



**2021**

Sustainability Progress Report



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# A MESSAGE TO OUR STAKEHOLDERS

Although we are still moving in a precarious scenario characterized by the pandemic and the war in Ukraine, we have experienced an intense year full of news, primarily through the acquisition of ODE and ACL: we have thus joined the forces and know-how of companies to become a unique point of reference on the market. We have in place a great organizational effort to integrate the different souls that make up the new CEME group, working together on many integration projects every day.

These activities include our dedication to sustainability extended to the entire “new” 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.

Starting from the above, I am delighted to present to you the third edition of our Sustainability Progress Report – a showcase of our Environmental, Social and Governance-related impacts and initiatives. The 2021 report is the instrument with which we guarantee transparency and accountability to our stakeholders by disclosing our management practices, our supply chain and product quality aspects and deep dive into human resources, health and safety and environmental topics.

This year, in addition to the calculation of the GHG emission scope 3 and the ESG objectives, which includes a target for the reduction of GHG emissions aligned with the methodology of the Science-Based Target initiative, we have expanded the perimeter including the newly acquired ODE and ACL.

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 crisis obtaining excellent results and with the awareness of an even stronger new group. So, sincerely thank you.

*Roberto Zecchi, CEO*

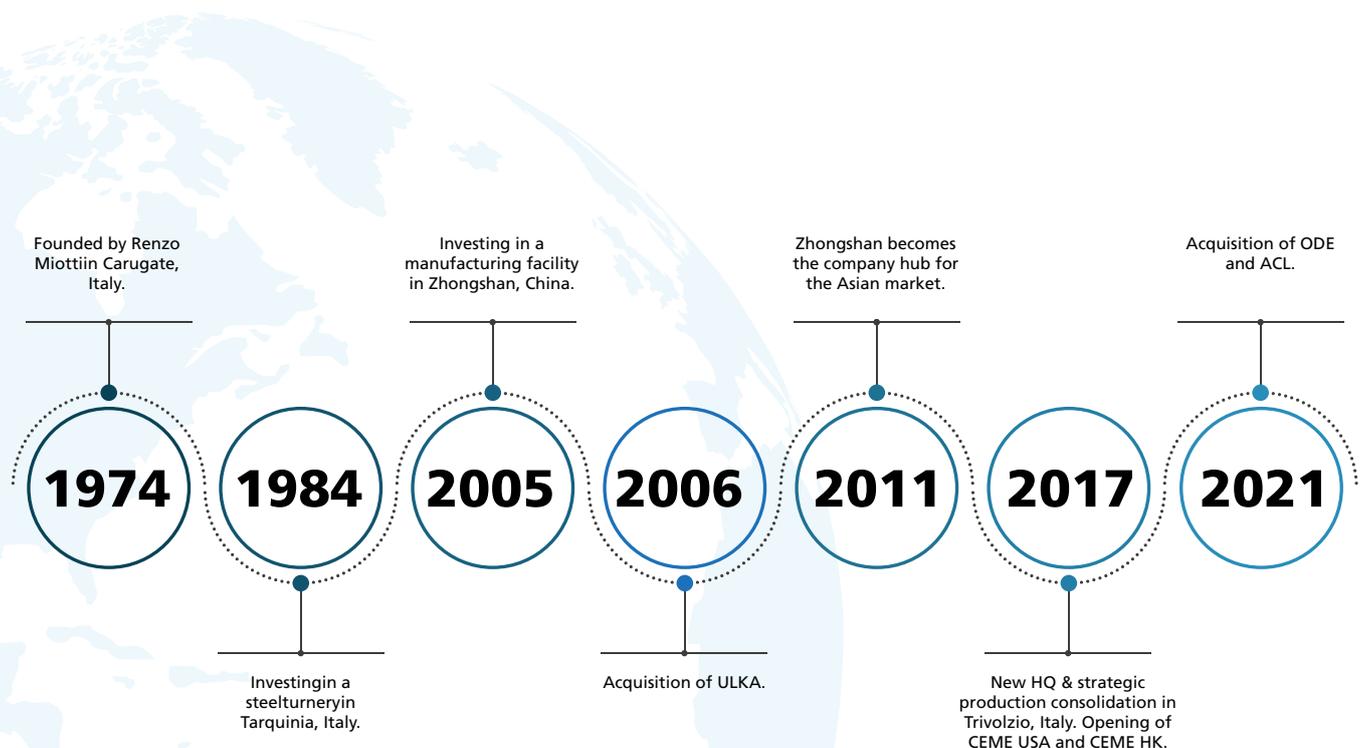
# 40 YEARS OF EXPERIENCE AND INNOVATION

## 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.

## CEME'S HISTORY

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, dedicated to manufacturing semi-finished products for intercompany purposes and covering Asian market demand for high-quality, cutting-edge valves. 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.



The 2007-2012 period saw the birth of essential partnerships with new key accounts, the doubling of Chinese plant size to 8,000 m<sup>2</sup>, Integration of spin-offs from two main suppliers (Maflex and Engineering plastics). This latter element enabled CEME to develop resilience and gain independence from external factors by consolidating one particular strategy that defines the Group's unique approach and success: the internalisation of as many components of its value chain as possible.

By the 2010s, thanks to a completely new Senior Management Team and the unification of the Retorbido and Mozzate (VA, Italy) production sites in Trivolzio (PV, Italy), CEME kept flourishing and growing its business. This watershed moment for the company led CEME to enter new growing end-markets, in 2015, such as the medical, sanitary water, water treatment/dispensing and automotive segments. Moreover, since CEME's strategy envisaged simultaneous development all its production sites, it strengthened its leadership in the Asian market by improving the skill-base in the Zhogshan's facility. This strengthening was achieved by recruiting a New Product Development (NPD) team to increase the plant's ability to face region-specific market demands and cover the entire product process, from conception to mass production. Concurrently with the improvement of existing capabilities, CEME also expanded its territorial presence by opening

two new locations, essential for enhancing its foothold in strategic markets: a bridgehead site in the US, and an office in Hong Kong, China. The year 2017 saw the completion of the production consolidation project whereby the manufacturing processes previously distributed among Carugate (MI, Italy) and Brugherio (MB, Italy) were unified in Trivolzio (PV), thus reducing the number of CEME plants in Italy to two. This was a significant milestone that opened a new chapter in the Group's history. Indeed, in 2018 the Company was indirectly acquired by a fund managed by Investindustrial, a leading European group of independently management investment, holding and advisory companies.

Following the acquisition by Investindustrial, with the goal of sustaining steady growth, in 2021, CEME further expanded its scope by formalising two acquisitions: ODE with operational sites in Italy (Colico, LC), China (Hongmei Town, Dongguan City, Guandong Province) and an administrative and commercial office in Segrate (MI, Italy), and the company ACL srl located in Cavenago (MB, Italy). Globally, ODE can count on 60 years of accumulated expertise on valve technology, fluid control systems engineering and production know-how, with this acquisition marking an important step for CEME towards becoming a more competitive player in the Italian solenoid valve landscape.

## CEME TODAY

With revenues of EUR 325,9 million, CEME employed as many 1451<sup>1</sup> people as of December 31<sup>st</sup>, 2021. The vast majority of the Group's workforce is located in

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



The Trivolzio site, near the city of Pavia, hosts the Group's administrative headquarters and the Company's largest manufacturing facility, equipped with high levels of cutting-edge automation.

However, since the plant deals mainly with assembly, it does not host intensive production activities, whereas the Tarquinia, Colico (ODE) and Cavenago di Brianza (ACL) sites do. Furthermore, Tarquinia focuses mainly on manufacturing semi-finished products and components for the intercompany flow, while the northern Italy Trivolzio site, together with the newly acquired ODE and ACL, primarily deal with national and international customers. The four sites combined employed 821 people in 2021.

The Zhongshan plant, together with the newly acquired Whale facility (part of ODE Group), is the reference production centre for the Asian market, covering its

main customer base. Thus, the Chinese sites, which employed 636 people in 2021, deal with intercompany semi-finished products and components and final valves and pumps sold locally.

Finally, 2 employees are located in CEME's bridgehead office in the United States, a strategic location tasked with supporting CEME's growth in North and South America. On the other side of the world, 5 employees are based in a sales office in Hong Kong – the hub of the Company's trade with the Far East market.

## 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.

## 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>• Solenoid valves and solenoid pumps assembling and testing</li> <li>• Internal automation</li> </ul>
TARQUINIA Italy	<ul style="list-style-type: none"> <li>• Mechanical machining and transfer processing</li> <li>• CNC and traditional mechanical 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>
ODE, Segrate, Italy	<ul style="list-style-type: none"> <li>• Administrative and sales offices</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>

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

## MARKET PRESENCE

Among the many distinctive traits of CEME's success, continuous expansion and maintaining a global presence help the company achieve a sustainable and effective market presence. Over the years, the constant diversification of the Group's product portfolio has enabled it to reach a record expansion – both in terms of world market coverage and applications. The full effect of CEME's history of growth can be seen today through the numerous accounts in renowned and established companies worldwide as well as in the fact

that the company's products are sold in 66 countries across five continents, proof of a unique global platform and ability to scale. When it comes to market segments, seven areas stand out as essential for the Group's business. Another critical aspect of CEME's success to consider is its operating model, which puts customers' needs and requests at the top of our priorities. This attention and dedication to the customer is manifest in the offering of hyper-customised, tailor-made solutions that embrace innovation and quality.

For several years, CEME has been an undisputed reference in the world of coffee making. Thanks to the ULKA pump line, mounted on the best coffee machines for domestic use, and the family of solenoid valves in food-grade technopolymer and steel, CEME is able to supply a complete set of components necessary for the control and management of fluids. The technical team collaborates with world leaders in the sector and develops innovative

solutions dedicated to the most complex needs. The Group not only addresses the consumer coffee machine segment, but also demand from manufacturers of professional machines and HORECA users: CEME's technical team engineers tailor-made solutions to satisfy the most demanding requests from industrial customers.



CEME manufactures solenoid valves and pumps for multiple applications in the beverage world and a wide range of products for drinking water applications, in compliance with worldwide standards. In this sector, in addition to the equipment for the control of the principal refrigerant fluids, CEME has developed a family of vibration pumps for dealing with

syrops, concentrates and alcoholic liquids. The Group's product portfolio for the beverage market can also count on patented plastic valves and control and safety components (pressure switches, transducers, safety valves) that provide clients with a complete set of components for the design of new, fully automated beverage vending devices.

CEME offers a wide range of solenoid valves 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 condensate discharge systems for air conditioning units.





CEME has always been a pivotal player in the world of ironing and 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 use. For this reason, the Company performs frequent and rigorous tests on its components.

