of this document.



2| Sustainability is Strategy



135

stakeholders involved in the Group's materiality analysis for 2022



Analysis of ESG risks and opportunities

conducted



20 programmatic

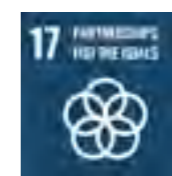
environmental, social, and governance actions to be taken in the three-year period 2023-25 to integrate sustainability at all levels of the organization

GRI

GRI 2-14, 2-29, 3-1, 3-3

SDG

SDG #17 - Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships (Target 17.17)



2



2.1| Sustainability context

2.1.1| 2030 Agenda: SECO's contribution

To measure our contribution to the achievement of shared sustainability, we analyzed¹ the **17 United Nations Sustainable Development Goals** (SDGs). We used the material topics set out in the following paragraphs as a starting point to map out and link SDGs with the GRI Standards referred to in this document, thus identifying 7 SDGs to which SECO contributes directly through its business activities:

- SDG #3 – Good health and well-being (Target 3.8)²
- SDG #4 – Quality Education (Target 4.4)³
- SDG #5 – Gender Equality (Target 5.5)⁴
- SDG #8 – Decent work and economic growth (Target 8.2, 8.3, 8.5)⁵
- SDG #9 – Industry, Innovation and Infrastructure (Target 9.5)⁶
- SDG #12 – Responsible consumption and production (Target 12.2)⁷
- SDG #13 – Take action to combat climate change (Target 13.1)⁸

1 | Our analysis also involved taking into consideration the latest version of the "Linking the SDGs and the GRI Standards" report published by the Global Reporting Initiative in May 2022 and the document "Business reporting on the SDGs: Integrating the SDGs into Corporate Reporting: A Practical Guide", October 2019 version. In fact, the first report provides a breakdown of the 2030 Agenda Goals and maps out how they correlate with the GRI Standards, including the most recent version, while the second guides the organizations in their reporting of the UN's SDGs.

2 | Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

3 | Target 4.4: By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

4 | Target 5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.

5 | Target 8.2: Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors.

Target 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

Target 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

6 | Target 9.5: Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.

7 | By 2030, achieve the sustainable management and efficient use of natural resources.

8 | Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.



Figure 19: SECO's contribution to the Sustainable Development Goals

Sustainable Development and the 17 United Nations Goals

The **2030 Agenda** for Sustainable Development — which was unanimously approved and agreed by the 193 Member States of the United Nations on September 25, 2015 — is a universal action plan for **people, the planet, and prosperity** based on the principle of shared responsibility, which calls all countries and players to action.

The Agenda has defined **17 Sustainable Development Goals** (SDGs) to be achieved **by 2030**, which are divided into **169 targets** to guide Italy and the world as a whole in the direction of sustainability.

Finally, we believe we can contribute indirectly to SDG #7 – Affordable, reliable, sustainable, and modern energy systems (Target 7.2)⁹, to SDG #10 – Reduced inequalities (Targets 10.2 and 10.4)¹⁰, to SDG #12 – Responsible consumption and production (Target 12.5)¹¹ and to SDG #16 – Peace, justice and strong institutions (Targets 16.6 and 16.7)¹²

2.1.2| European Taxonomy

Within framework of the European Green Deal, the European Commission has developed a special classification system that allows an **unambiguous definition of economic activities – and investments – that can be considered environmentally sustainable**. This system was defined within **EU Regulation 2020/852 of the European Parliament and of the Council** of June 18, 2020, made effective as of July 12, 2020.

The European Taxonomy specifically includes **six environmental and climate goals**:

- climate change mitigation;
- climate change adaptation;
- sustainable use and protection of water and marine resources;
- transition to a circular economy;
- pollution prevention and control;
- protection and restoration of biodiversity and ecosystems.

In order to qualify as eligible based on the environmentally sustainable parameters defined by the Taxonomy, an economic activity must meet the following requirements:

1. must contribute substantially to the **achievement of one or more of the objectives** set out in the Taxonomy;
2. must **meet the substantial contribution criteria** defined for each activity;
3. in contributing to one or more of the environmental objectives, **must not cause significant harm** to the others (the “Do No Significant Harm” principle);
4. must be carried out in **compliance with minimum safeguards**, i.e. carried out in line with the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, the eight core ILO Conventions and the International Bill of Human Rights.

9 | By 2030, increase substantially the share of renewable energy in the global energy mix.

10 | Target 10.2: By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, gender, disability, race, ethnicity, origin, religion or economic or other status

Target 10.4: Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.

11 |Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

12 | Target 16.6 Develop effective, accountable and transparent institutions at all levels

Target 16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels.

To date, the Technical Expert Group on Sustainable Finance (TEG) has contributed to the development of the **first two Delegated Acts** of the Commission (“*Taxonomy Climate Delegate Act*”) – approved on December 9, 2021 by the Council of the EU and in force since January 1, 2022 – which provide for the adoption of **technical screening criteria** with respect to climate change mitigation and adaptation objectives.

The European Taxonomy Regulation therefore envisages the obligation – as from January 1, 2022 – for all companies falling under the circumstances set out by Legislative Decree No. 254/2016 to report the share of turnover, the percentage of capital expenditure (CAPEX) and the percentage of operating expenditure (OPEX) qualifying as environmentally sustainable on the basis of the defined eligibility criteria. In addition, from January 1, 2023 the reporting requirement also applies to the alignment criteria for reporting in the year 2022.

SECO’s calculation of KPIs

In order to respond to the disclosure requirements of the regulation, SECO first performed an eligibility analysis of its NACE code – 2612 Manufacture of Integrated Electronic Boards – using the “Taxonomy Compass” tool made available by the European Commission. In the second instance, having found no correspondence points, it opted to proceed with a qualitative analysis of economic activities as defined in the Delegated Regulations currently available.

The following economic activities were eligible as regards the climate change mitigation goal, while no economic activities were aligned against any goal:

- *3.5 Manufacture of energy efficiency equipment for buildings*: production of electronic boards used as components in products such as heat pumps or home automation solution for heating control; CLEA solution designed to be applied for SMART shading glass for energy efficiency
- *3.6 Production of other low carbon technologies*: production of electronic boards used as components in charging stations for electric or hybrid vehicles
- *6.5 Transport by motorbikes, passenger cars and light commercial vehicles*: rental of electric company cars
- *7.5 Installation, maintenance and repair of energy efficiency equipment*: purchase and installation of an LED lighting system at the Tregozzano plant
- *7.6 Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings*: purchase and installation of sensors for the windows at the Arezzo facility to detect if they are opened and to automatically shut down the heating and air conditioning system inside the room
- *8.1 Data processing, hosting and related activities*: contract for Cloud services using data centers powered by at least 90% renewable energy

The following tables outline the analysis performed for each KPI.

Revenue

Economic activities	Substantial contribution criteria									DNSH criteria				
	Code (s)	Absolute turnover k€	Proportion of turnover %	Climate change mitigation %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiversity and ecosystems Y/N	Minimum safeguards Y/N	Taxonomy-aligned proportion of turnover year N %	Category (enabling activity) m	
A. TAXONOMY-ELIGIBLE ACTIVITIES														
A.1. Environmentally sustainable activities (Taxonomy-aligned)														
Turnover of environmental sustainable activities (Taxonomy-aligned activities) (A.1)	/	0	0%											
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)														
Manufacture of energy efficiency equipment for buildings	3,5	811	0%											
Manufacture of other low-carbon technologies	3,6	761	3%											
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		1.572	1%											
Total (A.1+A.2)		1.572	1%											
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES														
Turnover of Taxonomy-non-eligible activities (B)		198.487	99%											
Total (A+B)		200.060	100%											

CapEx

Economic activities	Substantial contribution criteria									DNSH criteria				
	Code (s)	Absolute CapEx k€	Proportion of CapEx %	Climate change mitigation %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiversity and ecosystems Y/N	Minimum safeguards Y/N	Taxonomy-aligned proportion of turnover year N %	Category (enabling activity) E	Category (transitional activity) T
A. TAXONOMY-ELIGIBLE ACTIVITIES														
A.1. Environmentally sustainable activities (Taxonomy-aligned)														
CapEx of environmental sustainable activities (Taxonomy-aligned activities) (A.1)		0	0%											
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)														
Installation, maintenance and repair of energy efficiency equipment	7,3	10	0%											
Installation, maintenance and repair of instruments and devices for measuring, regulation and controlling energy performance of buildings	7,5	12	0%											
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		22	0%											
Total (A.1+A.2)		22	0%											
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES														
CapEx of Taxonomy-non-eligible activities (B)		18.248	100%											
Total (A+B)		18.270	100%											

OpEx

Economic activities	Substantial contribution criteria									DNSH criteria				
	Code (s)	Absolute OpEx k€	Proportion of OpEx %	Climate change mitigation %	Climate change mitigation Y/N	Climate change adaptation Y/N	Water and marine resources Y/N	Circular economy Y/N	Pollution Y/N	Biodiversity and ecosystems Y/N	Minimum safeguards Y/N	Taxonomy-aligned proportion of turnover year N %	Category (enabling activity) E	
A. TAXONOMY-ELIGIBLE ACTIVITIES														
A.1. Environmentally sustainable activities (Taxonomy-aligned)														
OpEx of environmental sustainable activities (Taxonomy-aligned activities) (A.1)		0	0%											
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)														
Transport by motorbikes, passenger cars and light commercial vehicles	6,5	9	0%											
Data processing, hosting and related activities	8,1	40	0%											
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		49	0%											
Total (A.1+A.2)		49	0%											
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES														
OpEx of Taxonomy-non-eligible activities (B)		23.427	100%											
Total (A+B)		23.476	100%											

2.2| Group Stakeholders

The first phases of the **stakeholder engagement** process that began in 2021 involved an update to the Group stakeholder map following a targeted survey, which was sent to the Group’s senior management team in order to:

- **map out and identify the main stakeholders;**
- analyze their respective **communication and relationship styles;**
- define the **Business Units** involved in the relationship;
- identify the **tools and dialogue channels** used;
- assess the degree of **relevance** for the Group so that an outline could be created for the stakeholder engagement plan.

The results of said analysis are shown in the infographic below. The size of the bubble indicates the relevance assigned by panel participants to each stakeholder category, using the methods described above.

We believe that continuous interaction and dialogue with all of our Stakeholders is fundamental and strategic, which is why we have initiated an engagement process that enables us to adopt tools and modes of communication tailored to each category of Stakeholders in order to manage requests and maintain active collaboration and dialogue with each of them.

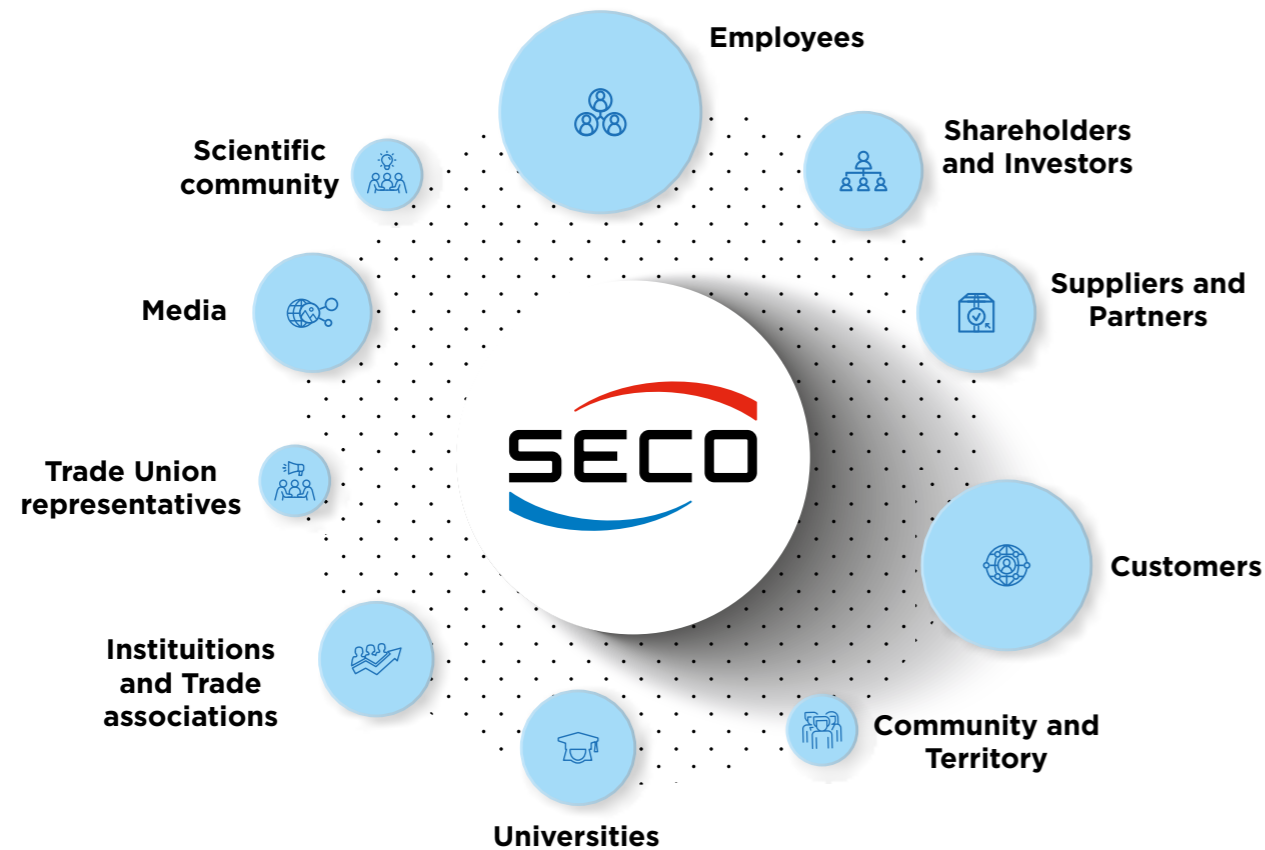


Figure 20: Map of Group stakeholders

The table below outlines the dialogue methods and channels utilized, the frequency of engagement, and the manners in which SECO communicates with various categories of Stakeholder.

Stakeholders	Tools and channels for dialogue and frequency of interaction	Communication channels
Employees	<ul style="list-style-type: none"> • IT portal (as needed) • Team meetings (weekly/monthly) • Stakeholder satisfaction surveys (yearly) • Annual performance review (yearly) • Internal communication activities (newsletter) • Training (as per training plans) • Ethics Code (as needed) 	Listening, informing, collaborating, monitoring, and engaging
Shareholders and investors	<ul style="list-style-type: none"> • Economic-financial and governance reports (once every quarter, six months, or year) • Company website and press releases (as needed) • Meetings held periodically (once every quarter, six months, or year) or following a special company event such as a corporate transaction, strategic partnership presentation, etc. • One-to-one, one-to-few, and one-to-many meetings 	Listening, informing, collaborating, monitoring, and engaging
Suppliers and partners	<ul style="list-style-type: none"> • Ethics Code (at the beginning of the employment relationship) • Qualification survey (at the beginning of the employment relationship and then once a year) • Supplier regulatory compliance (at the beginning of the business relationship) • Frequently Asked Questions (FAQs) section on the Company’s website 	Listening, informing, collaborating, monitoring, and engaging
Customers	<ul style="list-style-type: none"> • Surveys and calls with third-party consultants to gather feedback (yearly) • Customer service (as needed) • Frequently Asked Questions (FAQs) section on the Company’s website 	Listening, informing, collaborating, monitoring, and engaging
The community and the local area	<ul style="list-style-type: none"> • Sponsorship of sports and cultural activities, and social community projects (yearly) 	Listening, collaboration, and involvement
Schools and universities	<ul style="list-style-type: none"> • Roundtables, partnerships, and project development (yearly) 	Collaboration and involvement
Trade institutions and associations	<ul style="list-style-type: none"> • Roundtables, regular meetings 	Listening, collaboration, and involvement
Union representatives	<ul style="list-style-type: none"> • Roundtables, regular meetings 	Listening, collaboration, and involvement
The media	<ul style="list-style-type: none"> • Website (as needed) • Press conferences (as needed) 	Listening, collaboration, and involvement
Scientific community	<ul style="list-style-type: none"> • Roundtables, partnerships, and project development (yearly) 	Collaboration and involvement

In 2022, as a continuation of the Stakeholder study conducted in 2021, the aforementioned Stakeholder categories were directly involved in reviewing material topics and providing comments on SECO’s activities, as outlined in Section 2.3.1.

2.3| Materiality analysis and risk assessment

Continuing on from our achievements in 2021, 2022 again saw the participation of a wide range of the Group’s internal and external stakeholders in the definition of the contents of this NFD, in line with the reporting principles of the GRI Standards¹³.

In order to align the adopted reporting practices with the new national and international standards¹⁴, we expanded our analysis in 2022 to include, in addition to the “simple” materiality matrix developed for previous reporting years, a study of **ESG risk assessment** examining, in terms of current and potential risks and opportunities, the impacts on land, people, and the environment associated with the potentially relevant issues we have identified.

This activity, which is part of the path of gradual alignment to the so-called “dual materiality”, involved only top management for the assessment of the so-called “impact materiality” during the 2022 financial year. For the subsequent reporting periods, the objective will be to enact a structured process of Stakeholder engagement, so as to include them in the process of identifying and assessing our impacts on the external environment.

2.3.1| The “simple” materiality analysis

For the update of the “simple materiality” analysis in particular, the procedure consisted of the following operational phases, which were carried out in a manner consistent with 2021:



Initially, we updated our context analysis, the results of which are reported in chapter “1.1 - Context” of this document, with the dual purpose of analyzing — as regards corporate sustainability issues — our positioning with respect to the business sector in which we operate and emerging macro-trends at the international level, in addition to identifying a shortlist of potentially relevant topics, reconceived and reclassified according to their relevance.

Accordingly, the internal and external documentary analysis conducted in 2021 and taking into account the views of various Stakeholders (international bodies, trade associations, academia, shareholders and investors, the media) and compared with the work of a panel of peers and companies in the sector, was supplemented by taking into account the contributions

¹³ | Further information is available in the “Methodological Note” on page 131 of this document.

¹⁴ | Specific to the new Corporate Sustainability Reporting Directive (CSRD), which entered into force in January 2023, but will include the creation of non-financial reports for Big Companies listed as SECOs beginning with the Financial Year 2024 and continuing through 2025.

of international bodies and entities such as Standard & Poor’s, Sustainability Accounting Standards Board (SASB), Organisation for Economic Co-operation and Development (OECD), and the European Community.

This initial step resulted in the compilation of a list of potentially pertinent topics for our stakeholders and senior management to examine.



Around 300 stakeholders responded to a questionnaire (135 of which were complete, with a response rate of almost 50%) in which they were asked to evaluate the following:

- the 2021 NFD, in terms of the correctness, balance, clarity, completeness, and comparability across time of the information and the mapping context for sustainability, in line with the new GRI Standards 2021;
- our oversight in relation to the potentially significant sustainability topics identified;
- the relevance of the potentially material topics for 2022 included within the analysis.

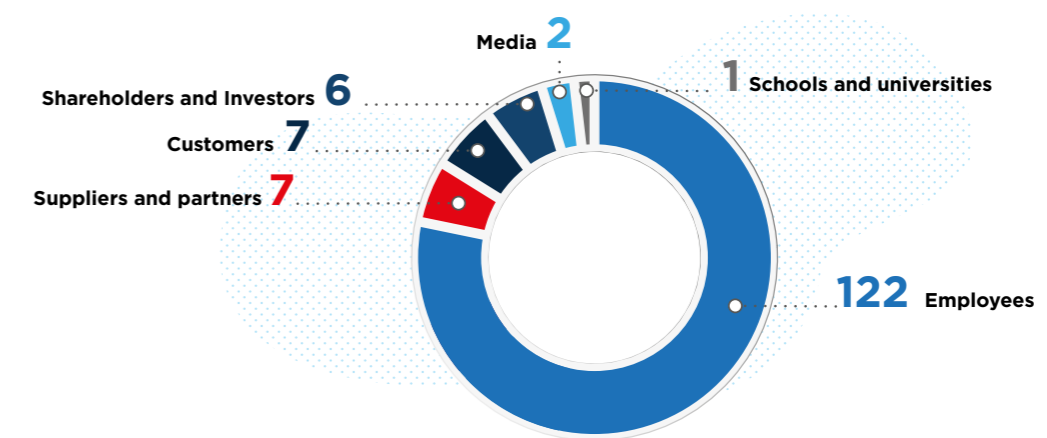
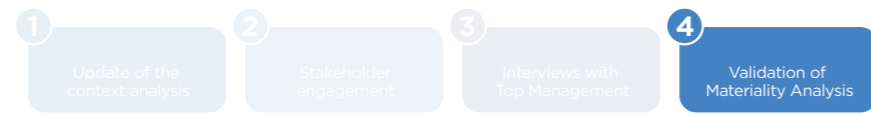


Figure 21: Stakeholders involved in the analysis



Top Management’s participation in the process of defining material topics consisted of two different phases. In the first, a workshop was arranged with a few managers of the parent company in order to gauge their view on the strategic significance of the topics under discussion to our organization through the completion of a questionnaire in a plenary session. At this stage, the impact assessment shown below also took place.

During the second phase, however, one-on-one interviews were conducted with the same top managers in order to validate the material topics that emerged from the questionnaire, analyze their management methods and the guiding principles they adhere to, and collect information on any projects related to the topics.



As indicated in the preceding phases, the materiality matrix was delivered to the Chief Executive Officer on December 22, 2022, who confirmed the material topics that came from the study and deemed it pertinent to add the following, in addition to those that emerged:

- Personnel training and development
- Talent acquisition, management and development

The choice to include these concerns in the materiality matrix was influenced by our desire to respect the opinions of our stakeholders, who had already provided a high rating for these issues. In addition, the rising significance of these concerns in the environment of tech organizations — where the acquisition and development of fresh talent and the continued training of specialized staff are crucial considerations for long-term growth and competitiveness — was also considered.

In contrast, a decision was made to omit the following topics for this year:

- Strategy for adaptation to extraordinary events
- Ethics in the development and use of AI

As regards the former, this issue was removed due to the exceptional and therefore unforeseeable nature of these events and the measures we have implemented to mitigate the impacts of recent extraordinary events (primarily the COVID-19 pandemic crisis and the Russian-Ukrainian conflict), as a result of which the potential impact of these phenomena is no longer significant.

In addition, as a means of further monitoring, we have devised an Enterprise Risk Management (ERM) process by which we identify risk and opportunity variables pertinent to the company, conduct the necessary evaluation, and document the methods developed to mitigate their impact.

As for the second topic, we decided to eliminate it from the materiality matrix based on an evaluation of the targeted application areas of the AI solutions we developed, which are mostly industrial and commercial. Moreover, the AI algorithms built for the customer are the customer's own property, as are the data created by the devices, which are consequently controlled according to the methods defined by the counterparty.

As a consequence of the analysis described above, the materiality matrix 2022 is shown below.

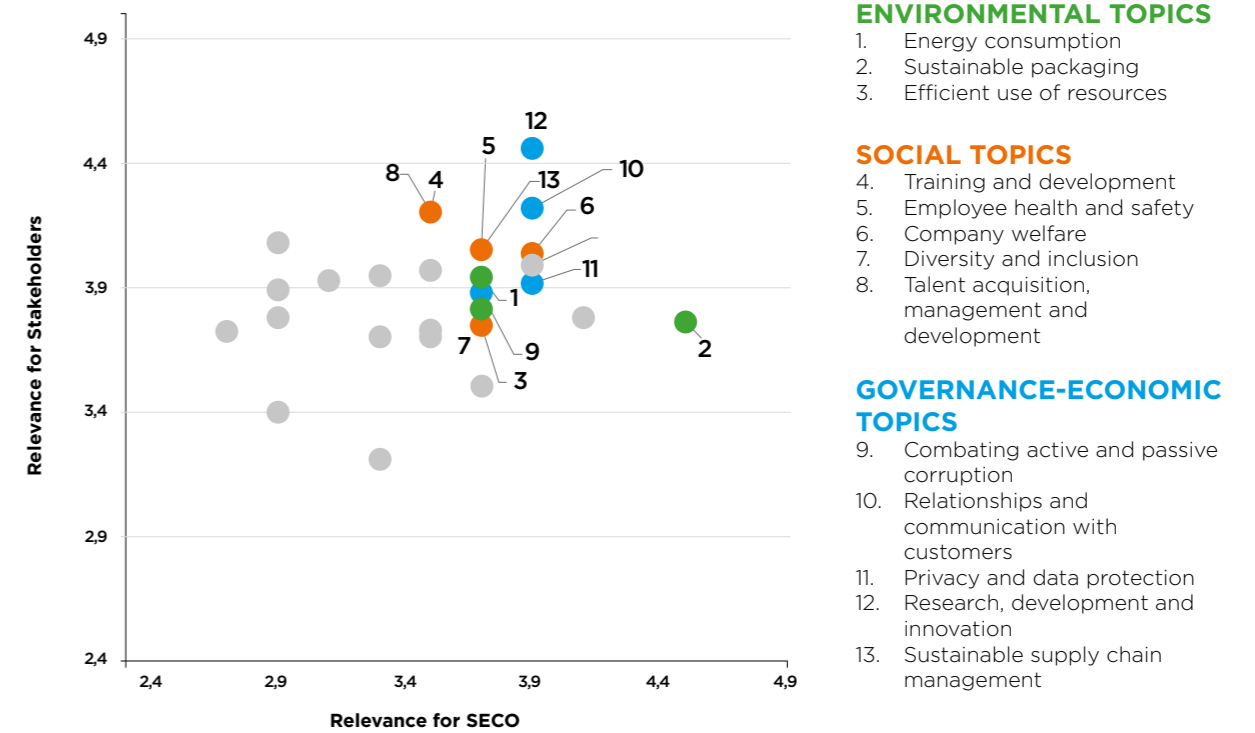


Figure 22: SECO's "single" Materiality Matrix

Initial examination of the results of the analysis reveals strong congruence between management and stakeholder replies. In addition, we note that economic and governance concerns are the most pertinent, followed by social and environmental ones. Under the latter category, new topics include Sustainable Packaging and Efficient Use of Resources, but SECO's Emissions, Waste Management and Environmental Compliance have been removed.

