



# 2022

## Sustainability Progress Report

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## A MESSAGE TO OUR STAKEHOLDERS

We have experienced a very active year by continuing the important organizational effort to integrate the different souls that make up the CEME group to become a unique point of reference on the solenoid pumps and solenoid valves market.

These activities, in addition to strengthening know-how and improving process efficiency, include our dedication to sustainability extended to the whole Group and therefore our firm commitment to the principles of the United Nations Global Compact and the Sustainable Development Goals in the scope of the UN's 2030 Agenda.

I am delighted to present to you the fourth edition of our Sustainability Progress Report which showcases our Environmental, Social and Governance-related impacts and initiatives. This 2022 report's objective is to guarantee transparency and accountability to our stakeholders by disclosing our management practices, details on our supply chain and product quality aspects and deep dive into human resources, health and safety and environmental topics.

This year, we have included the new materiality analysis which considers the requirements of the new GRI Standards published in 2021 and has the objective of identifying the significant impacts deriving from the various activities carried out along the Group's value chain.

Before leaving you to read on, I would like to thank all the people of the CEME Group at all levels for the extraordinary commitment they put into our daily working life. This allowed us to face this period of market difficulty with the awareness of an even stronger Group.

So, sincerely thank you.

*Roberto Zecchi, CEO*

## SUSTAINABILITY HIGHLIGHTS

### ENVIRONMENT

- ✓ 100% of electricity from renewable sources consumed in all Italian plants.
- ✓ 100% Replacement of consumer, disposable, mono use plastics with recycled or eco-sustainable in all Italian plants.

### SOCIAL

- ✓ More than doubled the rate of training hours delivered per person respect the previous year.
- ✓ Reduction of 28% of working days lost (FDE) due to work related injuries respect the previous year.

### GOVERNANCE

- ✓ 100% of the suppliers audited with sustainability audit checklists.
- ✓ Participation in the Early Adopters Program for the Communication On Progress (CoP) UNGC according to the new methods.
- ✓ Development of the new materiality according to the new GRI Standards published in 2021.

# 40 YEARS OF EXPERIENCE AND INNOVATION

## A GREAT PAST FOR A BETTER FUTURE

Founded in 1974 by Renzo Miotti, CEME has grown to be a world leader in the production of industrial solenoid valves and pumps. Its first significant expansion came between the 1980s and 1990s with the construction of the Tarquinia site located in the Lazio region in Italy. Following this increase in the company's production capacity, CEME decided to expand its business by investing in its production facility. Implementing a specialised engineering department and advanced assembly lines allowed it to multiply its application sectors and extend its product portfolio. This specialisation led to the design and development of fluid control components, such as solenoid pumps, solenoid valves, pressure switches, flow meters, and complete accessories. With the advent of the 2000s, CEME witnessed the expansion of its presence beyond national and European borders. In 2005, the Group opened a production facility

in Zhongshan, China, covering Asian market. The following year, CEME consolidated its territorial hold by absorbing ULKA. This Retorbido (PV)-based company was, at the time, an undisputed market and technology leader for solenoid-piston pumps: the acquisition triggered the Group's growth by giving it full access to the Coffee & Steam market, thus boosting sales and customer portfolio.

### MISSION

We aim to be the world's point of reference in the solenoid valve and pump market. We invest in innovation to create functional products. We use high-quality materials to obtain excellent results. We aim to be the preferred technical partner for all clients.



The year 2017 saw the completion of the production consolidation project whereby the manufacturing processes previously distributed among Carugate (MI, Italy) and Brughiero (MB, Italy) were unified in Trivolzio (PV).

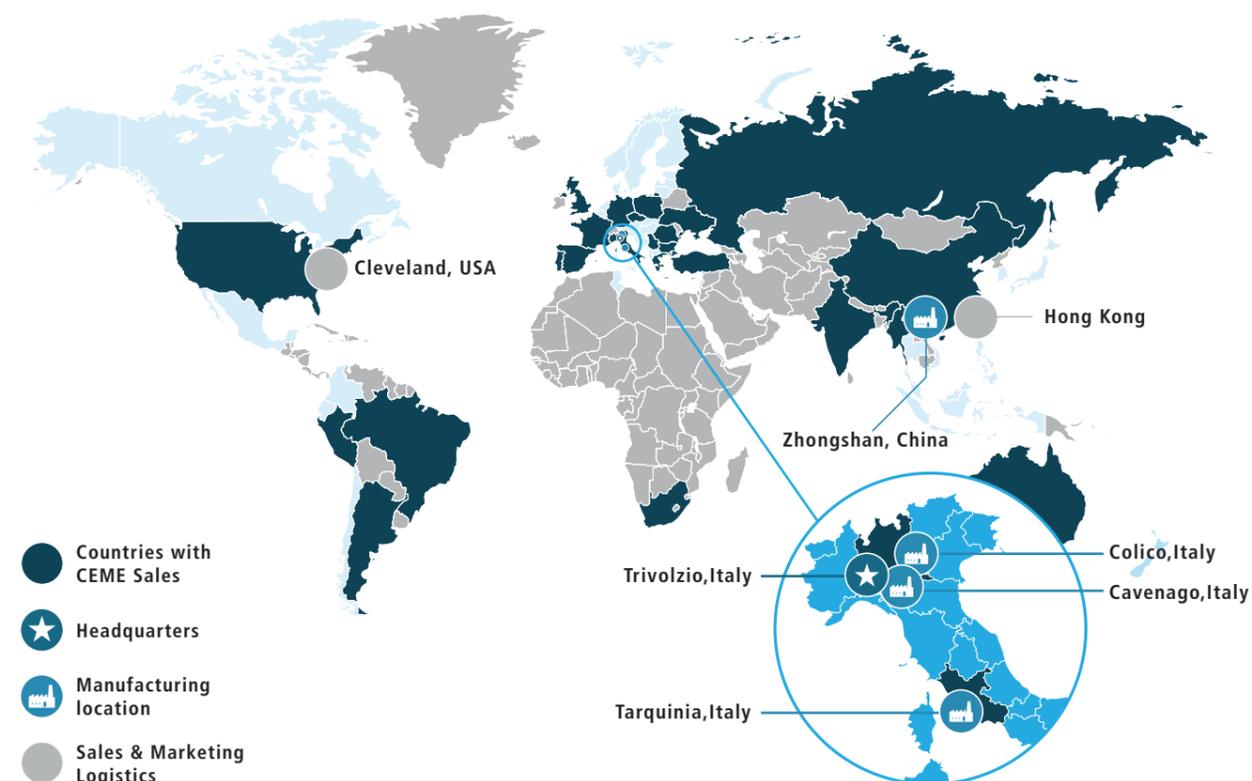
Following the acquisition by Investindustrial, with the goal of sustaining steady growth, in 2021, CEME further expanded its scope by formalising two acquisitions: ODE srl located in Colico (LC, Italy) and ACL srl located in Cavenago (MB, Italy).

## CEME's HISTORY

## CEME TODAY

With revenues of EUR 320,6 million, CEME employed 1280<sup>1</sup> people as of December 31<sup>st</sup>, 2022. The vast majority of the Group's workforce is located in the operational

production plants and offices, in Italy and China, while the remainder are located in small offices in Hong Kong and in the US.



The Trivolzio site, near Pavia, hosts the Group's administrative headquarters and the Company's largest manufacturing facility, equipped with high levels of cutting-edge automation. The plant, together with the Colico (ODE) and Cavenago di Brianza (ACL) sites, mainly deal with assembly activities. Tarquinia plant focuses mainly on manufacturing semi-finished products and components for the intercompany flow, while the northern Italy Trivolzio site, together with ODE and ACL, primarily deal with national and international customers. The four sites combined employed 735<sup>2</sup> people in 2022.

The Zhongshan plant is the reference production centre for the Asian market, covering its main customer base. Thus, the Chinese site, which employed 499<sup>2</sup> people in 2022, deals with intercompany semi-finished products, components and final valves and pumps sold locally. Finally, CEME's bridgehead office in the United States, a strategic location tasked with supporting CEME's growth in North and South America employed 2<sup>2</sup> people in the local commercial organization. On the other side of the world, at the end of 2022, 9<sup>2</sup> people were based in a sales office in Hong Kong – the hub of the Company's trade with the Far East market.

<sup>1</sup> Data referring to the total number of CEME employees worldwide in FTE. <sup>2</sup> Data referring to the total number of CEME employees worldwide in FTE.

## CEME SITE-SPECIFIC COMPETENCES

TRIVOLZIO Italy	<ul style="list-style-type: none"> <li>• Administrative and operational HQs</li> <li>• Research and Development laboratory</li> <li>• Valves and pumps coil winding and encapsulation</li> <li>• Plastic components moulding</li> <li>• Solenoid valves and solenoid pumps assembling and testing</li> <li>• Internal automation</li> </ul>
TARQUINIA Italy	<ul style="list-style-type: none"> <li>• CNC, mechanical machining and transfer processing</li> <li>• Basic components assembly</li> <li>• Laser welding</li> </ul>
ZHONGSHAN China	<ul style="list-style-type: none"> <li>• Solenoid valves and solenoid pumps assembly and testing</li> <li>• Valves and pumps coil winding and encapsulation</li> <li>• Plastic components molding</li> </ul>
ODE, Colico, Italy	<ul style="list-style-type: none"> <li>• Solenoid valves assembly and testing</li> <li>• Mechanical machining and transfer processing</li> <li>• Research and Development laboratory</li> </ul>
ACL, Cavenago di Brianza, Italy	<ul style="list-style-type: none"> <li>• Solenoid valves assembly and testing</li> <li>• Grey chamber for assembly of solenoid valves for specific applications</li> <li>• Research and Development laboratory</li> </ul>

## MARKET PRESENCE

Among the many distinctive aspects of CEME's success, the continuous investments and the global presence have assured to the company a sustainable and constant growth. Over the years, the constant diversification of the Group's product portfolio, the consolidation and the strong performance of the traditional markets have boosted a significant expansion, also in terms of market share and new applications.

The full effect of CEME's growth path can be seen today from the several recognitions received by the customers worldwide as well as from the consolidation of the global

presence. Today company's products are sold in 66 countries across five continents, proof that CEME is acting as a real global player in the market.

Another critical aspect of CEME's success is its operating model, which considers customers' needs and requests as top priorities. This attention and dedication to the customer is translating into the development of a wide variety of bespoke solutions based on performance, innovation and quality. Among the main markets where CEME is playing, we can identify seven segments that make more than 90% of the Group's business:

For many years CEME has been the undisputed reference in the world of domestic coffee machines with a dominant market share. ULKA pumps are undoubtedly the preferred solution for all the major coffee machines manufacturers, in combination with a wide portfolio of solenoid valves in food-grade

technopolymer and steel and a recently launched line of flow meters. As a matter of fact, CEME is the only global supplier able to provide a complete set of components that are critical to function.



CEME is a leader in supplying solenoid valves and pumps for several applications like Welding, Compressors, Thermoregulation, premium appliances, car washing and automation in general. The Group's excellence in the sector has

led to build solid relationships with the most renowned brands, thanks to the development of innovative and customised solutions. CEME produces for instance a wide range of solenoid valves for inert gases, peripheral and vibrating pumps for cooling circuits and pressure switches for system control and safety.

This segment includes the professional and HORECA coffee machines, vending machines and water and drink dispensers. For this applications CEME develops bespoke products like solenoid valves and manifolds and pumps for multiple applications (peripherals, Rotary Vane and gear pumps). Specifically, CEME has developed a family of vibration pumps to dose syrups and flavors to create the perfect drink.

The Group's product portfolio for the beverage market is also including patented plastic valves, control and safety components (pressure switches, transducers, safety valves) that provide clients with a complete set of components for the design of fully automated beverage vending devices.



This is a fast growing and promising segment thanks to several new solutions specifically developed for railway (pneumatic micro valves for braking systems), SCR (AdBLUE

metering pumps for truck engines) and garage equipment (manifolds for freon recovery and several other devices to maintain and repair traditional and electrical cars).

CEME has always been a pivotal player in the world of steam cleaning. The most important brands in the sector rely on the Group for solenoid valves, pumps, pressure switches and safety valves to guarantee maximum efficiency and quality for their products. Temperature and pressure are critical factors in steam

control, especially when the system concerns common appliances for daily usage. For this reason, the Company performs frequent and rigorous tests on its components.



