

# Sustainability Report 2021



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# CHAPTER 3

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## SUSTAINABILITY IN OSAI

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## 3.0 SUSTAINABILITY IN OSAI

The Company is aware of the economic, social and environmental responsibilities that arise from its activities in the area, and believes that only by assessing and acting concretely within these aspects can continuity, growth, competitiveness and stability be guaranteed in the medium and long term.

Awareness of the impact that the Company's operations have on the local area pushes it toward a greater consciousness, which goes beyond business understood as a return on capital alone, in which Sustainability becomes a non-prescriptive element to ensure the growth of local economies and the protection of ecosystems.

In the explication of this approach, OSAI promotes **investments to reduce the consumption of natural resources**, through training and information activities aimed at stakeholders, through the efficiency of the facilities and buildings used, and by encouraging and incentivizing the transition to electric mobility.

OSAI has also been pursuing a path of social sustainability for several years, involving charities and associations with a high social impact that operate in the area, to guarantee them adequate support, and developing partnerships with neighboring companies to foster social and entrepreneurial development in the area.

A fundamental element for ensuring Sustainability in business choices over time is human capital: people, their sense of belonging and responsibility, which is the result of virtuous policies close to the needs of the Person and the Family, represent the core of sustainability presented according to OSAI.

Left:

PHEV-BEV car charging stalls (M7), 2022

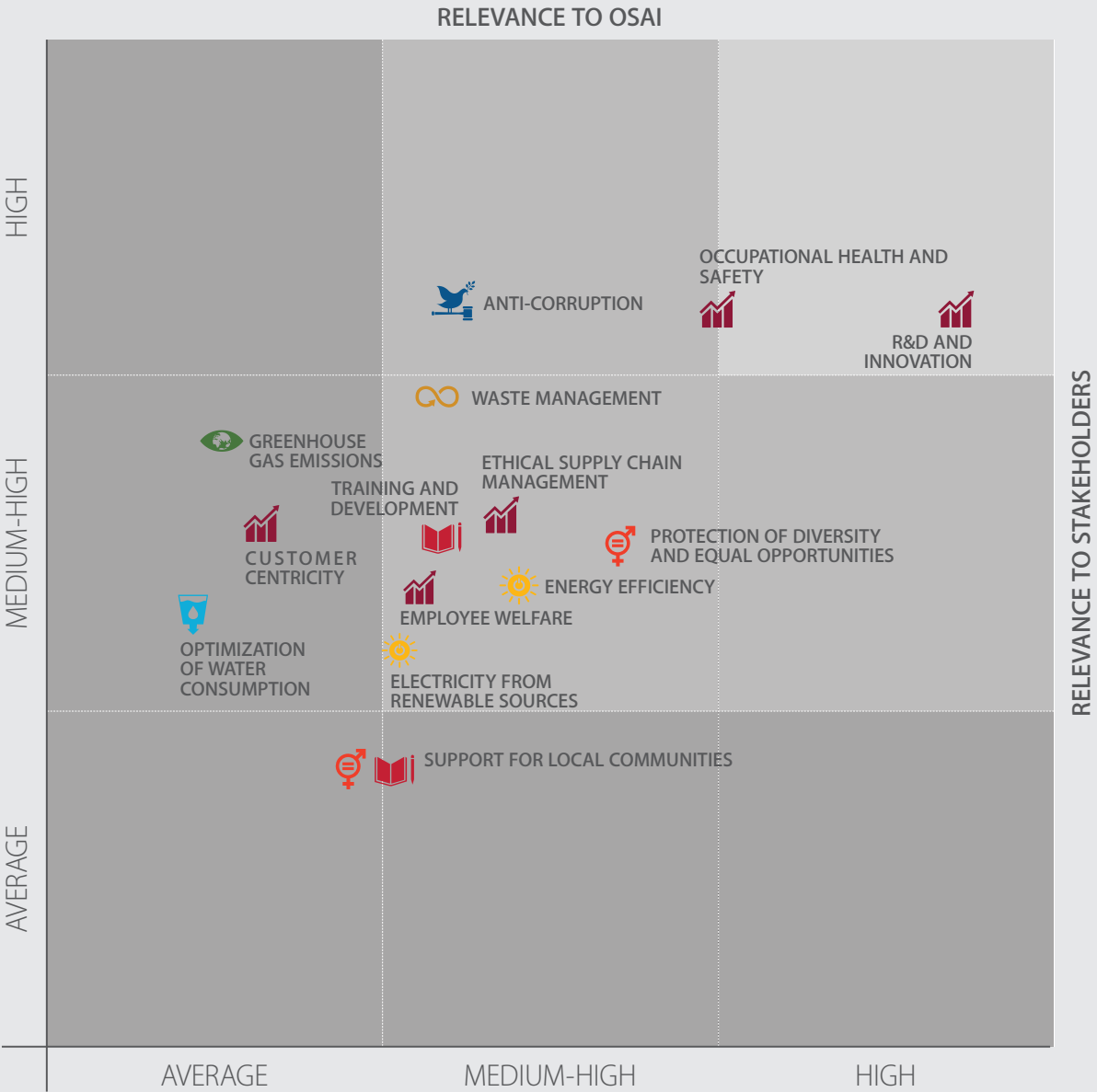




# 3.1 MATERIALITY ANALYSIS

In 2021, the Company, on the occasion of publishing its first Sustainability Report, carried out the so-called Materiality Analysis taking into consideration the guidelines of the latest publications by international standards, particularly the GRI Standards of the Global Reporting Initiative, regarding the principles of inclusiveness and materiality, which involve three

- steps:
- **the identification of the Aspects of Sustainability - PHASE 1**
- Activity that carefully examines all aspects of the OSAI context, selecting among them the most significant ones with the help of the indications contained in the Standards and



through the combination of factors related to the organization, such as: mission, values, strategies, quality and environmental management systems, organization, management and control model, code of ethics and risk analysis carried out.