2.3.2| The ESG Risk Assessment Analysis

Regarding "Impact Materiality", which is required by the new GRI 2021 and international standards, we have included just a few senior managers in the first year of the "dual materiality" approach, delaying the Stakeholder Engagement process connected to this evaluation until the following year.

In line with the measures suggested by the European Financial Reporting Advisory Group (EFRAG), the procedure followed throughout this phase comprised the following operational activities:





The results of the context analysis were cross-referenced with those of the Enterprise Risk Management (ERM) system we had established in order to identify existing and potential positive and negative impacts on communities, people, and the environment associated with the resulting sustainability challenges.

Risks previously recognized and evaluated within ERM were considered for analysis, wherever possible. Thereafter, this study was augmented by integrating ERM risks with those connected to ESG concerns that arose from the context analysis, thereby broadening the scope of ERM, which focuses largely on risks to our organization, so that it includes external hazards. In addition, all potential possibilities for the Group in relation to these concerns were identified based on the data acquired during the context analysis.

A perimeter of 106 effects was thus established for management's consideration in the following phase, comprising 51 potential dangers to people, the community, and the environment and 55 potential possibilities capable of having a positive impact for SECO in relation to the highlighted concerns.



As with the “single” materiality analysis, managers participating in the plenary evaluation session were invited to remark on the impacts found in the previous phase.

Specifically, each impact was rated from 1 to 5 on severity (risk) or benefit (opportunity), taking into account the probability of occurrence of the event, the **scale** (magnitude of the risk or benefit generated by the opportunity), the **scope** (level of impact spread), and, for risks, the degree of **remediability** (level of difficulty in counteracting or remedying the harm resulting from the impact).



Lastly, the outcomes of the workshop with management were examined to determine the most pertinent risks and opportunities from an ESG perspective.

The following table displays the results of this activity, namely the issues that the impact analysis determined to be the most significant.

	Topics	Risks	Opportunities	Impact	Management Approach
Environment	Circular economy within the business	7.08	8.51	Medium-high	Pp. 127-129
	Sustainable packaging	9.24	8.96	Medium-high	Pp. 120-122
Social	Training and development	8.26	8.18	Medium-high	Pp. 81-85
	Company welfare	11.52	11.76	High	Pp. 85-89
	Diversity and inclusion	6.40	9.77	Medium-high	Pp. 74-77
	Talent acquisition, management and development	5.44	11.87	Medium-high	Pp. 78-85
Governance & Business	Business ethics and integrity	8.18	13.26	High	Pp. 35-37
	Risk management	8.36	7.82	Medium-high	Pp. 38-39
	Combating active and passive corruption	8.36	11.40	High	Pp. 35-37
	Quality, safety and accessibility of products and/or services	6.02	11.07	Medium-high	Pp. 91-99
	Relationships and communication with customers	6.84	12.80	High	Pp. 91-92
	Privacy and data protection	6.56	9.00	Medium-high	Pp. 99-101
	Sustainable supply chain management	7.64	10.85	Medium-high	Pp. 103-109
	Contribution of technologies to the achievement of the Sustainable Development Goals	9.36	12.24	High	Pp. 43-47

Figure 23: SECO material topics emerging from the ESG Risk Assessment Analysis

The materiality threshold, used both for identifying material topics from the perspective of impact and for defining individual impacts deemed to be material, was identified as the median of the ratings, which was **7.62** for topics and **7.68** for impacts.

The examination of the data indicated a greater emphasis on social, economic, and governance concerns, whereas environmental implications were, on average, judged to be less significant. These include topics related to the circular economy and the use of sustainable packaging.

In addition, the cross-analysis of Risks and Opportunities revealed that for almost all of the topics analyzed, the relevance of the opportunities was greater than that of the associated risks, in part due to the benefits and positive contributions that technological innovation — a sector in which SECO has historically operated — may bring to these topics in the coming years.

The most significant opportunities for the business were identified in terms of economic and governance topics, with an emphasis on ethics and integrity, customer relations, and communication. Lastly, the topic of corporate welfare was determined to be the one with the greatest number of risks to be examined over the following years, followed by sustainable packaging and the contribution of technology to sustainable development.

2.4| Our sustainability pillars

Knowing that we have a responsibility to the environment and the social context in which we operate, we spent 2022 laying the groundwork for a viable, long-term strategy to integrate sustainability at all organizational levels. Specifically, we have a policy that governs the NFD drafting process by formalizing its principles, activities and operating methods.

The policy specifies the timing of the NFD drafting process, the activities and roles of each unit involved in the process, with specific reference to preliminary activities and the collection of non-financial information regarding the parent company and the companies within the reporting scope.

Additionally, in 2022, in addition to outlining the material topics stated in the preceding paragraphs, we were actively involved in developing programmatic activities to be executed in the future years to further integrate sustainability into SECO's strategy and our everyday operations.

In order to fulfill the needs of our internal and external Stakeholders, we began the study with the topics identified as material during the development of the 2021 materiality matrix and identified a number of projects for each of the three areas of sustainability (Environment, Social, Governance).

At the environmental level, the primary area of activity has been the pursuit of complete mapping of emissions up to the "Scope 3" category, in order to monitor emissions indirectly created by business operations and SECO's relationship with its value chain and stakeholders. This project is intended to be the initial step on the route to decarbonization: beginning with a comprehensive measurement of emissions, it will be feasible to assess SECO's carbon footprint and then develop a strategy to minimize or offset these emissions.

Other initiatives already put in place at the parent company level include the use of renewable energy to power all of the Group's production plant and collaboration with an increasing number of customers and suppliers to identify initiatives with a lower environmental impact. These include increased use of recycled materials and a reduction in the use of disposable packaging in favor of returnable packaging, a solution we are already testing with some customers.

For our People, the primary action areas include the adoption of a structured performance appraisal system, which will be incorporated for the first time in 2023, and a series of initiatives to promote people's growth and well-being, encouraging their training and professional development, and ensuring equal opportunity and pay without discrimination.

In addition, we intend to increase everyone's understanding of the relevance of sustainability through training and awareness-raising initiatives, to the point where ESG-related goals are included in all MBO-based remuneration incentive structures.

Similarly, we intend to work more closely with our suppliers to improve awareness of the whole supply chain in order to decrease its environmental effect in terms of emissions and waste, and to eradicate all sorts of human rights violations. We also seek to incorporate sustainable standards into the audits we conduct on new suppliers and periodically on existing ones.

In addition, we intend to continue to engage our supply chain in a more systematic manner regarding conflict minerals, so as to ensure that the materials used to manufacture electronic

components do not originate from areas affected by armed conflicts, and therefore do not fund wars or criminal enterprises.

Areas of focus (2023-25)



Environment

- **Reporting indirect emissions** (Scope 3) to undertake a **decarbonization process** with a view to adopting an SBT approach¹⁵
- Power all Group production facilities using only **energy from renewable sources**
- Conduct analysis using the LCA (**Life-Cycle Assessment**) methodology on our products in order to measure their environmental impact
- Expand the use of **reusable packaging made from recycled material**, replacing single-use solutions
- Support ongoing research to encourage the incorporation of recycled or **recyclable and reusable components** into our products
- Extend the scope of **ISO 14001 certification on environmental management to the entire Group**
- Adopt an **ISO 50001 energy management system** at the Group's production plant



Social

- Develop a **performance appraisal system** to encourage **measurable and transparent feedback** among members of each team
- Extend **corporate guidelines on flexible work** to balance people's personal and work needs more effectively
- **Bolster training programs** by providing at least 10 hours of training for all employees each year
- Support the **continuous development** of internal skills and the **acquisition of talented new personnel**

¹⁵ | Reference is made to the system of best practices identified by the Science-Based Targets Initiative (SBTI), a collaboration between the UN Global Compact (UNGC), World Resource Institute (WRI), Carbon Disclosure Project (CDP), and World Wildlife Fund (WWF) with the goal of assisting companies in adopting targets to mitigate their environmental impact and guiding them through the transition to a low-carbon economy.

- **Promote the well-being of new parents** through appropriate **parental leave policies**
- Adopt a **Diversity & Inclusion Policy** and increase **awareness on the issue among employees**
- Promote **equal pay by gender** through an initial assessment and a periodic review process
- Extend the scope of **ISO 45001** certification on **Occupational Health and Safety to the entire Group**



Governance & Business Integrity

- **Integrate the culture of sustainability** into corporate strategy and daily action, increasing the awareness of the Board, the Management Team and employees
- **Include at least one ESG objective in 100%** of **MBO-based** remuneration incentive mechanisms
- Adopt a **policy** and build an **internal control system** on **Conflict Minerals**, in accordance with OECD recommendations
- Integrate **sustainability requirements** into **all audits of new suppliers**
- Extend the scope of **ISO 27001 IT security** certification **to the entire Group**

Figure 24: Group ESG objectives



3| Giving Our All



817
employees in 2022



19.115 hours
of training in 2022, an average of 36.3 per employee



100%
Workers in Italy covered by an occupational health and safety management system



1.715 hours
of health and safety training during 2020-2022



98,5%
customer retention rate over the last three years



56,9%
of procurement spending was on domestic suppliers in 2021



Conflict minerals policy
introduced in 2022

MATERIAL TOPICS

- **Training and development**
- **Employee health and safety**
- **Company welfare**
- **Diversity and inclusion**
- **Talent acquisition, management and development**

RELATED RISKS

Failure to meet the expectations and needs for individual and professional growth of Group employees. Reduced employee commitment and satisfaction due to poor work-life balance. Discrimination and unequal treatment of people on the basis of gender, religion, age, sexual orientation, geographical origin, and other individual characteristics.

OPPORTUNITIES

Development of the Group's human capital and transmission of necessary skills to the next generations. Reduction in work-related injuries and social cost thanks to reinforced control, prevention and monitoring policies. Increased personal satisfaction for employees through wealth redistribution initiatives and work-life balance policies. Promotion of an inclusive environment throughout the Group's value chain.

MATERIAL TOPICS

- **Relationships and communication with customers**
- **Privacy and data protection**
- **Sustainable supply chain management**

RELATED RISKS

Loss of customer confidence customers due to uncertain news or lack of communication from the Company. Violations regarding the management of data relating to customers and end users of SECO's products or semi-finished products. Discontent among local communities due to the activities at SECO Group's production sites. Environmental and social effects of the activities carried out by the organization's suppliers and contractors.

OPPORTUNITIES

Development of products that more closely correspond to customer demands, thanks to structured dialogue and collaboration with them. Creation of a sensitive data management model in line with the highest international standards to protect customers and become a model for best practice in the market. Creation of a significant local economic spin-off effect.

GRI

GRI 2-7, 2-8, 2-28, 2-30, 3-3, 204-1, 401-1, 401-2, 401-3, 402-1, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10, 404-1, 404-3, 405-1, 406-1, 407-1, 408-1, 409-1, 414-1, 418-1

SDG

- SDG #3 - Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all. (Target 3.8)
- SDG #4 - By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship. (Target 4.4)
- SDG #5 - Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life. (Target 5.5)
- SDG #8 - Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services. (Target 8.3)
By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. (Target 8.5)
Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment (Target 8.8)
- SDG #10 - By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status (Target 10.2)
Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality. (Target 10.4)
- SDG #12 - By 2030, achieve the sustainable management and efficient use of natural resources. (Target 12.2)
- SDG #17 - Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships. (Target 17.17)

SUSTAINABLE DEVELOPMENT GOALS



3.1| People

People are one of our main assets, a key element in our organization and **our success**. We are an ever-evolving international Group with offices in nine countries. We are actively committed to sharing a **common corporate culture**, which aims to develop and enhance everyone's **talent**, foster **continuous interaction** between work teams and relationships based on trust and respect for **equal opportunities**.

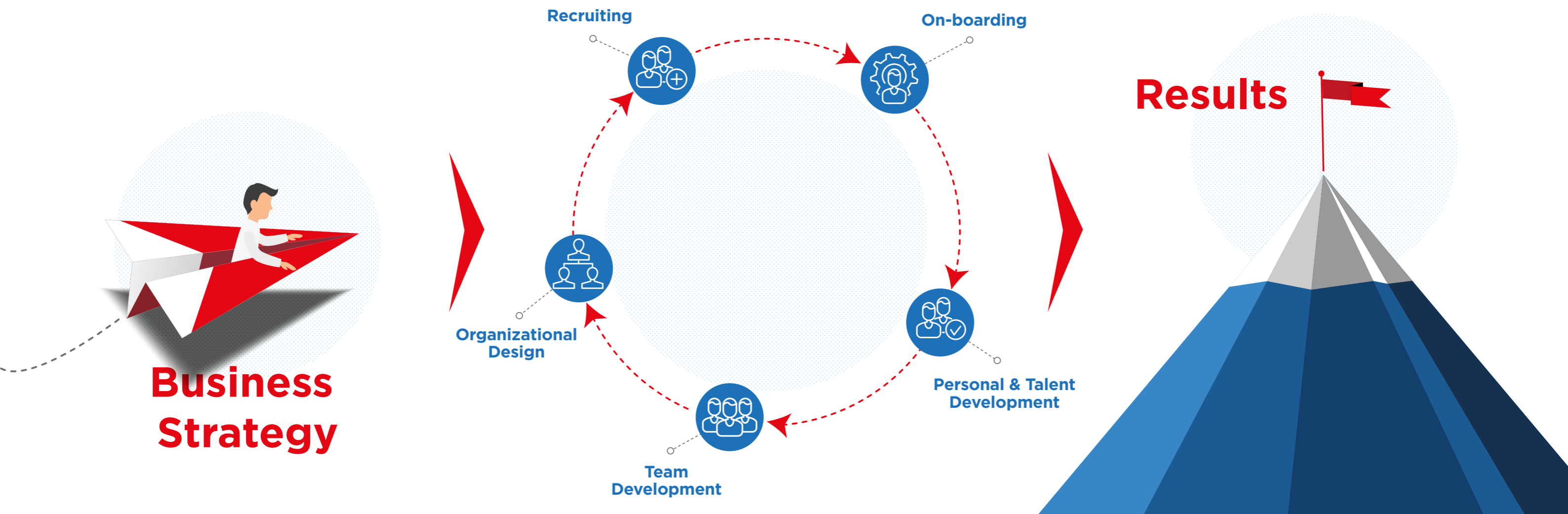
Our HR model is designed to fully support the development of SECO's business growth strategy and goals.

Work that had begun in 2021 on harmonizing the HR operations of all Group companies to guarantee complete integration and sharing of some of the best practices adopted at the parent company level continued in 2022.

As of December 31, 2022, the Group consisted of **817 employees**, up 4% from 782¹ employees at the end of the previous year.

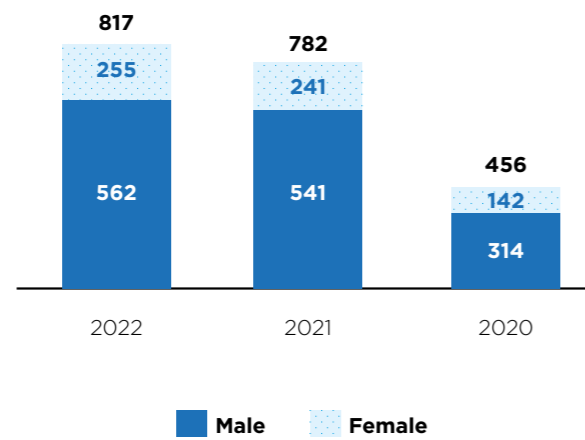
The employees of all the Group's Italian companies (45% of the total workforce) are covered by the National Collective Bargaining Agreement for the metal-working sector.

Figure 25: SECO's HR model

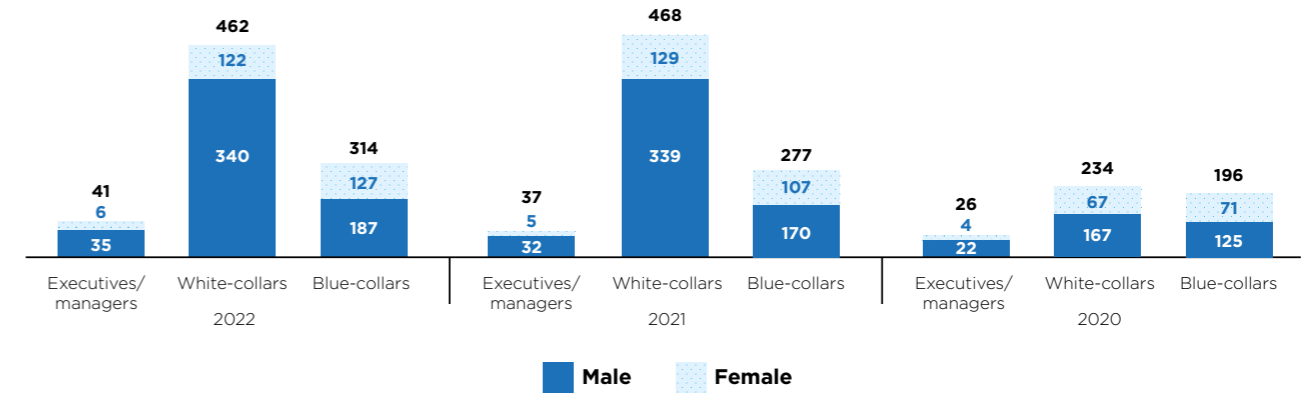


¹ | The data and information on the number of employees for 2021 have been restated from the previous version of the NFD, since they are 53 lower than the figure reported last year. This difference was recognized as a result of an update in 2021 in the labor relations information management systems in two Group companies, as a result of which these employees, who had left during 2021, were counted as present at the end of the year. All personnel categories for 2021 (job roles, contract types, hires, terminations, etc.) were therefore revised as a result of this adjustment.

Change in Group personnel



Professional categories

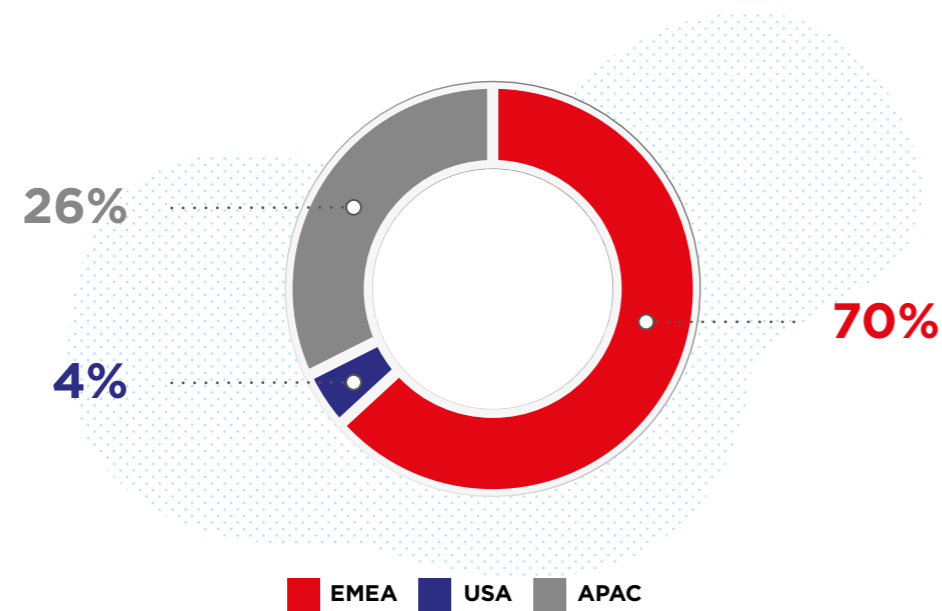


Employees falling into vulnerable groups in 2022 numbered 14, down slightly from 16 at the end of the previous year.

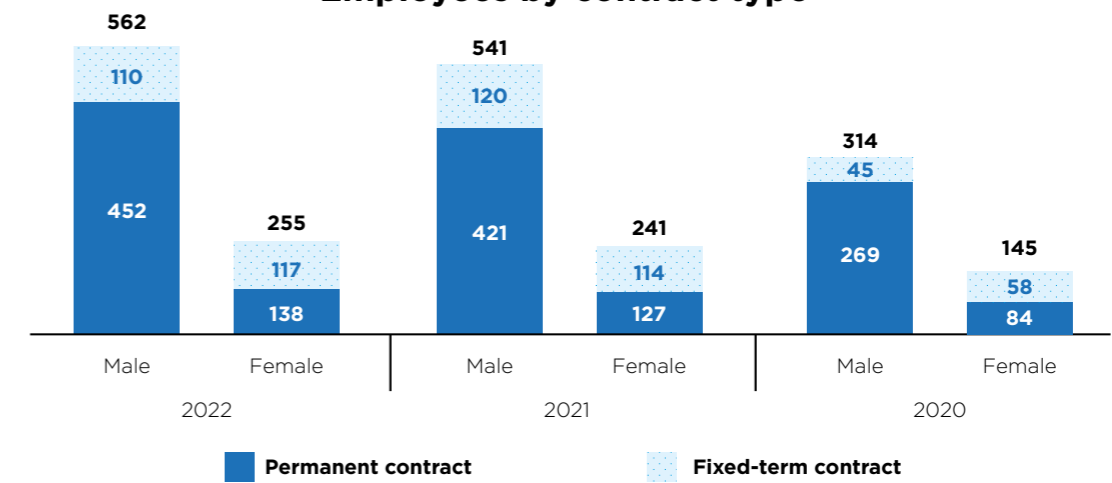
In 2022, 5% of the population were Executives/Managers², 57% were white-collar workers and, finally, 38% were blue-collar workers.

Of the total workforce, 72% are employees with permanent contracts.

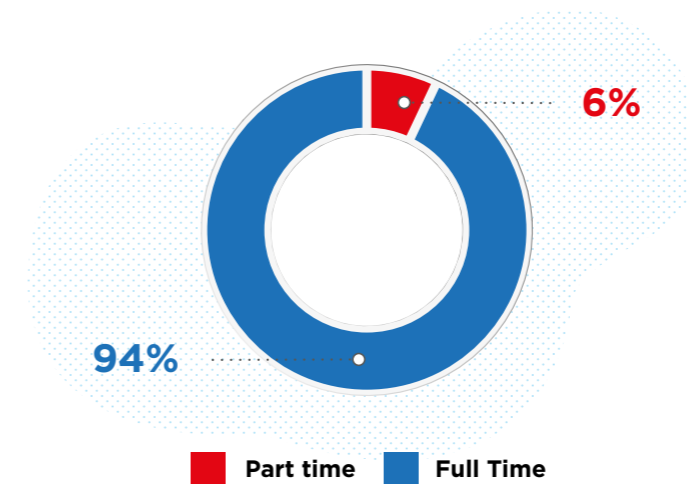
Geographical distribution of employees in 2022



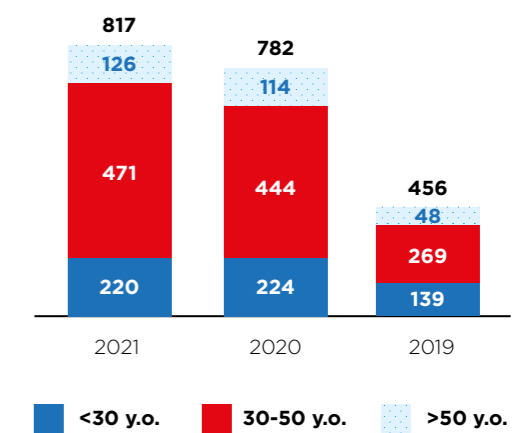
Employees by contract type



Type of employment in 2022



Evolution of the workforce by age group



SECO is also supported by a number of non-employee workers: 75 in 2022, an increase of 27 from 2021.

At the end of 2022, 58% of the business population was aged between 30 and 50, 27% was under 30 and 25% was in the over 50 range.

² | Included in this category are i) employees of Group companies based in Italy, hired with the classification of "Executive" under Italian law; ii) individuals operating as first reports to the Group CEO and CEOs of each of the companies included in the reporting scope.

3.1.1| Selection and onboarding

Transparency, equality and non-discrimination are the principles that guide the way we conduct our working relationships and, consequently, also our selection and recruiting activities. In fact, we ensure that we select our employees with respect for **equal opportunities**, rejecting any form of discrimination.



Recruiting

To ensure these principles permeate the organization, SECO has established a recruiting procedure, applied to the Group's Italian companies, that defines the key steps for recruiting new resources. These include justification of the recruitment request, identification of the professional requirements for the position under consideration, and identify the company individuals involved in the process (manager or department head, Human Resources department, Finance).

In selecting especially significant roles, the recruiting procedure also uses the cooperation of external agencies for headhunting, and tools such as PI (Predictive Index) and Hogan tests to evaluate the soft skills of applicants.

In addition, a Job Assessment tool was introduced in 2020 to define the behavioral requirements and critical success factors of a specific position by establishing objective benchmarks.

With this in mind, during **Behavioral Assessment and Cognitive Assessment** activities, an analysis based on special psychometric tests is carried out to identify needs and the candidate's professional requirements and technical-cognitive abilities, so as to support team leaders in creating more productive work groups.

With a view to promoting horizontal growth paths among people, an **internal job** posting system was put in place in September 2022. Group employees can use it to apply for vacant positions in other departments or companies of SECO. With this tool, the skills and potential of internal employees can be enhanced before beginning any recruitment of external profiles.

Instead, the main external channels through which new employees are sought include:

- Jobs posted on the LinkedIn pages of SECO S.p.A. and its Group companies;
- Headhunters, for the identification of specific figures to be included in the management team;
- Relations with universities, technical institutes and trade associations for the placement of recent graduates and school leavers.

