

Sustainability Report 2022





CHAPTER 2

OUR SUSTAINABILITY REPORT

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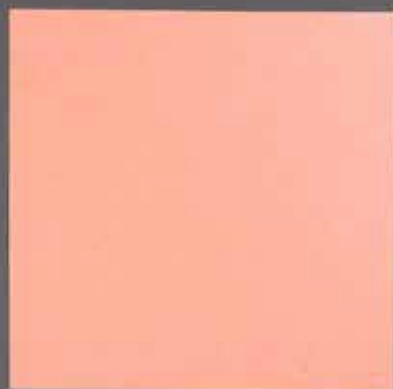


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2. OUR SUSTAINABILITY REPORT

Commitment to sustainability issues is an integral part of our way of doing business, and this year we once again confirm our decision to share our objectives and results with our stakeholders by voluntarily publishing our third sustainability report (the company is not subject to the provisions of Legislative Decree No. 254/2016). We strongly believe in this tool which, while increasing dialogue and transparency with our stakeholders, also helps us to grow as a Group in a process of continuous improvement of our ESG performance.



2.1 METHODOLOGICAL NOTE

This document is prepared in accordance with the 2021 edition of the GRI Sustainability Reporting Standards, the most recognised and widely used reference for sustainability reporting, developed by the Global Reporting Initiative.

The Sustainability Report, published on 31/05/2023, contain information and data on the company OSAI A.S. S.p.A. for the period 01/01/2022 - 31/12/2022, coinciding with the financial year of the financial budget, and is updated annually. Excluded from the reporting scope are the foreign companies (Osai Automation System GmbH, Osai Automation System Dalian Co., Osai Automation System USA Ltd), because they carry out exclusively commercial or after-sales activities, and Osai Green Tech Società Benefit S.r.l. because it was inactive in the reporting year. Foreign companies are included in the Statement of Cash Flows, while Osai Green Tech Società Benefit S.r.l. is also excluded from the scope of the Financial Statements. The organisation of the content responds to the need to narrate the sustainability issues most relevant to us according to the materiality analysis, as indicated by the GRI standards.

In preparing the financial statements, we have complied with the following principles:

- **Inclusiveness** of stakeholders, i.e. consideration of the interests and expectations of stakeholders relevant to our organisation;
- **Sustainability context** which implies a reading of the organisation's performance in terms of sustainability;
- **Materials**;
- **Completeness**.

The **quality of the report** is also guaranteed by compliance with the principles of Balance, Com-



parability, Accuracy, Clarity, Timeliness and Reliability.

The drafting of the document involved the active collaboration of several corporate functions that make up the Sustainability Working Group, which contributed to the collection of the necessary data and their correct contextualisation.

In the different sections of the Sustainability Report, information is reported on those disclosures for which estimates were used and those that were revised from previous reporting periods.

This Sustainability Report was approved on 25/05/2023 by the Board of Directors and was externally audited by BDO Italia S.p.A., a body independent of OSAI A.S., as stated in the auditors' report on page 183.

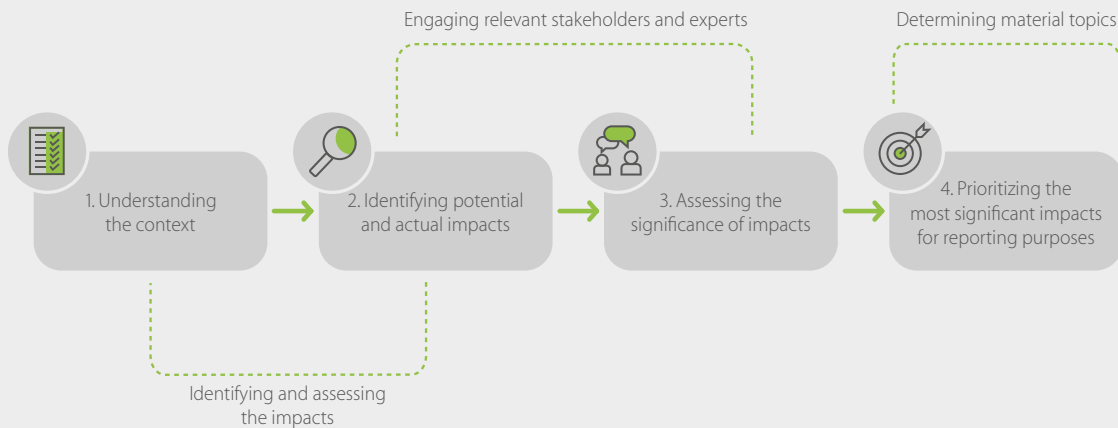


2.2 MATERIALITY ANALYSIS

Materiality analysis is the methodological heart of any sustainability report and the basis for selecting the topics that represent the most significant impacts of an organisation on the economy, the environment and people.