The search for innovative and reliable products, combined with high quality standards derived from fully automated production, allowed CEME to enter the medical field. The Group produces solenoid valves and pumps that are used in various medical systems such as sterilizers, autoclaves, oxygen concentrators, solutions for dentists



and others. The range of plastic and steel solenoid valves is completed by a series of total separation pinch solenoid valves, specifically developed for this market.



CEME is a leader in the supply of solenoid valves and pumps for welding systems. The Group's excellence in the sector has led to the forging of solid relationships with the most renowned brands in the

market, thanks to the development of innovative and customised solutions. CEME produces a wide range of solenoid valves for inert gases, peripheral and vibrating pumps for cooling circuits and pressure switches for system control and safety.

CEME offers a wide choice of solenoid valves 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 voltage. 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), ideal for specific sanitary systems, such as automatic taps and timed showers.

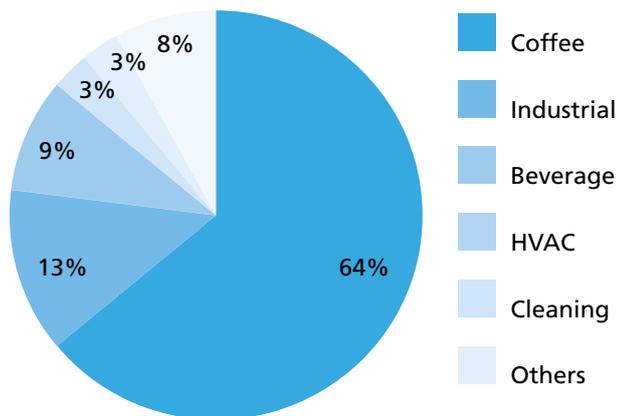


The following graph shows that Coffee alone represents 64% of the Group's revenues out of the six main market segments and stands out as the primary revenue source for CEME.

Market leadership in the industrial segment translates into 13% of the Company's total revenue, while beverages and HVAC combined make up to 12%.



## REVENUES BY MARKET SEGMENT (2021)



### A FOCUS ON SUPPLY CHAIN

CEME's success can be attributed to a mix of innovation and the automation of its processes, attention to customers' needs, and, on the upstream side 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 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. 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 closeness to suppliers has given rise to 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 2021 was a relatively calm year for CEME's supply chain, with little change among suppliers and consumption of materials; the Group initiated

relationships with only a small number of minor new suppliers. This relative stability enabled CEME to implement a number of internal procedures and define an index of stock coverage through which a greater stock was created to tackle possible future needs.

Furthermore, in an effort to be more environmentally conscious, in 2021, CEME implemented a project to decrease air flights transport of products between Italy and China. The sharp decrease in products shipped by air led, in turn, to an increase in the use of more environmentally efficient cargo ships.

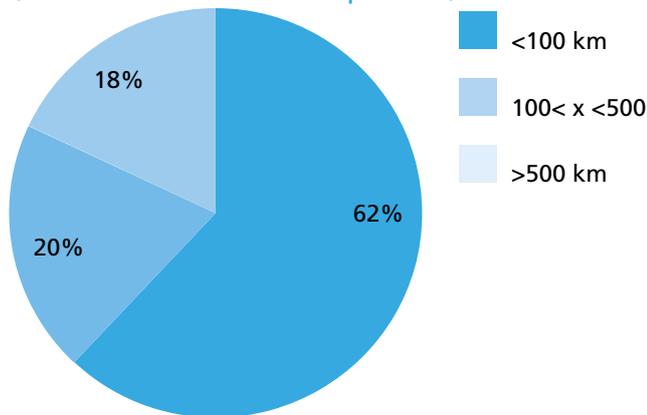
In its manufacturing process, the Group uses semi-finished items produced externally (with more than 100 suppliers of raw materials and components) and internally (Trivolzio, Tarquinia, Colico and Cavenago). Finished products can be assembled internally in the plants of Trivolzio, Italy and Zhongshan, 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.

Our aim is to avoid CEME's warehouse to serve as a hub and facilitate the creation of linear channels between suppliers and subcontractors. This eliminates duplicated logistics at CEME and facilitates a reduction in associated environmental impact. The year 2021 saw a number of successful tests and shifts to more streamlined logistics. This continuous assessment and action will continue throughout 2022 until full implementation is reached. 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 (an 8% increase with respect to 2020).

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>2</sup>.

<sup>2</sup> Distances are calculated taking into consideration CEME Italian HQs and the suppliers' HQs.

## SUPPLIERS, BY DISTANCE (Trivolzio and Tarquinia)

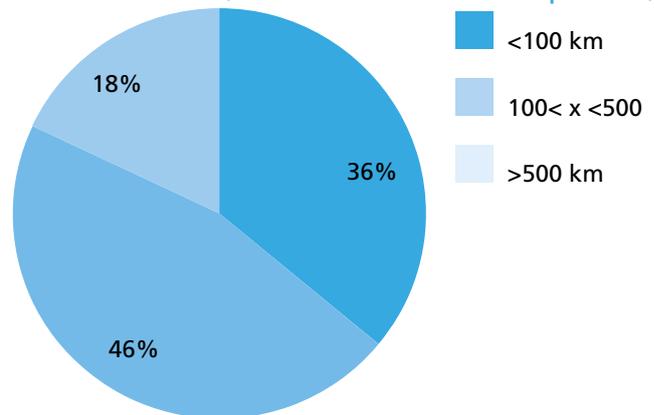


By contrast, Zhongshan has a different supply chain structure, mainly due to regional characteristics and its tight relationship with the Italian HQs.

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 more

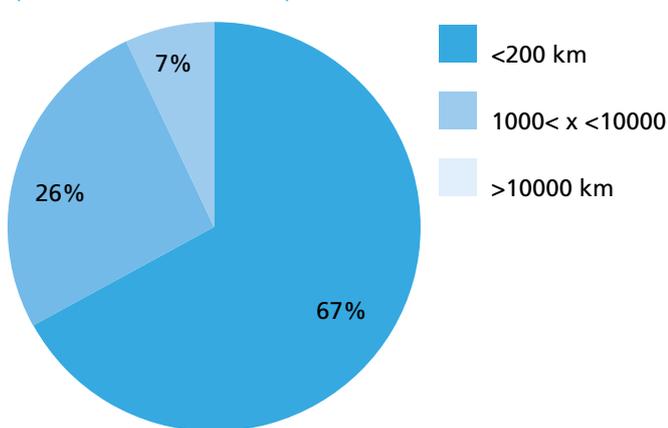
## EXPENDITURE ON SUPPLIERS, BY DISTANCE (Trivolzio and Tarquinia)



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>3</sup>.

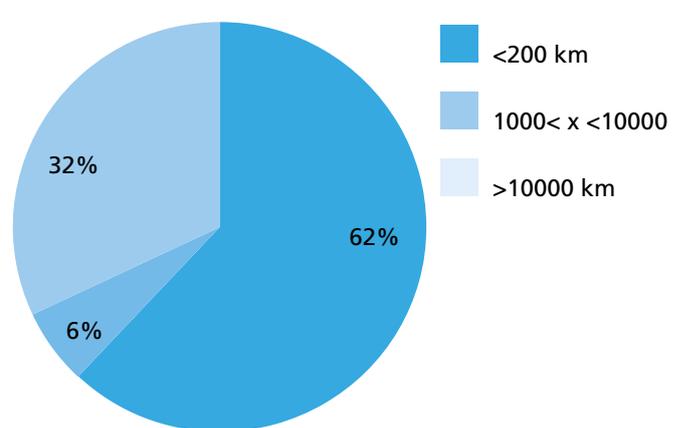
The composition of suppliers by distance is very similar to last year. On the other hand, long-distance procurement decreased (70% share in 2020) increasing local procurement (27% share in 2020).

## 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. Suppliers are constantly monitored and controlled by the Group: they must deliver the materials promptly and comply with technical standards. The Group's Quality Department performs an assessment and suppliers are either accepted according to CEME's stringent quality and financial standards or rejected. Moreover, in 2021, to further improve the assessment of its suppliers, CEME's quality department enhanced and expanded its

## EXPENDITURE ON SUPPLIERS, BY DISTANCE (ZHONGSHAN)



quality performance review checklist. This new updated version comprises six categories, now also addressing environmental impact and sustainability to better qualify the suppliers' attention to sustainability topics.

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

<sup>3</sup> Distances are calculated taking into consideration CEME Zhongshan HQs and the suppliers' HQs.

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.

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.

## OUR RENOVATED VENDOR RATING SYSTEM

Throughout 2020 and 2021, CEME has been working on renovating its vendor rating system.

In particular, the new structure the Group has been defining will evaluate the following aspects:

- Quality of the materials/products delivered;
- On-time delivery of materials/products procured;
- Outcome of the audit performed;
- Economic and financial solidity;
- Suppliers availability, responsiveness and collaboration;

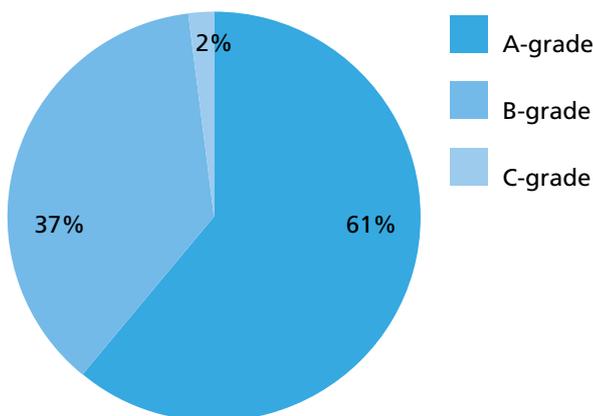
- Certifications the suppliers are awarded (e.g. ISO 9001, ISO 14001, ISO 45001, IATF 16949).

In 2021, audit checklists were integrated by including a wide range of sustainability-related topics. Among these, CEME assessed greenhouse gas emissions disclosure, drafting of sustainability reports and the foothold on equality and non-discrimination within the organisation.

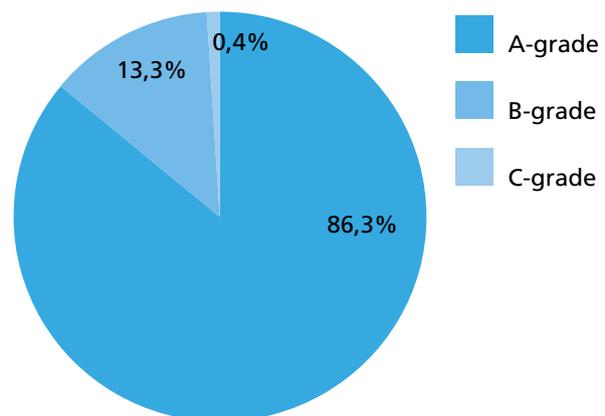
The following graphs show the breakdown of and expenditure on suppliers by quality level for the Italian plants of Trivolzio and Tarquinia. A-grade and B-grade suppliers represent 98% of the total (respectively, 61% and 37%), while C-grade suppliers represent 2%. As for expenditure, in line with last year, A-graders account for

more than 80% of the budget, while B-grade and C-grade suppliers account for 13.3% and 0.4%, respectively. As further proof of CEME's commitment, both the number of and the expenditure on A-grade suppliers rose significantly (up 9% in the number of A-grade suppliers, up 34% expenditure on A-grade suppliers).