In 2022, 312 employees joined the Group, 52% of whom were under the age of 30.

There were also 273 employment terminations; up from the previous year. Of these, the majority (around 67%) are concentrated in the APAC area, historically characterized by turnover rates that are much higher than those observed in the other geographical areas in which SECO operates.

52% of hires under the age of 30
38% rate of new hires³ in 2022
33% outgoing⁴ turnover in 2022

Tool Operation and Output



Behavioural assessment

Measures an individual's motivations and needs, providing the elements to interpret their conduct at work and help managers create more productive teams

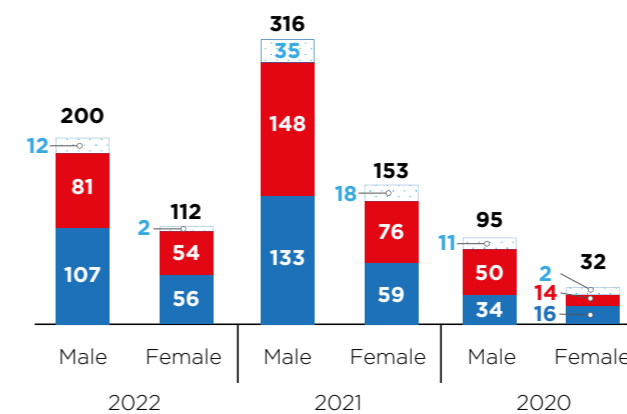


Cognitive assessment

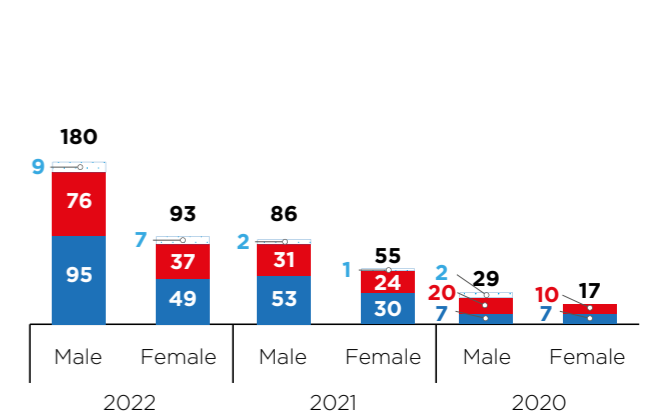
Measures the individual's learning speed or ability to learn, adapt and understand new and complex concepts

Figure 26: Behavioral assessment and cognitive assessment

Hires in the three-year period



Exits in the three-year period



■ <30 y.o. ■ 30-50 y.o. ■ >50 y.o.

3 | Inbound turnover is calculated as the ratio of total new hires to December 31 of the year under review to the total number of employees at that date.

4 | Outgoing turnover is given by the ratio of total terminations to December 31 of the year under review to the total number of employees at that date.



On-boarding

In light of the Group's progressive expansion and internationalization and the resulting increase in workforce size, a **manual** was distributed to all Group employees that defines the corporate **organizational chart** in a clear, readable, and usable manner, for each Company and function, enabling all employees to comprehend and at the same time build the organization together. Initially disseminated from 2021 and periodically updated, the manual is available to the entire corporate population via the HR portal.

A process has also been created to facilitate the **onboarding** of new hires. It includes giving them time to talk with and get to know their teams and the colleagues with whom they will be working most frequently. Future goals include extending this activity to foreign branches in order to share a practice that encourages the participation of all new recruits in an organization with an ever-expanding global reach.

In the same spirit, a quarterly **breakfast with the Chief Executive Officer** was also instituted so that new hires may ask questions and pose any concerns they may have in order to have a comprehensive grasp of SECO. Related to this program is the "**Question Time**" held in October 2022 and extended to all employees of the parent company and which gave provided an extra opportunity to learn about SECO's situation and strategy.



Figure 27: A meeting between the new entries and the CEO of SECO

2021 also saw the launch of an employer branding campaign which, using the hashtag **#SECO PEOPLE** on our LinkedIn page, highlights the Group's new recruits, their career path and the goals they expect to achieve while working at SECO. The idea is that by communicating these features to all Group Stakeholders, we can bring them closer to SECO's environment and culture. Similarly, a newsletter has been developed for internal communication to inform all company departments about new hires via a brief description.



Figure 28: #SECO PEOPLE

3.1.2| Personal Development and Talent



Personal & Talent Development

We are driven by the ambition to build a working environment where innovation and continuous improvement are realized through the **sharing of ideas** and the construction of a **common project**.

For this reason we are committed to developing and promoting the **professionalism** and **competence** of each employee, also encouraging their professional growth via **training and updating programs**. Therefore, we are also committed to building dedicated and ongoing training paths with a view to developing cross-cutting and department-specific skills.

With reference to the **development of young talents** with high growth potential, in 2022 the Speed Up program — which in 2021 saw the participation of five employees selected from the various departments of SECO S.p.A. — was extended to European level in the form of an **International Talent program**. Indeed, in 2022 this project saw the involvement of 12 people from Italy and Germany, for whom a coaching program was launched targeted at accelerating their growth path, beginning with a shared set of organizational, social, cultural and leadership skills.

Talent development: objectives of the International Talent Program

1	2	3
Improve the management and professional development of colleagues through strategic planning, coordination and effective communication.	Accelerate organizational effectiveness by building crossfunctional teams that enjoy, to mobilize the organization horizontally.	Transfer SECO's commitment for talent development to the entire corporate population and involve people in achieving the Group's objectives.
4	5	6
Promoting an Italy-Germany harmonisation path.	Developing a common culture within the company, at European level.	Developing leadership skills of the talents participating.

Figure 29: Goals of the Talent International program

Selected participants are provided with various tools to achieve the objectives defined at the beginning of their journey, including: **individual sessions** of learning and skills-development, **group meetings** to promote the spread of a common vision across different business functions, **on-the-job training**, visits to Group offices and **mentorship** by senior Group figures and specialized coaches.

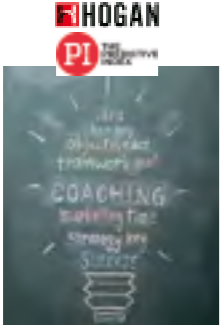




LEADERSHIP Assessment & Individual Coaching	MANAGERIAL SKILL DEVELOPMENT Experiential Training	COMPANY TRANSFORMATION Team Learning Space	NETWORK Field Visit	Mentoring with Senior Leaders
				
Hogan Assessment + 3 individual session	Hands-on skill transfer in 6 trainings	4 learning workshops to review Project Work and share learnings	Americas, Asia, EU	3 meetings with dedicated Leadership Team Member

Figure 30: The training course of the Talent International program

In addition, given the absolute centrality of research, development and innovation within our organization and the need to foster the growth of highly specialized professionals, a **people development program dedicated to members of the R&D team** was introduced at the parent company level in 2022. This project saw the definition of a structured plan of **career steps** targeted at developing growth paths in technical and/or managerial areas, based on the individual skills displayed by each team member.

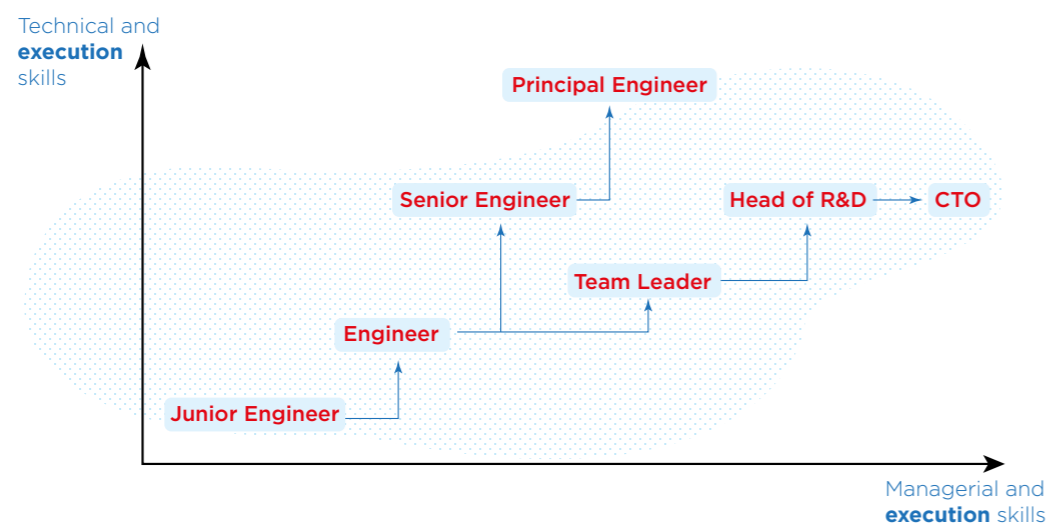


Figure 31: R&D Team: People Development Plan

The project involved the identification of **13 key individuals** who were assigned the role of team leader and for whom a dedicated coaching program was provided. It also saw a placement in the department's management structure and the assignment of specific goals under a remuneration mechanism with a variable and MBO-based component.

The activities conducted throughout the year with the R&D team were a pilot project that SECO is seeking to expand to other teams, beginning with the Operations department and with the intention of duplicating this model in major foreign subsidiaries.

In addition, in December 2022, a **performance appraisal** system was introduced in SECO S.p.A. This involves assigning measurable and challenging goals to all people in the organization, while also fostering discussion and communication between each manager or department head and his or her direct reports.

The performance appraisal system

This is a performance tool constructed on the basis of two criteria:

- the **“whats”**, which reflect the individual or team performance objectives provided to each individual by their manager or evaluator. The degree of achievement of each target is assessed on a scale of 1 to 5, and these objectives account for 80% of the overall score.
- the **“hows”** which, on a scale of 1 to 5, measure the subject's degree of commitment to SECO's value system (Passion, Dynamism, Respect) and account for 20% of the overall score.

The evaluation program is based on the **SMART methodology**, which involves assigning goals that are Specific, Measurable, Achievable, Relevant to the activities of the individual under evaluation and which are Time-bound in that a limit is imposed on the amount of time available to achieve the goal.

The program consists of **3 phases**:

- Objective setting: discussion and sharing of objectives between team leader and collaborator (activity carried out by January 31 each year);
- Mid-year review: monitoring and possible adjustment of targets assigned (by September 30);
- End year review: evaluation of the degree of achievement of goals assigned (by January 31 of the following year);

The need to develop an evaluation system stems from the desire to create specific processes to govern its complexity, improve the quality of feedback and the employee evaluation process, with the potential to link the results of the assessment process to specific training programs, professional development, and pay incentives.

December 2021 saw the launch of [learn.seco.com](https://www.learn.seco.com), a training portal to involve employees in **training activities in “capsules”**, at the end of which they are required to complete a short questionnaire to check the level of learning achieved.

The initiative was also successfully maintained in 2022, with SECO S.p.A. and PSM Tech staff receiving specific cybersecurity training.



Figure 32: The SECO e-learning platform

A **total of 19,115 hours of training** was provided to employees in 2022⁵, up from 4,559 in 2021. This change is mainly due to extraordinary training dedicated to Fannal Electronics blue-collar workers (about 100 hours per employee) to increase their skills in multiple stages of the production process.

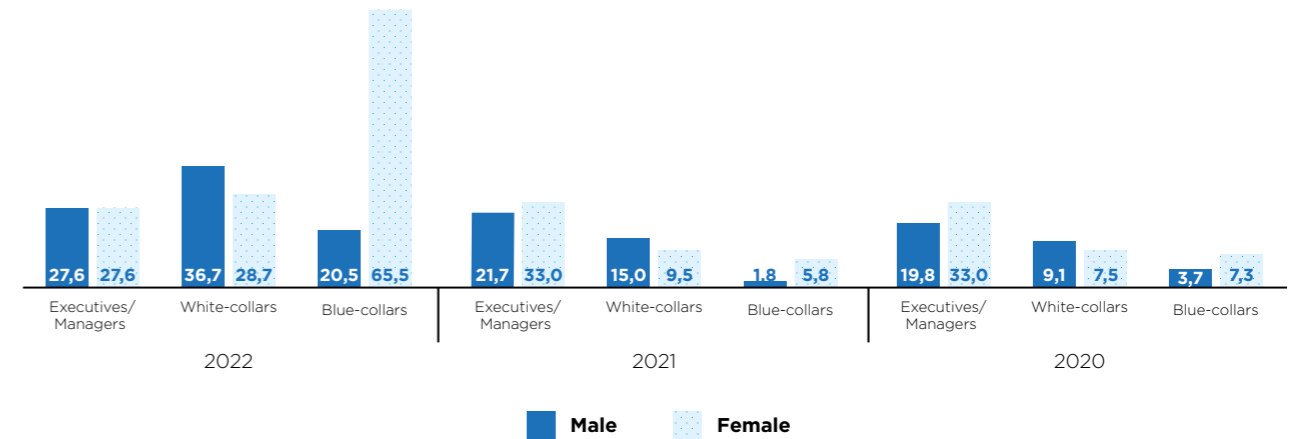
We note that in the reporting year, 22% of total training hours were provided to employees based in Italy.

36,3 average hours of training in 2022, up from 9.4 in 2021

5 | This figure refers to the companies SECO S.p.A., PSM Tech S.r.l., SECO Mind S.r.l., Fannal Electronics Co., Ltd. and SECO BH d.o.o. With reference to non-employee workers, 20 hours of training (during an internship) were also delivered in 2020 by SECO Mind S.r.l.

As for SECO Mind USA and SECO Mind Germany, no training was conducted during the year. Specialized activities were scheduled for SECO Northern Europe GmbH workers based on their particular training requirements, as determined by department heads and the HR staff. However, training hours per employee were not recorded. SECO USA does not currently have a structured training program for its employees, and new hires are managed and mentored by their line managers.

Average training hours by category and gender



Considering the internationality of the Group and the need to be able to communicate effectively between the different companies, English courses began for the entire management team and some of their staff in 2019.

86 participants in language training courses during 2020-2022⁶

Over **2.150** hours of training dedicated to improving language skills⁷

Starting in 2020, SECO also began validating the training it delivered to employees by providing attendance certificates at the conclusion of each course. Individual coaching programs for managers were also maintained, in the form of customized paths based on the demands and gaps of each professional role.

7 people were involved in 2022.

3.1.3 | Well-being, enhancement and engagement

Respect for diversity, protection of inclusion and promotion of equal opportunities

accompany the way we act and relate to our colleagues and Stakeholders on a daily basis.

In 2022, the Group worked to raise awareness among employees on the topic of equal opportunities. For example, with the LinkedIn campaign launched using the hashtag **#SECOPeople**, ample space was given to women of all ages and professional categories in the company so they could tell their stories with a special focus on the issue of work-life balance. Likewise, young fathers were able to share their views on the changes resulting from parenthood and its impact on the balance between professional career and private life.

6 | The figure refers to SECO S.p.A. and PSM Tech S.r.l.

7 | The figure refers to SECO S.p.A. and PSM Tech S.r.l.

In March 2022, a number of activities were arranged at parent company level to promote awareness of the significance of prevention in the field of medicine in order to safeguard the health and well-being of employees. In this regard, seminars were held, both in-person and online, conducted by doctors and other professionals, The assistance service provided by the company doctor was enhanced by increasing the possibility of requesting preventive consultations to twice per month, in addition to the statutorily mandated periodic examinations.

Personal trainer program

In June 2022, a program of four weekly dates was set up to explore the topic of nutritional and physical well-being.

In a novel and direct manner using short and practical videos, Dr. Matteo Ottavi, a sports dietitian and personal trainer, provided us with helpful information on adopting good nutrition and a healthy lifestyle.



Welfare plan

For more than three years, SECO has had a **welfare plan** comprising various services available to all employees of Italian companies covered by the national collective bargaining agreements, regardless of contract type⁸.

The services offered regard, among other things, health care, reimbursement of school-related expenses (enrolment and fees for nursery schools, schools, purchase of school books, etc.), reimbursement of expenses linked to assistance for family members, public transport travel passes, supplementary pensions, vouchers for the purchase of goods in kind (supermarket

8 | It should be noted that all employees with a contract in progress as of June 1 or, in any case, hired by December 31 of each year, are eligible for the welfare platform, provided that they have passed the probationary period and are not on unpaid leave or on indemnified leave for the entire period from June 1 to December 31. Workers hired on a fixed-term contract also need to have accrued a length of service totaling at least three months during each calendar year (January 1 - December 31). The contribution amounts to Euro 200 as set out in the national collective bargaining agreement for the metalworking industry.

vouchers, e-commerce vouchers, fuel vouchers, etc.), services linked to leisure time (cinema and theater tickets, subscriptions, etc.), sports (gyms, sports events, etc.) and travel (travel packages, vacations, hotels, etc.)⁹



Figure 33: Possible expenditure categories covered under the corporate welfare platform

As a response to the loss of purchasing power due to high inflation during the year, for 2022 the Italian government raised the tax exemption threshold – with exclusion from the tax and social security tax base – for goods in kind contributed by employers to their employees. Seizing on this benefit, Euro 150 in shopping vouchers were disbursed in December 2022 to support the lowest earners for all employees of Italian companies with a salary of Euro 30,000 a year or less. This measure was introduced following a survey of employees to understand the type of benefits preferred by the corporate population.

In addition, a project is underway regarding the Group’s insurance plan, with the objective of providing all parent company employees with insurance coverage in addition to that provided under the national collective bargaining agreement. In addition to the supplementary health insurance already available to executives, the possibility of extending such coverage to other categories, beginning with middle managers, is being explored, with the eventual goal of covering the entire corporate population of Italian companies covered by the national collective bargaining agreements for the metalworking sector.

9 | Further information on the benefits provided by individual Group companies can be found in the “Technical Details” section of this document.

Engagement and sharing of value created

We are aware that **the important achievements to date are inextricably linked to our people**, the result of the specialization, skills and passion that distinguish all those who work at SECO. **Our human capital underpins the continuous process of innovation** which is why we also invest heavily in talent retention. In addition to careful training, we have set up a series of actions aimed at strengthening the relationship with our employees over time.

A portion of the pay of each member of the international management team of the Group is variable and proportional, in part, to the attainment of specific targets and, in part, to the performance of the Group as a whole (MBO).

Following the IPO, each manager, based on his or her position in the corporate organizational chart, was granted the opportunity to subscribe to SECO shares through a system of stock options exercisable in numerous issuances over a three-year period (plan dedicated to nearly 100 people). A concerted effort was made to enable all employees to partake in the achievement of an important milestone in May 2021 with SECO S.p.A's listing on the Italian stock exchange. In this regard, around 200,000 free shares were allocated to more than 350 employees of the Group's Italian companies, up to a maximum amount of approximately Euro 2,065, not subject to personal income tax under Italian law.

As part of a second-level bargaining activity with union representatives, and in accordance with the national collective bargaining agreements for the metalworking industry applicable to workers in the Italian offices, a variable component was added to the remuneration of all employees who are not beneficiaries of an MBO plan. A yearly performance bonus is then awarded based on objective and quantifiable metrics of efficiency and performance connected to production operations, such as the value of waste generated, on-time delivery, and performance. The bonus calculated on the year 2022 provides for the disbursement of Euro 630, the targets set having been fully exceeded. The individual employee is also given the option to choose how the bonus is redeemed, either through the corporate welfare platform (benefiting entirely from the tax and contribution exemption provided) or directly in their pay check (with a subsidized tax and social security regime).

The previously illustrated performance appraisal system, launched in December 2022, is also part of the initiatives taken by SECO to foster professional development and employee engagement. This is supplemented by an additional tool, the **employee card**, a page accessible to each manager through the company's HR portal that allows them to view the most important information about each of their employees' positions (such as salary, educational qualification, and specific job title) in order to facilitate the development of HR policies within the Group.

In addition, to enable a better work-life balance, a remote working agreement was signed on an experimental basis, valid for one year and effective from September 2022. Workers whose jobs can be carried out remotely are permitted to plan their work activities more freely, utilizing the agile work mode for up to two days each week.

3.1.4| Health and safety

We protect the health and safety of our employees and collaborators, ensuring that all work activities are carried out in a healthy and safe environment, in full compliance with **internal and regulatory standards** on prevention and protection, with the aim of pursuing continuous improvement.

We believe it is essential to spread a **culture of safety** at every organizational level, promoting responsible behavior by all those involved, directly or indirectly, in production processes. For this reason, in addition to organizing **training sessions**, we are committed to making visible and usable all relevant information on the subject, installing **ad hoc signs** in the various work areas and making summary **documents** available to workers, depending on each individual's specific work environment, business section and tasks.

The health and safety management system at SECO sites is developed in accordance with Legislative Decree No. 81/08 and provides that:

- a risk assessment document (RAD) in which for each work phase, all the connected dangers and derived risks are reported, the prevention measures prepared, including the person responsible for implementation and planning;
- a plan for dealing with detected non-conformities and improvement actions;
- a risk-monitoring system;
- an employee training program.

In July 2022, the process of obtaining **ISO 45001:2018**¹⁰ certification on **Occupational Health and Safety Management Systems** was successfully completed. Consequently, SECO integrates health and safety concerns into its management systems and operational procedures, including those based on the ISO 9001:2015 and ISO 14001 standards: 2015, in order to improve the level of integration of the various control tools.

Health and safety assessments have been incorporated into the risk-management document and in the internal audit system with new **procedures and operating instructions**. While at Group level, **guidelines** are being prepared to bring foreign offices into line with the standards defined by the head office.

The occupational health and safety management system, subject to internal and external audits, covers 100% of the workers, both employees and non-employees, at the Italian sites.¹¹

From an organizational point of view, worker health and safety oversight includes the following figures¹²:

¹⁰ | ISO 45001:2018 certification has, as its scope, all locations and all workers in Italy. It should be noted that Fannal Electronics Co., Ltd. has obtained the same certification. The offices of the Group's foreign companies follow the respective local regulations. A procedure of compliance with the requirements of the ISO 45001:2018 standard was developed and put into effect for the aforementioned locations in an effort to harmonize them.

¹¹ | We note that SECO Mind S.r.l. introduced an occupational health and safety management system in 2021.

¹² | This model applies to the Group's Italian companies; similar organizational models are also applied in the other offices, according to the regulations in force in the other countries.

- **Delegate Manager**, who fulfills the primary directives of the employer by organizing and supervising the work activity;
- **Company doctor**, who cooperates with the employer in risk assessment and performs health surveillance on workers;
- **Employee health and safety representative**, elected by workers at the union meeting, represents them on health and safety issues during work activities and participates in a formal “Annual Safety Meeting” where major issues on health and safety management and suggestions for improvement are discussed;
- **Prevention and protection service manager**, who coordinates the risk prevention and protection service;
- **Five Officers** charged with verifying the execution of the directives issued;
- **Fire-fighting and first-aid teams** composed of workers from different company functions to ensure comprehensive and continuous coverage.

In addition, a **protection and prevention service** for workplace safety and hygiene has been set up, which also provides periodic **medical examinations** and others linked to a specific task or type of risk. These take place every two years, except for any special requirements.

Through the Human Resources function and the employee health and safety representatives, each worker has the right to request a consultation with the company doctor, as well as an extraordinary medical examination if deemed necessary by the company doctor due to the worker’s occupational hazard or health conditions.

From January 2022, the company doctor will be on the premises every month to start a **cyclical and targeted medical examinations process** for each employee, with respect to the risk exposure of their individual role. An annual plan was therefore designed, and is to be extended to 2023 at the next company meeting. In addition to being able to contact the doctor discreetly, the ability to meet him or her directly in the workplace serves as an additional instrument to promote and support the culture of prevention and well-being.

In order to reinforce health and safety measures in the workplace, periodic **updating** of detection and alarm devices and infrastructures takes place in the various establishments. This is supported by a **procedure** that, for each establishment, identifies the methods for managing and training **emergency** teams, the meeting areas, the figures assigned in case of emergency and the methods for carrying out evacuation drills.

Any worker may at any time report dangerous situations related to working conditions by contacting the prevention and protection service. In addition, to respond to any reports of dangerous situations related to the pandemic, during the crisis a dedicated e-mail address was set up for the COVID Committee.

In addition to the mandatory training managed by an external body, all new employees receive a **specific training session and introduction** by the Delegate Manager regarding the organization chart, the health and safety risks connected to the job, the health protocol and the personal protective equipment necessary to carry out their work.

1.715 hours of health and safety training during 2020-2022.

In 2022 there were 2 injuries, both of which occurred during the home-work commute: the figure is in line with that recorded in 2021 (1 injury) and 2020 (3 injuries). We note that during the three-year period in question there were no accidents involving workers not employed by the Group.

3.2| Customers

We work in **synergy** with our customers to bring Intelligence to their machines, enabling data processing at the source and making information accessible and secure. **In collaboration with them we develop** solutions to **add value** to the final products, creating increasingly complete and integrated devices¹³. The production processes based on lean production and make-to-stock principles, guarantee **short delivery times** and **high levels of efficiency**, in order to best respond to our customers’ needs.

In order to enhance its performance, SECO collects **feedback** from its customers about the fulfillment of their expectations, both informally and systematically.

In particular, customer **satisfaction** is monitored in two ways to ensure maximum flexibility, depending on the systems they use.

If a customer has its own **vendor rating** system (push mode), agreements are made to define the achievement of performance targets, monitoring methods and permanent plans for improving processes and products that are supervised periodically.

If this option is not available, the survey is conducted through a **dedicated survey** (pull mode) mediated by the sales team. The Group’s evaluation activity involved the first 20 customers by turnover: excluding the 4 customers already subject to direct monitoring through vendor rating, 16 customers were reached by the aforementioned survey. During the administration of the questionnaire, the main themes that are explored concern Sales & Marketing, Technical, Products & Quality, in addition to an evaluation of customer experience overall.

For SECO, the collection and monitoring of this information is one of the measures of the effectiveness of the Integrated Management System. Indeed, in addition to the above direct indicators, other indirect parameters — such as sales analysis, repair work, any delays in delivery, and any complaints received — are monitored.

