

Sustainability Report 2022







CHAPTER 5

OUR VALUE CHAIN

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Osai

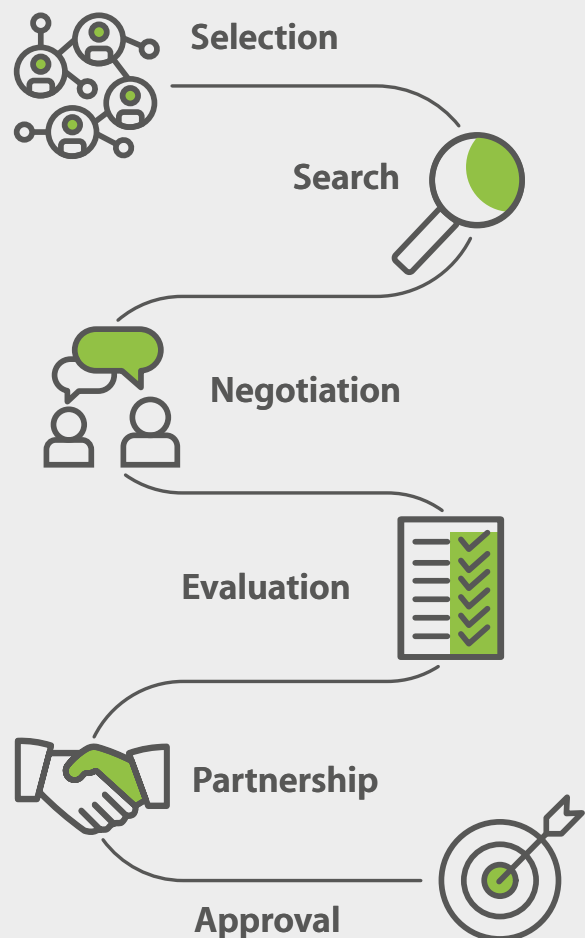
1.200.000	1.200.000
25.000.000	25.000.000
850.000	850.000
42.000.000	42.000.000

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Altri
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5.1 GENERATION AND DISTRIBUTION OF VALUE

We recognise the importance of distributing the value generated by our activities to those who have contributed directly or indirectly to its creation.

The analysis of the economic value generated and distributed highlights the flow of resources produced and addressed to our internal and external stakeholders, but also that retained for self-financing.



ECONOMIC VALUE*	2020	2021	2022
PRODUCED AND DISTRIBUTED [€]			
A. Economic value produced	33,153,609	32,614,656	42,542,843
B. Economic value distributed	28,291,551	28,265,979	38,571,330
Operating costs	16,153,585	15,442,021	23,838,119
Salaries and employee benefits	11,921,677	12,671,094	14,481,509
Payments to capital providers	119,062	81,687	84,512
Payments to Public Administration	2,836	30,580	73,200
Investments in the community	94,391	40,597	93,990
(A-B) Economic value retained	4,862,058	4,348,677	3,971,513

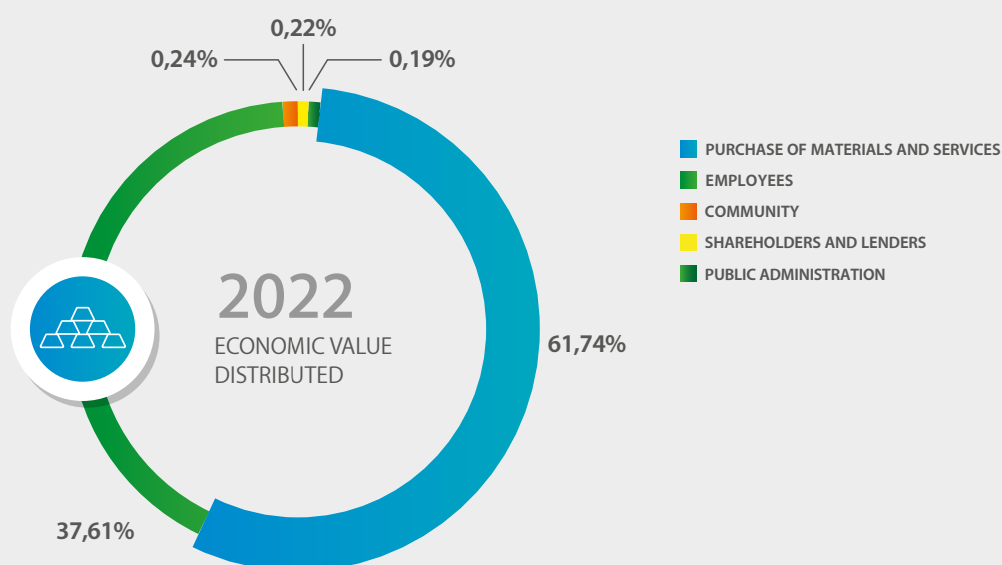
* The values indicated are expressed in accordance with IAS/IFRS.

