CIVITANAVI SYSTEMS®

# 2022 Sustainability Report

*This is an English translation of the original Italian document. In cases of conflict between the English language document and the Italian document, the interpretation of the Italian language document prevails.*

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# LETTER TO STAKEHOLDERS

| GRI STANDARDS | 2-22 |
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2022 was a year of milestones in many respects. We have completed a development plan on which we have been working for ten years and which has led to our listing on the Euronext Milan stock exchange (ticker: CNS). This has opened up further opportunities for growth and new projects, has enabled us to compete internationally and to attract both authoritative, high-profile partners and talents who have enriched our team, made up of extraordinary people, who, on a daily basis, with commitment and passion, are contributing to the excellence of our company, making possible the journey to date possible.
We are very proud of our achievements in this first year as a listed company. Our product quality, flexibility and operational excellence have enabled us to consolidate our position in a market usually exclusive to large players.

The financial year just ended was characterised by a solid operational and financial performance, with growth in revenue and cash flow. We have achieved total revenues of Euro 34.4 million (+37% vs. 2021), driven by increasing demand for A&D solutions and cash flow, in line with our medium-term financial ambitions.

The “Booking 2022” (orders received from customers in 2022) also continued to be in line with the trend of previous years, reaching Euro 41 million with a better-than-expected performance and a *Book to bill* of 1.2x. This trend will continue in 2023, bringing the Booking, at this reporting date (16 March 2023), to Euro 16.7 million, confirming the company's steady growth.

The awareness that economic and financial performance and the creation of value for all stakeholders are also linked to environmental, social and governance (ESG) aspects, has led us to choose to publish the first Sustainability Report, drawn up on a voluntary basis. Through the process of *Accountability* of key ESG impacts, the aim is to foster a better understanding of the value of Civitanavi Systems and its contribution to sustainable development. This is the first ESG report and, as such, represents a starting point and an opportunity to define objectives and undertake commitments.

Civitanavi confirms the centrality of people and the importance of a work environment focused on expertise as well as a professional development and training plan, with a company welfare system that promotes the well-being of its employees. Among the measures adopted, in addition to introducing organisational solutions for a better work-life balance, the company has taken out a group policy in 2023 to provide concrete support to all its employees, guaranteeing financial support and coverage for specialist medical examinations and check-ups.

Our focus on environmental issues, particularly those related to climate change, has led us to adopt an energy profile that includes the supply of electricity from renewable sources.

The organic growth that the future holds for us is also fostered by important partnerships with leading companies in our industry, including one with Honeywell, which represents an opportunity at a strategic level, activating synergies in the production of a new stabilisation and navigation solution to provide a product that will have an impact on the global market. In conjunction with the agreement, we have joined the European Defence Fund research tender, organised by the European Commission, to develop Q-SING - a Quantum Vector Inertial and Gravimetric Navigation System - a project that has confirmed our technological expertise and, at the same time, has resulted in the investment in research and development of high-precision free-inertial systems, capable of operating in GNSS-denied areas. September marked instead the start of a partnership with IEROM Ltd, a London-based company specialising in Urban Air Mobility (UAM), a growing sector in which we intend to acquire more market share, in order to both expand our offer and ability to produce inertial navigation and stabilisation systems for strategic sectors so as to support Civitanavi's growth and international positioning, and because of the positive impact that these innovative technologies have on the transport system, urban development and sustainable mobility. These partnerships generate an important drive for our activities.

The results achieved in 2022 gives us a positive outlook for the future, and while we are not immune to macroeconomic challenges at the global level, we are well positioned to meet them and expect to continue to generate a solid financial performance in the coming years.

We started 2023 on a high note by actively pursuing opportunities both in terms of organic growth with the start of operations by the subsidiary in the UK, and through M&A, with the purchase of 30% of the capital of PVLabs, a Canadian-based company, leader in the design and production of gyro-stabilised *gimbals* and advanced ISR&T (Intelligence Surveillance Reconnaissance and Targeting) imaging systems, with which we immediately started collaborating with the

aim of strengthening the technological and product development know-how, consolidating our position in this market as well.

A long-term sustainable organic and external growth strategy, careful operational and financial management, creation of strategic partnerships in sectors with the greatest growth potential, and an increasing focus on people and sustainability issues are the factors that will continue to create value for Civitanavi shareholders and stakeholders.

Chairman of the Board of Directors and CEO

Andrea Pizzarulli

# 2022 Highlights

| **Economic** | |
|---|---|
| Total Revenues - Million Euro | 34.4 |
| Economic value generated - Million Euro | 34.4 |
| Economic value distributed - Million Euro | 26.3 |
| Investment in Development 2022 - Million Euro | 1.6 |
| **Governance & Policies** | |
| **Management Methods**<br>Quality EN 9100:2018 and UNI EN ISO 9001:2015 - Occupational Health and Safety UNI EN ISO 45001:2018 - Data and Information Security UNI EN ISO/IEC 27001:2013 - Model 231 Leg. Decree 231/2001<br><br>**Authorisations**<br>Production Organisation Approvals (POA) - Alternative Procedures to Design Organisation Approval (ADOA) | |
| **Human Resources** | |
| Number of employees at 31 December 2022 | 148 |
| Employment and turnover - Staff increase 2020-2022[1] | 94.7% |
| Gender diversity - female gender share (% of total employees) | 16.21% |
| Gender diversity - female gender percentage in managerial positions (% of total managerial positions) | 36% |
| New generations/Age diversity – percentage of employees under 30 years of age (% of total) | 37.2% |
| Average hours of training per employee – year | 32.9 |
| Health and Safety – Accidents | None |
| **Environment** | |
| Percentage of waste for recovery | 94.13% |
| Total direct energy consumption - GJoule | 2,252 |
| Electricity consumption from renewable sources | 50% |
| Total direct (GHG Scope 1) and indirect (GHG Scope 2 market-based) emissions/t CO2e | 99 |

[1] The figure refers to the three-year period: 01 January 2020 - 31 December 2022.

# Methodological note

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| GRI STANDARDS | 1-3<br>2-1<br>2-2<br>2-3<br>2-4<br>3-1 |

The 2022 Sustainability Report of Civitanavi Systems S.p.A. (hereinafter also, "Civitanavi", the "Company"), a document to be published annually, starting from this document (Civitanavi's first Sustainability Report), aims to provide stakeholders with a complete overview of Civitanavi Systems' most significant impacts on the economy, the environment and people, including those on human rights, and how the Company manages these impacts.

Civitanavi Systems is a Company listed on the Euronext Milan market of the Italian Stock Exchange, but does not fall under the obligations to prepare the Non-Financial Statement ("NFS") pursuant to the Italian Legislative Decree No. 254/2016 as it does not exceed the applicable size parameters. This Sustainability Report has been drawn up on a voluntary basis and is therefore not a NFS.

The information on environmental, social, economic and governance issues reported in the Sustainability Report provides a better understanding of Civitanavi's activities, performance, results and impact. The reporting of information on the most significant impacts of business activities and transactions, on the economy, the environment and people, including human rights, allows for a better understanding of a company's performance, also financial and value-based, as these impacts are or may become financial in nature over time. The information made available through sustainability reporting provides input to identify financial risks and opportunities related to the company's impacts, its value and ability to last over time. This makes it possible to make informed assessments and decisions about the impacts of Civitanavi and its contribution to sustainable development.

It should be noted that in November 2022 the EU Directive 2022/2464 (CSRD Corporate Sustainability Reporting Directive) was approved by the European Parliament, amending the previous Directive 2014/95 (implemented in Italy by Legislative Decree 254/2016). The new Directive will come into force starting from the reporting for the financial year 2024, according to a timetable of gradual extension of the regulatory obligation and provides, among other contents, that sustainability reporting/disclosure shall be mandatorily placed under the Directors' Report on the Consolidated Financial Statements, in a specific section.

The 2022 Sustainability Report of Civitanavi Systems has been prepared in accordance with the methodologies and principles set forth in the GRI Sustainability Reporting Standards, defined by the Global Reporting Initiative *(GRI Standards*), according to the reporting option with reference to the selected GRI Standards, or parts of their content, indicated in the various chapters of the Sustainability Report and summarised in the GRI Content Index, an integral part of this document.

For sustainability reporting, the GRI standards published in 2021 were applied updating the drafting process, the general disclosure and the process for identifying and assessing material issues: GRI 1 Fundamental standards; GRI 2 General disclosure; GRI 3 Material issues. The GRI 1 Foundation 2021 defines the general standards of sustainability reporting (Reporting standards): accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness and verifiability.

The GRI Standards and related reported performance indicators are those representative of the relevant sustainability issues (material issues) analysed, consistent with Civitanavi's activities and impacts. The process applied to the analysis, identification, assessment and prioritisation of material issues, as described in Chapter 4, was carried out as required by the GRI Standards, taking into account the reporting option adopted. This process is updated and gradually developed over time as part of Civitanavi's sustainability (accountability) reporting.

The structure of the Sustainability Report is as follows:

| | |
|---|---|
| Chapters 1-3 | General Disclosures (GRI 2) |
| Chapter 4 | Material issues: identification and assessment - list of material issues (GRI 3) |
| Chapters 5-9 | Material issues reporting and performance (GRI 200 - GRI 300 - GRI 400) |
| GRI Content Index | List of reported GRI indicators (GRI 1) |

It should be noted that Civitanavi Systems' Sustainability Report, prepared on a voluntary basis, does not include the disclosure required by Article 8 of EU Regulation 2020/852, concerning the European Union's Taxonomy of Sustainable Activities, as the Company is not required to publish such reporting.
The reporting scope of the qualitative and quantitative data and information is representative of Civitanavi Systems S.p.A.'s performance for the entire reporting year (for the period from 1 January 2022 to 31 December 2022).

In order to allow for the comparison of data over time and the assessment of Civitanavi's business performance, comparison data from the two previous financial years are presented.

The possible use of estimates for some of the quantitative information is directly referred to in the various paragraphs of this document as comments on the data presented.

The process of drafting the Sustainability Report has involved the heads of Civitanavi's various functions.

The Sustainability Report was approved by the Civitanavi Systems S.p.A's Board of Directors on 27 June 2023 and was not audited on a limited basis by an independent auditing firm.

The Sustainability Report is available on the Company's institutional website at https://www.civitanavi.com/. More information on this can be obtained at: esg@civitanavi.com.

Civitanavi Systems S.p.A. has notified GRI (Global Reporting Initiative) of its use of the GRI Standards and of its Statement of Use.

# 1 Civitanavi Systems

## Profile

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| GRI STANDARDS | 2-1<br>2-2<br>2-6 |

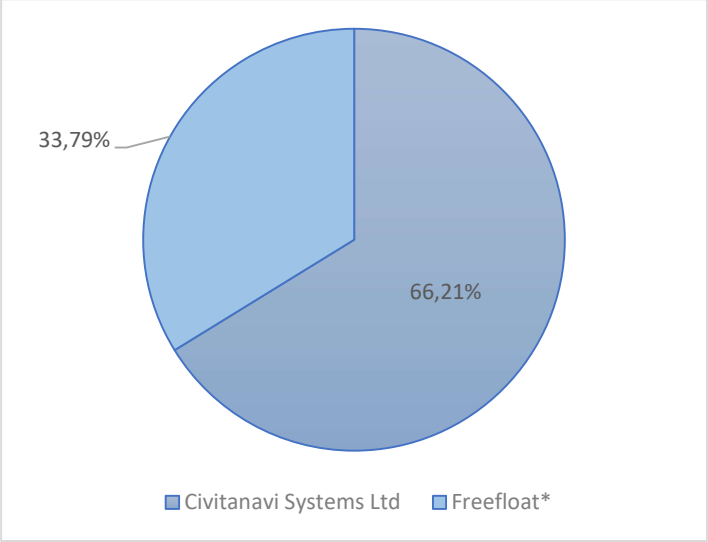
Civitanavi Systems S.p.A. is a company operating in the **design, development and production of navigation and stabilisation systems in the aerospace, defence** (aeronautical, space, land, naval) and **industrial** (mining, oil & gas, tunnelling and horizontal drilling) **divisions**, as well as in consultancy services to companies within the same divisions. The company provides **systems** designed and produced using methods, techniques and algorithms based on **FOG** (Fibre Optic Gyroscope) and **MEMS** (Micro Electro Mechanical Systems) **technologies**, also integrated with satellite navigation devices.

Founded in 2012, Civitanavi aims to become a major player in the **supply of high-tech solutions for inertial navigation, geo-referencing and stabilisation**, both **for industrial and defence use (dual-use)**.

Civitanavi Systems operates within its target market as a *Tier2* supplier and intends to consolidate this position, developing both new technologies and core components, in order to achieve a higher level of vertical integration in strategic supply production. Civitanavi aims to take on the role of *Tier1* supplier (direct suppliers to OEM Original equipment manufacturers) of integrated systems, in particular as regards the emerging *Urban Air Mobility* market.

Since February 2022, Civitanavi Systems has been a company listed on the Euronext Milan. Its majority shareholder is Civitanavi Systems Ltd (holding company), whose shareholders are the two co-founders and an investor (either directly or through a company wholly owned by him) who is also a member of the Board of Directors of Civitanavi Systems S.p.A.

Each ordinary share of the Company confers the right to one vote at ordinary and extraordinary general meetings of the Company, as well as the other administrative rights provided for by the applicable provisions of the law and the Articles of Association.



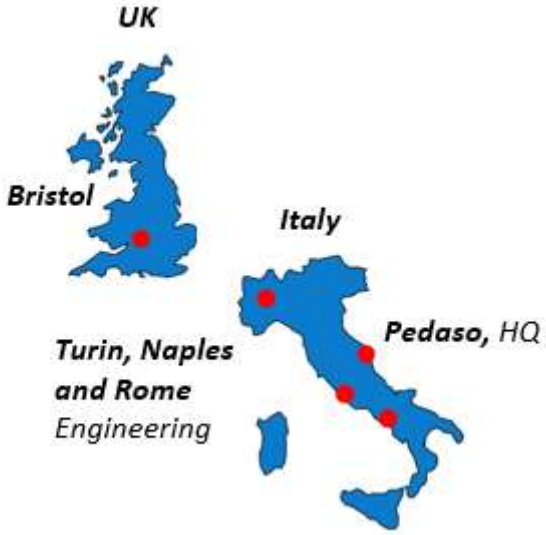

*of which ATHENA S.p.A.

The company carries out its activities at its registered office and its production site in Pedaso (FM), Via del Progresso 5, and at further locations in Ardea (RM), in Casoria (NA) and in Turin (TO). The administrative structure, the commercial

structure, the main research and development division as well as the plants for prototyping and industrial production are located at the Pedaso (FM) facility.

In the other locations, the activities concern the design and development in the aero-space field; Civitanavi carries out design activities complementary to those performed at the headquarters.

During 2022, the process of operation of the UK subsidiary Civitanavi UK LTD (in 2021 the subsidiary was not operational), a Bristol-based company dedicated to both commercial and design activities and with the future goal of also becoming a production unit, was started.




In the financial year 2022, Civitanavi generated total revenues of Euro 34,412 thousand. The Company's shareholders' equity as of 31 December 2022 was Euro 46,710 thousand. On the same date, Civitanavi employed 148 people.

The company has a team of experts, world leaders in inertial technology, with a background in the design and development of inertial sensors, navigation software, certification and production processes. This allowed them to quickly enter in an international market, in both the industrial (mining, oil and gas) and defence (naval, land and air) sectors.

# Values

## Company core values

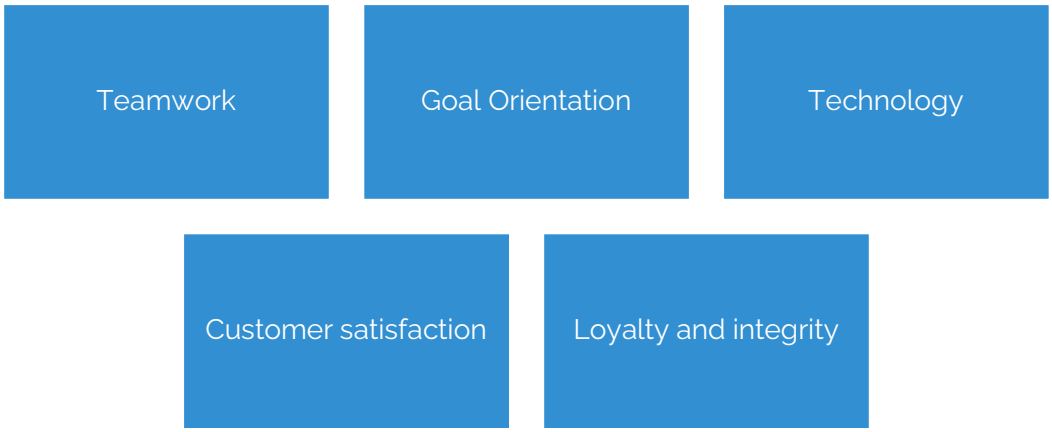
**Teamwork: "It is a joint effort"** - Communication, openness and shared goals are the keys to success. The interests of the employees are the interests of the company and the interests of the company are the interests of the employees.

**Goal orientation: "We take things seriously"** - We treat problems like gold and understand that the only way to grow successfully is to solve problems that arise. We have a lot of passion and the right amount of “craziness”: we don't stop until we have achieved our goal. Always!

**Technology: “Devoted to innovation**” - We focus on developing technology to create innovation, with a clear path from research and development to products for the market. The purpose of innovation is to achieve better products in the eyes of our customers.

**Customer satisfaction: "We want to solve our customers' problems"** - their problem is always OUR problem: we don't care if it is our problem or that of our customers, we want to make them satisfied by providing the right solution.

**Loyalty and integrity: "Whatever you do, do it right"** - Doing the right thing requires honesty and truthfulness in all our corporate and individual actions. We employ professionals who can always be relied on to do the right thing, wherever they are.



# 2 We care - We perform - We deliver: Our business model

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|---|---|
| GRI STANDARDS | 2-6 |

## Sustainable development: the commitment and contribution of Civitanavi Systems

Civitanavi Systems has initiated its sustainability reporting in order to highlight and progressively strengthen its commitment to sustainable development. Civitanavi is committed to promoting and integrating, into its strategic and operational guidelines, the contents of the United Nations 2030 Agenda and the Sustainable Development Goals (SDGs) which are an integral part thereof.

Civitanavi Systems' commitment was defined according to objectives and activities based on 3 main themes: **Compliance - Innovation - Social and environmental responsibility.**

| Civitanavi Systems' commitment and contribution to the Sustainable Development Goals (SDGs) | |
|---|---|
| **Environmental** |  |
| **Social** |  |
| **Governance** |  |

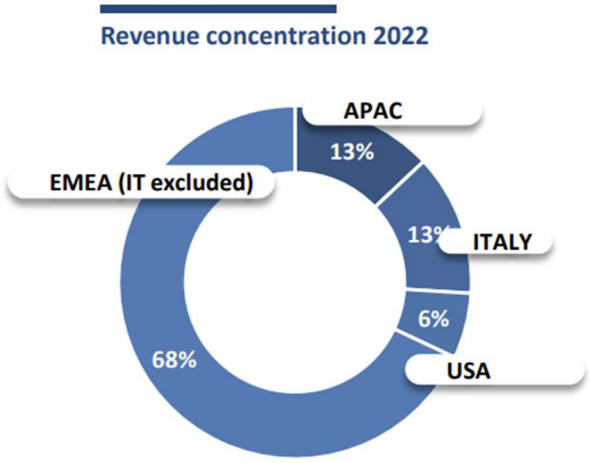
## Markets

Civitanavi Systems, founded as a start-up in 2012, is one of the leading players in the **design, development and production of inertial navigation and stabilisation systems** used in various sectors.

| Aerospace and Defence | Industrial |
|---|---|
| Aeronautics<br>Space<br>Terrestrial<br>Naval | Mining<br>Oil & Gas<br>Tunneling & Horizontal Directional Drilling |

| Revenues<br>*Amounts in thousands of Euro* | 2021 | 2022 |
|---|---|---|
| | % | % of total |
| Aeronautics | 28% | 20% |
| Terrestrial | 4% | 4% |
| Space | 14% | 24% |
| Other (Naval, Submarine, Guidance) | 17% | 32% |
| Total Aerospace and Defence | 63% | 80% |
| Industrial | 36% | 18% |
| Other | 1% | 2% |

Below is a breakdown of revenues for the year 2022 by geographic region:




Civitanavi Systems intends to establish itself as a **technological benchmark for stabilisation and navigation solutions**, playing a leading role in the future of **mobility**. In recent years, Civitanavi has strengthened its presence in international markets. The Company's development plan is strongly oriented towards increasing the company's market share in high-potential markets and in geographic areas of high strategic interest, according to the following lines of action:

- **Increased production capacity** and global competitive positioning by achieving economies of scale and **greater international presence**;
- **Vertical integration** along the value chain, with particular reference to the emerging **Urban Air Mobility** market, and consequent enhancement of **R&D investments** to consolidate proprietary technologies;
- **Innovation** and marketing of **new products**, through gradual but substantial enhancements in terms of accuracy, size, weight and power;
- Consolidation and development of a **competitive company structure** based on a significant increase in the workforce, in the medium to long term, and the simultaneous maintenance of a competitive and flexible work team;
- Strengthening and development of new **business partnerships** with major OEMs (Original Equipment Manufacturers) and evaluating possible business acquisitions;
- Implementation of a marketing strategy aimed at consolidating **brand awareness** and improving standing.

# Industry Scenarios and Trends

| GRI STANDARDS | 2-6 |
|---|---|

## Sector and business areas of operations

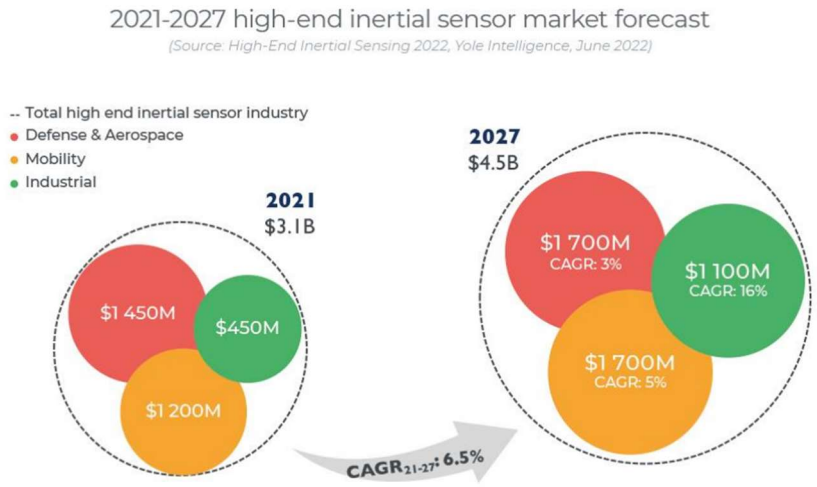
Civitanavi Systems operates in a **technologically innovative sector** (inertial navigation), in particular in some of the following business areas:

- aerospace and defence (space, land, aeronautics and naval fields);

- industry (mining and oil & gas) for the construction of tunnels (tunnelling) and horizontal tunnels (horizontal drilling).

Within the inertial navigation sensor market, Civitanavi is positioned in the high-end segment, thanks to the accuracy of its products, which ranks it as a Tier 2 operator. The goal in the medium to long term is to assume the role of Tier 1 supplier, through an investment plan aimed at innovation and streamlining of production processes, in order to **achieve vertical integration of the entire value chain**.

The development of Civitanavi Systems' business is primarily driven by the significantly increasing breadth and diversity of global market demand. The **market for high-end inertial systems** is already estimated to exceed USD 3.1 billion in 2021. It will have an annual growth rate of 6.5% over the period 2021-2027 (CAGR21-27), reaching USD 4.5 billion by 2027.




## The eVTOL market - sustainable mobility

The market for **eVTOLs** (**electric vertical take-off and landing aircraft**) represents a big opportunity for manufacturers of high-end inertial sensors.

Several manufacturers are investing in the development of complex technologies such as **situational awareness systems**, **collision detection and avoidance systems**, and others.

**eVTOL - Driving factors**. Urban population growth in developing economies, such as China and India, has led to increased traffic congestion. Due to increasing surface traffic congestion, the urban transport system is investing in alternative solutions such as urban air mobility, air taxi services and other sustainable and environmentally friendly solutions. Several aircraft manufacturers such as Airbus SE, Joby Aviation and others are developing and testing prototypes of electric vertical take-off and landing aircraft. At the same time, automotive giants such as Toyota, Hyundai, Daimler AG and others have invested and are collaborating in the development of their own eVTOL projects. Strong investments from various sectors are therefore expected to accelerate the growth of the eVTOL aircraft market. Commercialisation of air taxis is expected to begin by 2024. Furthermore, increasing urbanisation is expected to increase the demand for this product to speed up travel [Fortune Business Insights - eVTOL aircraft market].

According to autonomy, the market is divided into 0-200 km and 200-500 km. The 200-500 km segment is expected to dominate the global market during the forecast period. The growth of the segment is due to the increasing demand for long-haul vertical take-off and landing aircraft for intercity travel. The 0-200 km segment is also expected to see significant growth due to the increasing adoption of short-range drones for deliveries. In addition, the growing demand for urban air travel for intercity travel is expected to fuel market growth.

There is a threefold classification according to the type of propulsion of eVTOLs: battery-electric, hybrid-electric and hydrogen-electric. The battery-electric segment is expected to lead the market over the projection period.

The dynamics of this market segment are driven by the growing demand for all-electric aircraft to **reduce the transport system's carbon footprint and operating costs**. The hybrid-electric segment is expected to see significant growth during the forecast period due to the strong adoption of hybrid-electric technology for long-haul aircraft [Fortune Business Insights - eVTOL aircraft market].

**The commercial segment (e.g. air taxis, delivery drones) is expected to lead the market in the forecast period 2021-2028**. At the same time, **emergency medical services**, further divided into air ambulances and medical freight transport, will also represent a significant growth segment.

### European Union - Urban Air Mobility

The European market is expected to grow significantly as several European cities have joined the UAM (Urban Air Mobility) initiative, part of the European Innovation Partnership on Smart Cities and Communities (EIP-SCC).

As stated by the European Union Aviation Safety Agency (EASA), new technologies, such as enhanced batteries and electric propulsion, and major investments in start-ups, are enabling the development of new vertical take-off and landing aircraft for Urban Air Mobility (UAM). Therefore, Urban Air Mobility - defined as an air transport system for passengers and freight in and around urban environments - could be widespread in Europe in the coming years, **offering the potential for greener and faster mobility solutions** [EASA - Urban Air Mobility UAM].