CEME offers a wide choice of solenoid valves, pilots and pumps for water flow control in all conditions. The catalogue includes solenoid valves with hydraulic connections, different types of seals and gaskets and a

series of coils for all types of electrical voltages. Used for thermo-hydraulic systems, washing systems, sanitation, cooling systems, irrigation, and water treatment, the Group has recently added a new series of bi-stable solenoid valves (latching valves) addressing the automatic faucets, toilets and showers.

CEME offers a wide range of solenoid valves and pumps designed specifically for refrigeration systems and applications in the refrigeration and air conditioning industry. These include directly operated and servo-controlled valves, made up of coils with different voltages, solenoid valves for water and water-glycol used on chiller

units, and peripheral pumps ideal for recirculation functions. Furthermore, CEME is the absolute reference for condensation water pumps dedicated to drain devices for air conditioning units.



# OUR SUSTAINABILITY PATH

CEME is responsible for setting high standards and achieving continuous progress with regards to our stakeholder.

Our commitment is expressed in a continuous effort to understand how best to implement the issues of social and environmental sustainability in our daily actions.

## CEME'S KEY STAKEHOLDERS

As one of the steps identified in the sustainability journey of CEME, key stakeholders are mapped and described as far as the engagement activities are concerned in the following table.

### Stakeholder groups and engagement activities

<b>Employees</b>	Continuous dialogue between the HR department and employees; specific initiatives
<b>Suppliers</b>	Continuous dialogue
<b>Commercial partners</b>	Continuous dialogue; periodic meetings
<b>Local communities</b>	Continuous dialogue; formal meetings and collaborations; specific initiatives
<b>Competitors</b>	None
<b>Clients</b>	Continuous dialogue; periodic meetings; cooperation on R&D of new products; fairs
<b>Investors</b>	Formal meetings; periodic management reports
<b>Regulatory and certification bodies</b>	Formal meetings; continuous dialogue
<b>Unions</b>	Continuous dialogue between the HR department and the Unions
<b>Public administration</b>	Formal, continuous dialogue

## MATERIALITY ANALYSIS

The materiality analysis represents a critical step in developing our Sustainability Progress Report. The depth and breadth of the topics included this year are the outcome of a revised materiality analysis that considers the requirement stated in the new GRI Standards published in 2021.

The new materiality assessment, developed in 2022, is aimed at identifying the relevant impacts coming from the different activities carried out along the Group value chain, classified as negative or positive, and as actual or potential, depending on whether they occurred or just could happen but have not yet. To perform this analysis, we undertook a series of different steps.

Firstly, we carried out a comprehensive evaluation process of our activities and of our operational context, including a benchmark review of the sustainability reports of peers and competitors and an analysis of all applicable global sustainability macro trends and legislation. All stages of the Group's value chain have been identified, defining our direct activities and all the ones carried out by other stakeholders, both upstream and downstream the core boundaries. It begins with upstream activities, including the extraction and processing of raw materials which reach our productive plants through an inbound logistic network. The core of our value chain involves assembly, production engineering and R&D activities to develop new, innovative and products. Finally, in our downstream

activities, through outbound logistics, we distribute our products to our clients which in turn assemble and process the final products to be sold to the end consumers, concluding with product use and end-of-life management. All these interconnected phases form a comprehensive lifecycle approach, ensuring our value creation throughout our product's life journey.

The operational context set the basis for our impact assessment. Through these evaluations, we were able to identify a list of impacts on the economy, environment and people, and to assess their relevance based on their severity and likelihood. On the one hand, the severity of an actual or potential impact has been determined

according to its scale (how severe the impact is), scope (how widespread the impact is) and irremediable character (how hard it is to counteract or make good the resulting harm). On the other hand, the likelihood represents the chance of the impact happening.

Thanks to this process, approved by CEME's Top Management with the coordination of the Chief Sustainability Officer appointed by the CEO, we were then able to associate our relevant impacts with the list of material topics.

In the table below, CEME's material topics are listed:

MATERIAL TOPIC	IMPACT	DESCRIPTION	VALUE CHAIN
ENERGY AND GHG EMISSIONS	Climate change caused by greenhouse gas emissions	Through the consumption of energy and the use of F-Gas, the activities carried out along the entire value chain generate greenhouse gas emissions thus contributing to negative impacts on climate change. Among others, we mitigate this impact through the use of renewable energy sources in our plants.	Upstream, Core, Downstream
MATERIALS	Depletion of natural resources caused by the consumption of raw materials	The materials used to manufacture the products depend significantly on the use of natural resources, having repercussions on their availability and on the surrounding ecosystems. In order to mitigate this direct effect, our R&D department is constantly active in the research and testing of new renewable plastics and materials.	Upstream
WASTE MANAGEMENT	Environmental pollution generated by incorrect waste management	The production of waste is directly linked to the production processes and to the disposal of the final product. If not managed correctly, waste treatment can cause damage to the ecosystem. To cope with this impact, we guarantee full adherence with all national legislation and best practices in terms of waste management, both as regards our operations (including eco-design) and suppliers'.	Upstream, Core, Downstream
WATER MANAGEMENT	Reduction of water availability due to improper use of water resources	Water withdrawal and consumption have an impact on the territory in which both CEME and its suppliers operate, reducing the availability of the resource for local populations. In an effort to reduce the effects of this impact we implemented actions in order to rationalize and improve our water management.	Upstream, Core
DIVERSITY AND EQUAL OPPORTUNITIES	Human rights violations resulting from inadequate working conditions	The lack of adequate worker protection practices could generate negative impacts of violation of human rights along the entire value chain. Through its Code of Ethics and the policy system put in place, the direct effect of this impact is then mitigated.	Upstream, Core, Downstream

MATERIAL TOPIC	IMPACT	DESCRIPTION	VALUE CHAIN
DIVERSITY AND EQUAL OPPORTUNITIES	Employee discrimination and lack of equal opportunity due to poor D&I practices	The lack of practices to protect diversity and inclusion among employees can generate cases of discrimination and worsen the personal and professional conditions of employees. Also in this case, through its Code of Ethics and the policy system put in place, the direct effect of this impact is then mitigated.	Upstream, Core, Downstream
EMPLOYEES HEALTH AND SAFETY	Damage to the health and safety of workers due to inadequate working conditions	The impacts on workers' health and safety are mainly linked to the presence of physical risks associated with inadequate working conditions in all direct and indirect activities. The full adherence to all applicable legislation and best practices, and the involvement of suppliers on these topics, is the main mitigating lever we rely on.	Upstream, Core, Downstream
CUSTOMER HEALTH AND SAFETY	High quality and durability of the product for the final consumer	Careful controls, production practices, constant attention to detail and innovative processes generate positive impacts for a long-lasting and quality final product, guaranteeing a high level of health and safety for the final consumer.	Core, Downstream
PEOPLE TRAINING AND DEVELOPMENT	Development of workforce skills through the promotion of training activities	Through the development of specific skills, we equip our employees with the tools and training necessary for their growth, from technical skills to managerial and interpersonal skills.	Core
BUSINESS ETHICS	Violation of business ethics rules and practices	The lack of effective control over corporate conduct and non-compliance with the law can lead to the emergence of cases of corruption and anti-competitive behaviour. Through the years, we have approved documents such as our Anti-Corruption policy and our Code of Ethics to reduce the likelihood of occurrence of this impact.	Upstream, Core, Downstream

## UNITED NATIONS GLOBAL COMPACT

The United Nations Global Compact (UNGC) is a voluntary initiative based on CEO commitments to implement universal sustainability principles and to undertake partnerships in support of UN goals. The ten principles address the areas of human rights, labour, the environment, and anti-corruption.

Given that most of the Group's direct activities and suppliers are located in Europe, where Human Rights are regulated by law, CEME's Sustainability Report does not directly address the UNGC Human Rights guidelines. As for Zhongshan, the Group's Code of Ethics directly applies to practices in the Chinese facility. In addition, some of the most critical human rights issues related to the Group's activity, such as occupational health

and safety, are already included among the "Labour" principles and issues reported by the Company. Within the UNGC commitment, the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development are seen as an integral part, and concrete actions, as well as active support, are expected. The SDGs, adopted by world leaders in September of 2015, aim to eradicate poverty,

mistreatment of human rights and the unequal distribution of resources whilst developing effective strategies to improve and encourage health, education and economic growth. Parallel to all these humanitarian efforts, these goals audaciously strive to tackle climate

change and preserve marine and land ecosystems. Given their importance, CEME has identified four SDGs to which it commits its contribution through activities and initiatives. The Group's selected SDGs are highlighted below.



Since 2021, CEME has published its Sustainability Policy. To the Group, sustainability is a core element deeply rooted in its everyday activities and a pivotal enabler for its corporate strategy. Consequently, product quality and corporate social responsibility in all

operations are key drivers for CEME's brand success and market dominance. Furthermore, CEME established its core principles by defining its three sustainability pillars: these principles will serve to highlight the Group's commitment to sustainability.

### SUSTAINABILITY PILLARS

People and equal opportunities	Safety and Workspace	Environment, quality and organisational structure
The Group acts by respecting the fundamental rights of every individual and by guaranteeing equal opportunities and the fight against any form of discrimination. CEME undertakes to safeguard every person's physical, moral and cultural integrity, while pledging to work conditions that do not threaten individual dignity.	The Group recognises the health and safety of workers as a fundamental enabler. For this reason, CEME adopts every precaution that is necessary for its employees and collaborators to carry out their activities in conditions of healthiness, safety and hygiene.	The Group considers the environment as important as quality, the true primary focus of all its operations. Thus, CEME promotes a culture of respect for the environment, applying principles of advanced environmental protection and energy efficiency across all operations.

## SUSTAINABILITY AND ESG OBJECTIVES

In line with 2020 efforts, CEME's sustainability path is set to progress further by monitoring performances, reporting on initiatives, and setting clear, specific, and measurable objectives for the future. To achieve this goal, this year's

report focuses on the events in 2022 and on future ESG targets for which we will be held accountable. Thus, the Group will examine its past commitments to stakeholders and act to effectively uphold them.

ESG objective	Target	Year to reach the target	Current state
Reduction of Scope 1 + Scope 2 - Market based GHG emissions	-27.5% emissions reduction by 2030	2030	Ongoing
% of electricity covered by Guarantees of Origin purchased and consumed over the total electricity consumed (ODE and ACL)	100% of electricity from renewable sources consumed by 2022	2022	Archived
% of electricity covered by Guarantees of Origin purchased and consumed over the total electricity consumed in Zhongshan	100% of electricity from renewable sources consumed by 2024	2024	Ongoing
% of suppliers audited with sustainability audit checklists	100% of suppliers audited	2022	Archived
Replacement of consumer, disposable, mono use plastics with recycled or eco-sustainable materials (ODE and ACL)	Replacement of 100% plastics with more sustainable materials	2023	Archived
Feasibility study for the use of recyclable/sustainable materials	Identifying new recyclable/sustainable materials	2023-2025	Ongoing
N. of electric cars introduced among our car fleet	At least 1 electric car in our car fleet	2022	Archived
Installation of new printers in Trivolzio and Tarquinia sites with reduced energy consumption	100% of printers substituted	2022-2023	Archived
MW of installed photovoltaic panels	2 MW of installed photovoltaic panels	2024	Ongoing
Installation of heating system in Trivolzio with reduced energy consumption	100% installation of new heating system	2023	New Objective
Compensate transport-related CO2 emissions for Italian plants	100% joining of DHL GoGreen program	2024	New Objective
Implementation of a Health & Safety Management System according to ISO 45001 standard in ACL Plant (Cavenago)	Certification completion	2023	New Objective

## CORPORATE GOVERNANCE

In 2018, CEME implemented a control and governance system based on a Board of Directors (BoD) that comprises six members<sup>3</sup> and is vested with the powers

to ensure the ordinary and extraordinary running of the Company's operations. The following table reports the BoD composition as of the end of 2022.