The **economic value produced** in 2022 is Euro **42.5 million** while the economic value distributed is approximately **38.6 million**. The difference between these two figures coincides with the **economic value retained**, which amounted to Euro 3.97 million in the reporting year; this amount is invested internally, mainly in depreciation, write-downs and provisions for risks.

The Economic Value distributed in 2022 is divided among the following stakeholders:

- The largest amount, Euro **23.8 million** relates to operating costs incurred for the **purchase of materials and services** necessary for the company's activities.

- To **employees**, approximately Euro **14.5 million** of salaries, social security and pension contributions were distributed;
- Euro **84.5 thousand** refers to payments to capital providers, **shareholders and lenders**, in the form of profits and interest;
- Euro **73.2 thousand** were paid as taxes to the **Public Administration**;
- Euro **94 thousand** were allocated to the **community** to support associations, organizations, projects for socio-economic development and growth of the area.



5.2 SELECTION AND EVALUATION OF SUPPLIERS

The relationship between people and the ability to act ethically and responsibly is the basis of our way of being and the management of our value chain.

The publication and dissemination of the Code of Ethics has ensured effective awareness of personnel who deal with external parties.

A preliminary study of **Life Cycle Assessment** (LCA), carried out between 2019 and 2020, examined the supply chain of our products, allowing us to assess the potential environmental impacts of supply chain processes and inbound and outbound logistics.

The study found that the supply chain, compared to other production steps, such as product design and end-of-life disposal, result in smaller impacts, but can also be made more sustainable. With the exception of logistics, on which areas for improvement were identified related to the reuse of wood packaging, for **procurement** three areas of development were identified.

1. SHARING OUR ENVIRONMENTAL OBJECTIVES WITH SUPPLIERS

Suppliers must be aware of the importance of the ways in which they relate to the environmental context (waste management, energy saving, search for efficiency in processes).

2. KNOWLEDGE OF THE SUPPLIER

Knowing the supplier means being aware of the conditions under which it operates from an environmental and employee health and safety perspective. If the supplier does not have certifications related to environmental and/or safety management (ISO 14001 and/or ISO 45001), it should be audited at least once a year to assess its working conditions and sensitivity to environmental issues.

3. PRIORITIZE PURCHASES FROM LOCAL SUPPLIERS

To give preference, taking into account economic and quality impacts, to suppliers who operate within a 100 km radius of our company in order to reduce transportation-related impacts and consequently enhance the production fabric of the area.

In 2022, approximately one-third (30%) of goods are purchased from suppliers that can be evaluated according to environmental and social criteria; in addition to this, custom mechanical parts, light and heavy carpentry assemblies are products made of iron and aluminium alloys, thus recyclable through the casting process. Since the determination of weight or volume is currently not possible, it was decided to use turnover as the unit of measurement.

Overall 35% of total purchases are made from suppliers active in the Piedmont region and 81% in Italy.

The supplier selection and evaluation process is detailed in the operating procedures within the ISO 9001:2015 quality management system.

Geographical area	Expenditure (€)	Expenditure (%)
Province	5,528,359	30%
Region	1,018,949	5%
ITALY	8,571,502	46%
Europe (excluding Italy)	2,013,254	11%
World (excluding Europe and Italy)	1,442,129	8%
Total	18,583,349	100%

Proportion of spending to local suppliers

SELECTION OF SUPPLIERS

We aim to select suppliers who will become reliable partners, able to support the company's business and satisfy the end customer with continuity.

The selection process involves different levels of articulation depending on the commodity class of the good to be procured.

The most critical area and complex to manage (quality, cost, and lead time) is the selection of suppliers of **internally-designed custom mechanical parts and metalwork** as any wrong supply awards can affect functionality and consequently job order profitability. Accredited suppliers are required to sign specific General Terms and Conditions of Purchase, which in the last three years have been updated to include essential issues such as the containment of environmental impacts, respect for ethical issues and confidentiality of information handled.