### SUPPLIERS, BY QUALITY LEVEL (Trivolzio, Tarquinia)



### EXPENDITURE ON SUPPLIERS, BY QUALITY LEVEL (Trivolzio, Tarquinia)



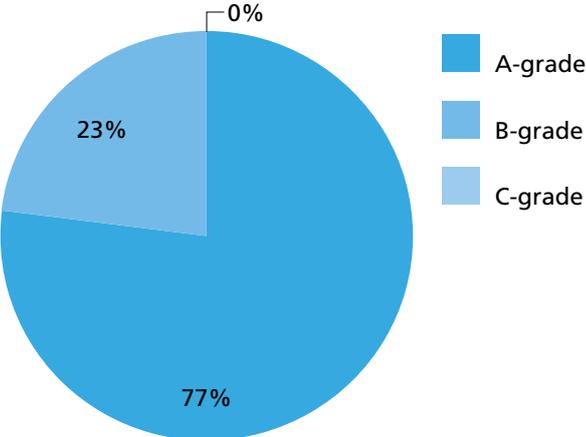
In 2021, with the acquisitions of ODE and ACL, CEME management applied the vendor rating system also to the newly acquired entities.

The graphs below depict the suppliers' share and expenditure for the two companies. On the one hand, A-grade suppliers represented 77% of all ODE suppliers; since no C-grade suppliers were audited, B-grade suppliers made up the remaining 23%.

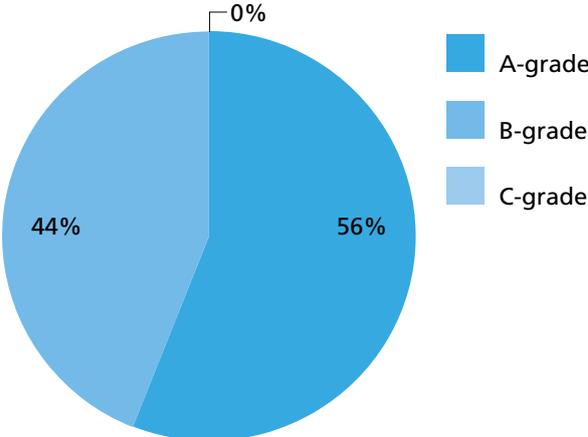
On the other hand, for ACL, given a 1% presence of C-grade suppliers, A-grade and B-grade suppliers represent the remaining 99%.

Regarding expenditure, ODE's spending on A-grade and B-grade suppliers was respectively 56% and 44%. While for ACL, expenditure on A-grade and B-grade suppliers was almost identical (51% and 49%), leaving only 0.2% of expenditure on C-grade suppliers.

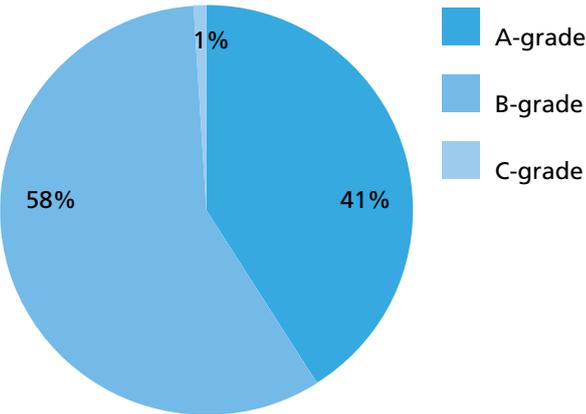
### SUPPLIERS, BY QUALITY LEVEL (ODE)



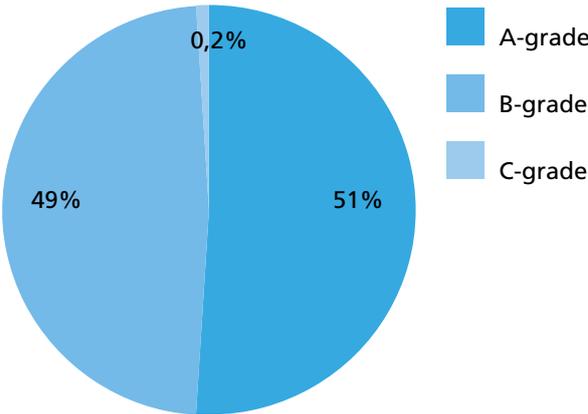
### EXPENDITURES ON SUPPLIERS, BY QUALITY LEVEL (ODE)



### SUPPLIERS, BY QUALITY LEVEL (ACL)



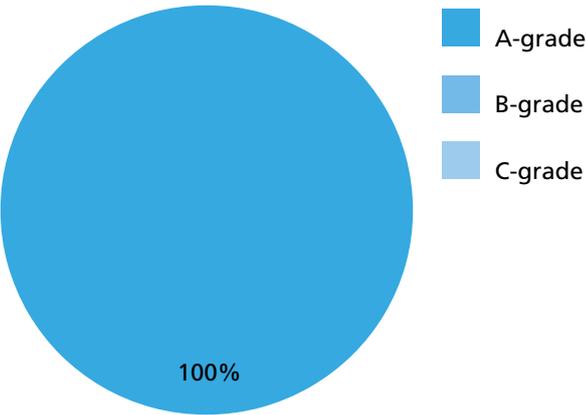
### EXPENDITURES ON SUPPLIERS, BY QUALITY LEVEL (ACL)



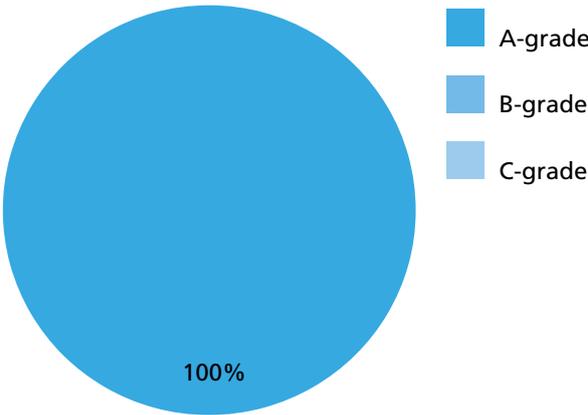
At the Zhongshan plant in China, both suppliers and expenditure on suppliers are decisively oriented towards A-graded entities, mirroring the regional hub's dedication

to guaranteeing the highest levels of quality for its products starting from the procurement phase. Indeed, the A-grade represents up to 100% of all CEME Zhongshan's suppliers.

### SUPPLIERS, BY QUALITY LEVEL (ZHONGSHAN)



### EXPENDITURE ON SUPPLIERS, BY QUALITY LEVEL (ZHONGSHAN)



## GOVERNANCE

In 2018, CEME implemented a control and governance system based on a Board of Directors (BoD) that comprises six members<sup>4</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 2021.

## ETHICAL BUSINESS

CEME's activities are organised to comply, on the one hand, with prevailing laws and regulations and, on the other, 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 UK Bribery Act, issued in 2010. In addition, our Code of Ethics serves to enunciate the corporate values we stand for and the rights, duties, and responsibilities of CEME concerning all of its 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 an inescapable precondition for the success of the Company. Thus, the Group pursues its mission by

operating legally and fairly, creating added value for its shareholders, and fostering the growth of the Company, its employees and collaborators.

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.

## 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

The implementation of the Code of Ethics, the Model 231, together with CEME's certified ISO 9001:2015 and 14001:2015 Quality and Environmental Management System and, since 2021, ISO 45001 Health & Safety Management System, represents the framework to ensure compliance with national and international applicable laws and regulations. Throughout 2019, 2020 and 2021, no incidents of corruption, significant fines or sanctions,

or activities under human rights safeguard scrutiny were recorded. Furthermore, there were no recorded legal actions for anti-competitive, anti-trust or monopolistic practices, non-compliance with norms and laws concerning social and environmental topics, nor privacy and personal data mismanagement complaints. Moreover, no discrimination cases were reported in the 2019-2021 three-year period.

## OUR SUSTAINABILITY PATH

Following our endeavours in sustainability in the previous two years, we are proud to present the third instalment of our Sustainability Progress Report. Again, CEME is held responsible for setting high standards and achieving

continuous progress regarding relationships with our stakeholders. Our commitment is expressed both in the form of planning and a perpetual effort to understand how to best implement social and environmental sustainability

<sup>4</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.

matters in our daily actions.

This reasoning, together with investments in new machinery, brought CEME to the decision to extend its GHG emissions monitoring and reporting to include capital goods as a new Scope 3 category – a topic that is

covered in the chapter on “Sustainable production”.

Regarding the outer sphere, and in line with 2020 Sustainability Progress Report, the present document will give insights into the impacts resulting from the Group’s way of doing business.

## 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

The impact CEME has on its stakeholders largely depends on the Group’s financial performance and economic results. The following table shows the direct and indirect

economic effects CEME has on its key stakeholders through the distribution of value generated directly by its daily activities.

## DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

	UoM	2019 <sup>5</sup>	2020 <sup>5</sup>	2021 <sup>6</sup>
<b>Direct economic value generated</b>	<b>€ thousands</b>	<b>156,494</b>	<b>171,637</b>	<b>325,865</b>
<b>Direct economic value distributed</b>	<b>€ thousands</b>	<b>137,731</b>	<b>152,633</b>	<b>284,973</b>
Operating costs	€ thousands	116,714	123,461	236,916
Employee’s wages and benefits	€ thousands	14,438	12,678	24,690
Payments to providers of capital	€ thousands	6,070	7,700	9,955
Payments to government	€ thousands	507	8,737	13,410
Community investments	€ thousands	1	56	2
<b>Economic value retained</b>	<b>€ thousands</b>	<b>18,764</b>	<b>19,004</b>	<b>40,891</b>

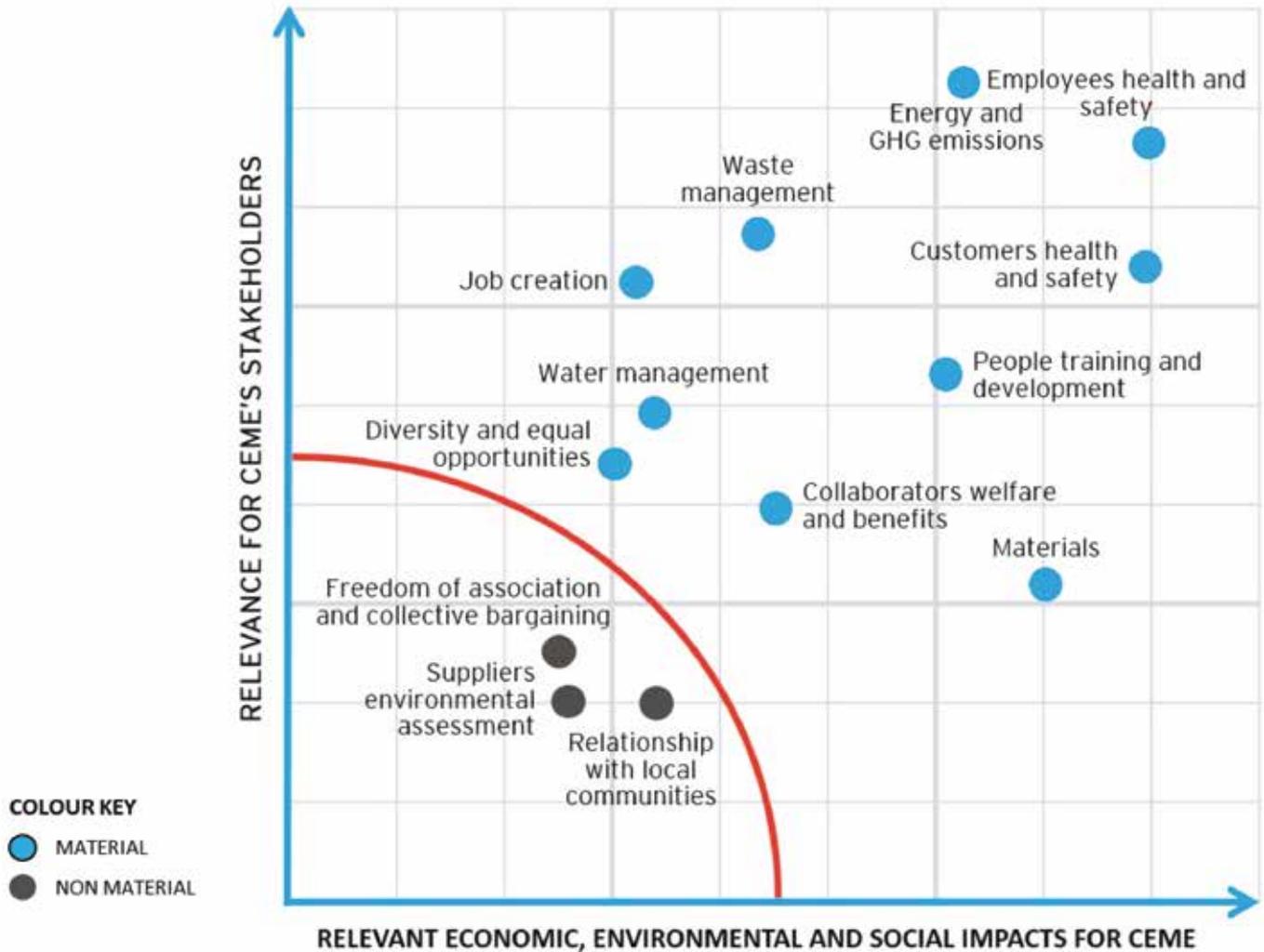
<sup>5</sup> Data from 2019 and 2020 has been revised in line with the latest externally audited economic and financial figures.

<sup>6</sup> 2021 data includes the newly acquired ODE and ACL

## MATERIALITY ANALYSIS

The materiality analysis represents a critical step in developing the Sustainability Progress Report. As usual, it has been updated to map the most significant topics

that reflect CEME’s economic, environmental, and social impacts and may influence the key stakeholders’ decisions.



## 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. In April 2020, CEME engaged with the UNGC as a signatory.

In 2021, CEME chose to adhere to the revised, brand-new Communication on Progress by taking part to the Early Adopters Programme, alongside a number of other Italian participating companies that were available to. The CoP in its new shape will be published on the UNGC website later this year.

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 in the figure below.



In 2021, CEME took a further step forward by drafting its Sustainability Policy. To the Group, sustainability is an inescapable 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.

<p><b>People and equal opportunities</b></p>	<p><b>Safety and Workspace</b></p>	<p><b>Environment, quality and organisational structure</b></p>
<p>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 threat individual dignity.</p>	<p>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.</p>	<p>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.</p>

## 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 2021 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 (Trivolzio and Tarquinia)	100% of electricity from renewable sources consumed by 2022	2021	Achieved
Turnover increase for sanitary, solenoid valves that allow to reduce water spillages thanks to an automatic flow regulator	Turnover of 50% of sanitary solenoid valves	2021	Achieved
Replacement of consumer, disposable, mono use plastics with recycled or eco-sustainable materials (Trivolzio and Tarquinia)	Replacement of 100% plastics with more sustainable materials	2022	Ongoing
Implementation of a Health & Safety Management System according to ISO 45001 standard (Trivolzio and Tarquinia)	Certification completion	2021	Achieved
Reduction in the severity of injuries through structural and training actions	-20% reduction in severity of injuries	2021	Ongoing (-12%)
Replacement of lead-acid batteries of Trivolzio's forklifts with lithium batteries	Replacement of 100% of batteries	2022	Achieved

## FUTURE ESG OBJECTIVES

ESG objective	Target	Year to reach the target	Current state
% 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	New Objective
% 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	New Objective
% of suppliers audited with sustainability audit checklists	100% of suppliers audited	2022	New Objective
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	New Objective
Feasibility study for the use of recyclable/sustainable materials	Identifying new recyclable/sustainable materials	2023-2024	New Objective
N. of electric cars introduced among our car fleet	At least 1 electric car in our car fleet	2022	New Objective
Installation of new printers in Trivolzio and Tarquinia sites with reduced energy consumption	100% of printers substituted	2022-2023	New Objective
MW of installed photovoltaic panels	2 MW of installed photovoltaic panels	2024	New Objective

# 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 2021, 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.

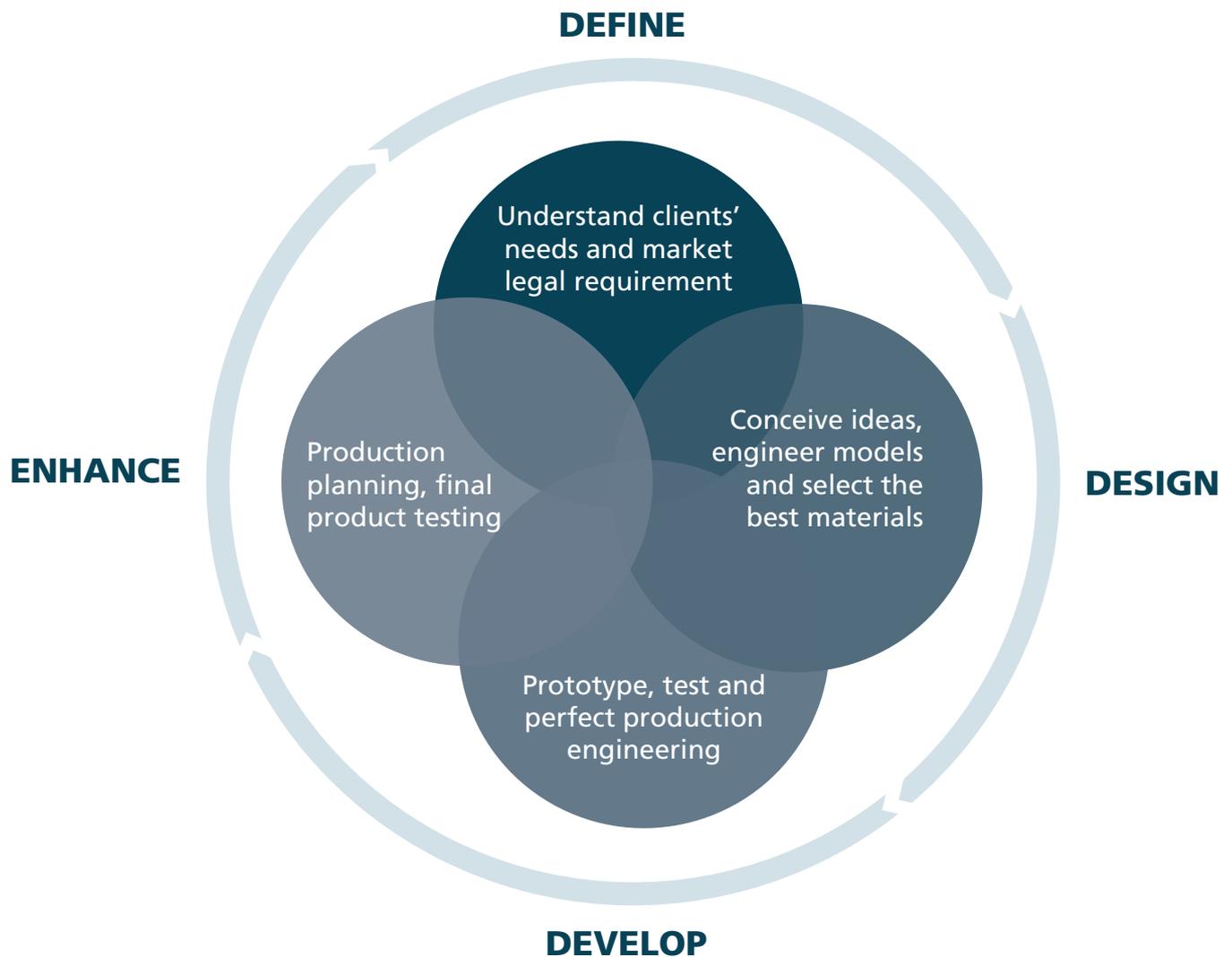
## QUALITY AND SAFETY

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.