Several pilot projects are under way and some European manufacturers have already applied for certification, also for piloted passenger vehicles. EASA is working with them on the airworthiness of the vehicles. The European Union, and EASA in particular, has an important role to play in enabling this breakthrough and thus helping the European industry to take the lead worldwide.

In a study conducted by the European Aviation Safety Agency in 2021 [EASA, Study on the societal acceptance of Urban Air Mobility in Europe, 19 May 2021], a positive outlook and interest in urban air mobility on the part of EU citizens have emerged: it is seen as a new and attractive means of mobility and the majority declare themselves ready to try it.

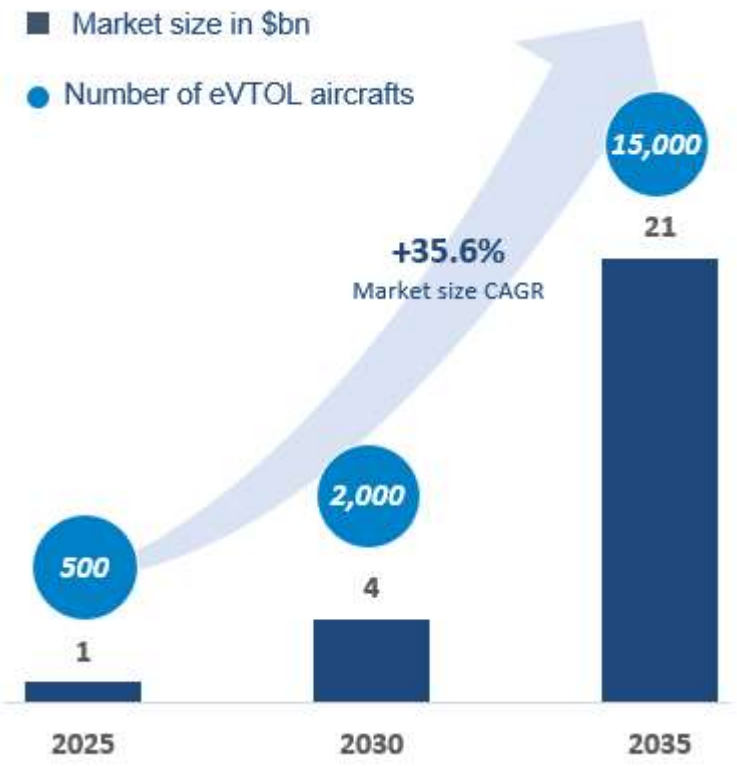
The UAM is also seen as a valuable opportunity to improve the local environmental footprint by reducing urban traffic congestion and improving local air quality; at the same time, however, citizens express strong concerns about the impact of the UAM on wildlife, noise and, above all, in terms of safety. Regarding the latter, the study also shows that citizens seem to have confidence in current aviation safety levels and would be reassured if these levels were applied equally to urban air travel.

This includes the AURORA and IEROM programmes and the HISENSE project, the latter financed by the Ministry of Enterprise and Made in Italy, as part of the interventions for the development and increased competitiveness of industries operating in the aerospace sector - Law 808/85. More details in the section “Partnerships”.

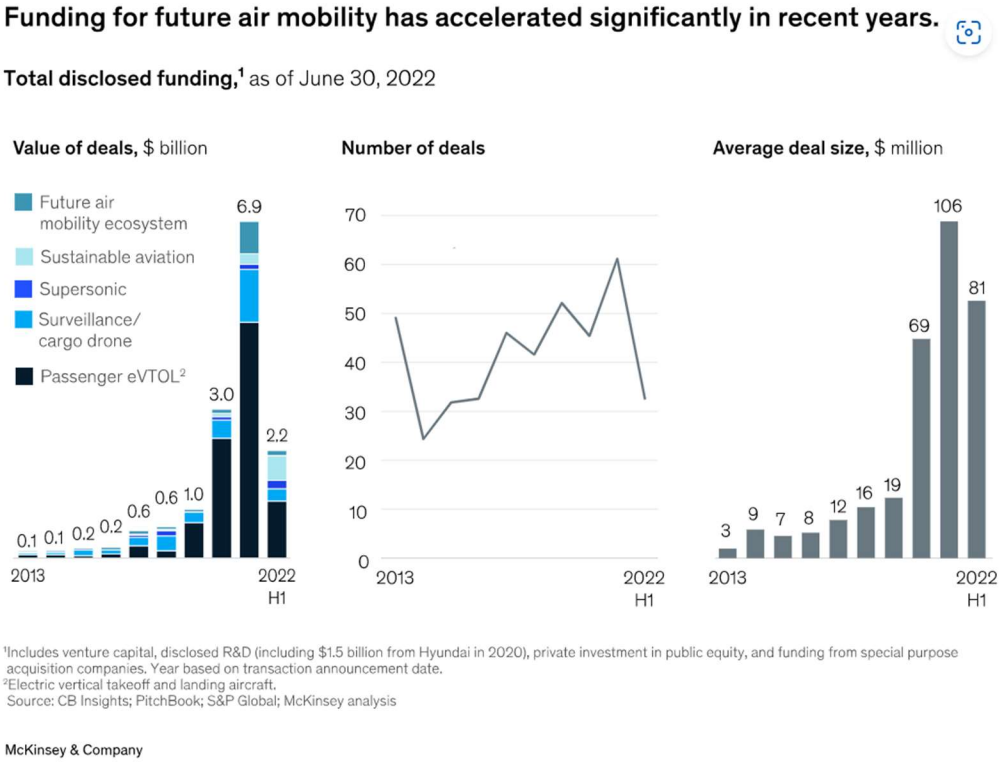
### Prospects

**Urban and advanced air mobility saw record funding in 2021: about USD 6.9 billion in new investments**. Funding decreased in 2022, partly due to macroeconomic conditions, but remained well above the pre-pandemic pace. Major eVTOL players are following aggressive timelines, hoping to acquire major certifications by mid-2020. Meanwhile, the incumbents are trying to catch up: 72% of the 25 largest aircraft manufacturers and 64% of the 25 largest suppliers are now involved in some kind of advanced air mobility activities. [The future of mobility: From hype to reality | McKinsey, March 2023].

By 2035, the **market size is expected to be close to USD 21 billion**. In relative terms, the expected average annual growth is about 35.6% (CAGR 2025-2035).



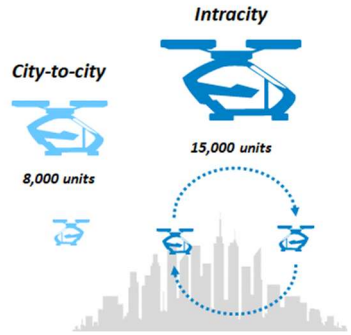

[Source: Porsche Consulting, "The future of vertical mobility: Sizing the market for passenger, inspection, and goods services until 2035"]



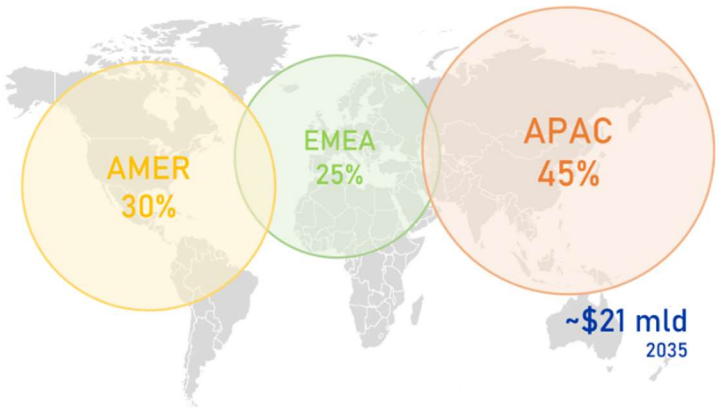

## Areas of application

City-to-city aircraft (i.e. means of transport covering long distances and with greater energy autonomy) and intra-city aircraft (i.e. means of transport covering short distances within metropolitan areas). It is estimated that around two-thirds of the market will be focusing on the intra-city sub-segment (within the same city), with the remainder relating to city-to-city aircraft.

At the geographical level, the APAC region is estimated to have the highest number of eVTOLs in the long term (45%), followed by the Americas (30%) and EMEA (25%).




*Expected geographical breakdown of the eVTOL market in 2035*




[Source: Porsche Consulting, "The future of vertical mobility: Sizing the market for passenger, inspection, and goods services until 2035"]

# Legal and regulatory framework

| GRI STANDARDS | 2-27 |
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Civitanavi Systems S.p.A. operates in an extremely complex regulated sector. The Company's products are generally subject to the application of dual-use legislation (EU Regulation 821/2021, as amended) which requires specific authorisation to be obtained for the export of products and services intended for both civil and military applications outside the European Union.

Civitanavi Systems products, with one exception, do not include ITAR (International Traffic in Arms Regulations) classified components. The inapplicability of the ITAR (International Traffic in Arms Regulations) restrictions represents a significant competitive advantage, allowing the Issuer the possibility to market its products globally without having to obtain prior authorisation from the US authorities. The issuance of said authorisations usually takes an average of 12-24 months.
In addition to the above, it should be noted that some products specifically designed for military use, which may also include ITAR (International Traffic in Arms Regulations) components, are subject to the application of the Italian law on the export of armament materials (Law 185/90).

In addition, the Company's products do not include any components classified under EAR (Export Administration Regulations) with an economic value exceeding 25% of the selling price, and do not generally entail any requirement to apply for authorisation from the US authorities (BIS - Bureau of Industry and Security), which is necessary for the use outside the US territory of components produced in the US.

Civitanavi Systems S.p.A. holds EN9100 and UNI ISO 9001 quality certification for the design and production of inertial sensors and navigation systems (gyroscopes, attitude control systems, inertial measurement systems) for maritime, land, mining, aerospace, military and civil applications. and has obtained Production Organisation Approvals (POA) and Alternative Procedures to Design Organisation Approval (ADOA) from ENAC (Italian Civil Aviation Authority) and EASA

(European Union Aviation Safety Agency), necessary to acquire ETSO (European Technical Standard Order) authorisation for civil aeronautical equipment.

## Golden Power regulations

Civitanavi Systems - in consideration of the provisions of Prime Ministerial Decree 108/2014 and Articles 10 and 12 of Prime Ministerial Decree 179/2020, and considering the relevance of its activities to the defence and national security sectors, dual-use technologies and non-military aerospace infrastructures and technologies - believes that it falls within the sectors of strategic importance to which the Golden Power regulations apply.

## Dual-use Regulations

Civitanavi Systems is also subject to and complies with the so-called *dual-use* Regulations, under Regulation (EU) 2021/821 issued to repeal and replace the previous Regulation (EC) 428/2009 on brokering, technical assistance, transit and transfer of dual-use products (the "Dual-Use Regulation").

The Dual-Use Regulation defines dual-use products as "*products, including software and technologies, which can have both civil and military use and include products that can be used for the design, development, production or use of nuclear, chemical or biological weapons or their means of delivery, including all products that can have both a non-explosive use and any use in the manufacture of nuclear weapons or other nuclear explosive devices*". The company holds four different export authorisations.

## Law 185/90

Civitanavi Systems, for some products, is subject to compliance with Law 185/90 on the handling of “armament materials”. The performance of export, import, transit and brokering operations concerning defence-related products is subject to prior registration in the national Register of Companies and Consortia of Companies operating in the field of design, manufacturing, import, export, intra-Community transfer, brokering, maintenance and processing in any way related to armament equipment established at the Secretariat-General of Defence and governed by Article 44 of Legislative Decree no. 66 of 15 March 2010 (the “Code of Military Regulations”) (the National Business Register or 'RNI').
Under the Minutes No. 06/2019, Civitanavi Systems was registered with RNI number 00800, for the activity of exporting, importing, transiting and brokering of armament equipment which are included, in whole or in part, in category 11a0 00, i.e. “Electronic equipment specifically designed for military use, and specifically designed components thereof” and more specifically in the sub-category g,”Guidance and navigation equipment”.

## Impact of international events on the Civitanavi Systems' activities

The ongoing Russian-Ukrainian war has forced a general rethinking of military investment, procurement and equipment practices, priorities and strategies, with an obvious surge in the demand for security and a consequent increase in public defence spending. In the face of the war of aggression launched in February 2022 by the Russian president against Ukraine, considering the profound changes in the world geopolitical and economic balances with particular reference to the numerous sanctions imposed by the European Union, Civitanavi Systems' management, with the constant supervision of the Board of Directors and control bodies, has worked to ensure full compliance with the set restrictions, integrating ad hoc commercial, export and supplier selection procedures.

Overall, the conflict was a blow to the economic recovery and has set the global economy on a path of slowing expected growth and rising inflation. It is undeniable that this scenario is a cause for concern, especially since the duration, outcome and consequences of the crisis that this conflict is causing on the fate of the world economy are still unclear. The sanctioning measures taken by the international community against Russia, as well as the countermeasures activated by this country, have led and continue to lead to a sharp increase in prices, mainly of raw materials and energy, as well as disruptions and turbulence in the functioning of international trade chains, which at present have not impacted the company's profitability.

From the very first signs, the company launched a number of actions to monitor and mitigate the effects in the short and medium term. In particular, with respect to the inflationary pressures on the energy market and the consequent increase in the prices of raw materials and products used in its production processes, the company promptly implemented a meticulous planning of its material and component needs, ensuring adequate supply conditions in good time and containing the inflationary effects as well as the effects of the shortage of electronic components for the financial year 2022.
The actions put in place, based on what is known to date, ensure adequate coverage of the potential effects, although further tensions in the price trend may require a revision of the forward-looking scenarios. The company will continue to constantly monitor the situation and, if necessary, update its assessments.

It should be noted that Civitanavi does not have any relations of a commercial nature either in purchase or sale with the Russian Federation and Ukraine, and no such relations are expected in the foreseeable future.

# The value chain

| GRI STANDARDS | 2-6 |
|---|---|

The diagram below briefly illustrates the value chain that characterises the complete production-distribution chain of Civitanavi Systems S.p.A. products.


| Phase | Description |
|---|---|
| Marketing | Market monitoring activities (existing and potential customers) and identification of partnership opportunities: (i) **contact with customers** for operational requests or needs; (ii) **market exploration**. Participation in **events to promote the company brand**, the various products and the research and development roadmap (trade fairs, conventions and conferences) is a relevant factor for new opportunities and **partnerships with both potential customers and specialised suppliers**. |
| Business Development | Interaction with customer for: a) understanding **requirements** and development of a product and/or system according to the demands; b) understanding the broader requirements of the target sectors and markets (roadmap). **Prototype development** for customer support takes a relatively short time (2 to 4 months) and includes: (i) specification analysis; (ii) design/creation of the prototype; (iii) ordering of the specific components to be used; (iv) prototype assembly. |
| Technology Development | Definition of the most suitable **technology** to be used for the required product and defined in the product roadmap. **Technological development** requires long lead times that must be based on appropriate strategies and technological choices for growth over several years. |
| Sale | Alongside the sale of the **"catalogue"** product is **the design and support activity associated with the development of customised products** within the framework of a specific programme, which may be a new project based on customer requirements or a modification of a catalogue product.<br><br>Sales contracts for customised product development refer to development programmes involving the modification of a catalogue product. Mass production products, on the other hand, are developed within a programme commissioned by customers or by in-house research and or development. |
| Product Development | Development according to specifications and the defined design path. **Specific software, hardware, navigation algorithms and calibration algorithms**, tailored to the result to be achieved, are used. This phase is carried out by design engineering. |
| Purchasing and Product Engineering | Product engineering, together with design engineering, follows a well-defined procedure through incremental steps, from configuration management to procurement of the necessary materials, to specialised manufacturing. This includes design engineering support in the so-called "Design for Manufacturing" and "Design for testability" (Design for testing of systems and subsystems). All required final system qualification tests are also carried out at this stage. |
| Production | The product is released to the production area, which takes care of mass **production**, guaranteeing the quality of the products and processes involved. Civitanavi Systems buys raw materials from suppliers (usually qualified distributors), electronic assembly services and mechanical parts manufacturing services from qualified subcontractors, and then performs the other steps in-house (Pedaso site). |

| | |
|---|---|
| Calibrations and Verifications | Operations to **adjust the representative coefficients of inertial sensors** using specialised machinery. With the same specialised machinery, performance and functional checks are carried out on the processed system, in order to understand the actual functioning of the product and manage, if necessary, any non-conformities with respect to what is required. |
| Logistics and Product Support | Services related to the distribution of the product to the end customer, the management of repairs, and the verification of the conformity of purchased materials by means of inspection of components. The logistical and product support cycle is simple (products of limited size and weight). Civitanavi Systems handles the shipment or return in case of service directly with the customer and uses couriers chosen by the customer or by Civitanavi, depending on pre-defined commercial agreements. |

# Technologies, products and solutions

| | |
|---|---|
| GRI STANDARDS | 2-6 |

## Inertial systems for navigation and stabilisation

**Inertial navigation and stabilisation systems** are motion-measuring devices based on inertial sensors (i.e. Gyroscopes and Accelerometers within an IMU - Inertial Measurement Unit), capable of providing precise indications of position, attitude control (roll and pitch), orientation with respect to geographic north, angular velocity and linear accelerations of vehicles (such as ships, aircraft and spacecraft), without the need for external references such as satellite navigation devices or based on the earth's magnetic field.

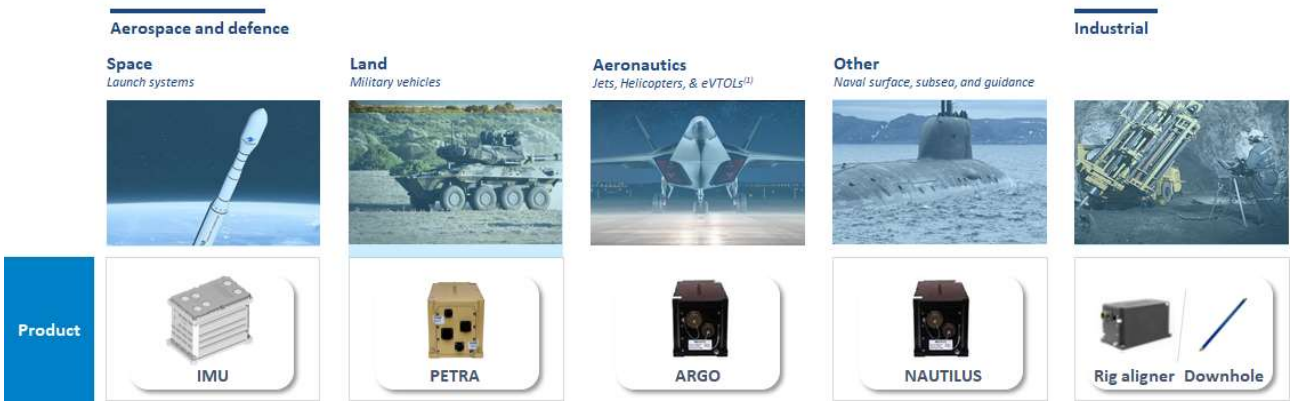
Full ownership of the know-how developed in-house guarantees Civitanavi higher quality and reliability of its systems, making it highly competitive against larger international market players. The solutions offered are characterised precisely by the **versatility of the technologies and methods used in their design and subsequent production**, as well as a high degree of **customisation** to best meet the customers' needs. Thanks to the application of FOG (Fibre Optic Gyroscope) and MEMS (Micro Electrical Mechanical Systems) technologies, Civitanavi's sensors enable **high-precision, autonomous inertial navigation**, **stabilisation** and precise **orientation of** the mobile device to which they are applied.

### Technologies: versatility of use and customisation

**Versatility of the technologies used** - The technologies developed and used by Civitanavi Systems enable it to support highly complex development programmes and serve a large number of end-use applications (from defence to aerospace to civil).

By offering products that can be used in a variety of application areas, important benefits can be achieved, including:
- reduction of overall development costs;
- higher quality and reliability of the systems through the use of proven technologies in multiple application areas;
- reduction of inventories.

**Highly customisable solutions** - Civitanavi Systems designs and produces highly customised solutions that are particularly flexible and adaptable to different requirements.




Below are the main product categories:

**IMU**
System used for "mission critical" applications for the positioning of satellites in earth orbit for several uses (earth observation, communication, etc.) and on board space transportation systems (including unmanned).

**PETRA**
System applied to ground and moving vehicles to stabilise them during adverse weather events.

**ARGO**
System used for "safety critical" applications to ensure flight or navigation stabilisation in the event of a global navigation satellite system (GNSS) failure.

**NAUTILUS**
System applied on oil platforms for stabilising them or on vessels suitable for monitoring the seabed.

**DOWNHOLE**
A miniaturised system, necessary for small diameters, which allows geographic north to be determined in an underground borehole by means of horizontal drilling.

### Solutions for the eVTOL market

As outlined by the International Energy Agency, global CO2 emissions from the transport sector rebounded in 2021, growing by 8% to almost 7.7 Gt of CO2, up from 7.1 Gt of CO2 in 2020, due to the lifting of pandemic restrictions and the resumption of passenger and freight traffic after the unprecedented drop in 2020. In view of the expected growth in transport demand, the Net Zero Scenario calls for a reduction in transport sector emissions by about 20% to less than 6 Gt by 2030 [Transport - Analysis - IEA].
At this juncture, funding for eVTOLs increased (for more details see the section above The eVTOL Market - Sustainable Mobility. Also called UAM (Urban Air Mobility) and AAM (Advanced Air Mobility), countless international start-ups and big players in the industry are working on a completely new operating model with more silent, zero-emission aircraft.

# The production process: vertical integration and gold standard design

| | |
|---|---|
| GRI STANDARDS | 2-6 |

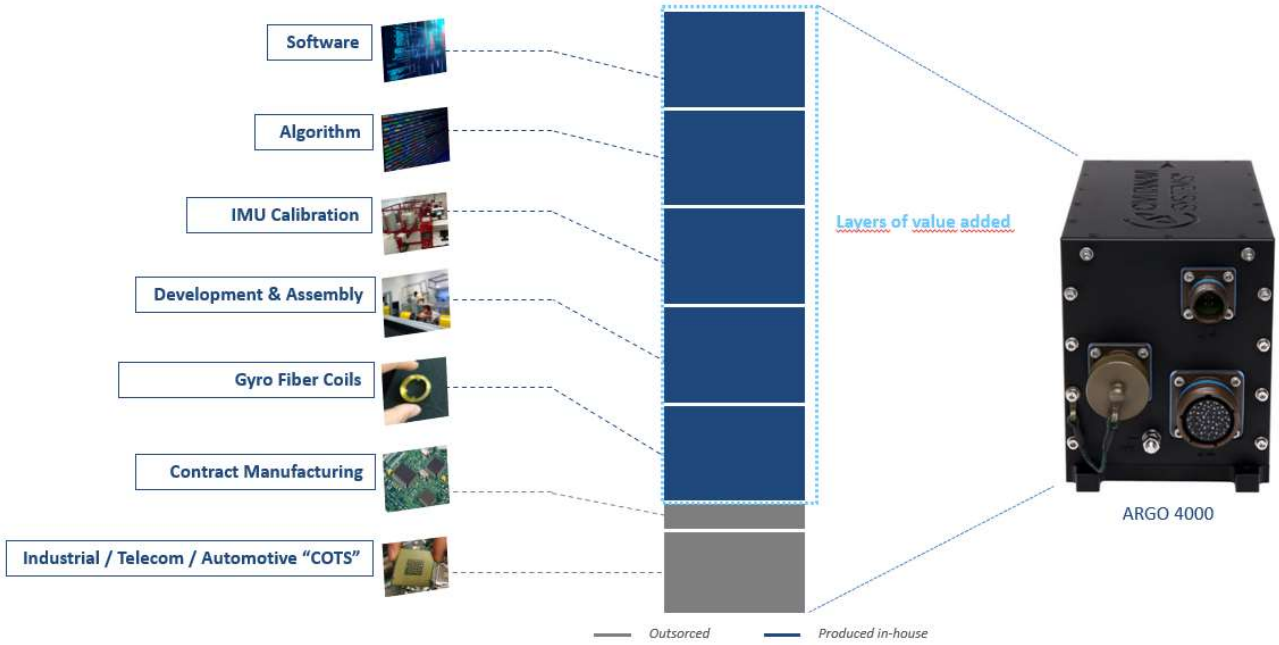
## Integrated and flexible design and production

Civitanavi Systems uses an **agile organisational model** and a **vertically integrated and flexible design and production structure**, which oversees all value-added phases of the production process and combines the need to control the entire production chain - so as to ensure product quality - with the need to make the production and distribution phases efficient for customer satisfaction (delivery time and product development cycle).

Civitanavi **designs in-house the inertial systems** which it markets, and it ensures product control (in terms of quality and support). It outsources to highly specialised and qualified external suppliers the processing stages related to the production and assembly of electronic boards, mechanical parts and wiring.

The products marketed by Civitanavi are mainly manufactured through the **use of so-called off-the-shelf components**, i.e. readily available on the market, of industrial origin, especially from the automotive and telecommunications sectors. These components are characterised by a high degree of **reliability**, low cost and rapid availability, elements that represent an important added value for the company, guaranteeing a so-called capex light approach, i.e. characterised by a lower level of investment.

## Process Stages and Components




**Software** - Proprietary software, developed in-house, which translates the algorithm in the process embedded code into the processor embedded code.

**Algorithm** - An INS consists of a group of inertial sensors and a complex navigation algorithm, developed by Civitanavi Systems' in-house team of mathematicians, and implemented in software and firmware designed according to safety standards.

**IMU calibration** - The assembled inertial sensors are calibrated with a sophisticated algorithm and state-of-the-art motion simulators.