We prefer suppliers that hold certifications in Quality (ISO 9001), Environment (ISO 14001) and Occupational Health and Safety (ISO 45001), but we do not preclude companies that due to small size are unable to handle the costs associated with external certifications from accessing

its supplier base. Through annual monitoring of QHSE (Quality, Health, Safety, Environment) issues and audits at suppliers' production sites, however, it is possible to ensure adequate control of the indirect impacts of production, even in the absence of periodic surveillance by third-party agencies.

The selection of suppliers of **commercial products** is more related to design choices, either internal or linked to specific customer requirements, which often do not foresee alternatives and focus on high quality components and world market penetration for the activities of large multinationals. For this reason, the need for direct control on our part is less stringent: supervision is guaranteed by the certification bodies to which these companies are subject.

Finally, the selection of **services** is conducted by the relevant sector manager and finalised with the purchasing department, taking into account the requirements set out in the Company Code of Conduct, the Code of Ethics and the payment conditions established by the administrative management.

EVALUATION OF SUPPLIERS

Companies that become part of our supplier base follow an evaluation process that differs according to the commodity class of the goods supplied.

While in the context of service providers the process is streamlined, in the case of supplies of material goods used in the manufacture of our products, the path is more complex in view of the influence that materials have on product quality and the risks arising from non-conforming supplies. The Procedures provide for different scenarios with more or less stringent levels of intervention that also include the suspension and/or disbarment of the supplier in the event that the requirements or conditions necessary to meet business needs are no longer met.

The most critical situations, due to the potential defectiveness of product prototypes, concern suppliers producing mechanical parts to drawing, metalwork and machined commercial parts. These three categories are subject to quality control on the first supply batches aimed at inclusion in the accredited supplier pool, and by periodic audits in order to monitor or verify the effectiveness of corrective actions following any non-conformities found.

These suppliers are also systematically evaluated at least annually jointly by the Quality and Procurement function through a scheme that has been tested and refined in recent years, which involves not only the determination of a **Vendor Rating (VR)** index defined on the economic value of purchase turnover and documented non-conformities, but also the evaluation of a series of inherent parameters:

- The competitiveness of the supplier;
- The ability to adapt to needs;
- The ability to make suggestions or propose optimizations;
- The regular flow of information on work progress;

- Adherence to delivery time;
- Perceived quality (beyond that detected by controls).

Such a structured supplier evaluation methodology allows for easy and comprehensive comparison within the supplier base and is of great use when deciding to collaborate with competing suppliers who are more high-performance and receptive, but also determine the **Supplier Quality Index (SQI)**, which is the most important performance indicator used in the monitoring defined by the Quality Management System (ISO 9001) on Supplier Quality and for assigning supplier base improvement targets.

Suppliers of skilled labour are informed of the rules and procedures in force for the protection of health and safety and for the technical and professional suitability of workers when concluding the supply contract. These procedures, which must be duly signed by the supplier for the purpose of receiving the purchase order, also contain a scheme of sanctions in the event of violations of the rules of conduct. For further details on the management of this type of supplier in relation to health and safety issues, see Chapter 6.

Unlike the others, suppliers of commercial parts are not subject to quality checks on the first supply batches, but any non-conformities are nevertheless documented and reported. Inclusion within the supplier pool is conditioned by a specific choice made during the design phase or at the request of the customer, which is why buyers of commercial parts often cannot work with an extended group of potential alternative suppliers, as is the case for other product classes.

OSAI AUGMENTED QUALITY

As of 2018, the joint work of the company management, Procurement and Quality enabled action to be taken on four fronts:

PHASE 1 - improvement of the monitoring system of nonconformities attributable to suppliers of custom mechanical parts, metal carpentry and commercial machined parts, through the construction of a structured, usable and shared database among corporate entities;

PHASE 2 - tight use of tools and documentation for reporting and transmission of non-compli-

ance reports to suppliers with systematic archiving of documentation on company server and periodic reports;

PHASE 3 - dimensional verification checks on sampling and non-conformity detection only carried out with regularly checked/calibrated instrumentation at external calibration centers.

PHASE 4 - updating of supply contract conditions with integration of the aspects mentioned in the Code of Ethics and Environmental Policy and according to the OSAI Augmented Quality program.

These interventions made it possible to launch a programme focused on quality of supply, called **OSAI Augmented Quality**, which considers a selection of suppliers with unexpressed room for improvement or inconstant quality over time, to whom dedicated contractual conditions can be proposed, with rewards for reaching specific targets on defects and punctuality of deliveries. The rewards can be economic or include a reduction of controls in the acceptance phase, saving time and related costs. In the event of failure to maintain the quality standards defined between OSAI and the supplier, penalties will be imposed.