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

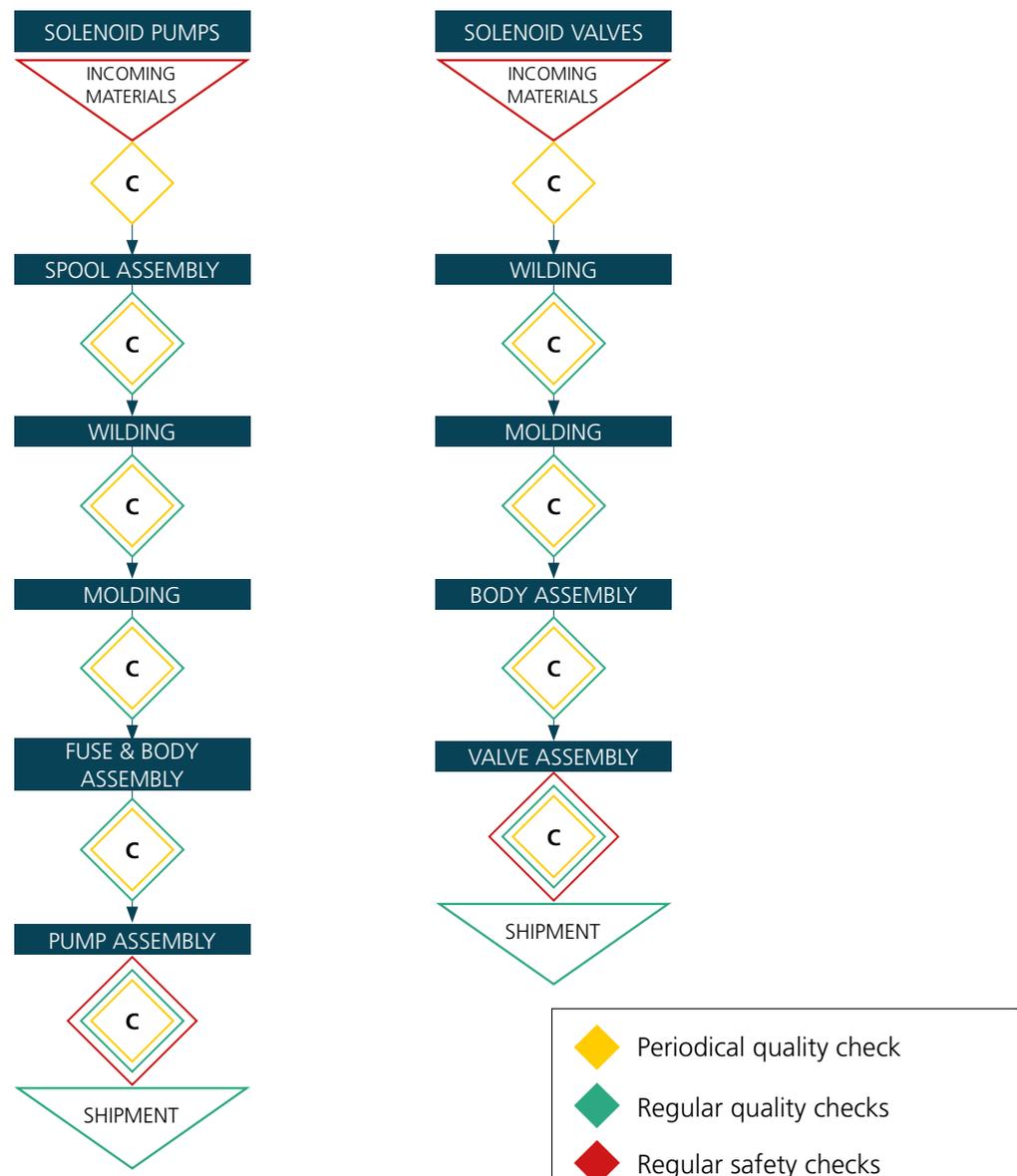
assembly takes place in Trivolzio, Zhongshan and ODE and ACL plant in Colico and Cavenago di Brianza. Production verticalisation enables the Group to control product quality and safety in every process phase.

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.



Additionally, CEME implemented a system that allows for testing of the control devices along the production process to guarantee the highest quality standards for products and internal control systems. The company has introduced certified sample products that are tested on a daily basis. Finally, CEME Quality Department carries out safety controls on electrical product features and performs several other inspections before shipping, including visual controls, maximum flow, maximum pressure, and labelling and packaging conformity checks.

Moreover, throughout 2021, CEME persevered in its efforts to reduce production rejects, i.e., products that do not comply with the Group's quality standards, by introducing a series of initiatives to improve controls on the production process and enhance efficiency in the production of solenoid valves and solenoid pumps. Moreover, the company worked on a general optimisation of the several production phases and introduced some new testing machines to measure valve vibrations without the influence of surrounding noise, delivering an all-time high level of accuracy. In line with 2020, CEME focused on data collection of production metrics and the periodic revision of production documents and introduced employee

training to raise awareness about quality protocols and test procedures. Thanks to these procedures, production waste was reduced by 4.8% for solenoid valves and 1.3% for solenoid pumps, allowing for increased production efficiency and output.

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. The highest risks occur during the installation of CEME products in final goods destined for the market. Potential hazards include: electric shock, moving parts, and sharp edges, and their use in combination with flammable gases or high-pressure conditions. 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. Out of the six product categories in CEME's portfolio, four are evaluated for possible impacts on customer and user safety: they include solenoid valves, solenoid pumps, peripheral pumps, and safety valves, which are all assessed in terms of electrical and food contact safety.

## 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.

CEME relies on external quality consultants who help the Group evaluate and implement new compliance obligations that may impact product characteristics and materials procurement. For example, attention is given to the selection of materials used in the production of food contact elements.

To this end, CEME asks its suppliers to issue an FCM conformity declaration. Furthermore, the company relies on external laboratories to check the material composition and assess material-specific migration rates whenever the supplier's declaration is unavailable.

In accordance with customers' needs and based on its more than 40 years of experience, CEME performs a comprehensive and specific migration test 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. The statement includes the product registration number, the supplier's registration number and the general and specific regulations the item complies with.

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 2021, CEME was audited by four large multinational customers, and thanks to the effort to maintain the highest quality standards, all audits were passed with the highest grades. 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 four years.

## RESEARCH AND DEVELOPMENT

The CEME Research and Development department is constantly working to find innovative and hyper-customised solutions for fluid control systems. In particular, the Group's R&D Department is divided into two principal areas: Advanced R&D, involved in the continuous improvement of the CEME product portfolio, develops new solutions to respond to new market demands; the second area is dedicated to the satisfaction of clients' needs, working in close connection with them to define tailor-made specifics and production processes.

# 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.*

*Pierluigi Zampese, Chief Commercial Officer*

CEME carefully selects the materials and semi-finished products needed in the production process to guarantee the best product quality. During 2021, the overall consumption of raw material materials and semi-finished components showed a significant rise concerning previous years' trends, increasing 25% since 2020 compared to the 3% rise from the year before, such an increase comes as no surprise, given the aforementioned group expansion in 2021 to include ODE and ACL.

Between 2019 and 2021, the materials purchased included mainly steel, copper, and brass, representing more than 60% of the total purchased weight combined. In particular, the primary material used by the company, representing 38% of the total weight, is steel which is purchased in bars and subsequently processed in the Tarquinia and ODE Colico plants. CEME uses two different

kinds of steel, ferritic steel (92% of total steel weight in 2021) and austenitic steel: these satisfy various technical requirements of CEME products thanks to differences in crystalline structure and magnetic characteristics. In addition, steel, copper, and brass accounted for 20% and 6% of production materials in 2021. Steel, copper, and brass 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 (4% of the total of purchased steel) 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.

## PRODUCTION AND PACKAGING MATERIALS

	UoM	2019	2020	2021
<b>Production</b>				
<b>Copper</b>	ton	4,589	4,146	5,286
<b>Steel</b>	ton	5,291	6,733	9,939
of which semi-finished components	ton	153	376	420
<b>Brass</b>	ton	986	758	1,591
of which semi-finished components	ton	115	148	90
<b>Plastic</b>	ton	3,270	3,091	3,813
of which semi-finished components	ton	1,301	1,612	1,874
Iron components	ton	4,350	4,368	5,255
Electrical components	ton	21	17	20
Chemicals (lubricant oils)	ton	85	110	458
<b>Total production materials</b>	<b>ton</b>	<b>18,591</b>	<b>19,223</b>	<b>26,363</b>



	UoM	2019	2020	2021
<b>Packaging</b>				
Paper and cardboard	ton	1,535	692	607
Wood	ton	472	499	203
Plastic	ton	32	25	21
<b>Total packaging materials</b>	<b>ton</b>	<b>2,039</b>	<b>1,216</b>	<b>830</b>

CEME's packaging materials consisted mainly of cardboard boxes: cardboard and paper represented 73% of the total packaging material weight in 2021, while wood and plastic amounted to 24% and 3%, respectively. Despite the acquisition of ODE and ACL, procurement of packaging materials decreased significantly mainly due to consumption of the previous year's warehouse stock in the Tarquinia facility.

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.

Since 2020, the Group has started to use reusable packaging for product delivery to a selected customer.

The long-lasting relationships that CEME tends to develop with its customers and suppliers will be a crucial point for introducing reusable packaging to a higher number of customers in the next few years.

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 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.

<sup>7</sup> The Forest Stewardship Council (FSC) is an international Non-Governmental Organisation. The certification aims at ensuring correct forest management and the traceability of related products. For further details, please visit <https://fsc.org/env/fsc-labels>.

# VALUING OUR PEOPLE



*The year of the Covid-19 pandemic has been polarizing the Human Resources department's activities, which have all been absorbed by the efforts aimed at safeguarding CEME's people – both from a health and safety point of view and with regards to business resilience and continuity. More than ever, in 2021 and beyond the Group is deeply convinced that people are at the core of its organization and a key pillar for business success.*

*Alessandra Scotti, Chief HR Officer*

## EMPLOYEES AT THE CENTER

At the end of 2021, CEME had a workforce of 1,345 people<sup>8</sup> across the five Italian and Zhongshan sites, including both employees and agency workers.

The figure shows a significant increase of 49% with respect to the previous year-end, a trend which can be

highlighted across all employees, agency workers and, on a much smaller scale, in absolute terms of internships.

This growth can be attributed to the ODE and ACL acquisitions.

## CEME WORKFORCE

### WORKFORCE (EMPLOYEE CATEGORY AND GENDER)

	UoM	2019	2020	2021
Employees	n.	857	888	1,211
	Male	426	479	645
	Female	431	409	566
Agency workers	n.	0	15	132
	Male	0	7	71
	Female	0	8	61
Interns	n.	-	1	2
	Male	-	1	1
	Female	-	0	1
Total	n.	<b>857</b>	<b>904</b>	<b>1,345</b>
	Male	426	487	717
	Female	431	417	628

<sup>8</sup> Employees and agency workers headcount in Trivolzio, Tarquinia, Colico, Segrate, Cavenago and Zhongshan sites.

As the table shows, employee numbers in 2021 were 36% higher than in 2020 as a consequence of the new acquisitions. Employees are located mainly in the five operating plants of Trivolzio (Italy), Tarquinia (Italy), ODE (Italy), ACL (Italy) and Zhongshan (China) and make up 99% of the Group's overall labour force at a consolidated level.<sup>9</sup> Furthermore, the Company's personnel is 53%-47% (male to female) split, with a majority of men over women.