¹³ | More information can be found in the “Research, Development and Innovation” section of this document.



Figure 34: Customer retention

The management of any **complaints, returns or support** is carried out through a ticketing platform that customers can access directly from the Company's website. Using the same platform it is possible to check the progress of the request.

SECO has developed a **problem solving procedure** that defines the responsibilities and interactions between different business functions and, based on a case-by-case assessment, classifies the reports received according to 3 categories of nonconformity, for each of which a specific set of resolution actions is provided. This makes it possible to ensure adequate monitoring of reports and provide for action to improve the quality offered on a continuous basis. This action is defined by **specific operating instructions** contained within the procedure.

In 2022, approx. 90% of support tickets received during the year were closed.

The **component shortage**, which persisted through 2022, presented SECO with a significant opportunity **to strengthen relations further with existing and new customers**, despite the well-known difficulties in sourcing these components, which have impacted the operations of many industries and supply chains worldwide. Furthermore, the Group has made substantial investments in its warehouse inventory to ensure the maximum availability of vital components such as chips and memories. In addition, SECO's R&D team **invested heavily in the re-design of about 20 existing products to replace high lead-time components** with more readily available ones. Owing in part to a business model defined by in-house manufacture of boards and systems, these steps have made it possible to guarantee the continuity of shipments to existing Group customers and to seize commercial opportunities created by new ones.

3.2.1| Process quality and safety

SECO's production activity is divided into **five plant**, two of which are in Italy (Tregozzano and Arezzo), two in Germany (Hamburg and Wuppertal) and one in China (Hangzhou).

Specifically, the plant located in Tregozzano is dedicated to the **production of boards**, while the production site in Arezzo is given over to **System Integration** and to the assembly of the various components and subsystems required to create the finished hardware device.

SECO also adopts a very similar industrial model in Germany, where board production is mainly concentrated in the Wuppertal plant, while system integration and assembly activities take place in Hamburg.

In Hangzhou, meanwhile, standard and custom solutions for displays and touch panels are designed and manufactured.

In recent years, the Group's investments in its production sites in Italy have been directed towards the continuous improvement of manufacturing processes with a view to obtaining lean production. This seeks to pursue standards of excellence and increasing autonomy in operating processes, in addition to constant improvement of quality standards and reductions in product time-to-market.

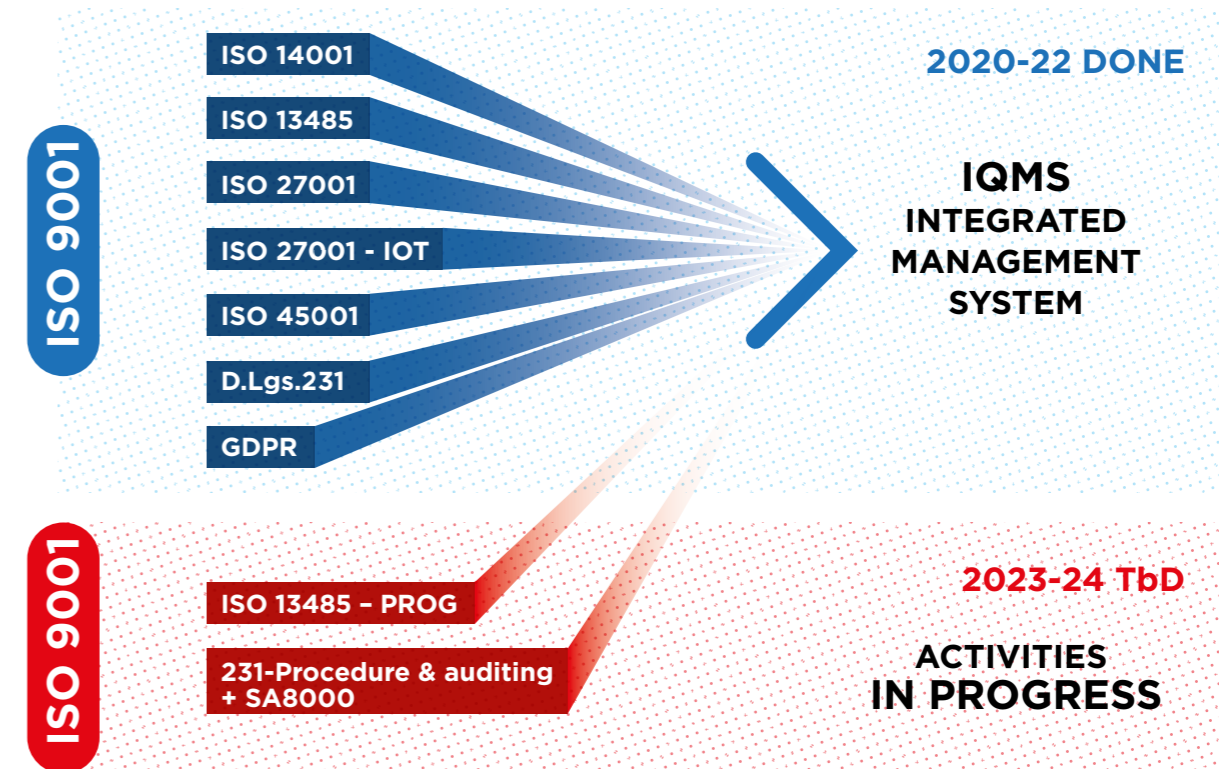


Figure 35: Integrated system architecture

The product and service development cycle is mapped by the **Integrated Management System**¹⁴, supported by procedures describing the Company's processes, including the design and manufacture of products and services (inputs, phases, outputs, responsibilities, etc.), and operating instructions detailing the stages of each activity, to ensure that the process meets internal and regulatory standards of quality and safety that are constantly evolving and improving.

In this sense, the Quality team works to design a System that serves as a management tool to support the activities of each department, integrating and harmonizing the documented framework of the operational procedures and the various monitoring tools adopted at Group level, and ensuring their conformance with the requirements of the ISO certifications attained by the various companies. The Quality function is headed by the Chief Quality Officer (CQO) who has specific authority to ensure that the Integrated Management System is set up, applied and maintained.

Attention to quality and safety standards of products and services is ensured across business functions. Indeed, inside each cross-functional process, distinct engagement and responsibility levels for each stakeholder are defined based on the specific phases of the project:

- Responsible: those who execute the action operationally
- Accountable: those responsible for carrying out the activity
- Consulted: those who must be consulted in order to carry out the activity
- Informed: those who must be informed about the activity

The following infographic depicts the process for ensuring the quality and safety of SECO products and/or services.

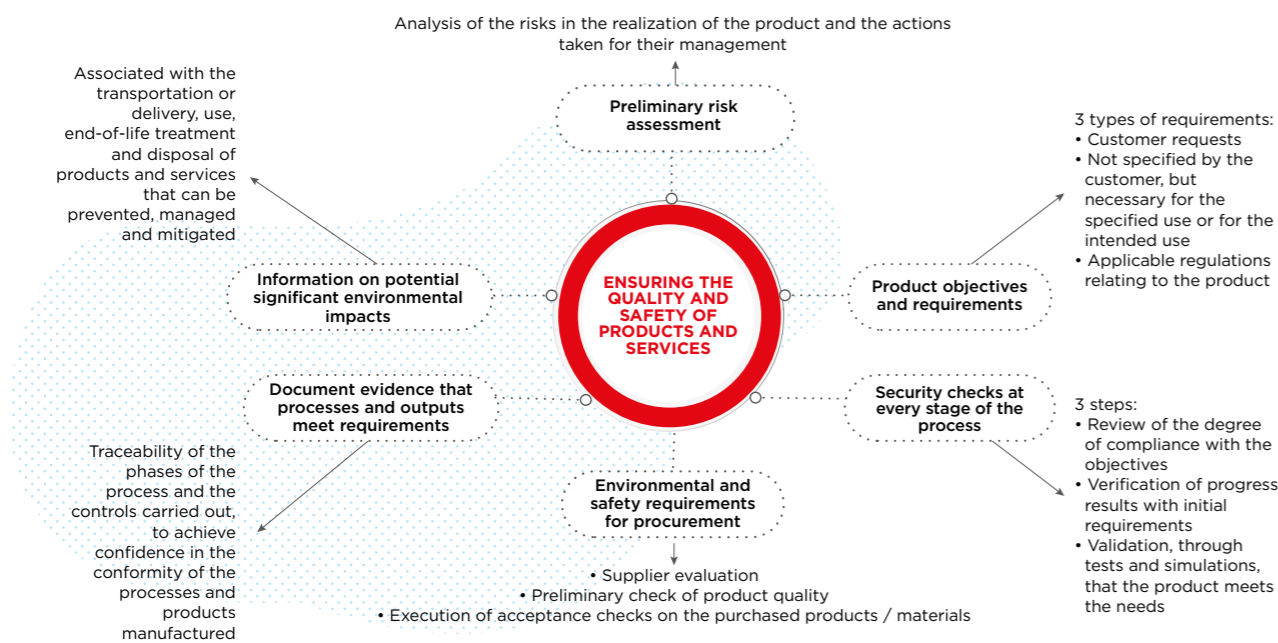


Figure 36: Process map to ensure the quality and safety of SECO's products and/or services

14 | Drawn up in accordance with the requirements of the certifications held by the SECO Group: ISO 9001:2015, ISO 14001:2015, ISO 13485:2016, ISO 27001:2013 and ISO 45001:2018.

3.2.2 | Operations: striving for excellence for our customers

Since its inception, SECO has been committed to the continuous search for innovative technological solutions in order to ensure the highest quality standards for its customers. For this reason, and as explained at the beginning of this section, in-house production is a strategic element of the Group's business model, allowing direct oversight of all stages of the production process that can impact the quality of the products offered to customers.

To date, the Group's industrial infrastructure consists of **five production plant around the world**: two in Italy (Arezzo, Tregozzano), two in Germany (Hamburg, Wuppertal) and one in China (Hangzhou).

This is followed by an overview of the predominant operations and idiosyncrasies of the plants, highlighting the role of SECO's Operations in providing its customers with outstanding goods and services.

Arezzo Plant

The **Arezzo facility**, a building of over 9,000 m², was completed in 2019 and houses over **30 system integration lines** and **20 testing lines**.

Located at SECO's new headquarters in Arezzo and operational since 2019, the plant was designed according to the most advanced principles of lean production, with the goal of ensuring maximum process efficiency, minimizing waste and production time and ensuring the best quality standards for all of the Group's customers.



Figure 37: Arezzo plant, detail of a System Integration line

This is where the edge computing systems take shape, which are designed to integrate boards, touch displays, carrier boards, connectivity devices and ancillary automated parts into a single device. Each system is tested directly on the line, where the firmware, middleware (which allows the system to connect natively to CLEA), and, if required, the customer-developed user experience applications are also placed. From the production lines comes a **plug-and-play** system, ready to be connected and quickly integrated by SECO's customers into their own finished products.

The same facility housed the construction of an **anechoic chamber**, a laboratory setting for conducting validation and signal integrity testing on boards and systems before they go into production. These checks make it possible to immediately identify any problems on the board and resolve them before the mass production phase, thus preventing losses in production line efficiency, production scrap or product malfunction during use.



Figure 38: Arezzo plant, interior view of the anechoic chamber



Figure 39: Arezzo plant, clean room

In addition, in May 2021 a **clean room** was installed. This is a laboratory with a controlled atmosphere and particle concentration that facilitates testing and assembly in a clean environment. This minimizes interference from airborne particles that could damage the micro-photoengravings in the circuits or affect the successful bonding processes of the touch displays, constituting a possible cause of product failure and preventing proper functioning. This represents an additional level of service for the Group's customers, who are thus assured of high quality standards in applications where products must operate in a sterile environment or are subjected to stress from prolonged use or contact with heat or moisture.

SECO has acquired **3D printers** to further accelerate prototyping, so as to ensure even shorter development and delivery times for its customers. In addition, robotic arms were introduced in 2022 to boost the degree of automation of some system integration line tasks.

The production workers are complemented by **three different teams of support operators** to achieve constant improvements in output by eliminating discards, wastage of materials and production inefficiencies:

- **Logistics**, for the provision of the raw materials necessary for the execution of the various stages of production;
- **Technical support**, alongside Production for any technical assistance needs;
- **Scheduling**, for timely planning and control over the progress of projects.

Trezzano Plant

The **Trezzano plant** is equipped with production lines that use Surface Mounting Technology (SMT), which involves assembling the electronic components of a printed circuit board on its surface. Quality control of the boards takes place directly on the production lines, at the end of which AOI (Automated Optical Inspection) machines are positioned, an automated optical inspection technology that scans each production batch passing through the line. In addition, any processing requiring the assembly of components through the surface of the board can be completed using special lines equipped with TH (Through-Hole) technology.

In recent years SECO has worked on a reorganization of prototyping and quality control activities, with the goal of optimizing the use of materials and components, reducing waste and improving process efficiency and time-to-market of its products.

To do this, one SMT line has been specifically allocated to prototyping activities, with a major improvement in planning and efficiency for the other SMT lines intended for production.



Figure 40: Trezzano plant, detail of a board being processed

Also, multiple **product and process tests** are conducted as early as the prototype phase in order to minimize the likelihood of product failures or quality concerns. Since 2020 the facility has been equipped with a **flying probe machine** for the advanced testing of prototypes. Using a series of constantly moving probes, this machine checks that all board components are correctly positioned and connected, identifying any defects before the board goes into production.

Similar activities are carried out in the plants in Germany, both for the manufacture of boards (in Wuppertal) and for system integration and assembly operations (in Hamburg).



Figure 41: Interior views of the Hamburg plant

Furthermore, with a view to verifying the quality of its products in an even more granular manner, in April 2021 an innovative **X-ray spectrometry machine** was introduced. This allows images of the board to be inspected in 360°, making it possible to observe any defects that are invisible to the AOI (Automated Optical Inspection) technologies situated at the end of each board production line. Once image acquisition is complete, the machine reproduces a detailed 3D model which, using dedicated software, can be analyzed by the operator at any level and aid in **carrying out targeted repairs** that reduce production waste.

This allows the Group to prevent any structural defects as early as prototyping phase and means it is able to verify, by means of spot checks during mass production, the integrity of all the solder joints of its boards, thus ensuring the maintenance of the quality standards required for the specific application.

The data resulting from the checks and from the final tests carried out on every single card or system are recorded and stored on the computer system so that they are always accessible for any subsequent checks.

Hangzhou Plant

In an effort to add value to its customer solutions, SECO manufactures the touch screens in-house, which it subsequently integrates into its systems. Manufacture of these components takes place at the **Hangzhou plant**, in a production area of over 2,500 m².

This facility carries out all the activities designed to produce a wide range of multi-sized products for design, stamping, laser cutting, air and optical bonding (carried out in a clean room), and testing and delivery operations.



Figure 42: Interior views of the Hangzhou plant

3.2.3| Privacy protection

We are committed to guaranteeing data privacy and security for our customers, whether it concerns commercial or technical data, or personal data entered into Group website forms.

To safeguard the fundamental right to privacy of all data subjects, we undertake to process data in full compliance with the current personal data protection legislation and EU Regulation 2016/679 (GDPR).

SECO has adopted suitable preventive **security measures of a technical and organizational nature** to avoid the risk of data destruction, loss, unauthorized access or unauthorized processing. To this end, **specific internal policies and procedures** have been introduced to guarantee the protection and security of all information and personal data that is processed.

In this regard, the Company's Legal Department represents a further safeguard for the correct application of provisions and procedures required by certification and regulations.

In 2020, SECO decided to make a formal commitment to the most stringent international standards in this respect, starting the **ISO 27001:2013** certification process in February of the following year. In 2022, SECO S.p.A. also achieved the extension of the same certification in the area of IoT solutions, since data security is strictly guarded by the organization¹⁵.

In fact, this certification defines the requirements for the implementation of an **Information Security Management System (ISMS)**, governing its security techniques and security management systems, while also permitting a careful assessment of potential risks to the business in relation to the type of information being managed and highlighting potential areas for improvement.

¹⁵ | The data generated by the devices produced by the Group is owned by the customer, and, therefore, managed according to the methods defined by the counterparty.

In conjunction with ISO 27001 certification, a dedicated procedure was launched to monitor privacy protection and data management performance that places IT system security at the center of a corporate **three-year improvement plan**. The monitoring is carried out via specific forms, also drawn up to provide evidence for the certification compliance and maintenance process. The integrated management system goals have been planned, and are overseen by company management at periodic meetings, in compliance with the ISO regulations.

Among other objectives, the ISO 27001 certification three-year plan for 2020-2022 includes comprehensive vulnerability and penetration testing, in addition to a Company-wide training plan on all aspects of cyber security and the specific procedures applied at SECO.

In line with the goals set, in 2022 the vulnerability assessment activity involved the multi-year activation of penetration tests on the Group's four main domains. As of December 31, 2022, the activity has been performed on three of these, as one domain was being migrated to a different server. Testing on this latter domain is scheduled for 2023, upon completion of the aforementioned migration process.

In addition, in 2022, SECO S.p.A. and SECO Northern Europe established a working group devoted to data security and privacy, which contemplates the expansion of the ISO 27001 certification compliance scope to SECO Northern Europe by 2023.

Cybersecurity: a commitment for both SECO and its customers

Regarding the protection of systems, networks and software from digital attacks, we have provided a special list of activities monitored through KPIs, to minimize or eliminate the risk of specific threats.

Monitoring areas include:

- Access log, for verification of all accesses to the site from external servers
- Physical access attempts to the server hosting system
- Internal security incidents, such as ransomware, phishing, and social engineering
- Successful and unsuccessful external attacks
- Spyware monitoring of any malicious software that might infect devices in order to collect sensitive data
- Malware infections
- Firewall management, for perimeter security monitoring

The main improvement results in 2022 included:

- systems for accessing company records (dual authentication)
- the VPN program, which initially lacked security layers, now requires name, password, and dual authentication using a code generated and shared by email



3.3| Suppliers

We pursue **close partnerships** with our suppliers that allow us to forge **lasting, strategic business relationships**, in order to meet the highest quality and efficiency standards demanded by our customers.

We are committed to maintaining a **purchasing** model that is as responsive as possible to proximity logic, **valuing** the relationship with local communities and cultivating relations with companies operating within our territory, so as to support the national economy while ensuring continuity of services and quality controls in the field.

The selection of and relations with suppliers are founded on principles of correctness, professionalism, efficiency and reliability, as well as on compliance with current regulations and the other specific principles that inspire the Group.

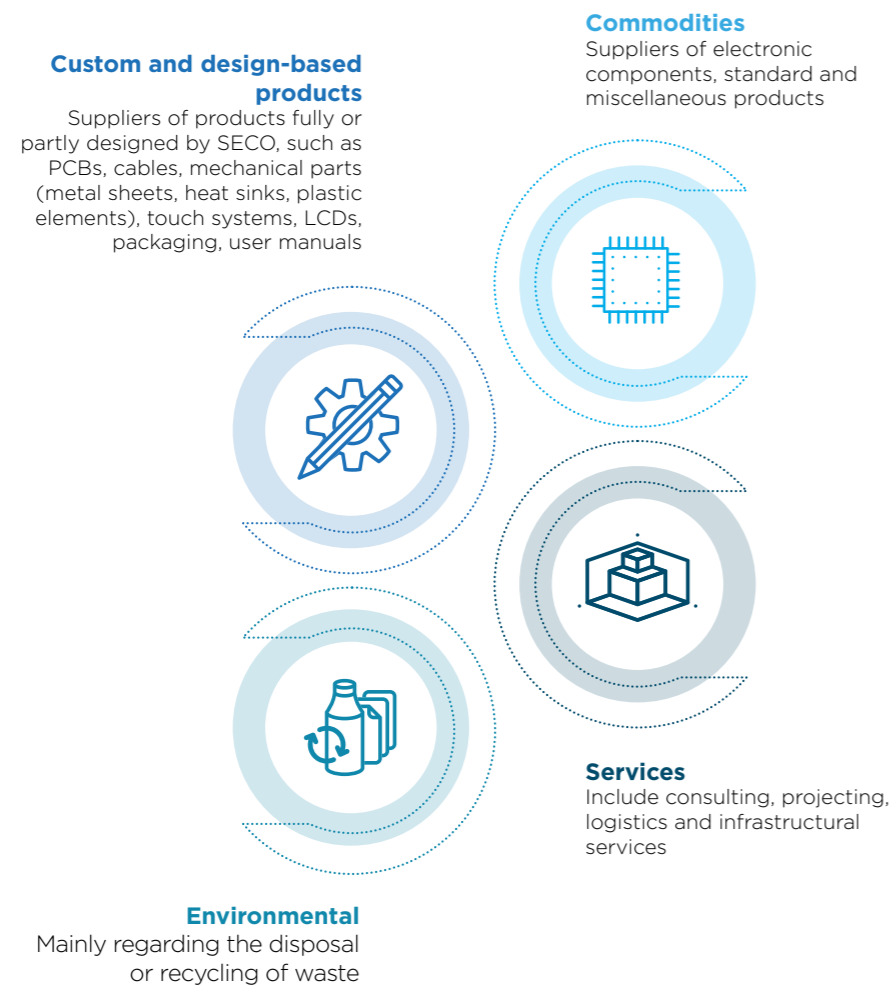
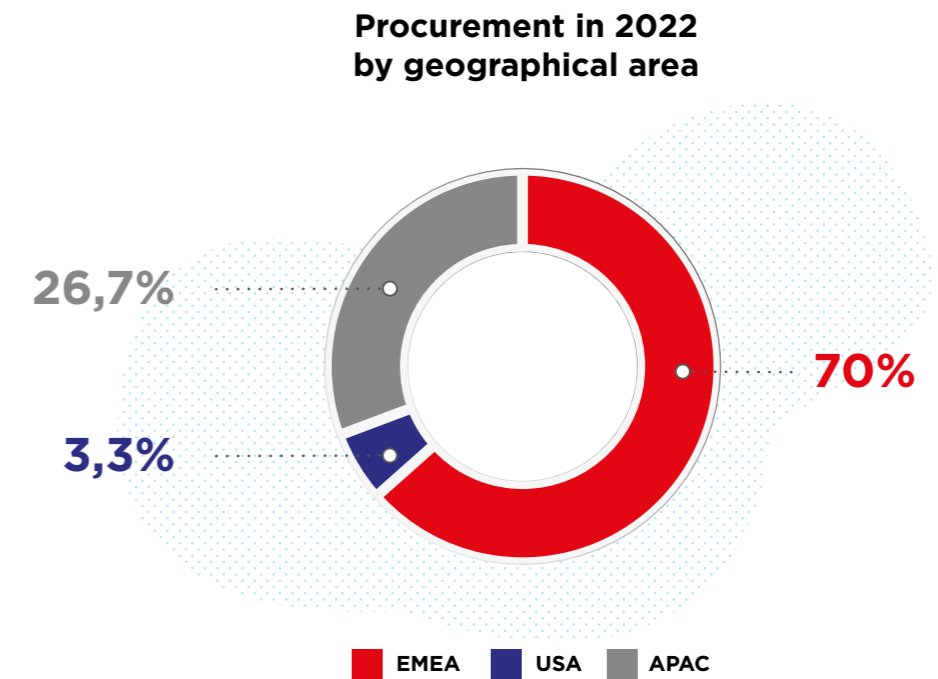


Figure 43: The SECO Group's Suppliers

SECO adopts a purchasing model based on interaction with both major distributors and a wide audience of component manufacturers around the world. In particular, over the years the Group has built strong relations with some of the leading silicon vendors globally, with whom it directly negotiates commercial terms.

For certain categories of standard and custom components, SECO also prefers, where possible, to establish a local supply chain. This contains the environmental impact of logistics transactions and allow suppliers to benefit from the growth path undertaken by the Group, thus fostering **the development of organizations operating locally**.



In fact, in 2022 expenditure on suppliers of raw materials and semi-finished goods amounted to approximately Euro 93 million¹⁶, of which 57% was to Italian suppliers (7% located in Tuscany).

In addition, beginning in 2022, SECO embarked on a path to manage orders and the supply chain based on a forecasting system. The goal is to adapt its purchasing model to the growth path pursued by the Group and foster greater organicity among the different units through a uniform approach to all companies within the perimeter.

3.3.1| Selection and assessment of suppliers

The procurement process is managed by the Purchasing Area. Supplier initial selection, qualification, assessment and product evaluation methods and criteria are governed by the integrated Quality Management System and the **Procurement Procedure**. Furthermore, Group suppliers are required to sign a “**Supplier regulatory compliance**” document declaring acceptance of the **SECO Ethics Code**.

¹⁶ | The geographical procurement data refers to the companies SECO S.p.A. and PSM Tech S.r.l.

The vendor rating system

With a view to business continuity and the strategic importance of the supply chain, at the end of 2020, the Group launched an ambitious supplier **due diligence and vendor rating** project for new and existing suppliers. Using such technologies allows the identification, analysis, and monitoring of supplier performance, in addition to the resolution of any major supply chain issues encountered.

In 2022, the criteria governing the vendor rating procedure, which is presently being automated via the SAP system, were established. This approach will be beneficial for instituting a shared evaluation strategy across the Group, beginning with the preliminary assessments conducted during the selection and certification phase and ending with the performance monitoring of the supply chain.

In addition, it is anticipated that this system will be configured, in accordance with the logic previously accepted by SECO, to monitor different categories of suppliers or distributors of standard industrial components or custom-designed products.

It is further presumed that the evaluation of suppliers will be based on ESG parameters, including public information found in sustainability reports or ratings. The score obtained will be an aggregate indicator of an HSE nature, and the result of surveys for the areas of health, safety, and environment, taking into account the parameters defined by the ISO 14001 and ISO 45001 certifications.

It is also planned to extend this vendor rating system to SECO Northern Europe, where the SAP roll out process is currently underway.