### CEME BOARD MEMBERS

<b>Cesare Piovene Porto Godi</b>	Chair of the Board – Company's representative
<b>Roberto Zecchi</b>	Chief Executive Officer – Company's representative
<b>Bruno Romeo</b>	Board member
<b>Federico Andrea Fasciolo</b>	Board member
<b>Chiara Palmieri</b>	Board member
<b>Salvatore Catapano</b>	Board member

## ETHICAL BUSINESS

CEME's activities are organised to comply, first, with prevailing laws and regulations and, second, with the principles and rules expressed in the code of ethics.

With specific reference to the Company's "anti-corruption" policy, these principles are referenced to the 2020 UK Bribery Act.

Our Code of Ethics lays out the corporate values we stand for and the rights, duties, and responsibilities for all stakeholders. The principles and rules of conduct presented in the document govern the Group's daily activities and represent its reference standard. We believe that business ethics are vital precondition for the success of the Company.

As additional proof of the importance placed by CEME on the ethical treatment of employees, a Supervisory Body (Organismo di Vigilanza, OdV) has been appointed. This Body, required by Italian Legislative Decree no. 231/2001 (the "231 Regulations"), and all applicable legislation,

is tasked with ensuring corporate compliance with the model, controlling internal implementation, and its updating process. The OdV includes an external member whose duty is to fulfil regulatory requirements in terms of autonomy, independence and continuity, and an internal secretary.

All employees can make detailed reports of unlawful conduct relevant to the purposes of Legislative Decree no. 231/2001 via a specific email channel: CEME guarantees suitable measures to protect the identity of the reporting party and to maintain the confidentiality of the information in any context following the report.

The implementation of the Code of Ethics, the Model 231, together with CEME's certified ISO 9001:2015, 14001:2015 Quality and Environmental Management System and ISO 45001 Health & Safety Management System, represents the framework to ensure compliance with national and international applicable laws and regulations.

<sup>3</sup> In 2021, the Board membership consisted of one female and five males. As regards age composition, there are no members under 30 years of age, 4 members over 50 years of age and the remainder in the middle-age group. No changes are to be highlighted either in gender or age composition across 2019, 2020 and 2021.

# SAFETY AT THE BASIS OF QUALITY



*With over 40 years of experience, Quality Excellence has always been part of CEME's culture, thus allowing us to satisfy all customer expectations starting with product safety.*

**Simone Calvi, Chief Quality & Sustainability Officer**

## VERTICAL CONTROL

CEME's ability to stand out in the solenoid pumps and valves market is principally due to the combination of the Group's technical and engineering know-how, top-quality materials carefully procured from certified suppliers and flexibility in developing innovative solutions for national and international customers. Attention to product quality is a key aspect of CEME's commitment towards

sustainability: it aims to establish long-lasting relationships with customers, inspired by mutual trust and collaboration, and to manage the production process in a responsible way. CEME pursues its objectives by combining the utmost attention to customer safety and dedication to continuous technological improvement in its processes.

### CEME PRODUCTS

Year after year, CEME has diversified its range of products and their possible applications, thereby enriching its portfolio of solutions. In 2022, CEME produced more than

50 product series, divided into six main categories suitable for different uses and customer needs:

#### SOLENOID VALVES

CEME valves are suitable for managing different elements such as water, steam, air, refrigerants and oils. Solenoid valves are used to open and close paths, thanks to the combination of a twofold, essential system: an electromagnet and a valve body that offers several ways to regulate flow.

#### SOLENOID PUMPS

CEME pumps are composed of different materials and have different dimensions, providing compact solutions for high flow rate and low-pressure applications. Solenoid pumps are used mainly in household devices, such as steam irons and coffee machines. Nonetheless, they are also suitable for dealing with both water and highly viscous fluids for many different applications in medical and refrigeration systems. Solenoid pumps include high pressure and vibration pumps.

#### PERIPHERAL PUMPS

Peripheral pumps are principally used in cooling and re-circulation systems. They are suitable for use with water and chemically non-abrasive fluids. Some CEME models falling within this category are fully compatible with drinking water and are ideal for applications in reverse osmosis depuration systems and in espresso coffee machines, as well as for industrial purposes, with the capacity to reach high flow rates with relatively small motors.

#### SAFETY VALVES

Safety valves have been engineered mainly for home ironing and professional ironing systems. They are suitable for water, steam and air. CEME diaphragm safety valves have been designed to integrate a special device into common safety valves to prevent potentially dangerous failures when pressure increases.

#### TRANSDUCERS

Transducers generate a signal that is directly proportional to the pressure applied and thus can be used in various applications, such as beverage and heating appliances.

#### PRESSURE SWITCHES

Pressure switches are used mainly for boilers, flatirons, small home appliances, air conditioners and cooling systems. They are compatible with several types of gaseous or liquid elements with a maximum temperature of 155 °C.

#### FLOWMETERS

Flowmeters are sensors that measure the volume of water going through the hydraulic circuit used mainly for Coffee machines, Floor cleaning machines, Ironing stations.

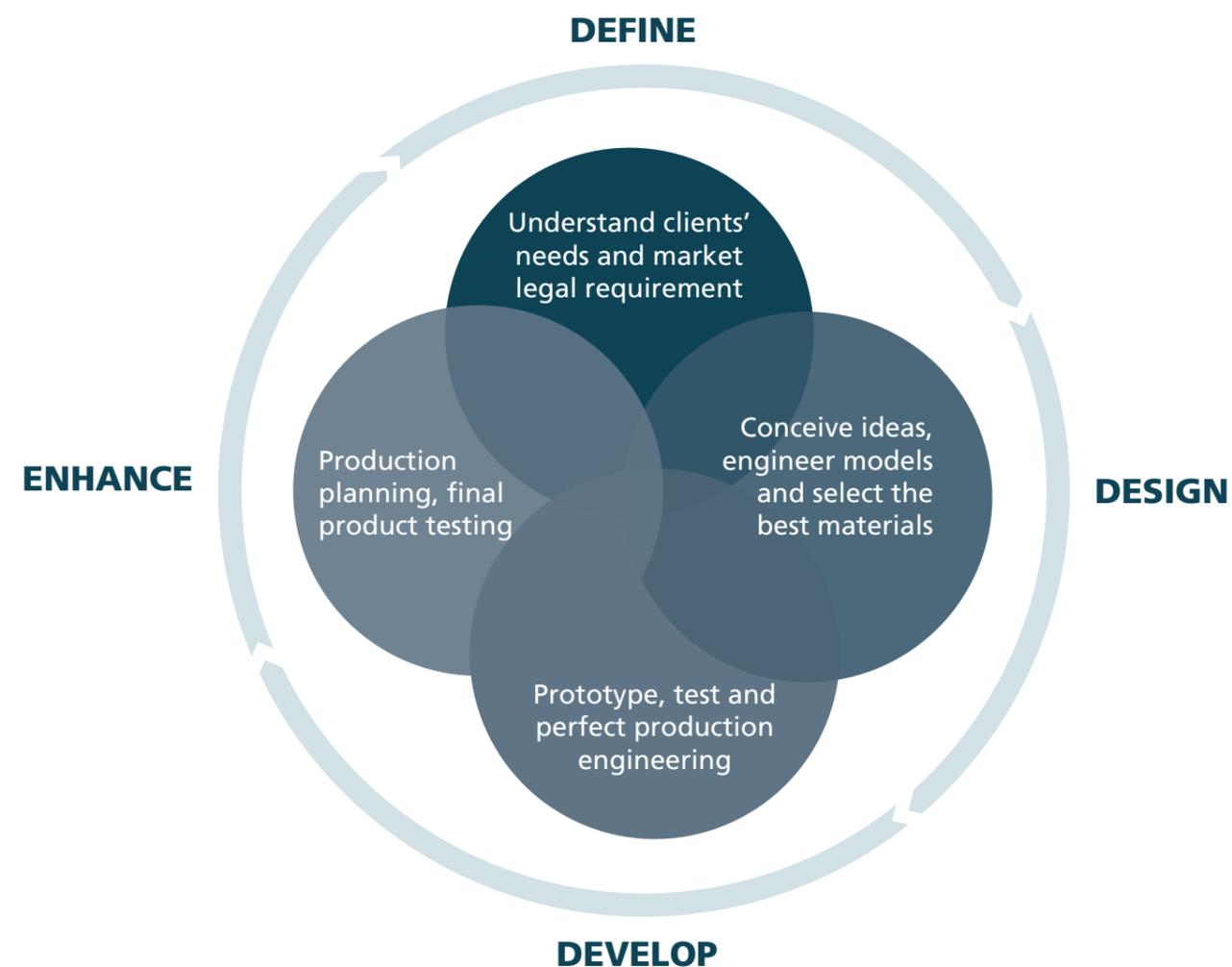
## QUALITY AND SAFETY

The continuous quest for quality is one of CEME's gold standards. Indeed, ensuring top product quality is an indispensable criterion for maintaining market dominance. Over the years, the Group has developed complete and meticulous quality control procedures that check all the production phases and deliver the best product quality to its customers.

assembly takes place in Trivolzio, Zhongshan and ODE and ACL plant in Colico and Cavenago di Brianza. Production verticalization enables the Group to control product quality and safety in every process phase.

CEME products are designed, engineered, and assembled almost entirely within the confines of the Group itself. The machining of raw materials (such as steel and brass) is mainly concentrated in the Tarquinia plant, while

All production steps are automatically controlled using statistical software and data archives that enable the operators to monitor processes seamlessly. Products are also checked by CEME Quality Department internal audits. Quality is an intrinsic feature of CEME project development systems, which can be summarised as a circle of four specific steps: define, design, develop and enhance.



The set of tests includes a variety of visual, dimensional, mechanical, chemical, physical, and functional checks that can be divided into two main groups: regular checks carried out on 100% of production, including safety and quality controls; and periodic quality checks, whose frequency depends on customers' needs and normative compliance, along with CEME's experience heritage matured over more than 40 years.

A natural consequence of the Group's attention to quality matters is safety. Therefore, CEME products are carefully assessed for possible impact on customers' safety. CEME products are also suitable for controlling drinking water and beverages. As a result, CEME evaluates the possible risks connected to end customer health and safety in compliance with food contact materials (FCM) protocols.

## FOOD CONTACT MATERIALS (FCM)

CEME strongly believes that product safety is key to client satisfaction, as it constitutes a fundamental element in the delivery of top-quality solutions. Therefore, CEME products are conceived to control and manage any fluid, including beverages and drinking water. In particular, the ULKA division's solenoid pumps and valves are designed for use with the best coffee machines and, together with a wide range of products such as pressure switches and flow meters, they are also suitable for vending machines and the beverage sector. As a result, CEME must abide by specific security protocols to guarantee Food Contact Materials (FCMs) compliance under national and international laws while ensuring product safety for final users.

High attention is given to the selection of materials used in the production of food contact elements: CEME relies on external laboratories to check the material composition and performs comprehensive and specific migration tests to quantify the transfer of chemical substances from FCM to food every two years.

In addition, extraordinary tests are performed when new materials or suppliers are introduced or if key reference legislation is updated. Finally, CEME releases a declaration of food contact conformity for each of its products subject to FCM requirements.

CEME has also drafted a Good Manufacturing Practice manual (GMP) in order to ensure that products are produced and controlled according to food contact material quality standards.

The document covers all aspects of production, from materials procurement to staff training on production practices and personal hygiene. The manual identifies the production phases where FCM requirements apply and analyses the possible related risks. Specific areas of the Group's plants have been assigned to FCM product manufacturing: in these zones, specific rules and protocols have been put in place to guarantee compliance with all applicable requirements and ensure the highest product safety.

Testing pumps



The production of top-quality valves, pumps and pressure switches is designed to satisfy demand from customers worldwide, and it is thus subject to a multitude of diverse requirements and laws. CEME products are engineered and built-in compliance with the most important national and international

standards. In addition to internal tests and assessments on product quality and safety, periodic controls are also carried out by several external certification bodies, which contributes to guaranteeing compliance with international quality standards.