• **the relevance for OSAI - PHASE 2**

Process through which each significant aspect of the context is assigned a weight or relevance to the Company, through the involvement of the Company's senior management and the Internal Sustainability Working Group.

• **relevance to Stakeholders - PHASE 3**

Activity involving the direct involvement of different categories of stakeholders-shareholders, customers, suppliers, banks, insurance companies, business partners, public administration, schools and universities-with the aim of determining the level of relevance of the identified Sustainability Aspects.

The Sustainability Team, in charge of the project to prepare the first Sustainability Report, then identified and confirmed the list of relevant stakeholder categories in order to define a comprehensive list of current and potential stakeholders aligned with the context in which the Company operates, which does not appear to have changed from what was defined during 2020. In line with the methodology followed, in 2021 the identified stakeholders were grouped into the following categories:

- Shareholders
- Banking and Insurance
- Customers
- Business Partners
- Public institutions
- School and University
- Employees
- Suppliers
- Local communities

The increased involvement of stakeholders and the explication of their positions on material

issues helped to verify the presence of any significant deviations in the assessments of ESG (Environment, Social, Governance) issues, the subject of biennial interviews, from the picture that emerged as a result of internal materiality surveys. The Materiality Matrix summarizes the outcome of this comparison and is seen as a coherent and current snapshot of the relevance of sustainability aspects expressed by stakeholders.

The Sustainability Working Group did not deem it necessary to update the Materiality Analysis defined as a result of the 2020 stakeholder - shareholder engagement, given the short time interval that elapsed between the present drafting and the previous publication, in line with what was defined in the Sustainability Report 2020 about the periodicity of updating the Matrix.





## 3.2 MANAGEMENT OF RISKS AND OPPORTUNITIES

The Company has always considered the mapping of risks related to business processes a priority, even in the period prior to the entry into force of the UNI EN ISO 9001:2015 standard, which expressly required organizations with a Quality Management System to determine risks and opportunities applicable to their context.

OSAI now annually defines an improvement action plan following a rigorous multidisciplinary analysis of the identified risks, built on the basis of the UNI EN ISO 31000:2018 guidelines, and which constitutes a key annex of the Management Review document and which constitutes a key annex of the Management Review document, validated by the Company's Chief Executive Officer.

As a result of obtaining UNI EN ISO 14001:2015 Certification in 2019, the analysis was expanded to include environmental aspects, thus defining, in the same way as created for the Quality Management System, impacts, related risks and mitigation actions.

Quality and Environmental Management Systems, certified by an accredited body recognized by the Italian government body Accredia for the certification of business management systems, are subject to annual oversight and issuance of three-year certificates. Parallel to external inspection visits, there are periodic field audit activities conducted by Osai staff and consultants that allow for updating the risk picture thus preventing penalties or losses due to critical issues that were not revealed in time and handled appropriately.

The certification path for the management systems in use will end in 2023 with the achievement of UNI EN ISO 45001:2018 certification, which will further refine the framework of risks and opportunities pertaining to QHSE (Quality, Health, Safety, Environment) issues applicable to the business context.

The Company's listing on the stock exchange in 2020 has also enabled the Company to become more aware of existing risks and opportunities, therefore initiating their management where deemed significant of additional risks. The Company is also focusing efforts to adopt, by the end of 2023, in the medium term, a System approach to ERM (Enterprise Risk Management) through involvement of:

- Board of Directors (BoD), to set strategic direction and periodically assess adequacy;
- Chief Executive Officer (CEO), regarding the establishment of the ERM System;
- Audit and Risk Committee, with duties of investigation and support to the CEO - under establishment;
- Board of Auditors, to ensure the effectiveness of the System.



<div> <div>8</div> <div>DECENT WORK AND ECONOMIC GROWTH</div> <div>  </div> </div> <div>R&amp;D AND INNOVATION</div>	
<b>RELEVANCE OF THE APPEARANCE</b>	<p>In the Materiality Analysis, the issues of Research &amp; Development and Innovation were considered highly relevant by both external stakeholders and the group of senior individuals who took part in the survey. The ability to continuously innovate and expand the technology portfolio is an element that ensures business continuity, a great ability to react to changing market contexts and trends while respecting the values of sustainability.</p>
<b>DESCRIPTION OF THE RISK</b>	<p>The <b>solutions' provider</b> profile recognized by the market, the co-development of solutions with the customer, require OSAI to have a constant ability to effectively manage the innovation process and experiment with new technologies to expand its technology portfolio to be made available to the market. The risk of having an inadequate technology portfolio, distant from needs, due to poor management of investment in research, development and innovation is a risk that needs to be managed to ensure continuity and growth.</p>
<b>RISK MANAGEMENT AND OPPORTUNITIES</b>	<p>In 2021, the establishment of the Innovation &amp; Development Committee by the Board of Directors helped to effectively manage risk by evaluating and proposing to the executive body the projects deemed as priorities in different areas of action: new products/processes, product maintenance/improvement.</p> <p>A further area of focus during 2021 was the establishment of the Strategic Marketing function to support the Business Development area, which through new skills contributes to the definition of new strategies to enhance product positioning in the market and identify new opportunities.</p>