Conversely, a proceduralization of the **due diligence** process is ongoing to extend to the European level the methods currently employed at the parent company.

Supplier selection and assessment

The **first step** in the selection and evaluation process involves a **compliance screening**.

Among the aspects considered are terrorism, corruption, legal and financial sanctions, and ESGs in relation to ISO 14001, ISO 45001 and SA 8000 certification requirements, based on an analysis of the data provided by the supplier.

This provides an initial result leading on to a performance evaluation, or the need to initiate a discussion with the supplier about any critical issues and the possibility of taking remedial measures.

In this regard, it should be noted that SECO has planned to further strengthen the assessment of ESG dimensions from the pre-qualification stage, as specified above regarding the vendor rating system.

Suppliers found to be suitable during the first phase must then complete a questionnaire containing around **200 questions** organized into **13 thematic areas**.

These areas include the **company organization, project management, work phase processes and procedures, IT security, and environmental, social and governance sustainability** safeguards are also examined. Some of these aspects are presented below:

Figure 45: Provider selection and evaluation pathway

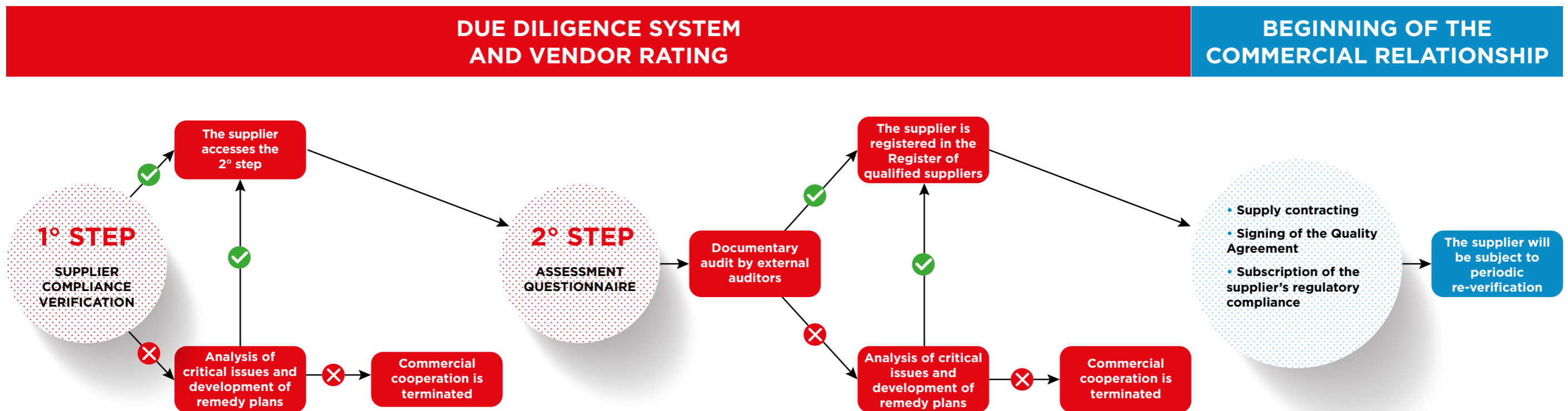




Figure 46: Main ESG aspects, by theme, analyzed in the evaluation of custom suppliers

The answers are subject to an internal audit carried out by SECO through the acquisition of documentary evidence.

Following the analysis, an **Assessment Report** is prepared, identifying any critical issues and corrective actions. Corrective and Preventive Actions (CAPAs) depend on the type of measure, supplier, context and risk assessment, and are agreed between the parties on a case by case basis. Where requested corrective actions are not taken, SECO reserves the right to then terminate the commercial relationship.

In 2022, around 20% of Custom suppliers were sent a questionnaire. However, during the next 24 months, the Group intends to expand the evaluation to 70%.

3.3.2| Quality of the supply chain

Another key element in the commercial relationship is the **Quality Agreement**, specifying general quality requirements for goods and services.

The document optimizes cooperation between the partners by outlining **responsibilities** and **mutual expectations** between the supplier and SECO regarding product quality, in order to meet the growing market demand for safety, performance and compliance.

In 2020, SECO introduced a **Supplier Management Policy** to analyze the supply chain and define an action plan for the coming years.

First, **suppliers were mapped** according to strategy, historical relations, turnover, goods and services, and geographical location. **50 suppliers** were thus identified, who were subsequently assessed for quality performance, considering any identified product or service non-conformities. **Ad hoc improvement programs** were then planned with these suppliers, which required the use of various tools, including:

- System and process audits at production sites;
- Monthly monitoring, and regular weekly, fortnightly or monthly meetings with suppliers involved in ongoing corrective and preventive action (CAPA) agreements;
- Review and adaptation of specific supply techniques (STF) to align them to the state-of-the-art and SECO design requirements;
- Second source scouting, to identify and qualify alternative suppliers to those the Group currently relies on.

At the same time, a monthly internal meeting dubbed “**Quality Day**” has been developed at SECO to guarantee that the maintenance of quality standards and any concerns are communicated, met, and monitored through the integration of business areas such as Operations, Purchasing, and Quality.

External processing suppliers must not only pass the general acceptance checks, with sample documentary and operational audits on products, but also **specific audits by the Quality Area** focused on analyzing performance and cooperation and support in the continuous improvement of products and services.

In addition to product quality, these audits also verify the company organization, efficiency of machinery and work tools, the competence of personnel, and environmental and safety aspects.

In 2022, **6** audits were conducted, three remotely and three in-person.

3.3.3| Conflict Minerals Policy

As a manufacturer of edge computing and AI analytics solutions using miniaturized computers and electronic components, we understand that we have a **responsible role** in ensuring that all business activities and geographies in which we operate adhere to the highest values stated in our **Ethics Code**. This commitment refers, in particular, to **responsible purchasing** practices and **respect for human rights** in operations and along the supply chain.

SECO’s products are manufactured using components that may contain minute amounts of minerals and precious metals, including, for example, copper, gold, palladium, silver, tantalum, tin, and tungsten. Although SECO neither mines nor purchases minerals directly, it may be indirectly exposed to the issue of conflict minerals through its supply chain of electronic components, which is dominated by silicon vendors and distributors.

The term **conflict minerals** denotes certain minerals and metals potentially originating from, or related to, conflict or high-risk areas, as defined by the guidelines issued by the Organization for Economic Cooperation and Development (OECD) on due diligence for a responsible supply chain of minerals from conflict or high-risk areas.

In particular, a negative social or environmental impact could result the extraction or processing of these minerals in regions where revenues associated with such activities could be used directly or indirectly to finance or benefit armed groups engaged in civil wars, resulting in violations of international laws and human rights abuses (forms of torture, cruelty, inhuman and degrading treatment, forced or compulsory labor, and child labor).

In this regard, in July 2010, the United States of America passed Resolution HR4173, Section 1502(b) of the Dodd-Frank Financial Reform Act which, by becoming US federal law, requires all publicly traded companies in the United States and their suppliers to disclose chain of custody and utilization information on conflict minerals (tin, tantalum, tungsten and gold, usually referred to by the acronym “3TG”). EU Regulation 2017/821 on Conflict Minerals, adopted later, was largely inspired by the aforementioned US law.

Although SECO is not obligated by law to report on the sources of conflict minerals, it strongly believes that by expanding its efforts beyond basic legal compliance, it may **encourage responsible purchasing practices in its industry sector**.

For this reason, in 2022, it formalized its commitment to this issue by establishing a Conflict Minerals Policy, in which it vowed to make every effort to avoid receiving any components containing conflict minerals from locations situated in non-certified “conflict-free” regions. In order to ensure the same level of compliance at each link in the supply chain, SECO requires suppliers of electronic components that may contain one or more 3TGs to increase the visibility of their supply chain by conducting investigations and determining the source of the raw materials used through the application of appropriate due diligence.

SECO also expects its suppliers to provide statements on the status of conflict minerals and the steps taken in this respect, and to communicate this request to the whole supply chain in order to determine the origin of the designated minerals. In the event that a source is declared to have originated from a conflict zone, SECO has established an organizational safeguard to take the most appropriate measures to resolve such non-compliance, including requesting that the supplier change its source of supply, identify alternative solutions, and, in the most severe cases, reduce or terminate the business relationship.

In addition, in accordance with the guidelines set out in this regard by the OECD, SECO decided to adopt an organizational mechanism to:

- Adopt a **corporate management system** by entrusting the oversight of this issue to a cross-functional **Compliance Committee**, which is responsible for verifying and evaluating information received from suppliers through special forms defined according to internationally recognized standards;
- **Identify and assess risk in the supply chain** by requiring suppliers of components containing 3TG to complete the Conflict Minerals Reporting Template (CMRT) form;
- Design and incorporate a **strategy to respond to any identified risks**, requiring suppliers who declare the presence of “critical” foundries to take appropriate corrective action;
- Consider using independent **third-party audits** to carry out supply chain due diligence;
- **Report** periodically on **the main findings from the monitoring activity** outlined above.

3.4| The local community

3.4.1| Enhancement of local areas and communities

Over the years, SECO has undertaken to support and sponsor various local and national initiatives of a cultural, social, economic nature, in order to **enhance the area in which it operates and the communities there**.

The main initiatives undertaken during the three-year period are given below.



Since 2019, SECO has been a **Corporate Golden Donor of FAI**, the Italian Environmental Fund, as a commitment to safeguarding the Group’s heritage, as a factor of individual well-being, social cohesion, and economic development.



Since 2020, the company has funded the **Fondazione Arezzo Wave**, organizer of the event of the same name, which fosters musical and creative expression with an eye toward cooperation and multiculturalism. Since 2021, the company has also contributed to the production of the calendar published by the Fondazione.



Since 2017, the Group has supported Telethon, a non-profit organization whose mission is to aid rare disease researchers and research institutes. This year, in particular, SECO purchased 350 Telethon chocolate hearts, to distribute among its employees.



From 2020 to 2021, SECO donated UDOO cards, notepads and stationery material to **Ale per Sempre**, an association that promotes technological, cultural, sporting and social projects through a technology club in the municipality of Subbiano.



In 2021 the Group began its support for the **Arezzo White Cross** to thank them for their work within the community in which the Group operates.



Since 2017, SECO has supported the Policiano Arezzo Athletics Sports Club as a sponsor of athletics and running events.

The total of the aforementioned donations in 2022 amounted to approximately Euro 68,000.

Over time, the Group has also forged close relations with the **academic community**, periodically participating in career days organized by universities nationwide and collaborating with technical institutes in the Arezzo and Tuscany area, helping to organize events dedicated to technology and electronics. SECO believes that improved synergies between the educational

and business worlds brings great added value, supporting the development of new skills, potential, perspectives, and the contribution of younger generations.

Specifically in October 2020, a “**Digital Innovation**” partnership agreement was signed with Milan’s **SDA Bocconi School of Management** to promote innovative and high-tech startups, both nationally and internationally. The project aimed to build an accelerator platform for the development of entrepreneurship, talent and market relevance.

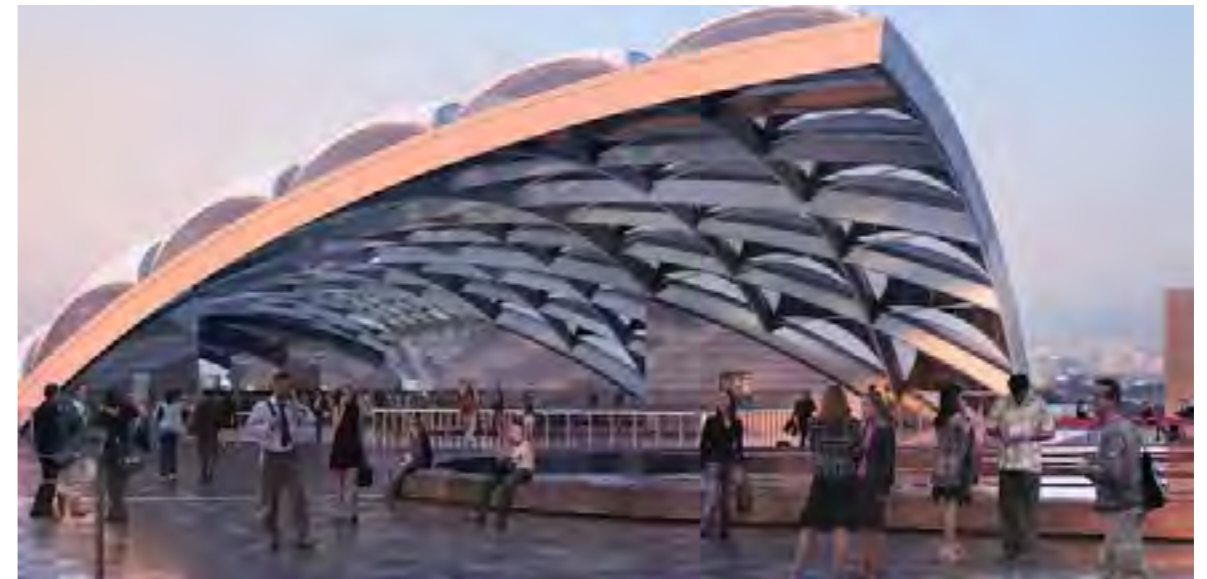
Since November 2020, SECO has also been part of the Steering Committee of the university foundation **Polo Universitario Aretino**¹⁷, as part of a project to promote contamination between the academic world and businesses, and new local growth and employment opportunities for young people. The partnership aims to bring educational and training courses closer to the actual needs of companies, encouraging the development of new professional figures with highly specialized technical and technological skills in electronics, digitalization and mechanical engineering.

Furthermore, **the collaboration between SECO Mind S.r.l. and the University of Siena** continued in 2022, involving, in particular, the Department of Biotechnology, Chemistry and Pharmacy in the study of alkaptonuria¹⁸, a genetic disease that affects approximately one in every 1,000,000 people. Part of the SECO Mind research team worked on the development of an Artificial Intelligence algorithm to analyze patient data and find a more objective method for measuring the course of the disease and patient quality of life. This analysis made it possible to find a correlation between the development of the disease and the use of 8 drugs, out of 33 identified at the beginning of the experiment.

CLEA and Pizzarotti Monitoring System (PMS) together in the Florence high-speed rail project

On December 1, 2022, it was announced that the **Pizzarotti Monitoring System (PMS)** platform, which emerged from the partnership between Pizzarotti and SECO at the beginning of the same year, will be utilized in the project, valued at more than Euro 1 billion, awarded to Pizzarotti and Saipem by Rete Ferroviaria Italiana for the **construction of the railroad link and the new high speed station in Florence**.

By applying artificial intelligence and machine learning models to data streams from the construction site, the PMS solution, developed using the capabilities offered by CLEA, is designed to monitor surface and subterranean excavations and to manage Tunnel Boring Machine (TBM) equipment for excavation automation and soil analysis.



¹⁷ | Other major companies in the Arezzo area are joining SECO in the initiative, including Abb Evi, Aruba, Borri, Fimer, MB Elettronica, Saima, Visia Imaging, and Zucchetti Centro Sistemi.

¹⁸ | The body of a person affected by AKU has trouble disposing of homogentisic acid (HGA), which accumulates in joints, the heart and connective tissues. This can cause a blackening of the nose and ears, joint pain and movement difficulties, and heart problems. There is no cure, but supportive therapy with painkillers and anti-inflammatory drugs can help patients.

3.4.2| Events and Fairs

Throughout the years, SECO has **actively participated in the most important events and trade fairs in its field**, both to stay aware of emerging IT challenges and to enhance its own business operations. Participating in these initiatives means promoting awareness of the company to a wide audience of Stakeholders, such as current and potential customers, partners, the media and investors.

A geographical map of the events in which SECO participated in 2022 is given below.





4| Protecting the Environment



1.812

metric tons of material used for production and packaging in 2022
(mostly glass)



11.3 megaliters

of fresh water used by the Group in 2022



17.861 GJ

of total energy consumption by the Group, mostly electricity (71.3%)



1.491.159

total Scope 1 and 2 market-based GHG emissions in 2022



164 metric tons

of waste produced by SECO in 2022, mostly plastic (55%)



Collaborative project

with suppliers for returnable packaging solutions and the use
of recyclable packaging

MATERIAL TOPICS

Energy consumption

RELATED RISKS

Risk of contributing to the national and international energy crisis due to high consumption levels and a failure to adopt efficiency actions; increase of emissions and other environmental impacts related to the organization's high consumption of energy from non-renewable sources.

OPPORTUNITIES

Reduced environmental impact through the adoption of energy efficiency initiatives and increased employee awareness, in addition to the switch from traditional to renewable energy sources.

4



MATERIAL TOPICS

- **Sustainable packaging**
- **Efficient use of resources**

RELATED RISKS

Increase in packaging-related waste from raw materials purchased and products sold by the SECO Group; increased pressure on natural resources throughout the entire production process as a result of non-optimal use.

OPPORTUNITIES

Reduced environmental impacts of packaging through the selection of less impactful materials, the minimization and rethinking of packaging and transport logistics, and the use of returnable packaging. Reduced consumption of scarce or hard-to-find materials by optimizing their consumption and limiting their use to production stages where they play a key and irreplaceable role.

GRI

GRI 3-3, 301-1, 301-2, 302-1, 302-3, 303-1, 303-2, 303-3, 305-1, 305-2, 305-4, 306-1, 306-2, 306-3, 306-4, 306-5, 307-1

SDG

SDG #7 – By 2030, substantially increase the share of renewable energy in the global energy mix (Target 7.2)

By 2030, double the global rate of improvement in energy efficiency (Target 7.3)

SDG #8 – Improve progressively, through 2030, global resource efficiency in consumption and production and endeavor to decouple economic growth from environmental degradation, in accordance with the 10 Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead (Target 8.4)

SDG #12 – By 2030, achieve the sustainable management and efficient use of natural resources (Target 12.2)

By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse (Target 12.5)

SDG #13 – Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries (Target 13.1)



4.1| Environmental management

We are highly mindful of **respecting and protecting the environment** in which we do business. We have set ourselves the goal of **continuously improving** our performance through periodic analyses of environmental risks associated with our activities, and the planning of prevention and mitigation measures. **We encourage our customers, suppliers, and employees** to adopt responsible practices throughout the value chain.

For several years, SECO has operated an Integrated Management System (ref. “The Internal Control and Risk Management System”, “Product Quality and Safety”), which has been progressively supplemented and strengthened following the achievement of **ISO 14001:2015** certification by all Group production plants: Arezzo and Tregozzano (SECO S.p.A.), Hamburg and Wuppertal (SECO Northern Europe GmbH), Hangzhou (Fannal Electronics Co., Ltd.). The goal for 2023 is to further expand the scope to include SECO Mind S.r.l.’s new office in Siena.

In addition, starting in mid-2020, the Group began an **Environmental Analysis Integration Plan** (later revised in early 2021 following the various corporate acquisitions), targeted at developing a **life-cycle** analytical approach in the Group’s products, services or activities. It is in this spirit that the modelling approach applied to SECO S.p.A.’s production processes was consolidated in 2022, with plans to extend analysis to the Group’s other plants (SECO Northern Europe and Fannal Electronics) in 2023.

SECO also conducted a preliminary analysis of the **direct and indirect environmental impacts** connected with the activities carried out¹, of the applicable regulatory framework and of the implementation status of the relevant obligations.

All elements of the analysis process were evaluated based on regulatory criteria, their relevance to business, and their impact on the region, population, and management efficiency. An impact category defined as “significant” or “insignificant” was assigned to each element. The analysis was conducted for both normal and emergency scenarios.

Specifically, the dimensions considered – which are in part derived from ISO 14001 – are: energy consumption, water consumption, atmospheric emissions, waste produced, hazardous substances, external noise, electromagnetic fields, greenhouse gases, and ozone-depleting substances, chemical compounds such as polychlorinated biphenyls and polychlorinated terphenyls, visual impact, soil contamination and fire risk. The need to update this analysis is not only assessed on the basis of changes in SECO’s operating context, but also - and in particular - of studies conducted into the actual and specific risks associated with our business processes.

As regards **impacts directly related to SECO’s work**, the analysis revealed the following results.

¹ | We note that the analysis was conducted on the plants of Arezzo and Tregozzano.

Environmental aspect	Normal conditions		Abnormal/emergency conditions	
	Arezzo	Tregozzano	Arezzo	Tregozzano
Energy consumption	✘	✘	✔	✔
Water consumption	✔	✔	✔	✔
Atmospheric emissions	✘	✘	✘	✘
Water discharges	✔	✔	✔	✔
Hazardous waste	✘	✘	✔	✘
Hazardous substances	✔	✔	✔	✔
External noise	✔	✘	✔	✔
Electromagnetic fields	✔	✔	✔	✔
Ozone depleting substances/GHGs	✘	✘	✘	✘
PCBs/PCTs	✔	✔	✔	✔
Visual impact	✔	✔	✔	✔
Soil contamination	⊖	⊖	✔	✔
Fire risk	⊖	⊖	✘	✘

✔ Not significant ✘ Significant ⊖ Not considered

Figure 48: Direct impacts of SECO plants

For **indirect impacts**, i.e. those generated by activities carried out by third parties within the Company (e.g. maintenance activities on plants, cleaning services, etc.), the level of significance attributed to each aspect has been determined based on the importance and the degree of management control over the activity analyzed.

The results of the analysis are set out below.

Aspetto Ambientale	
Maintenance workers (energy consumption, atmospheric emissions, waste production)	✔
Waste transport companies (energy consumption, atmospheric emissions)	✘
Waste destination plants (energy and water consumption, atmospheric emissions, waste production, potential soil contamination)	✘
Outsourced activities (energy consumption, water consumption and discharge, waste production, hazardous substances, etc.)	✘
Product and design-related aspects	✘

✔ Not significant ✘ Significant ⊖ Not considered

Figure 49: Indirect impacts of SECO plants

In order to manage and above all to prevent indirect impacts, SECO is committed to spreading the contents of its environmental policy, along with the operating procedures for the environmental management with which all parties working on its behalf are required to comply².

2 | In relation to product design, we have introduced the controls as required by RoHS regulations (2002/95/EC) regarding restrictions on the use of certain hazardous substances in the construction of electrical and electronic equipment, and WEEE (Legislative Decree No. 49/2014) for the proper management of waste electrical and electronic equipment.

Shared responsibility that comes from small daily actions

SECO believes that attention to environmental issues should be a shared responsibility and an object of attention for all employees and collaborators during their time at the Company. It has therefore initiated a number of projects to encourage and support informed choices during office life.



To limit the use of disposable plastic water bottles, it provides all its employees with a **personalized aluminum water bottle** and has installed **10** drinking **water dispensers** at the Arezzo and Tregozzano offices in 2020.



To spread a responsible culture of waste management, SECO has provided, both at production sites and in the common areas of the Arezzo and Tregozzano sites, points for the **separate collection** of paper, plastic, glass and organic waste.



The Group requires its food and beverage suppliers to restock office vending machines by minimizing the amount of plastic in the containers, replacing plastic wrappers with recyclable paper or aluminum equivalents where possible.



In 2022, a network of sensors was installed on windows in the Arezzo office. If the windows are opened, the system automatically switches off the heating and air conditioning system in the room.



The offices in Arezzo, Tregozzano, and Hamburg are equipped with LED lighting to reduce electricity consumption. In addition, to further limit consumption, the Arezzo office's lighting system has been programmed to automatically switch off at 7pm.



10 electric vehicle charging points are in the process of being installed at the Arezzo plant. SECO is also progressively replacing company cars with electric or hybrid vehicles.



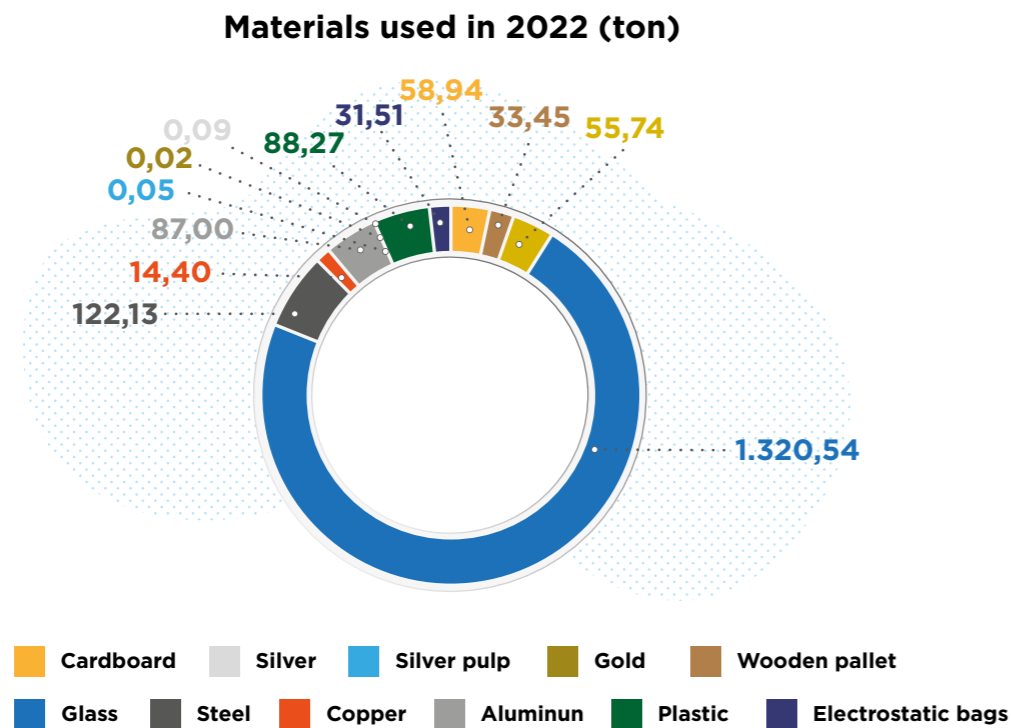
For the provision of CLEA-based services, SECO relies on cloud providers that use data centers powered by at least 50% renewable energy, where possible.