### RELATIONS WITH CERTIFICATION BODIES

### CERTIFIED PRODUCTS

<b>VDE</b> Product electrical conformity and safety in Europe	Solenoid pumps Solenoid valves
<b>UL</b> Electrical component safety in USA and Canada	Solenoid pumps Solenoid valves
<b>CSA</b> Product conformity for flammable gas use in USA	Solenoid valves
<b>CE GAS</b> Product conformity for flammable gas use in Europe	Solenoid valves
<b>IMQ</b> Product electrical conformity and safety in Europe	Solenoid pumps Pressure switches
<b>NSF</b> Product conformity for food and drinking water contact in USA	Solenoid pumps Solenoid valves
<b>ACS</b> Product conformity for drinking water contact in France	Solenoid valves
<b>NSF61</b> Product conformity for food and drinking water contact	Solenoid valves

In 2018, CEME achieved ISO 9001:2015 Quality Management System certification, validated by independent third parties, and covers the engineering and production processes in all the Group's operational plants. Full implementation of the Quality Management System is the key to meet all regulatory requirements and standards. CEME's commitment to product quality and safety is attested by the positive results of customer audits, which

require continuous improvement and the conservation of top-quality standards. Thanks to this engagement, CEME can count on stable and long-lasting relationships with some of the world's largest brands across all relevant market segments. In addition, the effectiveness of the Group's Quality Management System led to the absence of non-compliance issues with regulations concerning health and safety impacts in the last five years.

### A FOCUS ON SUPPLY CHAIN

CEME's success can be attributed to a well-balanced mix of innovation, industrial strategy (verticalization and automation of its processes), attention to customers' needs and global presence. Very important as well, on the top of the Group's value chain, the quality of the materials procured from suppliers. Transformation and production processes are structured to take advantage of the Company's long-standing experience (more than 40 years of expertise and mastery) and are thus carried out almost entirely internally, from R&D to product delivery. For the

crafting of valves and pumps, CEME relies on a series of trusted suppliers from the steel sector; these suppliers are occupied mainly with feeding production with materials essential for the good functioning of the business. Another crucial element in the success of CEME is proximity – a pivotal and strategic parameter made possible through a short supply chain that sustains the development of long-lasting relationships based on trust and competence. Furthermore, this proximity entails a profound knowledge of the specific dynamics that characterise our company

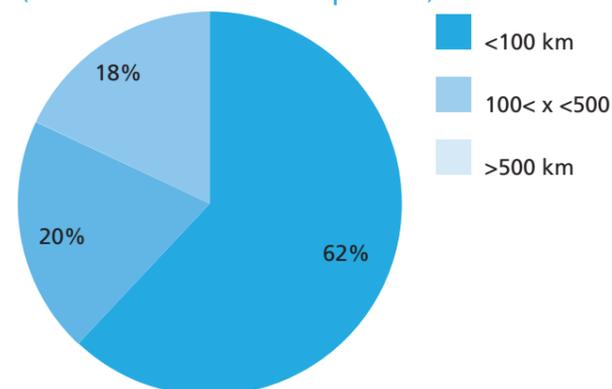
and those of our partners. The framework contracts that tie CEME to its suppliers can be regarded as open, on-call contracts activated by the Group, depending on customer requests and production volumes. The importance CEME has placed on proximity to suppliers has created very stable relationships based on flexibility and reliability that ensures fast production and quick delivery time with unmatched levels of quality. Moreover, the shortness of the supply chain is a sign of attention to the broader community since the suppliers are all located around the three Italian regions of Lombardy, Piedmont and Veneto.

The year 2022 was a relatively stable year for CEME's supply chain, with little change among suppliers and consumption of materials; this relative stability enabled CEME to implement a number of internal procedures and synergies between the different sites of the group. Furthermore, in an effort to be more environmentally conscious, in 2022, CEME continued to stress on a local procurement policy according to a "local to local" concept strategy, with a consequent decrease of air flights transport of products between Italy and China.

In its manufacturing process, the Group uses semi-finished items produced externally (with more than 100 suppliers of raw materials and components) and internally (Trivolzio, Tarquinia, Colico and Cavenago). Finished products can be assembled internally in the plants of Trivolzio, Colico and Cavenago Italy and Zhongshan, China, and externally by selected subcontractors. In certain cases of externally assembled items, CEME purchases raw materials, supplies them to the subcontractors, and takes delivery of the finished parts.

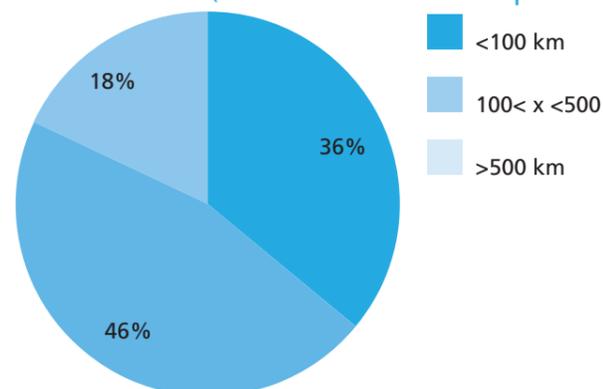
As previously mentioned, two-thirds of CEME's suppliers are located less than 100 km away from the Group's Italian headquarters, while 20% are located between 100 and 500 km away and 18% are more than 500 km away. The Company's expenditure on suppliers mirrors this latter statistic (18%). In contrast, the remaining 82% is split between suppliers located within 100 km (36%) and those between 100 and 500 km (46%). By grouping the distance ranges into two separate categories and setting the cut-off point at 300 km, we can observe an alignment between the share by distance and expenditure share (82%-18%)<sup>4</sup>.

### SUPPLIERS, BY DISTANCE (Trivolzio and Tarquinia)



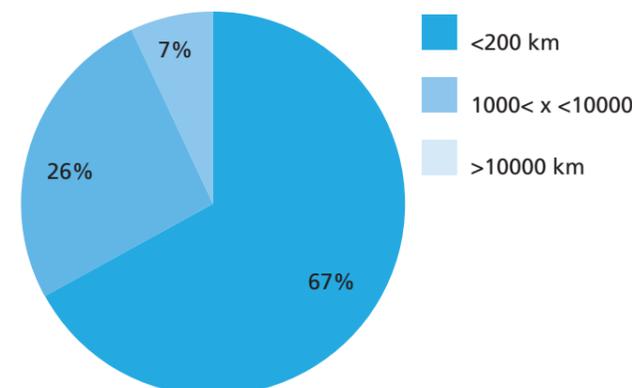
By contrast, Zhongshan has a different supply chain structure, mainly due to regional characteristics and its tight relationship with the Italian HQs. As a result, 67% of suppliers are less than 200 km away from the regional hub, while 7% are more than 10,000 km away, and the remaining 26% are between 1,000 and 10,000 km away. Regarding, expenditure on suppliers in terms of distance: 32% goes to suppliers established

### EXPENDITURE ON SUPPLIERS, BY DISTANCE (Trivolzio and Tarquinia)



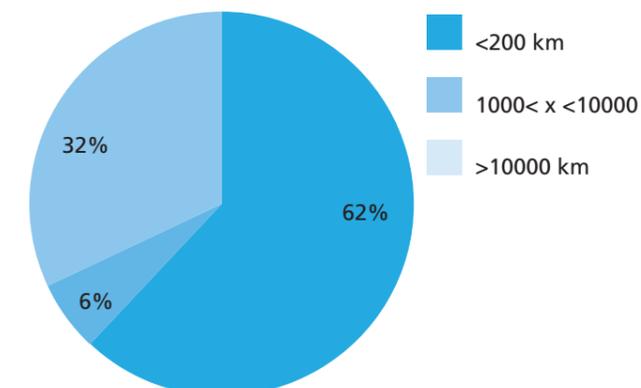
more than 10,000 km away (typically located in Europe, and more specifically in Italy). In contrast, 6% and 62% respectively go to suppliers between 1,000 and 10,000 km away and less than 200 km away<sup>5</sup>. The composition of suppliers by distance is very stable while we are gradually increasing local procurement aligned to "local to local" policy.

### SUPPLIERS, BY DISTANCE (ZHONGSHAN)



As previously mentioned, CEME's business model is significantly reliant on product quality and customer satisfaction. Thus, in order to maintain a good reputation, quality assessment is key to supply chain management.

### EXPENDITURE ON SUPPLIERS, BY DISTANCE (ZHONGSHAN)



Suppliers are constantly monitored and controlled by the Group: they must deliver the materials promptly and comply with technical standards.

#### OUR RENOVATED "SUPPLIER MANAGEMENT SYSTEM"

In 2022, a software called QUALIWARE was implemented, which acts as a portal for "supplier management" in the Quality area. This software allows for the management of nonconformities and the monitoring of assessments. Furthermore, by functioning as a document repository, it facilitates the exchange of documentation with the outside world.

Through QUALIWARE, suppliers can verify their non-conformities and the associated costs.

It is also integrated with the periodic evaluation described above and this will be managed automatically from 2023.

The Quality Department performs an assessment and suppliers are accepted or rejected based on quality, environmental and safety standards. Also during 2022, to further improve the assessment of its suppliers, the Quality department confirmed the expansion of the checklist through the integration of a section relating to sustainability.

dominance in the control over the quality and sustainability of its products and components, on the other hand, it also constitutes an element of attention towards its suppliers, entailing the transfer of the Company's expertise and know-how to help C-graded suppliers to identify points of improvement and work to mitigate flaws.

The output provided in this sense is a "Sustainability Score", which directly integrates the overall evaluation. All suppliers are assigned one of three possible grades based on the assessment: A-Grade, which qualifies the supplier as free from further auditing; B-Grade, which lets the supplier know that specific targeted corrective measures are requested; and C-Grade, where the supplier is seen as unfit and is confronted with the need to make significant changes and upgrades in the following years. Although this latter category is an expression of the Group's

Generally speaking, suppliers are audited yearly by CEME's team under the ISO 9001:2015 Quality Management System, ISO 14001:2015 Environmental Management System, ISO 45001:2018 Occupational health and safety management systems and Food Contact Materials (FCM) standards checklists. Furthermore, they must adhere to CEME's Code of Ethics and Anti-Corruption Policy, as the required by the law. Lastly, as previously mentioned, suppliers are now also audited under sustainability guidelines.

<sup>4</sup> Distances are calculated taking into consideration CEME Italian HQs and the suppliers' HQs. <sup>5</sup> Distances are calculated taking into consideration CEME Zhongshan HQs and the suppliers' HQs.

## INNOVATION

The CEME Research and Development department is constantly working to find innovative and tailor-made solutions for fluid control systems.

In 2022, CEME has focused its efforts on analyzing and researching the best technologies to adopt: internal research is underway to evaluate and verify the best materials to use, with particular attention to green and bio-based materials. CEME has already contacted its suppliers directly to develop sustainable solutions, receiving positive feedback, being the first on the market to move in this direction. At the moment, customers do not yet ask for

green alternatives, but there are signs of greater attention to sustainability in sectors such as the coffee sector, with the adoption of paper pods and the introduction of more sustainable machines.

Another sustainability project concerns the alternative copper wire for electric pumps in CCA (copper clad aluminium). The CCA wire instead of using the traditional copper wire, allows to reduce the weight of the copper inside the coil by more than 80%, and therefore reduce CO2 emissions. All tests completed in CEME laboratory with positive result, same for VDE homologation.

## CHOOSING QUALITY MATERIALS

CEME is the market reference for product performance in combination with the best quality and the highest safety. Materials are carefully selected and tested according to the strictest standards and severe internal procedures to exceed customers' requests and expectations.

The primary materials used by the company are steel and copper. Steel is purchased in bars and subsequently processed in the Tarquinia plant. CEME uses two different kinds of steel, ferritic steel and austenitic steel: these satisfy various technical requirements of CEME products thanks to differences in crystalline structure and magnetic characteristics. Steel, copper, brass and aluminium used by CEME are almost always purchased from suppliers that take care of recycling these from previous production scrap.

Besides raw materials, CEME buys accessory components made up of the same primary materials but used less frequently or occasionally and that cannot be produced internally, such as steel spring or specific electric components like diodes. Moreover, during the production

process, CEME uses also certain chemical products such as lubricant grease and oils used for machinery maintenance.

CEME's packaging materials consisted mainly of cardboard boxes: cardboard and paper represented 47% of the total packaging material weight in 2022, while wood and plastic amounted to 49% and 4%, respectively. CEME uses reusable packaging, such as plastic trays, for internal movement of products, or semi-finished products delivered to third parties for the final assembly.