Diversity and equal opportunities have always been among CEME's priorities: as a consequence, the Group is committed to creating an inclusive working environment in which its employees 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 2021 – a pattern that shows considerable year-on-year stability. The majority of the Company's personnel is permanently employed, confirming decidedly growing trend with respect to 2020: indeed, the percentage of permanent contracts increased by 7% since 2020 reaching a share of 77% of all contracts at Group level. On the other hand, temporary contracts decreased by 7% since 2020 reaching a share of 23%. As for gender, in 2021, the percentage of female employees with permanent contracts increased (43%, 47% in 2021) while the ones with temporary contracts decreased (54%, 45% in 2021). Regarding males, in 2021 the trend was the opposite (respectively 57% to 53% for permanent contracts and 46% to 55% in temporary contracts).

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

	UoM	2019	2020	2021
<b>Contract type</b>				
<b>Permanent</b>	<b>n.</b>	<b>531</b>	<b>619</b>	<b>933</b>
Male	n.	330	355	493
Female	n.	201	264	440
<b>Temporary</b>	<b>n.</b>	<b>326</b>	<b>269</b>	<b>278</b>
Male	n.	96	124	152
Female	n.	230	145	126
<b>Full-Time and Part-Time</b>				
<b>Full-Time</b>	%	99%	99%	99%
<b>Part-Time</b>	%	1%	1%	1%
<b>Category</b>				
<b>Executives</b>	%	1%	1%	2%
Managers	%	3%	3%	4%
White collars	%	16%	15%	19%
Blue collars	%	80%	81%	75%
<b>Age</b>				
<30 years	%	19%	19%	20%
30 ≤ x ≤ 50 years	%	66%	65%	62%
> 50 years	%	15%	16%	18%

The vast majority of the CEME workforce is made up of blue-collar personnel, followed by office workers, 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 (20% under 30 and 62% between 30 and 50 years of age) and only 18% over 50. The trend does not show noteworthy differences across the three-year reporting period.

<sup>9</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. In particular, total hires increased by 45% with respect to 2020 – with peaks relating to men (up 48%), while workers, categories under 30 years of age and between

30 and 50 years (up 54%, up 53%) – while terminations also increased by 56%. This significant increase in both hires and terminations with respect to past years is largely due to the acquisitions of ODE and ACL as well as the pandemic-induced slowdown.

### HIRES AND TERMINATIONS

	UOM	2019	2020	2021
<b>Hires</b>	<b>n.</b>	<b>200</b>	<b>191</b>	<b>278</b>
Male	n.	97	123	182
Female	n.	103	68	96
<30 years	n.	87	94	145
30 ≤ x ≤ 50 years	n.	99	84	129
> 50 years	n.	14	13	4
Employee hiring rate <sup>9</sup>	%	20%	22%	31%
<b>Terminations</b>	<b>n.</b>	<b>190</b>	<b>155</b>	<b>242</b>
Male	n.	62	66	146
Female	n.	128	89	96
<30 years	n.	91	56	97
30 ≤ x ≤ 50 years	n.	91	88	116
> 50 years	n.	8	11	26
Employee turnover rate	%	19%	18%	27%

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 31% in 2021 against 22% in 2020. The turnover rate – the ratio between the number of terminations and the overall employees at the end of the prior reporting period – increased to 27% in 2021 against 18% decrease in 2020.

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, around 70% of the plant's employees reside in Tarquinia. Thus, the high hiring and turnover rates emerging from the table are mainly due to the Northern Italian and Chinese plants. A further effect can be traced to the outcomes of the ongoing transition towards cutting-edge technology and automation processes in Trivulzio.

## INVESTING IN OUR PEOPLE

### EMPLOYEE TRAINING

CEME believes that training represents one of the best assets to guarantee legislative compliance and to ensure the highest levels of quality and safety along the production process. In this sense, training programmes are structured to prepare all employees to the most appropriate level of knowledge required by their roles and responsibilities. Specifically, safety and quality training are required by law and are held by external suppliers. On the other hand, technical training related to products and applications is organized spontaneously by the company and delivered

by CEME teachers – a choice that takes advantage of and draws directly from the Group's human capital, thus valuing internal skills and expertise. The Trivulzio site has a dedicated training room featuring all the components of CEME products that are used as samples during training classes. Furthermore, language classes give the Company's people the chance to improve their English, from starters to advanced learners. Furthermore, almost all training performed for all employee categories except blue collars – for whom physical presence is required due to the nature

of the activities performed – has been adapted to remote-learning modes.

A trend in training that saw a noteworthy increase in 2021 is tied to the average training hours provided to Executives (2.6 in 2020 to 30.3 in 2021). In fact, in 2021, Corporate Social Responsibility training was provided for a total of 576 hours, which led to a significant difference between

2020 and 2021. Lastly, in 2021, five more different training categories were added to the reporting scope to ensure ever-improving monitoring of training provided. The breakdown reveals that 86% of total training is devoted to Health and Safety and Professional development. On the other hand, job skills, diversity and inclusion and other courses comprise the remaining 14%.

## TRAINING

	UOM	2019	2020	2021
<b>Training hours</b>	<b>hours</b>	<b>3,485</b>	<b>2,014</b>	<b>4,164</b>
	Male	hours	2,549	1,521
	Female	hours	936	493
<b>Average training hours</b>				
Male	hours	6.0	3.2	4.7
Female	hours	2.2	1.2	2.0
Executives	hours	0.8	2.6	30.3
Managers	hours	11.2	6.3	5.5
White collars	hours	6.3	2.9	6.8
Blue collars	hours	3.3	1.9	1.7

For the coming years, CEME is considering expanding the offer of training opportunities for its people in order to

increase its ability to meet its employees' professional and personal needs in a dynamic and complete manner.

## WELFARE

Corporate welfare is one of the means with which CEME pursues the aim of building a positive workplace environment where its people can fulfil their potential. CEME intends to focus its attention on its employees in order to enhance the value of their work, fully aware that a positive balance between work and workers' personal needs is essential to unleash the full expression of their skills. 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 web platform-based welfare plan for all employees in Trivolzio and Tarquinia; moreover a welfare platform is also available for ODE people. The scheme makes goods and services available in the form of flexible benefits. As a way to engage its people at all levels, the welfare value in Trivolzio and Tarquinia is provided as a performance / productivity bonus: thus, it is tied to corporate revenue targets.

The Group is also used to offer recognition measures to people contribution through welfare amounts as a Christmas gift.

The Italian welfare plan is integrated with additional benefit measures, such as those required by national law, and specific ones that target all permanent employees, with differences depending on the type of NCLA contract (Metalworker National Contract and Dirigenti Industry contract): life insurance, healthcare assistance, disability and invalidity insurance, meal vouchers, canteen services and fiscal assistance in agreement with an external provider. Moreover, the Company grants access to Metasalute health insurance, established by the Metalworker National Contract. During 2020, a Covid-specific insurance was stipulated to cover all employees in case of contagion and intensive care hospitalisation. Benefits provided differ for the Zhongshan plant, where the State's public social insurance covers all the areas mentioned for the Italian sites: the benefits are delivered to all employees – both permanent and temporary – with the exception of Part-Time workers who are entitled to disability and invalidity cover only.

### COLLECTIVE BARGAINING

CEME employees in the Trivolzio and Tarquinia production plants are covered by collective bargaining agreements. Furthermore, since 2016 the Group's Italian sites are covered by a second-level contract integrating the national agreement already in force. The contract allows for better regulation of the employment relationship, ensuring adequate labour protection and essential flexibility for the Company.

# PROMOTING A SAFE WORK ENVIRONMENT

## ESG OBJECTIVE

Installation of new printers in Trivolzio and Tarquinia sites with reduced energy consumption by 2022-2023

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 Trivolzio, Tarquinia, Colico, Segrate and Cavenago 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.

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.

For the coming years, CEME is considering developing and implementing a healthy eating promotion through the substitution of junk food with healthy options from snack machines.

## ESG OBJECTIVE

Health & Safety Management System according to ISO 45001 standard in Trivolzio and Tarquinia achieved in 2021.



## ESG OBJECTIVE

20% reduction in the severity of injuries through structural and training actions

## EMPLOYEE HEALTH & SAFETY<sup>10</sup>

	UoM	2019	2020	2021
Total number of worked hours	hours	2,004,109	1,984,654	2,818,178
Total number of recordable work-related injuries	n.	5	19	16
Work-related injury rate <sup>11</sup>	-	0.50	1.91	1.14

During 2021, CEME recorded 16 injuries, of which 13 occurred in the Italian sites of Trivolzio, Tarquinia, Colico, Cavenago and Segrate while the remainder four in Zhongshan.

Two injuries caused more than three days of incapacitation while 14 caused more than seven days of incapacitation: these mainly involved injuries to hands, feet and ankles. During the 2019-2021 three year period, neither high-consequence work-related

injuries, nor fatalities as a result of work-related injuries were recorded.

Furthermore, from 2020 the Group is monitoring and disclosing health and safety data concerning workers that are not employees but whose work and/or workplace is controlled by CEME: the overall worked hours amounted to 298,754 and neither injuries of sort, nor fatalities as a result of work-related injuries were recorded.

<sup>10</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>11</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.

## OUR RESPONSE TO THE COVID-19 PANDEMIC - 2021 UPDATE

In 2021, given the persistence of the pandemic, CEME implemented new measures to keep employees as safe as possible and to comply with national regulations. On top of the already active distancing norms, thermoscanners and mandatory masks, the Group checked Green pass<sup>12</sup> certificates of all employees every morning.

In addition, to further limit the spread of the virus, CEME applied smart working wherever possible.

Since the beginning of the pandemic, CEME's response to the emergency went well beyond corporate perimeters toward the local communities where Trivolzio and Tarquinia plants are located.

Lastly, the pandemic situation was carefully monitored on a weekly basis as to be able to act as promptly as possible with corrective actions and decisions.

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<sup>12</sup> The Green pass certificate, also known as the EU Digital COVID Certificate, is a COVID-19 vaccine passport implemented in the European Union to contain the spread of the virus.

# 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>13</sup> CEME has implemented an ISO 14001:2015 certified Environmental Management System that covers all plant facilities, including the newly acquired ODE and ACL units. Moreover, the Group set out the requirements for managing environmental aspects within the Company.

## 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. In 2021, the Group worked toward fulfilling the goals set, extended the scope of the goals to newly acquired companies, and renewed its commitment by setting new goals to be achieved in the years ahead (for further details, see "Sustainability and ESG objectives").

## 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. Furthermore, from January 2021, CEME Trivolzio and Tarquinia plants sourced 100% of electricity from renewable resources certified by Guarantees of Origin(GOs) certificates.