4.2| Efficient use of natural resources

4.2.1| Materials

The materials used by the Group fall mainly into two macro-categories:

- raw materials** used to **manufacture the products**, including FR4³, glass, steel, copper, silver, aluminum and gold found within the semi-finished materials purchased by the Group;
- packaging material**, including paper/cardboard, plastic, and absorbent material to protect products from potential stresses or impacts.

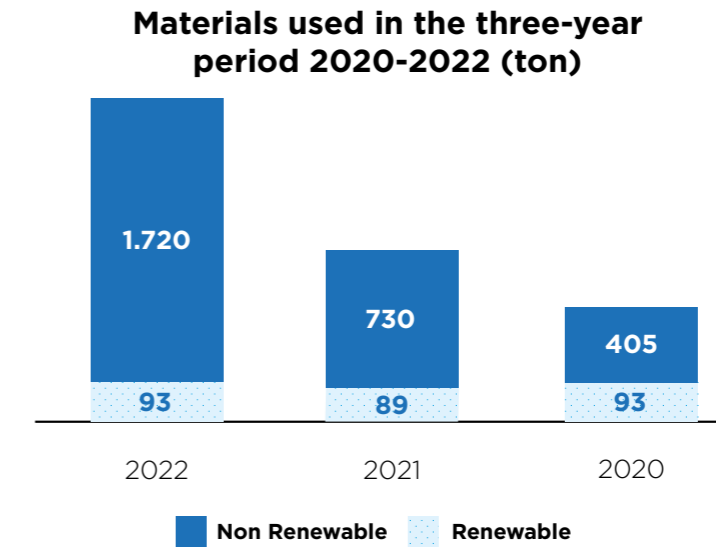


The chart shows the materials used by the Group in 2022⁴ for production activities and product packaging. The total is 1,812.13 metric tons, of which 5% is renewable.

Glass (73%), steel (7%), plastic (5%), and cardboard (3%) are the most used materials.

We note that the quantities of materials reported, net of cardboard, bioplastics, wooden pallets and electrostatic bags, were obtained following an analysis of the composition of semi-finished products used by the Group.

Specifically, in 2022⁵ there was an increase in the materials used in activities compared to the previous year, relating mainly to the increase in non-renewables, of which aluminum (+444%)⁶, glass used in production processes (+177%), and electrostatic bags that contain electronic components, isolating them from any potential electrostatic field that could damage them (+37%). These changes can primarily be attributed to the increase in production volumes, in addition to the inclusion of SECO Northern Europe GmbH in the reporting scope for 2022.



The Group is currently studying a number of improvement plans to reduce waste and its reliance on resources. SECO is working with suppliers to adopt **returnable or reusable** packaging solutions.

With regard to the actions taken with Group customers, a project has been launched to encourage the use of **multiple and palletized packaging** instead of single-use packaging, and **reusable or recyclable packaging** and **materials** and the use of scheduled shipments managed directly with the customer's courier, so as to optimize the route taken. In collaboration with some customers, specific **returnable packaging** was studied to make the process more efficient and reduce the generation of waste as far as possible.

Finally, during the new project development stage, an internal study was conducted with customers in mind to explore the option of developing products that could easily be disassembled at the end of their life cycle (design for disassembling). The objective is to facilitate the separation of different product components and materials, thus making it easier to recycle or reuse them.

3 | Composite material made by impregnating a glass fiber fabric with a flame retardant epoxy resin matrix.

4 | Compared to the previous Non-Financial Declaration, SECO Northern Europe GmbH is included in the scope for 2022. We note that the data presented does not include the companies SECO Mind Germany, SECO Mind S.r.l., SECO Mind USA LLC, Piri.ai, Inc., or SECO BH d.o.o. as they do not perform production activities. The data for SECO USA, Inc. are not presented, however, as this company's production activities are performed by SECO S.p.A. and SECO Northern Europe GmbH.

5 | Ibidem

6 | This significant increase can be attributed partly to a change in the product mix (specifically the use of aluminum instead of iron to make touch panel shells) and partly to the refinement of the analysis techniques employed by SECO to study the composition of the semi-finished products used by the Group.

Chemicals and hazardous substances

Hazardous substances are not used to any significant extent within the manufacturing processes, but only in ancillary activities, such as washing and cleaning of card production stations.

In addition to ensuring full compliance with the regulations in force, in order to manage the use of these substances SECO has defined specific procedures for the management of waste, chemicals and atmospheric emissions, and to monitor the level of energy absorption of the buildings.

Meanwhile, in the interests of health and safety, a risk assessment system is in place based on company processes and the type of substances used.

This system is compliant with both the compulsory sector regulations (Legislative Decree No. 81/2008) and the international voluntary ISO reference standard (ISO: 45001).

SECO obtained this certification for its Italian sites in Arezzo and Tregozzano in 2022, in addition to its Fannal Electronics Co., Ltd. plant in Hangzhou.

REACH and RoHS analysis of purchased components is also conducted through professional databases and through specific certification requests, which are sent directly to suppliers.

4.2.2| Water resources

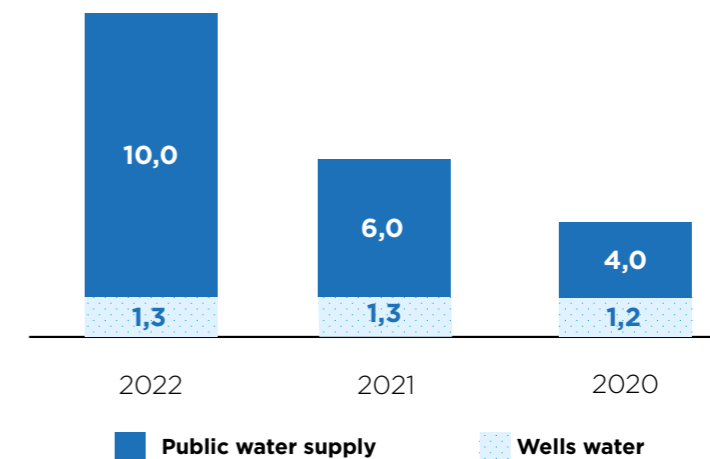
Although the analyses carried out as part of the ISO 14001 certification show that the use of water is not a material element in the management of the Group's environmental impacts, we recognize the importance of responsible consumption of water as an essential and shared primary resource.

Water is only used during the card washing production phase at the Tregozzano plant, where a closed water cycle is in place.

Water is collected in a tank, reused for more than one cycle, and subsequently purified at the end of the process using special filtering systems. The Group is committed to delivering waste liquids to companies specializing in special waste disposal.

All other water consumption relates to civil use. Wastewater is discharged into the public sewers in line with the discharge permit.

Water withdrawals 2020-2022 (ML)



In 2022, the Group withdrew 11.3 megaliters of freshwater⁷ (≤ 1.000 mg/l total dissolved solids). These withdrawals were mainly made in water stress areas, with the exception of those related to the SECO USA, Inc. and SECO Northern Europe GmbH plants.⁸

Specifically, in 2022, 10 megaliters were withdrawn from third-party water resources (public water supply) and 1.3 megaliters from groundwater (wells). The increase between 2021 and 2022 is mainly due to the inclusion of SECO Northern Europe GmbH in the scope and the increase in SECO S.p.A.'s production activities.

4.3| Electricity consumption and emissions

4.3.1| Energy consumption

The new headquarters in Arezzo has been designed according to the highest standards of **energy efficiency** and is equipped with a photovoltaic system consisting of 232 panels, which can reach a maximum power of 69.6 kW and an annual production of energy corresponding to about 83,500 kWh, capable of meeting about 12% of the energy needs of the building.

⁷ | We note that the data presented does not include the company SECO Mind USA LLC or its subsidiary Piri.ai INC due to the nature of the activity carried out, namely software programming and development of AI algorithms, which do not involve any production activity; also excluded is the company SECO Mind S.r.l., which does not carry out any production activity, but develops AI software solutions. In addition, Mind Germany and BH d.o.o. are excluded from SECO's scope for the same reasons outlined above.

⁸ | Water stress areas are those regions considered to be more sensitive from a water resource perspective due to limited capacity or because they are at risk of failing to meet human and ecological demand for water, in terms of availability, quality, and accessibility. Through the database provided by the Aqueduct Water Risk Atlas of the World Resources Institute it was possible to define the level of water stress in the areas of Arezzo and Tregozzano, where the level was recorded as >80%, "Very High" (SECO S.p.A. and PSM Tech S.r.l.), and Hangzhou, where it was recorded as 40-80%, "High" (Fannal Electronics Co., Ltd.). A correction to last year's data for SECO USA, Inc. is shown, as Maryland is not a water stress area (<10% range). The Hamburg and Wuppertal areas (SECO Northern Europe GmbH) are also not water-stressed (<10% range).

The new photovoltaic system installed at the Tregozzano plant, equipped with 144 panels possessing a maximum power output of 50.4kW, has also been in operation since April 2022.

In addition, at the end of 2020, SECO entered into an agreement with its electricity supplier to supply all Italian office with **electricity exclusively from renewable sources**.

The Hamburg office was constructed in compliance with strict energy efficiency norms, utilizing a heat pump system to provide 79% of its heating requirements.

In 2022, the Group's total energy consumption was **17.861 GJ**⁹ (11.274¹⁰ GJ in 2021) and the **energy mix** was composed as follows:

- 71.3% comes from electricity for **lighting** at sites and for the **operation of production plants**. Specifically, 45.1% of the total **electricity purchased comes from electricity obtained entirely from renewable sources**, 3.7% comes from self-generated and self-consumed green electricity, and the remainder comes from non-renewable sources;
- 13.9% comes from **natural gas** for space heating;
- 14.8% comes from **fuel (diesel and gasoline) and natural gas** to power the corporate fleet.

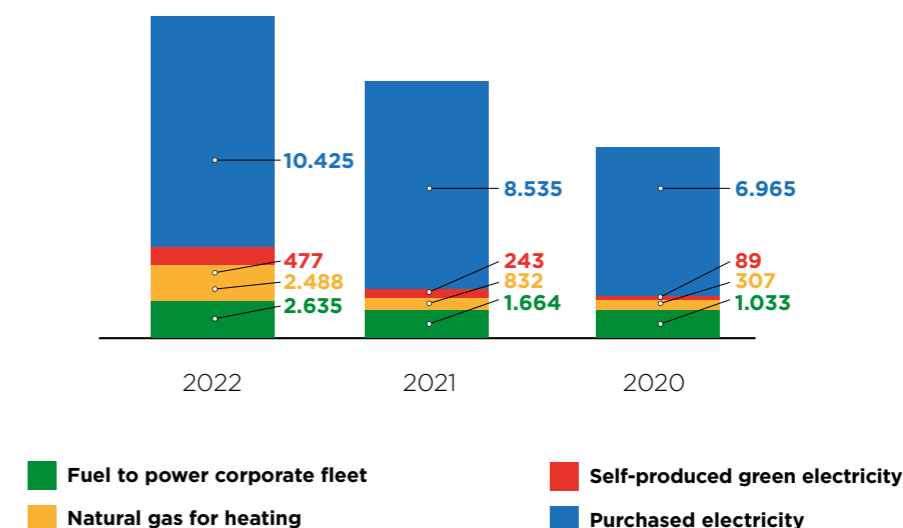
In the reporting year, the Group's total energy consumption increased compared to the previous year (+58.4%), primarily due to the rise in production volumes and the inclusion of SECO Northern Europe GmbH in the reporting scope for 2022.

31% of energy consumed comes from certified renewable sources.

The energy intensity index was **0,0889** in 2022 (-**8,3%** on 2021).

Finally, one of the most significant future projects for monitoring the Group's energy consumption involves Energy Diagnosis. This analysis is a regulatory obligation for SECO S.p.A. and must be fulfilled by December 5, 2023, as the Company is defined as a "Large Enterprise", pursuant to Legislative Decree No. 102/2014.

Group energy consumption in the three-year period 2020-2022 (in GJ), by type of source



4.3.2| Emissions

Among the initiatives undertaken to mitigate the impact of emissions, in addition to the supply of renewable sources and the installation of photovoltaic panels, is the ongoing modernization of the company fleet with the gradual replacement of cars with hybrid models. This activity has, of course, been accompanied by the progressive installation of electric charging points at the office to enable the full use of new vehicles. Two new charging points and eight wall-box chargers are currently being installed at the Arezzo office in 2023.

The CO₂ emissions¹¹ generated by the Group come from the energy sources mentioned above.

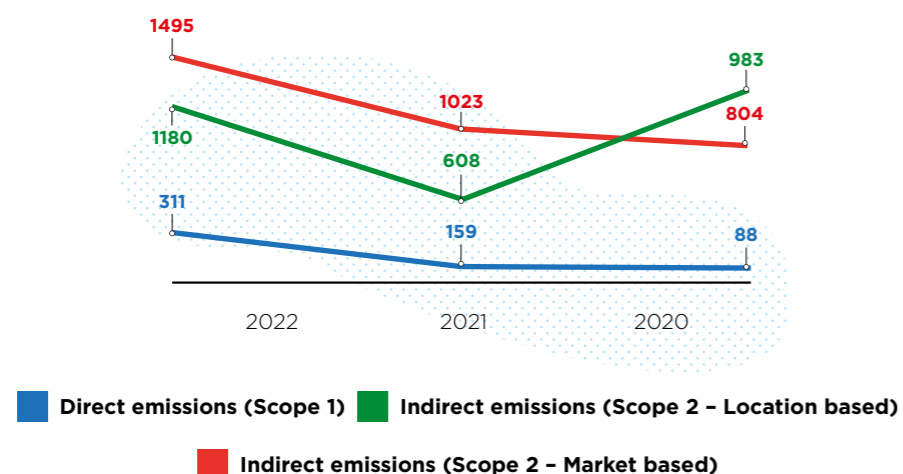
9 | We note that the source for conversion factors - from kWh, m3 and liters to GJ - is the "UK Government GHG Conversion Factors for Company Reporting" database in the specific versions for the years reported. The following companies are excluded from the figure presented: SECO Mind Germany GmbH, SECO BH d.o.o., SECO Mind USA, LLC and its subsidiary Piri.ai, Inc. due to the nature of the activities they perform, i.e., software programming and AI algorithm development, which do not involve any production activities. In addition, SECO Mind USA (and Piri.ai) employees work entirely remotely, while the rent payment for the building used as the SECO BH d.o.o. office includes a share for electricity expenses. In both cases, therefore, energy consumption is not monitored by the respective Companies. SECO USA Inc. has only been included in the scope for the Group's total energy consumption and is excluded from the energy source breakdowns as it has no information on the fuel mix used.

10 | The data for 2021 differ from the previous edition of the Non-Financial Declaration as the conversion factor data have been updated in line with the latest EFRAG version. The 2020 version was used as a reference for the 2021 NFD as the new one had not yet been published.

11 | We note that only CO₂ emissions are considered relevant. We also note that the Tregozzano plant has an Integrated Environmental Authorization for other emissions. The Authorization allows for the monitoring of NOx, COV, NH3 and CO atmospheric emissions and their annual communication to the Competent Authorities. In the period no limit excesses were reported.

For the reporting of greenhouse gas emissions, the methodological reference is the Greenhouse Gas (GHG) Protocol¹² which divides emissions into categories, or “Scope¹³”, depending on whether the emissions qualify as “direct” or “indirect”.

Direct and indirect CO₂ emissions generated by the Group in the three-year period 2020-2022 (tCO₂eq)



The emissions intensity index¹⁴ for 2022 was **0.00899 tCO₂ / K€** (-11.5% on 2021)

In 2022, the Group’s total (market-based Scope 1 and Scope 2¹⁵), CO₂ emissions amounted to 1,491 tCO₂eq, an increase on 2021 (766 tCO₂eq). This is largely due to the inclusion of SECO Northern Europe in the reporting scope and the increased use of electricity and fuel by the company vehicle fleet.

12 | The Greenhouse Gas (GHG) Protocol has been defined by the World Resources Institute and the World Business Council for Sustainable Development to provide public and private organizations with a globally shared framework for standards, guidelines, tools and training for reporting GHG emissions.

13 | Scope 1, where emissions are generated directly from a source owned or controlled by the Group. In our case, this refers to the emissions deriving from the consumption of natural gas for heating and to power company cars, in addition to fuel (diesel, gasoline and natural gas). To calculate these emissions, the emission factors defined by the “UK Government GHG Conversion Factors for Company Reporting” were used in the specific versions for the years being reported. Scope 2, meaning the indirect emissions resulting from the use of electricity purchased by the Group for the lighting of buildings and the operation of production sites. For the calculation of these emissions, the procedure was as follows: for location-based emissions, the emission factors taken from “Terna international comparisons on Enerdata data”, 2019 data, were used; for market-based emissions, on the other hand, reference was made to the residual mix set out for 2022, 2021, and 2020 by “AIB - European Residual Mixes 2021, Version 1.0, 22nd May 2022”, “AIB - European Residual Mixes 2020, V. 1.0, 31st May 2021”, and “AIB - European Residual Mixes 2019 - V. 1.1, 8th September 2020” respectively. The figures presented for 2019 and 2020 have been restated following the refinement of the data collection and consolidation mechanisms.

14 | Emission intensity is calculated as the ratio between the Group’s total CO₂ emissions (Scope 1 and Scope 2 location-based) in tCO₂eq and the Value of Production from the Consolidated Financial Declaration for the three-year reference period, divided by one thousand.

15 | We note that the data presented does not include the following companies: SECO Mind Germany GmbH, SECO BH d.o.o., SECO Mind USA, LLC and its subsidiary PIRI.ai, Inc. as no production activities are carried out at these locations. In 2022, the scope was therefore expanded to include information on SECO Northern Europe GmbH, which was not included in previous years. In addition, data for the years 2021-2020 differ from those reported in the 2021 NFD as SECO USA Inc. has also been included in the scope for earlier years. Finally, the Scope 2 market-based emissions data have changed compared to 2021 as the scope was expanded, as mentioned above, and the calculation formulas were also revised, which changed the outcome of the analysis.

Specifically:

- Direct (Scope 1) CO₂ emissions amounted to 311 tCO₂eq in 2022 (159 tCO₂eq in 2021);
- Indirect (Scope 2) CO₂ emissions amounted to:
 - (Location-based approach) 1,495 tCO₂eq in 2022, up from the previous year (1,023 tCO₂eq);
 - (Market-based approach) 1,180 tCO₂eq, up from 2021 (608 tCO₂eq).

4.4 | Circular economy and waste management

We have a daily commitment to ensure the efficient use of resources to prevent and limit the generation of waste. In pursuit of this goal, we have defined careful resource management processes, designed to minimize the production of waste at every stage of the value chain.

In 2020, SECO started involving its suppliers in the process of creating a **Full Material Declaration** to increase visibility into the materials used by suppliers to create components supplied to the Group. The results of this analysis will be used to rate suppliers.

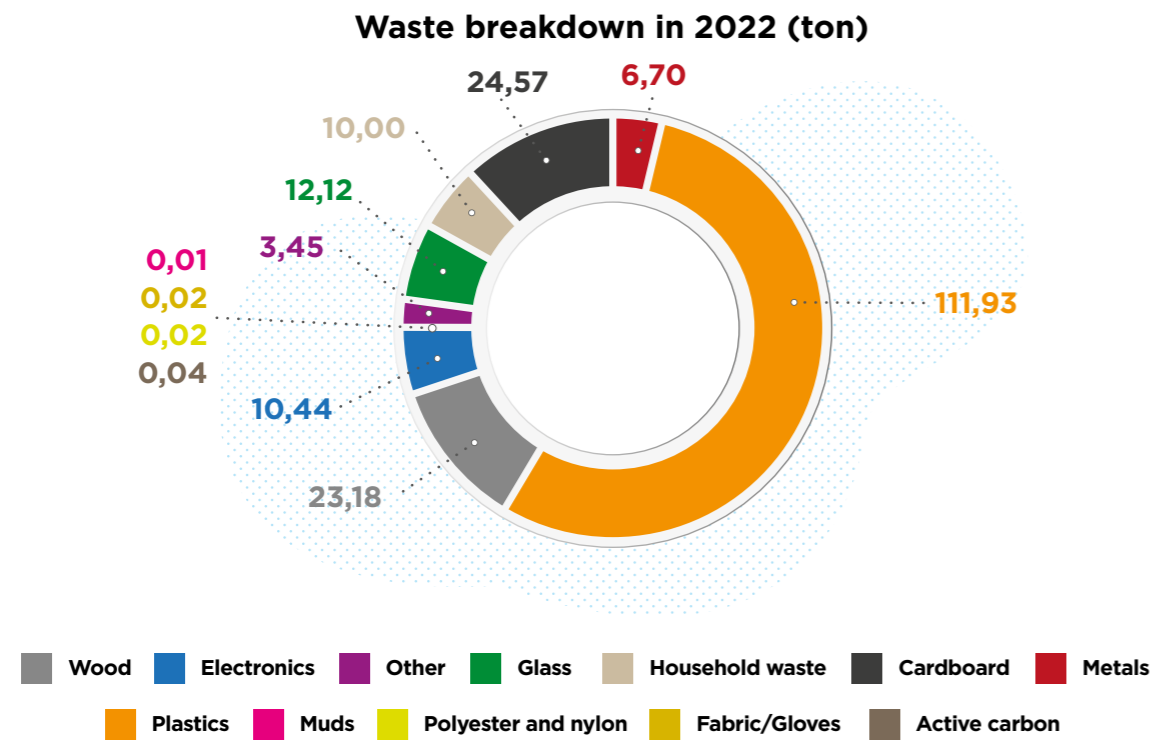
Major suppliers of printed circuit boards have joined the process, which helps to make product analysis more accurate. Going forward, the Group remains committed to raising awareness among its suppliers, especially with regard to the most critical categories of semi-finished products (such as displays and touch screens).¹⁶

The management and monitoring of waste production and its proper disposal are carried out in accordance with current regulations, and specifically with the guidelines defined within the Group’s ISO 14001 certified Environmental Management System.

SECO’s main sources of waste generation are:

- The **supply chain**, sourcing semi-finished products and components such as printed circuit boards, silicones, wiring harnesses and batteries;
- The **manufacturing process**, which gives rise to chemicals, toner, hazardous Waste Electrical and Electronic Equipment (WEEE);
- **End-of-life** management of outgoing products;
- Waste from **office operations** is collected by the local municipal waste company.

¹⁶ | This activity is currently carried out per customer requests.



Where managed directly by the Group, SECO ensures compliance with international WEEE (Waste of Electric and Electronic Equipment) guidelines. SECO does not handle the disposal of finished products, which remains the responsibility of its customers, who must follow the instructions provided by SECO in its product specifications.

The total waste generated in 2022 amounts to 202.5 metric tons, an increase of about 66% on 2021 (122 metric tons)¹⁷ due to SECO Northern Europe's inclusion in the scope. As shown in the graph, almost all waste (71% of the total) was classified as non-hazardous during the three-year period.

Waste for the current year primarily consists of plastic, wood, and cardboard. In 2022, 67% of non-hazardous waste for disposal was sent to landfill, while 13% was sent for energy recovery through incineration. 15% was sent for incineration without energy recovery.

17 | We note that the following companies are excluded from the scope: SECO Mind S.r.l., SECO Mind USA LLC. and its subsidiary PIRI.ai Inc, BH d.o.o., and SECO Mind Germany. In addition, the data analyzed include SECO USA Inc. for the years 2021-2020, while no data was available for 2022. Data for SECO Northern Europe were estimated based on the waste composition of SECO S.p.A., with which it shares a business model and operational structure.

Circular economy

As explained in previous sections, SECO is not in the business of making ready-to-use products or those for use by end consumers. Instead, SECO's modules and systems are integrated into products that our customers (usually OEMs¹⁸) manufacture for various industry and B2B applications. As these products are frequently distributed to numerous intermediaries along the value chain before being utilized, the adoption of inclusive end-of-life component collection programs is inherently linked to the restricted actions carried out by the parties (OEMs and distributors) that SECO engages with directly. For this reason, although the Group has assessed its feasibility, it does not currently consider it possible to introduce widespread collection programs for the end users of devices containing SECO products.

SECO does however pay close attention to the matter of material recovery and reuse, including from e-waste. These materials are sent to companies specializing in the recovery of precious metals, such as gold and copper, which can be reused. In addition, SECO continues to pursue technological and process innovations to extend the life cycle of its products where possible, with the goal of extending their lifespan and reusing device components or parts that have reached the end of their life in newly manufactured products.

For example, SECO initiated a program with a customer in 2020 to manage and recondition specific systems in customer devices. The goal is to reduce the amount of materials customers throw away. This project seeks to recover components such as touch displays, LCDs, and plastic parts from machines that are less than ten years old. These components are subsequently inspected for damage and reconditioned if necessary, before being installed in new products for the same customer.

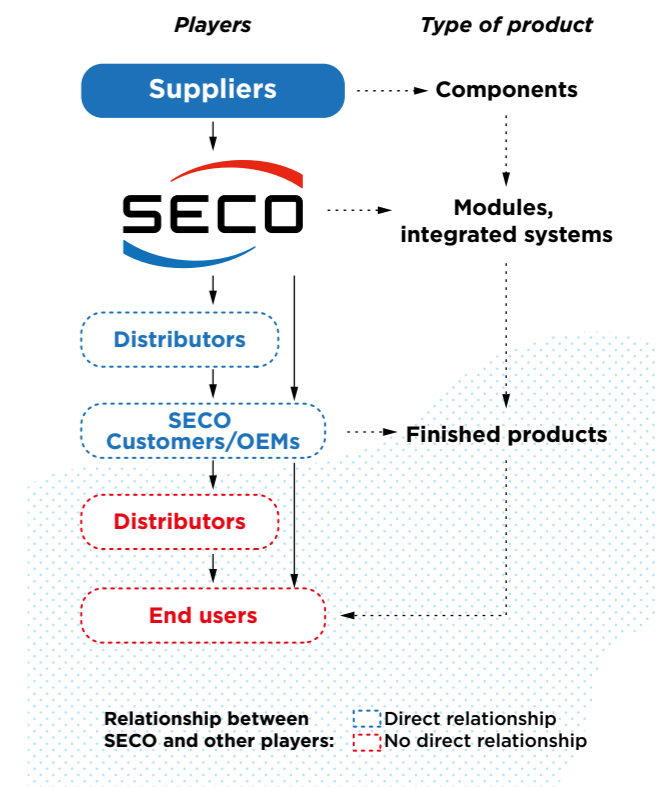


Figure 50: The SECO value chain

18 | Original Equipment Manufacturers



5| Annex

5.1| Methodological note

Last year, the SECO Group prepared its first Consolidated Non-Financial Declaration, which will be published annually, in line with the Company's financial reporting.