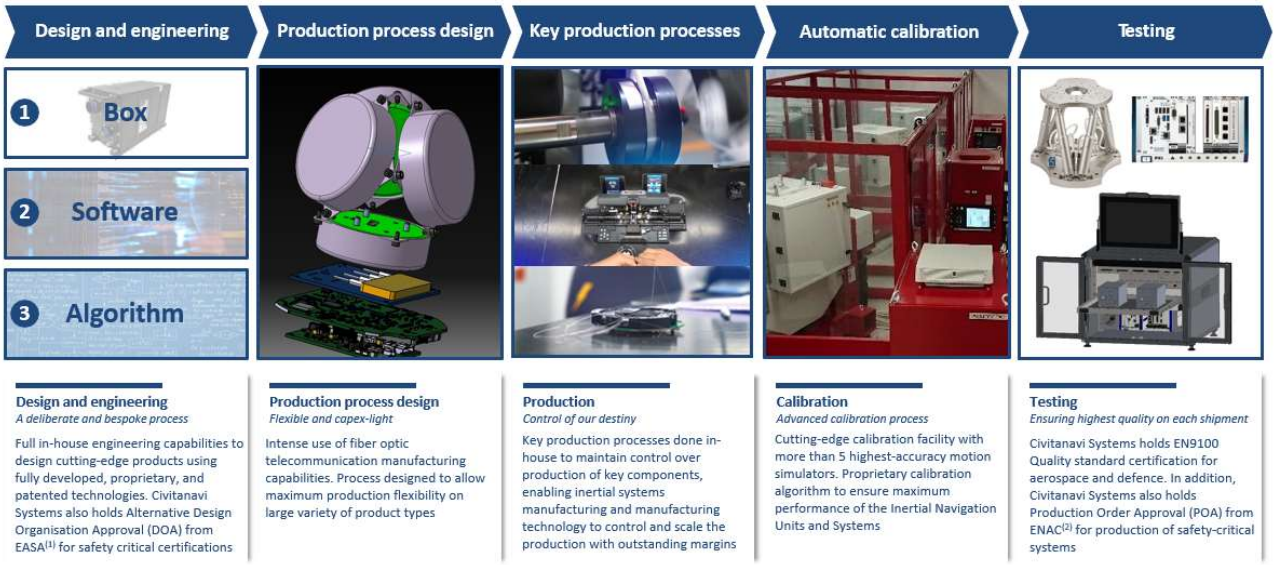
**Development and assembly** - Civitanavi Systems is the assembler and developer of the product with additional enhancement costs.

**Fibre gyroscopic coils** - The fibre coil is the heart of the gyroscopic sensor and represents a technological advantage in the production process and scalability.

**Contract manufacturing** - Outsourcing of customised mechanical parts and electronic boards, all designed in-house. Outsourcing includes the assembly of Printed Circuit Boards (PCBs) and related Surface Mounting Devices (SMDs).

**COTS industrial/telecommunications/automotive** - Most of the electronic and optoelectronic components used in inertial systems are COTS (Commercially Available Off-the-Shelf) from large-scale industries such as automotive, consumer electronics or telecommunications.

## Design




# Employees

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|---|---|
| GRI STANDARDS | 3-3<br>2-7<br>2-8<br>2-30 |

As at 31 December 2022, Civitanavi Systems S.p.A. had **148 employees**. Civitanavi Systems' entire workforce is employed in Italy. In January 2023, there were 4 engineers at the subsidiary Civitanavi UK Ltd. There are no employees seconded from other companies and there are no employees seconded from Civitanavi.

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| Number of employees at the end of the period | 94 | 120 | 148 |

The Group has always been committed to creating stable, long-term employment relationships with its employees, and contracts are predominantly open-ended (96%). 21% of them are apprenticeship contracts.

The male gender is more represented (84% of the total workforce). This figure, affected by the characteristics of the sector, has nevertheless seen an increase in the presence of the female gender over time (16% as at 31 December 2022).

As at 31 December 2022, 100% of the employees are covered by a national collective labour agreement (Metalmeccanico Industria – CCNL for Employees in Industrie Metalmeccaniche private e della Installazione di impianti [Private Metalworking

and Plant Installation Industries] of 5 February 2021 with a regulatory expiry date of 30 June 2024), while the two managers are covered by the CCNL Dirigenti Aziende Industriali [Industrial Company Executives].

It should be noted that, with regard to the GRI 2-7 disclosure, as of 31 December 2022, Civitanavi Systems has not formalised an internal communication procedure for employees who do not identify themselves within the male or female gender categories.

| | 2020 | | | 2021 | | | 2022 | | |
|---|---|---|---|---|---|---|---|---|---|
| **Total number of employees by gender / type of contract** | Women | Men | Total | Women | men | Total | Women | Men | Total |
| fixed-term | | 4 | 4 | 1 | 4 | 5 | 3 | 3 | 6 |
| permanent | 10 | 55 | 65 | 15 | 74 | 89 | 17 | 95 | 112 |
| Interns | 4 | 21 | 25 | 1 | 25 | 26 | 4 | 26 | 30 |
| **Total** | **14** | **80** | **94** | **17** | **103** | **120** | **24** | **124** | **148** |
| | | | | | | | | | |
| **Total employees by type of employment / by gender** | | | | | | | | | |
| Full-time | 12 | 79 | 91 | 16 | 102 | 118 | 21 | 124 | 145 |
| Part-time | 2 | 1 | 3 | 1 | 1 | 2 | 3 | | 3 |
| **Total** | **14** | **80** | **94** | **17** | **103** | **120** | **24** | **124** | **148** |

## Other workers

GRI STANDARDS 2-8

Civitanavi uses internship programmes as a commitment to the involvement of the younger generation in early career paths and vocational training,. In 2022, there were a total of 24 interns; of these, 65 per cent joined the organisation.

The table shows the active internships as at 31 December of each reporting period.

| **Other workers** | 2020 | | | 2021 | | | 2022 | | |
|---|---|---|---|---|---|---|---|---|---|
| **Total at the end of the period / by gender** | Women | Men | Total | Women | Men | Total | Women | Men | Total |
| Interns | 1 | 3 | 4 | - | 6 | 6 | - | 6 | 6 |

# The supply chain

GRI STANDARDS 2-6

Civitanavi Systems designs inertial systems in-house and outsources, through highly specialised and qualified suppliers, the **manufacturing and assembly processing phases of electronic boards, mechanical parts and wiring**.

The products marketed are mainly manufactured through the use of **so-called *off-the-shelf* components, i.e. readily available on the market, of industrial derivation**, especially from the automotive and telecommunications sectors. These components are characterised by a high degree of reliability, low cost and rapid availability.

## Suppliers of external machining

There were 24 suppliers for external machining registered as at 31 December 2022, of which: 22 Italian, 1 Dutch and 1 English suppliers. The types of work are summarised below.

Water cutting | Printed circuit board construction | Mechanical work | Wiring assembly | Optical board assembly | Electronic board assembly | Packaging

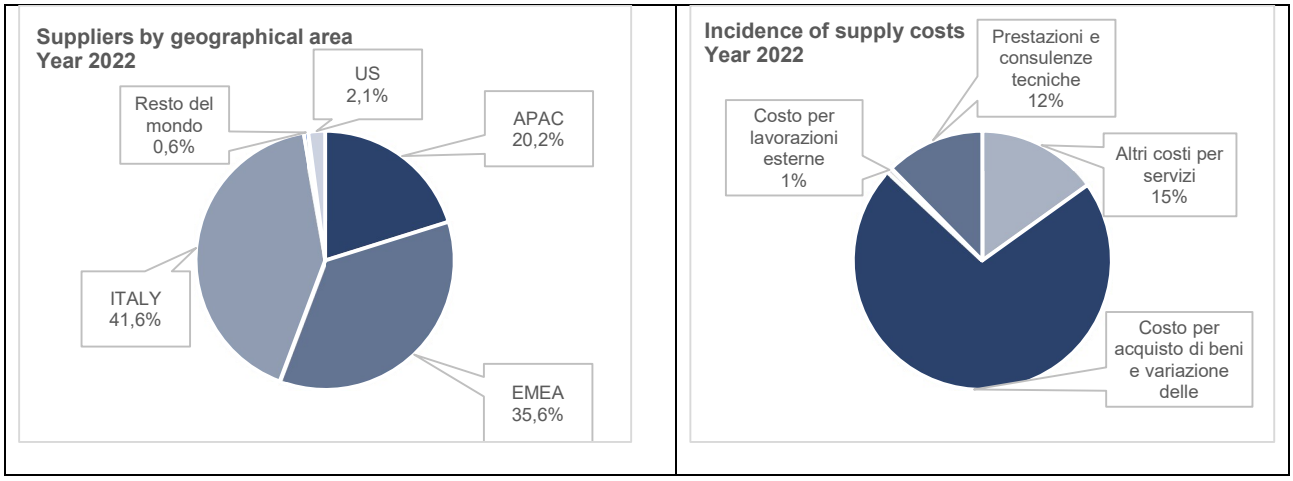
For strategic suppliers of such products and services, Civitanavi Systems usually seeks, where possible, an alternative supplier which is approved in advance by the quality control system, in order to reduce concentration risks.

## Suppliers of raw materials and other services

Civitanavi Systems uses qualified suppliers for the procurement of raw materials – especially steel – but also for services of various kinds, purchase of equipment or production machinery; long-term agreements are signed with these suppliers. Steel suppliers are mainly from the European Union, predominantly Italian (56%). Raw materials are mainly procured on the basis of individual purchase orders, governed by general terms and conditions negotiated on a case-by-case basis with the supplier.

### Raw material suppliers by geographical area

[1]EMEA (Europe, Middle East and Africa), excluding Italy; APAC (Asia Pacific and Australia); US (United States of America), Rest of the World (Canada)




### Procurement of materials 2022 with related product class

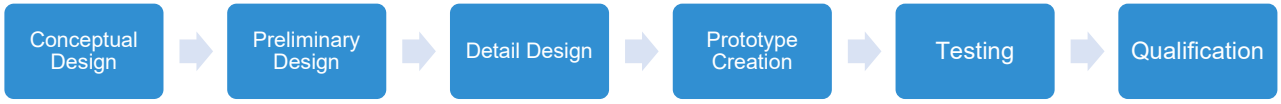
| Product class | Category description | Margin % |
|---|---|---|
| EBA | Assembled board (printed circuit board with assembled electronic and mechanical parts) | 19% |
| OET000001 (Opto-electronics components) | Object of purchase referring to opto-electronic components | 19% |
| ELC000553 (COTS Electronics Parts) | The ELC article is combined with electronic purchase components classified as either discrete, active or passive. | 12% |
| ELC (COTS Electronics Parts) | The ELC article is combined with electronic purchase components classified as either discrete, active or passive | 11% |
| OPT (Optical components) | Object of purchase: coil from a manufacturer outside Civitanavi, passive optic components or fibre optics | 8% |
| EQP | Equipment & Instruments (HWP) | 8% |
| MPC (Custom mechanics) | Purchase mechanical parts made to internal specifications and used in CNS products shipped to the customer | 6% |
| OET000078 (Opto-electronics components) | Object of purchase referring to opto-electronic components | 5% |
| Other | Other components/materials | 12% |
| | | 100% |

# Innovation: Research & Development & Partnerships

| | |
|---|---|
| GRI STANDARDS | 2-6<br>3-3 |

Research & Development (R&D) activities are essential for Civitanavi Systems as they are aimed at product development, from the conception and definition of the prototype to the first stages of production, as well as improvement of production processes.

## R&D process




### Conceptual design

The objective is to demonstrate the feasibility of a requirement - customer or internal - and to identify the best solution in terms of technical, cost and time, at the lowest level of risk, to provide elements for estimating the effort required and, consequently, the overall cost and duration. To this end, a range of potential solutions must be defined and analysed in detail in order to identify which one will be chosen for the new project.

Alternative design solutions are evaluated by analysing and, if necessary, performing specific tests on already available equipment to support the selection of the candidate solution, gathering as many elements as possible to perform a trade-off analysis. Design alternatives must be analysed considering measurable units to support a cost-benefit analysis. Once the candidate solution has been identified, an architectural drawing of the project is developed and the Technical Proposal is drawn up and issued.

### Preliminary design

The architecture, defined during the conceptual phase, is developed in detail by defining the requirements applicable to each system component, the interface requirements and the preliminary bill of materials. The system is assigned a prototype part number (P/N) to be used for identification until the Test Readiness Review (TRR). The preliminary design is evaluated by checking the traceability of requirements to ensure that higher-level requirements have been addressed: any low-level requirement must be traceable to at least one high-level requirement and vice versa.

### Detail design

The detailed design of all configuration elements (CI) that make up the system is carried out: mechanical parts, electronic boards, software. A first version of the design data package is generated to be used for the manufacturing of the first sets of ships. Analyses, simulations and test results supporting design solutions are used as validation tests or archived in the development folder.

### Prototype creation

The prototypes needed to support laboratory tests and software development are created. For this reason, it is not necessary that prototypes are made according to manufacturing standards, but that they are “fit-for-purpose”, i.e. representative of the functionality for the tests that will be performed; it is therefore possible that different types of prototypes will be made depending on their intended use.

### Testing

The system is integrated, verifying the behaviour of its components and making them work together incrementally. The tests start with the circuit boards, the hardware is assembled, the software integrated with the relevant hardware and the first prototype devices are produced for ATP.

### Qualification

Qualification is the phase in which all the tests are performed and all the evidence is produced to prove that the system complies with the applicable requirements, both in terms of functions and performance, throughout its operational environment. This formal activity requires the attestation of Quality Assurance, which is responsible to the customer for the correct application of all relevant procedures and standards, recording the result of each test as pass/fail.

## R&D expenditure

In the financial year 2022, development costs amounted to Euro 1.6 million **(4.6% of total revenue)**.

| *(Amounts in million Euro)* | 2020[2] | 2021 | 2022 |
|---|---|---|---|
| Development costs | 1.9 | 0.8 | 1.6 |
| Margin on revenue (%) | 9.7% | 3.2% | 4.6% |

# The main projects

The Company continued its intensive research and development activities, and the main projects undertaken by the Company during the year 2022 are listed below:

### New highly integrated architectures

Project dedicated to the research, conception, design and prototyping of innovative technologies for highly integrated, modular and intrinsically redundant architectures for inertial navigation, as well as to the definition of the related hardware and software certification processes.
The new and rapidly expanding field of Unmanned Aircraft Systems (UAS) with vertical take-off and landing, electric Vertical Take-off and Landing (eVTOL), requires new, simpler and more compact avionics for flight control, navigation and vehicle management. The avionic equipment on the market (state of the art) is not suitable to meet all the requirements for UAS.
The activities carried out and the innovative technical solutions of this experimental development project (product innovation) have successfully defined new architectures and solutions to significantly evolve inertial platforms in the direction of ever greater compactness and integration, while also maintaining a particular focus on “safety” features (advantages for the entire reference sector) and certification.
This project is preparatory to the development of new applications in order to acquire new customers or to sell them from scratch to existing customers.

### High Performance INS Self-Calibration Algorithms and Tools (submarine applications)

The project consists in the search for a technical solution for inertial navigation systems in the naval sector, in particular for installations on board of submarines that would overcome some critical issues that were limiting the achievement of high performance in terms of accuracy on geographical position estimation over long periods of navigation without the availability of aid from satellite navigation systems (GNSS/GPS).
The main critical issue is related to the fact that the inertial navigation system, in order to improve the accuracy of the data provided, requires a long period of navigation and movement in different directions, with the help of the GNSS receiver, in order to be able to estimate the errors of the sensors on the different axes.
The technical solution underpinning this project makes it possible to autonomously perform the rotations required to estimate position measurement errors and then compensate for them in order to achieve improved performance.

### High-performance accelerometers in MEMS technology

Study and prototyping of a newly developed miniaturised accelerometer in MEMS (Micro Electrical Mechanical System) technology, with such accuracy that, in combination with Project FOG-PIC, dedicated to Fibre Optic Gyro (FOG) based technology, it creates competitive advantages and enabling solutions for more reliable, more accurate and more compact navigation systems with reduced weight and power consumption.
This project relates to a transversal technology that will replace the one currently used on existing customers.

### MIMU-M

The MIMU-M project is part of a market for inertial navigation products, such as Attitude and Heading Reference Systems (AHRS), based on MEMS technology that, due to the nature of the sensor, covers a “medium” accuracy range.
With this project, the intention is to raise MEMS technology to a significantly higher level of accuracy, reliability and performance through a number of innovative and original technological solutions that mainly concern the MEMS sensor and its correlation in AHRS.
This project relates to the development of new applications in order to acquire new customers or to sell them from scratch to existing customers.

### TIGHTLY COUPLED

The project concerns the development of an innovative architecture for the tight integration of GNSS with an inertial navigation system, using complex lower-level data received from GNSS receivers, and the development of a simulation environment to verify the functioning of such advanced systems in all possible operational cases.
This project relates to the development of new applications in order to acquire new customers or to sell them from scratch to existing customers.

### FOG-PIC

[2] The values reported were recognised in 2020 in the profit and loss account, unlike the following years in which they were capitalised under intangible assets.

The project concerns the experimental development of a sub-assembly, called "FOG-PIC" (Fibre Optic Gyroscope Photonic Integrated Circuit), and consists of the technological development, design, prototyping and testing of an innovative photonic device to be used as a strategic component within a triad of gyroscopic sensors, for avionic applications in advanced aerospace sectors. These devices are used within the Inertial Measurement Unit (IMU) and Inertial Navigation System (INS) for stabilisation and inertial navigation.

The project has led to the filing of a patent (still being verified by the relevant authorities) and involves two generations of devices based on completely different technologies:

- the first-generation FOG-PIC device provides for the integration of critical optical components on a traditional optical substrate and was partly co-funded by Law No. 808 of 24 December 1985, with funds from the MISE for aerospace, defence and security industry.
- the second-generation FOG-PIC device involves the integration of critical optical components on an exotic optical substrate, was co-financed by funds from the General Secretariat of Defence within the National Military Research Plan (PNRM).

This project relates to a transversal technology that will replace the one currently used on existing customers.

### Mining product evolution #1 and #2

The project aims to innovate and improve the technologies and solutions available for the instrumentation sector to support mining and oil exploration.
The aim is to meet customers' needs in order to offer systems with increasingly high degrees of reliability and repeatability that perfectly meet their operational requirements. One of the objectives is to create a new family of inertial products that are easier to use, that can be powered by batteries and no longer through power cables, with obvious advantages in portability and usability on the market, thanks to greater lightness, reliability and lower running costs.

### Global Navigation Satellite System (GNSS) receiver

The project concerns the development of a proprietary GNSS satellite receiver to be integrated with the inertial systems already produced by Civitanavi Systems.
The integration between inertial sensor measurements and those of GNSS receivers allows the construction of navigation systems robust to two critical situations that routinely occur in aeronautical applications, namely high-dynamic conditions and the presence of interfering signals.
The most advantageous integration architecture cannot be achieved with discrete modules because it requires access to GNSS baseband signal processing, which is usually not available in commercial receivers produced by third parties.
For this, the entire GNSS signal processing chain must be developed and controlled, from the signal reception at the antenna to the calculation of Position, Velocity and Time (PVT).

The development of these GNSS products, "intimately" integrated with inertial systems (INS) already developed by the Company, are crucial to leverage on the growing trend of A-PNT (Assured Position Navigation and Timing) in contexts where GNSS is not always available and when available can be disturbed or falsified: it is crucial to understand when GNSS can be used reliably (thanks to the intimate integration with INS) and to eventually use only INS in case GNSS is compromised.

## Partnerships

### Honeywell

Civitanavi Systems has established a partnership with US-based Honeywell, a trusted leader with decades of experience in the design and production of high-performance navigation and sensor products for commercial, defence, industrial and space applications. The partnership aims to develop new inertial navigation solutions, attitude heading reference systems and inertial navigation systems for commercial and defence (dual-use) customers. The high-performance, tactical-grade Inertial Measurement Unit (IMU) HG2800 will be the first product launched under this partnership and will be used on a wide range of commercial and military aircraft, along with other applications. The IMU HG2800 includes gyroscopes with fibre-optic technology (FOG) and micro-electromechanical system (MEMS) accelerometers designed to improve pointing, stabilisation and short-duration navigation with low power and low noise.

### IEROM Ltd - International Electric Rotorcraft Manufacturers

In 2022, Civitanavi Systems executed an agreement with IEROM LTD, an innovative start-up company with extensive experience in urban air **mobility**, particularly in the manufacturing of **electric helicopters**, to strengthen its offer in the field of urban air mobility. The purpose of the agreement is to explore the possibility of integrating IEROM Ltd's anti-collision systems into Civitanavi Systems' more advanced navigation systems, in order to offer a broader range of services in domestic and international aerospace and defence industries, such as avionics, urban air mobility, space vehicles, and hydrographic and geological exploration.

### European Defence Fund research group to demonstrate a quantum vector inertial and gravimetric navigation system (Q-SING)

In August 2022, Civitanavi Systems joined the European Defence Fund research team for the demonstration of a quantum-based simultaneous inertial navigator and vector gravimeter system (Q-SING). The European Defence Fund has selected 61 research and development projects in the field of Aerospace and Defence that will be eligible for the Euro 1.2 billion in funding made available by the European Union, with Euro 900 thousand earmarked for Civitanavi. The contribution is targeting all high-level initiatives in the defence sector, such as the design of future-generation combat aircraft, tanks and ships, as well as critical defence technologies such as military cloud, artificial intelligence, semiconductors, space, cyber or medical countermeasures. The programme promotes the most advanced technologies, in particular quantum technologies and new materials, and makes use of the innovative capacity of SMEs and start-ups with high growth potential. As part of the programme, the company became part of the Q-SiNG project, "Quantum-based Simultaneous inertial Navigator and vector Gravimeter" which aims to achieve a high-precision free-inertial navigation system capable of operating in GNSS-denied areas (areas where the satellite signal is compromised) on all types of military vehicles, from submarines to aircraft.

### Aurora Project - Urban Air Mobility

Civitanavi Systems will be a sub-contractor for the project, which will contribute to increasing research and supervision in the field of Urban Air Mobility. In particular, Civitanavi participates in the "AURORA" project which is part of the framework "Creation of an Italian ecosystem for AAM", organised and promoted by ENAC, the Italian Civil Aviation Authority, to provide an effective and reliable Positioning, Navigation and Timing (PNT) service for AAM (Advanced Air Mobility). The AURORA project analyses the specific needs of each Italian region, as well as the opportunities offered by PNT technologies integrated between space and ground-based networks and systems, with the objectives of defining PNT operational and performance requirements for the Urban Air Mobility industry, designing a distributed national research, development and certification facility for UAM, called "UAM National Test Facility", and studying new emerging technologies for UAM applications.


As part of the project, Civitanavi Systems will contribute to the analysis of technological enablers for future Advanced Air Mobility (AAM) operations, including services for urban, suburban and inter-city transport of both people and freight by means of vertical take-off and landing aircraft. In particular, enablers must ensure the availability of PNT measurement, in a more robust and resilient manner than current GNSS-based solutions. Civitanavi is engaged in the development of a hybrid GNSS/inertial system for the validation of algorithms and technologies that enhance the accuracy, reliability, continuity and safety of navigation in AAM environments as part of the AURORA project.

The management of the AURORA project is supervised by ENAC, the Italian Civil Aviation Authority, with the technical coordination of Telespazio, and the contribution of CIRA - Italian Aerospace Research Centre, DTA - Aerospace Technology District of the Apulia Region, and companies, together with Civitanavi Systems: D-Flight (ENAV group), Exprivia, Planetek Italia. The project started on 31 January 2023 and will last 18 months.

### CIRA Italian Aerospace Research Centre

Civitanavi Systems designs, develops and produces high-tech navigation, geo-referencing and stabilisation systems, with solutions for air navigation (with/without pilot) and intelligent transport, providing significant capabilities in A-PNT (Assured Positioning, Navigation, and Timing) technologies, essential for both military and civil aerospace and future Advanced Air Mobility (AAM) domains. In this area, a close collaboration is developed with research institutions that have specific expertise for distinctive solutions in the integration of inertial and GNSS technologies:

**CIRA** (Centro Italiano Ricerca Aerospaziale - Italian Aerospace Research Centre) is one of the partners in ESA-funded research projects such as the AURORA project, coordinated and promoted by ENAC, which is part of the "Creation of an Italian ecosystem for AAM" context, to provide an effective and reliable PNT GNSS service for AAMs in urban and intra-urban environments, considering new and alternative PNT technologies integrated with space and ground-based networks and systems within the UAM as well as the application of appropriate technical standards and regulations for navigation solutions, including hybrid inertial and GNSS.

### Polytechnic University of Milan

In parallel, Civitanavi Systems is active in the design of inertial sensors in MEMS (Micro ElectroMechanical Systems) technology through R&D programmes. As of 2021, it has executed a joint research contract with **Polytechnic University of Milan**. This partnership with PoliMi was chosen as an all-round support for MEMS development activities, based on the decades of experience of Prof. Giacomo Langfelder and his research group, the Laboratory of Microsensors and Microsystems, in the field of inertial sensors in MEMS technology.

### HISENSE Project

The Civitanavi's strategy aimed at technological and industrial evolution, linked to being at the forefront of the state of the art for the manufacturing of avionic navigation equipment, which can be used in current and emerging markets, according to the guidelines of products with reduced dimensions and weights, as well as at the increased accuracy and updated functionality of navigation systems even in the absence of GNSS (Global Navigation Satellite System), is framed by the

continuous partnership with academic excellence of universities such as **the University of Naples Federico II**. In particular, the university's department of Industrial Engineering – with its distinctive activities in the fields of aeronautics and expertise in research on Sense and Avoid systems for UAS, multi-UAS cooperative planning, guidance, navigation and control, autonomous flight in GNSS challenging environments (vision-based, LIDAR and radar), innovative sensors for small UAS – provides added value to the advancement of Civitanavi's technology and products to meet the growing demand for accurate navigation and control in safety-critical environments. In this framework, the Company, with the financial support granted by the Ministry of Enterprise and of the Made in Italy, which is part of the interventions for the development and increase of competitiveness of industries operating in the aerospace sector (ref. Law 808 of 1985), is advancing, through the HISENSE ("Highly Integrated System for Enhanced Navigation in Safety-critical Environments") project, which will be completed in 2025, in the development of a continuous and accurate navigation solution, integrating high-performance inertial units and exteroceptive sensors (cameras, LiDAR, and radar), also for the purpose of serving flight control systems (Flight Control System, FCS).