CEME's attention to the sustainable use of resources led to purchasing paper and cardboard packaging with FSC Mix and FSC Recycled certifications, fully complying with food industry requirements. FSC<sup>6</sup> Mix certification attests that products are made with wood from certified forests, meaning forests are managed in a way that preserves biological diversity and benefits the lives of local people and workers. Similarly, the FSC Recycled label certifies that all the wood or paper in the products comes from reclaimed or reused materials.

## VALUING OUR PEOPLE

*For Ceme Group learning, job rotation and internal mobility opportunities represent a pragmatic approach to encourage people competence development and professional growth.*

**Alessandra Scotti, Chief HR Officer**

## EMPLOYEES AT THE CENTER

At the end of 2022, CEME had a workforce of 1,386 people<sup>7</sup> across the four Italian and Chinese sites, including

an increase of 3% compared to the previous year-end, mainly as definitive employee contracts even in the face of a reduction in agency workers.

## CEME WORKFORCE

### WORKFORCE (EMPLOYEE CATEGORY AND GENDER)

	UoM	2020	2021	2022
Employees	n.	888	1,211	1,306
	Male	479	645	658
	Female	409	566	648
Agency workers	n.	15	132	80
	Male	7	71	30
	Female	8	61	50
Interns	n.	1	2	0
	Male	1	1	0
	Female	0	1	0
Total	n.	904	1,345	1,386
	Male	487	717	688
	Female	417	628	698

<sup>6</sup> The Forest Stewardship Council (FSC) is an international Non-Governmental Organization. The certification aims at ensuring correct forest management and the traceability of related products. For further details, please visit <https://fsc.org/en/fsc-labels>.

<sup>7</sup> Employees and agency workers headcount in Trivolzio, Tarquinia, Colico, Cavenago and Zhongshan sites.

Employees are located mainly in the five operating plants of Trivolzio (Italy), Tarquinia (Italy), Colico (Italy), Cavenago di Brianza (Italy) and Zhongshan (China) and make up 99% of the Group's overall labour force at a consolidated level<sup>8</sup>. Furthermore, the Company's personnel is 49,6%-50,4% (male to female) split, with a light majority of women over men.

Diversity and equal opportunities have always been among CEME's priorities: therefore, the Group is committed to creating an inclusive working environment in which people are treated equally, regardless of gender or other individual differences.

In more detail, CEME largely favours Full-Time over Part-Time contracts, with a division of 99% to 1% in 2022 – a

pattern that shows considerable year-on-year stability. Most of the Company's personnel is permanently employed, confirming decidedly growing trend with respect to 2021: indeed, the percentage of permanent contracts increased by 1% compared to the previous year reaching a share of 72% of all contracts at Group level.

As for gender, in 2022 at Group level, the percentage of both female and male employees with permanent contracts increased as well as with temporary contracts, particularly the latter in China with an increase of temporary contracts of 68% compared to the previous year (and a decrease of temporary contracts in Italy).

## EMPLOYEES (CONTRACT TYPE, FULL-TIME AND PART-TIME, CATEGORY, AGE AND GENDER)

	UoM	2020	2021	2022	
<b>Region</b>					
<b>Italy</b>	<b>n.</b>	<b>534</b>	<b>821</b>	<b>760</b>	
	Male	n.	393	530	465
	Female	n.	141	291	295
<b>China</b>	<b>n.</b>	<b>354</b>	<b>390</b>	<b>546</b>	
	Male	n.	86	115	193
	Female	n.	268	275	353
<b>Contract type</b>					
<b>Permanent</b>	<b>n.</b>	<b>619</b>	<b>933</b>	<b>941</b>	
	Male	n.	355	493	499
	Female	n.	264	440	442
<b>Italy</b>	<b>n.</b>	<b>453</b>	<b>737</b>	<b>721</b>	
	Male	n.	323	458	455
	Female	n.	130	279	266
<b>China</b>	<b>n.</b>	<b>166</b>	<b>196</b>	<b>220</b>	
	Male	n.	32	35	44
	Female	n.	134	161	176
<b>Temporary</b>	<b>n.</b>	<b>269</b>	<b>278</b>	<b>365</b>	
	Male	n.	124	152	159
	Female	n.	145	126	206

<sup>8</sup> CEME additionally employed people in its Hong Kong office, and in the United States.

	UoM	2020	2021	2022	
<b>Italy</b>	<b>n.</b>	<b>81</b>	<b>84</b>	<b>39</b>	
	Male	n.	70	72	10
	Female	n.	11	12	29
<b>China</b>	<b>n.</b>	<b>188</b>	<b>194</b>	<b>326</b>	
	Male	n.	54	80	149
	Female	n.	134	114	177

### Full-Time and Part-Time

	%	2020	2021	2022
<b>Full-Time</b>	<b>%</b>	<b>99%</b>	<b>99%</b>	<b>99%</b>
Of which Italy	%	60%	67%	58%
Of which China	%	40%	33%	42%
<b>Part-Time</b>	<b>%</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>
Of which Italy	%	75%	94%	92%
Of which China	%	25%	6%	8%

### Category

	%	2020	2021	2022
Executives	%	1%	2%	1%
Managers	%	3%	4%	4%
White collars	%	15%	19%	18%
Blue collars	%	81%	75%	77%

### Age

	%	2020	2021	2022
< 30 years	%	19%	20%	17%
30 ≤ x ≤ 50 years	%	65%	62%	64%
> 50 years	%	16%	18%	19%

The vast majority of the CEME workforce is made up of blue-collar operators, followed by office personnel, middle-managers, and executives – this traditional structure remains very stable from year to year.

This aspect is mainly due to the labour-intensiveness of the production of the Group's renowned electro-pumps and

electro-valves, together with the high level of integration and internalisation of skills in all the manufacturing phases.

To conclude, the Group's personnel is relatively young, with over 8 out of 10 people under 50 years of age and only 19% over 50. The trend does not show noteworthy differences across the three-year reporting period.

<sup>8</sup> CEME additionally employed people in its Hong Kong office, and in the United States.

## HIRING AND TURNOVER RATES

As for hires and terminations, the table shows a decisive upward trend for both the former and the latter. The 2022 balance between hirings and the termination

settles on +11% with particular focus in the Chinese geography.

### HIRES AND TERMINATIONS

	UoM	2020	2021	2022
<b>Hires</b>	<b>n.</b>	<b>191</b>	<b>278</b>	<b>536</b>
Male	n.	123	182	290
Female	n.	68	96	246
<30 years	n.	94	145	206
30 ≤ x ≤ 50 years	n.	84	129	316
> 50 years	n.	13	4	14
Employee hiring rate	%	22%	31%	44%
<b>Terminations</b>	<b>n.</b>	<b>155</b>	<b>242</b>	<b>441</b>
Male	n.	66	146	264
Female	n.	89	96	177
<30 years	n.	56	97	182
30 ≤ x ≤ 50 years	n.	88	116	235
> 50 years	n.	11	26	24
Employee turnover rate	%	18%	27%	36%

Accordingly, the hiring rate, calculated as the ratio between the total number of hires and the total number of employees at the end of the prior reporting period, followed an upward annual trend, standing at 44% in 2022 against 31% in 2021.

The turnover rate – the ratio between the number of terminations and the overall employees at the end of the prior reporting period – increased to 36% in 2022 against 27% increase in 2021.

CEME's personnel turnover shows quite a stable pattern in Tarquinia, since it is one of the biggest production plants in the centre of Italy, and the most important in the province of Viterbo in terms of labour attraction.

Furthermore, and to confirm its territorial importance, the majority of the plant's employees reside in Tarquinia and in the close neighbourhoods. Thus, the high hiring and turnover rates emerging from the table are due to the Northern Italian and mainly to Chinese plants.

## INVESTING IN OUR PEOPLE

### EMPLOYEE TRAINING AND DEVELOPMENT

CEME believes that education represents one of the best assets to guarantee compliance and to ensure the highest levels of quality and safety along the production process. In this sense, instruction programmes are crafted to prepare all employees to the most appropriate level of knowledge required by their roles and responsibilities. Specifically, Health & Safety and Quality training are required by law and are held by external suppliers. It should also be noted that the breakdown reveals 44% of total training is devoted to Health & Safety, perfectly in line with the Group Sustainability Pillars.

On the other hand, technical training related to products and applications is promoted by the company and delivered by CEME internal trainers – a choice that takes advantage of and draws directly from the Group's human capital, thus valuing internal skills and expertise and engaging in peer-to-peer development. The Trivolzio site has a dedicated training room featuring all the components of CEME products that are used as samples during training classes. Furthermore, language classes offer the Company's people the chance to improve their English, from starters to advanced learners. Almost all learning opportunities

implemented for employees can be offered via remote, on-line or blended solutions, with clear exception for blue collars – for whom physical presence is required due to the nature of the activities performed. To support speed in digital literacy, training courses

on Excel were organised and extended to all employee groups, including the Chinese geography. Furthermore, the training contents were also expanded vertically, with a top-down approach, to achieve greater global workforce coverage.

### TRAINING

	UoM	2020	2021	2022
<b>Training hours</b>	<b>hours</b>	<b>2,014</b>	<b>4,164</b>	<b>8,814</b>
Male	hours	1,521	3,017	5,063
Female	hours	493	1,147	3,751
<b>Average training hours</b>				
Male	hours	3.2	4.7	7.8
Female	hours	1.2	2.0	5.7
<b>Average training hours split by categories</b>				
Executives	hours	2.6	30.3	3.4
Managers	hours	6.3	5.5	12.1
White collars	hours	2.9	6.8	15.2
Blue collars	hours	1.9	1.7	4.2

For the coming years, CEME is considering expanding the offer of learning portfolio for people, to foster employees' engagement professional growth and to maintain stable retention. The Company is also very focused in exploiting

any opportunity to favour and drive people development through job rotation and internal mobility as training on the job is best option to encourage, deepen and/or consolidate competences and skills.

## WELFARE

Corporate welfare is one of the means with which CEME pursues the aim of building a positive workplace environment where people can fulfil their potential. CEME intends to focus its attention to create a positive work-life balance in full awareness that this is essential to unleash the full potential of people contribution. Therefore, the Company undertook a process of identification and promotion of an innovative welfare system designed to increase the purchasing power of individuals' and family's income.

Stemming from the Group's awareness and aiming to help its people reconcile their private and working lives, since 2018 CEME has introduced a Welfare platform for all Italian employees. The Welfare platform offers a large variety of services and opportunities among which employees can choose to spend their Welfare value allocation.

The available amount on the welfare platform is composed by an annual component granted by the National Collective Labor Agreement, a component that comes from the second level collective bargaining agreement and finally by a discretionary amount offered annually by the company.

The Italian Welfare plan is integrated with additional benefit measures linked to the National Collective Labor Agreements (NCLA) in force across all Italian sites – the Metalworker National Contract and Industrial Managers Contract – or directly sponsored by the Company.

Some examples of benefits opportunities are as follows: life plan, medical plan, permanent disability and accident coverage (professional and extra-professional), lunch vouchers or canteen services, fitness centre, company locker for personal shopping delivery, flexible working-hours. Moreover, the Company grants access to all the employees enrolled under Metalworker National Contract, to Metasalute Health Insurance. Benefits in Zhongshan plant are quite different from the Italian ones and are linked to the local law and legislation.

### COLLECTIVE BARGAINING

CEME employees in Italy are covered by national collective bargaining agreements (NCLA). Furthermore, the Group's Italian sites of Trivolzio, Tarquinia and Colico are covered by a second-level agreement integrating the national one in force. The contract allows for better regulation of the employment relationship, ensuring adequate labour safeguard and essential flexibility for the Company.

## PROMOTING A SAFE WORK ENVIRONMENT

For CEME, the health and safety of its people is paramount. H&S matters are dealt with at regional level: both Italian and Chinese plants can count on established practices, policies and management systems that guarantee full compliance with local legislative requirements. As provided by law, in the Italian sites health and safety topics are subject to the direct and structured involvement of different functions at all levels of the Company's organisational chart: specific competences and responsibilities over the application of safety procedures are attributed to them and updated through regular training sessions. Risk assessment is at the core of H&S management: in full compliance with local laws, health and safety managers, or equivalent, hold inspections and consult employees in order to anticipate risks, assess them and propose all the necessary prevention efforts.