The information contained in this document refers to the time period January 1, 2022 through December 31, 2022. Similarly, where possible the topics covered are presented by providing a comparison with the previous two years in order to allow all SECO Stakeholders to assess the Group's performance over time.

This document has been prepared in accordance with the GRI Sustainability Reporting Standards, as published by GRI in 2021 and effective January 1, 2023, under the "With reference to" reporting option.

The drafting of this NFD is guided by the principles defined by the 2021 GRI Standard 1: Core Principles as regards the level of content and quality of the document:

- *Accuracy* - commitment to reporting information that is correct and sufficiently detailed to allow an assessment of the organization's impacts;
- *Balance* - commitment to reporting information in an unbiased way and providing a fair representation of the organization's negative and positive impacts;
- *Clarity* - presentation of information in a way that is accessible and understandable, considering the accessibility of information and making the content usable for people with limited knowledge of the organization;
- *Comparability* - selecting, compiling, and reporting information consistently to enable an analysis of changes in the organization's impacts over time and their comparison with other organizations;
- *Completeness* - the need to provide sufficient information to enable an assessment of the organization's impacts during the reporting period;
- *Sustainability context* - commitment to reporting information about its impacts in the wider context of sustainable development, providing transparent information on how the organization contributes or aims to contribute to sustainable development;

- *Timeliness* – reporting information on a regular schedule, making it available in time for information users to make decisions;
- *Verifiability* – gathering, recording, compiling, and analyzing information in such a way that the information can be examined to establish its quality.

5.1.1| Materiality analysis and identification of material topics

Consistent with GRI Standard 3 - Material Topics 2021, the following were considered when carrying out the materiality analysis:

- **The context of the industry** in which the SECO Group operates, by updating analysis of operational, institutional, market and external dimensions (“Context”);
 - **The requests of internal and external Stakeholders** that the Company has mapped on three main occasions:
1. an in-depth **context analysis** to understand the main requests of stakeholders and, in light of these, the Company’s priorities as regards the areas identified under Legislative Decree No. 254/2016.

Specifically, this study took the following sources into account:

- International bodies, including the European Institute of Innovation & Technology, the Organization for Economic Co-operation and Development, the United Nations - ITU (International Telecommunication Union), the OECD - Due Diligence Guidance for Responsible Supply Chains, and the European Commission, with its Circular Economy Action Plan;
- Standard setters, including the World Economic Forum, the Global Reporting Initiative, ISO 26000, and the Sustainability Accounting Standards Board (SASB);
- Investors, including by way of consultation of the MSCI - ESG Industry Materiality Map and the Standard&Poors Materiality Finder;
- Trade associations, for a more in-depth understanding of the sector. These included IoTItaly, Anitec-Assinform (National Association of Computer Industries) and AixiA (Italian Association for Artificial Intelligence);
- Peers, specifically by consulting public documents and websites;
- Academia, to gain a scientific insight into the application of sustainability issues in the industry;
- The media, with reference to press releases and publications in the year under review;
- In-house documents and the Company’s website.

2. A **questionnaire addressed to around 300 internal and external Stakeholders** that made it possible to collect more than 130 complete responses, update the materiality analysis to identify any further topics deemed relevant to the Group, and assess the usability aspects of the 2021 Non-Financial Declaration and the perception of SECO’s performance in relation to the topics covered.
3. 5 **semi-structured interviews with top managers** to which potentially significant issues identified in the previous phases were submitted. Specifically, and with reference to the various topics proposed, these interviews made it possible to investigate issues such as the Group’s strategy and vision, including the objectives deemed most relevant to environmental, social and governance aspects from the point of view of the function represented by the interviewee; the related management methods with respect to each potentially relevant topic; the expectations of the stakeholders with whom the specific function interacts or reports to in the context of its activities; the impacts generated along the value chain; the management and organizational controls in place and the initiatives introduced during the year.

Top management was thus able to confirm, eliminate and aggregate the issues that emerged from the above analyses and thereby define specific strategic and reporting priorities for the Group.

As part of the preparation for the 2022 NFD, an investigation was conducted into both past and present potential positive and negative impacts associated with identified topics that could affect the environment, people, and the local community. Top management was consulted to evaluate the findings.

Finally, the materiality analysis was shared with the Chief Executive Officer for validation of the material topics.

The table below sets out the material topics dealt with in the NFD and relates them to the areas indicated in the Decree, to the aspects of the GRI Standards and to the SDGs to which the Group intends to contribute. The internal and external perimeter of the impact of the topics is also given.

The topics shown in gray in the table were not material according to the analysis performed. However, they are covered in this document by means of qualitative and quantitative information and by reporting the impacts generated by the Group.

Material topics	Scope Leg. Decree 254/2016	GRI Aspect	Topic scope		Relevant SDGs
			Internal	External	
<ul style="list-style-type: none"> • Energy consumption • Sustainable packaging • Efficient use of resources • Emissions and climate change • Waste management and the circular economy • Water resource management 	Environment	GRI 301 – Materials GRI 302 – Energy GRI 303 – Water and effluents GRI 305 – Emissions GRI 306 – Waste GRI 307 – Environmental compliance	Group	Suppliers and partners Community and territory Customers Shareholders and investors	12 13 7
<ul style="list-style-type: none"> • Training and development • Employee Health and Safety • Diversity and inclusion • Company welfare • Talent acquisition, management and development • Sustainable supply chain management • Protection of human rights • Local community support • Conflict minerals 	Personnel management Human rights Social Impacts Local community support	GRI 2: General Disclosures GRI 204 – Procurement practices GRI 401 – Employment GRI 402 – Labor/management relations GRI 403 – Occupational health and safety GRI 404 – Training and education GRI 405 – Diversity and equal opportunity GRI 406 – Non-discrimination GRI 407 – Freedom of association and collective bargaining GRI 408 – Child labor GRI 409 – Forced or compulsory labor GRI 414 – Supplier social assessment GRI 417 – Marketing and labeling	Group	Employees Community and territory Suppliers and Partners Trade Unions representatives Schools and Universities Shareholders and investors Workers from countries in conflict areas	3 4 5 8 10
<ul style="list-style-type: none"> • Combating active and passive corruption • Relationships and communication with customers • Privacy and data protection • Research, development and innovation • Business ethics and integrity • Creation and distribution of economic value • Product quality and safety 	Social Impacts Combating active and passive corruption	GRI 2: General Disclosures GRI 201 – Economic performance GRI 205 – Anti-corruption GRI 207 – Taxes GRI 418 – Customer privacy	Group	Employees Suppliers and partners Customers Scientific community Institutions and Trade associations Shareholders and investors	8 9 12 16

5.1.2| The reporting scope and methodologies used for calculating

Consistent with Article 2, paragraph 2 of the Decree, the reporting scope coincides with that of the 2022 Consolidated Financial Statements.

The most recently acquired company, SECO BH d.o.o, has been included in the scope for 2022. The company is wholly owned by SECO S.p.A., and a business unit containing assets and employees under the control of Camozzi Digital S.r.l. was transferred to it.

In addition, in this document, the data of the German-based legal entities SECO Deutschland GmbH, Garz & Fricke Holding GmbH, and Keith & Koep GmbH have been merged and consolidated as all legal entities have been merged with the company Garz & Fricke GmbH, which was simultaneously renamed SECO Northern Europe GmbH and is wholly owned by SECO S.p.A.

The qualitative information and quantitative data contained in the chapters of this document are reported in aggregate form at Group level and, where deemed necessary, specific details have been provided for the following geographical areas in which the Group operates:

- Italy: includes the Parent Company SECO S.p.A. and the companies PSM Tech S.r.l. and SECO Mind S.r.l.;

- EMEA: includes the companies SECO Northern Europe GmbH, SECO Mind Germany GmbH, and SECO BH d.o.o.;
- USA: includes SECO USA and SECO Mind USA, LLC;
- APAC: includes Fannal Electronics Co., Ltd and Piri.ai, Inc.

In the “Technical Details” section, data are presented both by geographical area and at Group level.

We also note the following:

- GRI Standard indicators on Materials; Waste; Water and Effluents; Human Rights Assessment and Supplier Social Assessment (GRI 301, GRI 306, GRI 303, GRI 412, GRI 414) are not applicable to SECO Mind S.r.l., SECO Mind USA, LLC, SECO Mind Germany GmbH, or SECO BH d.o.o. by virtue of the non-production activity performed, which is to say software programming and AI algorithm development;
- The GRI Standard indicators on the topic of Occupational Health and Safety (GRI 403) are not applicable to SECO Mind USA as all of its employees work remotely;
- GRI indicators concerning local supplier procurement practices (GRI 204) only apply to Italian plants.

5.2| Technical Details

5.2.1| Chapter “The SECO Group”

Name	Office	Role	Independence	Tenure on the governance body	Competencies relating to economic, environmental, and social topics	Stakeholders representation
Daniele Conti	Chairperson	Executive	No	Three-year mandate	No	Yes
Massimo Mauri	CEO	Executive	No	Three-year mandate	No	Yes
Emanuela Sala	Director	Non-Executive	No	Three-year mandate	No	-
Michele Secciani	Director	Non-Executive	No	Three-year mandate	No	-
Claudio Catania	Director	Non-Executive	No	Three-year mandate	No	Yes
Luciano Lomarini	Director	Non-Executive	No	Three-year mandate	No	Yes
Luca Tufarelli	Director	Non-Executive	No	Three-year mandate	No	-
Elisa Crotti	Director	Non-Executive	Yes	Three-year mandate	No	-
Valentina Montanari ¹	Lead Independent Director	Non-Executive	Yes	Three-year mandate	Yes	-
Diva Tommei	Director	Non-Executive	Yes	Three-year mandate	No	-

GRI 2-9 Structure and composition - Board of Directors

Name	Office	Role	Independence	Tenure on the governance body
Valentina Montanari ¹	Chairperson	Non-Executive	Yes	Three-year mandate
Luca Tufarelli	Member	Non-Executive	No	Three-year mandate
Elisa Crotti	Member	Non-Executive	Yes	Three-year mandate

GRI 2-9 Structure and composition - Control and Risk Committee

Name	Office	Role	Independence	Tenure on the governance body
Valentina Montanari ¹	Chairperson	Non-Executive	Yes	Three-year mandate
Diva Tommei	Member	Non-Executive	Yes	Three-year mandate
Elisa Crotti	Member	Non-Executive	Yes	Three-year mandate

GRI 2-9 Structure and composition - Related Parties Committee

Name	Office	Role	Independence	Tenure on the governance body
Diva Tommei	Chairperson	Non-Executive	Yes	Three-year mandate
Elisa Crotti	Member	Non-Executive	Yes	Three-year mandate
Claudio Catania	Member	Non-Executive	No	Three-year mandate

GRI 2-9 Structure and composition - Remuneration Committee

Members of the highest governing body by age and gender	2022			2021			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
< 30 years old	-	-	-	-	-	-	-	-	-
30 < x < 50 years old	1	2	3	1	2	3	1	-	1
> 50 years old	5	2	7	5	2	7	4	-	4
Total members, by gender	6	4	10	6	4	10	5	-	5

GRI 405-1 Diversity of governance bodies and employees

Total number and percentage of members of the governance body to whom the organization's anti-corruption policies and procedures have been communicated	2022	2021	2020
Total members of the governance body to whom policies and procedures have been communicated	14	21	17
Total members of the governance body	32	34	25
%	44%	62%	68%

Total number and percentage of governance body members who have received training on the organization's anti-corruption policies and procedures	2022	2021	2020
Total number and percentage of governance body members who have received training on the organization's anti-corruption policies and procedures	11	8	13
Total members of the governance body	32	34	25
%	34%	24%	52%

¹ | Co-opted by the Board of Directors on December 22, 2022, to replace Giovanna Mariani, who passed away on November 4, 2022.

Total number and percentage of employees who have received training on the organization's anti-corruption policies and procedures	2022	2021	2020
Executives/managers who have received training	17	4	15
Total number of Executives/managers	44	34	30
%	39%	12%	50%
White-collar employees who have received training	89	6	159
Total number of white-collar employees	479	380	232
%	19%	2%	69%
Blue-collar employees who have received training	103	-	147
Total number of blue-collar employees	329	214	199
%	31%	0%	74%

GRI 205-2 Communication and training about anti-corruption policies and procedures

	2022	2021	2020
SECO S.p.A., PSM Tech S.r.l., SECO Mind S.r.l.			
Main activities	Production, R&D, and marketing of edge computing hardware solutions (modules, standard and custom integrated systems) and IoT and data analytics software solutions		
Number of employees	370	364	339
Euro/000			
Revenue from sales to third parties	106.213	73.306	60.574
Revenue from intra-Group transactions with other tax jurisdictions	16.692	9.729	4.551
Pre-tax profit/loss	5.793	-1.314	2.580
Tangible assets other than cash and cash equivalents	427.022	11.802	12.608
Tax on company income paid on a cash basis	113	330	1.102
Taxes on profit	-143	158	50

SECO Holdings, Inc., SECO USA, Inc, SECO Mind USA, LLC			
Main activities	Design and marketing of edge computing hardware solutions (modules, standard and custom integrated systems) and IoT and data analytics software solutions		
Number of employees	28	23	20
Euro/000			
Revenue from sales to third parties	24.298	19.188	11.273
Revenue from intra-Group transactions with other tax jurisdictions	464	87	-
Pre-tax profit/loss	1.925	2.697	1.611
Tangible assets other than cash and cash equivalents	28.295	114	43
Tax on company income paid on a cash basis	-	434	-
Taxes on profit	920	434	520

	2022	2021	2020
SECO Northern Europe GmbH, SECO Mind Germany GmbH			
Main activities	Production, R&D, and marketing of edge computing hardware solutions (modules, standard and custom integrated systems) and IoT and data analytics software solutions		
Number of employees	189	177	-
Euro/000			
Revenue from sales to third parties	57.980	12.378	18
Revenue from intra-Group transactions with other tax jurisdictions	1.677	592	510
Pre-tax profit/loss	3.889	-16	24
Tangible assets other than cash and cash equivalents	105.005	4.068	-
Tax on company income paid on a cash basis	-	175	-
Taxes on profit	994	175	8

Fannal Electronics Co Ltd, SECO Microelectronics			
Main activities	Manufacturing, R&D, and sale of edge computing hardware solutions (modules, touch displays, standard and custom integrated systems)		
Number of employees	146	159	97
Euro/000			
Revenue from sales to third parties	12.373	7.421	4.235
Revenue from intra-Group transactions with other tax jurisdictions	12.082	7.644	4.292
Pre-tax profit/loss	6.219	3.197	2.237
Tangible assets other than cash and cash equivalents	20.484	799	620
Tax on company income paid on a cash basis	-	643	-
Taxes on profit	941	643	98

SECO Asia Limited			
Main activities	Sub-Holding		
Number of employees	/	/	/
Euro/000			
Revenue from sales to third parties	-	-	44
Revenue from intra-Group transactions with other tax jurisdictions	25	34	-
Pre-tax profit/loss	-176	-33	-7
Tangible assets other than cash and cash equivalents	13.237	-	-
Tax on company income paid on a cash basis	-	-	-
Taxes on profit	-	-	-

	2022	2021	2020
Piri.ai, Inc., e-GITS India Private Ltd.			
Main activities	IoT and AI software development		
Number of employees	73	112	-
Euro/000			
Revenue from sales to third parties	-	-	-
Revenue from intra-Group transactions with other tax jurisdictions	1.366	325	-
Pre-tax profit/loss	332	72	-
Tangible assets other than cash and cash equivalents	465	15	-
Tax on company income paid on a cash basis	-	22	-
Taxes on profit	111	22	-

SECO BH d.o.o.			
Main activities	Development and design of software algorithms		
Number of employees	11	n/a (company not included in the scope)	
Euro/000			
Revenue from sales to third parties	42	-	-
Revenue from intra-Group transactions with other tax jurisdictions	104	-	-
Pre-tax profit/loss	-11	-	-
Tangible assets other than cash and cash equivalents	39	-	-
Tax on company income paid on a cash basis	-	-	-
Taxes on profit	-	-	-

GRI 207-4 - Country-by-country reporting

Euro/000	2022	2021	2020
Economic value generated	205.987	115.778	78.798
Revenues from sales and services	200.906	112.293	76.143
Other revenues and income	4.371	4.045	3.356
Other income and financial charges	710	(560)	(701)
Economic value distributed to suppliers	146.722	81.928	55.219
Economic value distributed to employees	36.524	24.610	16.705
Economic value distributed to providers of capital	5.382	1.473	578
Economic value distributed to stakeholders	-	-	-
Economic value distributed to the government (Public Administration)	2.721	1.242	753
Economic value distributed to the community	68	24	67
Economic value distributed	191.417	109.277	73.322
Economic value retained	14.570	6.501	5.476

GRI 201-1 - Direct economic value generated and distributed

5.2.2| “Giving Our All” chapter

Employees by contract type	2022			2021			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Permanent contract	452	138	590	421	127	548	269	84	353
EMEA	379	129	508	365	118	483	250	82	332
Of which Italy	240	84	324	242	81	323	250	82	332
USA	25	3	28	25	3	28	18	2	20
APAC	48	6	54	31	6	37	1	-	1
Fixed-term contract	110	117	227	120	114	234	45	58	103
EMEA	41	21	62	33	27	60	4	3	7
Of which Italy	30	16	46	23	18	41	4	3	7
USA	5	-	5	4	1	5	-	-	-
APAC	64	96	160	83	86	169	41	55	96
Total	562	255	817	541	241	782	314	142	456
EMEA	420	150	570	398	145	543	254	85	339
Of which Italy	270	100	370	265	99	364	254	85	339
USA	30	3	33	29	4	33	18	2	20
APAC	112	102	214	114	92	206	42	55	97

GRI 2-7: Total number of employees by employment contract (permanent, temporary, and apprenticeships), by region

Employees by employment type	2022			2021			2020		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Full-time	543	229	772	525	219	744	311	132	443
EMEA	403	124	527	383	123	506	252	75	327
Of which Italy	269	92	361	264	92	356	252	75	327
USA	28	3	31	28	4	32	17	2	19
APAC	112	102	214	114	92	206	42	55	97
Part-time	19	26	45	16	22	38	3	10	13
EMEA	17	26	43	15	22	37	2	10	12
Of which Italy	1	8	9	1	7	8	2	10	12
USA	2	-	2	1	-	1	1	-	1
APAC	-	-	-	-	-	-	-	-	-
Total	562	255	817	541	241	782	314	142	456

GRI 2-7: Total number of employees by type of employment (permanent, temporary, and apprenticeships), by region and gender

New hires, by age and gender	2022					2021					2020				
	<30 years old	30-50 years old	>50 years old	Total	Turnover	<30 years old	30-50 years old	>50 years old	Total	Turnover	<30 years old	30-50 years old	>50 years old	Total	Turnover
Male	107	81	12	200	36%	133	148	35	316	58%	34	50	11	95	30%
EMEA	33	33	9	75	18%	31	103	30	164	41%	21	32	3	56	22%
Of which Italy	19	19	4	42	16%	16	14	1	31	12%	21	32	3	56	22%
USA	3	8	2	13	43%	5	5	3	13	45%	1	7	8	16	89%
APAC	71	40	1	112	100%	97	40	2	139	122%	12	11	-	23	55%
Female	56	54	2	112	44%	59	76	18	153	63%	16	14	2	32	23%
EMEA	13	14	2	29	19%	15	31	18	64	44%	10	8	1	19	22%
Of which Italy	6	9	1	16	16%	10	7	1	18	18%	10	8	1	19	22%
USA	-	-	-	-	0%	1	1	-	2	50%	-	-	1	1	50%
APAC	43	40	-	83	81%	43	44	-	87	95%	6	6	-	12	22%
Total	163	135	14	312	38%	192	224	53	469	60%	50	64	13	127	28%
EMEA	46	47	11	104	18%	46	134	48	228	42%	31	40	4	75	22%
Of which Italy	25	28	5	58	16%	26	21	2	49	13%	31	40	4	75	22%
USA	3	8	2	13	39%	6	6	3	15	45%	1	7	9	17	85%
APAC	114	80	1	195	91%	140	84	2	226	110%	18	17	-	35	36%
Incoming turnover rate	74%	29%	11%	38%		86%	50%	46%	60%		36%	24%	27%	28%	

GRI 401-1 New employee hires and employee turnover

Employee terminations	2022					2021					2020				
	<30 years old	30-50 years old	>50 years old	Total	Turnover	<30 years old	30-50 years old	>50 years old	Total	Turnover	<30 years old	30-50 years old	>50 years old	Total	Turnover
Male	95	76	9	180	32%	53	31	2	86	16%	7	20	2	29	9%
EMEA	15	34	5	54	13%	12	7	1	20	5%	7	18	2	27	11%
Of which Italy	12	19	4	35	13%	12	7	1	20	8%	7	18	2	27	11%
USA	3	7	2	12	40%	-	1	1	2	7%	-	1	-	1	6%
APAC	77	35	2	114	102%	41	23	-	64	56%	-	1	-	1	2%
Female	49	37	7	93	36%	30	24	1	55	23%	7	10	-	17	12%
EMEA	11	5	6	22	15%	1	2	1	4	3%	7	9	-	16	19%
Of which Italy	8	3	2	13	13%	1	2	1	4	4%	7	9	-	16	19%
USA	-	1	-	1	33%	-	-	-	-	0%	-	-	-	-	0%
APAC	38	31	1	70	69%	29	22	-	51	55%	-	1	-	1	2%
Total	144	113	16	273	33%	83	55	3	141	18%	14	30	2	46	10%
EMEA	26	39	11	76	13%	13	9	2	24	4%	14	27	2	43	13%
Of which Italy	20	22	6	48	13%	13	9	2	24	7%	14	27	2	43	13%
USA	3	8	2	13	39%	-	1	1	2	6%	-	1	-	1	5%
APAC	115	66	3	184	86%	70	45	-	115	56%	-	2	-	2	2%
Outgoing turnover rate	65%	24%	13%	33%		37%	12%	3%	18%		10%	11%	4%	10%	

GRI 401-1 Employee terminations and turnover

Type of benefit	China	Serbia ²	Germany ³	Italy	USA
Executives/managers					
Life insurance			x	x	x
Health insurance	x	x	x	x	x
Insurance coverage in case of disability, invalidity			x	x	x
Parental leave	x		x	x	x
Pension contributions	x		x	x	x
Employee shareholdings			x	x	x
MBO			x	x	x
Collective bonus	x	x	x		x
Company vehicle			x	x	x
Company welfare	x			x	
Meal vouchers					
Other economic bonuses		x			
White-collar workers					
Life insurance		x	x		x
Health insurance	x	x	x	x	x
Insurance coverage in case of disability, invalidity		x	x	x	x
Parental leave	x	x	x	x	x
Pension contributions	x	x	x	x	x
Employee shareholdings			x	x	x
MBO				x	x
Collective bonus	x		x	x	x
Company vehicle				x	x
Company welfare	x	x		x	
Meal vouchers		x			
Other economic bonuses		x			
Blue-collar workers					
Life insurance			x		x
Health insurance	x		x	x	x
Insurance coverage in case of disability, invalidity			x	x	x
Parental leave	x		x	x	x
Pension contributions	x		x	x	x
Employee shareholdings				x	x
MBO					x
Collective bonus	x		x	x	x
Company vehicle					x
Company welfare	x			x	
Meal vouchers					
Other economic bonuses					

GRI 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees

2 | Other: White-collar employees also receive a commuting allowance.

3 | For SECO Northern Europe: partial life insurance for CEOs; disability and invalidity coverage, granted if the cause is a work-related injury; a company vehicle per the relevant policy; the "other economic bonuses" category refers to: an attendance bonus (employees who are not absent from work due to sickness receive a Euro 100 bonus each quarter after their six-month probationary period), training benefits (Euro 26.59 per month/employee after the probationary period), contribution to public transport tickets, and a well-being bonus (employees with gym or similar memberships receive up to Euro 20 per month as an annual payment; the health bonus can also be used to rent bicycles).

	2022	2021	2020
Number of injuries recorded	2	1	4
requiring one to three days of absence	-	-	3
requiring more than three days of absence	2	1	1
of which work-related injuries with serious consequences (excluding fatal injuries)	-	-	-
of which fatal injuries caused by work-related injuries	-	-	-
Hours worked	1.690.997	1.001.420	742.577
Injury rate with one to three days of absence ⁴	0,00%	0,00%	0,40%
Injury rate with more than three days of absence ⁵	0,12%	0,10%	0,13%

GRI 403-9 Work-related injuries

	Number of employees	Measurement unit	2022	2021	2020
Total number of employees that were entitled to parental leave, by gender					
Male	n.		18	15	11
Female	n.		14	9	6
Total number of employees that took parental leave, by gender					
Male	n.		17	15	11
Female	n.		14	9	6
Total number of employees that returned to work in the reporting period after parental leave ended, by gender					
Male	n.		17	15	11
Female	n.		6	6	4
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender					
Male	n.		14	10	11
Female	n.		6	3	2
Total number of employees that should have been returned to work after parental leave ended, by gender					
Male	n.		17	15	11
Female	n.		6	7	5
Return to work rates of employees that took parental leave, by gender					
Male	%		100%	100%	100%
Female	%		100%	86%	80%
Retention rates of employees that took parental leave, by gender					
Male	%		93%	91%	n.a.
Female	%		100%	75%	n.a.