In January 2023, an update of the GRI standard was published, which introduces a focus on impacts; in this sustainability report, the materiality analysis therefore complies with the new guidelines.

In order to arrive at the identification of the material themes, the following was necessary:



1. Understanding the context

To understand the context in which we operate, we conducted a document and benchmark analysis, which considered the main competitors and the SASB Electrical & electronic equipment standard. Based on the analysis, the 14 themes identified as material in 2020 saw the following changes:

- Introduction of the theme Value Generation for Continued Growth;
- Merging of the topics Energy Efficiency and Electricity from Renewable Sources into the topic Responsible Use of Energy;
- Reformulation of the theme Customer Centricity into Customer Satisfaction and Product Quality.

2. Identifying impacts

For each of the 14 potentially material topics, the main impacts on the three dimensions of sustainability were identified: economic, social and environmental.

3. Assessing the significance of impacts

Two separate relevance questionnaires were administered to assess impacts.

- The first was addressed to 18 internal company contacts (board members and process owners). The respondent for each potentially material ESG issue was asked to assign on a 5-step Likert scale a relevance value, based on importance and likelihood of related impacts. The response rate on this questionnaire was 100%.

- The second questionnaire, with the same structure, was submitted to stakeholders inside and outside the company (40 employees, 16 suppliers, 6 shareholders/financial analysts and 1 representative of the community). In this case, the assessments of the stakeholder categories were weighed in line with what emerged from our Stakeholder Needs and Expectations Matrix, drawn up in March 2022. The response rate for this questionnaire was 67%.

4. Prioritising impacts

The processing of the first questionnaire was carried out by averaging the results of the individual completed questionnaires. On the basis of the scores obtained, we compiled a list of topics, and first assessed which of them exceeded the materiality threshold, set at 3 (a score corresponding to the 'average materiality' rating on the scale of 1 to 5 used). The analysis showed that all the themes identified are material. These were then sorted according to the level of significance for our company. The resulting materiality analysis was approved by the Sustainability Working Group and approved by the Board of Directors together with the approval of the entire Sustainability Report.

In the table below, we list the material topics with an indication of the relevant SDGs.

	R&D AND INNOVATION
RELATED IMPACTS	<ul style="list-style-type: none"> • Expanding OSAI's technology portfolio and competitiveness through a focus on research and development and innovation • Creation and consolidation of partnerships with the scientific community and with Italian and international entities for the development of research and development projects
   	TRAINING AND DEVELOPMENT
RELATED IMPACTS	<ul style="list-style-type: none"> • Increasing OSAI's competitiveness by having employees with adequate training to meet the growing needs of the market • Human and professional growth of OSAI employees • Contribution to the economic stability of OSAI employees through appropriate professional development
  	HEALTH AND SAFETY
RELATED IMPACTS	<ul style="list-style-type: none"> • Protecting the health and physical and psychological integrity of employees
 	VALUE GENERATION FOR CONTINUED GROWTH
RELATED IMPACTS	<ul style="list-style-type: none"> • Distribution of economic resources to co-workers, suppliers and the territory • Increasing OSAI's competitiveness and reputation in relation to its economic growth
 	CUSTOMER SATISFACTION AND PRODUCT QUALITY
RELATED IMPACTS	<ul style="list-style-type: none"> • Bringing products and processes to market according to the highest quality standards and meeting specific customer needs • Increased business costs due to the fulfilment of customer requirements that were not explicit and assessed in advance • Product quality conditioned by customers' stringent and non-negotiable demands