## Patents

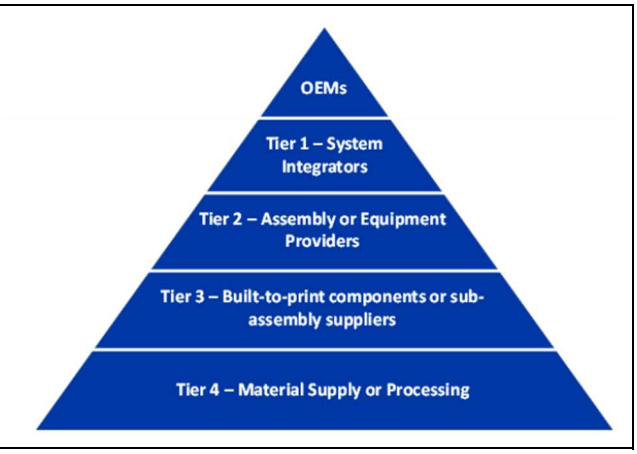
Civitanavi Systems holds the following patents:

| Patent title | Type | Date granted | Maturity date |
|---|---|---|---|
| Fibre optic gyroscope - interferometric I-FOG | Patent for Industrial Invention | 30 January 2019 | 26 February 2036 |
| Optical phase modulation scheme of an interferometric fibre gyroscope MIOC | Patent for Industrial Invention | 4 November 2019 | 7 August 2037 |
| Method for configuring an isolation system from the vibration of an inertial measurement unit (IMU) | Patent for Industrial Invention | 6 March 2020 | 29 December 2037 |

# Customers

| | |
|---|---|
| GRI STANDARDS | 2-6 |

Civitanavi Systems is a global player in the inertial navigation systems market and supplies its products to customers operating in both the Industrial and Aerospace and Defence markets. Civitanavi offers its solutions to two major classes of customers:

| | |
|---|---|
| **OEM Original equipment manufacturer** – a customer segment that purchases specially designed components from third-party manufacturers to be incorporated into sold products/finished products, marketed under their own brand name;<br><br>Tier 1 - **the direct suppliers of the OEM** and, typically, system integrators to be included in more complex platforms developed by the OEMs).<br><br>Within the inertial navigation sensor market, **Civitanavi Systems operates as a "Tier 2**" (supplier of Tier 1 or OEM equipment and instrumentation). |  |

# Stakeholder relations

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|---|---|
| GRI STANDARDS | 2-29<br>3-1 |

## Role of stakeholders and modes of engagement

Stakeholders are persons, entities or groups that have an interest (expression of values) and expectations towards a company, who could be significantly affected by its activities, products and/or services.

Companies create and develop relationships with their stakeholders over time, through a system of tools aimed at strengthening relationships, which translates into improving the ability to generate and distribute value, over time. Involvement and discussion with the stakeholders (stakeholder engagement) is an essential activity aimed at understanding their interests, expectations and demands. This approach promotes effective and informed decision-making, proper strategic planning as well as the achievement of business objectives. Furthermore, stakeholder involvement helps the company to identify and manage positive and negative impacts.

Civitanavi System's stakeholders were identified by taking into account the sector they belong to, their business model and existing relationship system, as well as their geographical presence. The system of means through which Civitanavi manages relations with its stakeholders is outlined below. The means are broken down according to the different categories of stakeholders.

| Stakeholder | Engagement Activities Projects – Initiatives – Reports |
|---|---|
| **Shareholders** | Shareholders' Meeting – Board of Directors – Press releases - Website - Financial statements |
| **Financial Community** | Shareholders' Meeting - Press releases - Website - Financial statements - IR Conferences/Roadshows - Investor presentations & meetings |
| **Banks and lenders** | Dedicated meetings and periodic events - Financial Statements |
| **Employees and contractors** | Relations and dialogue with HR functions and contacts - Training programmes and meetings - Career growth and development paths - Welfare initiatives - Company management - Performance appraisal |

| Stakeholder | Engagement Activities Projects – Initiatives – Reports |
|---|---|
| | process - Newsletter and internal communication - Multimedia channels for sharing and communication (chat, videocall, video streaming) - Website and social channels - Company climate survey - Regular meetings with RSU and other representatives |
| **External machining suppliers – Other suppliers** | Technical/commercial meetings and visits - Social media and website - Events, trade shows and other marketing activities - Audits and inspections - Supplier Qualification System and dedicated platforms for assessment - Correspondence |
| **Customers** | Technical/commercial meetings and visits - Social media and website - Marketing activities - Publications - Events, trade shows and other marketing activities - Evaluation tools and questionnaires - Audits and inspections - Coordination and planning meetings - Correspondence - Pre-Qualification/Supplier Register qualification and evaluation processes - Participation in Expressions of Interest - Participation in tenders |
| **Public Administration**<br><br>**Institutions and Control Bodies** | Technical meetings and visits - Audits and inspections - Correspondence |
| **Research institutes / centres - Universities** | Research Projects, Collaborations, Partnerships - Career Day |

# 3 Governance and Business Conduct

## Corporate bodies and governance model

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|---|---|
| GRI STANDARDS | 2-9<br>2-10<br>2-11<br>2-19<br>2-20<br>2-21<br>405-1 |

The *corporate governance* structure adopted by Civitanavi Systems is based on the traditional organisational model and consists of the following corporate bodies:

| Corporate Bodies | Functions - Role |
|---|---|
| Shareholders' Meeting | Responsible for passing resolutions on matters provided for by law and the Articles of Association |
| Board of Directors | Entrusted with the management of the Company and the performance of the necessary activities, in line with the set out strategic objectives. |
| Board of Statutory Auditors | Supervisory functions to ensure compliance with the law, the Articles of Association and proper administration. |

The statutory audit is entrusted to BDO S.p.A. for the financial years 2021 to 2029. In addition, BDO S.p.A. has been entrusted with the performance of a limited audit of the Issuer's condensed half-yearly financial statements for the half-years ending 30 June of the financial years 2022-2029, as well as to verify that the accounts are properly kept and that the operating events are correctly recorded in the accounting records during those years.

Civitanavi has formally adhered, effective as of the Trading Starting Date, to the Corporate Governance Code of Borsa Italiana, accessible to the public on the Corporate Governance Committee's website at https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf. The Board of Directors has resolved to adopt the principles contained in the Code, aligning its governance system to the regulatory provisions.

## Board of Directors

Civitanavi is governed by a Board of Directors consisting of no less than 5 (five) and no more than 11 (eleven) members, determined by resolution of the Ordinary Shareholders' Meeting when appointing the Board of Directors or amended by subsequent resolution of the Shareholders' Meeting.

The appointment and replacement of Directors is governed by the Articles of Association of Civitanavi Systems. Directors must meet the requirements of eligibility, professionalism and honourableness required by law or any other requirement provided for by the applicable regulations. Of these, a minimum number of members of the Board, as required by the pro tempore regulations in force, must meet the independence requirements laid down by law.

The Directors are appointed for a period of three (3) financial years, or for the period, however not exceeding three (3) financial years, established at the time of their appointment, and are eligible for re-election. The Directors' terms of office expire on the date of the Shareholders' Meeting called to approve the financial statements for the last year of their office, except for any cause of termination and disqualification provided for by law and by Civitanavi's Articles of Association. The Directors are appointed by the Shareholders' Meeting on the basis of the lists of candidates, in which the candidates must be indicated in a number no greater than 11 (eleven), each coupled with a consecutive number, submitted by the Shareholders and filed at Civitanavi's registered office within the terms and in compliance with the law and regulations in force at the time.

Only those Shareholders who, alone or jointly with others, at the time of submitting the list, hold at least the minimum share amount of the share capital with voting rights at the Ordinary Shareholders' Meeting established by Consob, which will in any case be indicated in the notice of call, are entitled to submit lists.
Without prejudice to compliance with the criterion and, in any case, with any regulations guaranteeing gender balance, each list containing a number of candidates not exceeding 7 (seven), must contain and expressly include at least one Director who meets the independence requirements established pursuant to the laws and regulations in force (the "Independent Directors"); if the list contains a number of candidates exceeding 7 (seven), it must include and expressly indicate at least two Independent Directors.

On 13 October 2021 and 21 December 2021, the Shareholders' Meeting appointed, effective as of the Trading Starting Date on the Italian Stock Exchange Euronext Milan, i.e. on 17 February 2022, 3 Directors who met the independence requirements set forth in Article 148, paragraph 3, of the Consolidated Law on Finance and Recommendation 7 of the Corporate Governance Code, in the persons of Laura Guazzoni, Maria Serena Chiucchi and Tullio Rozzi. The number of independent Directors and their powers are appropriate to the needs of the Company and the functioning of the Board of Directors, as well as to the establishment of the relevant committees.

The Board of Directors of Civitanavi Systems is responsible for the strategic management and has the role of performing all acts it deems appropriate to achieve the company's strategic objectives. Appointed on 13 October 2021 and 21 December 2021, it consists of seven members, three of whom are independent, and will remain in office until the approval of the Financial Statements as at 31 December 2023.

| | |
|---|---|
| Andrea Pizzarulli | Chairman of the Board of Directors and Chief Executive Officer |
| Michael Perlmutter | Executive Director |
| Thomas W. Jung | Non-Executive Director |
| Mario Damiani | Non-Executive Director |
| Maria Serena Chiucchi | Independent Director |
| Laura Guazzoni | Independent Director |
| Tullio Rozzi | Independent Director |

The members of the Board of Directors were appointed on the basis of their managerial and professional skills and experience. Directors have relevant knowledge of the Company's specific target markets, contributing to the determination of strategic objectives and ensuring their achievement. On the page Board of Directors » Civitanavi Systems - We care, We perform, We deliver! of the Civitanavi Systems website you will find profiles, specific expertise of the members of the Board of Directors and information on other important positions held and commitments undertaken by each member.

The current Articles of Association provide for the Board of Directors to be appointed on the basis of lists. In this regard, it should be noted that the Board of Directors was appointed prior to the entry into force of the new Articles of Association and that, therefore, the provisions on list voting and gender equality will apply as of the first renewal of the governing body following the listing of the shares.

The **Chairman of the Board of Directors** is vested with active and passive legal and procedural representation of the Company, as well as all powers of ordinary and extraordinary administration, with the exclusion of those powers that the law and the Articles of Association reserve to the Board of Directors, as well as with the **express exclusion** of the following powers, which remain the exclusive competence of the governing body in collegiate composition:

- definition of the budget and strategic plan;
- sales or acquisitions, in whatever form, of shareholdings, companies, business units, real estate when the total amount exceeds Euro 5,000,000 per transaction;
- investments in technical fixed assets exceeding a total amount of Euro 2,000,000 per transaction;
- leases (or sub-leases) of real estate or rents or (sub-leases) of a company or business unit even beyond 9 years for a total amount exceeding Euro 1,000,000 per transaction;
- settlements of disputes before any judicial authority or arbitrators for a total amount exceeding Euro 1,000,000 per transaction;
- granting of loans or guarantees, other than any guarantee given in the course of business, for a total amount exceeding Euro 1,000,000 per transaction, whether in favour or in the interest of the Company and/or in the interest and/or in favour of companies (or even associations, foundations, consortia or entities) directly or indirectly controlled by the Company itself, or whether in favour or in the interest of third parties;
- taking out loans, mortgages or, in any event, debt securities, in any form whatsoever, including against the issue of financial instruments for a total amount exceeding Euro 10,000,000 per transaction;
- signing of company contracts of a commercial nature with a unit value, or in the aggregate where they relate to the same case, exceeding Euro 5,000,000.

The **Chief Executive Officer** is responsible for carrying out all the functions to directly and autonomously provide whatever is deemed necessary and useful for the constant, full compliance with, adaptation to and updating of the regulations and rules of good practice in the area of safety and hygiene at work, environmental protection and fire prevention, and waste management, with reference to all the regulations in force and their scope of application. In particular, the Chief Executive Officer, Andrea Pizzarulli, who holds the title of Employer pursuant to Article 2, Paragraph 1, Letter b) of Legislative Decree

81/2008, is entrusted with matters concerning safety at work, accident prevention, environmental protection and waste management.

On 29 April 2022, the Board of Directors also granted Director Michael S. Perlmutter, severally and with single signature, the following powers:

- signing of company contracts of a commercial nature with a unit value, or in the aggregate where they relate to the same case, of less than Euro 5,000,000.00 (five million/00);
- appointing special attorneys ad negotia for specific deeds or categories of deeds within the scope of the powers granted.

The Board of Directors, taking into account that the Chairman of the Board of Directors holds significant management powers, appointed independent Director Laura Guazzoni as "*Lead Independent Director*", to perform the functions set forth in Article 3, Recommendation 14 of the Corporate Governance Code.

| Board of Directors – Diversity (gender - age groups) | | | | | |
|---|---|---|---|---|---|
| Women | | Men | | Total | |
| No. | % | No. | % | No. | % |
| 2 | 28.57% | 5 | 71.43% | 7 | 100.0% |
| Under 30 years of age | | Between 30-50 years of age | | Over 50 years of age | |
| No. | % | No. | % | No. | % |
| - | - | 1 | 14.29% | 6 | 85.71% |

# The remuneration and performance evaluation policies of the Board of Directors

## Remuneration Policies of the Board of Directors

In March 2023, Civitanavi Systems published the Report on Remuneration Policy and Compensation Paid, published pursuant to Art. 123-ter Consolidated Law on Finance and 84-quater Consob Issuers' Regulations on the website www.civitanavi.com, “Governance” section. This policy may be updated by the Board of Directors, at the proposal of the Remuneration and Appointments Committee, which is responsible for periodically assessing its adequacy, overall consistency and concrete application.

The Remuneration Policy defines the principles and guidelines which Civitanavi Systems has adopted in determining the remuneration of the members of the Board of Directors, Managers with Strategic Responsibilities and, without prejudice to the provisions of Article 2402 of the Italian Civil Code, the members of the Control Bodies, as well as the procedures used for the adoption and implementation of this Policy.

The Remuneration Policy is defined in such a way as to ensure an overall remuneration structure that recognises the managerial value of the individuals involved and their contribution to the company's growth in relation to their respective skills. In particular, the aims pursued by the Remuneration Policy, which is valid for one year, are to meet the objective of establishing remuneration that meets the following requirements:

- be sufficient to attract, retain and motivate managers with the professional qualities required to successfully manage the organisational and management complexity of the Company and the Group;
- align their interests with the pursuit of the overriding objective of creating value for shareholders in the medium to long term, contributing to the pursuit of corporate strategy and medium to long-term interests as well as to the sustainability of the Company;
- leave a significant portion of the overall remuneration related to the achievement of specific performance targets, both qualitative and quantitative, determined in advance and in line with the development lines of the Company and the Group.

In addition, the Remuneration Policy is based on the following principles and is defined consistently with the following criteria:

- facilitate the pursuit of the sustainable success of the Company;
- provide for a balance between the fixed component and the variable component that is appropriate and consistent with the Company's strategic objectives and risk management policy, taking into account the characteristics of the Company's business and the sector in which it operates, and in any case providing that the variable component represents a significant part of the overall remuneration;
- set maximum limits for variable components, linking them to performance objectives, both qualitative and quantitative, predetermined, measurable and linked to the creation of value for shareholders in both the short and medium to long

term;
- fostering the loyalty and protection of the Group's key resources by encouraging their retention.

### Annual total remuneration ratio

For the year 2022, the ratio of the annual total remuneration of the highest paid person to the median annual total remuneration of all employees is 3.36.

## Board of Statutory Auditors

Entrusted with the supervisory functions of Civitanavi Systems, the Board of Statutory Auditors checks that the activities of the Directors and the management of the company are carried out in compliance with the law, as provided for by Italian law. Appointed on the date of the Shareholders' Meeting of 7 October 2021, it consists of three standing auditors and two alternate auditors, and will remain in office until the approval of the financial statements as at 31 December 2023.

| | |
|---|---|
| Marco Donadio | Chairman of the Board of Auditors |
| Cesare Tomassetti | Standing Auditor |
| Eleonora Mori | Standing Auditor |

## The Committees

In accordance with the Corporate Governance Code, which recommends that listed companies have internal committees within the Board of Directors, with responsibility for specific matters, Article 21.4 of the Articles of Association grants the Board of Directors the power to establish internal committees with advisory, proposal-making or control functions in accordance with applicable laws and regulations.
On 13 October 2021, the Board of Directors resolved to establish the following Board committees with advisory and proposal-making functions:

### Control Risk, Related Parties and Sustanability Committee

On 13 October 2021 and 21 December 2021, effective as of Start of Trading on the Italian Stock Exchange Euronext Milan, i.e. 17 February 2022, the Board of Directors appointed the Control and Risk Committee, composed of the three independent directors: Laura Guazzoni (Chair), Maria Serena Chiucchi (Committee Member) , Tullio Rozzi (Committee Member). The Control and Risk Committee is a body with advisory and proposing functions that has the task of **supporting the Board of Directors' assessments and decisions** relating to the internal control and risk management system, as well as those relating to periodic financial and non-financial approvals.

This Committee was renamed as “Control Risk, Related Parties and Sustainability Committee” on the date of approval of this document and the related Committee Regulation was updated.
The Committee has been adjusted to include propositional and advisory functions, with the main objective of (i) promoting the continuous integration of national and international best practices in the corporate governance of Civitanavi Systems and of environmental factors, social and governance factors in corporate strategies, as well as (ii) to create value for shareholders and stakeholders in the medium-long term, in compliance with the principles of sustainable development.

### Remuneration and Appointments Committee

On 13 October 2021 and 21 December 2021, effective as of Start of Trading on the Italian Stock Exchange Euronext Milan, i.e. 17 February 2022, the Board of Directors appointed the Remuneration and Appointments Committee, composed of the three independent directors: Laura Guazzoni (Chair) Maria Serena Chiucchi ( Committee Member), Tullio Rozzi (Committee Member).

The Remuneration and Appointments Committee is an advisory and proposing body with the main task of making proposals to the Board of Directors (i) for the **definition of the policy for the remuneration of directors and managers** with strategic responsibilities and (ii) for **appointments**.

## Supervisory Board

On 4 July 2022, the Board of Directors appointed the Supervisory Board, composed of one member, Antonio Francesco Morone, who will remain in office until the approval of the Financial Statements as at 31 December 2023.

# Sustainability Governance

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| GRI STANDARDS | 2-14 |

The Board of Directors approves the Sustainability Report and the related material issues resulting from the impact assessment and prioritisation phases.

The Board of Directors of Civitanavi Systems is committed to ensuring constant updating of its knowledge, stakeholder engagement for the management of impacts and supervision of the sustainability reporting process, and in particular the identification and management of potential or actual negative economic, environmental and social impacts.

# Organisational structure and delegation process

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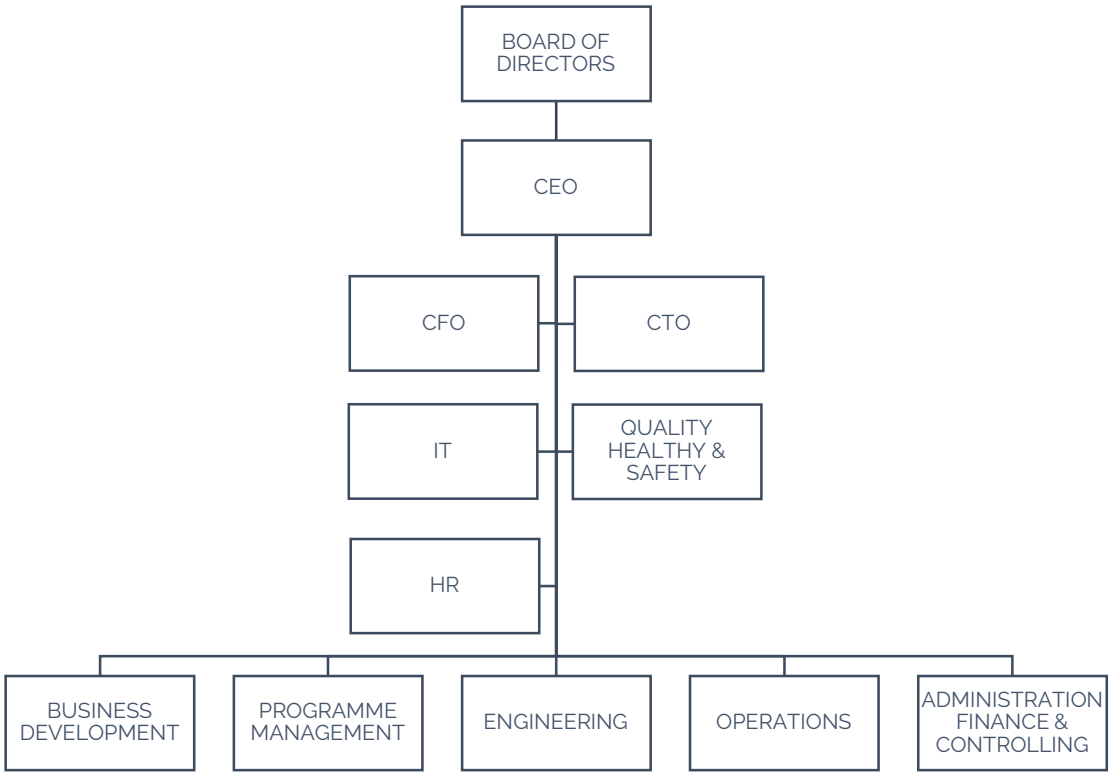
| GRI STANDARDS | 2-13 |

## Organisational Structure




**Financial Reporting Officer**

On 13 October 2021, effective as of the Start of Trading on the Italian Stock Exchange Euronext Milan, i.e. 17 February 2022, the Board of Directors, after receiving the mandatory but non-binding opinion of the Board of Statutory Auditors, has appointed Ms Letizia Galletti as Financial Reporting Officer, selecting her as the person qualified to cover all the activities relating to administration, finance and control, granting her adequate powers and means to exercise the tasks assigned pursuant to law.

# Communication processes and conflicts of interest

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|---|---|
| GRI STANDARDS | 2-15<br>2-16 |

## Conflicts of Interest and Related Parties

In accordance with the Articles of Association, the delegated bodies promptly report to the Board of Directors and the Board of Statutory Auditors – or, in the absence of delegated bodies, the Directors promptly report to the Board of Statutory Auditors – on the activities carried out, on the general management trend and its foreseeable development, as well as on the most important transactions from an economic, financial and equity perspective or due to their specific characteristics, carried out by the Company. In particular, they report on transactions in which the Directors have an interest, either on their own behalf or on behalf of third parties, or which are affected by the party who may exercise management and coordination activities. The communication may be made at the Board meetings or in writing. Communication may be made promptly and in any case at least quarterly.

In 2022, Civitanavi Systems adopted a specific "**Procedure for Related Party Transactions**" pursuant to Article 2391-bis of the Italian Civil Code and the "Regulations containing provisions on related party transactions" issued by Consob with resolution no. 17221 of 12 March 2010 (as subsequently amended and supplemented) containing principles and rules to which the boards of directors of companies that make use of the risk capital market must adopt "*in order to ensure the transparency and substantive and procedural correctness of transactions with related parties carried out directly or through subsidiaries*".

The Procedure, available in the *Documents and Procedures* section on the Civitanavi Systems website (www.civitanavi.com, Governance area), therefore governs the procedures for the approval and execution of transactions with Related Parties carried out by Civitanavi Systems S.p.A. directly or through its subsidiaries.

Furthermore, as expressly governed by the Code of Ethics of Civitanavi Systems, in the conduct of company activities, situations where the persons involved are, or may even only appear to be, in conflict of interest, must always be avoided.
Therefore, both situations in which an Addressee pursues an interest other than the Company's directives or voluntarily obtains a personal advantage when carrying out activities in the interest of the Company, and situations in which the representatives of external stakeholders act in conflict with the fiduciary or institutional duties proper to the position they hold, must be avoided.
Any situation potentially likely to generate a conflict of interest or in any case to prejudice the ability of the corporate functions to make decisions in the best interests of Civitanavi, must be immediately communicated to the relevant manager or contact person and results in the obligation to refrain from performing acts connected or related to such situation, unless expressly authorised by the same manager or contact person. Where necessary, the Manager or contact person may refer the case to the Supervisory Board for assessment.

## Engagement Policy

Civitanavi Systems has adopted an Engagement Policy aimed at promoting and regulating opportunities for meetings and discussions with financial stakeholders ("Policy for managing dialogue with the general public of Civitanavi Systems S.p.A."), available in the *Documents and Procedures* section of the Civitanavi website.

The objective of the Policy, as well as of all Dialogue management activities, is to foster Civitanavi's transparency towards the financial community and the markets, by building, maintaining and developing an active relationship of trust with the Investors. It also aims to safeguard, at all times, its legitimate interests and requests, which the Board of Directors shall take into account in the pursuit of its role of strategic guidance and monitoring of management performance, with the ultimate goal of leading the Company towards its sustainable success.

The topics discussed in the Dialogue with Investors concern matters falling under the Board of Directors' area of competence, also through its Committees, with particular regard to the following issues: corporate governance, such as aspects relating to the corporate governance system, the appointment and composition of the Board of Directors, also in terms of size, professionalism, integrity, independence and diversity, the composition, duties and functions of the Board Committees; social and environmental sustainability; policies on the remuneration of directors and managers with strategic responsibilities and their implementation; internal control system and risk management.

## Reports and Communications

Civitanavi Systems SpA has adopted an Organisational and Control Model (Leg. 231/01) and has defined precise procedures for complying with information and communication obligations vis-à-vis the body responsible for supervising the application of and compliance with the Model.

The management of these communications is ensured by the organisation through general rules, procedures and specific instructions aimed at regulating both the information flows coming from the offices and operating units and directed to the SB (Supervisory Board), and those from the SB and directed to the governing and control bodies. In accordance with the principle of traceability, these communications are written down and stored by the Supervisory Board itself. The Company has set up an appropriate channel to enable the flow of information (odv231@civitanavi.com).

In compliance with the provisions of the General Part of the Organisation and Management Model of Civitanavi Systems, the Supervisory Board, during the investigation activity that follows the reporting of any violations, acts in such a way as to guarantee that the persons involved are not subject to retaliation, discrimination or penalisation, ensuring the confidentiality of the person making the report, without prejudice to legal obligations.

In order to ensure full autonomy and independence in the performance of its functions, the Supervisory Board reports directly to the Board of Directors. In particular, the Supervisory Board sends to the Board of Directors:
- at least once a year an information report on the activities carried out;
- upon the occurrence of ascertained violations of the Model, with presumed commission of offences, a communication under its area of competence.

However, the Supervisory Board has the right to request a hearing before the Board of Directors, should it deem it necessary. For its part, the Board of Directors is entitled to convene the Supervisory Board if it deems it appropriate.

The following aspects are highlighted in periodic reporting:
- the controls and checks carried out by the Supervisory Board and their outcome;
- any critical issues that have emerged;
- the state of progress of any corrective and improvement measures to the Model;
- any legislative innovations or organisational changes that require updates in the identification of risks or changes to the Model;
- any disciplinary sanctions imposed by the competent bodies as a result of violations of the Model;
- any reports received from internal and external parties during the period concerning alleged violations of the 231 Model or the Code of Ethics;
- other information deemed significant.

Meetings with corporate bodies to which the Supervisory Board reports must be documented. The Supervisory Board takes care of the archiving of the relevant documentation.

Apart from the relations with the Board of Directors, following communications received from the Supervisory Board, the corporate functions concerned take action to eliminate the identified critical issues by amending or updating the parts of the Model concerned, if necessary. They then promptly notify the Supervisory Board of the solutions adopted.

In the event that the investigations carried out by the Supervisory Board reveal elements that may lead to the commission or attempted commission of the offence by one or more directors, the Supervisory Board shall promptly report to the Control Risk Committee, and through it to the Board of Directors, and to the Board of Statutory Auditors.