GRI 401-3: Parental leave

4 | The injury rate is calculated as the ratio between the total number of work-related injuries and the total number of worked hours, multiplied by 1000.

5 | Ibidem

Training hours by employee category ⁶	2022				2021				2020			
	Italy	APAC	Europe	Total	Italy	APAC	Europe	Total	Italy	APAC	Europe	Total
Training hours - Executives/Managers	56	690	-	746	176	390	-	566	246	263	-	509
Male	14	8	-	22	13	7	-	20	12	7	-	19
Female	3	2	-	5	3	1	-	4	2	2	-	4
Average training hours - Executives/Managers	3,3	69,0	-	27,6	11,0	48,8	-	23,6	17,6	29,2	-	22,1
Training hours - White-collar	4.081	3.313	1.480	8.874	2.543	750	-	3.293	1.543	330	-	1.873
Male	141	24	8	173	136	24	-	160	129	23	-	152
Female	61	24	3	88	58	36	-	94	49	16	-	65
Average training hours - White-collar	20,2	69,0	134,5	34,0	13,1	12,5	-	13,0	8,7	8,5	-	8,6
Training hours - Blue-collar	794	8.701	-	9.495	100	600	-	700	386	600	-	986
Male	115	22	-	137	116	11	-	127	113	12	-	125
Female	36	66	-	102	38	43	-	81	34	37	-	71
Average training hours - Blue-collar	5,3	98,9	-	39,7	0,6	11,1	-	3,4	2,6	12,2	-	5,0
Total hours of training	4.931	12.704	1.480	19.115	2.819	1.740	-	4.559	2.175	1.193	-	3.368
Average training hours	13,3	87,0	134,5	36,3	7,7	14,3	-	9,4	6,4	12,3	-	7,7

GRI 404-1 Average hours of training per year per employee

Employee category, by age and gender	2022						2021						2020					
	<30 years old		30-50 years old		>50 years old		<30 years old		30-50 years old		>50 years old		<30 years old		30-50 years old		>50 years old	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
EMEA	83	30	258	89	79	31	75	31	255	84	68	30	66	20	161	56	27	9
Executives/managers	-	-	12	2	10	2	-	-	13	2	7	2	-	-	9	1	3	1
White-collar	43	19	149	55	41	11	32	15	152	50	35	12	27	10	90	33	12	6
Blue-collar	40	11	97	32	28	18	43	16	90	32	26	16	39	10	62	22	12	2
Of which Italy	60	21	166	65	44	14	60	26	166	60	39	13	66	20	161	56	27	9
Executives/managers	-	-	9	1	5	2	-	-	10	1	3	2	-	-	9	1	3	1
White-collar	29	12	92	42	20	7	26	13	92	37	18	8	27	10	90	33	12	6
Blue-collar	31	9	65	22	19	5	34	13	64	22	18	3	39	10	62	22	12	2
USA	6	1	10	1	14	1	6	1	10	2	13	1	1	-	7	1	10	1
Executives/managers	-	-	1	-	4	-	-	-	1	-	4	-	-	-	1	-	2	-
White-collar	6	1	9	1	10	1	6	1	9	2	9	1	1	-	6	1	8	1
Blue-collar	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
APAC	62	38	49	64	1	-	72	39	40	53	2	-	23	29	19	25	-	1
Executives/managers	1	-	6	2	1	-	1	-	6	1	-	-	5	1	2	1	-	-
White-collar	52	16	30	18	-	-	64	20	31	28	1	-	11	7	12	9	-	-
Blue-collar	9	22	13	44	-	-	7	19	3	24	1	-	7	21	5	15	-	1
Total Executives/managers by gender	1	-	19	4	15	2	1	-	20	3	11	2	5	1	12	2	5	1
Total Executives/managers	1		23		17		1		23		13		6		14		6	
Total white-collar by gender	101	36	188	74	51	12	102	36	192	80	45	13	39	17	108	43	20	7
Total white-collar	137		262		63		138		272		58		56		151		27	
Total blue-collar by gender	49	33	110	76	28	18	50	35	93	56	27	16	46	31	67	37	12	3
Total blue-collar	82		186		46		85		149		43		77		104		15	
Total employees by gender	151	69	317	154	94	32	153	71	305	139	83	31	90	49	187	82	37	11
Total employees by age group	220		471		126		224		444		114		139		269		48	

GRI 405-1 Diversity of employees

6 | The following data refer to the following companies: Fannal Electronics Co.Ltd., BH d.o.o., SECO S.p.A., and PSM Tech, SECO Mind S.r.l.

5.2.3| “Protecting the Environment” chapter

Raw materials (metric ton) ⁷	2022	2021	2020
Renewables	92,39	89,16	92,58
Cardboard	58,94	61,43	83,38
of which recyclable	-	0,13	0,11
Bioplastic	-	0,06	0,06
Wooden pallets	33,45	27,68	9,15
Non-renewables	1.719,74	730,19	405,01
FR4	55,74	36,00	35,00
Glass	1.320,54	477,46	176,17
Steel	122,13	121,00	115,00
Copper	14,40	25,00	24,00
Aluminum	87,00	16,00	15,00
Silver	0,09	0,26	0,25
Silver pulp	0,05	0,03	0,01
Gold	0,02	0,01	0,01
Plastic	88,27	31,44	29,58
Electrostatic bags	31,51	23,00	10,00
Total	1.812,13	819,36	497,60

GRI 301-1- Materials used by weight or volume

Type of consumption (GJ)	2022	2021	2020
Purchased electricity	12.262	8.535	6.965
of which from renewable sources	5.050	4.750	10
Self-generated electricity from renewable sources	477	243	89
of which self-consumed	477	243	89
Natural Gas (for heating)	2.488	832	307
Fuel used for the company fleet	2.635	1.664	1.033
Diesel (100% mineral diesel)	2.456	1.514	952
Petrol (100% mineral petrol)	168	88	80
Natural gas	12	62	-
Total energy consumption	17.861	11.274	8.393
Renewable energy	5.526	4.993	99
Non-renewable energy	12.335	4.616	7.262
% Renewable energy on total	31%	44%	1%
Energy intensity (GJ/k€)	0,0889	0,0969	0,1056

GRI 302-1 Energy consumption within the organization GRI 302-3 Energy intensity

7 | SECO Mind S.r.l., SECO Mind Germany, BH d.o.o., SECO Mind US, and its subsidiary PIRI AI are excluded from the scope.

Direct and indirect emissions (tCO ₂ eq)	2022	2021	2020
Direct Scope 1 emissions	311	159	88
from diesel consumption	173	39	25
from petrol consumption	11	3	2
from natural gas consumption	127	46	16
of which for heating	126	42	16
of which for vehicles	1	4	-
Indirect Scope 2 emissions (location based)	1.495	1.023	804
from electricity consumption	1.495	1.023	804
Indirect Scope 2 emissions (market based)	1.180	608	983
from electricity consumption	1.180	608	983
Total Scope 1 and Scope 2 emissions (location based)	1.806	1.182	892
Emissions intensity	0,00899	0,01016	0,01122
Total Scope 1 and Scope 2 emissions (market based)	1.491	766	1.071
Emissions intensity	0,00742	0,00659	0,01348

GRI 305-1 - Direct (Scope 1) GHG emissions GRI 305-2 - Indirect (Scope 2) GHG emissions GRI 305-4 - GHG emissions intensity

Water withdrawal (ML) ⁸	2022	2021	2020
Groundwater	1,329	1,289	1,233
Third-party water resources	9,973	5,984	4,048
Total	11,302	7,273	5,281

GRI 303-3 - Water withdrawal

Waste ⁹ directed to disposal (metric ton)	2022	2021	2020
Hazardous waste	3,47	3,38	1,65
Incinerated (with energy recovery)	-	-	-
Incinerated (without energy recovery)	-	-	-
Landfill	3,47	3,38	1,65
Non-hazardous waste	74,37	55,24	14,55
Incinerated (with energy recovery)	12,00	12,00	-
Incinerated (without energy recovery)	10,00	10,00	-
Landfill	52,37	33,24	14,55
Total	77,84	58,62	16,20

GRI 306-4- Waste directed to disposal

8 | The data presented refer to SECO S.p.A, PSM Tech, Fannal Electronics Co.Ltd., and SECO Northern Europe.

9 | I Data related to waste are reported for the following companies: SECO S.p.A., PSM Tech, Fannal Electronics Co. Ltd., and SECO USA for the years 2020-2021, while data were not available for 2022.

Waste diverted from disposal (metric ton)	2022	2021	2020
Hazardous waste	22,30	1,66	1,09
Recycling	-	-	-
Preparation for reuse	22,30	1,66	1,09
Non-hazardous waste	11,99	61,81	127,72
Preparation for reuse	-	0,01	0,09
Recycling	11,99	61,80	77,63
Waste	-	-	50,00
Composting	-	-	-
Total	34,29	63,47	128,81

GRI 306-4 - Waste diverted from disposal

5.3| GRI Content Index

The table below provides information on the GRI indicators used to prepare the SECO Group's 2022 NFD. In accordance with the latest Italian version of the GRI Standards¹⁰, the standards and individual indicators are indicated with reference to the specific document page where they are discussed. Omissions, and their justifications, are explained in the columns to the right.

GRI Content Index				
GRI standard ¹¹	Disclosure	Page number	Omission	Explanation
CORE PRINCIPLES				
GRI 1 - Foundation - 2021				
GENERAL DISCLOSURES				
GRI 2 - General Disclosures - 2021				
GRI 2 - General Disclosures 2021	2-1 Organizational details	7-9; 32-34; 95-99		
GRI 2 - General Disclosures 2021	2-2 Entities included in the organization's sustainability reporting	131-133		
GRI 2 - General Disclosures 2021	2-3 Reporting period, frequency and contact point	131-133		
GRI 2 - General Disclosures 2021	2-4 Restatements of information			
GRI 2 - General Disclosures 2021	2-5 External assurance	158		
GRI 2 - General Disclosures 2021	2-6 Activities, value chain and other business relationships	22-3; 102-107		

¹⁰ | The 2021 version of the GRI Standards was used

¹¹ | For an in-depth discussion and description of the GRI Standards under consideration, please refer to the following link

GRI 2 - General Disclosures 2021	2-7 Employees	74-77		
GRI 2 - General Disclosures 2021	2-8 Workers who are not employees	74-77		
GRI 2 - General Disclosures 2021	2-9 Governance structure and composition	32-35; 136-137		
GRI 2 - General Disclosures 2021	2-10 Nomination and selection of the highest governance body	34-35		
GRI 2 - General Disclosures 2021	2-11 Chair of the highest governance body	35		
GRI 2 - General Disclosures 2021	2-12 Role of the highest governance body in overseeing the management of impacts	35-39; 63-65		
GRI 2 - General Disclosures 2021	2-13 Delegation of responsibility for managing impacts	35-39		
GRI 2 - General Disclosures 2021	2-14 Role of the highest governance body in sustainability reporting	60-65		
GRI 2 - General Disclosures 2021	2-15 Conflicts of interest	35-39		
GRI 2 - General Disclosures 2021	2-16 Communication of critical concerns	35-39		
GRI 2 - General Disclosures 2021	2-17 Collective knowledge of the highest governance body	60-68		
GRI 2 - General Disclosures 2021	2-18 Evaluation of the performance of the highest governance body		X	Information not available
GRI 2 - General Disclosures 2021	2-19 Remuneration policies		X	Information not available
GRI 2 - General Disclosures 2021	2-20 Process to determine remuneration		X	Information not available
GRI 2 - General Disclosures 2021	2-21 Annual total compensation ratio		X	Information not available
GRI 2 - General Disclosures 2021	2-22 Statement on sustainable development strategy	10-11		
GRI 2 - General Disclosures 2021	2-23 Policy commitments	37; 66; 78; 107-109		
GRI 2 - General Disclosures 2021	2-24 Embedding policy commitments	37; 66; 78; 107-109		
GRI 2 - General Disclosures 2021	2-25 Processes to remediate negative impacts	13-14; 63-68; 72; 115-116;		
GRI 2 - General Disclosures 2021	2-26 Mechanisms for seeking advice and raising concerns	35-37; 91-92		

GRI 2 - General Disclosures 2021	2-27 Compliance with laws and regulations	No cases of non-compliance with laws and regulations		
GRI 2 - General Disclosures 2021	2-28 Membership associations	109-111		
GRI 2 - General Disclosures 2021	2-29 Approach to stakeholder engagement	58-63		
GRI 2 - General Disclosures 2021	2-30 Collective bargaining agreements	100% of the employees of Italian companies covered by collective bargaining agreements		
MATERIAL TOPICS				
GRI 3 - Material topics 2021	3-1 Process to determine material topics	60-65		
GRI 3 - Material topics 2021	3-2 List of material topics	63; 65		
MATERIAL TOPICS				
Topic: Economic performance				
GRI 3 - Material topics 2021	3-3 Management of material topics	47-48		
GRI 201 - Economic performance 2016	201-1: Direct economic value generated and distributed	47-48; 140		
Topic: Procurement practices				
GRI 3 - Material topics 2021	3-3 Management of material topics	102-107		
GRI 204 - Procurement practices	204-1: Proportion of spending on local suppliers	103		
Topic: Anti-corruption				
GRI 3 - Material topics 2021	3-3 Management of material topics	35-39		
GRI 205 - Anti-corruption 2016	205-2: Communication and training about anti-corruption policies and procedures	138		
	205-3: Confirmed incidents of corruption and actions taken	No proven cases of corruption		
Topic: Income taxes				
GRI 3 - Material topics 2021	3-3 Management of material topics	48		

GRI 207 - Tax 2019	207-1: Approach to tax	48		
	207-2: Tax governance, control and risk management	48		
	207-3: Stakeholder engagement and management of concerns related to tax	48		
	207-4: Country-by-country reporting	138-140		
Topic: Materials				
GRI 3 - Material topics 2021	3-3 Management of material topics	120-122		
GRI 301 - Materials 2016	301-1: Materials used by weight or volume	148		
	301-2: Recycled input materials used	148		
Topic: Energy				
GRI 3 - Material topics 2021	3-3 Management of material topics	123-125		
GRI 302 - Energy 2016	302-1: Energy consumption within the organization	148		
	302-3: Energy intensity			
Topic: Water and effluents				
GRI 3 - Material topics 2021	3-3 Management of material topics	122		
GRI 303 - Water and effluents 2018	303-1: Interactions with water as a shared resource	122		
GRI 303 - Water and effluents 2018	303-2: Management of water discharge-related impacts	122-123		
GRI 303 - Water and effluents 2018	303-3: Water withdrawal	149		
Topic: Emissions				
GRI 3 - Material topics 2021	3-3 Management of material topics	125-127		
GRI 305 - Emissions 2016	305-1: Direct (Scope 1) GHG emissions	126-127; 149		
	305-2: Energy indirect (Scope 2) GHG emissions	126-127; 149		
	305-4: Emissions intensity	126; 149		

Topic: Waste				
GRI 3 - Material topics 2021	3-3 Management of material topics	127; 129		
GRI 306 - Waste 2020	306-1: Waste generation and significant waste-related impacts	127-129		
	306-2: Management of significant waste-related impacts	127-129		
	306-3: Hazardous waste	149-150		
	306-4: Waste diverted from disposal	149-150		
	306-5: Waste directed to disposal	149-150		
Topic: Environmental compliance				
GRI 3 - Material topics 2021	3-3 Management of material topics	117-119		
GRI 307 - Environmental compliance 2016	307-1: Non-compliance with environmental laws and regulations	No cases of non-compliance with laws and regulations		
Topic: Employment				
GRI 3 - Material topics 2021	3-3 Management of material topics	78-80; 85-88		
GRI 401 - Employment 2016	401-1: New employee hires and employee turnover	142-143		
	401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees	144		
	401-3: Parental leave	145		
Topic: Labor/management relations				
GRI 3 - Material topics 2021	3-3 Management of material topics	74-75.		
GRI 402: Labor/management relations 2016	402-1: Minimum notice periods regarding operational changes	The minimum notice period provided to workers and their representatives for the communication of organizational changes that could significantly affect them is established in compliance with current regulations and in the applied Collective Agreement ¹²		
Topic: Occupational health and safety				
GRI 3 - Material topics 2021	3-3 Management of material topics	89-91		

12 | The information reported refers to employees of the Italy-based companies of the Group.

GRI 403 - Occupational health and safety 2018	403-1: Occupational health and safety management system	89-91		
	403-2: Hazard identification, risk assessment, and incident investigation	90		
	403-3: Occupational health services	89-91		
	403-4: Worker participation, consultation, and communication on occupational health and safety	90		
	403-5: Worker training on occupational health and safety	91		
	403-6: Promotion of worker health	89-91		
	403-7: Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	89-91		
	403-8: Workers covered by an occupational health and safety management system	90		
	403-9: Work-related injuries	145		
	403-10: Work-related ill health	The Group operates a continuous monitoring of risk. Over the period 2020-2022, there were no cases of work-related diseases.		
Topic: Training and education				
GRI 3 - Material topics 2021	3-3 Management of material topics	81-85		
GRI 404 - Training and education 2016	404-1: Average hours of training per year per employee	84-85; 146-147		
	404-3: Percentage of employees receiving regular performance and career development reviews	No information is available for the reporting period. A performance appraisal system was introduced at the end of 2022.		
Topic: Diversity and equal opportunity				
GRI 3 - Material topics 2021	3-3 Management of material topics	74-75		
GRI 405 - Diversity and equal opportunity 2016	405-1: Diversity of governance bodies and employees	146-147		

Topic: Non-Discrimination				
GRI 3 - Material topics 2021	3-3 Management of material topics	74-75		
GRI 406 - Non-discrimination 2016	406-1: Incidents of discrimination and corrective actions taken	Over the period 2020-2022, there have been no cases of discrimination within the SECO Group.		
Topic: Freedom of association and collective bargaining				
GRI 3 - Material topics 2021	3-3 Management of material topics	74-75; 102-109		
GRI 407 - Freedom of association and collective bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Over the period 2020-2022, there were no interactions with suppliers with which the right to freedom of association and collective bargaining might be at risk.		
Topic: Child labor				
GRI 3 - Material topics 2021	3-3 Management of material topics	74-75; 102-109		
GRI 408 - Child labor 2016	408-1: Operations and suppliers at significant risk for incidents of child labor	Over the period 2020-2022, no situations at risk of violation of child labor legislation have been identified.		
Topic: Forced or compulsory labor				
GRI 3 - Material topics 2021	3-3 Management of material topics	74-75; 102-109		
GRI 409 - Forced or compulsory labor 2016	409-1: Operations and suppliers at significant risk for incidents of forced or compulsory labor	Over the period 2020-2022, no situations at risk of violation of forced labor legislation have been identified.		
Topic: Local communities				
GRI 3 - Material topics 2021	3-3 Management of material topics	109-113		
Topic: Supplier social assessment				
GRI 3 - Material topics 2021	3-3 Management of material topics	103-106		
GRI 414 - Supplier social assessment 2016	414-1: New suppliers that were screened using social criteria	106		
Topic: Marketing and labeling				
GRI 3 - Material topics 2021	3-3 Management of material topics	91-92		
GRI 417 - Marketing and labeling 2016	417-3: Incidents of non-compliance concerning marketing communications	Over the period 2020-2022, no incidents of non-compliance with the current legislation have been identified on communication and advertising campaigns of the Group.		

Topic: Customer privacy				
GRI 3 - Material topics 2021	3-3 Management of material topics	99-101		
GRI 418 - Customer privacy 2016	418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data	Over the period 2020-2022, there were no incidents that led to any type of violation of the privacy of the SECO Group's customers.		
OTHER MATERIAL TOPICS				
Topic: Sustainable packaging				
GRI 3 - Material topics 2021	3-3 Management of material topics	120-121		
Topic: Research, development and innovation				
GRI 3 - Material topics 2021	3-3 Management of material topics	40-47		
Topic: Talent acquisition, management and development				
GRI 3 - Material topics 2021	3-3 Management of material topics	78-89		

SECO S.P.A.

Independent auditor's report

on the consolidated non-financial report, pursuant to art. 3
par. 10 of Legislative Decree 245/2016 and to art. 5 of
CONSOB Regulation no. 20267 dated 18 January 2018

Ref. no. RC130372022BD1051

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Independent auditor's report

on the consolidated non-financial report, pursuant to art. 3. par. 10 of Legislative Decree 245/2016 and to art. 5 of CONSOB Regulation no. 20267 dated 18 January 2018

To the Board of Directors of
SECO S.p.A.

Pursuant to art. 3, par. 10, of Legislative Decree 30 December 2016, no. 254 (hereinafter "Decree") and to art. 5 of CONSOB Regulation no. 20267 dated 18 January 2018, we have been engaged to conduct a limited assurance engagement on the consolidated non-financial report of SECO S.p.A. and its subsidiaries (hereinafter "Group") for the year ended 31 December 2022, prepared in accordance with art. 4 of the Decree and approved by the Board of Directors on 21 March 2023 (hereinafter "NFR").

The limited assurance engagement performed by us does not extend to the data contained in paragraph "The European Taxonomy" of the NFR, required by art. 8 of the European Regulation 2020/852.

Responsibilities of the Directors and of the Audit Committee for the NFR

The Directors are responsible for the preparation of a NFR in accordance with art. 3 and 4 of the Decree and with "Global Reporting Initiative Sustainability Reporting Standards" issued by GRI - Global Reporting Initiative (hereinafter "GRI Standards"), identified by them as reporting standards.

The directors are also responsible, within the terms prescribed by law, for such internal control as they determine is necessary to enable the preparation of a NFR that is free from material misstatement, whether due to fraud or unintentional behaviors or events.

In addition, the Directors are responsible for the identification of the content of the NFR, within the topics specified in art. 3, par. 1, of the Decree, taking into account the Group business and peculiarities, to the extent necessary to ensure an understanding of the Group business, performance, results and related impact.

Finally, the Directors are responsible for defining the business management model and for the organisation of the Group activity, as well as, with respect to topics identified and reported in the NFR, for the Group policies and for the identifying and managing the risks generated or undertaken by the Group.

The Audit Committee is responsible for overseeing, within the terms established by law, compliance with the provisions set out in the Decree.

Auditor's independence and quality control

We are independent in accordance with ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies International Standards on Quality Control 1 (*ISQC Italia 1*) and, consequently, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

Bari, Bologna, Brescia, Cagliari, Firenze, Genova, Milano, Napoli, Padova, Palermo, Roma, Torino, Verona

BDO Italia S.p.A. - Sede Legale: Viale Abruzzi, 94 - 20131 Milano - Capitale Sociale Euro 1.000.000 i.v.
Codice Fiscale, Partita IVA e Registro Imprese di Milano n. 07722780967 - R.E.A. Milano 1977842
Iscritta al Registro dei Revisori Legali al n. 167911 con D.M. del 15/03/2013 G.U. n. 26 del 02/04/2013
BDO Italia S.p.A., società per azioni italiana, è membro di BDO International Limited, società di diritto inglese (company limited by guarantee), e fa parte della rete internazionale BDO, network di società indipendenti.

Auditor's responsibility

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

The procedures performed on the NFR were based on our professional judgement and included making inquiries, primarily of company's personnel responsible for the information included in the NFR, as well as, analysis of documents, recalculations and other procedures designed to obtain evidence considered appropriate.

In particular, we performed the following procedures:

1. analysis of relevant topics with respect to the business activities and peculiarities presented in the NFR, in order to assess the reasonableness of the selection process adopted in light of the provisions of art. 3 of the Decree and taking into account the reporting standard used;
2. analysis and assessment of the criteria to identify the consolidation area, in order to assess its compliance with the Decree;
3. comparison of data and financial-economic information presented in the NFR with those included in the SECO Group consolidated financial statements;
4. understanding of the following matters:
 - business management model and organization of the Group activity, with respect to managing the topics set out in art. 3 of the Decree;
 - policies adopted by the entity related to the topics set out in art. 3 of the Decree, results achieved and related key performance indicators;
 - main risks generated or undertaken in connection with the topics set out in art. 3 of the Decree.

With respect to these matters, we also compared them to the information presented in the NFR and carried out the procedures described in point 5, letter a) hereinafter.

5. Understanding processes that support generating, collecting and managing material qualitative and quantitative information presented in the NFR.

Specifically, we carried out interviews and discussions with the management of SECO S.p.A. and we carried out limited document checks in order to obtain information on the processes and procedures that support collecting, aggregating, processing and transmitting data and information of non-financial nature to the department responsible for preparing the NFR.

Furthermore, for significant information, taking into account the activities and peculiarities of the Group:

- at parent company's level:
 - a) with respect to qualitative information contained in the NFR, and specifically with reference to the business model, policies applied and main risks, we carried out interviews and acquired supporting documentation to verify consistency with available evidence;
 - b) with respect to quantitative information, we carried out both analytical procedures and limited checks to verify, on a sample basis, proper aggregation of data.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the NFR of the SECO Group for the year ended 31 December 2022 was not prepared, in all material respects, in accordance with art. 3 and art. 4 of the Decree and with GRI Standards.

Our conclusion on the NDR of the SECO Group do not extend over the information contained in the paragraph “The European Taxonomy” thereof, required by art. 8 of European Regulation 2020/852.

Other matters

Comparative information for the year ended 31 December 2020 presented in the NFR, has not been examined.

Firenze (Italy), 28 March 2023

BDO Italia S.p.A.

Signed by
Luigi Riccetti
Partner

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SECO S.p.A.
Via A. Grandi 20 - 52100 Arezzo (AR) Italy
VAT n. 00325250512
Business Registry n. 4196 Arezzo
REA n. 70645