<div> <div>8</div> <div>DECENT WORK AND ECONOMIC GROWTH</div> <div>  </div> </div> <div>OCCUPATIONAL HEALTH AND SAFETY</div>	
<b>RELEVANCE OF THE APPEARANCE</b>	<p>Workplace health and safety issues are considered equally relevant to both OSAI's top functions and the stakeholders interviewed, as they are not only elements of a mandatory nature but are considered a basic right to be respected before any other.</p>
<b>DESCRIPTION OF THE RISK</b>	<p>OSAI believes that safe working conditions and the protection of the health of all workers at all times cannot be disregarded, so risk management plays a central role in the definition of processes and their monitoring, aware that an accident or occupational disease represents first and foremost physical and moral damage to the person, but also a high risk of interruption of the company's activity and business.</p> <p>By their very nature, the processes that characterize OSAI's activities are marked by risks that are not particularly high, when compared to the majority of manufacturing realities, and there are limited instances in which employees are faced with potentially damaging situations. The limited number of accidents in OSAI's now 30-year history are testimony to this.</p> <p>Activities such as manual handling of loads, start-up of systems in production, mechanical work with sporadic shooting of mechanical and light metalwork parts in the machine tool shop, and poor posture at the video display screen are the most significant risks surveyed in the risk assessment document.</p>
<b>RISK MANAGEMENT AND OPPORTUNITIES</b>	<p>Although the risks are few and easily manageable, the Company established a dedicated occupational health and safety function in 2015 to set up an Occupational Safety Management System (OSMS), which has contributed not only to the mapping of risks related to people safety issues in the Company, but also to the planning of investments needed to prevent risk situations. In 2022, further strengthening of the effectiveness of the SGSSL is planned through the start of the certification path according to the international reference UNI EN ISO 45001:2018.</p>



## ANTI-CORRUPTION

### RELEVANCE OF THE APPEARANCE

As is known under the terms of Legislative Decree 231/2001, the commission of "predicate offenses" (Art. 24 and subsequent Legislative Decree 231/01), including the crime of bribery, i.e., committed by employees and apical individuals to obtain an advantage for the company, may result in the administrative liability of the entity in the absence of an Organizational Model pursuant to Legislative Decree 231/01 implemented and effective. Looking at the materiality matrix, it is evident that stakeholders have assigned Anti-Corruption a high importance.

### DESCRIPTION OF THE RISK

The failure to adopt an Organizational Model pursuant to Legislative Decree 231/01 makes the Company vulnerable with respect to the penalties provided for the crimes included in the Decree, which can be fines of up to 1.5 million euros, confiscation of the proceeds of the crime, disqualification from doing business, and exclusion from Public Administration tenders. In addition to what has been listed, the inevitable image damages resulting from the publication of the judgments with consequent impacts on the Company's reputation in the market cannot be excluded.

### RISK MANAGEMENT AND OPPORTUNITIES

The approval and implementation of the Organizational Model pursuant to Legislative Decree 231/01, occurring in 2021, the appointment of a Supervisory Board (SB) composed of 3 external members and that of a contact person for the Board within the Company with high professionalism and experience in the legal field, can ensure the necessary protection toward the commission of the crimes included in the Decree. In addition to this, the Company also exploits the information gained from the risk mapping and inspection activities of the Supervisory Board, as well as from the activation of channels (whistle-blowing) for reporting behaviors that foreshadow behavioral violations with respect to Legislative Decree 231/01.



## ETHICAL SUPPLY CHAIN MANAGEMENT

### RELEVANCE OF THE APPEARANCE

Companies formally engaged in the management of UN Goal 8 must put in place concrete and demonstrable policies to ensure that the supply chain is managed in accordance with published or adopted codes of ethics, starting from the purchase of raw materials to the sale of the product. Both OSAI's senior functions and stakeholders rated this aspect of medium to high importance.

### DESCRIPTION OF THE RISK

The risk of having a supply chain that is managed in a manner that differs from what is defined in the Code of Ethics adopted by the Company is significant because the supplier base is characterized by a very large number of companies with varied sizes, concentrated in different business sectors, and operating in geographic areas that are far apart. Such a context can be found in the articulation of processes in all medium- and large-scale manufacturing businesses globally and requires great care in the management of the supplier base. OSAI, for many years, has adopted specific procedures in order to monitor aspects deemed relevant to align its supply chain with the values expressed in its Code of Ethics as expressed in the specific chapter of this report.

### RISK MANAGEMENT AND OPPORTUNITIES.

The Company has taken special care in drafting its Code of Ethics since 2018 so that it could, on the one hand, faithfully represent the business context and, on the other hand, the expectations of the Ownership and Management with respect to ethical and sustainability issues. Subsequent sharing of the document with all employees and later to its suppliers is an important assurance of compliance with ethical values, particularly for small- to medium-sized suppliers. OSAI believes that it is more than adequate to spread awareness among the apical functions toward compliance with the published Code, which is confirmed by the assessment provided on the materiality of the aspect, which is slightly more relevant than even the stakeholders themselves believe.





## PROTECTION OF DIVERSITY AND EQUAL OPPORTUNITIES

### RELEVANCE OF THE APPEARANCE

OSAI considered this issue of materiality more relevant than the stakeholders: this is probably the result of a review by the top functions on the reduced diversity, especially gender diversity, that characterizes the Company compared to the realities of the tertiary sector, which for several years have almost achieved gender parity.

### DESCRIPTION OF THE RISK

The risk related to the lack of gender equality, for OSAI is mainly embodied in a smaller presence of the female gender among its employees compared to the male gender, which may lead to the conclusion that the actions put in place to mitigate the risk are insufficient. In any case, it should be considered that the type of activity carried out by the Company, namely the design and production of industrial automation systems, involves skills that are still predominantly the preserve of male figures, although the presence of women in STEM (Science, Technology, Engineering and Mathematics) education is growing significantly.

### RISK MANAGEMENT AND OPPORTUNITIES

Analyzing the three-year period 2019-2020-2021 shows a steady growth in the presence of employees belonging to the female gender in percentage terms (from 18 percent of total employees in 2019 to 20 percent in 2021), even in roles historically occupied exclusively by men. The path taken confirms that gender diversity is truly perceived as a value by senior figures and managers at the different levels who follow personnel selection processes. OSAI's positive approach was recently recognized by the Bellisario Foundation, which awarded it the Woman Value Company Award in 2021.



## TRAINING AND DEVELOPMENT

### RELEVANCE OF THE APPEARANCE

Training and skill development are considered central issues of medium to high importance to all stakeholders. In a rapidly changing market environment, the testing and skill acquisition of human capital is an element that needs to be carefully guarded, also in a long-term outlook. Increasingly important, in addition to specific technical skills, cross-cutting enabling technologies such as digitization and soft skills are becoming more important in order to streamline relationships and create greater value for the Company.