**ESG GOAL**  
Health & Safety Management System according to ISO 45001 standard in ACL in 2023.

The same procedure has been implemented as far as work-related injuries are concerned. As regards health and safety issues, employees can also count on their representative, one for each of the Italian sites, who attends regular internal meetings with management. Furthermore, integration with the unions on this issue actively helps prevent any whistleblowing-related repercussions on health and safety matters. As required by law, the H&S procedure requires a doctor to be present in each Italian plant.

The Zhongshan plant relies on a legally certified third party to take care of occupational assessments concerning H&S risks. On an annual basis, consultants release a risk assessment report: this is fundamentally important for the identification of potentially dangerous situations, and the consequent drafting of mitigation and prevention measures. Together with daily monitoring of employees' health and safety and the presence of a doctor onsite, CEME China provides important on-the-job H&S training to its people.

### EMPLOYEE HEALTH & SAFETY<sup>9</sup>

	UoM	2020	2021	2022
Total number of worked hours	hours	1,984,654	2,818,178	3,504,876
Total number of recordable work-related injuries	n.	19	16	14
Work-related injury rate <sup>10</sup>	-	1.91	1.14	0.80

During 2022, CEME recorded 14 injuries, of which 12 occurred in the Italian plants while the remaining 2 in Zhongshan with a reduction of 28% of working days lost (FDE) due to work related injuries respect the previous year. Nine injuries caused more than seven consecutive

days of incapacitation while 2 caused more than two days of incapacitation: these mainly involved injuries to hands and feet. During the 2020-2022 three-year period, neither high-consequence work-related injuries, nor fatalities as a result of work-related injuries were recorded.

<sup>9</sup> The reported data refers to the operational plants of Trivolzio, Tarquinia, Zhongshan, in addition to the ODE and ACL's plants and offices.  
<sup>10</sup> Calculated as the total number of injuries multiplied by 200,000 and divided by the overall number of hours worked in the reporting period.



## SUSTAINABLE PRODUCTION

“*CEME's sustainability path is strengthening our understanding of our operational impacts and will trigger progressive improvements in our environmental performance by defining concrete management measures.*”

*Sandro Messina, Chief Operations Officer*

CEME is conscious of the effect that its activities have on society and the environment, and of the importance of implementing solutions to reduce its footprint. Therefore, the Company is committed to a better understanding of how environmental sustainability relates to its daily activities and to the development of ad hoc management strategies able to deliver concrete results. This approach is tightly intertwined with the Group's practice towards modernisation and enhancing efficiency

in its plants, carried out with progressive, carefully selected actions. From an environmental perspective, the Company strives to guarantee full compliance with all applicable laws and regulations in its five production plants: no incidents of environmental non-compliance have been recorded in the last three years<sup>11</sup>. CEME has implemented an ISO 14001:2015 certified Environmental Management System that covers all its plants.

## OUR CARBON FOOTPRINT

CEME is engaged in the progressive improvement of its environmental performance, raising awareness of the impact of its activities and along its value chain. The Company's sustainability journey started with continuous monitoring and disclosing of data in the

first Sustainability Progress Report concerning energy consumption, Greenhouse Gas emissions, water consumption and waste management. This effort toward sustainability evolved in 2020 when the Group settled measurable targets to reduce the impacts of its operation.

### ENERGY CONSUMPTION

Energy consumption is one of the most important priorities for CEME, the Group in recent years started to rationalise its consumption through specific initiatives aimed at enhancing energy efficiency, such as the installation of LED lights and new skylights to increase natural lighting and reduce electricity consumption. In 2022 all the Italian plants have sourced 100% of electricity from renewable resources certified by Guarantees of Origin (GOs) certificates. Total energy consumption remained broadly constant between 2021 and 2022, with a light decrease mainly in electricity. Electricity represents 83% of overall energy consumption: much of it is used in production processes, such as the machinery in the Tarquinia production site (accounting

for 46% of CEME total electricity consumption). Other relevant energy vectors are natural gas (8% of overall energy consumption in 2022), diesel and gasoline used by the vehicle fleet (7%), diesel used by emergency generators (1%) and LPG (1% of overall energy consumption in 2022). In particular, the primary source of thermal energy in Trivolzio, ODE Colico and ACL is natural gas, in Tarquinia LPG and in Zhongshan electricity. Additionally, the heat from the air compressor systems in the new Trivolzio HQ production lines is recycled and used in the plant's offices.

**ESG OBJECTIVE**  
100% energy consumption sourced by renewable energy sources by Italian plants in 2022

<sup>11</sup> In 2019, CEME identified a groundwater contamination issue in the neighboring areas of the Tarquinia plant, caused by a site's solvent spillage in the past. Therefore, CEME is implementing a remediation plan: the installation of Pump and Treatment wells in 2019 and a bioremediation treatment process to be activated in the next four years are the main actions for the remediation of the contaminated area. As of 2021, the operations are still ongoing.

## ENERGY CONSUMPTION

	UoM	2019	2020	2021
Electricity	GJ	65,629	84,388	76,646
Natural gas for heating purposes	GJ	4,735	6,650	7,759
Diesel for car fleet	GJ	941	888	754
LPG for heating purposes	GJ	659	981	1,278
Gasoline for car fleet	GJ	2,630	4,239	5,532
Diesel for emergency generators	GJ	2	647	0
<b>Total energy consumption</b>	<b>GJ</b>	<b>74,596</b>	<b>97,793</b>	<b>91,969</b>

## GHG EMISSIONS

In order to monitor the environmental impact of the production process and to plan effective management strategies, CEME measures and discloses the Greenhouse Gas (GHG) emissions from its activities.

In accordance with the GHG Protocol Corporate Accounting and Reporting Standard, the Company reports all the relevant direct GHG emissions (Scope 1), indirect emissions from electricity purchased from the national grid (Scope 2) and a selection of the relevant indirect emissions occurring outside the Company (Scope 3). CEME is undertaking to reduce its Scope 1 and Scope 2 – Market based GHG emissions by 27.5%

by 2030 (baseline 2019), in line with the WB2C (well-below 2°C) scenario as provided by the Science-Based Targets calculation methodology<sup>12</sup>.

In 2022, in order to improve the monitoring of GHG emissions from its value chain, CEME extended Scope 3 reporting, including downstream categories (cat.9 – 11 – 12) as shown in the table below.

## ESG OBJECTIVE

Scope 1 + Scope 2 emissions reduction of 27.5% by 2030 (aligned with the Science-Based Targets initiative (SBTi) well-below 2°C pathway).

GHG Scope 3 Emissions Categories <sup>13</sup>	Description
<b>1 - Purchased goods and services</b>	Upstream emissions from the production of products purchased or acquired.
<b>2 - Capital goods</b>	Emissions related to the production of capital goods purchased.
<b>3 - Fuel and energy-related activities</b>	Emissions related to the production of fuels and energy purchased and consumed.
<b>4 - Upstream transportation</b>	Emissions related to the transportation and distribution services purchased by CEME in the reporting year, including inbound logistics, outbound logistics (e.g. of sold products), and transportation and distribution between CEME's proprietary facilities.
<b>5 - Waste generated in operations</b>	Emissions from third-party disposal and treatment of waste generated by the Group's owned or controlled operations.
<b>6 - Business travel</b>	Emissions from the transportation of employees for business-related activities.
<b>7 - Commuting emissions from the transportation of employees between their homes and their worksites.</b>	Emissions from the transportation of employees for business-related activities.
<b>8 - Upstream leased assets</b>	Operation of assets leased by CEME (lessee) in the reporting year and not included in scope 1 and scope 2.
<b>9 - Downstream transportation</b>	Emissions related to the outbound transportation and distribution services not purchased by CEME in the reporting year.
<b>11 - Use of sold products</b>	Downstream emissions related to the use of products sold by CEME.
<b>12 - End of life treatment of sold products</b>	Emissions from the waste disposal and treatment of the products sold by CEME (in the reporting year) at the end of their life.

<sup>12</sup> The Science-Based Targets initiative was created by the collaboration between the CDP, the UN Global Compact (UNGC), the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). It is acknowledged to be one of the commitments of the 'We Mean Business Coalition'. The initiative supports companies in defining emission reduction targets that will cap global warming well below 2 °C (WB2C) aiming to stay within +1.5 °C compared to pre-industrial temperatures, in line with what is foreseen by the Paris Agreement.

<sup>13</sup> The Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard – Revised edition.

GHG Scope 2 emissions have been calculated both with the location-based and market-based methods. The first one reflects the average emission intensity of grids, while the second reflects emissions from the electricity source the Group has purposefully chosen.

Scope 1 (which includes emissions from refrigerant gas refills and fuel consumption for heating, car fleet and emergency generators) and Scope 2 emissions (location-based method) consumption remained broadly constant between 2021 and 2022.

Scope 3 emissions, equal to 336,848.82 CO<sub>2eq</sub>, are mainly related to the purchase of raw materials and semi-finished components to produce and package products, that

accounts for 33% of the total amount and the use of sold products in final applications that accounts for 58%

Scope 1 and 2 remained roughly constant between 2021 and 2022, with a slight decrease in 2022 linked to both energy efficiencies and a slight reduction in production volumes, and consequently also the Purchased Good and Services category in scope 3.

The most significant variation between the two years is linked to the introduction of scope 3 downstream categories, where the Use of sold products (category 11) becomes the most relevant in CEME complete supply chain.

## GHG EMISSIONS

	UOM	2020	2021	2022
<b>Direct emissions (Scope 1)</b>	<b>tCO<sub>2eq</sub></b>	<b>955.49</b>	<b>1,302.94</b>	<b>1,204.23</b>
Natural gas for heating purposes	tCO <sub>2eq</sub>	271.45	381.02	435.86
Diesel for car fleet	tCO <sub>2eq</sub>	196.47	296.32	393.83
Refrigerant gas refills for air-conditioning systems	tCO <sub>2eq</sub>	380.75	457.55	241.22
LPG for heating purposes	tCO <sub>2eq</sub>	60.22	56.82	48.24
Gasoline for car fleet	tCO <sub>2eq</sub>	46.48	66.01	85.08
Diesel for emergency generators	tCO <sub>2eq</sub>	0.12	45.22	-
<b>Indirect emissions (Scope 2) - Location based method</b>	<b>tCO<sub>2</sub></b>	<b>7,212.80</b>	<b>8,781.17</b>	<b>8,260.63</b>
<b>Indirect Emissions (Scope 2) - Market based method</b>	<b>tCO<sub>2eq</sub></b>	<b>9,090.26</b>	<b>4,017.09</b>	<b>3,225.24</b>
<b>Other indirect Emissions (Scope 3)</b>	<b>tCO<sub>2eq</sub></b>	<b>97,097.49</b>	<b>146,569.78</b>	<b>327,383.96</b>
Cat. 1 – Purchased good and services	tCO <sub>2eq</sub>	91,337.28	115,860.82	110,333.14
Cat. 2 – Capital Goods	tCO <sub>2eq</sub>	n.a	6,342.37	4,529.35
Cat. 3 – Fuel and energy related activities	tCO <sub>2eq</sub>	1,344.13	1,219.12	2,463.77
Cat. 4 – Upstream transportation <sup>14</sup>	tCO <sub>2eq</sub>	3,184.02	8,975.64	1,249.20
Cat. 5 – Waste generated in operations	tCO <sub>2eq</sub>	459.53	520.35	627.37
Cat. 6 – Business travel	tCO <sub>2eq</sub>	1.91	2.06	10.40
Cat. 7 – Commuting	tCO <sub>2eq</sub>	768.33	1,070.48	1,312.52
Cat. 8 – Upstream leased assets	tCO <sub>2eq</sub>	2.29	12,579.95	7,023.41
Cat. 9 – Downstream transportation	tCO <sub>2eq</sub>	-	-	1,382.32
Cat. 11 – Use of sold products	tCO <sub>2eq</sub>	-	-	196,153.39
Cat. 12 – End of life treatment of sold products	tCO <sub>2eq</sub>	-	-	2,299.09
<b>Total (Scope 1 + 2 + 3) – Location based method</b>	<b>tCO<sub>2eq</sub></b>	<b>105,265.78</b>	<b>156,653.90</b>	<b>336,848.82</b>

As a further commitment with respect to climate change, CEME has purchased nature-based carbon credits in order to compensate for its residual GHG Scope 1 and Scope 2 – Market based emissions generated during the 2021 reporting year. This initiative has allowed the Group to

become carbon neutral with respect to the activities falling within the reporting perimeter and is designed as a transition tool to mitigate its impact on the road to effectively reducing carbon emissions.