So far, this programme has involved five historical suppliers of drawing mechanical parts and two suppliers of metal carpentry in the area, allowing us to achieve higher quality levels and reduce the costs of quality control of incoming goods, but also to enhance the value of local suppliers and contribute to their growth. All suppliers participating in the OSAI Augmented Quality program also enjoy a competitive advantage over other suppliers in the park when bidding for supplies.



5.3 CUSTOMER SATISFACTION

The quality of the product, as well as the services related to it, are for us a central requirement to be guaranteed to customers.

The following table shows the concrete instru-

ments from which we draw - directly and without any survey activities delegated to external collaborators - the functional elements for the perception of customer satisfaction.

BACKGROUND	CUSTOMER SATISFACTION TOOLS
Organization of business processes	QMS Customer Satisfaction Interviews
	Internal QMS self-assessments
Functional testing in OSAI	Functional testing in OSAI
	Open Issues List (OIL) Management
After-sales	Customer Satisfaction Interviews from the Ticketing Platform
	Osai Academy Customer Satisfaction Interviews

Customer Satisfaction is an inescapable theme of the Management Reviews conducted annually and required by ISO 9001:2015. Through these actions of multidisciplinary analysis, we assess our market positioning, update the Corporate Quality Risk Analysis, and determine appropriate actions to manage critical issues where identified.

Compared to 2021, in 2022 we have set out to reformulate the customer satisfaction survey entirely, with the aim of increasing feedback from

stakeholders, identifying strengths and weaknesses, and determining which of 12 product differentiators enable us to maintain our market position in high-tech process automation.

The survey was submitted to **34 customers, representing 95% of the Sales Orders acquired in the year**. The table on the following page collects the characteristics of the OSAI systems that those involved in customer satisfaction surveys over the last three years recognised as distinguishing factors.



Distinctive features of the OSAI Product	2020	2021	2022
Level of innovation in technological solutions adopted (innovation of the adopted solutions*)	45.00%	27.27%	16.00%
Choice of components, materials used and type of systems integrated in the product (care for design and choice of components*)	0.00%	9.09%	4.00%
Professionalism, experience and technical expertise of the staff employed	33.00%	45.45%	0.00%
Attention to aesthetic details and product design	0.00%	9.09%	0.00%
Attention to safety and high level of prevention (operator safety equipment*)	11.00%	0.00%	4.00%
Customer care and all-round customer satisfaction	11.00%	0.00%	0.00%
More	0.00%	9.09%	0.00%
Product reliability**	-	-	4.00%
Convertibility of the product to future uses**	-	-	12.00%
Product versatility**	-	-	12.00%
Ease of intervention in case of breakdowns or scheduled maintenance**	-	-	4.00%
Alignment of the product to contractual expectations**	-	-	4.00%
Comparison with competition not possible**	-	-	16.00%
There are no elements to express a judgement**	-	-	12.00%
None of the points**	-	-	12.00%

* Distinctive feature reformulation in the new q1904-08 customer satisfaction survey form

** New evaluation aspects introduced in form q1904-08

In 2022 the characteristic **vanguard of the solutions adopted** was recognised as the first distinctive aspect of the OSAI product, while in second place was the **convertibility to different applications** and in third place **the versatility of the product**. This result is very significant for several reasons:

- a) confirms the customer's appreciation of the company's ability to invest in research and development (EUR 2.92 million invested in R&D in 2022) in order to guarantee innovative products not available from other suppliers;
- b) justifies the forthcoming launch of feasibility studies for the reconditioning and reconversion of OSAI systems, pointing to new market opportunities that are extremely interesting both to achieve new results in terms of environmental sustainability (reduction of CO₂ emissions associated with undisposed of and

unreconstructed products), and to aim for further commercial expansion towards customers with lower investment capacities.

It should be noted that 40 per cent of the questionnaires received did not allow the attribution of a salient characteristic. 16% of the customers indicated that they could not make a comparison with the competition, another 12% did not want to answer because they did not have the necessary elements to make an objective comparison and, finally, a final fraction of 12% did not find any compatible option in the survey trace.

In 2022, we recorded no incidents of non-compliance related to the safety or information and labelling of our products. We received a report from a customer about a possible safety issue, which was promptly taken care of and resolved.