# Business conduct

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| GRI STANDARDS | 2-23<br>2-24<br>2-25 b<br>2-26<br>2-27<br>2-28 |

## Organisational, management and control model Legislative Decree 231/2001

Civitanavi Systems S.p.A. has adopted an Organisational, Management and Control Model pursuant to Legislative Decree No. 231 of 8 June 2001 (hereinafter also referred to as “Legislative Decree. 231/01" or “Decree”). The Organisational, Management and Control Model (hereinafter also referred to as “Model 231”) represents a coherent set of principles and operating rules that govern the internal functioning of Civitanavi Systems and the manner in which it relates to the outside

world, and regulate the control system of sensitive activities, in order to prevent the commission or attempted commission of the offences referred to in Legislative Decree 231/2001.

The adoption of Model 231 therefore enables the Company:
- to prevent and counteract the commission of offences 231 and to sanction the conduct of company departments contrary to the law and company rules, thanks to a monitoring action on sensitive activities;
- to raise the awareness of corporate functions and stakeholders (customers, suppliers, collaborators, partners, etc.) to behave properly and transparently in the conduct of their activities, in line with the ethical-social values of the Company and such as to prevent the risk of commission of offences as per the Model 231;
- to make such persons aware that unlawful conduct may also entail administrative sanctions against the Company and is therefore contrary to the interests of the Company even when it might apparently benefit from it;
- to verify, rationalise, review and integrate the decision-making and operational processes, as well as the control systems, of the Company;
- to promote awareness among the corporate functions of the respect and application of the behavioural rules and prevention protocols adopted by the Company, also raising awareness that, in the event of violation of the provisions contained in this document, an offence liable to penal, civil and disciplinary sanctions may be committed.

The Model 231 of Civitanavi Systems consists of a General Section and a Special Section: the first describes the function of the Model 231, the reference regulatory framework, the structure of the Model 231 adopted by the Company, briefly illustrates the methods for identifying risks and analysing any preventive measures, the Management and Control System in force in the Company, the functions and activities of the Supervisory Board and the disciplinary system in force; while the second identifies, in relation to the relevant types of offence, the corporate processes potentially at "risk 231". It also contain an example of the hypothetical ways in which offences may be committed and defines the conduct principles to comply with as well as the reference control systems in place for risk prevention.

The following are also to be considered an integral and substantial part of Model 231: the Code of Ethics, which defines the general ethical values and principles with which all corporate functions must comply; and the Management and Control System in place within the Company.

As provided for by the reference legislation, a Supervisory Board (SB) was appointed, which is vested with the powers of initiative and control necessary to ensure effective and efficient supervision of the operation of and compliance with the Model 231 in accordance with Article 6 of Legislative Decree 231/2001.

## Code of ethics

The Code of Ethics of Civitanavi Systems defines the values and ethical principles by which the Company inspires its entrepreneurial action, both in internal relations within the Company and in relations with external subjects, public or private, with the aim of ensuring the transparency, propriety and integrity of the work and services provided by the Company.

The Code of Ethics affirms, as a founding principle of the Company's operations, the **strict observance of the laws and regulations applicable to the** Company's **areas of operation**, and ratifies the **principles of conduct** to which all addressees must adhere in the daily performance of their work activities and duties. The Code of Ethics is an integral and substantial part of this Model 231.

Compliance with the principles and guidelines set out in the Code of Ethics is required of all those who have any form of employment or commercial relationship with the Company or, more generally, are stakeholders in the Company. This obligation is to be regarded as an essential element of work performance.

### General Principles of the Code of Ethics
- Legal
- Physical and moral integrity of the person and prohibition of discrimination
- Transparency and fairness
- Conflicts of interest
- Confidentiality, privacy and use of information systems
- Value enhancement of Human Resources
- Diligence and Responsibility
- Worker health and safety
- Environmental Protection and Sustainability
- Criteria of conduct relating to corporate, governing or financial activities
- Prevention of corruption: gifts, benefits and other advantages
- External relations and communications
- Insider information
- Prohibition of Money Laundering operations

For their part, the members of the **Board of Directors are guided by the principles of the Company's Code of Ethics when setting business objectives**. Since the observance by all Recipients of Model 231, within the scope of their functions and responsibilities, of the rules of conduct contained in the Code of Ethics is of fundamental importance, both for the proper functioning and reliability of the Company, and for the protection of its reputation and image, **the Company ensures full knowledge and understanding of the Code of Ethics** by **all Recipients** through the adoption of **procedures for training and raising awareness of its contents**. All employees of the Company, take note of the Company's Code of Ethics, which they sign for acceptance.
The Company requires its business partners (suppliers, partners, commercial or financial partners, consultants, proxies), who have relations with the Company, to comply with the principles set out in the Code of Ethics itself, requiring them to sign specific contractual clauses. Violation of the Code of Ethics by corporate functions constitutes a disciplinary offence on a par with violation of the provisions of this Model 231.

The "Code of Ethic" and the "Organisational, Management and Control Model" are available on the Company's website at Documents and Procedures » Civitanavi Systems - We care, We perform, We deliver! in the Governance section.

## Whistleblowing

Civitanavi Systems has a communication tool (Whistleblowing) dedicated to any reporting that guarantees the confidentiality of the data and the identity of the whistleblower using computerised and encrypted methods. The Organisational, Management and Control Model and the Code of Ethics also provide that all those who become aware of information relating to the commission of offences or of facts and/or conduct that do not comply with the rules of conduct drawn up by Civitanavi Systems S.p.A. pursuant to Legislative Decree No. 231/2001, may make spontaneous reports to the Supervisory Board through the following channels:

- the e-mail box odv231@civitanavi.com;
- by mail to the attention of: CIVITANAVI SYSTEMS S.p.a., Via del Progresso 5, Pedaso 63827 (FM).
- if the subject of the report concerns the Supervisory Board, the report shall be addressed exclusively by mail to CIVITANAVI SYSTEMS S.p.a., Board of Directors, Via del Progresso 5, Pedaso 63827 (FM);

Pursuant to article 6, para. 2 bis Legislative Decree 231/2001, all corporate functions and all those working for the Company are required to ensure the confidentiality of the identity of corporate subjects who report unlawful conduct relevant under Leg. 231/2001 or violations of the Model. This confidentiality must be ensured during all stages of the handling of the report, in order to prevent any act of retaliation or discrimination, direct or indirect, against the whistleblower for reasons directly or indirectly related to the report.

In compliance with the duty of confidentiality, the information acquired by the Supervisory Board shall be treated in such a way as to ensure:

- respect for the confidentiality of the identity of the reporting person and the report submitted;
- non-occurrence of acts of retaliation, penalisation or discrimination against the whistleblowers;
- protection of the rights of persons in relation to whom reports have been sent.

The Supervisory Board assesses reports received with discretion and responsibility, handling the reported data and documents in compliance with data protection regulations.

It should also be noted that on 9 March 2023, the Council of Ministers gave final approval to the legislative decree transposing Directive (EU) 2019/1937 of the European Parliament and the Council, the so-called Whistleblowing Directive. The Decree will enter into force on 15 July 2023 and will apply to all employers in the public and private sectors, regardless of whether they have adopted a 231 organisational model. Only for private-sector entities that have an average of up to 249 employees with permanent or fixed-term employment contracts in the last year, the obligation to set up the internal reporting channel takes effect on 17 December 2023. Civitanavi Systems will therefore comply with the new whistleblowing obligations according to the timeframe indicated by the legislation.

## Management Systems and Certifications

Civitanavi's primary objective is the production of inertial navigation sensors and systems characterised by parameters that guarantee a high standard of quality and safety levels suitable for long life. In order to reinforce this commitment, Civitanavi Systems has obtained the following certifications:

| Management Methods | Description | Issue date | Website |
|---|---|---|---|
| **ISO 9001:2015** | Quality management system | 20 January 2022 | Civitanavi Systems S.p.A. - Via del Progresso 5, 63827 Pedaso (FM), Italy |

| | | | |
|---|---|---|---|
| **EN 9100:2018** | Aerospace Quality Management System (relating to the design and production of inertial sensors and navigation systems for maritime, land, mining, aerospace, military and civil applications). | 20 January 2022 | Civitanavi Systems S.p.A. - Via del Progresso 5, 63827 Pedaso (FM), Italy |
| **ISO 45001:2018** | Occupational health and safety management | 10 May 2021 | Civitanavi Systems S.p.A<br>- Via del Progresso 5, 63827 Pedaso (FM), Italy<br>- Via Pontina Vecchia, Km 34, 00040 Ardea (RM), Italy<br>- Via Giovanni Pascoli 7, 80026 Casoria (NA), Italy |
| **ISO/IEC 27001:2013** | Information Security Management System | 8 October 2022 | Civitanavi Systems S.p.A. - Via del Progresso 5, 63827 Pedaso (FM), Italy |
| **Cyber Essentials** | The Cyber Essentials scheme is a framework promoted by the UK government and supported by the NCSC (National Cyber Security Centre). It defines five basic security controls that can protect organisations from 80 per cent of common cyber attacks.<br><br>The scheme is designed to help organisations of any size demonstrate their commitment to IT security while maintaining a simple approach and low cost.<br><br>The certification process is managed by the IASME Consortium, which authorises certification bodies to carry out Cyber Essentials and Cyber Essentials Plus certifications. | 20 December 2021 | Civitanavi Systems S.p.A. - Via del Progresso 5, 63827 Pedaso (FM), Italy |

All of the above certifications are scheduled to expire in 2024.

### ENAC authorisations

Civitanavi Systems has also obtained the **Production Organisation Approvals** (POA) and the **Alternative Procedures to Design Organisation Approval** (ADOA) from **ENAC** (Italian Civil Aviation Authority) and EASA (European Union Aviation Safety Agency), which are necessary to obtain the ETSO (European Technical Standard Order) authorisation for civil aeronautical equipment.

## Compliance

As stated in its Code of Ethics, Civitanavi Systems' activity is oriented towards strict compliance with laws and regulations, in all the countries in which it operates.

### Environment

No environmental disputes have occurred during the reporting period (2020-2022). At the time of drafting this document, there are no environmental disputes that have given rise to significant penalties for non-compliance with environmental laws, rules, or regulations.

Civitanavi Systems also issues an annual Environmental Legal Compliance Analysis that defines its strategy in relation to the environmental impact of its activities.

### Non-compliance with laws and regulations in social and economic areas

During the reporting period, no disputes or cases of violation of relevant laws and/or regulations relating to social and economic provisions arose. No sanctions of this nature were received in 2022 and no significant proceedings were reported in this regard.

With the exception of the foregoing and up to the date of publication of this document, Civitanavi Systems has not been the subject of other findings or inspections, nor has it been the recipient of requests for corrective action, nor has it been subject to the imposition of sanctions by any judicial authority or other authority in charge of controlling and supervising its activities.

## Membership of associations

Civitanavi Systems has been an AIAD member company since 2015. AIAD is the Federation, member of Confindustria, representing Italian Aerospace, Defence and Security Companies. It encompasses almost all national high-technology companies involved in design, production, research and services in the civil and military aerospace, naval and military ground sectors and related electronic systems.

The Federation maintains close and constant relations with national, international and NATO bodies and institutions in order to promote, represent and guarantee the interests of the industry it represents. A close working relationship is consolidated with the Defence Administration and General Secretariat , as well as with other Ministries such as Foreign Affairs, Economic Development, Universities and Scientific Research, or Bodies and Institutions such as ENAC, ASI, CNR, etc.

It is also the driving force behind an intense promotional activity abroad to coordinate the Italian participation in the most important international events and to organise and coordinate the mission abroad of our companies but also the visit of foreign delegations to Italy. In this context, Civitanavi Systems participates in the most important international events in the sector, such as the International Aeronautics and Space Show in Paris-Le Bourget and the Farnborough International Airshow in the UK.

Since 2019, Civitanavi Systems has been part of the network of Endeavor Italia, an organisation that promotes the economic growth of scale-ups, fostering access to global markets, talent and capital development programmes, with a view to accelerating the company's international expansion.
In the same year, the company was selected from more than 2,700 national companies and became part of the Elite Leonardo Lounge programme, a project aimed at strengthening companies in the Aerospace and Defence sector according to the guidelines of the *Leonardo Empowering Advanced Partnership* - LEAP2020 programme.

## Commitment to the region and the community

In 2020, Civitanavi Systems pledged its contribution during the Covid emergency through two donations to the Green Cross and the Italian Relief Corps Foundation. In addition, during 2022, Civitanavi Systems supported the activities of the AIRC Foundation for Cancer Research through a donation.

# 4 Material Topics

## Impacts and material issues

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| GRI STANDARDS | 3-1 a |

According to the GRI Standards, impacts refer to the economic, environmental and social, including human rights, effects a company has or could have as a consequence of its activities or business and trade relations. Impacts can be actual or potential, negative or positive, short or long term, intentional or unintentional, reversible or irreversible, and can represent the organisation's positive or negative contribution to sustainable development. The most significant impacts represent Material Topics.

The impacts of a company's activities and business relationships on the economy, the environment and people can also have positive and negative consequences on the company's operations or reputation, and therefore, in many cases, these consequences are also financial or could become so in the medium and long term, affecting the value of the company, relations with stakeholders and the competitive position in the reference market.

The EU Directive 2022 / 2464 (CSRD Corporate Sustainability Reporting Directive) approved by the European Parliament in November 2022 and coming into force with the reporting for the financial year 2024, supplemented the definition of material topics by introducing the concept of dual materiality. According to this approach, material topics are a) governance, environmental and social areas and issues on which the company, through its activities, has a significant impact (Impact Materiality); b) aspects that can have significant impacts on the development, performance and, consequently, the financial value of a company (Financial Materiality).

It should be noted that since EU Directive 2022/2464 has not yet come into force, this document is drafted in accordance with the GRI Standards, adopting the definition of material topics as per GRI Standards. As already pointed out, the two *directions of* materiality are obviously closely interconnected.

## The identifying process - issue evaluating and prioritising

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| GRI STANDARDS | 3-1 |

### Understanding the context of the organisation

The **Civitanavi Systems**' background and frame of reference, business model, activities and business relations, as well as the sustainability context and stakeholder analysis, are given in Chapter 2 above.

### Identification of actual and potential impacts

The identification of actual and potential impacts on the economy, the environment, and people, including human rights impacts, in the context of **Civitanavi Systems**' activities and business relations was carried out on the basis of the analysis of external and internal sources, taking into account the elements that have emerged from the reports and involvement of stakeholders in the management of the business. For the year 2023, the plan is to involve employees through a survey for the identification and prioritisation of Civitanavi's impacts, to start a direct stakeholder engagement process.

| Main external sources analysed |
|---|
| World Economic Forum - Strategic Intelligence/Global Risk Report |
| OECD (Organisation for Economic Co-operation and Development) Due Diligence Guidance for Responsible Business Conduct |

| |
|---|
| United Nations Human Rights (UNHR), 2011. Guiding Principles on Business and Human Rights. Implementing the United Nations "Protect, Respect and Remedy" Framework |
| Reports from local/national/international government agencies:- MIMS - Ministry of Infrastructure and Transport / - EASA - European Aviation Environmental Report 2022/ - Italian Space Agency PIAO 2023-2025/ - EU Sanctions Map |
| National/EU/foreign legislation: - Law 185/90 / - Presidential Decree 15 March 2010 No. 90 / - Regulation (EU) 2021/821 / - EU Regulation EC 428/2009 / Regulation EU No. 748/2012, Annex I, Sec. A Part G (POA) / EU Regulation No. 748/2012, 21A. 602B(b)(2) (ADOA/ / US - International Traffic in Arms Regulations (ITAR) / US - Export Administration Regulations (EAR) |
| EU Green Deal |
| Sector studies and research: IRAD - Impact Factors on Defence Technology Innovation and Dual-use Capability Development (2022) |
| SASB - Sustainability Accounting Standards - Materiality Finder |
| ESRS - European Sustainability Reporting Standards (DRAFT) |
| IFRS-S - International Financial Reporting Standards - Sustainability (DRAFT) |
| Benchmark for comparison with main peers and strategic partners of Civitanavi Systems S.p.A. on the subject: Management of Material Issues/Policies, Management Systems, Certifications/Risk Management |
| **Main internal sources analysed** |
| Organisational, Management and Control Model pursuant to Legislative Decree no. 231/01 |
| Code of Ethics of Civitanavi Systems S.p.A. |
| Management systems and certifications |
| Risk Assessment Document (DVR - Documento di Valutazione dei Rischi ) |
| Information Prospectus (IPO) of Civitanavi Systems |
| ESG questionnaires received from customers/banks - investors |
| Employee questionnaire on perceived well-being |
| Sustainability Plan |
| Risk Analysis |

## Assessment of the relevance and prioritisation of impacts

The stage of assessing the significance of identified impacts is aimed at prioritising them. Prioritisation allows the company to determine the material issues to be reported, but, above all, to define more effectively and according to a logic of relevance the commitments and actions needed to address the impacts. The significance of an impact depends on the specific conditions of a company, the sector in which it operates and its business model. The significance of an actual negative impact depends on the severity of the impact, while that of a potential negative impact depends on the severity and likelihood of the impact. Severity is defined by the GRI Standards on the basis of three parameters: a) Scale: how severe is the impact; b) Scope: how widespread is the impact; c) Non-recoverability characteristics.

The significance of an actual positive impact depends on the scale and scope of the impact, while the magnitude of a potential positive impact depends on both the scale and scope and the likelihood of the impact. In the case of positive impacts, the scale of an impact refers to the actual and/or potential benefits of the impact, while the scope refers to its actual or possible magnitude.

The conclusion of the process has involved the prioritisation of the identified and assessed impacts, in relation to their importance and on the basis of a threshold, defined for this purpose. The impacts that have been identified as most relevant are reported in this document.

# Material topics

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| GRI STANDARDS | 3-2 |

The results of the activities carried out are summarised in the following table, which highlights the material themes, the underlying impact areas (descriptions and reasons for the relevance of the selected themes), the characteristics of the material theme, and the specific indicators (GRI Standards) used for reporting, which are detailed in the GRI Content Index, an integral part of this document. The material topics are grouped according to the ESG (Environmental, Social, Governance) classification, also provided for in EU Directive 2022/2464 (CSRD).

| Material topic | | Impacts | | GRI Topic Standards | Chapter Ref |
|---|---|---|---|---|---|
| | | Summary | Characteristics | | |
| E | Environmental | | | | |
| 1 | Energy consumption and efficiency | Impacts related to energy consumption for Civitanavi Systems' production activities and related actions aimed at energy efficiency and transition to renewable sources. [Negative] | Actual: Energy consumption of Civitanavi Systems<br>Direct: related to direct activities only<br>Short-medium-long term (structural with respect to the business model)<br>Planned as it relates to current production processes | GRI 302 Energy | Chapter 9 - Environment |
| 2 | Emissions | Negative impacts from emissions generated by production activities and projects/plans to reduce them for climate change mitigation. [Negative] | Actual: emissions resulting from Civitanavi Systems' activities<br>Directly and through business relations<br>Short-medium-long term (structural with respect to the business model)<br>Planned as it relates to current production processes | GRI 305 Emissions | Chapter 9 - Environment |
| 3 | Waste and circular economy | Impacts resulting from direct production from Civitanavi's production activities/processes and actions to optimise the generated waste cycle. [Negative] | Actual: waste generated and/or recovered by Civitanavi Systems<br>Directly and through business relations<br>Short-medium-long term (structural with respect to the business model)<br>Planned as it relates to current production processes | GRI 306 Waste | Chapter 9 - Environment |
| S | Social | | | | |
| 4 | Employment and people skill development | Ability to attract and retain talent and provide all employees with the necessary support in their professional growth/development through training and skills development programmes. [Positive] | Actual: ability to attract staff, quality of working environment and training programmes aimed at maintaining and developing skills<br>Direct: related to direct activities only<br>Short-medium-long term (structural with respect to the business model)<br>Expected as it relates to business | GRI 401 Employment<br>GRI 404 Training and education | Chapter 8 - The Value of People |
| 5 | Diversity, inclusion and equal opportunities | Ability to ensure a stimulating work environment that guarantees respect, equal opportunities, diversity and inclusion for all workers. [Positive] | Effective: protection through welfare initiatives, Code of Ethics and company policies<br>Direct: related to direct activities only<br>Short-medium-long term (structural with respect to the business model) | GRI 405 Diversity and equal opportunities<br><br>GRI 406 Non-discrimination | Chapter 8 - The Value of People |

| Material topic | | Impacts | | GRI Topic Standards | Chapter Ref |
|---|---|---|---|---|---|
| | | Summary | Characteristics | | |
| | | | Expected as it relates to business | | |
| 6 | Worker health and safety | Occupational health and safety policies, monitoring of accidents or other incidents in the workplace; in the event of an accident, potential negative consequences for the health and safety of all persons working within Civitanavi Systems. [Negative] | Potential: possible occupational injuries | GRI 403 Occupational health and safety | Chapter 8 - The Value of People |
| | | | Directly and through business relations | | |
| | | | Short-medium-long term (structural with respect to the business model) | | |
| | | | Unintentional | | |
| 7 | Responsible supply chain management | Any negative impacts related to the procurement of goods and services from suppliers, in particular the social and environmental impacts generated by them (human rights, health and safety of workers and environmental impacts related to energy consumption and emissions). [Negative] | Actual: supply chain management and monitoring according to ESG criteria | GRI 308 Environmental evaluation of suppliers<br><br>GRI 414 Social evaluation of suppliers | Chapter 2 – We care – We perform – We deliver: the business model<br><br>Chapter 7 – Product Quality, Compliance and Safety |
| | | | Direct and through business relations (structural with respect to the business model) | | |
| | | | Short-medium-long term (structural with respect to the business model) | | |
| | | | Unintentional | | |
| 8 | Quality/compliance and safety of products and services | Cases of non-compliance in the area of health and safety of products and end consumers. [Negative] | Potential: conformity of products offered by Civitanavi Systems and consumer safety | GRI 416 Customer health and safety<br><br>GRI 417 Marketing and labelling | Chapter 7 – Product Quality, Compliance and Safety |
| | | | Direct and through business relations (structural with respect to the business model) | | |
| | | | Short-medium-long term (structural with respect to the business model) | | |
| | | | Unintentional | | |
| 9 | Cybersecurity and Data Privacy | Corporate security management and measures to protect customers and employees from data breaches. [Negative] | Potential: cases of data breach/company and customer data breaches | GRI 418 Customer privacy | Chapter 6 – Ethics and Integrity |
| | | | Direct and through business relations (structural with respect to the business model) | | |
| | | | Short-medium-long term (structural with respect to the business model) | | |
| | | | Unintentional | | |
| G | Governance / Economics | | | | |
| 10 | Economic and financial performance | Ability to generate positive economic results that ensure the economic sustainability of the enterprise and the distribution of the generated value to all stakeholders. [Positive] | Actual: creation of generated and distributed economic value | GRI 201 Economic performance | Chapter 5 – The Creation and Distribution of Value |
| | | | Direct and through business relations (structural with respect to the business model) | | |

| Material topic | | Impacts | | GRI Topic Standards | Chapter Ref |
|---|---|---|---|---|---|
| | | Summary | Characteristics | | |
| | | | Short-medium-long term (structural with respect to the business model) | | |
| | | | Expected as it relates to business | | |
| 11 | Technological Innovation | Investment in research, development and innovation of products and services - drivers for the economic development of the company and positive environmental and social impacts for both the company and the community.<br>[Positive] | Actual: positive impacts from R&D and co-design investments | GRI 201-4<br><br>Theme Reported with GRI 2 General Disclosure | Chapter 2 – We care – We perform – We deliver: the business model |
| | | | Direct and through business relations (structural with respect to the business model) | | |
| | | | Short-medium-long term (structural with respect to the business model) | | |
| | | | Planned as it relates to current production processes | | |
| 12 | Ethics and integrity in business conduct | Potential negative impacts from unaccountable business conduct through regulatory non-compliance, lack of fiscal transparency and integrity in managing business relationships.<br>[Negative] | Potential: supervision guaranteed through procedures and Model 231 | GRI 205 Anti-Corruption<br><br>GRI 206 Anti-competitive conduct | Chapter 3 – Governance and Business Conduct<br><br>Chapter 6 – Ethics and Integrity |
| | | | Directly and through business relations | | |
| | | | Short-medium-long term (structural with respect to the business model) | | |
| | | | Unintentional | | |

# Material Topics - Objectives and Actions

| | |
|---|---|
| GRI STANDARDS | 3-3<br>2-24 |

The commitments of Civitanavi Systems with respect to the material themes identified are shown in the following graphic, which also shows their correlation and consistency with the UN Agenda 2030 and the SDGs - Sustainable Development Goals - 17 Goals and 164 targets identified by the Agenda.

The objectives identified were developed from an initial in-house development activity in July 2022, which led to the identification of a series of actions related to 3 themes: ***Compliance, Innovation*** **and** ***Social and Environmental Responsibility***.