The Group renewed its commitment setting a target for the 100% of renewable electricity procured for all its Italian plants, thus including the new acquired ODE and ACL, by 2022 and for the Zhongshan production facility by 2024. Total energy consumption remained broadly constant between 2019 and 2020, whereas it increased

significantly in 2021 (up 31% in comparison to 2020). The significant increase in total energy consumption in 2021 was mainly caused by the acquisition of ODE and ACL from March of

that year. Electricity represents 86% 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 (7% of overall energy consumption in 2021), diesel and gasoline used by the vehicle fleet (5%), diesel used by emergency generators (1%) and LPG (1% of overall

### ESG OBJECTIVE

100% energy consumption sourced by renewable energy sources in the Zhongshan plant by 2024

<sup>13</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 in 2021). In particular, the primary source of thermal energy in Trivolzio, ODE Colico and ACL is natural gas, in Tarquinia LPG and in Zhongshan and ODE Segrate 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 in ODE and ACL plant by 2022

## ENERGY CONSUMPTION

	UoM	2019	2020	2021
Electricity	GJ	60,025	65,629	84,388
Natural gas for heating purposes	GJ	5,311	4,735	6,650
Diesel for car fleet	GJ	3,567	941	888
LPG for heating purposes	GJ	1,053	659	981
Gasoline for car fleet	GJ	761	2,630	4,239
Diesel for emergency generators	GJ	2	2	647
<b>Total energy consumption</b>	<b>GJ</b>	<b>70,719</b>	<b>74,596</b>	<b>97,793</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 initiative's calculation methodology.<sup>14</sup>

Since 2020, in order to improve the monitoring of GHG emissions from its value chain CEME extended Scope 3 reporting, including several emissions categories as shown in the table below. Moreover, in 2021, due to the large investments in new production machinery, the category of capital goods became noteworthy and was thus included in the Group Scope 3 calculations.

### 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>15</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.

<sup>14</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>15</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.

Mirroring energy consumption trends, Scope 1 (which includes emissions from refrigerant gas refills and fuel consumption for heating, car fleet and emergency generators) increased by 36% 2021, similarly Scope 2 emissions (location-based method) increased by 22%. Scope 3 emissions, equal to 146,570 ton 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 79% of the total amount.

Similarly to Scope 1 and 2, Scope 3 GHG emissions registered an increase in 2021 caused by the acquisition of ODE and ACL. The most significant variation between the two years is linked to upstream leased assets (category 8), from 2 ton CO<sub>2eq</sub> in 2020 to 12,580 ton CO<sub>2eq</sub> in 2021. Such an upsurge in emissions is attributable to the significant investments made towards leasing machinery in the Trivolzio plant, while in 2020 upstream leased asset category included only short-term rental cars.

## GHG EMISSIONS

	UoM	2019	2020	2021
<b>Direct emissions (Scope 1)</b>	<b>tCO<sub>2eq</sub></b>	<b>975</b>	<b>955</b>	<b>1,303</b>
Natural gas for heating purposes	tCO <sub>2eq</sub>	306	271	381
Diesel for car fleet	tCO <sub>2eq</sub>	266	196	296
Refrigerant gas refills for air-conditioning systems	tCO <sub>2eq</sub>	282	381	458
LPG for heating purposes	tCO <sub>2eq</sub>	67	60	57
Gasoline for car fleet	tCO <sub>2eq</sub>	54	46	66
Diesel for emergency generators	tCO <sub>2eq</sub>	0.1	0.1	45
<b>Indirect emissions (Scope 2) - Location based method</b>	<b>tCO<sub>2</sub></b>	<b>6,943</b>	<b>7,213</b>	<b>8,781</b>
<b>Indirect Emissions (Scope 2) - Market based method</b>	<b>tCO<sub>2eq</sub></b>	<b>8,580</b>	<b>9,090</b>	<b>4,017</b>
<b>Other indirect Emissions (Scope 3)</b>	<b>tCO<sub>2eq</sub></b>	<b>1,715</b>	<b>97,097</b>	<b>146,570</b>
Cat. 1 – Purchased good and services	tCO <sub>2eq</sub>	n.a.	91,337	115,861
Cat. 2 – Capital Goods	tCO <sub>2eq</sub>	n.a.	n.a.	6,342
Cat. 3 – Fuel and energy related activities	tCO <sub>2eq</sub>	n.a.	1,344	1,219
Cat. 4 – Upstream transportation <sup>16</sup>	tCO <sub>2eq</sub>	1,625	3,184	8,975
Cat. 5 – Waste generated in operations	tCO <sub>2eq</sub>	n.a.	460	520
Cat. 6 – Business travel	tCO <sub>2eq</sub>	91	2	2
Cat. 7 – Commuting	tCO <sub>2eq</sub>	n.a.	768	1,070
Cat. 8 – Upstream leased assets	tCO <sub>2eq</sub>	n.a.	2	12,580
<b>Total (Scope 1 + 2 + 3) – Location based method</b>	<b>tCO<sub>2eq</sub></b>	<b>9,634</b>	<b>105,265</b>	<b>156,654</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 2020 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>16</sup> 2018 and 2019 data consider the parcels sold and shipped by CEME only.

## CARBON OFFSETTING PROJECTS

Since 2020, CEME Group's carbon neutrality is achieved by balancing carbon emissions with offsetting, thus using carbon credits coming from positive impact projects. Each credit is certified according to international standards and it corresponds to the reduction (or removal) of one ton of CO<sub>2</sub> equivalent. As for last year, the two projects the Group bought the credits from are the "Great bear forest carbon" and the "Guatemalan conservation coast".

The **Great Bear Forest Carbon project** aims at improving forest management in the British Columbia (BC), the westernmost province of Canada, 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.

The second project is developed in the **Guatemalan Conservation Coast** region by addressing 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 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.



# 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 2021).

Waste generated that was recycled or reused amounted to 75% of the total waste weight generated in 2021.

In the Trivolzio HQs, waste production is mainly from valve and pump assembly processes and packaging materials: the recycled waste share peaked at 95% in 2021. Non-hazardous waste sent to landfill or incineration increased in 2021 in comparison to 2020 due to an increase in the disposal of some occasional waste generated at the Tarquinia plant and the extension of the scope to ODE and ACL.

### ESG OBJECTIVE

100% replacement of consumer, disposable, mono-use plastic with recycled or eco-sustainable materials in all Italian plant facilities by 2022.

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 with eco-sustainable materials.

This initiative, fully reached in the Trivolzio plant and

### 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.

progressing in Tarquinia, will be carried out over the coming years until single-use plastics are completely replaced in all Italian plants, including ODE and ACL. 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 ones that registered the highest amounts were metal scraps (52% of the total waste in 2021), liquid waste solutions (20% of the total waste in 2021), and general scraps from production process such as plastic (8% of the total waste in 2021). 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 0.03% of total waste generated.

## WASTE (DISPOSAL BY CATEGORY)

	UoM	2020	2021
Metal Scrap	ton	1,857.1	2,371.1
Liquid waste solutions	ton	782.5	890.5
Scraps	ton	143.9	375.8
Discarded Equipment	ton	392.7	277.4
Machine oil	ton	113.5	264.0
Paper and board	ton	72.5	90.1
Plastics waste	ton	32.4	88.2
Wood packaging	ton	112.5	72.4

	UoM	2020	2021
Packaging materials	ton	56.3	47.9
Textile Waste	ton	12.1	19.7
Other	ton	5.0	1.4
<b>Total</b>	<b>ton</b>	<b>3,581</b>	<b>4,498</b>
Hazardous waste	ton	122	329
Non-Hazardous waste	ton	3,458	4,169
Recycled	ton	2,762	3,359
Landfilled or incinerated	ton	818	1,139

## 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 2021, the total water consumed by CEME amounted

to 77,411 cubic metres, a significant increase caused by the acquisitions of ODE and ACL. The water used by the Group is drawn mainly from municipal utilities, with the only exception being the Tarquinia plant where, since 2018, half of water withdrawal is drawn from groundwater.

## WATER WITHDRAWAL

	UoM	2019	2020	2021
Ground water	m <sup>3</sup>	2,019	2,921	4,320
Third-party water (Municipality)	m <sup>3</sup>	43,150	44,946	73,091
<b>Total</b>	<b>m<sup>3</sup></b>	<b>45,169</b>	<b>47,867</b>	<b>77,411</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>17</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>17</sup> Reverse osmosis is a desalination mechanism based on the physical separation of water-dissolved minerals.

## APPENDIX

<b>SOCIAL DATA</b>	<b>2020</b>	<b>2021</b>
<b>Total number of Full Time Equivalent (FTE) employees at the end of the reporting period</b>		
Male	479.9	737.9
Female	400.9	713.1
<b>Total</b>	<b>880.8</b>	<b>1,450.95<sup>18</sup></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
Female	400.9	415.6
<b>Total</b>	<b>800.8</b>	<b>945.7</b>
<b>Number of Senior Management / C-Suite</b>		
Male	<b>7</b>	<b>8</b>
Female	0	0
<b>Total</b>	<b>7</b>	<b>8<sup>19</sup></b>
<b>Voluntary Employee Turnover Rate</b>	21.2%	22.6%
<b>Is there a workers council in place?</b>	Yes	Yes
<b>Lost time injury frequency rate (LTIFR)</b>	1.9	0.8
<b>Accident severity rate</b>	0.1	0.1
<b>Absentee rate</b>	4.0%	3.2%

<b>ENVIRONMENTAL DATA</b>	<b>2020</b>	<b>2021</b>
<b>Do you have an Environmental Manager in the company?</b>	Yes	Yes
<b>How much of your total electricity consumption is met via renewable energy sources? (kWh)</b>	0	16,278,457
<b>% Renewable Electricity</b>	0%	69.4%
<b>Energy consumption (kWh)</b>	20,721,020	27,164,681
<b>Absentee rate</b>	4.0%	3.2%

<sup>18</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>19</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 1st to December 31st, 2021 as well as the related key performance indicators, presented for the 2019-2021 period, where available. The information refers to CEME S.p.A and includes the Company's Headquarters in Trivulzio (Pavia, Italy), and the production sites in Tarquinia (Viterbo, Italy) and Zhongshan (Guangdong, China).

Exceptions to this scope are explicitly reported in the text. Furthermore, the present Progress Report includes multiple references concerning the Covid-19 pandemic, a

significant event that broke out at the beginning of 2021 and has affected the Group's usual business activity. 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
- ODE S, Via Amedeo Modigliani, 45, 20054 Segrate MI, 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.