### DESCRIPTION OF THE RISK

The risk to the Company is the possible lack of both specific and transversal skills of its resources, based on the role and task, which are not sufficient to meet the Company's needs and expectations and thus meet the needs of the market, such as to create a negative gap with the competition and undermine its growth.

### RISK MANAGEMENT AND OPPORTUNITIES

Presiding over the competencies of one's resources and comparing them with the needs of the market requires a great deal of attention. For this reason, the Company, through the human resources function, with continuity and employing the tools of evaluation, periodic surveys and listening activities, detects from the operational staff and responsible figures the training needs to be translated into an Annual Training Plan aimed at both the growth of resources and the development of new skills.



**ENERGY EFFICIENCY**

**RELEVANCE OF THE APPEAR-  
ANCE**

OSAI and stakeholders are aligned in their assessment of the materiality of the energy efficiency aspect, in part because of the fact that for the Company it is an issue of relevant and frequent investment, and for the sphere of stakeholders, it is universally regarded as indispensable.

**DESCRIPTION OF THE RISK**

The risk of non-energy efficiency of buildings and facilities resulting in the need for increased energy use has been mitigated by OSAI through all the interventions that have been concluded on energy efficiency issues at the Parella (TO) production site. Since the production activity does not fall within the categories defined as energy-intensive, the interventions are limited to the management of consumption inherent in the buildings (electric and thermal utilities) and fleet management and travel.

**RISK MANAGE-  
MENT AND OP-  
PORTUNITIES**

The Environmental Improvement Plans on an annual basis and the multi-year Sustainability Program are the two tools through which OSAI manages needs and opportunities in the area of energy efficiency.



**EMPLOYEE WELFARE**

**RELEVANCE OF THE APPEAR-  
ANCE**

Employee well-being is considered by all stakeholders to be of central concern, especially following the pandemic events of recent years that have placed greater emphasis on health and worklife balance. OSAI has been concretely committed for years to protecting the mental and physical well-being of its human capital by seeking, through work organization and corporate welfare plans, to improve the quality of life, seeking to achieve the right balance between work needs and personal and family needs.

**DESCRIPTION OF THE RISK**

In this area, the risk identified by the Company is that of not guaranteeing its staff an adequate balance between the expectations of resources and the pay and welfare system put in place with the risk of losing attraction and competitiveness in the labor market compared to competitors, seeing reduced motivation of human capital, opportunities for growth related to increased resources or the flight of competent and qualified personnel.

**RISK MANAGE-  
MENT AND OP-  
PORTUNITIES**

OSAI to contain this risk establishes specific compensation and welfare policies that result in "basic" welfare plans for all employees and "on top" welfare for key figures in the Company. Through these "total reward" (mix of pay and welfare) policies, the dual purpose of increasing motivation, consequently goal attainment and reducing the risk of high professionals leaving for competitors is achieved.



## CUSTOMER CENTRICITY

### RELEVANCE OF THE APPEAR- ANCE

Customer centricity is seen by stakeholders as a factor of medium to high importance with greater prevalence for external stakeholders than for internal company figures for whom customer focus is part of the Company's shared values.

### DESCRIPTION OF THE RISK

Customer Centricity is a choice that goes beyond meeting the explicit and implicit needs of customers and can result, if not carefully monitored and evaluated in terms of costs and benefits, in lower profitability or in the borderline case, the undermining of business continuity, if the company incurs higher costs in the face of systematic and non-legitimate customer demands.

OSAI operates in industries characterized by different contexts that require differentiated customer management strategies with targeted investments in multiple areas designed to maintain its market positioning or seize new business opportunities.

The risk of not overseeing, through periodic monitoring, the effects of these strategies could cause a systematic increase in over-quality costs with possible repercussions on the Company's expected profitability.

### RISK MANAGE- MENT AND OP- PORTUNITIES

The risk of increasing costs and consequently reducing margins, in order to meet any unbargained for Customer expectation, can be significant in the absence of the correct garri- sons at the proposal, commercial and project management functions, i.e., the monitoring systems that allow verification of the contractual requirements set with Customers and the consequent cost trends.

In OSAI, through the application of specific tools defined within the business processes (e.g., project review of job order) the collaboration, between the different functional areas, allows to manage and contain the risk as well as to define possible investment strategies.



## ELECTRICITY FROM RENEWABLE SOURCES

### RELEVANCE OF THE APPEAR- ANCE

OSAI and all stakeholders are aligned in the materiality assessment on the aspect concern- ing the procurement of electricity from renewable sources. Despite the fact that OSAI is inherently non-energy intensive, the choice made over the years to follow this path repre- sents a distinctive and virtuous element.

Despite the fact that absorption needs were lower, the Company invested in the construc- tion of an oversized photovoltaic power generation park with the intention, over time, to expand its exploitation and consequently reduce the impact generated by the consump- tion of traditional sources for other utilities (see cars).

### DESCRIPTION OF THE RISK

The supply of energy from renewable sources, particularly self-generated energy, implies the construction of infrastructure that may be insufficient to fully cover the Company's energy demand, or, on the contrary, excessive in relation to demand, with extremely long plant depreciation costs.

### RISK MANAGE- MENT AND OP- PORTUNITIES

OSAI has equipped itself with a 263 kWp photovoltaic park that currently provides self-consumption of just under 50 percent of total electricity consumed, but considering the gradual replacement of the company car fleet with hybrid/plug-in and full electric cars and heat pump thermal systems, a gradual reduction in the share of energy sold to the GSE (self-consumption growth) and in the depreciation time of the systems is expected.