The objectives, actions and related impacts, as well as the processes and procedures adopted to monitor performance and the effectiveness of actions, are discussed in more detail in the respective chapters of this document, where said issues are addressed and reported on.

| | Material topic | Objectives | | | SDGs Sustainable Development Goals | |
|---|---|---|---|---|---|---|
| | | Action | Progress | Time span | # | Target (abstract) |
| **E** | **Environmental** | | | | | |

| | Material topic | Objectives | | | SDGs Sustainable Development Goals | |
|---|---|---|---|---|---|---|
| | | Action | Progress | Time span | # | Target (abstract) |
| 1 | Energy consumption and energy efficiency | Construction of a photovoltaic system for electricity production (self-consumption). | To be implemented | 2023-2024 |   | 7.2<br>7.3<br><br>13.2 |
| 2 | Emissions | | | | | |
| 3 | Waste and circular economy | Adoption of an automatic trade compliance tool for analysing products in terms of REACH compliance and RhOS compliance.<br><br>Implementation of a non-conformity management plan for electronic boards in order to reduce the rejection of these components, also by means of rework done in accordance with IPC with suitably qualified personnel.<br><br>Increased purchase of recycled paper with a target of 100%. | Ongoing<br><br>Ongoing<br><br>Ongoing | 2023-2024<br><br>2023-2024<br><br>2023 |   | 12.4 |
| **S** | **Social** | | | | | |
| 4 | Employment and people skill development | Presentation of Civitanavi Systems' Sustainability Report 2022 to all personnel during a dedicated training event.<br><br>Dedicated training plan for all staff and employees on sustainability and environmental and social impacts generated by the company.<br><br>Adoption of an employee appraisal system with objectives and development of skills and awareness generation also on ESG issues.<br><br>Organisation of meetings with schools and universities aimed at facilitating entry into the world of work and at strengthening relations with the local area. | To be implemented<br><br>Ongoing<br><br>To be implemented<br><br>Ongoing | 2023<br><br>2023-2024<br><br>2023-2024<br><br>2023-2024 |   | 4.4<br><br>8.4<br>8.6 |
| 5 | Diversity, inclusion and equal opportunities | Acquisition of SA 8000 certification on Social Accountability.<br><br>Adoption of a company policy on Diversity, Equity and Inclusion. | Ongoing<br><br>To be implemented | 2023-2024<br><br>2023-2024 |   | 5.5<br><br>8.5<br>8.6<br>8.7<br>8.8<br><br>10.2<br>10.4 |
| 6 | Worker health and safety | Adoption of a company attendance recording system for safety purposes. | Ongoing | 2023-2024 |   | 8.8 |

| | Material topic | Objectives | | | SDGs Sustainable Development Goals | |
|---|---|---|---|---|---|---|
| | | Action | Progress | Time span | # | Target (abstract) |
| 7 | Responsible supply chain management | Expanding the mapping and qualification system of suppliers taking ESG issues into account, in conjunction with the mapping that is already carried out of suppliers located in countries considered to be at risk of "modern slavery".<br><br>Adoption of an automated trade compliance tool to monitor and map supplies related to Conflict Minerals. | Ongoing<br><br>Ongoing | 2023-2024<br><br>2023-2024 |  | 8.7<br>8.8<br><br>12.2 |
| 8 | Quality/compliance and safety of products and services | Implementation of EC marking and user manuals on Civitanavi Systems products. | Ongoing | 2023-2024 |  | 9.1 |
| 9 | Cybersecurity and Data Privacy | Ensure specific training in IT security and data privacy for all Civitanavi Systems personnel. | Ongoing | 2023-2024 |  | |
| **G** | **GOVERNANCE** | | | | | |
| 10 | Economic and financial performance | Economic and financial performance to ensure business continuity and the distribution of value among stakeholders. | Ongoing | 2023-2025 |  | 8.1 |
| 11 | Technological Innovation | Expansion in terms of digitisation of internal business processes.<br><br>Continue to ensure research and development of innovative projects.<br><br>Expand partnerships and research projects with educational institutions, universities and research centres. | Ongoing<br><br>Ongoing<br><br>Ongoing | 2023-2024<br><br>2023-2024<br><br>2023-2024 |  | 8.2<br>9.5 |
| 12 | Ethics and integrity in business conduct | Creation of a “Sustainability” section on the Civitanavi Systems website in order to collect and communicate in a more accessible way the company's initiatives, results and contribution to environmental or social improvement projects in the community.<br><br>Adoption of the Legality Rating issued by the Italian Antitrust Authority.<br><br>Strengthening of the integration of ESG aspects into the risk identification system (ERM). | Ongoing<br><br>To be implemented<br><br>Ongoing | 2023-2024<br><br>2023-2024<br><br>2023-2024 |  | 16.5<br>16.6 |

# Risk management

| | |
|---|---|
| GRI STANDARDS | 3-1<br>3-3 d |

The significance and subsequent prioritisation scale of an actual negative impact depends on the severity of the impact, while that of a potential negative impact depends on the severity and likelihood of the impact. The combination of the severity and probability of a negative impact defines the risk. The risk management systems adopted by companies identify and assess the different areas and categories of risk, economic, environmental and human impacts.

In 2022, Civitanavi Systems initiated a process to identify, assess and manage key risks. This process, which saw the involvement of Civitanavi's management, led to the identification of several main risks**,** for which an initial qualitative assessment was carried out and a rating (high, medium or low) was assigned, with a subsequent identification of risk response.

## Governance of Risk Management

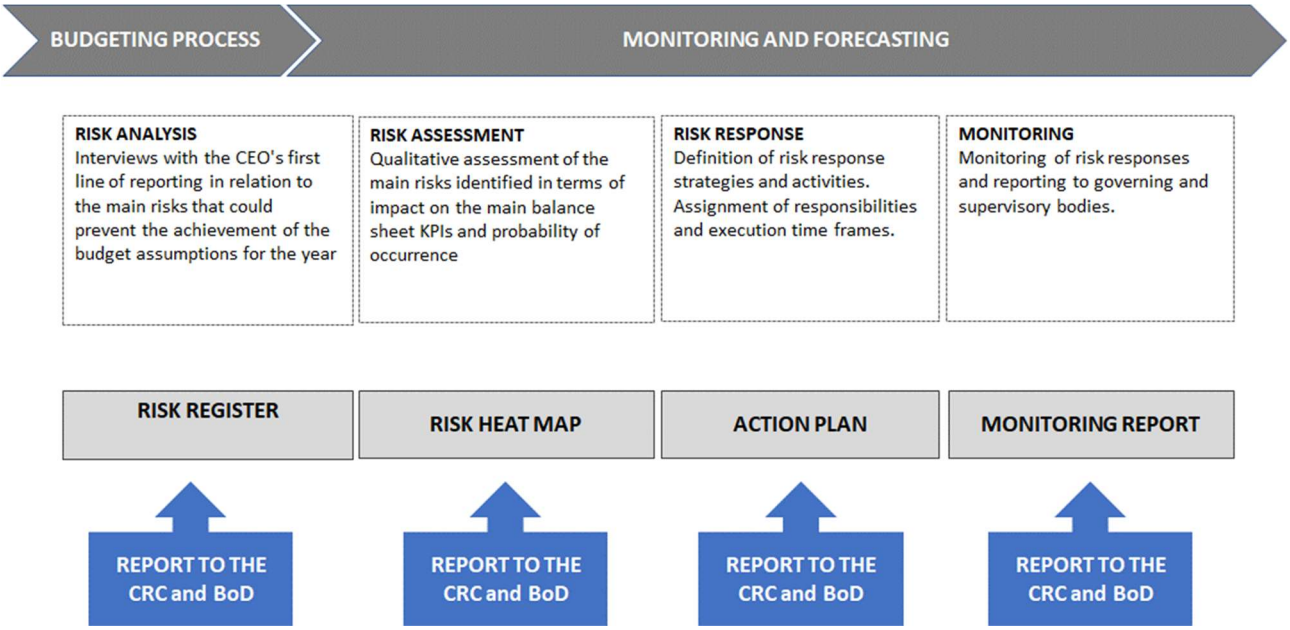
**Board of Directors -** Plays a steering role in the company's pursuit of sustainable success, defines the strategies of the company and the group and monitors their implementation. It defines the company's corporate governance system and group structure and assesses the adequacy of the organisational, administrative and accounting structure of the company and its strategically important subsidiaries, with particular reference to the internal control and risk management system. It defines the guidelines of the internal control and risk management system in line with the company's strategies and assesses, at least once a year, the adequacy of the system in relation to the characteristics of the company and the risk profile assumed, as well as its effectiveness.

**Internal Control Committee -** Reviews the content of periodic non-financial information relevant to the internal control and risk management system. It formulates opinions on specific aspects relating to the identification of the main corporate risks, reports to the Board, at least every six months, at the time of approval of the annual and half-year financial report, [...] on the adequacy of the internal control and risk management system.

**Chief Executive Officer – CEO –** oversees the identification of the main corporate risks, taking into account the characteristics of the activities carried out by the issuer and its subsidiaries, and submits them periodically to the Board of Directors for review. It deals with the adaptation of this system to the dynamics of operational conditions and the legislative and regulatory landscape. It promptly reports to the control risk committee on problems and critical issues that have arisen in the course of its work or of which it has otherwise become aware, so that the committee can take appropriate action.

**Management -** Identifies the main risks in its areas of responsibility and contributes to the risk assessment of the issuer and its subsidiaries. It submits these risks and the measures taken to reduce and manage them for review by the CEO on a regular basis.

## Risk identification, assessment and management process




Civitanavi Systems S.p.A.'s risk analysis is updated at least annually, and in 2022, particular account was taken of the ESMA (European Securities and Markets Authority) publication of 13 May 2022 "*Implications of Russia's invasion of Ukraine on half-yearly financial reports*", and the "Consob Attention Notice No. 3/22" of 19 May 2022 "*Re*: *Conflict in Ukraine - Supervised issuers attention notice on financial reporting and compliance with restrictive measures taken by the European Union against Russia*". Management, with the constant supervision of the Board of Directors and control bodies, has in fact worked to ensure full compliance with the restrictions, integrating ad hoc commercial, export and supplier selection procedures.

The table below shows the current configuration, approved in 2023, of the identification, assessment and management of risks classified in the four categories: **compliance, strategic, operational, reporting**, and with respect to which ESG aspects are to be considered transversal.

| | Risk identification | Categories/risk areas | Risk analysis | Risk Assessment/Management and Mitigation - Action Plan | Related material topic |
|---|---|---|---|---|---|
| **1** | Risks related to the actual achievement of the Industrial/Business Plan objectives | Strategic<br>Reporting | The company prepares forecast data for the preparation of the Business Plan.<br>There is a risk that the growth forecast in the Business Plan will not take place in line with expectations, with consequent negative effects on the economic, equity and financial situation. | Management/mitigation actions: sector/product/market differentiation and partnerships – strategic alliances. | Transversal to the different ESG topics |
| **2** | Risks associated with the availability and costs of materials and components needed to perform the activity | Strategic<br>Operational | Civitanavi Systems is exposed to the risk of having to delay and/or interrupt its production process due to the impossibility/difficulty of procuring the necessary components and materials or due to their unavailability. | Forecast-based procurement model for critical components and use of qualified providers. | 7 Responsible Supply Chain Management<br><br>1 Energy consumption and energy efficiency<br><br>2 Emissions [Availability of energy sources and climate strategies]<br><br>3 Waste and the Circular Economy [choice of components] |
| **3** | Risks associated with maintaining registration in special sectoral lists | Compliance | ENTRY INTO THE NATIONAL BUSINESS REGISTER (Ref. Art. 127 of Presidential Decree No. 90 of 15 March 2010, “RNI”.<br><br>Civitanavi Systems requires an export licence for most of the products it exports. | Internal export management system and allocation of some automatic functions to the company’s ERP to avoid the risk of unauthorised shipments due to negligence or human error. The company does not export armament material but only “dual-use” and such licences are issued on a case-by-case basis. | 12. Ethics and integrity in business conduct |
| **4** | Risks associated with the type of customers and the degree of concentration of customer relationships | Strategic<br>Operational | Civitanavi Systems is exposed to the risk of a high level of concentration of its customer base. | Risk mitigated by diversification of customer base and product applications. | 10 Economic and financial performance |
| **5** | Risks associated with the company's international activity | Strategic | The international operations (accounting for about 85%-80% of operating revenues) of changing export rules to countries that may be subject to sanctions expose the company to risks related to, among other things, the geo-political and macroeconomic conditions of the countries where it markets its products. | Risk mitigation is possible through sector diversification (A&D and industrial) and customer diversification into foreign target markets. | 12. Ethics and integrity in business conduct |
| **6** | Risks associated with the non-fulfilment of contractual commitments relating to product quality and order execution and delivery times | Operational<br>Compliance | Civitanavi Systems is exposed to risks arising from the non-fulfilment of contractual commitments relating to the quality of its products and execution times. | Design systems (simulation) and test machines for internal verification of their equipment.<br><br>In-house training of highly specialised personnel. | 8 Quality/conformity and safety of products and services<br><br>4 Employment and people development<br><br>11 Technological Innovation |

| | Risk identification | Categories/risk areas | Risk analysis | Risk Assessment/Management and Mitigation - Action Plan | Related material topic |
|---|---|---|---|---|---|
| **7** | Risks related to manufacturing defects, non-compliance with contractual specifications and product liability. Risks related to potential future litigation, damage to image and reputation | Compliance<br>Operational<br>Strategic<br>Reporting | Civitanavi Systems contractually guarantees its customers against manufacturing flaws and defects in each product. The Company is exposed to the risk of involvement in ordinary court or arbitration proceedings against it, from which compensation and payment obligations could arise. | Risk mitigated through highly advanced and certified design and production processes (ENAC POA and EASA ADOA) that minimise the risk of defects in the field - please refer to Risk Mitigation 6. | 8 Quality/conformity and safety of products and services<br><br>11 Technological Innovation |
| **8** | Risks associated with trade receivables | Strategic;<br>Reporting | Civitanavi is exposed to the risk that its customers may delay or fail to fulfil their payment obligations | The company has put in place internal procedures to assess and monitor the creditworthiness and solvency of its customers. | 10 Economic and financial performance |
| **9** | Risks associated with exchange rate fluctuations | Reporting | Civitanavi Systems is partially exposed to the risk of fluctuations in currency exchange rates. | The company adopts both a natural hedging policy for currency purchases and sales, and ad hoc derivative instruments. | 10 Economic and financial performance |
| **10** | Risks associated with key management figures and qualified personnel | Strategic | Civitanavi Systems is exposed to the risk of possible termination of employment with some key management figures and highly qualified personnel. | Civitanavi has a 2-level management structure which increases the recruitment of personnel with high levels of specialisation and reduces the risk of key and cross-functional personnel who could generate significant dependencies. | 4 Employment and people skill development.<br><br>5 Diversity, inclusion and equal opportunities.<br><br>6 Worker health and safety [quality working environment – safety] |
| **11** | Risk associated with “Implications of Russia's invasion of Ukraine on half-yearly financial reports” | Compliance | Conflict in Ukraine/Compliance with EU restrictive measures against Russia | Specifically, the interventions are as follows: (i) system blocks; (ii) the “Export Management and Compliance Programme” procedure is provided for prior checking for compliance with all regulatory restrictions in place on the date. | 12. Ethics and integrity in business conduct.<br><br>7 Responsible Supply Chain Management. |
| **12** | Information security risk | Strategic<br>Compliance | Civitanavi is exposed to Cyber Risk, a risk related to the handling of information on the computer system (databases, hardware, software). | The company has set up an IT security management system in accordance with ISO/IEC 27001:2013. | 9 Cybersecurity and Data Privacy |
| **13** | Risk associated with opening new foreign companies | Strategic<br>Compliance | Civitanavi Systems is exposed to the risk of incurring significant costs associated with setting up legal offices abroad. | Civitanavi sets up a subsidiary company on foreign territory following market assessments and analyses of concrete business opportunities. The investment is gradual and resources are deployed across projects throughout the group thanks to diversified knowledge. | 10 Economic and financial performance<br><br>12. Ethics and integrity in business conduct |
| **14** | M&A transaction risk | Strategic | Civitanavi Systems is exposed to the risk of incurring significant costs associated with the total and partial acquisition of existing companies | M&A activity is part of the strategic objectives and is aimed at (i) smaller companies with R&D activities complementary to that of Civitanavi (ii) medium-sized companies for the acquisition of market shares. | 10 Economic and financial performance<br><br>12. Ethics and integrity in business conduct |

# 5 Creation and Distribution of Value

## Generated and distributed economic value

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| GRI STANDARDS | 201-1 |

The value generated and distributed, determined by reclassifying the Profit and Loss Account of Civitanavi Systems S.p.A., shows the economic value directly generated by Civitanavi and distributed to internal and external stakeholders. It is consequently a figure that can give a basic indication of the creation and distribution of economic value for stakeholders. Please refer to the Financial Statements, published on 05/04/2023 on Civitanavi Systems' website, which acts as a documental reference for in-depth information on performance and economic, financial and equity performance. (https://www.civitanavi.com/it/investors/bilanci-e-relazioni/).

The **value generated** corresponds, from an accounting point of view, to the net revenues of Civitanavi Systems (Revenues, Other operating revenues, net of credit losses, tax benefits), while the **distributed economic value** includes costs reclassified by stakeholder category. The amount of dividends is also added to the costs shown in the Consolidated Profit and Loss Account, if the Board of Directors had proposed the distribution of the profit to the shareholders during the year. Economic value retained relates to the difference between Economic value generated and distributed, and includes depreciation of tangible assets amortisation of intangible assets, provisions, receivable write-down and advance/deferred taxation.

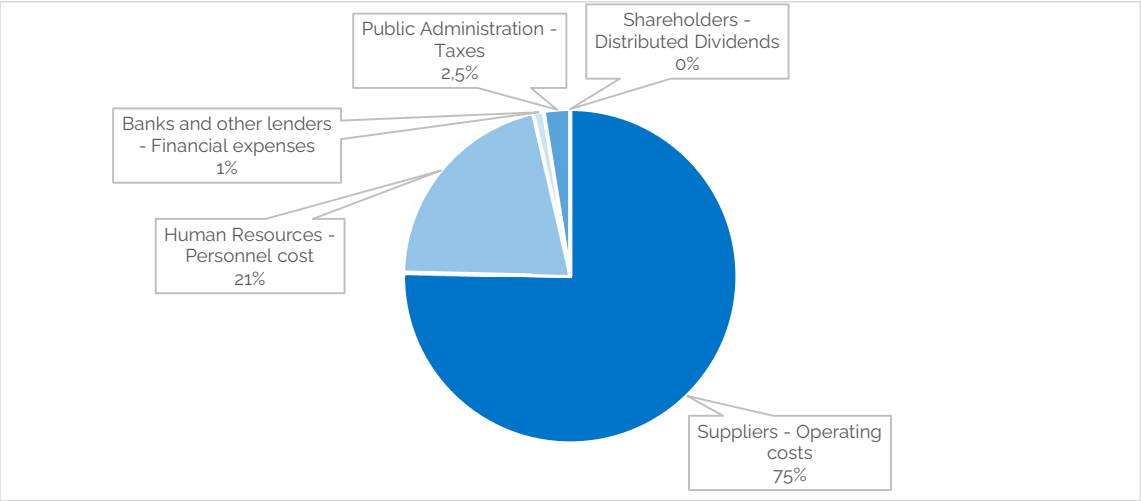
In 2022, Civitanavi confirms its positive trend, rising from Euro 25,142 thousand in Total Revenues as of 31 December 2021 to Euro 34,412 thousand as of 31 December 2022, with growth in terms of Total Revenues of 37% (from 2020 to 2021 + 31%).

**Economic value directly generated and distributed (amounts in thousands of euro)**

| | 2020 | 2021 | 2022 |
|---|---|---|---|
| **Generated economic value** | **19,214,400** | **25,177,791** | **34,380,289** |
| | | | |
| **Distributed economic value** | | | |
| Suppliers - Operating costs | 9,870,839 | 12,706,723 | 19,816,283 |
| Human Resources - Personnel cost | 4,254,554 | 4,672,884 | 5,536,738 |
| Banks and other lenders - Financial expenses | 164,747 | 166,958 | 271,605 |
| Public Administration - Taxes | 970,029 | 1,447,825 | 666,545 |
| | **15,260,168** | **18,994,390** | **26,291,172** |
| Shareholders - Distributed Dividends | - | - | - |
| **Distributed economic value** | **15,260,168** | **18,994,390** | **26,291,172** |
| | | | |
| **Economic value retained** | **3,954,232** | **6,183,401** | **8,089,118** |

In 2022, the major part of the distributed economic value, 75%, went to suppliers, as well as to employees (21% per cent) – all of whom were local residents.

### Distributed economic value - Year 2022




## Financial assistance received from the government

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| GRI STANDARDS | 201-4 |

This paragraph shows the total monetary value of government financial assistance received by Civitanavi Systems during the reporting period. Relevant financial assistance received from a government, as compared to taxes paid, can be useful in developing a balanced picture of transactions between the organisation and the government. At country level, as the table below also shows, the contributions received by Civitanavi relate exclusively to Italy. There is no government in the shareholder structure.

| Type | Description | Amount (Euro) | Reference year |
|---|---|---|---|
| Simest | As part of the subsidised financing from the **PNRR** resources, the Company was granted a "de minimis" soft loan with Simest amounting to 75% of the expenditure and a "Temporary Framework" soft loan amounting to 25% of the expenditure. Its objective is to support participation in a single **event of an international nature** to promote business activity in foreign markets. This event was identified by the Company as the "Farnborough International Airshow 2022 - Farnborough (UK)". | 50,000.00 | 2022 |
| Marche Region | The company participated in the Marche Region Tender Call, Action 1.3.1 "Promoting **business innovation processes**" by presenting the project "Automatic fibre optic winding process for FOG" | 57,990.00 | 2022 |
| Sabbatini Law Contribution | As a result of **investments in** new **capital goods** in 2018 and 2019, a loan and a non-repayable contribution related to the bank's financing were applied for. | 29,231.87 | 2022 |
| Patent Box Tax Benefit | Article 6 of Decree-Law no. 146 of 21 October 2021, converted, with amendments, by Law no. 215 of 17 December 2021, as subsequently amended by Law no. 234 of 30 December 2021, simplified the rules of the patent box, replacing the one provided for by Article 1, paragraphs 37 to 45, of Law no. 190 of 23 December 2014 and providing for an optional tax benefit treatment related to the **expenses incurred in the performance of research and** | 1,327,060.24 | 2022 |

| | | | |
|---|---|---|---|
| | **development activities** in relation to software protected by copyright, industrial patents and legally protected designs.<br><br>The tax benefit is available to all persons with business income, regardless of their legal nature, size or production sector to which they belong, including permanent establishments in Italy of residents in countries with which an agreement to avoid double taxation is in force and with which the exchange of information is effective. | | |
| Tax Credits | **R&D Activities** | 251,232.66 | 2022 |
| | Purchase of electricity and natural gas | 5,184.31 | 2022 |
| | Investment in new capital goods (other than the goods in Annexes a and b to Law No. 232/2016) - Article 1, paragraph 188, Law No. 160/2019 for purchases of goods made in 2020 | 29,719.98 | 2022 |
| | Sanitation and PPE (ART. (32 Leg. Decree 73-2021) | 3,911.70 | 2022 |

# 6 Ethics and integrity

## Corruption prevention measures

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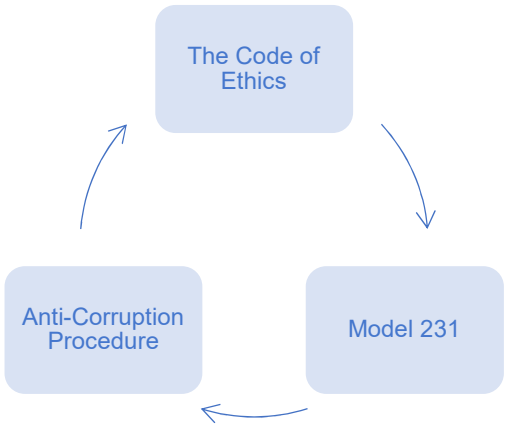
| GRI STANDARDS | 3-3<br>205-2 and<br>205-3 |

As reported in Chapter 3 Governance and Business Conduct above, to which reference is made, Civitanavi Systems has put in place tools, policies and systems that it considers adequate to counter potential risks in giving or receiving bribes. The system of applicable measures includes in particular:

- The code of Ethics
- Organisational, management and control model pursuant to Legislative Decree 231/2001 (the "Model 231");
- Specific procedure on Anti-Corruption (the procedure defines the responsibilities and operating methods functional to preventing the risk of commission of illegal acts in the broadest sense of corruption in relations with both public and private parties).




Specifically on the subject of anti-corruption, Civitanavi Systems' Model 231 includes a special ad hoc section on relations with the Public Administration, as well as two procedures on relations with the PA and the management of Financial Flows.

The Code of Ethics and the adoption of Model 231 and the Anti-Corruption System Procedure constitute a valid tool for raising the awareness of all those who come into contact with Civitanavi Systems in the performance of their activities. In 2022, Civitanavi has carried out training on the issues of compliance with Legislative Decree 231/01 for approximately all employees (99.3%) in a two-day course. Training activities will continue in 2023.

The table below summarises the training activities carried out during 2022.

| **Training Leg. Decree 231/01 and Anti-Corruption** | **2022** |
|---|---|
| No. of people trained | **147** |
| Course duration (h) | **1.5** |

For the management methods applied in the area of anti-corruption, see *Chapter 3 Governance and Business Conduct* / Section *Business Conduct*.

No episodes of given or received bribery involving directors or employees of Civitanavi Systems S.p.A. were ascertained for the reporting periods, as well as in previous reporting periods, including those subject to reporting.

# Respect for competition

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| GRI STANDARDS | 3-3<br>206-1 |

During the reporting period, there were no incidents and/or initiation of proceedings or legal action against Civitanavi Systems S.p.A. in relation to violations of free competition, monopolistic practices, antitrust in 2022 or previous years.

# Data Security and Privacy

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| GRI STANDARDS | 3-3<br>418-1 |

Civitanavi considers the protection of information to be fundamental, especially with regard to aspects of security, integrity and confidentiality. Compliance with confidentiality and privacy requirements and proper use of information systems is one of the general ethical principles of Civitanavi's Code of Ethics.

The company treats all data and information coming into its possession with the utmost confidentiality, in accordance with the provisions of current privacy legislation, such as Regulation (EU) No 2016/679 (or GDPR, General Data Protection Regulation).

In cases of a personal data breach, the GDPR requires the data controller to notify the breach to the competent supervisory authority (for Italy, the Personal Data Protection Authority) within 72 hours of becoming aware of it, unless the personal data breach is unlikely to present a risk to the rights and freedoms of natural persons.

In general, all Recipients of the Code of Ethics are bound to maintain the utmost confidentiality on documents, know-how, internal organisation and management of the Company's tangible and intangible assets, on corporate and commercial transactions carried out by the Company, on judicial and administrative procedures involving the Company and, in general, on all information learnt by reason of or in connection with the performance of their work or contractual relations, the dissemination or use of which may cause a danger or damage to the Company or even only an undue gain for the Recipient.

Civitanavi adopts appropriate measures to ensure that access to telematic and computerised data takes place in full compliance with the laws in force and with the privacy of any persons involved, guaranteeing that they are processed by persons expressly authorised to do so without undue interference.

In October 2022, Civitanavi Systems also adopted the **ISO:27001:2013** information security management system. The standard enables a comprehensive approach to information security in all the areas concerned: from documents in digital format to those in paper format, from hardware equipment (computers and networks) to personnel skills.

In 2022 and the previous reporting periods (2020 and 2021), there were no data loss events (data breaches) and subsequent substantiated complaints regarding breaches of customer privacy and loss of customer data.

Each employee is committed to ensuring such compliance and is familiar with Civitanavi's compliance and export management programme. As per procedure, all Civitanavi employees receive periodically specific basic training on export control and individual responsibilities regarding the Export Compliance and Management Programme.

There is also an Export Compliance Officer (ECO), who is responsible for the final decisions on all questions or issues related to this programme, in particular, and on export compliance, in general, and has the ability to perform its duties in the best interests of the company, without undue influence.