<sup>14</sup> 2018 and 2019 data consider the parcels sold and shipped by CEME only.

## CARBON OFFSETTING PROJECTS

As a complement to **CEME's** initiatives to manage and reduce its absolute greenhouse gas ("GHG") emissions, the Company has since 2020 purchased carbon credits to compensate for ("offset") its residual Scopes 1 and 2 operational emissions. The Company's primary climate mitigation approach is to reduce its absolute carbon emissions over time. Through the purchase of carbon credits, **CEME** also provides carbon financing to climate mitigation projects beyond its value chain. As each credit corresponds to the reduction (or removal) of one ton of CO2 equivalent (CO2e), the Company can – under voluntary carbon market standards and guidance – claim it has reached carbon neutrality (Scope 1 and 2) in a given year by purchasing credits to offset its [residual] emissions. From the outset, the two projects from which **CEME** has purchased carbon credits are the "Great Bear Forest Carbon" and the "Guatemalan Conservation Coast" projects. These two projects were chosen because of their strong credentials on environmental and biodiversity issues as well as their social initiatives.

### Great Bear Forest Carbon project\*, Canada

The **Great Bear Forest** covers c. 6.4 million hectares of north and central coast in British Columbia in Canada and is home to the First Nations people who have inhabited this land for up to 10,000 years. This rare and rich ecosystem is also home to rare species of plants and animals (including the Kermode Bear). The aim of this project is to improve forest management in the region, generating emission reductions through the protection of forest areas that were previously designated, sanctioned or approved for commercial logging. The project activities include changes in land-use legislation and regulation that result in the protection of forest areas and reduction of harvest levels.

### Guatemalan Conservation Coast project\*\*, Central America

The **Guatemalan Conservation Coast** programme works to address the drivers of deforestation through effective law enforcement, land-use planning, education, economic opportunities, and sustainable agroforestry initiatives. Some of the most important project achievements to date are the protection of 30 threatened tree species including the Baird's tapir and West Indian manatee, the protection of 54,157 hectares of threatened forest in the Mesoamerican Biological Corridor and the creation or support of 487 jobs for indigenous and local communities.

(\*) The Great Bear Forest Carbon project is registered on the British Columbia Registry under three different projects: Great Bear (South Central Coast) 10400000011319, Great Bear (Haida Gwaii) 10400000011559 and Great Bear (North and Central-Mid Coast) 10400000012798 aims to generate Improved Forest Management and reforestation-based carbon credits.  
 (\*\*) The Guatemalan Conservation Coast project is registered on the Verra registry, REDD+ Project for Caribbean Guatemala: The Conservation Coast 1622, applies Verra's Verified Carbon Standard (VCS Standard v4.3 VM0015) and the Climate, Community and Biodiversity Standards v.3.1, and will generate carbon credits from avoided unplanned deforestation representing c. 22 million tonnes of CO2e.



## RESPONSIBLE RESOURCE MANAGEMENT

### WASTE MANAGEMENT & RECYCLING

CEME manages waste production and disposal in full compliance with all applicable national requirements and with ISO 14001:2015 standards. In the Zhongshan plant, waste is entirely handled by a certified third-party collector that handles waste sorting, recycling and disposal.

The Company's waste production derives mainly from production processes, as they include both hazardous and non-hazardous waste, the vast majority of which belongs to the latter cluster (93% in 2022). Waste generated that was recycled or reused amounted to 76% of the total waste weight generated in 2022. In the Trivolzio HQs, waste production is mainly from valve and pump assembly processes and packaging materials: the recycled waste share peaked at 93% in 2022. Non-hazardous waste sent to landfill or incineration decreased in 2022 in comparison to 2021 due to light decrease in production process.

CEME is engaged in progressively reducing the volume of waste and in increasing the percentage of recycled waste over total weight disposed. To this end, the company has installed two waste compactors for cardboard and mixed packaging in the Trivolzio plant, thus leading to a reduction of waste volumes.

In 2020, CEME started a process of progressive reduction of single-use plastic in the Trivolzio plant, replacing plastic cups and single-use plastics with eco-sustainable materials. This initiative has been completed in 2022 in all the Italian sites of the group. Finally, in compliance with national law requirements, the Company is engaged with certified third parties for the recovery and reuse of production metal scraps (including steel, copper and brass) in the turnery process.

Among the waste categories produced by the Group the

#### FROM STEEL SCRAP TO OIL REDUCTION

In the Tarquinia production site, steel scraps from production processes are recovered and turned into steel briquettes, thanks to a combined system of centrifuge and hydraulic press. Furthermore, the oils used in the machinery are recovered through a high level-filtration system that makes fluids available for reuse by removing impurities.

The combination of a steel scrap press and oil filtration allows the Company to reduce the production of waste, thus enhancing reuse of materials and reducing operating costs.

ones that registered the highest amounts were metal scraps (52% of the total waste in 2022), liquid waste solutions (19% of the total waste in 2022), and general scraps from production process such as plastic (9% of the total waste in 2022). Moreover, the category under the item "other" includes low quantity of occasional waste as toner from the office activities, or construction material from extraordinary maintenance work, that account for only 0.25% of total waste generated.

Among the initiatives, the installation of new printers with Pagewide technology was launched in 2022 starting from the Trivolzio and Tarquinia plant and will then be extended to all Italian sites in 2023. With PageWide devices, fine dust emissions can be reduced up to at 55%, noise is minimized, and they use up to 84% less energy than other conventional printers. In addition to energy savings, special waste to be disposed of can be reduced up to 75%, as they do not use the classic toners.

### WASTE (DISPOSAL BY CATEGORY)

	UoM	2020	2021	2022
Metal Scrap	ton	1,857.08	2,371.11	1,962.59
Liquid waste solutions	ton	782.53	890.48	715.49
Scraps	ton	143.85	375.79	345.70
Discarded Equipment	ton	392.66	277.35	287.49
Machine oil	ton	113.53	263.96	220.98
Paper and board	ton	72.51	90.10	89.13
Plastics waste	ton	32.43	88.19	56.24
Wood packaging	ton	112.553	72.41	60.66



	UoM	2020	2021	2022
Packaging materials	ton	56.34	47.94	38.31
Textile Waste	ton	12.13	19.68	10.71
Other	ton	5.00	1.45	9.48
<b>Total</b>	<b>ton</b>	<b>3,580.58</b>	<b>4,498.47</b>	<b>3,796.77</b>
Hazardous waste	ton	122.25	329.00	274.46
Non-Hazardous waste	ton	3,458.33	4,169.47	3,522.31
Recycled	ton	2,762.23	3359.32	2,893.50
Landfilled or incinerated	ton	818.36	1139.15	903.27

## WATER CONSUMPTION

Apart from civil use in office buildings and in sanitisation procedures, CEME water consumption is mainly attributable to manufacturing processes and to the hydraulic performance testing of finished products in particular in Trivolzio and Zhongshan headquarters. In 2022 the total water consumed by CEME amounted to 93,505 cubic metres, with an increase caused by the

incorporation of the Chinese facility of ODE Group and some production relocations. The water used by the Group is drawn mainly from municipal utilities, with the only exception being the Tarquinia plant where, since 2018, part of water withdrawal is drawn from groundwater.

## WATER WITHDRAWAL

	UoM	2020	2021	2022
Ground water	m <sup>3</sup>	2,921	4,320	1,277
Third-party water (Municipality)	m <sup>3</sup>	44,946	73,091	92,228
<b>Total</b>	<b>m<sup>3</sup></b>	<b>47,867</b>	<b>77,411</b>	<b>93,505</b>

## WATER MANAGEMENT VALVES

CEME products are designed to manage several types of fluids, especially water. The company pays the utmost attention to its products' environmental efficiency, in terms of energy and water saving. In particular, the CEME Research and Development department developed a new product series that allows the efficient management of water and the fulfilment of new market and customer needs. For instance, CEME has engineered a series of innovative valves aimed at the sanitary market, suitable for electronically controlled sanitary fittings (such as flush toilet systems or public faucets). The water flows, passing through a sophisticated system of micro channels, allowing for quick and progressive closing, reducing energy consumption and water waste.

CEME makes use of water drawn from municipal aqueducts to test its pumps and valves. However, in order to guarantee the best testing conditions and to comply with FCM best practices, the water is treated through a process of reverse osmosis<sup>15</sup>. CEME has two

internal water treatment plants, located in Trivolzio and Zhongshan: in particular, the Trivolzio water treatment plant is entirely made of plastic and stainless steel in order to prevent any possible product contamination by ferric oxide.

<sup>15</sup> Reverse osmosis is a desalination mechanism based on the physical separation of water-dissolved minerals.

## APPENDIX

SOCIAL DATA	2020	2021	2022
<b>Total number of Full Time Equivalent (FTE) employees at the end of the reporting period</b>			
Male	479.9	737.9	653.3
Female	400.9	713.1	622.7
<b>Total</b>	<b>880.8</b>	<b>1,450.95<sup>16</sup></b>	<b>1,276</b>
<b>Number of Full Time Equivalent (FTE) employees at the end of the reporting period, excluding external growth</b>			
Male	479.9	530.1	653.3
Female	400.9	415.6	622.7
<b>Total</b>	<b>800.8</b>	<b>945.7</b>	<b>1,276</b>
<b>Number of Senior Management / C-Suite</b>			
Male	7	8	12
Female	0	0	2
<b>Total</b>	<b>7</b>	<b>8<sup>17</sup></b>	<b>14</b>
<b>Voluntary Employee Turnover Rate</b>	21.2%	22.6%	33%
<b>Is there a workers council in place?</b>	Yes	Yes	Yes
<b>Lost time injury frequency rate (LTIFR)</b>	1.9	0.8	0.8
<b>Accident severity rate</b>	0.1	0.1	0.1
<b>Absentee rate</b>	4.0%	3.2%	0.5%

ENVIRONMENTAL DATA	2020	2021	2022
<b>Do you have an Environmental Manager in the company?</b>	Yes	Yes	Yes
<b>How much of your total electricity consumption is met via renewable energy sources? (kWh)</b>	...	16,278,457	15,991,234
<b>% Renewable Electricity</b>	...	69.4%	75.1%
<b>Energy consumption (kWh)</b>	20,721,020	27,164,681	25,552,548

<sup>16</sup> The increase in FTEs is mainly attributable to the reporting scope extension to ODE, Whale and ACL. Furthermore, the growth is proportional to the increase of business and production volumes.

<sup>17</sup> Two women will be part of Executive Committee from 2022 onwards.

# METHODOLOGICAL NOTE

CEME's Sustainability Progress Report has been prepared with reference to the GRI Sustainability Reporting Standards. The content of the report reflects the results of the materiality analysis as described in detail in the paragraph "Materiality analysis" (see Introduction). As a signatory to the United Nations Global Compact

(UNGC) Initiative since April 2020, CEME, through this Sustainability Progress Report, fulfils its commitment to produce a Communication on Progress – a public disclosure outlining its progress in implementing the principles of the UNGC. The UNGC Principles are clearly mapped against the GRI indicators in the GRI Content Index.

## SCOPE OF REPORTING

This document includes a description of initiatives and activities carried out from January 1<sup>st</sup> to December 31<sup>st</sup>, 2022 as well as the related key performance indicators, presented for the 2020-2022 period, where available.

The plants falling within the reporting scope are located in:

- Trivulzio, Viale dell'Industria 6, 27020 Pavia, Italy;

- Tarquinia, Via R. Sanzio 34, 01016 Viterbo, Italy;
- Zhongshan, Industrial Road 38, 528415 Guangdong Province, China.
- ODE C, Via Borgofrancone, 18, 23823 Colico LC, Italy
- ACL, Via G. Falcone, 6, 20873 Cavenago di Brianza MB, Italy

## TOPIC BOUNDARY

The following table provides the link between CEME's material aspects and the corresponding GRI Standards topics. The scope and any eventual limitation concerning the reporting boundary due to the unavailability of data and information on the external boundary are duly

specified. In the coming years, CEME is committed to gradually extending the scope of data collection and reporting for each material topic.