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## GREENHOUSE GAS EMISSIONS

**RELEVANCE OF THE APPEAR-ANCE**

The issue of emissions is seen by stakeholders as an issue of medium to high relevance, while for the Company, considering a better understanding of the internal context of its business and the virtuous choices made by the Company over the years, such as the acquisition of energy from renewable sources and self-production through its photovoltaic park, it was assessed as of medium relevance. In any case, it is noted that most stakeholders show a lack of knowledge toward the specific context to adequately answer the questions posed.

**DESCRIPTION OF THE RISK**

The Company believes that given the small impact of its operations on the GHG emissions it produces-with emissions to the atmosphere [Scope 1] solely from the operation of natural gas boilers still in operation-is insignificant. The greatest risks may arise from non-compliance with air emission regulations and the resulting administrative penalties.

**RISK MANAGEMENT AND OPPORTUNITIES**

Certification of the Environmental Management System according to ISO 14001:2015 is a measure deemed effective in preventing violations that may affect the regulations on atmospheric emissions rather than the more stringent regulations promulgated by the Piedmont Region. Environmental certification is based on legislative compliance with applicable requirements, so in realities such as OSAI where the emissions aspect is applicable, the difference is made by the quality of external support in environmental legislative updates that one receives periodically and that the System guarantees.

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## SUPPORT FOR LOCAL COMMUNITIES

**RELEVANCE OF THE APPEAR-ANCE**

The materiality assessment on the topic sees all stakeholders aligned. For OSAI, this is a heartfelt issue related to the social impact that its activity and corporate business wants to bring back to the territory in the medium and long term. The Company believes that a positive social impact in the area, promotes growth and development, and thus generates a favorable environment with positive repercussions for its business continuity as well.

**DESCRIPTION OF THE RISK**

Failure to support the territory is a risk arising from the possibility of disappointing the expectations of the community, which OSAI must consider in its policies and manage concretely according to the values expressed in its Code of Ethics.

**RISK MANAGEMENT AND OPPORTUNITIES**

The Projects in the Territory, to which an entire section of this report is devoted, demonstrate, albeit partially, the implementation of the policies outlined within the OSAI Code of Ethics with regard to the external context. In terms of the internal context, the functional areas most involved in initiating local skills enhancement projects are the Procurement and Human Resources functions. This is done because the Company believes deeply in the ethical role of business entities towards Communities.

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## OPTIMIZATION OF WATER CONSUMPTION

**RELEVANCE OF THE APPEAR-ANCE**

Stakeholders rated the water-saving aspect slightly higher than OSAI's senior stakeholder group did. This mismatch is due to a reduced knowledge of the company's reality on the part of external stakeholders, who are unaware of the actual use of the water resource in the company and intended only for sanitation use and not for industrial-type activities.

**DESCRIPTION OF THE RISK**

The risk emerging is that consumption will not be aligned with the targets set, which are intended to stick to the estimates made on the basis of the user type identified as domestic.

**RISK MANAGEMENT AND OPPORTUNITIES**

Through the path that led OSAI's Environmental Management System to Certification during 2019, an improvement plan was initiated that allowed for structured monitoring of consumption and the initiation of important actions aimed at risk mitigation. To date, water consumption is reported with an indicator that provides summary information regarding the average daily efficiency of employees in their relationship with the water resource.





## 3.3 SUSTAINABILITY GOVERNANCE

This OSAI Sustainability Report is the product of the interdisciplinary discussion carried out by the Internal Sustainability Working Group. The working team, involving OSAI's senior functions, is the main governance tool for developing the ESG performance reporting system and potential improvement actions.

The Group, chaired by the CEO, consists of seven additional members: the Quality & Environment Manager, the Health & Safety Manager, the Human Resources Specialist, the Facility Manager, the Procurement Manager, the Chief Financial Officer, and the Communication & PR Manager.

OSAI's Board of Directors has delegated to the CEO the broadest decision-making powers on sustainability issues, which are concretely translated first of all into the refinement and approval of the Sustainability Plans devised by the Internal Sustainability Working Group, and subsequently reporting to the Board of Directors:

- achievements;
- the monitoring and verification activities that are organized and carried out;
- problems and critical issues also emerged through the management reviews produced by the different management systems adopted in the company (quality, environment and safety);

There are also information flows to the Board of Statutory Auditors, the Supervisory Board and the Auditing Firm.


Left:




**Council Chamber "Carlo Ferrero," Parella (TO)  
headquarters, 2022**












# SUSTAINABILITY PROGRAM

ASPECT / SDG	TARGET 2021-2023	ACTIVITIES CARRIED OUT	STATUS
<p>OPTIMIZATION OF WATER CONSUMPTION</p> 	<p><math>I_{CIGD} = 35 \text{ L}</math></p> <p>Liters/ workday/ worker</p>	<p><b>ACTIONS ON BUILDINGS:</b></p> <ol style="list-style-type: none"> <li>1. <b>Tests at volume meters</b> to rule out leaks along pipelines between withdrawal points and intakes from the municipal waterworks.</li> <li>2. <b>Identification of buildings at which to start potential worksites for the installation of water-saving devices</b> (aerators on faucets and dual-button toilet bowls).</li> <li>3. <b>Installation of informational signs at all restrooms</b> to raise staff awareness toward water consumption reduction.</li> </ol> <p><b>ACTIONS ON THE MANAGEMENT SYSTEM:</b></p> <ol style="list-style-type: none"> <li>1. Increased frequency of <b>monitoring</b> of water volumes withdrawn: from readings every 6 months to readings every 3 months.</li> <li>2. <b>Refinement of the computerized reporting system of plant access</b> and remote activities (remote working) to support more meaningful KPIs (<math>I_{CIGD}</math>) in the presence of dual work mode than the previous indicator (<math>I_{AI}</math>).</li> <li>3. <b>Change from <math>I_{AI}</math> Indicator (L/Employee) to <math>I_{CIGD}</math> Indicator (Liters/workday/worker);</b></li> </ol> <p><b>ACTIONS ON PERSONNEL:</b></p> <ol style="list-style-type: none"> <li>1. Internal staff sharing of Goal 2021 and public reporting of 2020 results through a dedicated article on internal company blog.</li> <li>2. Development of a thematic comic strip "Mr. Osai Goes Green," aimed at raising awareness of water conservation both at work and at home with useful tips, and disseminated on the company website, publicized through the internal blog, and distributed at the M7 production area for visiting employees and customers.</li> </ol>	<p><math>I_{CIGD} \leq 35.88 \text{ L}</math></p> <p>Liters/day labor/worker</p> <p>SMALL OVERRUN +2.51%</p> <p>TARGET TO BE REACHED SOON (2022)</p>