 	EMPLOYEE WELFARE
RELATED IMPACTS	<ul style="list-style-type: none"> Increased ability to attract talent through focus on employee welfare Increased employee retention through a focus on well-being and work life balance Increased employee satisfaction due to the focus on their well-being and personal development
  	ETHICAL SUPPLY CHAIN MANAGEMENT
RELATED IMPACTS	<ul style="list-style-type: none"> Contribution to the development of an environmentally sustainable supply chain Promotion and protection of human rights throughout the supply chain and in relations with suppliers Contribution to the transition to a circular economy model through responsible waste management by involving suppliers
    	WASTE MANAGEMENT
RELATED IMPACTS	<ul style="list-style-type: none"> Risk of penalties for non-compliance with environmental legislation on waste management and disposal Contribution to the transition to a circular economy model through responsible waste management by OSAI Increased sense of belonging, pride and satisfaction of OSAI employees more concerned about proper waste management
    	RESPONSIBLE USE OF ENERGY
RELATED IMPACTS	<ul style="list-style-type: none"> Contribution to the transition to a low-carbon economy through the responsible use of energy resources Reducing business costs from energy consumption Contribution to the reduction of environmental impact in the production phase in terms of energy consumption
 	PROTECTION OF DIVERSITY AND EQUAL OPPORTUNITIES
RELATED IMPACTS	<ul style="list-style-type: none"> Employee satisfaction and increased sense of belonging in relation to equal opportunities and diversity policies Improving the Group's reputation in relation to equal opportunities and diversity policies

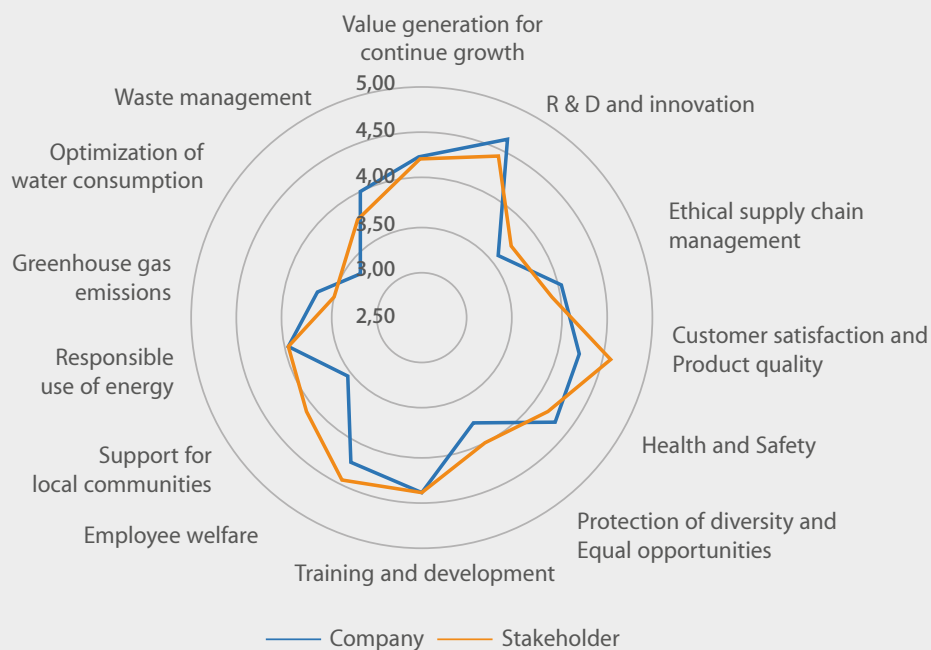
    	GREENHOUSE GAS EMISSIONS
RELATED IMPACTS	<ul style="list-style-type: none"> • Risk of penalties for non-compliance with environmental regulations for exceeding emission limits • Contribution to the global greenhouse gas emission reduction target • Increased sense of belonging, pride and satisfaction of OSAI's environmentally aware employees and reduction of greenhouse gas emissions
	ANTI-CORRUPTION
RELATED IMPACTS	<ul style="list-style-type: none"> • Risk of sanctions for non-compliance with anti-corruption legislation • Enhancing OSAI's reputation through ethical business conduct • Contribution to the development of a more equitable society through ethical business conduct
 	SUPPORT FOR LOCAL COMMUNITIES
RELATED IMPACTS	<ul style="list-style-type: none"> • Contribution to the economic and social development of the territory.
  	OPTIMIZATION OF WATER CONSUMPTION
RELATED IMPACTS	<ul style="list-style-type: none"> • Contribution to the reduction of environmental impact in the production phase in terms of water consumption • Reducing business costs from water consumption



Stakeholder input was assessed by considering both direct involvement through the questionnaire and indirect involvement through documentary analysis. Consistent with the approach presented in the new GRI standards, stakeholder engagement aims to support the company in identifying impacts and assessing their relevance. The analysis of the results gathered from stakeholder engagement activities was therefore assigned a guiding and steering value.