## QUALITY REPORTING PRINCIPLES

CEME's Sustainability Progress Report is drafted with reference to the GRI Standards, and with the principles of accuracy, balance, clarity, comparability, completeness, timeliness, verifiability and sustainability context. The document highlights both strengths and weaknesses, as well as potential areas of improvement for the Group. The data collection and reporting process are structured

to ensure comparability over the years and the correct interpretation of information by the key stakeholders interested in CEME's performance assessment. Furthermore, and as far as the precautionary principle is concerned, a risk-opportunity approach for the management system is applied. The present Sustainability Progress Report is not subject to external assurance.

## CALCULATION METHODOLOGIES

Methodologies and assumptions used to calculate performance indicators included in this report are reported below:

- All 2022 data related to injuries refer to both CEME employees and contractors. First-aid cases and commuting injuries for which transportation has not been organised by the Company are not included.
- Where environmental data has not been available, conservative estimates have been used, resulting in the underestimation of CEME's environmental performance.
- The total recycled waste of the Italian plants has been determined based on disposal methods and waste weights as reported in the Environmental Declaration

- Form (Modello Unico di Dichiarazione Ambientale).
- Data concerning Trivulzio's water withdrawal is estimated starting from metered water discharged and assumed as 1:1.
- Hiring and turnover rates have been calculated by using the total number of employees at the beginning of the reporting period as denominator.
- Lost time injury frequency rate has been calculated with the total lost time injuries multiplied by 200,000 and divided by the overall no. of hours worked in the reporting period.
- The energy consumption of the Company's owned and long-term leased vehicles has been calculated starting from available fuel consumption data.

The following table shows the conversion factors that have been used:

<b>Diesel and Gasoline</b>	UK Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors - Full set, 2020, 2021, 2022.
Fuel density (liter/ton)	
Calorific Value (GJ/ton)	

- The energy consumption of the Company's heating system has been calculated starting from natural gas and LPG available consumption data. The following table shows the conversion factors that have been used:

<b>Natural gas</b>	Italian Ministry for Environment, Tabella parametri standard nazionali, 2020, 2021, 2022.
Calorific Value (GJ/1000 Stm <sup>3</sup> )	

<b>LPG</b>	UK Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors - Full set, 2020, 2021, 2022.
Fuel density (litre/ton)	
Calorific Value (GJ/ton)	

- Greenhouse Gas emissions calculations are carried out based on the principles outlined in the GHG Protocol Corporate Accounting and Reporting Standard.

Scope 2 emissions resulting from the consumption of electricity purchased from the national grid are calculated according to two different methodologies: the location-based method reflects the average emissions intensity of grids where the energy consumption occurs; the market-based approach reflects the emissions from the electricity source that the Company has purposefully chosen.

For the Zhongshan plant, Scope 2 market-based emissions have been calculated using the location-based energy mix coefficient. Outbound logistics distances have been calculated by considering all shipments of sold products from CEME sites to customers. The calculation does not take into account intercompany and spare parts shipments.

2022 Scope 3 data account for a selection of emission categories as specified in the table below.

In detail, CEME's GHG Emissions have been calculated as follows:

### GHG EMISSIONS, SCOPE 1

Source	Activity data	Emission factor	Global Warming Potential (GWP)
Natural gas for heating	Fuel consumption	UK Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors - Full set, 2020, 2021, 2022.	CO <sub>2</sub> equivalent emissions were considered
LPG for heating			
Diesel and gasoline for car fleet			
Diesel for emergency generators			
Refill of refrigerant gases of air-conditioning systems	Leakages	-	Global Warming Potentials (GWPs) are taken from IPCC Fifth Assessment Report (AR6)

### GHG EMISSIONS, SCOPE 2

Source	Activity data	Emission factor	Global Warming Potential (GWP)
<b>Location-based method</b>			
Electricity purchased from the national grid	Electricity consumption	Terna, Confronti internazionali, 2019, 2020	Only CO <sub>2</sub> emissions were considered
<b>Market-based method</b>			
Electricity purchased from the national grid	Electricity consumption	Europe - AIB, European Residual Mixes, 2019, 2020, 2021	CO <sub>2</sub> equivalent emissions were considered
		Terna, Confronti internazionali, 2019, 2020	Only CO <sub>2</sub> emissions were considered

### GHG EMISSIONS, SCOPE 3

Source	Activity data	Emission factor	Global Warming Potential (GWP)
Materials procured (Cat. 1)	Weight of raw, process and packaging materials procured	Ecoinvent, v.3.9.1 (2022) UK Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors - Full set, 2020, 2021, 2022	CO <sub>2</sub> equivalent emissions were considered
Water withdrawn (Cat. 1)	Volume of water withdrawn (cubic metres)	UK Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors - Full set, 2020, 2021, 2022	CO <sub>2</sub> equivalent emissions were considered
Capital Goods (Cat. 2)	Capex by product category	Department for Environment, Food and Rural Affairs (DEFRA), Conversion factor – "Table 13" Indirect emissions from the supply chain	CO <sub>2</sub> equivalent has been considered

### GHG EMISSIONS, SCOPE 3

Source	Activity data	Emission factor	Global Warming Potential (GWP)
Fuel and energy related activities (Cat. 3)	Fuel and electricity consumption	UK Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors - Full set, 2020, 2021, 2022	CO <sub>2</sub> equivalent emissions have been considered
Upstream logistics (Cat. 4)	Kilometres covered by air, truck or ship multiplied by shipped weight (ton)	UK Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors - Full set, 2020, 2021, 2022	CO <sub>2</sub> equivalent emissions were considered
Waste disposal (Cat. 5)	Weight of waste disposed (ton)	UK Department of Ecoinvent, v.3.9.1 (2022)	CO <sub>2</sub> equivalent emissions were considered
Wastewater discharged (Cat. 5)	Volume of water discharged (cubic metres)	UK Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors - Full set, 2020, 2021, 2022	CO <sub>2</sub> equivalent emissions were considered
Business travel by air, train and car (Cat. 6)	Kilometres travelled	UK Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors - Full set, 2020, 2021, 2022	CO <sub>2</sub> equivalent emissions were considered
		Ferrovie dello Stato Italiane, "Rapporto di Sostenibilità", 2020, 2021, 2022	
Employees commuting (Cat. 7)	Kilometres travelled	UK Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors - Full set, 2020, 2021, 2022	CO <sub>2</sub> equivalent emissions were considered
		Ferrovie dello Stato Italiane, "Rapporto di Sostenibilità", 2020, 2021, 2022	
Short-term leased car travel (Cat. 8)	Kilometres travelled	UK Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors - Full set, 2020, 2021, 2022	CO <sub>2</sub> equivalent emissions were considered
Downstream logistics (Cat. 9)	Kilometres covered by air, truck or ship multiplied by shipped weight (ton)	UK Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors - Full set, 2022	CO <sub>2</sub> equivalent emissions were considered
Use of sold products (Cat. 11)	Electricity consumed directly by the products sold during their entire lifetime	Terna international comparisons on Enerdata figures, 2020	Only CO <sub>2</sub> .
End of life treatment of sold products (Cat. 12)	Weight of products and packaging sold in the reporting year	Ecoinvent v.3.9.1 (2022)	CO <sub>2</sub> equivalent emissions were considered

# GRI DISCLOSURES

The material of the present Sustainability Progress Report references the following GRI Disclosures. If not otherwise specified, the Disclosures applied have been used in full.

GRI Content Index	
Statement of use	CEME S.p.A. has reported with reference to the GRI Standards for the period 01.01.2022 – 31.12.2022.
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	Not currently available.

GRI Standard	Disclosure	Page	Notes
GRI 2: General Disclosures 2021	2-1 Organizational details	p. 41	
	2-2 Entities included in the organization's sustainability reporting	p. 34	The consolidated perimeter is the same in the financial and non-financial reporting
	2-3 Reporting period, frequency and contact point	p. 34, 41	The reporting period of the financial disclosure is the same as for the Sustainability Progress Report
	2-4 Restatements of information		Restatements and related reasons for restatements are clearly identifiable within the text
	2-5 External assurance		The report has not been subjected to external assurance
	2-6 Activities, value chain and other business relationships	p. 4, 8	No significant changes to the organization's size, structure, or supply chain were recorded in the reporting period
	2-7 Employees	p. 22	
	2-8 Workers who are not employees	p. 21	
	2-9 Governance structure and	p. 13	No committee responsible for decision-making on economic, environmental, and social topics is foreseen to date
	2-13 Delegation of responsibility for managing impacts	p. 9	The Chief Sustainability Officer is appointed by CEO & Top management for impacts approval
	2-14 Role of the highest governance body in sustainability reporting	p. 9	The Chief Sustainability Officer is appointed by CEO & Top management for materiality analysis approval
	2-22 Statement on sustainable development strategy	p. 2	
	2-23 Policy commitments		Reference is made to the Sustainability Policy publicly available on the Group's website. " <a href="https://www.cemegroup.com/Content/images/ceme_sustainability_policy_v2.pdf">https://www.cemegroup.com/Content/images/ceme_sustainability_policy_v2.pdf</a> " Further commitments are published at operating companies' level (e.g Code of Ethics)
	2-24 Embedding policy commitments	p. 13, 19	
	2-25 Processes to remediate negative impacts	p. 9	
	2-26 Mechanisms for seeking advice and raising concerns	p.13	
	2-27 Compliance with laws and regulations		During the reporting period, no cases of non-compliance with laws and regulations have been detected
	2-29 Approach to stakeholder engagement	p. 13	
	2-30 Collective bargaining agreements		100% of employees of Italian plants is covered by collective bargaining agreement

Material topics	Disclosure	Page	Notes
GRI 3: Material Topics 2021	3-1 Process to determine material topics	p. 8	
	3-2 List of material topics	p. 9	
<b>Procurement practices</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 9	
GRI 204: Procurement practices (2016)	204-1 Proportion of spending on local suppliers	p. 18, 19	
<b>Anti-corruption</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 9	
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken		During the reporting period, no cases of corruption have been detected
<b>Anti-Competitive Behavior</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 9	
GRI 206: Anti-competitive behaviour (2016)	206-1 Legal actions for anti-competitive		During the reporting period, no legal actions have been received
<b>Energy</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 9	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	p. 28	
<b>Emissions</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 9	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	p. 29	
	305-2 Energy indirect (Scope 2) GHG emissions	p. 29	
	305-3 Other indirect (Scope 3) GHG emissions	p. 29	
<b>Waste</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 9	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	p. 31, 32	
	306-2 Management of significant waste-related impacts	p. 31, 32	
	306-3 Waste generated	p. 31, 32	

Material topics	Disclosure	Page	Notes
<b>Employment</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	p. 9	
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	p. 24	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	p. 24	
<b>Occupational Health and Safety</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	p. 9	
<b>GRI 403: Occupational health and safety 2018</b>	403-1 Occupational Health and safety management system	p. 26	
	403-2 Hazard identification, risk assessment, and incident investigation	p. 26	
	403-3 Occupational health services	p. 26	
	403-4 Worker participation, consultation, and communication on occupational health and safety	p. 26	
	403-5 Worker training on occupational health and safety	p. 26	
	403-6 Promotion of worker health	p. 26	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	p. 26	
	403-9 Work-related injuries	p. 26	
<b>Training and Education</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	p. 9	
<b>GRI 404: Training and Education 2016</b>	404-1 Average hours of training per year per employee	p. 25	
<b>Diversity &amp; Equal Opportunity</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	p. 9	
<b>GRI 405: Diversity &amp; Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	p. 22, 23	
<b>Non-discrimination</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	p. 9	
<b>GRI 406: Non-Discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken		During the reporting period, no episodes of discrimination have emerged

Material topics	Disclosure	Page	Notes
<b>Customer Health and Safety</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	p. 9	
<b>GRI 416: Customer Health and Safety 2016</b>	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services		During the reporting period, no incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services have emerged
<b>Customer Privacy</b>			
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	p. 9	
<b>GRI 418: Customer Privacy (2016)</b>	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data		During the reporting period, no episodes of complaints of customer privacy or loss of customer data have emerged

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