ASPECT / SDG	TARGET 2021-2023	ACTIVITIES CARRIED OUT	STATUS
<b>ENERGY EFFICIENCY</b> 	$IEA \leq 5.6 \text{ m}^3/\text{m}^2$	<p><b>ACTIONS ON THE FACILITIES:</b></p> <p>Completed in October 2020 the <b>transition of the boiler farm</b> (Paper Mill Complex) to <b>steam condensing technology</b>. The installation of the last two modules serving the E1 production area (for a total of 102.3 kW) ends the plant replacement campaign launched during 2015, and which, on several occasions, has enabled a gradual reduction in gas consumption and the abatement of emissions.</p> <p><b>ACTIONS ON BUILDINGS:</b></p> <ol style="list-style-type: none"> <li>1. <b>Re-roofing and insulation in front of Area U4</b> (occurred in 2018).</li> <li>2. <b>Decommissioning of boilers at Area U4</b> following the installation of heat pump thermal systems (electrically powered).</li> </ol>	<p><math>IEA = 6.08 \text{ m}^3/\text{m}^2</math></p> <p>OVERRUN +8.57%</p> <p>TARGET TO BE REACHED SOON (2022)</p>
<b>ENERGY EFFICIENCY</b> 	$ICA \geq 60\%$ percentage average self-consumed energy	<p><b>ACTIONS ON PLANTS:</b></p> <p>Since 2016, the company's photovoltaic park has been increased to the current <b>plant size of 263 kWp</b>, which sees:</p> <ul style="list-style-type: none"> <li>- 82.5 kWp at the Paper Mill Complex;</li> <li>- 80.6 kWp at Shed M6;</li> <li>- 99.9 kWp at Shed M7.</li> </ul>	<p><math>ICA = 55\%</math>.</p> <p>SMALL OVERRUN OF -8.33%</p> <p><b>TARGET TO BE REACHED SOON (2023)</b></p>
<b>WASTE MANAGEMENT</b> 	$IR \leq 0.5$ kg/k€ Kg of waste produced per k€ of production value generated.	<p><b>ACTIONS AIMED AT THE REUSE OF WOOD PACKAGING</b></p> <p>Systematic return of wooden crates to machinery suppliers purchased during the year of 1,892 kg, up 46% from the 2020 figure.</p>	<p><math>IR = 0.8</math></p> <p>kg/k€</p> <p>production waste/value of production</p> <p>OVERRUN +60%</p> <p><b>2021 GOAL NOT ACHIEVED</b> due to the regulatory change introduced by Decree 116/20, which significantly reduced the share of waste assimilated to municipal solid waste in 2021, effectively increasing the share of special waste compared to 2020.</p> <p><b>TARGET TO BE REPLANNED AT <math>IR = 0.7</math></b></p> <p>kg/k€ val.prod.</p>



ASPECT / SDG	TARGET 2021-2023	ACTIVITIES CARRIED OUT	STATUS
<b>GREENHOUSE GAS EMISSIONS</b> 	<p>Average<sub>CO2</sub> emission value</p> <p>On company fleet cars <b>≤ 120 g/km</b></p> <p>percentage of plug-in hybrid/electric cars <b>≥ 12 percent</b></p>	<p><b>CAR POLICY UPDATE</b></p> <p>The Corporate Car Policy drafted in July 2021 calls for 21 hybrid/PHEV cars (with WLTP emissions below 50g/km<sub>CO2</sub>) out of the total of 40 available.</p>	<p>Average<sub>CO2</sub> emission value</p> <p><b>= 115 g/km</b></p> <p>Share of plug-in hybrid/electric cars.</p> <p><b>= 24.5%</b></p> <p><b>GOAL ACHIEVED</b></p>
<b>GREENHOUSE GAS EMISSIONS</b> 	<p><b>25,000 km/month</b></p> <p>Intended for commercial flights (short-medium-long range)</p>	<p><b>UPDATE INCENTIVE PLANS FOR SALES MANAGERS</b></p> <p>Incentive plans containing targets aimed at reducing business travel.</p>	<p><b>4,481 km/month</b></p> <p><b>Commercial Flights</b></p> <p>(short-medium-long range)</p> <p><b>GOAL ACHIEVED</b></p>
<b>PROTECTION OF DIVERSITY AND EQUAL OPPORTUNITIES</b> 	<p>Inclusion of additional figures with disabilities</p>	<p>Added a new disabled person to the workforce as part of the Atlante Project (job placement of autistic individuals).</p>	<p><b>GOAL ACHIEVED</b></p>
<b>SUPPORT FOR LOCAL COMMUNITIES</b> 	<p>Collaboration with local entities to support projects for inclusion and bringing individuals with disabilities closer to the world of work.</p>	<p>During 2021, OSAI supported through the provision of areas, technological equipment and expertise, the project initiated by the Andirivieni Cooperative, Ivrea Job Center in order to initiate boys with disabilities on specific activities managed by the Cooperative.</p>	<p><b>GOAL ACHIEVED</b></p>
<b>ANTI-CORRUPTION</b> 	<p>Specific training plan on crimes pursuant to Legislative Decree 231/01 to senior figures and those with responsibilities.</p> <p>Adoption of the Organization, Management and Control Model (Legislative Decree 231/01)</p> <p>231 Supervisory Board (SB) appointed.</p>	<p><b>In 2021, 10 training sessions were organized</b> aimed at the apical individuals who may incur the commission of the crimes provided for in Legislative Decree 231/01, for a total of 9.2 hours of training held by legal professionals from outside the Company.</p> <p>On March 12, 2021, the Board of Directors appointed the <b>Supervisory Board (SB)</b> which will remain in office until the date of the Shareholders' Meeting convened to approve the Annual Report for the year ending December 31, 2022. As of today's date, the Supervisory Board consists of 3 external members.</p> <p>On March 26, 2021, the Board of Directors adopted the <b>"Organization, Management and Control Model"</b> of OSAI A.S. S.p.A." pursuant to Legislative Decree no. 231/2001</p>	<p><b>GOAL ACHIEVED</b></p>