Material aspects	GRI Standards topics	Aspect boundary		Limitations of reporting on boundary	
		Within the organization	Outside the organization	Within the organization	Outside the organization
Collaborators welfare and benefits	Employment	CEME	-	-	-
Customer health and safety	Customer health and safety	CEME	Clients	-	Reporting scope not extended to clients
Diversity and equal opportunities	Diversity and equal opportunity	CEME	-	-	-
Employee health and safety	Occupational health and safety	CEME	Suppliers	-	-
Energy and GHG emissions	Energy	CEME	Suppliers	-	Reporting scope not extended to suppliers
	Emissions				
Job creation	Employment	CEME	-	-	-
Materials	Materials	CEME	Suppliers	-	Reporting scope not extended to suppliers
People training and development	Training and education	CEME	-	-	-
Waste management	Effluents and waste	CEME	Suppliers	-	Reporting scope not extended to suppliers
Water management	Water and effluents	CEME	Suppliers	-	Reporting scope not extended to suppliers

## QUALITY REPORTING PRINCIPLES

CEME's Sustainability Progress Report is drafted in accordance with the principles of balance, comparability, accuracy, timeliness, clarity and reliability, as defined by the GRI Standards. 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.

## MATERIALITY ANALYSIS

The undertaking of a benchmarking analysis served to review peers and competitors and best practices in sustainability reporting. In addition, a Company management meeting was scheduled to evaluate the results of the materiality analysis and weight possible changes and updates in terms of topics' relevance and priority concerning last year's matrix. This phase was performed taking into account different sources of information:

- The GRI Sustainability Reporting Standards;
- Actual or potential requests from customers;
- Results of a sector-specific media analysis, which included news about CEME;
- The Regulatory framework.

CEME's management discussion confirmed the importance for the Group of the topics "Suppliers environmental

assessment" and "Relationship with local communities". However, as the context analysis highlighted, these were not among the most relevant issues for stakeholders. Furthermore, in defining the most material issues, the following aspects are considered to be operating preconditions and are thus excluded from the materiality matrix:

- Respect for human rights;
- Fight against corruption;
- Regulatory compliance;
- Customer privacy.

Thanks to the slowing down of the Coronavirus pandemic, the topic "Employee health and safety" was moved downwards. In contrast, "Energy and GHG emissions" was moved to the right to signal growing internal importance for the company.

## CALCULATION METHODOLOGIES

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

- All 2021 data related to injuries refer to both CEME employees and contractors, while 2019 data comprise employees only. 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 Trivolzio'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:

#### Diesel and Gasoline

Fuel density (liter/ton)  
Calorific Value (GJ/ton)

UK Department of Environment, Food & Rural Affairs (DEFRA),  
Conversion factors - Full set, 2019, 2020, 2021.

- 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:

#### Natural gas

Calorific Value (GJ/1000 Stm<sup>3</sup>)

Italian Ministry for Environment, Tabella parametri standard nazionali,  
2019, 2020, 2021.

#### LPG

Fuel density (litre/ton)  
Calorific Value (GJ/ton)

UK Department of Environment, Food & Rural Affairs (DEFRA),  
Conversion factors - Full set, 2019, 2020, 2021.

- 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.

2019 Scope 3 emissions estimates include indirect emissions resulting from outbound logistics and business travel by car, air and train.

Outbound logistics distances have been calculated by considering all shipments of sold products from Trivolzio and Zhongshan sites to customers. The calculation does not take into account intercompany and spare parts shipments.

2021 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, 2019, 2020, 2021.	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 (AR5)

## 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, 2018, 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, 2018, 2019, 2020	CO <sub>2</sub> equivalent emissions were considered
		Terna, Confronti internazionali, 2018, 2019, 2020	Only CO <sub>2</sub> emissions were considered

## GHG EMISSIONS, SCOPE 3 (2019)

Source	Activity data	Emission factor	Global Warming Potential (GWP)
Business travel by car and air	Kilometers travelled	UK Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors - Full set, 2019	CO <sub>2</sub> equivalent emissions were considered
Business travel by train	Kilometers travelled	Ferrovie dello Stato Italiane, "Rapporto di Sostenibilità", 2019	CO <sub>2</sub> equivalent emissions have been considered
Outbound logistics	Kilometers covered by air, truck or ship multiplied by shipped weight (ton)	UK Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors Full set, 2019	CO <sub>2</sub> equivalent emissions were considered

## GHG EMISSIONS, SCOPE 3 (2020-2021)

Source	Activity data	Emission factor	Global Warming Potential (GWP)
Materials procured (Cat. 1)	Weight of raw, process and packaging materials procured	Ecoinvent, v.3.7.1 UK Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors - Full set, 2021	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	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
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	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	CO <sub>2</sub> equivalent emissions were considered
Waste disposal (Cat. 5)	Weight of waste disposed (ton)	UK Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors - Full set, 2020, 2021	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	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	CO <sub>2</sub> equivalent emissions were considered
		Ferrovie dello Stato Italiane, “Rapporto di Sostenibilità”, 2020, 2021	
Employees commuting (Cat. 7)	Kilometres travelled	UK Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors - Full set, 2020, 2021	CO <sub>2</sub> equivalent emissions were considered
		Ferrovie dello Stato Italiane, “Rapporto di Sostenibilità”, 2020, 2021	
Short-term leased car travel (Cat. 8)	Kilometres travelled	UK Department of Environment, Food & Rural Affairs (DEFRA), Conversion factors - Full set, 2020 2021	CO <sub>2</sub> equivalent emissions were considered

# GRI DISCLOSURES

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

GRI Standard	Disclosure	Notes
	102-1 Name of the organisation	
	102-2 Activities, brands, products, and services	
	102-3 Location of headquarters	
	102-4 Location of operations	
	102-5 Ownership and legal form	
	102-7 Scale of the organisation	
	102-8 Information on employees and other workers	
	102-9 Supply chain	
	102-10 Significant changes to the organisation and its supply chain	No significant changes to the organisation's size, structure, or supply chain were recorded in the reporting period.
	102-11 Precautionary Principle or approach	
	102-12 External initiatives	
	102-14 Statement from senior decision-maker	
	102-18 Governance structure	No committee responsible for decision-making on economic, environmental, and social topics is foreseen to date.
	102-40 List of stakeholder groups	
	102-41 Collective bargaining agreements	
	102-42 Identifying and selecting stakeholders	
	102-46 Defining report content and topic Boundaries	
	102-47 List of material topics	
	102-48 Restatements of information	Restatements and related reasons for restatements are clearly identifiable within the text.
	102-49 Changes in reporting	Whenever a change in reporting scope was carried out, it has been duly highlighted and is thus clearly identifiable within the text.
	102-50 Reporting period	
	102-51 Date of most recent report	The 2021 Sustainability Progress Report is the Company's third, annual edition of its kind.
	102-52 Reporting cycle	The data collection process and the report publication activities are structured on an annual basis.
	102-53 Contact point for questions regarding the report	
	102-56 External assurance	

## GRI 102 General Disclosures (2016)

GRI Standard	Disclosure
<b>Economic performance</b>	
GRI 201 – Economic performance (2016)	201-1 Direct economic value generated and distributed
<b>Procurement practices</b>	
GRI 103 – Management approach (2016)	103-1 Explanation of the material topic and its Boundary
	103-2 The management approach and its components
GRI 204 – Procurement practices (2016)	204-1 Proportion of spending on local suppliers
<b>Anti-corruption</b>	
GRI 205 – Anti-corruption (2016)	205-3 Confirmed incidents of corruption
<b>Anti-Competitive Behavior</b>	
GRI 206 – Anti-competitive behavior (2016)	206-1 Legal actions for anti-competitive
<b>Materials</b>	
GRI 103 – Management approach (2016)	103-1 Explanation of the material topic and its Boundary
	103-2 The management approach and its components
GRI 301 – Materials (2016)	301-1 Materials used by weight or volume
<b>Energy</b>	
GRI 103 – Management approach (2016)	103-1 Explanation of the material topic and its Boundary
	103-2 The management approach and its components
GRI 302 – Energy (2016)	302-1 Energy consumption within the organisation
<b>Water and effluents</b>	
GRI 103 – Management approach (2016)	103-1 Explanation of the material topic and its Boundary
	103-2 The management approach and its components
GRI 303 - Water and effluents (2018)	303-3 Water withdrawal
<b>Emissions</b>	
GRI 103 – Management approach (2016)	103-1 Explanation of the material topic and its Boundary
	103-2 The management approach and its components
GRI 305 – Emissions (2016)	305-1 Direct (Scope 1) GHG emissions
	305-2 Energy indirect (Scope 2) GHG emissions
	305-3 Other indirect (Scope 3) GHG emissions
<b>Effluents and waste</b>	
GRI 103 – Management approach (2016)	103-1 Explanation of the material topic and its Boundary
	103-2 The management approach and its components
GRI 306 – Effluents and waste (2020)	306-1 Waste generation and significant waste-related impacts
	306-2 Management of significant waste-related impacts
	306-3 Waste generated

GRI Standard	Disclosure
<b>Environmental compliance</b> 	
GRI 103 – Management approach (2016)	103-2 The management approach and its components
GRI 307 – Environmental compliance (2016)	307-1 Non-compliance with environmental laws and regulations
<b>Employment</b> 	
GRI 103 – Management approach (2016)	103-1 Explanation of the material topic and its Boundary
	103-2 The management approach and its components
GRI 401 – Employment (2016)	401-1 New employee hires and employee turnover
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees
<b>Occupational Health and Safety</b> 	
GRI 103 – Management approach (2016)	103-1 Explanation of the material topic and its Boundary
	103-2 The management approach and its components
GRI 403 – Occupational Health and Safety (2018)	403-1 Occupational Health and safety management system
	403-2 Hazard identification, risk assessment, and incident investigation
	403-3 Occupational health services
	403-4 Worker participation, consultation, and communication on occupational health and safety
	403-5 Worker training on occupational health and safety
	403-6 Promotion of worker health
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
403-9 Work-related injuries	
<b>Training and education</b> 	
GRI 103 – Management approach (2016)	103-1 Explanation of the material topic and its Boundary
	103-2 The management approach and its components
GRI 404 – Training and education (2016)	404-1 Average hours of training per year per employee
<b>Diversity and equal opportunities</b> 	
GRI 103 – Management approach (2016)	103-1 Explanation of the material topic and its Boundary
	103-2 The management approach and its components
GRI 405 – Diversity and equal opportunities (2016)	405-1 Diversity of governance bodies and employees
<b>Non-Discrimination</b> 	
GRI 406 – Non-Discrimination (2016)	406-1 Incidents of discrimination and corrective actions taken
<b>Customer health and safety</b>	
GRI 103 – Management approach (2016)	103-1 Explanation of the material topic and its Boundary
	103-2 The management approach and its components
GRI 416 – Customer health and safety (2016)	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services

GRI Standard	Disclosure
<b>Customer Privacy</b>	
<b>GRI 418 – Customer Privacy (2016)</b>	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data
<b>Socioeconomic Compliance</b>	
<b>GRI 419 – Socioeconomic Compliance (2016)</b>	419-1 Non-compliance with laws and regulations in the social and economic area

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