Any employee who becomes aware of facts or incidents, which may violate export regulations or this programme, is required to promptly report the fact to the ECO. Civitanavi has specifically set up an anonymous reporting system (“incident reporting form”) for any employee who suspects a violation or incident. Each incident is reviewed by the ECO (or its designate).

# 7 Product Quality, Compliance and Safety

## Quality Policy

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| GRI STANDARDS | 3-3 |

Civitanavi Systems aims to become a major player in the global market for Inertial Measurement Units (IMU), Orientation and Stabilisation Systems (AHRS) and georeferencing solutions based on Inertial Navigation Systems (INS), both for industrial and Aerospace and Defence applications.

To achieve this goal, the company considers product Quality, respect for the Environment and Workers' Health and Safety as fundamental requirements, so much so that it designs and implements an integrated “Quality - Workers' Health and Safety - Environment” management system in compliance with EN 9100 and ISO 45001 and in accordance with ISO 14001.

The key elements that Civitanavi Systems considers essential to guarantee and develop the policy for quality, the environment and workers' health and safety are:

**COMPLIANCE** - Managing one's activities in compliance with applicable rules and regulations, with the understanding that the ability and speed to react and adapt to regulatory changes is a competitive advantage. This is the foundation of the corporate principle.

Product quality, including performance, reliability and safety, is what makes the difference in the world market.

**INNOVATION AND CONTINUOUS IMPROVEMENT** - The aim is to create unique products, through innovative research and production processes, using our own technologies, aware that what makes this process interesting is the passion for research, the ability to break pre-existing paradigms, and to explore new territories far from the disciplinary walls of tradition. This is evident in the business principle: Civitanavi Systems believes in innovation and therefore constantly invests in research and development projects.

## Conformity and safety

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| GRI STANDARDS | 3-3<br>416-2<br>417-2 |

Civitanavi Systems contractually guarantees its customers against manufacturing flaws and defects in each product for a period usually between 12 and 24 months after delivery.

In the course of its work, it also implements "safety critical” applications, i.e. systems whose failure could be such that they cause serious and potentially irreversible damage to the product to which they are applied.

Civitanavi guarantees highly advanced and certified design and production processes (ENAC POA and EASA ADOA), which minimise the risk of defects in the field of application.

It is specified that the complaints received and handled, it being an ordinary part of the activities carried out, did not in any way involve safety components that could lead to risks for the end user. In the 2022 reporting period, as in the previous years 2020 and 2021, no significant cases have occurred concerning: a) non-compliance with standards, regulations or voluntary codes regarding the health and safety impacts of products and services; b) cases of non-compliance with regulations and/or self-regulatory codes regarding information on services.

# Supply chain management

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| GRI STANDARDS | 3-3<br>308-1<br>414-1 |

## Supplier selection and evaluation processes

Civitanavi makes sure that suppliers meet all the requirements regarding not only convenience, efficiency and competence, but also the principles that inspire the Code of Ethics of Civitanavi Systems.

In selecting suppliers or partners, the Company applies the following **principles**:

- not using suppliers or partners who are known to have well-founded direct or indirect links to organisations of a criminal or illegal nature;
- avoiding, at any degree and level, the inappropriate exchange of favours and gifts, so as not to undermine the transparency and fairness of the relations that the Company has with its suppliers and partners;
- raising the awareness of suppliers and partners to comply with this Code of Ethics.

The Procurement Management Procedure was updated in August 2022. Potential Civitanavi suppliers are subjected to a **prior evaluation** of their capabilities and reliability in terms of production, quality, organisational, economic and financial potential, as well as assessments on their compliance with legal requirements. The positive outcome of this evaluation authorises and qualifies the supplier, resulting in its inclusion in the authorised/qualified supplier list.

The Company keeps an up-to-date **register of its suppliers**, indicating the status of the authorisation/qualification process and the scope of supply.

In the process of qualifying the potential supplier, Civitanavi Systems **also verifies the supplier's possession of** third-party QMS (Quality Management System) **certifications** issued by accredited Certification Bodies according to the ISO 17011 standard for the specific supply activity. If yes, this allows a quick and successful completion of the supplier's evaluation.

If the potential supplier has not obtained QMS certification (UNI EN 9100 or civil or military aeronautical certification for the matters being the object of the supply), Civitanavi Systems activates a further qualification process for the potential supplier by organising a **qualification audit**.

If the results of the audit are judged to be negative or partially positive, the supplier is identified as “Non-Qualified”. However, should the company's interest in the potential supplier persist, Civitanavi Systems may ask the supplier for an adjustment plan, based on the implementation of which, it will be possible to include the supplier in the “Authorised/Qualified Supplier List”. If the requested improvements are judged by the Evaluation Committee to be minor (requiring no major interventions), the supplier can be listed immediately as "**Partial Qualification**". Otherwise, such an act may only take place after objective evidence that the supplier has made the required adjustments.

Some of the products, materials and processes that are procured are classified as “**Critical Product**” and are, specifically, the **materials, processes and instrumentation** for which Civitanavi indicates to the supplier a specific **technical specification** to be followed for the manufacture of the product itself.

At present, the procedure described does not include a formal, structured evaluation of suppliers according to environmental and social (ESG) parameters identified and applied in the process. However, Civitanavi Systems aims to improve this by integrating these aspects in the evaluation and qualification of suppliers.

The performance of suppliers is constantly monitored and reviewed at least annually. Civitanavi also reserves the right to carry out checks at the supplier company's production units or operating sites to verify compliance with these requirements. During 2022, a total of 7 new suppliers were qualified.

Overall, at the date of approval of this document, there were **418 suppliers** on the Civitanavi Systems **Vendor List** . Of these: a) **314 are Authorised**, i.e. they do not need qualification audits (they can be suppliers of commercial off the shelf components); b) 72 are qualified, i.e. they have been appropriately audited in order to be included in the supplier register; c) 17 have qualification in progress: by 2023 they will have to be verified with Quality audits; d) for 15 the authorisation process is in progress (preliminary screening (commercial, technical and quality).

# 8 The value of people

## Value of human resources

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| GRI STANDARDS | 3-3<br>401-2<br>406-1 |

Civitanavi Systems has always been committed to enhancing the value of its resources, favouring the conditions that allow the people who in various capacities work in and for the Company to be able to use their skills and express their personality to the best of their ability, to being offered the same opportunities for professional growth without any discrimination, and to contribute to the Company's decision-making processes within the scope of their own attributions and according to their abilities and skills.

In contractual and organisational relationships involving the establishment of hierarchical relations within the Company, anyone in a hierarchically superior position undertakes to ensure that authority is exercised fairly and properly, avoiding any abuse. In particular, the Company ensures that authority does not turn into the exercise of power detrimental to the dignity and autonomy of the employees and that work organisation choices safeguard the value of the employees.

All staff are employed under regular employment contracts. The employment relationship is conducted in accordance with the collective bargaining regulations of the sector and social security, tax and insurance regulations. The lines of conduct are dictated primarily by the Code of Ethics and Model 231, which are available and can be consulted by employees.

With reference to the reporting periods, it should be noted that no cases of discrimination in the management of human resources relations occurred or no occurrences of human rights violations were reported. As indicated in the Code of Ethics, Civitanavi is committed to ensuring equal opportunities within the work environment and in the professional development process of its employees.
Furthermore, in accordance with current legislation (Art. 46 of Leg. No. 198 of 11 April 2006, so-called Equal Opportunities Code, as amended by Law No. 162 of 5 November 2021), Civitanavi Systems prepares a report on the gender ratio of its employees every two years.

## Welfare - working environment and employee welfare

Civitanavi Systems confirms the centrality of people and the importance of a corporate welfare system that promotes the wellbeing of its employees, for whom it has entered into a group policy with Intesa Sanpaolo to protect employees from the economic consequences that can occur as a result of serious illnesses. This provides employees with economic support and coverage of healthcare expenses for specialist and check-ups, by offering welfare solutions provided by Intesa Sanpaolo, thus guaranteeing assistance in dealing with moments of particular need arising from the onset of serious illness and which shares the ethical and social values of doing business.

In addition, Civitanavi has taken further measures to increase the well-being of its employees, also following the provisions of the CCNL for the relevant sector (Metalmechanical Industry). This contribution is distributed through: fuel vouchers, contracted canteens, and a cafeteria area where employees can enjoy the service fully subsidised by the company. Civitanavi also provided for further welfare measures:

### Smartworking

The Covid 19 pandemic made it essential to adopt remote working arrangements. Civitanavi Systems, with a view to continuous improvement, decided to optimise the work and personal life times of its employees by extending the adoption of smart working, in order to achieve a better reconciliation of workers' personal demands and professional obligations.
The definition of smart working, defined by Article 18 Law 81/2017, aims to increase competitiveness and facilitate the reconciliation of work and personal life times, promoting agile working as a mode of execution of the employment relationship, in compliance with the agreement entered into by the parties, also with forms of organisation broken down by phases, cycles and objectives and without precise constraints of time or place of work, with the possible use of technological tools for the performance of work activities.

Following the end of the health emergency, and after assessing the level of acceptance by employees, Civitanavi has regulated the use of agile working, offering this opportunity to all those who are able to work outside the production site.
Smart working has been regulated by a specific Agreement, in which it is established that agile work can be enjoyed, while maintaining standards of efficiency and productivity and after coordination with one's supervisors, for two days a week, and, for those who live in regions other than the one in which they work, depending on their functional role in the organisation and to the authorisation of their supervisor, for more than two days a week.
Although the total number of working hours remains unchanged, workers who choose to take advantage of this option are given greater organisational flexibility in terms of working hours, with the possibility of working from 8 a.m. to 8 p.m. on the basis of their choice.

All those who take advantage of the possibility of working in smart working mode are fully guaranteed the rights granted during work in presence. In particular, with regard to safety in the workplace, the worker is required to prefer safe places that do not entail a high exposure to risk. To facilitate the proper performance of work tasks, the company provides a laptop PC.

Work is performed partly on company premises and partly outside without a fixed workstation, within the maximum working hours set by law or by the CCNL labour agreement.

### Stock Option Plan implemented by Civitanavi Systems LTD

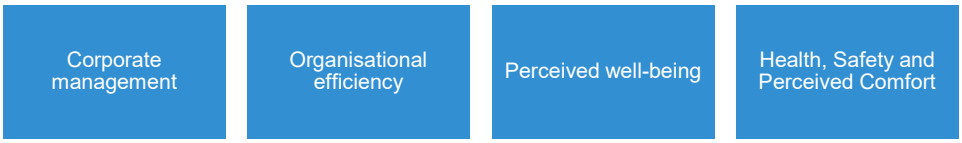
Civitanavi Systems Ltd, the majority shareholder of Civitanavi Systems SpA, which now owns 70.3% of the share capital, has implemented a stock option plan for the benefit of Civitanavi Systems' employees, which provided for the assignment of option rights to be subscribed for Civitanavi Systems Ltd shares at a symbolic strike price of CHF 1. On 1 February 2023, Civitanavi Systems Ltd. signed an addendum with the employees beneficiary of the original Plan, in which the Parties mutually agreed to modify the option rights assigned - free of charge - to the employees, providing for the assignment, after the relative exercise of the options, of Civitanavi Systems S.p.A. shares, instead of the shares of the parent company Civitanavi Systems Ltd. The employees, on 1 February 2023, therefore exercised the option rights assigned to them, at the closing stock market price on 31 January 2023 of €3.45.

### Stock Option Plan implemented by Civitanavi Systems SpA

On 27 April 2023, the Shareholders' Meeting approved the adoption of an incentive and loyalty plan for the members of the Board of Directors and employees of Civitanavi Systems S.p.A. and/or its subsidiaries, which provides for the free allocation of a maximum total of 1,300,000 options attributing the right to subscribe or purchase the Company's ordinary shares at a ratio of 1 (one) ordinary share for every 1 (one) option exercised,
in order to adopt an effective incentive and loyalty-building tool for individuals in strategic roles that are decisive for success, and for employees of the Company and its subsidiaries.

### Survey of employees' occupational well-being

Civitanavi's Human Resources function is in charge of managing the annual survey of employees' perceived well-being at work. The survey is conducted on an annual basis, by administering an anonymous questionnaire to all company employees hired on permanent, fixed-term and professional apprenticeship contracts. The questionnaire comprises four survey areas, each focusing on a particular aspect of work activity:




Three years after a first survey carried out in 2019, a new employee survey was conducted in October 2022. It consisted in filling out a questionnaire delivered electronically and anonymously. The only personal information requested from the workers was to indicate their age group.

The survey was structured to assess four areas of reference:

- Corporate management
- Organisational efficiency
- Perceived well-being
- Health, safety and perceived comfort.

A total of 122 employees (85% of the total workforce) participated in filling out the questionnaire, showing the high degree of interest in the initiative.

Among Civitanavi's strengths, in addition to the appreciation for the standards applied for Health, Safety and Corporate Comfort, was the attachment of the people who said they were loyal to the company, involved, interested and motivated to do their work.

## Employees: employment - diversity and equal opportunities

| | |
|---|---|
| GRI STANDARDS | 3-3<br>401-1<br>401-3<br>405-1 |

# Turnover

Civitanavi, since its inception, also thanks to company policies aimed at developing the human and professional expertise of its employees through training courses, has recorded a 94% employee retention rate.

The table below shows the turnover figures for Civitanavi over the three-year reporting period.
During 2022, Civitanavi Systems recorded an overall turnover of 23.3%. Over the past three years, the value of overall turnover has remained consistently positive, most significantly for women, rising from 28.6 per cent in 2020 to 41.2 per cent in 2022.

| New hires and turnover | 2020 | | | 2021 | | | 2022 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Women | Men | Total | Women | Men | Total | Women | Men | **Total** |
| **Hires** | | | | | | | | | |
| Up to 29 years of age | - | 10 | **10** | 3 | 14 | **17** | 4 | 20 | **24** |
| From 30 to 50 years of age | - | 8 | **8** | 1 | 15 | **16** | 2 | 15 | **17** |
| Over 50 years of age | | - | - | - | 1 | 1 | 1 | 1 | **2** |
| **Total** | **-** | **18** | **18** | **4** | **30** | **34** | **7** | **36** | **43** |
| **Terminations** | | | | | | | | | |
| Up to 29 years of age | 1 | - | **1** | 1 | 1 | **2** | - | 6 | **6** |
| From 30 to 50 years of age | - | - | - | - | 6 | **6** | - | 7 | **7** |
| Over 50 years of age | - | - | - | - | - | - | - | 2 | **2** |
| **Total** | **1** | **-** | **1** | **1** | **7** | **8** | **-** | **15** | **15** |
| **Reason for termination** | | | | | | | | | |
| Voluntary exits | 1 | - | **1** | 1 | 7 | **8** | - | 15 | **15** |
| Retirement | - | - | - | - | - | - | - | - | - |
| **Total** | **1** | **-** | **1** | **1** | **7** | **8** | **-** | **15** | **15** |
| **Turnover** | | | | | | | | | |
| Positive turnover - hires | | | | 28.6% | 37.5% | 36.2% | 41.2% | 35% | **35.8%** |
| Negative turnover - terminations | | | | 7.1% | 8.8% | 8.5% | 0.0% | 14.6% | **12.5%** |
| **Overall turnover** | | | | **21.4%** | **28.8%** | **27.7%** | **41.2%** | **20.4%** | **23.3%** |

# Diversity

As already mentioned, the majority of Civitanavi Systems' employees are men. However, the percentage of female workers is growing, registering a higher number than in previous years at 16.2% as at 31 December 2022. In relation to the type of activity of Civitanavi, most female employees are office workers (12.8%). Executive and managerial figures are represented in a ratio of 2 women to 9 men. As far as the organisational structure and managerial positions are concerned, the presence of women accounts for 36% of the total number of managerial positions, covering 4 out of 11 positions of importance, including the CEO.

| Employee Diversity | 2020 | | | 2021 | | | 2022 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Women | Men | Total | Women | Men | Total | Women | Men | **Total** |
| **Employees by category/gender** | | | | | | | | | |
| Managers | - | 1 | **1** | 1 | 1 | **2** | 1 | 1 | **2** |
| Middle managers | - | 5 | **5** | 1 | 6 | **7** | 1 | 8 | **9** |
| White collars | 13 | 58 | **71** | 14 | 61 | **75** | 19 | 67 | **86** |
| Blue collars | 1 | 16 | **17** | 1 | 35 | **36** | 3 | 48 | **51** |
| **Total** | **14** | **80** | **94** | **17** | **103** | **120** | **24** | **124** | **148** |
| **%** | | | | | | | | | |
| Managers | 0% | 1.1% | **1.1%** | 0.8% | 0.8% | **1.7%** | 0.7% | 0.7% | **1.4%** |
| Middle managers | 0% | 5.3% | **5.3%** | 0.8% | 5.0% | **5.8%** | 0.7% | 5.4% | **6.1%** |
| White collars | 13.8% | 61.7% | **75.5%** | 11.7% | 50.8% | **62.5%** | 12.8% | 45.3% | **58.1%** |
| Blue collars | 1.1% | 17.0% | **18.1%** | 0.8% | 29.2% | **30.0%** | 2.0% | 32.4% | **34.5%** |
| **Total** | **14.9%** | **85.1%** | **100%** | **14.2%** | **85.8%** | **100.0%** | **16.2%** | **83.8%** | **100.0%** |

In terms of age groups, Civitanavi Systems is characterised by a high presence of young people. Specifically, the company consists of: **37.2% employees under 30 years** of age, 51.4% employees between 30 and 50 years of age and 11.5% employees over 50 years of age.

| Employee Diversity | 2020 | | | 2021 | | | 2022 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Women | Men | Total | Women | Men | Total | Women | Men | **Total** |
| **Employees by age/gender** | | | | | | | | | |
| Up to 29 years of age | 4 | 31 | **35** | 4 | 40 | **44** | 5 | 50 | **55** |
| From 30 to 50 years of age | 9 | 39 | **48** | 11 | 50 | **61** | 15 | 61 | **76** |
| Over 50 years of age | 1 | 10 | **11** | 2 | 13 | **15** | 4 | 13 | **17** |
| **Total** | **14** | **80** | **94** | **17** | **103** | **120** | **24** | **124** | **148** |
| | | | | | | | | | |
| **%** | | | | | | | | | |
| Up to 29 years of age | 4.3% | 33.0% | **37.2%** | 3.3% | 33.3% | **36.7%** | 3.4% | 33.8% | **37.2%** |
| From 30 to 50 years of age | 9.6% | 41.5% | **51.1%** | 9.2% | 41.7% | **50.8%** | 10.1% | 41.2% | **51.4%** |
| Over 50 years of age | 1.1% | 10.6% | **11.7%** | 1.7% | 10.8% | **12.5%** | 2.7% | 8.8% | **11.5%** |
| **Total** | **14.9%** | **85.1%** | **100.0%** | **14.2%** | **85.8%** | **100.0%** | **16.2%** | **83.8%** | **100.0%** |

Employees up to the age of 29 are distributed in the categories of white collars (16.9%) and blue collars (20.3%). Employees in the 30-50 age group are concentrated more among white collars (33.8%).

| Employee Diversity | 2020 | | | | 2021 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Employees by category/age** | Up to 29 years of age | From 30 to 50 years of age | Over 50 years of age | Total | Up to 29 years of age | From 30 to 50 years of age | Over 50 years of age | Total | Up to 29 years of age | From 30 to 50 years of age | Over 50 years of age | **Total** |
| Managers | - | - | 1 | **1** | - | 1 | 1 | **2** | - | 1 | 1 | **2** |
| Middle managers | - | 3 | 2 | **5** | - | 5 | 2 | **7** | - | 6 | 3 | **9** |
| White collars | 24 | 40 | 7 | **71** | 19 | 45 | 11 | **75** | 25 | 50 | 11 | **86** |
| Blue collars | 11 | 5 | 1 | **17** | 25 | 10 | 1 | **36** | 30 | 19 | 2 | **51** |
| **Total** | **35** | **48** | **11** | **94** | **44** | **61** | **15** | **120** | **55** | **76** | **17** | **148** |
| | | | | | | | | | | | | |
| **%** | | | | | | | | | | | | |
| Managers | 0.0% | 0.0% | 1.1% | **1.1%** | 0.0% | 0.8% | 0.8% | **1.7%** | 0.0% | 0.7% | 0.7% | **1.4%** |
| Middle managers | 0.0% | 3.2% | 2.1% | **5.3%** | 0.0% | 4.2% | 1.7% | **5.8%** | 0.0% | 4.1% | 2.0% | **6.1%** |
| White collars | 25.5% | 42.6% | 7.4% | **75.5%** | 15.8% | 37.5% | 9.2% | **62.5%** | 16.9% | 33.8% | 7.4% | **58.1%** |
| Blue collars | 11.7% | 5.3% | 1.1% | **18.1%** | 20.8% | 8.3% | 0.8% | **30.0%** | 20.3% | 12.8% | 1.4% | **34.5%** |
| **Total** | **37.2%** | **51.1%** | **11.7%** | **100.0%** | **36.7%** | **50.8%** | **12.5%** | **100.0%** | **37.2%** | **51.4%** | **11.5%** | **100.0%** |

All Civitanavi Systems employees are entitled to maternity and paternity leave. In 2022, two employees, one male and one female, took leave. At the end of the period, only one employee returned to service.

| Maternity/paternity leave | 2020 | | | 2021 | | | 2022 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Women | Men | Total | Women | Men | Total | Women | Men | Total |
| Number of employees entitled to maternity/paternity leave, by gender | 14 | 80 | 94 | 17 | 103 | 120 | 24 | 124 | 148 |
| Number of employees who took maternity/paternity leave, by gender | 2 | 2 | 4 | - | 2 | 2 | 1 | 1 | 2 |
| Days | 245 | 5 | 250 | - | 14 | 14 | 85 | 10 | 95 |
| Number of employees who returned to work during the reporting period after taking maternity/paternity leave, by gender | 2 | 2 | 4 | - | 2 | 2 | - | 1 | 1 |
| Number of employees who returned to work after taking maternity/paternity leave and who are still employed at the Company in the 12 months following their return, by gender | 2 | 2 | 4 | - | 2 | 2 | - | 1 | 1 |
| Rate of return to work | 100% | 100% | 100% | - | 100% | 100% | - | 100% | 50% |
| **Retention rate** | | | | **-** | **100%** | **50%** | **-** | **50%** | **50%** |

# Training

| | |
|---|---|
| GRI STANDARDS | 3-3<br>404-1<br>404-2 |

Civitanavi Systems is committed to ensuring its employees' professional growth and development through training activities. In compliance with the equality principle, people are in fact valued through their personal and professional development, ensuring that all personnel have the necessary skills in relation to their assigned role through targeted training, favouring processes of discussion and consultation as well as involvement in the achievement of environmental, sustainability, occupational health and safety and quality objectives as defined by Management.

On the whole, the HR function and manager are responsible for planning and coordinating training activities, both internal and external, in relation to specific requirements, possibly also regulatory, recommended by the function managers or according general evaluations for the purpose of Human Resources development.

Training activities are planned on an annual basis, subject to revision during the year to adjust to new requirements. This planning is formalised through a specific training plan.

At the end of each course, there is the possibility of carrying out an evaluation of the effectiveness of the training, through one or more of the following methods: a special test; forms of direct or indirect verification (e.g. audit, operational verification, interview, practical test).

**Training and monitoring for specific technical skills -** For personnel who are required to undergo technical training, also specific to special processes, the function manager has the task of identifying the necessary technical skills, recording them in a Skill Matrix table: within this, for each resource, the levels of knowledge acquired during the training period are recorded punctually. The Human Resources function monitors the correct and regular updating of the table and, if necessary, organises further internal and/or external training.

During the reporting period, the average training hours of Civitanavi Systems remained almost constant. Analysing the data for average hours of training, it can be seen that the overall number of training hours stands at **over 30 per capita per year**.


In **2022**, after a slight decline in 2021, training hours per capita returned to the 2020 levels with a total of **32.9 average training hours per employee**. In addition to compulsory **health and safety** training in the workplace, the particularly positive figure stems from Civitanavi Systems' significant investment in offering training on **technical-specific subjects**.

| Average hours of training per employee | 2020 | | | 2021 | | | 2022 | | |
|---|---|---|---|---|---|---|---|---|---|
| **Average training hours** | Women | Men | Total | Women | Men | Total | Women | Men | **Total** |
| Managers | - | 4.0 | **4.0** | 4.0 | 16.0 | **10.0** | 2.0 | - | **1.0** |
| Middle managers | - | 23.0 | **31.4** | 29.0 | 32.2 | **31.7** | 7.0 | 23.0 | **21.2** |
| White collars | 26.9 | 14.4 | **16.7** | 20.4 | 26.6 | **25.4** | 7.1 | 25.0 | **21.1** |
| Blue collars | 9.0 | 108.7 | **102.8** | 1.0 | 45.9 | **44.7** | 9.0 | 59.1 | **56.2** |
| **Total** | **28.6** | **33.7** | **32.9** | **18.8** | **33.4** | **31.3** | **7.1** | **37.9** | **32.9** |

# Worker health and safety

| | |
|---|---|
| GRI STANDARDS | 3-3<br>403-1 a,b<br>403-2 a,b,c,d<br>403-3<br>403-4<br>403-5<br>403-7<br>403-9 a, c<br>403-10 a |

## Occupational health and safety system

Pursuant to Legislative Decree No. 81 of 9 April 2008, Civitanavi Systems is equipped with a Risk Assessment Document (DVR - Documento di valutazione dei rischi), the purpose of which is to carry out a comprehensive and documented assessment of all risks to the health and safety of workers present within the organisation in which they perform their activities, aimed at identifying the appropriate prevention and protection measures and drawing up the programme of measures to ensure the improvement of health and safety levels over time. Decree 81/2008 also provides for the identification within the company of specific figures, including the head of the prevention and protection service, the workers' representative, the competent doctor, and the employer; the latter must carry out an assessment of the risks present in the company, adopt prevention and protection measures that can eliminate or contain the risks, and ensure that each worker is adequately trained and informed.

Civitanavi Systems has adopted a Safety Management System and has obtained Occupational Health and Safety Certification in compliance with the requirements of the UNI ISO 45001:2018 specification in May 2021. Civitanavi implements the necessary actions to ensure the health and safety of employees and contractors.

## Hazard identification, risk assessment and accident investigation

All employees are provided with general and specific job-related training and supplied - where applicable - with the relevant personal protective equipment (PPE) as stipulated in the Risk Assessment Documents (DVR).