ASPECT / SDG	TARGET 2021-2023	ACTIVITIES CARRIED OUT	STATUS
<b>EMPLOYEE WELFARE</b> 	Periodic updating of the Welfare Plan and policies on employee benefits such as the Company Car Policy in order to incorporate new needs and adapt to the changing environment.	<p>The following documents outlining actions to increase staff well-being were updated during 2021:</p> <ul style="list-style-type: none"> <li>Welfare Plan 2021 expanded to include 3 new homogeneous groups and new features in the area of subsidized employee loan management;</li> <li>Incentive plan and travel management 2021 with the inclusion of hardship allowance recognized for quarantine periods abroad;</li> <li>Provisions for the management of remote working up to 40 percent of total working days.</li> <li>Car Policy drafted in July 2021 provides for 21 hybrid/PHEV cars (with WLTP emissions below 50 g/km<sub>CO2</sub>) out of 40 that can be ordered.</li> </ul>	<b>GOAL ACHIEVED</b>
<b>R&amp;D INNOVATION</b> 	Establishment of a dedicated structure for investment management in innovation development projects.	<p>The Innovation &amp; Development Department saw the addition of 3 new resources (+ 60%) in 2021, dedicated to projects promoted by the Innovation &amp; Development Committee (CI&amp;S) and approved by the Board of Directors.</p> <p>In 2021, 30 projects were managed with an investment of more than 2.5 million euros</p>	<b>GOAL ACHIEVED</b>



# THE ECOVADIS ESG RATING

A few months after the publication of the first sustainability report in September 2021, OSAI wanted to obtain an impartial and universally recognized assessment of the attention shown to compliance-based sustainability issues:

- to the international standards of the Global Reporting Initiative (GRI);
- to the UNI ISO 26000 Guidelines on the Social Responsibility of Organizations;
- to the UN Global Compact Principles.

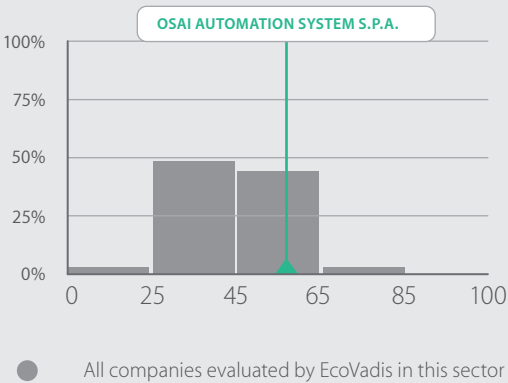
EcoVadis, one of the leading international consulting firms specializing in social and environmental sustainability assessments and ESG issues for the past 15 years, with a current network of 90,000 companies assessed in 175 countries, was selected to make this a reality.

As a result of the evaluation carried out by comparing companies in the identified association sector (general machinery manufacturing), OSAI was awarded the "silver medal," which is a score that places the company within the 74th percentile of evaluated companies demonstrating that only 26 percent of the companies under analy-

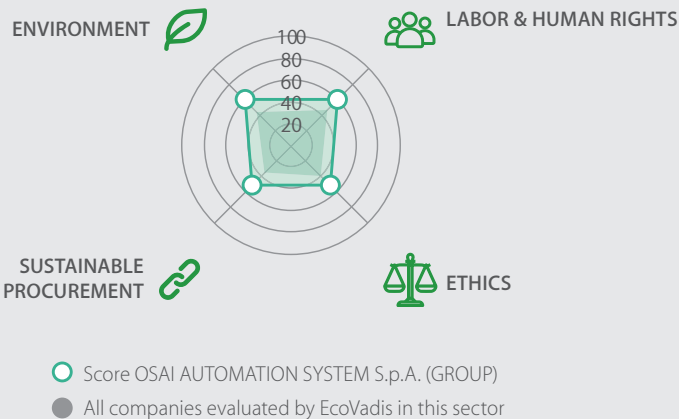


sis obtained higher values. The strengths that emerged were identified in the areas of Environment and Labor-Human Rights. Considering the severity of the analysis conducted, which took several months, and despite the fact that the sustainability reporting process initiated by OSAI is very recent, the result obtained demonstrates that the principles and values that guide the company are reflected in the day-to-day operations and results achieved.

Overall score distribution



Scores recorded







# 3.4 OSAI STAKEHOLDERS

Identifying OSAI's stakeholders is an essential activity to define their needs and expectations. The Company employs a matrix representation method of stakeholder needs that allows it to effectively sort through the stakeholders who most influence business decisions and strategies, and then integrate the insights gained into dedicated sections of the Corporate and Environmental Risk

Analyses.  
The table below shows the expectations of different categories of stakeholders, the communication tools OSAI uses according to the specific type of stakeholder, and those who hold responsibility in the Company for managing information and dialogue activities.