The results of our materiality analysis are summarised graphically in the **radar graph** below, which represents the relationship between the relevance attributed to issues by our company and the average relevance assigned by stakeholders.

The analysis revealed that all the proposed topics are material, having received ratings above the materiality threshold, set at 3.



The position of stakeholders is broadly in line with the corporate vision, with some issues related more directly to certain stakeholder categories (such as Support for local communities and Customer satisfaction and product quality, Employee welfare and Protection of diversity and equal opportunities) being emphasised more strongly.

The new theme Value Generation for Continuous Growth is one of the most relevant for our company, demonstrating a real need for integration of this aspect.

Compared to the previous analysis, there has been an increase in our organisation's focus on employee-related issues, in addition to Occupa-

tional Health and Safety. In particular, the relevance of Training and Development and Employee Welfare is growing.

The theme renamed Customer Satisfaction and Product Quality, consistent with the company's mission statement, gains more relevance than the previous analysis. Similarly, R&D and innovation, which to a large extent represents the company's core business, remains the most relevant topic for our company.

The topic Optimisation of water consumption, although material, was the least relevant.



2.3 **STAKEHOLDER ENGAGEMENT**

Although the definition of material issue has been revised to focus on that of impact, the engagement of relevant stakeholders continues to be part of the process of identifying and evaluating corporate priorities.

Listening to our stakeholders is aimed at gathering their views, demands and expectations, and allows us to get a picture of the context in which we operate and to elaborate shared, sustainable and effective development strategies.

Our stakeholder engagement has two phases:

2. Identification of relevant stakeholders

In the first step we select which stakeholders are most relevant, i.e. have interests that are or could be affected by the activities of our organisation.

Through management input, we identified 6 types of relevant stakeholders (Table 3). For a correct interpretation of the needs of stakeholders in relation to the company, each category was assigned a weight on the basis of the interference with company strategies that emerged from the compilation of the Stakeholder Needs and Expectations Matrix, carried out within the framework of the ISO 9001 and ISO 14001 Management Systems.

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



Table 2. Relevant Stakeholders for OSAI A.S

Stakeholder categories	Definition
Employees	Those working in the employ or on behalf of OSAI, including their representatives
Shareholders/financial analysts	Investors and consultants interested in OSAI's market positioning
Suppliers	Those who supply OSAI with raw materials, materials, services or technology
Customers	Users of OSAI products, including consumer associations
Lending institutions	Banks and credit institutions that can contribute to the financing of OSAI's activities
Collectivity	The social and territorial context in which OSAI is located and which may directly or indirectly influence its activities

2. Defining ways of engagement and implementation

In the second phase of stakeholder engagement we define which engagement methods to adopt for the relevant stakeholder categories.

For the reporting year 2022, we involved our stakeholders through:

- **Indirect engagement**, with an analysis of documentary sources to reconstruct stakeholders' opinions and demands on our priority issues. This modality covered the categories Customers, Credit Institutions and Community.
- **Direct Engagement**, through the administration of a materiality questionnaire that investigated the relevance of our material issues in terms of related impacts. This concerned shareholders/financial analysts, employees, suppliers and the community.

The category Collectivity was analysed by both methods in order to more effectively gather contributions from different figures, such as representatives of local institutions (who were asked for a quick interview prior to the administration of the questionnaire) and associations in the area (for whom it was decided to proceed by means of documentary analysis).

Given the relevance of the Shareholders/Financial Analysts category for us, we conducted six interviews with representatives of this group, which had the dual purpose of presenting the materiality questionnaire and discussing the evolving role of ESG issues in the financial and investment sector.