The risk assessment activity has been operationally carried out according to a dual criterion: (i) analysis of the specific risk in legal terms, topic by topic, for the purpose of verifying the legal compliance of the structure and consistent analysis and assessment of the specific risk; (ii) analysis of risks by homogeneous tasks within the company.

The assessment of individual risks is updated/assessed, where appropriate, where there is no statutory periodicity (e.g. carcinogenic risk and biological agents, every three years) under the following conditions:

- on the occasion of changes in the production process (communicated to the head of the prevention and protection service by the heads of the departments affected by the change, safety officers or in any case by company management);
- on the occasion of changes in the organisation of work that are significant for the health and safety of workers (communicated to the head of the prevention and protection service by the heads of the departments affected by the change, safety officers or in any case by company management);
- in relation to the degree of development of technology, prevention and protection;
- following significant accidents, or hazardous events (reported by workers/designated people/area managers to the head of the prevention and protection service through initial telephone contact and subsequent official communication);
- on the occasion of changes to the applicable legislation or to the conditions of the context in which the company operates;
- when the results of health surveillance require it.

## Occupational health services

The company has appointed a competent doctor for all Civitanavi Systems locations. There is also a health surveillance plan and periodic check-ups to which all employees are subjected to determine their fitness for the job. Civitanavi Systems S.p.A. complies with the obligations laid down in the regulations on health surveillance.

## Training for workers on occupational health and safety

During 2022, Civitanavi Systems recorded a total of 514 hours of mandatory occupational health and safety training for workers.

| Hours of training for workers on occupational health and safety | 2020 | | | 2021 | | | 2022 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Women | Men | Total | Women | Men | Total | Women | Men | **Total** |
| Managers | - | - | - | 4 | 8 | 12 | - | - | **-** |
| Middle managers | - | 5 | 5 | 1 | 23 | 24 | - | 24 | **24** |
| White collars | 22 | 176 | 198 | 34 | 331 | 365 | 1 | 213 | **214** |
| Blue collars | 9 | 223 | 232 | 1 | 276 | 277 | 26 | 250 | **276** |
| **Total** | **31** | **404** | **435** | **40** | **638** | **678** | **27** | **487** | **514** |

When hiring new staff, the Human Resources function monitors and arranges where necessary the following activities related to occupational health and safety:

a. compulsory general training
b. compulsory specific training provided in relation to the role (+4h and +12h)
c. verification of the provision of the PPE required for the task;
d. preventive check-up carried out by the competent doctor, or verification of suitability in connection with a possible change of job.

With regard to employees hired under a “teleworking” contract (8 employees at 31 December 2022), the company is required to provide training in occupational health and safety (General and Specific) but not specific training for fire-fighting or first aid. Furthermore, the home is not considered a place of work (pursuant to Article 62 of Legislative Decree 81/08). In addition to this protection, personnel are in any case subjected to medical examinations (where required by the job), provided with PPE (where necessary) and qualified according to normal company procedures so that they can also operate effectively in the Civitanavi Systems' workplaces.

## Worker participation and consultation and communication on occupational health and safety

Civitanavi Systems' staff has appointed a workers' health and safety representative (RLS - Rappresentante Lavoratori Sicurezza), for whom the required training and updates have been provided, as per the applicable legislation. The RLS is consulted every time the Risk Assessment Document (DVR) is updated and is involved in the annual safety meeting.

## Prevention and mitigation of occupational health and safety impacts within the business relationship

In addition to the adoption and periodic updating of the Risk Assessment Document (DVR), Civitanavi's quality management processes include, among others, controls carried out on products sold to customers, with specific reference to applicable regulations, including the CE marking, and a technical dossier with risk analysis.

## Accidents

**During the reporting period (2020-2022), no occupational accidents of any kind has occurred**. Absence days by type were mainly due to illness and parental leave. Furthermore, no cases of occupational diseases have occurred in the reporting period, and in the previous years 2020 and 2021.

The total number of hours worked during the reporting period was as follows:

| Total hours worked | | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| | h | **153,136** | **192,765** | **234,782** |

# 9 Environment

## Environmental Policy

| | |
|---|---|
| GRI STANDARDS | 3-3 |

Civitanavi Systems is committed to complying with applicable environmental laws and regulations and implementing preventive measures to minimise environmental impact. Civitanavi Systems issues an annual Environmental Legal Compliance Analysis in accordance with ISO 14001 that defines its strategy in relation to the environmental impact of its activities.

## Energy - Emissions and Climate Change

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|---|---|
| GRI STANDARDS | 3-3<br>302-1<br>302-3<br>305-1<br>305-2<br>305-4 |

### Energy consumption

Energy consumption - shown in Gjoules in accordance with GRI Standards - is the energy used for the operation of equipment, in production facilities, and for activities carried out at the operational and business premises.

Civitanavi Systems monitors electricity and water consumption on a monthly basis to keep any waste under control.

For the year 2022, Civitanavi System has entered into agreements with Guarantee of Origin (GO) for the purchase of electricity from renewable sources. This certifies that the origin of the sources used for energy production is renewable. Thanks to this, an increase in the share of renewable in the total energy consumed (50% by 2022) was reported.

Methane is used exclusively for water heating. Energy consumption figures for 2022 show a reduction in methane consumption compared to 2021 and 2020.
Overall, total energy consumption increased slightly compared to previous years due to a number of factors, such as the increase in production capacity and employees and the consequent expansion of work space. Two charging points for the company's two electric cars were also installed at the Pedaso plant in 2022.

| Energy consumed – GJ | 2020 | 2021 | 2022 |
|---|---|---|---|
| **Electricity** | | | |
| Electricity purchased from the grid | 1,373 | 1,498 | 507 |
| Electricity purchased with Guarantee of Origin contracts | - | - | 1,130 |
| **Total energy consumed** | **1,373** | **1,498** | **1,636** |
| Of which from renewable sources | - | - | 1,130 |
| | | | |
| **Natural Gas** | | | |
| Methane | 680 | 746 | 616 |
| **Total** | **680** | **746** | **616** |
| | | | |
| **Total energy consumption - Gj** | **2,054** | **2,244** | **2,252** |
| Renewable percentage | 0% | 0% | 50% |

Sources

- Energia elettrica – Enea Agenzia nazionale per le nuove tecnologie, l'energia e lo sviluppo economico sostenibile
- Methane Ministry of Environment Italy – National Parameters EU ETS - Italy :: News (minambiente.it)

- Fuels – DEFRA UK - Greenhouse gas reporting: conversion factors 2022 - GOV.UK (www.gov.uk)

# Energy intensity

Below are the indicators for measuring energy intensity calculated on the basis of two different parameters: number of employees and hours worked. As shown in the table below, in 2022, the emissions intensity index shows an improving trend, which is mainly driven by the purchase of energy from contracts with Guarantee of Origin.

| Energy Intensity index | 2020 | 2021 | 2022 |
|---|---|---|---|
| Energy consumption - Gj | 2,054 | 2,244 | 2,252 |
| Number of employees | 94 | 120 | 148 |
| Intensity index | 21.85 | 18.70 | 15.21 |

| Energy Intensity index | 2020 | 2021 | 2022 |
|---|---|---|---|
| Energy consumption - Gj | 2,054 | 2,244 | 2,252 |
| Number of hours worked | 153,136 | 195,765 | 234,782 |
| Intensity index* | 13.41 | 11.46 | 9.59 |

*The index shows the emissions (t CO2e) per thousand hours worked

# Emissions

### Direct and indirect emissions: GHG Scope 1 - Scope 2

Carbon dioxide emissions and equivalents (tCO2e) are reported in tonnes equivalent. The tables show data on direct emissions (GHG Scope 1 - Greenhouse Gas), together with indirect emissions associated with the consumption of electricity purchased from the grid (GHG Scope 2).

As already mentioned, in 2022, Civitanavi Systems signed specific supply contracts with Guarantee of Origin (GO), an electronic certification attesting to the renewable origin of the sources used to produce electricity. The calculation of indirect emissions from electricity consumption (GHG - Scope 2) was carried out according to both the location-based and market-based approaches:

The **market - based** method determines the GHG – Scope 2 emissions from the purchase of electricity, considering the specific emission factors reported by the suppliers. If electricity is purchased from renewable sources, the tCO2e emission factor is zero.

The **location-based** method considers emissions from electricity consumption by applying national average emission factors for the different countries where electricity is purchased.

| Emissions CO2 - Scope 1 (tCO2e) | 2020 | 2021 | 2022 |
|---|---|---|---|
| **Methane** | | | |
| Methane for Heating | 38 | 42 | 35 |
| Methane for production activities | | | |
| **F-gas** (refrigerant gases dispersed in the atmosphere - air conditioning systems) | - | - | - |
| **Total - Scope 1 emissions** | **38** | **42** | **35** |

Sources

- Methane Ministry of Environment Italy – National ParametersEU ETS - Italy:News (minambiente.it)
- Fuels and other emission sources – DEFRA UK - Greenhouse gas reporting: conversion factors 2022 - GOV.UK (www.gov.uk)

| Emissions / CO2 - Scope 2 Location-based (tCO2e) | 2020 | 2021 | 2022 |
|---|---|---|---|
| Purchased electricity | 96 | 106 | 116 |
| **Emissions / CO2 - Scope 2 Market based (tCO2e)** | **2020** | **2021** | **2022** |
| Purchased electricity | 175 | 190 | 64 |

Sources

Location-based-method:

- Italy - ISPRA Efficiency & decarbonisation indicators ITA Europe 366-2022 Tab A 2 20 - Emission factors in the electricity sector for electricity production.

Market-based-method:

- Italy - European Residual Mix | AIB (aib-net.org) [2021] Table 2: Residual Mixes g/CO2/kWh

Thanks to the supply of electricity from renewable sources, 2022 market-based emissions are 53% lower than in 2020.

| GHG / CO2 emissions - Scope 1 + Scope 2 (t CO2e) Market based | 2020 | 2021 | 2022 |
|---|---|---|---|
| Total GHG CO2 Emissions - Scope 1 + Scope 2 | 213 | 232 | 99 |
| **Emission reduction in the three-year period %** | | | **53.52%** |

| Emission intensity | Unit | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| Emissions Scope 1 + Scope 2 Market based | t CO2e | 213 | 232 | 99 |
| Total employees | | 94 | 120 | 148 |
| Intensity index | | 2.27 | 1.93 | 0.67 |

| Emission intensity | Unit | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| Emissions Scope 1 + Scope 2 Market based | t CO2e | 213 | 232 | 99 |
| Number of hours worked | | 153,136 | 195,765 | 234,782 |
| Intensity index* | | 1.39 | 1.18 | 0.42 |

*The index shows the emissions (t CO2e) per thousand hours worked

# Responsible use of resources

| | |
|---|---|
| GRI STANDARDS | 3-3<br>303-3<br>306-3 |

## Water

The reporting standard for water resources (GRI 303) is consistent with the SDGs/Sustainable Development Goals of the UN Agenda 2030, in particular Objective 6, which defines objectives related to, among others, the sustainability of water resources worldwide. The standard requires reporting on an organisation's water use, associated impacts and how to address them. Civitanavi Systems' water withdrawals are from the public aqueduct network and mainly concern sanitary uses.

Water abstraction data, as required by the GRI Standards, are shown in Mega Litres (1 Mega litre = 1000 cubic metres). The consumption of water resources has remained constant between 2021 and 2022, showing a slight increase compared to 2021.

| Water withdrawals (ML) | 2020 | 2021 | 2022 |
|---|---|---|---|
| **Third-party water resources (aqueduct - network)** | 0.6 | 0.6 | 0.6 |
| **Total** | **0.6** | **0.6** | **0.6** |

**Water stress** - Water stress refers to the ability or inability to meet the demand for water, both from humans and from ecosystems as a whole, i.e. the ratio of total water withdrawal to the available renewable supply from surface and groundwater sources. Water withdrawals include domestic, industrial, irrigation, livestock and non-consumption uses. Higher values indicate more *competition* between users. The Aqueduct Water Risk Atlas Aqueduct | World Resources Institute (wri.org) of the World Resources Institute was used as a tool for assessing water stress areas.

Civitanavi Systems' sites are all located in Italy (specifically, in the Marche, Lazio and Campania regions) in areas characterised by water stress classified as high/very high. This is given, as indicated by ISPRA, by a statistically significant increase in the percentage of Italian territory subject to extreme drought conditions on an annual time scale.

## Waste

In accordance with the D.P.C.M. of 23 December 2020, Civitanavi Systems annually submits the Single Environmental Declaration (MUD - Modello Unico di Dichiarazione Ambientale), a communication that entities and companies must submit every year, in which they indicate the quantity and type of waste they produced and/or managed during the previous year.

The MUD consists of six communications identifying the types of waste for which the form must be submitted, namely (i) waste; (ii) end-of-life vehicles; (iii) packaging; (iv) municipal, assimilated and collected waste; (v) waste from electrical and electronic equipment; and (vi) manufacturers of electrical and electronic equipment.
The waste produced by Civitanavi may originate from the following activities: a) Administrative and office activities; b) Manufacturing activities. The tables show the data for the period 2020-2022 of waste generated, with the quantities of hazardous and non-hazardous special waste disposed of or recovered, broken down by type. Quantities are expressed in tonnes (t).

Concerning the increase in waste in 2022, the change is related to the disposal of waste from the building extensions carried out during 2021-2022, as well as the disposal of discarded equipment in 2022.

| **Waste by category (t)** | **2020** | | | **2021** | | | **2022** | | |
|---|---|---|---|---|---|---|---|---|---|
| | Recovery | Disposal | Total | Recovery | Disposal | Total | Recovery | Disposal | Total |
| **Hazardous waste** | | | | | | | | | |
| Packaging | | | - | | 0.012 | 0.012 | | 0.018 | 0.018 |
| Paints and varnishes | | | - | | | - | 0.013 | | 0.013 |
| Adhesives and sealants | | | - | | | - | | 0.002 | 0.002 |
| Discontinued equipment with hazardous components | | | - | | | - | 0.010 | | 0.010 |
| Discontinued equipment, containing chlorofluorocarbons, HCFCs, HFCs | | | - | | | - | 0.940 | | 0.940 |
| Other insulation materials | | | - | | | - | | 0.040 | 0.040 |
| **Total** | **-** | **-** | **-** | **-** | **0.012** | **0.012** | **0.963** | **0.060** | **1.023** |
| **Non-hazardous waste** | | | | | | | | | |
| Discontinued equipment | 0.035 | | 0.035 | 0.080 | | 0.080 | 0.084 | | 0.084 |
| Aluminium | 0.045 | | 0.045 | 0.097 | | 0.097 | 0.070 | | 0.070 |
| Wood | | | - | 0.250 | | 0.250 | | | - |
| Iron and steel | | | - | 0.040 | | 0.040 | | | - |
| Mixed waste from construction and demolition activities | | | - | 0.380 | | 0.380 | | | - |
| Waste containing silicon | | | - | 0.001 | | 0.001 | 0.050 | | 0.050 |
| Aqueous suspensions containing paints and varnishes | | | - | | 0.004 | 0.004 | | 0.011 | 0.011 |
| Components removed from discontinued equipment | | | - | | | | 0.005 | | 0.005 |
| Waste adhesives and sealants (other than item 08 or 09) | | | - | | | - | | 0.002 | 0.002 |
| **Total** | **0.080** | **-** | **0.080** | **0.847** | **0.004** | **0.851** | **0.209** | **0.013** | **0.222** |
| **Total** | **0.080** | **-** | **0.080** | **0.847** | **0.016** | **0.863** | **1.172** | **0.073** | **1.245** |

# GRI Content Index

| | |
|---|---|
| Statement of use | The Sustainability Report of Civitanavi Systems S.p.A. for the financial year 2022 [01 January – 31 December 2022] has been prepared according to the reporting option *with reference to* GRI Standards. |
| GRI 1 adopted | GRI 1 Foundation 2021 |

## GRI Standards - General Policy

| GRI Sustainability Reporting Standard | | References Chapter/Paragraph | Standard application notes |
|---|---|---|---|
| | | | |
| **GRI 2 - General Policy - version 2021** | | | |
| | **The organisation and its reporting practices** | | |
| 2-1 | Organisational details | 1 Civitanavi Systems / Profile | |
| | | 4 Governance and conduct in business / Organisational structure and delegation process | |
| 2-2 | Entities included in the organisation's sustainability reporting | Methodological note | |
| | | 1 Civitanavi Systems / Profile | |
| 2-3 | Reporting period, frequency and point of contact | Methodological note | |
| | **Activities and workers** | | |
| 2-6 | Activities, value chain and other business relationships | 1 Civitanavi Systems / Profile | |
| | | 2 We care - We perform - We deliver: the business model / Markets | |
| | | 2 We care - We perform - We deliver: the business model / Scenarios and industry trends | |
| | | 2 We care - We perform - We deliver: the business model / Legal and regulatory framework | |
| | | 2 We care - We perform - We deliver: the business model / The value chain | |
| | | 2 We care - We perform - We deliver: the business model / Technologies, products and solutions | |
| | | 2 We care - We perform - We deliver: the business model / The Production process: vertical integration and gold standard design | |
| | | 2 We care - We perform - We deliver: the business model / The Supply chain | |
| | | 2 We care - We perform - We deliver: the business model / Innovation: Research & Development & Partnerships | |
| | | 2 We care - We perform - We deliver: the business model / Customers | |
| 2-7 | Employees | 2 We care - We perform - We deliver: the business model / The Employees | |
| 2-8 | Non-employees | 2 We care - We perform - We deliver: the business model / The Employees | |
| | **GOVERNANCE** | | |
| 2-9 | Governance structure and composition | 3 Governance and Business Conduct / Corporate bodies and governance model | |
| 2-10 | Appointment and selection of the highest governing body | 3 Governance and Business Conduct / Corporate bodies and governance model | |
| 2-11 | Chair of the highest governing body | 3 Governance and Business Conduct / Corporate bodies and governance model | |
| 2-14 | Role of the highest governing body in sustainability reporting | 3 Governance and Business Conduct / Sustainability Governance | |
| 2-15 | Conflicts of interest | 3 Governance and Business Conduct / Communication Processes and Conflicts of Interest | |
| 2-16 | Communication of criticalities | 3 Governance and Business Conduct / Communication Processes and Conflicts of Interest | |

| | | | |
|---|---|---|---|
| 2-19 | Rules concerning remuneration | 3 Governance and Business Conduct / Corporate bodies and governance model | |
| 2-20 | Procedure for determining remuneration | 3 Governance and Business Conduct / Corporate bodies and governance model | |
| 2-21 | Annual total remuneration ratio | 3 Governance and Business Conduct / Corporate bodies and governance model | |
| | **Strategy, policies and practice** | | |
| 2-22 | Sustainable Development Strategy Statement | LETTER TO STAKEHOLDERS | |
| 2-23 | Commitment in terms of policy | 3 Governance and Business Conduct / Business Conduct | |
| 2-24 | Integration of commitments in terms of Policy | 3 Governance and Business Conduct / Business Conduct | |
| | | 4 Material Topics / Objectives and Actions | |
| 2-25 | Processes to remedy negative impacts | 3 Governance and Business Conduct / Business Conduct | 2-25 b |
| 2-26 | Mechanisms for requesting clarification and raising concerns | 3 Governance and Business Conduct / Business Conduct | |
| 2-27 | Compliance with laws and regulations | 2 We care - We perform - We deliver: the business model / Legal and regulatory framework | |
| | | 3 Governance and Business Conduct / Business Conduct | |
| 2-28 | Membership of associations | 3 Governance and Business Conduct / Business Conduct | |
| | **Stakeholder engagement** | | |
| 2-29 | Approach to stakeholder engagement | 2 We care - We perform - We deliver: the business model / The relations with stakeholders | |
| 2-30 | Collective agreements | 2 We care - We perform - We deliver: the business model / The employees | |

# GRI Standards - Disclosure Material Issues / Specific Indicators

Please note that unless otherwise specified, the GRI Standards published in 2016 were used. The GRI 301 Water and Discharges and GRI 403 Occupational Health and Safety Standards, published in 2018, were used for reporting on water usage and occupational health and safety, respectively. The GRI 306 Waste standard, published in 2020, was adopted with regard to waste reporting.

| **GRI 3 - Material Topics - version 2021** | | | **Standard application notes** |
|---|---|---|---|
| 3-1 | Process of determining material topics | 2 We care - We perform - We deliver: the business model / The relations with stakeholders | |
| | | 4 Material Topics / The impacts and material topics | |
| | | 4 Material Topics / The identifying process - issue evaluation and prioritisation | |
| | | 4 Material Topics / The risk management | |
| 3-2 | List of Material Topics | 4 Material Topics / The material topics | |
| 3-3 | Management of Material Topics | 2 We care - We perform - We deliver: the business model / The employees | |
| | | 2 We care - We perform - We deliver: the business model / Innovation: Research & Development & Partnerships | |
| | | 4 Material Topics / Objectives and actions | |
| | | 4 Material Topics / The risk management | |
| | | 5 Value creation and distribution / The economic value generated and distributed | |
| | | 6 Ethics and Integrity / The Corruption prevention measures | |
| | | 6 Ethics and Integrity / The Respect for the competition | |
| | | 6 Ethics and Integrity / Data Security and Privacy | |
| | | 7 Product Quality, Conformity and Safety / The Quality policy | |
| | | 7 Product Quality, Conformity and Safety / The Supply chain management | |

| | | | |
|---|---|---|---|
| | | 7 Product Quality, Conformity and Safety / Conformity and Safety | |
| | | 8 The value of human resources / Human resources management policies | |
| | | 8 The value of people / The Employees: employment - diversity and equal opportunities | |
| | | 8 The value of people / Training | |
| | | 8 The value of people / Health and safety at work | |
| | | 9 Environment / Environmental Policy | |
| | | 9 Environment / Energy – Emissions and climate change | |
| | | 9 Environment / Responsible use of resources | |
| **GRI 200** | **ECONOMIC TOPICS** | | |
| **201** | **ECONOMIC PERFORMANCE** | | |
| 201-1 | Economic value directly generated and distributed | 5 Value creation and distribution / The Economic value generated and distributed | |
| 201-4 | Financial assistance received from the government | 5 Value creation and distribution / The Economic value generated and distributed | |
| **205** | **ANTI-CORRUPTION** | | |
| 205-2 | Communication and training on anti-corruption regulations and procedures | 6 Ethics and Integrity / The Corruption prevention measures | 205-2 and |
| 205-3 | Established incidents of corruption and actions taken | 6 Ethics and Integrity / The Corruption prevention measures | |
| **206** | **ANTI-COMPETITIVE CONDUCT** | | |
| 206-1 | Legal actions for anti-corruption conduct, anti-trust and monopolistic practices | 6 Ethics and Integrity / The Respect for the competition | |
| **GRI 300** | **ENVIRONMENTAL TOPICS** | | |
| **302** | **ENERGY** | | |
| 302-1 | Energy consumed within the organisation | 9 Environment / Energy – Emissions and climate change | |
| 302-3 | Energy intensity | 9 Environment / Energy – Emissions and climate change | |
| **303** | **WATER AND WASTE WATER - 2018** | | |
| 303-3 | Water withdrawal | 9 Environment / Responsible use of resources | |
| **305** | **EMISSIONS** | | |
| 305-1 | Direct GHG emissions (Scope 1) | 9 Environment / Energy – Emissions and climate change | |
| 305-2 | Indirect GHG emissions from energy consumption (Scope 2) | 9 Environment / Energy – Emissions and climate change | |
| 305-4 | GHG emission intensity | 9 Environment / Energy – Emissions and climate change | |
| **306** | **WASTE** | | |
| 306-3 | Waste generated | 9 Environment / Responsible use of resources | |
| **308** | **ENVIRONMENTAL EVALUATION OF SUPPLIERS** | | |
| 308-1 | New suppliers assessed using environmental criteria | 7 Product Quality, Conformity and Safety / The Supply chain management | |
| **GRI 400** | **SOCIAL ISSUES** | | |
| **401** | **EMPLOYMENT** | | |
| 401-1 | New hires and turnover | 8 The value of human resources / Human resources management policies | |
| 401-3 | Parental leave | 8 The value of people / The Employees: employment - diversity and equal opportunities | |
| **403** | **OCCUPATIONAL HEALTH AND SAFETY - 2018** | | |
| 403-1 | Occupational health and safety management system | 8 The value of people / Health and safety at work | 403-1 a, b |
| 403-2 | Hazard identification, risk assessment and accident investigation | 8 The value of people / Health and safety at work | 403-2 a, b, c, d |
| 403-3 | Occupational health services | 8 The value of people / Health and safety at work | |
| 403-4 | Worker participation and consultation and communication on occupational health and safety | 8 The value of people / Health and safety at work | |
| 403-5 | Training for workers on occupational health and safety | 8 The value of people / Health and safety at work | |

| | | | |
|---|---|---|---|
| 403-6 | Workers' health promotion | 8 The value of people / Health and safety at work | |
| 403-7 | Prevention and mitigation of occupational health and safety impacts within the business relationship | 8 The value of people / Health and safety at work | |
| 403-9 | Occupational accidents | 8 The value of people / Health and safety at work | 403-9 a, c |
| 403-10 | Occupational Diseases | 8 The value of people / Health and safety at work | 403-10 a |
| **404** | **TRAINING AND EDUCATION** | | |
| 404-1 | Average hours of annual training per employee | 8 The value of people / Training | |
| 404-2 | Employee skills updating and transition assistance programmes | 8 The value of people / Training | 404-2 a |
| **405** | **DIVERSITY AND EQUAL OPPORTUNITIES** | | |
| 405-1 | Diversity in governance bodies and among employees | 3 Governance and Business Conduct / Corporate bodies and governance model | |
| | | 8 The value of people / The Employees: employment - diversity and equal opportunities | |
| **406** | **NON-DISCRIMINATION** | | |
| 406-1 | Incidents of discrimination and corrective measures adopted | 8 The value of human resources / Human resources management policies | |
| **414** | **SOCIAL EVALUATION OF SUPPLIERS** | | |
| 414-1 | New suppliers that have been evaluated using social criteria | 7 Product Quality, Conformity and Safety / The Supply chain management | |
| **416** | **CUSTOMER HEALTH AND SAFETY** | | |
| 416-2 | Incidents of non-compliance with health and safety impacts of products and services | 7 Product Quality, Conformity and Safety / Conformity and Safety | |
| **417** | **MARKETING AND LABELLING** | | |
| 417-2 | Cases of non-compliance regarding labelling and information on products and services | 7 Product Quality, Conformity and Safety / Conformity and Safety | |
| **418** | **CUSTOMER PRIVACY** | | |
| 418-1 | Proven complaints regarding breaches of customer privacy and loss of customer data | 6 Ethics and Integrity / Data Security and Privacy | |