STAKEHOLDER	EXPECTATIONS	COMMUNICATION TOOLS	RESPONSIBILITY
PROPERTIES SHAREHOLDERS	<ul style="list-style-type: none"><li>- Risk analysis of all the Company's business sectors</li><li>- Transparency and honesty of the Company in communicating results to stakeholders</li><li>- ESG performance reporting</li><li>- Investment plan, financially, socially and environmentally sustainable</li><li>- Effectiveness in communication related to products, adherence to international calls, certifications, public awards and collateral activities</li></ul>	<ul style="list-style-type: none"><li>- Annual Operating Budget</li><li>- Sustainability Report (ESG Report)</li><li>- CEO reports on the activities Aof the Innovation &amp; Development Committee and the Sustainability Working Group.</li><li>- Corporate website</li></ul>	BOD CEO
EMPLOYEES PROCESS OWNERS	<ul style="list-style-type: none"><li>- Timely and transparent update on company performance, welfare initiatives, and market recognition</li><li>- Investment in employee training to fill gaps in the specific task or acquire new skills</li></ul>	<ul style="list-style-type: none"><li>- Corporate Blog</li><li>- Internal assemblies</li><li>- Corporate Website</li><li>- Informational communications on goals and outcomes</li><li>- Corporate Training</li></ul>	CEO Q&E Manager HR Manager

STAKEHOLDER	EXPECTATIONS	COMMUNICATION TOOLS	RESPONSIBILITY
CUSTOMERS	<ul style="list-style-type: none"> <li>- Transparency and honesty of the Company in reporting results</li> <li>- Effectiveness in communication related to products, adherence to international calls, certifications, public awards and collateral activities</li> </ul>	<ul style="list-style-type: none"> <li>- Annual Operating Budget</li> <li>- Sustainability Report (ESG Report)</li> <li>- Corporate website</li> <li>- Business Presentations</li> </ul>	BOD CEO Sales Managers
SUPPLIERS	<ul style="list-style-type: none"> <li>- Transparency and honesty of the Company in reporting results</li> <li>- Financially, socially and environmentally sustainable investment plan</li> <li>- Timely and transparent update on business results and new product launches.</li> <li>- Detailed explanation of the requirements of goods and services</li> </ul>	<ul style="list-style-type: none"> <li>- Annual Operating BudgetA</li> <li>- Sustainability Report (ESG Report)</li> <li>- Corporate website</li> <li>- During contract negotiations (General Terms and Conditions of Purchase).</li> </ul>	BOD CEO Procurement Manager
LENDING INSTITUTIONS	<ul style="list-style-type: none"> <li>- Risk analysis of all the Company's business sectors</li> <li>- Transparency and honesty of the Company in communicating results to stakeholders</li> <li>- ESG performance reporting</li> <li>- Investment plan, financially, socially and environmentally sustainable</li> <li>- Effectiveness in communication related to products, adherence to international calls, certifications, public awards and collateral activities.</li> </ul>	<ul style="list-style-type: none"> <li>- Annual Operating Budget</li> <li>- Sustainability Report (ESG Report)</li> <li>- Corporate website</li> </ul>	BOD CEO
COLLECTIVITY	<ul style="list-style-type: none"> <li>- Effectiveness in communication related to products, adherence to international calls, certifications, public awards and collateral activities</li> <li>- Communication of ESG performance</li> <li>- Financially, socially and environmentally sustainable investment plan</li> </ul>	<ul style="list-style-type: none"> <li>- Corporate website</li> <li>- Magazine editorials, TV interviews, etc.</li> </ul>	CEO PR & Communication Manager

# ECONOMIC VALUE PRODUCED AND DISTRIBUTED TO STAKEHOLDERS



OSAI recognizes the importance of balancing the distribution of the Value generated by its activities to the stakeholders who have directly or indirectly contributed to its creation.

Analysis of Economic Value Generated and Dis-

tributed highlights the flow of resources produced by the company and directed to its employees, suppliers, shareholders and lenders, public administration and community, as well as those retained by the company for self-financing.

ECONOMIC VALUE PRODUCED AND DISTRIBUTED [€]	2019 OIC	2020 OIC	2020 IAS	2021 IAS
<b>A. Economic value produced</b>	<b>38,560,599</b>	<b>32,314,060</b>	<b>33,153,609</b>	<b>32,614,656</b>
<b>B. Economic value distributed</b>	<b>33,834,094</b>	<b>28,971,668</b>	<b>28,291,551</b>	<b>28,265,979</b>
Operating costs	22,333,968	17,203,410	16,153,585	15,442,021
Salaries and employee benefits	10,601,439	11,395,420	11,921,677	12,671,094
Payments to capital providers	238,305	273,069	119,062	81,687
Payments to Public Administration	602,271	5,378	2,836	30,580
Investments in the community	58,111	94,391	94,391	40,597
<b>(A-B) Economic value retained*</b>	<b>4,726,505</b>	<b>3,342,392</b>	<b>4,862,058</b>	<b>4,348,677</b>

NOTE - The Company's financial statements as of December 31, 2021 were prepared for the first time in accordance with IAS/IFRS. Therefore, to enable a proper comparison between 2019-2020-2021 figures, the table above shows the values expressed under the previously adopted accounting standards, OIC 16, and those under IAS/IFRS.

\* the share of economic value retained as a result of applying IAS/IFRS tends to increase because it includes depreciation related to the costs of property, plant and equipment that were included in operating costs in the financial statements under national standards (OIC).

The **Economic Value produced** in 2021 is Euro **32.6 million** while the Economic Value distributed is about Euro 28.3 million.

**Retained Economic Value, Euro 4.35 million**, is the difference between value generated and value distributed; this value is invested in the company and consists mainly of depreciation, amortization, write-downs and provisions for risks.

The Economic Value distributed in 2021 is divided among the following stakeholders:

- the largest amount, **15.4 million**, relates to costs incurred for the purchase of materials and services necessary for the company's busi-

ness: **suppliers** of machinery, mechanical parts designed by the company, carpentry, services, software, etc;

- Approximately **12.7 million** in salaries, social security and pension contributions were distributed to **employees**;
- **81.7 thousand** euros refers to payments to capital providers, **shareholders and lenders** in the form of profits and interest;
- **30.6 thousand** were paid to the **government** in the form of taxes;
- **40.6 thousand** to the **community** to support associations, organizations, projects for socio-economic development and growth of the area.

